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## Company Profile

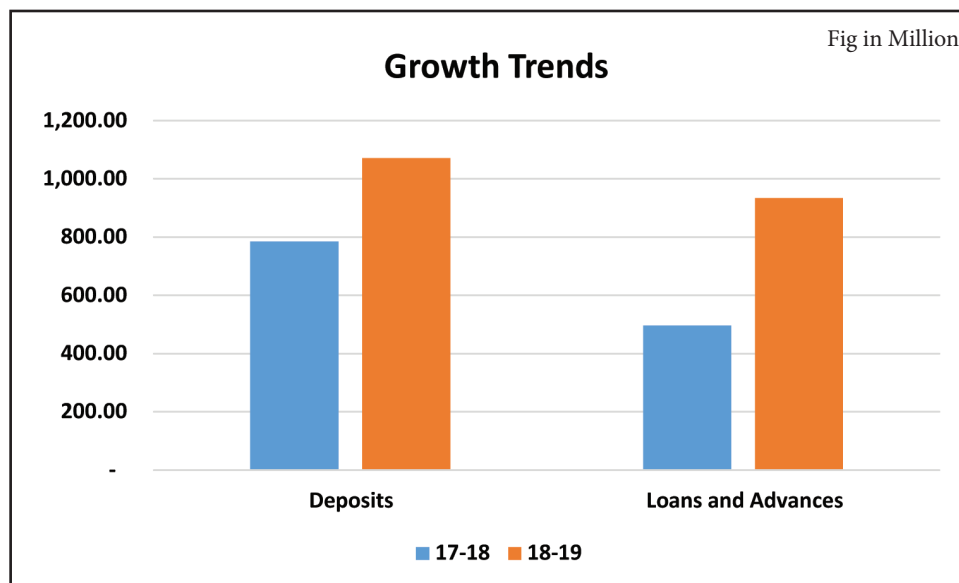
Registered Name	Progressive Finance Limited
Legal Form	Public limited company listed with Nepal Stock Exchange
Company Registration Number	98/051/52
Company Registration Date	2051/06/14
NRB License Number	"Ga"/31/062/63
Permanent Account Number	500055304
Registered Office	KMC ward no. 22, Pako, Newroad, Kathmandu
Corporate Office	Tinkune, Kathmandu 01-5199664
Branch Offices	Pako New Road, Kathmandu Janagal, Banepa, Kavre Chipledhunga, Pokhara, Kaski Sabaila, Dhanusa Chhireswarnath, Dhanusa Malangawa, Sarlahi
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

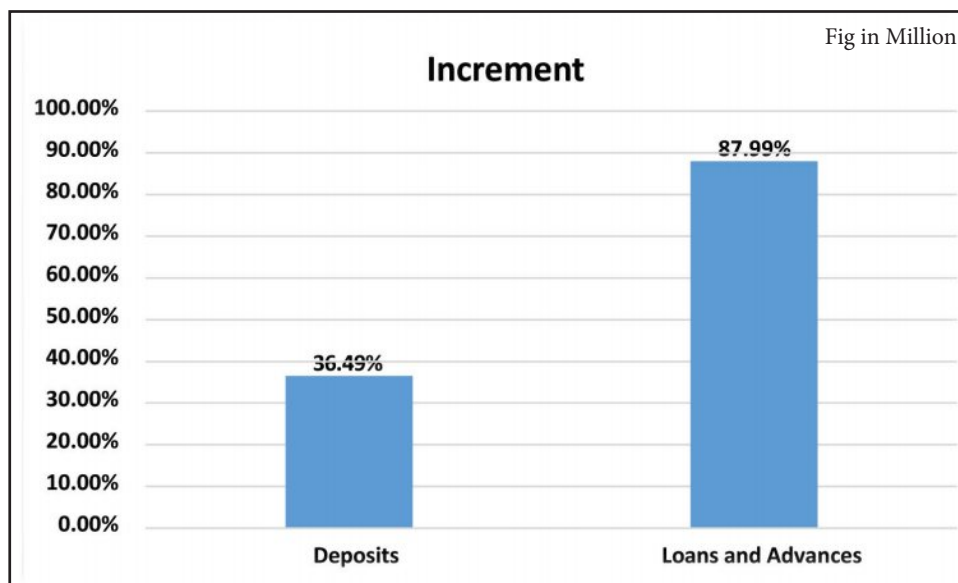
## PFL Performance 2018-19

Successfully reaching the paid-up capital of 800 million as required by the NRB for C Class financial institutions, PFL has firmly established itself as one of the strongest finance companies in the country. PFL has been successful in increasing its deposits by more than 36% to reach Rs. 1,070 million from Rs. 784 million in the past year. Similarly, the loans and advances to customers has increased by more than 88% to reach Rs. 934 million from Rs. 497 million in the past year. PFL has also been steadily increasing its investments over the years which has risen by more than 5 times in the past year to reach Rs. 90 million from Rs.17 million in the past year.

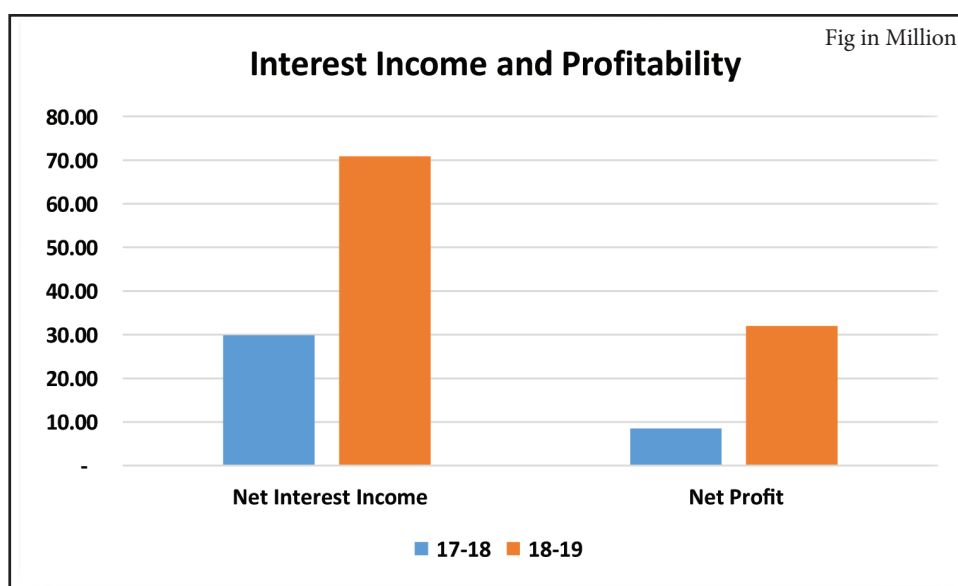
PFL has been focusing into geographical expansion by opening new branches which opens new avenues for the company. We have shifted to our new corporate office at Tinkune, Kathmandu from our previous head office at New Road, Kathmandu which shall now serve as our Main Branch. Adding to our existing branches, we have now added 4 branches at Chipledhunga, Pokhara; Sabaila, Dhanusa; Chhireswarnath, Dhanusa and Malangawa, Sarlahi. In addition to that, extension counters at Tinkune, Kathmandu; Mahalaxmishthan, Lalitpur; Pulchowk, Lalitpur and Thimi, Bhaktapur are in operation.

Trained manpower is backbone of any organization. The total number of employees at PFL has now reached 38 which is a 23% increase from the previous year.

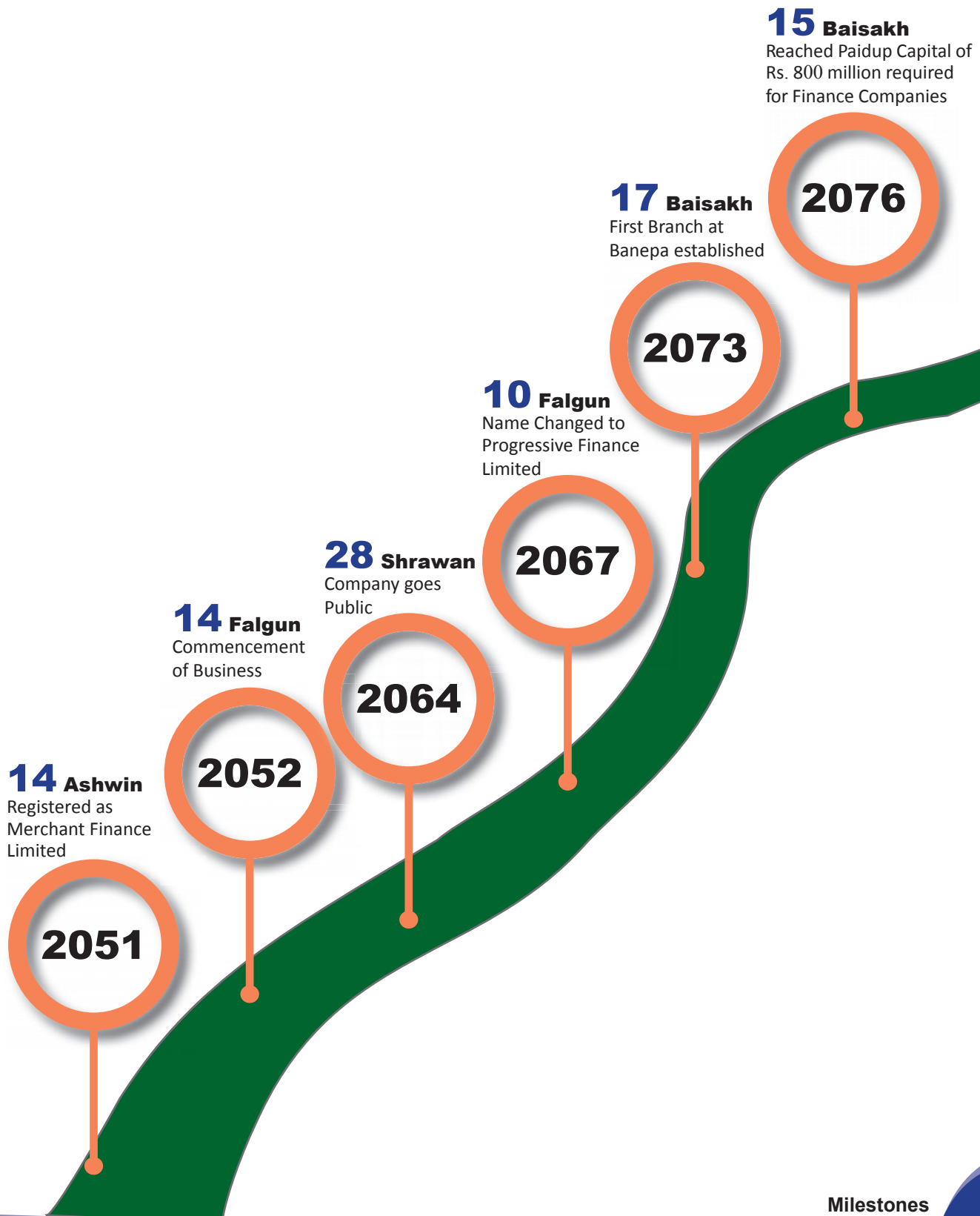




The net interest income of PFL has risen by 137% from previous year's Rs. 30 million to reach Rs. 71 million this year. Likewise, the net profit for the period has also increased to Rs. 32 million from Rs. 8.5 million last year which is a 276% increase.



## 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 23<sup>rd</sup> 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.

### National Economic Outlook

The World Bank has projected Nepal's economy to grow at a rate of 6.4% in the year 2019-

20. The country has had a stable government after a long time and the benefits of such stability shall definitely affect the economy as a whole. The government has also put forth year 2020 as Visit Nepal year and is expecting to bring in 2 million tourists during the year. The electricity Load-shedding which sent the country into darkness for years is now almost a thing of past. With various power projects being completed in the near future, the country is slowly beginning to move towards actually realizing its huge potential in hydropower sector. The increased power production will not only provide our industries with ample power but will also result in foreign currency income through sale of electricity to neighboring countries. It is also being reported that the imports into the country has been diminishing whereas the exports have been increasing in the initial stages of the ongoing fiscal year which promises a brighter glimpse of the future of our economy.

On the hindsight, the pressure in the liquidity situation does not seem to be fading away quite easily. Such pressure has caused the interest rates to skyrocket and such high rates of interest is acting as a major hindrance in the growth of the commercial sector. As in the past few years, the government

expenditure does not seem to be improving with very low government expenditures being reported during the current fiscal year which is even lower in case of capital expenditure.

This will definitely have an negative impact on the growth of 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 have already setup new branches in Pokhara of Kaski District in Gandaki Province; Sabaila and Chhireshwarnath of Dhanusa district as well as Malangawa of Sarlahi district in Province No. 2. We are also in the process of setting up new branches in Itahari, Damak and Birtamode of Province No. 1 and Hetauda, Narayangarh and Lalitpur of Province No. 3

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.

### **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 10% 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.

Although, Nepal Rastra Bank has called on the Banks and FIs to consolidate by merging, we, at PFL, will albeit heeding to the call, continue to grow as Progressive Finance Ltd. and use our excellent parameters for as tool for continuing to use the name Progressive Finance even when we do initiate merger plans with other FIs. Thank you all for your trust in us.

**Kishore Kumar Maharjan**

Chairman

### Board of Directors



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

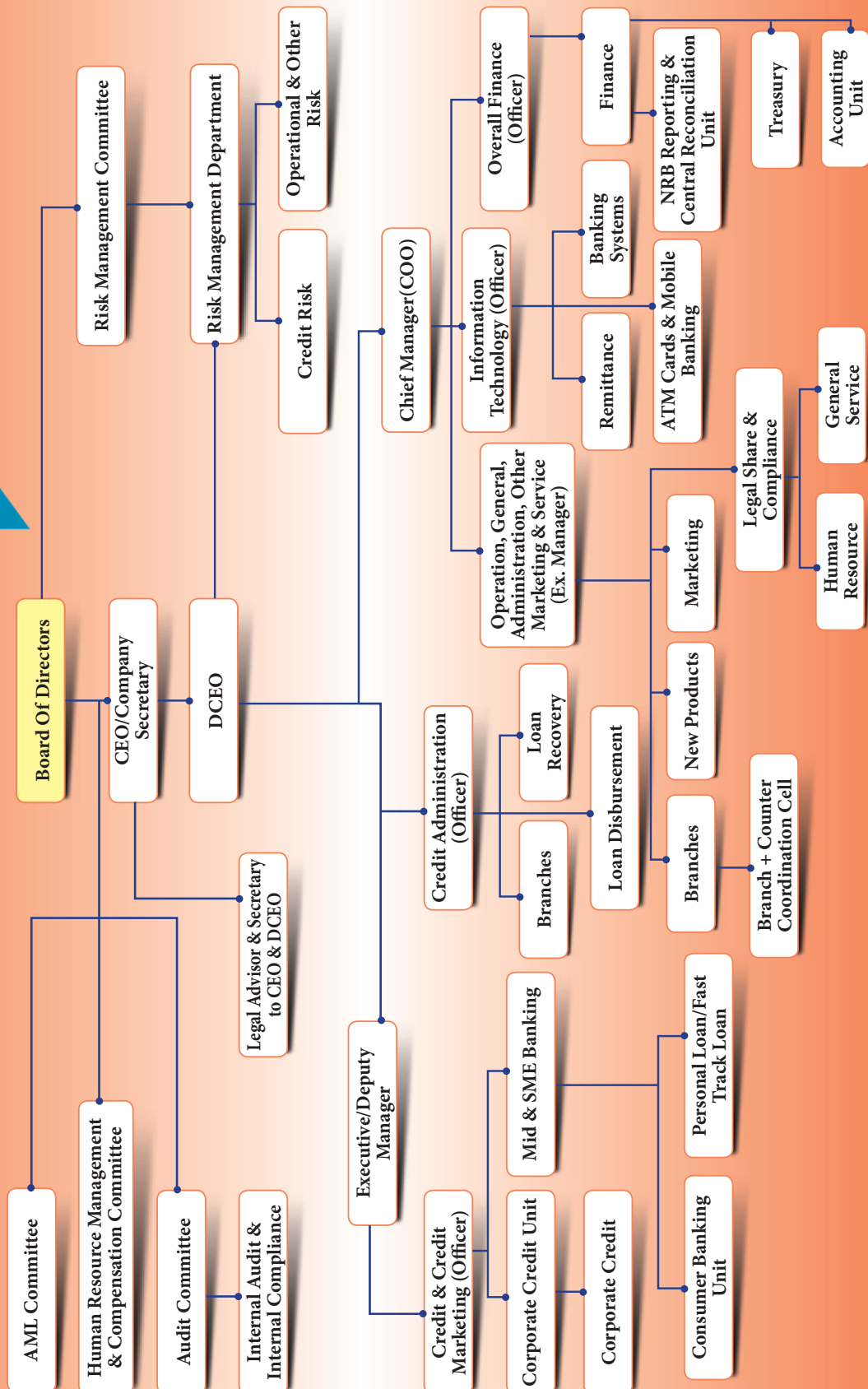
### Management Team



Front row from left: Mr. Pramod Bhattarai (Chief Manager), Mr. Bishal Humagain (CEO), Mr. Maheswar Pahari (DCEO)  
Second row from left: Aadesh Shrestha, Jayaram Karmacharya, Sagar Bhujel, Rashmi Shahi, Asmita Adhikari, Sajana Basnet, Rajani Shakya, Uma Lamichhane, Janak Kumar Yogi, Sarmila Maharjan, Rabin Maharjan, Bishnu Prasad Sharma, Bikram Shakya, Amin Shrestha, Rajesh Das

Progressive Finance Limited

## Organizational Chart



## CEO's Message



I would like to welcome all the distinguished shareholders, representatives of various entities and to other invitees to this 23rd Annual general meeting of the Progressive Finance Limited.

The year 2075-2076 has been a remarkable year for Progressive Finance. During the review period, the Finance company reached the required capital 800 million as per regulatory requirement to national level 'C' Class Financial Institution. I would like to thank all the shareholders for their effort to achieve this milestone.

However, with a stable government in place at the Local Level, Provincial Level and Central Level, the situation in the days ahead is expected to improve. Enhancement of investment in productive sector, political stability, no load-shedding, decreasing trend of strikes etc. are the positive sign for economic prosperity. The economic sector of the country expect mainly in light of the satisfactory GDP growth, timely budgetary expenditure and huge potential in the infrastructure development.

Even with some constraints Progressive Finance registered a Net Profit of Rs. 28 million for FY 2075/76. This is 323% growth in comparison to the year before. Likewise, in Deposits and Loans the Company recorded a growth of 36.49% and 87.99% respectively as compared to the corresponding previous year. Our NPA to Gross Loan ratio has improved to 1.43% from 1.90% of the corresponding quarter of previous financial year. This is the lowest NPA percentage of our Finance Company in the last decade if not more. The Company has a strong capital base with a Capital Adequacy Ratio (CAR) of 66.51% 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.

The update on the prevailing macro-economic scenario based on review period appears to be promising. Remittances increased 19.4% to Rs.879.27 billion in the review period. Domestic credit increased 21.4% in the review period compared to an increase of 26.5% in the corresponding period of



the previous year. Deposits at Banks and Financial Institutions (BFIs) increased 18% in the review period compared to a growth of 19.2% in the corresponding period of the previous year. Credit to the private sector from BFIs increased 19.4% in the review period compared to an increase of 22.5% in the corresponding period of the previous year. In the review period, private sector credit increased 17.5% from commercial banks, 35.7% from development banks and 17.9% from finance companies.

The Finance Company is in the expansion phase and recently established the branches in Pokhara Metropolitan city of Gandaki Province, Sabaila, Chhireshwornath and Malangawa Municipality of Province no. 2. The company expanded an extension counter in Tinkune after the establishment of corporate office. After these expansions six branch offices and four extension counters are in operation now. Further, Nepal Rastra Bank granted approval to establish branches in Itahari sub metropolitan city of Province 1, Hetauda sub metropolitan city of Province 3, Bharatpur and Lalitpur Metropolitan Cities of Province 3. These four branches will commence on operation within FY 2076/077. Finance company is planning to establish at least three branches in each province within FY 2077/078.

With the establishment of branch the Company also concentrated on services quality. Company started ABBS, IPS, Connect IPS, Mobile Banking, Internet Banking, 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.

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 2075/76 are a true vindication of all our hard work, dedication and drive. We will Surge Together Ahead be delivering “Faith- Innovation - Satisfaction” to all our Stakeholders, Customers, Regulators, Shareholders and Staff.

**Bishal Humagain**

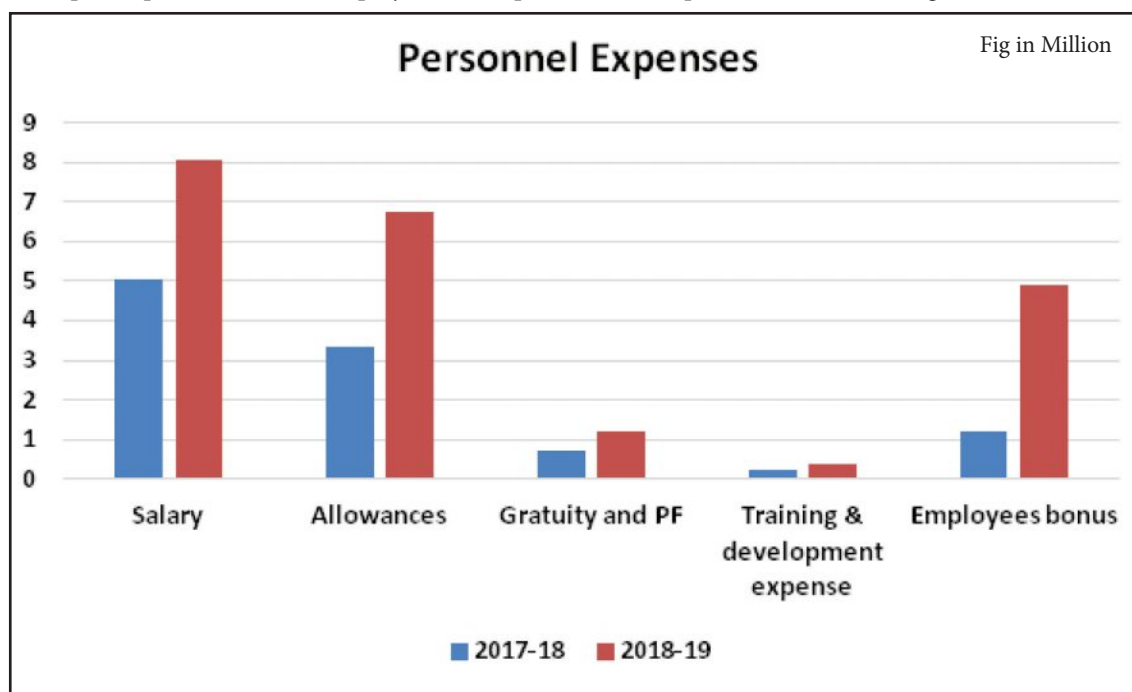
Chief Executive Officer

## Human Resource

PFL regards 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 hence more than doubled in the past year reaching Rs. 21 million this year from Rs. 10 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:

1. Training on Applied Excel
2. IT Security & Compliance Training to
3. Professional Service charge for the workshop on Transformational Leadership
4. Training program on Effectively Handling the issue of malpot
5. Training program Branch operational Excellence

6. Training program on Relationship with Napi for Loan Quality Assurance
7. Training program on Nepal Financial Reporting standard(NFRS)
8. Training program on Fake note detection & Signature verification
9. Training program on Relationship between Bank & Napi for collateral Quality Assurance
10. Training program on Risk Management(RM) for banks & Financial institutions
11. Training program on Fake Notes Detection & Signature verification
12. Refreshment Training program
13. Training on Nime
14. Training on National Banking Institute

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:

1. 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.
2. Corporate work culture
3. Regular trainings and professional education
4. Subsidized loans to the employees

## 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 your money to grow.

### Individual Deposits

Saving Deposit Types	Interest rates	Minimum balance	Calculation Method
Special Saving Account	8.50%	Rs.100/-	Quarterly
Progressive Super Bachat Account	8.50%	Rs.5,000/-	Monthly
Children Saving Account	8.50%	Rs.1000/-	Quarterly
Staff Growing Plus Saving Account	8.50%	Rs.1000/-	Quarterly
Progressive Gold Saving Account	8.50%	Rs.2000/-	Quarterly
Shareholder Saving Account	8.50%	Rs.5000/-	Quarterly
Progressive Unnati Saving Account	8.50%	Rs.1000/-	Quarterly
Ugratara Special Saving Account	8.50%	Rs 100/-	Quarterly
Subharamba Saving Account	8.50%	Rs 1/-	Quarterly
JNKMEMP	8.75%	Rs.5000/-	Monthly
Prasanna Bachat Khata	9.00%	Rs.50,00/-	Monthly

### Institutional Deposits

Saving Deposit Types	Interest rates	Minimum balance	Calculation Method
1. Ordinary Corporate Saving Account 2. Progressive Super Corporate Saving Account 3. Progressive Special Corporate Saving Account	up to 8.50%	For Finance Companies Rs.10,000/- & for other companies Rs.5,000/-	Quarterly
Call Account	up to 8.50%	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. 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
Hire Purchase Loan	Base Rate+4% Premium
Housing Loan	Base Rate+4% Premium
Real State Loan	Base Rate+4% Premium
Personal Loan	Base Rate+4% Premium
Trading Loan	Base Rate+4% Premium
Industrial Loan	Base Rate+4% Premium
Education Loan	Base Rate+4% Premium
Foreign Employment Loan	Base Rate+4% Premium
Share Loan	Base Rate+4% Premium
Deprived Sector Loan	Base Rate+3% Premium
Bipanna Barga Thok Karja	Base Rate+3% Premium
Productive Sector	Base Rate+3% Premium
Wholesale Loan	Base Rate+4% Premium
Service Business Loan	Base Rate+4% Premium
Miscellaneous Loan	Base Rate+4% Premium
Fixed Deposit Loan	Interest Rate+3%
Paripasu Loan	As per Mutual Understanding

# 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 process 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 2076	As at 32 Ashad 2075
<b>1.1 Risk Weighted Exposure (RWE)</b>		
RWE for Credit Risk	1,194,694.21	633,753.02
RWE for Operational Risk	101,025.10	100,712.55
RWE for Market Risk		-
<b>Total RWE before adjustment under Pillar II</b>	<b>1,295,719.31</b>	<b>734,465.57</b>
<u>Adjustments under Pillar II</u>	-	-
<b>Total RWE</b>	<b>1,295,719.31</b>	<b>734,465.57</b>
<b>1.2 Capital</b>		
<b>A. Core Capital (Tier I)</b>	<b>849,281.53</b>	<b>283,422.00</b>
Paid up Equity Share Capital	800,100.00	210,000.00
Irredeemable Non-cumulative preference shares		
Share Premium	7,124.78	6,797.00
Proposed Bonus Equity Shares		
Statutory General Reserves	18,088.57	12,443.00
Retained Earnings	(3,810.55)	(10,160.00)
Un-audited current year cumulative profit/(loss)	28,228.80	
Capital Redemption Reserve		
Capital Adjustment Reserve		69,351.00
Dividend Equalization Reserves		
Other Free Reserve		
Less: Goodwill		
Less: Deferred Tax Assets	(450.07)	(5,008.00)
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		
<u>Adjustments under Pillar II</u>	-	-
<b>B. Supplementary Capital (Tier II)</b>	<b>12,492.34</b>	<b>5,825.00</b>
Cumulative and/or Redeemable Preference Share		

Particulars	As at 31 Ashad 2076	As at 32 Ashad 2075
Subordinated Term Debt		
Hybrid Capital Instruments		
General Loan Loss Provision	11,998.01	4763
Exchange Equalization Reserve		
Investment Adjustment Reserve	348.26	348
Assets Revaluation Reserve	41.59	41
Other Reserves	104.48	672
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>861,773.87</b>	<b>289,247.00</b>
<b>1.3 Capital Adequacy Ratio</b>		
<b>Tier I Capital to Total RWE</b>	65.55%	38.59%
<b>Total Capital Fund to Total RWE</b>	66.51%	39.38%

### 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.

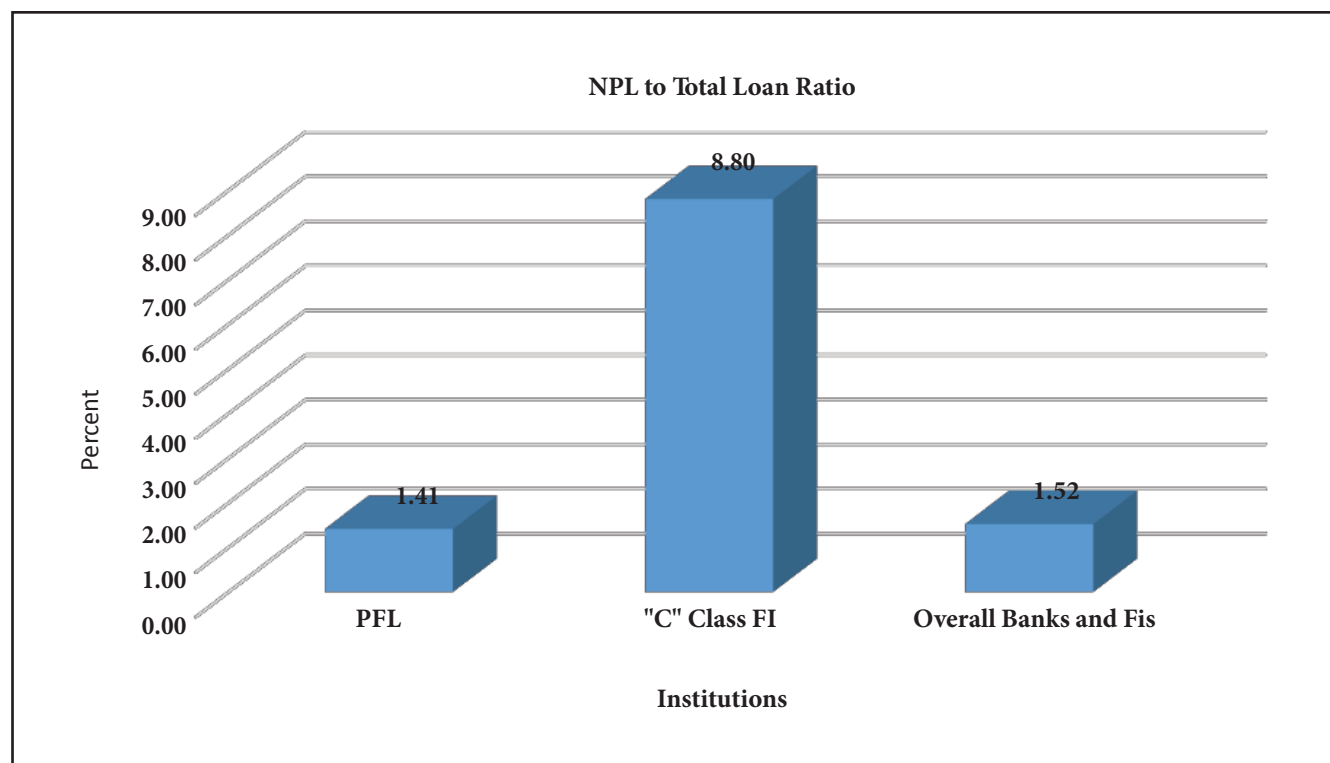
The Finance Non Performing Assets includes 1.41% of total Loans and Advances as at Ashad end 2076. The total NPA as at Balance sheet date is Rs. 14,350,533.72 and the Provision relating to the NPL amounts to Rs. 10,155,238.72 which is 71% of the NPA.



Particulars	As at 31.03.2076	As at 32.03.2075	Change	
			Amount	%
<b>Performing loan</b>	<b>1,004,037,453.51</b>	<b>500,737,671.15</b>	<b>503,299,782.36</b>	<b>101%</b>
<b>Non-performing loan</b>				
Substandard	4,664,200.88	375,307.62	4,288,893.26	1143%
Doubtful	1,394,288.69	66,458.53	1,327,830.16	1998%
Loss	8,292,044.15	9,092,560.19	(800,516.04)	-9%
<b>Total</b>	<b>1,018,387,987.23</b>	<b>510,271,997.49</b>	<b>508,115,989.74</b>	<b>100%</b>
NPL Ratios				
Gross NPL to Gross Loans and Advances		1.41%		

#### NPL to Total Loan Ratio

As on Ashad end 2076, average NPL to total loan ratio for Class “C” banks and financial institutions and overall banks and financial institutions are 8.80% and 1.52%, 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.

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 36% during the current fiscal year
- ❖ The total loan disbursed by the finance has increased by 100% During the FY 2075/76 as compared to the Loan disbursed during the FY 2074/75
- ❖ The finance has complied with the capital requirement as per the directive issued by the Regulatory Authority (NRB) during the FY 2075/76.
- ❖ The operating profit and Net profit of the finance during the FY 2075/76 amounted to Rs. 43,421 thousand and Rs. 28,228 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.
- b. 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.
- 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.

Summary of CSR contribution during the year is as follows:

S.no.	Sector/Initiatives (Social Project + Community Investment)	Actual
01	Environment	Rs. 26,377
02	Social	Rs. 3,99,100

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 the health of the public.
- ❖ Distributed warm clothes to the victims of natural calamities.
- ❖ Provided assistance to various educational programs for the development of educational sector, cancer awareness campaign, blood donation programs, 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 Bank 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:

- ❖ Carried out tree plantation program with the objective of maintaining healthy and clean environment to minimize effect of environmental pollution over environmental and physical objects and global warming.
- ❖ 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.





### 3. VALUE ADDED STATEMENT

Value Added	2019	2018
Interest earned and other operating Income	155,237,407	88,640,194
Cost of Services	74,159,738	55,485,385
Value Added by banking services	81,077,669	33,154,809
Non Banking Income	201,166	238,407
Provision against non performing assets	4,213,828	1,475,893
<b>Total Value Added</b>	<b>77,065,007</b>	<b>31,917,323</b>
Number of Employees at the end of the Year	38	31
Value added per Employee(NPR)	2,028,027	1,029,591
Total Number of Shares	8,001,000	2,100,000
Value added per Share(NPR)	9.63	15.20

During the review period, the Finance successfully created value of NPR 77,065 thousands, an increment of 141% year-on-year, mainly on account of increase of interest earned.

Application for Value Addition	2018	Percentage	2017	Percentage
To Employees	21,157,139	26%	10,541,015	19%
To Government	19,808,765	36%	4,601,191	8%
To Shareholders		0%	-	0%
To Expansion and Growth	14,677,572	26%	5,058,813	9%
<b>Total Value allocated</b>	<b>55,643,476</b>		<b>20,201,019</b>	

### MARKET VALUE ADDED STATEMENT

Particulars	FY 2018-19	FY 2017-18
Total Number of General Shares	3,920,490	1,029,000
Price per General Share (NPR)	111	135
Total Market Value (NPR) of General Shares	435,174,390	138,915,000
Total Number of Promoter Shares	4,080,510	1,071,000
Price per Promoter Share (NPR)	101	101

Particulars	FY 2018-19	FY 2017-18
Total Market Value (NPR) of Promoter Shares	412,131,510	108,171,000
Total Market Value	847,305,900	247,086,000
Total Book Value (NPR)	844,529,681	295,566,507
Market Value Added (NPR)	2,776,219	(48,480,507)

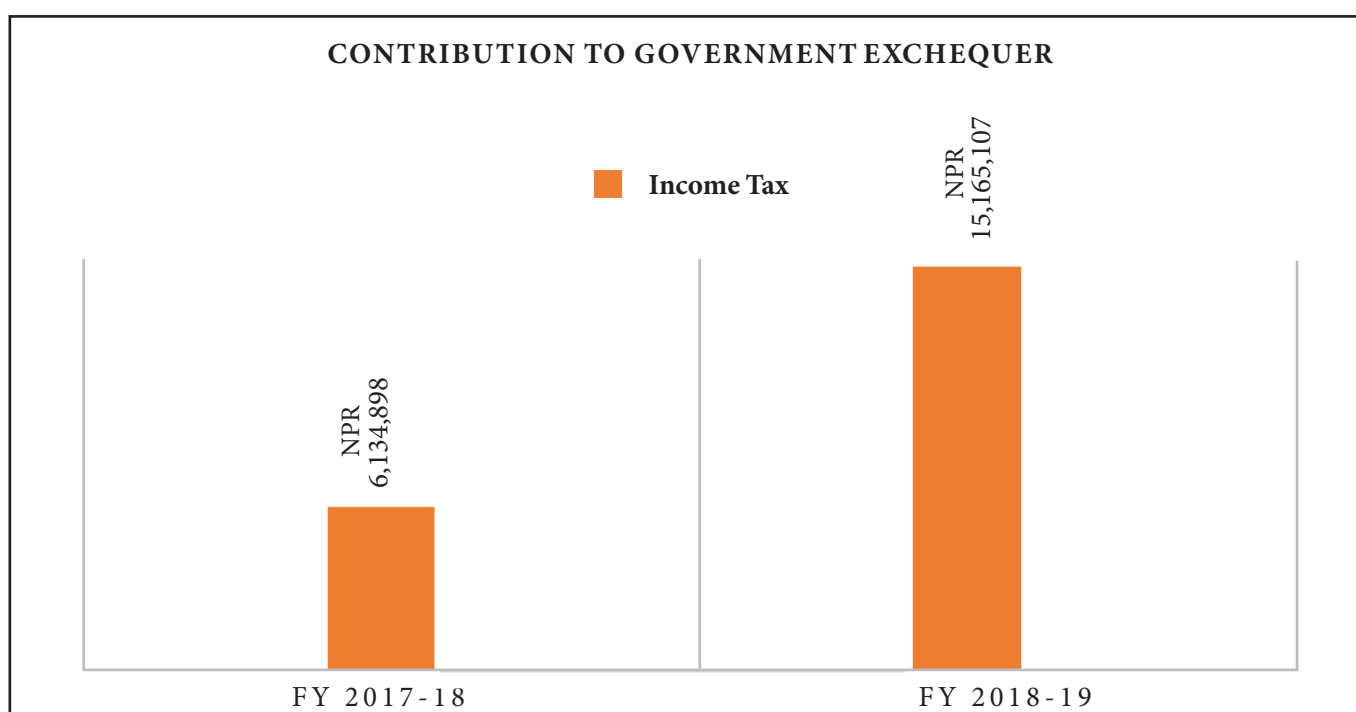
#### ECONOMIC VALUE ADDED STATEMENT

Particulars	FY 2018-19	FY 2017-18
Net Profit (NPR) (A)	28,228,804	6,675,945
Total Shareholders Fund (NPR) (B)	844,529,681	295,566,507
Cost of Equity (C)	10.00%	10.00%
Cost of Capital ( D = B*C )	84,452,968	29,556,650
Economic Value Added ( A-D )	(56,224,164)	(22,880,705)
Total Number of Shares (A)	8,001,000	2,100,000
Economic Value Added Per Share (NPR)	(7.03)	(10.90)

#### 4. STATEMENT ON CONTRIBUTION TO GOVERNMENT EXCHEQUER

The government is considered as one of the most important stakeholders that plays a critical role in the economic development of the country. Contribution to the government in any form is extremely essential to build the nation. Being a responsible corporate citizen, the Finance has ensured its noteworthy contribution in national goals like raising living standard of deprived sector, supporting in employment creation, increasing tax/revenue collection, promoting cashless economy, and enhancing financial access. Being a legitimate and ethical corporate citizen, Finance contributes to the government exchequer when the necessary amounts fall due.

The Finance has made a handsome contribution to the government exchequer of NPR 15,165 thousands as income tax paid during the review period, whereas last year, the amount was NPR 6,134 thousands.



# 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 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. SHARE HOLDING 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

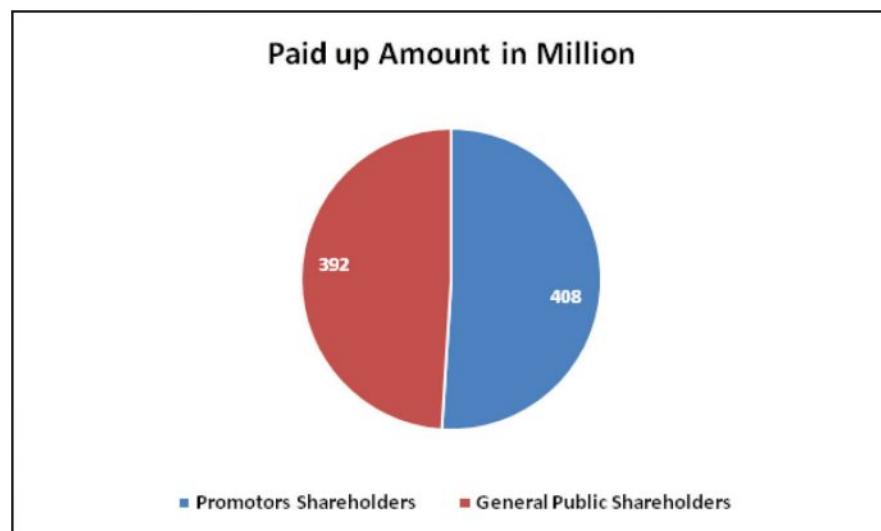
Particulars	Amount	Percentage
<b>Domestic ownership</b>		
Nepal Government		
"A" class licensed institution		
Other licensed institution		
Other Institutions		
Public	793,304,400	99.15%
Other (Corporate)	6,795,600	0.85%
<b>Foreign ownership</b>		
<b>Total</b>	<b>800,100,000</b>	<b>100.00%</b>

### 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



Name	Position	Number of Shares held	Percentage
Mr. Kishore Kumar Maharjan	Chairman	25908	0.32
Mr. Laxmi Prasad Maharjan	Director	152400	1.90
Mr. Shambhu Lal Dangol	Director	152400	1.90
Mr. Anish Maharjan	Director	1944	0.02
Mrs. Sabina Maharjan	Director	1000	0.01
Mr. Samudra Kaji Shrestha	Director	140644	1.75
Tirtha Lal Maharjan	Shareholder	363341	4.54
Rasana Shrestha	Shareholder	282000	3.52
Arjun Maharjan	Shareholder	270179	3.38
Ram Kaji Awale	Shareholder	252400	3.15
Babu Raja Maharjan	Shareholder	158237	1.98
Bulal Maharjan	Shareholder	156210	1.95
Mukesh Maharjan	Shareholder	156134	1.95
Bishan Maharjan	Shareholder	156070	1.95
Krishna Awale	Shareholder	155448	1.94
Surendra Awale	Shareholder	152400	1.90
Manoj Dangol	Shareholder	152400	1.90
Laxmi Prasad Maharjan	Shareholder	152400	1.90
Raju Maharjan	Shareholder	152400	1.90
Rabi Maharjan	Shareholder	152400	1.90
Shambhu Lal Dangol	Shareholder	152400	1.90
Bhim Lal Maharjan	Shareholder	152400	1.90
Ram Maharjan	Shareholder	152400	1.90
Rajit Maharjan	Shareholder	152400	1.90
Purna Sagar Maharjan	Shareholder	152400	1.90
Sumin Maharjan	Shareholder	152400	1.90

Name	Position	Number of Shares held	Percentage
Sangha Ratna Dangol	Shareholder	152400	1.90
Sanu Kaji Maharjan	Shareholder	152400	1.90
Sanjib Maharjan	Shareholder	147000	1.84
Krishna Awale	Shareholder	112649	1.41
Rabin Maharjan	Shareholder	107843	1.35
Gyanesh Maharjan	Shareholder	95885	1.20
Babu Kaji Maharjan	Shareholder	94241	1.18
Hera Man Maharjan	Shareholder	89850	1.12
Anil Maharjan	Shareholder	80000	1.00
Hira Kaji Maharjan	Shareholder	80000	1.00
Bikki Maharjan	Shareholder	80000	1.00
Rushan Shrestha	Shareholder	80000	1.00
Aayunskha Maharjan	Shareholder	80000	1.00
Ishwori Bade	Shareholder	78814	0.99
Isha Shrestha	Shareholder	75000	0.94
Bish Ram Singh	Shareholder	72771	0.91
Anil Maharjan	Shareholder	62865	0.79
Toya Nath Poudel	Shareholder	61736	0.77
Bijaya Maharjan	Shareholder	59000	0.74
Saraswoti Timalisina	Shareholder	56420	0.71
Ram Kaji Awale	Shareholder	51895	0.65
Binaya Amatya	Shareholder	50000	0.62
Ishan Shrestha	Shareholder	50000	0.62
Kaji Ratna Maharjan	Shareholder	46414	0.58
Ramesh Singh Maharjan	Shareholder	43587	0.54
Sujan Jangam	Shareholder	42947	0.54
Sandeep Timalisina	Shareholder	42315	0.53
Purna Maharjan	Shareholder	40000	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.	Lalit Kishor Bhatta	Head - Internal Audit, H.R and Planning	Member Secretary

### Risk Management Committee

S.N.	Name	Status in Organization	Status in Committee
1.	Laxmi Prasad Maharjan	Director	Member
2.	Anish Maharjan	Director	Member
3.	Subash Dahal	Senior Officer	Member Secretary

### Assets (Money) Laundering Prevention Committee

S.N.	Name	Status in Organization	Status in Committee
1.	Laxmi Prasad Maharjan	Director	Coordinator
2.	Bishal Humagain	CEO	Member
3.	Sarita Bhandari	Supervisor	Member
4.	Rojan Bajracharya	Asst. Manager	Member Secretary

### Karmachari Sewa Suvida Samiti

S.N.	Name	Status in Organization	Status in Committee
1.	Laxman Yadav	Director	Coordinator
2.	Bishal Humagain	CEO	Member
3.	Uma Lamichhane	Executive Manager	Member Secretary

### Arthik Nirdeshan Samiti

S.N.	Name	Status in Organization	Status in Committee
1.	Bishal Humagain	CEO	Coordinator
2.	Uma Lamichhane	Executive Manager	Member Secretary
3.	Menuka Sharma Baral	Senior Officer	Member

## 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. Laxmi Prasad Maharjan – Board Member

Mr. Shambhu Lal Dangol – Board Member

Mr. Anish Maharjan – Board Member

Mrs. Sabina Maharjan – Board Member

Mr. Samundra Kaji Shrestha – 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 33 Board Meetings were held during the year. The following table illustrates the number of Board meetings held during the FY 2075/76 and sitting fees paid to the directors:

Directors	Attendance	Meeting Fees
Kishore Kumar Maharjan	33 meetings	Rs. 72,600
Laxmi Prasad Maharjan	33 meetings	Rs. 60,000
Shambhu Lal Dangol	33 meetings	Rs. 66,000
Randev Krishna Shrestha	33 meetings	Rs. 54,000
Anish Maharjan	33 meetings	Rs. 66,000
Laxman Yadav	33 meetings	Rs. 66,000
Total	-	Rs. 3,84,600

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

### ***Roles and Responsibilities of the Board:***

- a) Decision on the long-term objectives of the institution
- b) Decision on the credit and investment policies of the institution
- c) 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
- c) Approval of authorities and powers delegated to the Chairman, Board of Directors, Board Committees, and Chief Executive Officer
- d) Approval of the institution's annual budget
- e) Recommendation of final dividend payments
- f) Approval of the adoption of any significant change in accounting policies or practice
- g) Approval of the applicable policies of the institution
- h) Appointment of the Independent Director
- i) Ensuring that the Board has the appropriate number and quality of directors to fulfill its responsibilities
- j) 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 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
  - a) Bank and Financial Institutions Act
  - b) Nepal Rastra Bank Directives, Circular and Guidelines
  - c) Other legal provisions

## II. Internal requirement

- a) Memorandum of Association
- b) Article of Association
- c) 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.

#### 4. 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 23<sup>rd</sup> Annual general Meeting of the Institution. I am equally delighted to report that Progressive Finance Limited has delivered a strong performance in the Financial Year 2018/19.

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 2018/19, 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 Financial Statements, Statement of Profit or Loss, Cash Flow Statement 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

As the financial statement of 2018/19 was prepared as per Nepal Financial Reporting Standard (NFRS), financial details and indicators of 2017/18 and 2016/17 were also recalculated on the basis of same yardsticks. Details of achievements of 2018/19 and 2017/18 are as follows:

Particulars	FY 2018/19	FY 2017/18	Percentage Increment/ (Decrement)
Paid Up Capital	800,100	210,000	281%
Deposits	1,111,009	784,638	42%
Loans and Advances	1,036,320	512,767	102%
Investment	89,854	17,576	411%
Total Assets	1,976,775	1,089,891	81%
Operating Profit	43,421.11	11,308.60	284%
Net Profit	28,228.80	6,675.95	323%
Net Profit/Total Assets (%)	1.43%	0.61%	133%
Net Profit/Net Worth (%)	3.34%	2.26%	48%
Non-Performing Loan/Total Loan (%)	1.41%	1.87%	-25%
Earnings Per Share	8.64	4.75	82%
Capital Adequacy Ratio	66.50%	40.05%	
Accumulated Profit	10,867.00	(3,811.00)	-385%
Reserve Fund	33,563.00	20,026.00	68%
Loan Loss Provision	25,102.00	15,877.16	58%
Interest Income	144,972.64	85,328.02	70%
Interest Expenses	74,159.74	55,485.39	34%
Net Interest Income	70,812.91	29,842.63	137%

Particulars	FY 2018/19	FY 2017/18	Percentage Increment/ (Decrement)
Net Fees and Commission	10,264.76	3,312.18	210%
Other Operating Income	201.17	238.41	-16%
Total Staff Expenses	21,157.14	10,541.02	101%

During the review period, the finance has increased its deposits by 42% which was Rs. 784,638 thousand on Ashad 2075 and increased to Rs. 1,111,009 thousand on Ashad 2076. Further, total loan during FY 2018/19 has been increased by 102% as compared to FY 2017/18. The total loan amounted to Rs. 512,767 as at Ashad 2075 which has been increased to Rs. 1,036,320 on Ashad 2076. Similarly, the finance has increased its investment during the FY 2018/19 by 411%. Total investment during the FY 2017/18 was Rs. 17,576 thousand which has been increased to Rs. 89,854 thousand in the review period. Likewise, the size of Balance Sheet has also been increased from Rs. 1,089,891 to Rs. 1,976,775.

The finance has achieved a growth of 284% on its operating profit and 323% on its Net Profit as compared to the previous year. During the FY 2018/19, the operating profit and Net Profit of the finance are Rs. 43,421 thousand and Rs. 28,229 respectively which were Rs. 11,309 thousand and Rs. 6,676 thousand during FY 2017/18. During FY 2018/19, Return on Equity and Return on Assets of the Finance are 3.34% and 1.43% respectively, which were 2.26% and 0.61% respectively, during FY 2017/18. Similarly, there has been an increase of 82% on the Earning Per Share of the Finance during the review period. The EPS for FY 2018/19 is Rs. 8.64 which was Rs. 4.75 for FY 2017/18.

#### 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's circular no 23/073 as on date. As per the circular, "C" class financial institutions should meet the minimum capital requirement of 800 million within 2073/74. The capital requirement of the Finance has been complied during the FY 2018/19 after the auction of the Right Shares by the Finance.

The Capital Adequacy Ration of the Finance for the year 2018/19 is 66.50% which is 55.50% more the ratio prescribed by Nepal Rastra Bank i.e. 11%

#### Accumulated Profit and Reserve Fund

The finance has increased its accumulated profit to 10,867 thousand during 2018/19 from a loss of Rs. 3,811 thousand in 2017/18. Similarly, the Reserve Fund has been increased to Rs. 33,563 in 2018/19 from Rs. 20,026 in 2017/18.

#### Deposit

Total Deposit of the Finance has increased by 42% during FY 2018/19 and reached to Rs. 1,111,009 thousand which was reported to be Rs. 784,638 thousand during FY 2017/18. The total deposit of finance constitutes 0.03% of the total deposit of industry as published by NRB.

The total deposit of the finance is constituted by 56% of Individual Depositor and 44% of Institutional Depositor.

Amount in '000

Type of Deposit	Amount	Percent
Individual Deposit	623,466	56%
Institutional Deposit	487,543	44%
<b>Total Deposit</b>	<b>1,111,009</b>	<b>100%</b>



### Loan and Loan Loss Provision

The total loan of the finance has increased by 104% during the FY 2018/19. Similarly, Loan loss provision has also been increased by 53%.

The product wise detail of loans is given below:

Product	As at 31.03.2076	Percentage
Term loans	291,794	29%
Demand and other working capital loans	190,621	19%
Personal residential loans	44,060	4%
Real estate loans	44,916	4%
Margin lending loans	32,946	3%
Hire purchase loans	90,821	9%
Deprived sector loans	101,152	10%
Other	222,078	22%
<b>Total</b>	<b>1,018,388</b>	<b>100%</b>
Add: loan to employees and Net AIR	17,932	
<b>Total</b>	<b>1,036,320</b>	

The Loan Loss provision for the FY 2018/19 amounts to Rs. 25,102 thousand during the FY 2018/19 which is 2.42% of total Loan Amount.

Particulars	Current Year	Previous Year
Total Loan	1,036,320,183	512,767,364
Impairment allowances	25,102,162	15,877,156
<b>Net Loan</b>	<b>1,011,218,021</b>	<b>496,890,208</b>
<b>% of Provisioning</b>	<b>2.42%</b>	<b>3.10%</b>

### Investment

The finance has invested a sum of Rs 90,139 thousands in different government and other securities. The investment in Government bond amounts to Rs. 15,000 thousand and investment on other corporate shares constitute Rs. 75,139 thousand. A revaluation loss of Rs. 285 thousand has been created during the FY 2018/19 for the losses incurred on the investment on corporate shares through Portfolio Management Services.

Particulars	FY 2018/19	Percentage
1. Nepal Government Securities	15,000	17%
2. Corporate Shares	75,139	83%
Total Investment	90,139	100%
Revaluation	(285)	
Net Investment	89,854	

### Interest Income and Expenses

During the review period, the interest income of the Finance increased by 70% whereas the interest expenses has been increased by 34%. Net Interest income during FY 2018/19 has been increased by 137% as compared to the FY 2017/18. The total interest income for the FY 2018/19 amounted to Rs. 144,972.64 thousand and the Interest Expenses amounted to Rs. 74,160 thousand. Hence Net interest income amounts to Rs. 70,813 thousand during the review period.

### Net Fees and Commission Income

The finance has been able to earn Rs. 10,265 thousand as Net Fees and Commissions, which is 210% increment 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. 201 thousand, which is 16% decrement in comparison to that of the previous year i.e. Rs. 238 thousand.

### Staff Expenses

During the review period, Staff Expenses of the Finance increased by 101%, from Rs. 10,541 thousand in previous fiscal to Rs. 21,157 thousand. 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 lead 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 81% from 2,039 thousand to 3700 thousand. The finance has changed its method of depreciation on fixed assets from written down value method to straight line method during the review period. Management of the Finance Co. has assessed useful life and salvage value of property and equipment.

### Other Operating Expenses

The other operating expenses of the finance has increased by 56.79% during the FY 2018/19 from Rs. 10,980 thousand to Rs. 17,215. 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 2018/19	FY 2017/18
Statutory general reserve	18,089	12,443
Corporate social responsibility reserve	282	191
Regulatory reserve	8,245	-
Investment adjustment reserve	-	348
Fair value reserve	(200)	143
Other reserve		
Capital Adjustment Fund	-	69,351
Other	22	104
<b>Total</b>	<b>26,438</b>	<b>82,580</b>

## 5. 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 16 July, 2019 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	9 Meetings	Rs.18,000
2.	Shambhu Lal Dangol	Member	8 Meetings	Rs. 16,000
3.	Randev Krishna Shrestha	Guest	2 Meetings	Rs. 4000
4.	Lalit Kishor Bhatta	Member Secretary		

### *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.

### *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.

## 6. 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 16 July, 2019 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Sitting Fees:
1.	Rana Dev Krishna Shrestha	Coordinator	1 meeting	Rs. 2000
2.	Laxmi Prasad Yadav	Member	1 meeting	Rs. 2000
3.	Anish Maharjan	Member	1 meeting	Rs. 2000
4.	Subash Dahal	Member Secretary	1 meeting	

### *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.

### *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.

## 7. 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 16 July, 2019 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Sitting Fees:
1.	Laxman Yadav	Coordinator	6 meetings	Rs. 12000
2.	Bishal Humagain	Member	6 meetings	-
3.	Uma Lamichhane	Member Secretary	6 meetings	-

### *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 institutions 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.

## 8. 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 16 July, 2019 along with the meetings conducted and attended and the sitting fees paid were as follows:

S.N.	Name	Status	Attendance	Sitting Fees:
1.	Laxmi Prasad Maharjan	Coordinator	2 meetings	Rs. 4,000
2.	Anish Maharjan	Guest	1 Meetings	Rs.2,000
3.	Bishal Humagain	Member		
4.	Sarita Bhandari	Member		
5.	Rojan Bajracharya	Member Secretary		

### 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.

## **9. 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:

7. 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
8. 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
9. 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**

**Kishore Kumar Maharjan**

**Chairman**



## 10. RESPONSIBILITY STATEMENT OF CEO AND CFO

The year 2018-2019 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:

1. 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);
2. Format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075;
3. Companies Act, 2063;
4. Banks and Financial Institutions Act, 2073;
5. Securities Act, 2063;
6. 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:

1. The institution has kept proper books of accounts as required by law.
2. 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.
3. There are no material non-compliances and litigations.
4. Required and adequate provisions have been made for the overdue loans and advances as per the NRB Directive and NFRS.

**Bishal Humagain**  
CEO

# Management Discussions and Analysis

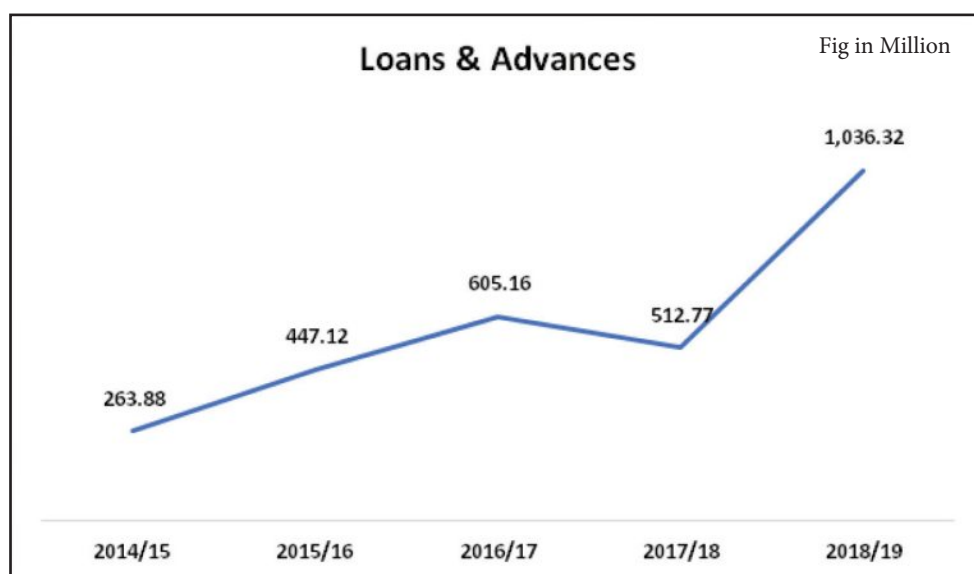
## 1. FINANCIAL HIGHLIGHTS

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	Annual Growth (FY 18/19)	CAGR (5 years) Average
Total Loans and Advances (Gross) (NPR Million)	263.88	447.12	605.16	512.77	1,036.32	102.10%	40.77%
Total Assets (NPR Million)	400.39	735.00	775.59	1,089.89	1,976.78	81.37%	49.06%
Net Assets (NPR Million)	92.71	195.77	218.65	295.57	844.53	185.73%	73.73%
Total Deposits (NPR Million)	303.10	533.44	546.72	784.64	1,111.01	41.60%	38.37%
Shareholders Fund (NPR Million)	92.71	195.77	218.65	295.57	844.53	185.73%	73.73%
Total Operating Income (NPR Million)	25.75	23.05	35.24	33.39	81.28	143.40%	33.29%
Profit before Tax (NPR Million)	3.61	21.66	15.34	11.28	48.04	325.97%	90.98%
Profit after Tax (NPR Million)	(5.32)	20.95	13.04	6.68	28.23	322.84%	7.74%
Gross Revenue (NPR Million)	50.49	48.18	78.96	88.64	155.24	75.13%	32.42%
Net Profit/Total Income	(5.46)	24.80	14.18	7.51	17.64	134.89%	-8.16%
Return on Total Assets (Percentage)	(1.33)	2.78	1.68	0.61	1.43	134.43%	-15.31%
Return on Equity (Percentage)	(5.58)	14.52	6.29	2.59	4.95	91.18%	-23.59%
Return on Capital Employed (Percentage)	3.89	11.06	7.02	3.82	5.69	49.08%	9.93%
Debt-Equity Ratio	3.32	2.75	2.51	2.69	1.34	-50.11%	-20.28%
Dividend	-	-	-	-	-		
Cost / Revenue Ratio (Percentage)	80.27	84.08	75.90	88.94	74.78	-15.92%	-1.76%
Net Profit Per Employee (NPR Million)	(0.35)	1.10	0.69	0.22	0.74	244.95%	-9.40%
Staff Cost Per Employee (NPR Million)	0.62	0.48	0.47	0.34	0.56	63.74%	-2.55%
Total Credit/Deposits (Percentage)	87.06	83.82	110.69	65.35	93.21	42.63%	1.72%
Interest Income/Loans and Advances (Percentage)	18.27	9.98	12.25	16.64	14.00	-15.87%	-6.44%
Interest Expenses/Total Deposits and Borrowings (Percentage)	8.16	4.71	8.00	7.07	6.92	-2.08%	-4.02%
Weighted Average Interest Spread	7.76	6.50	3.99	4.64	4.53	-2.37%	-12.59%
Book Net Worth	77.26	95.45	104.12	140.75	105.55	-25.01%	8.11%
Earning Per Share (NPR)	(4.43)	10.13	6.21	4.75	8.64	81.89%	-3.90%
NPA	2.90	1.59	1.67	1.90	1.43	-24.74%	-16.20%
Price Earning (PE) Ratio (Ratio)	(32.73)	22.90	37.36	28.42	15.97	-43.81%	-8.62%
Stock Performance (Closing Stock Price Per Stock) (NPR)	135.00	232.00	199.00	138.00	111.00	-19.57%	-4.78%
Market Capitalization (NPR Million)	162.00	464.37	417.90	289.80	888.11	206.46%	53.02%

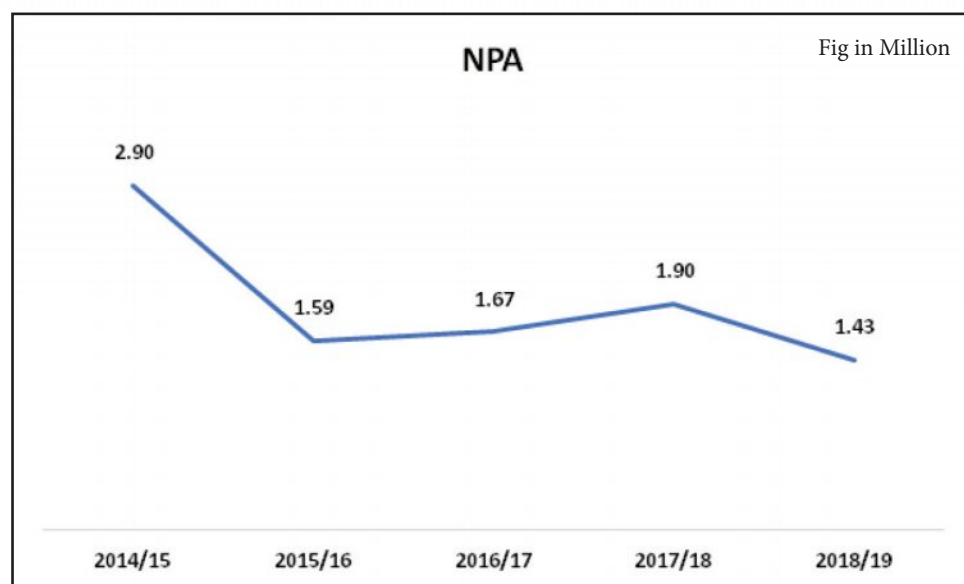
Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	Annual Growth (FY 18/19)	CAGR (5 years) Average
Capital Adequacy Ratio (Percentage)	29.92	35.72	33.82	39.38	66.51	68.89%	22.10%
No. of Shares (Million)	1.20	2.00	2.10	2.10	8.00	281.00%	60.69%
Cash Reserve Ratio	7.16	3.19	2.74	5.66	3.44	-39.22%	-16.74%
Statutory Reserve Ratio	8.5	7.75	6.9	7.78	7.9	1.54%	-1.81%
Net Interest income as a percentage of working funds	5.86	2.65	3.92	2.74	3.58	30.83%	-11.58%
Gross Profit Ratio	48.68	43.67	41.01	37.40	52.23	39.63%	1.77%
Total Asset value per share	77.26	97.81	104.12	140.75	105.55	-25.00%	8.11%
Operating Profit to Paid up Capital	0.21	0.12	0.17	0.16	0.10	-36.12%	-17.05%

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

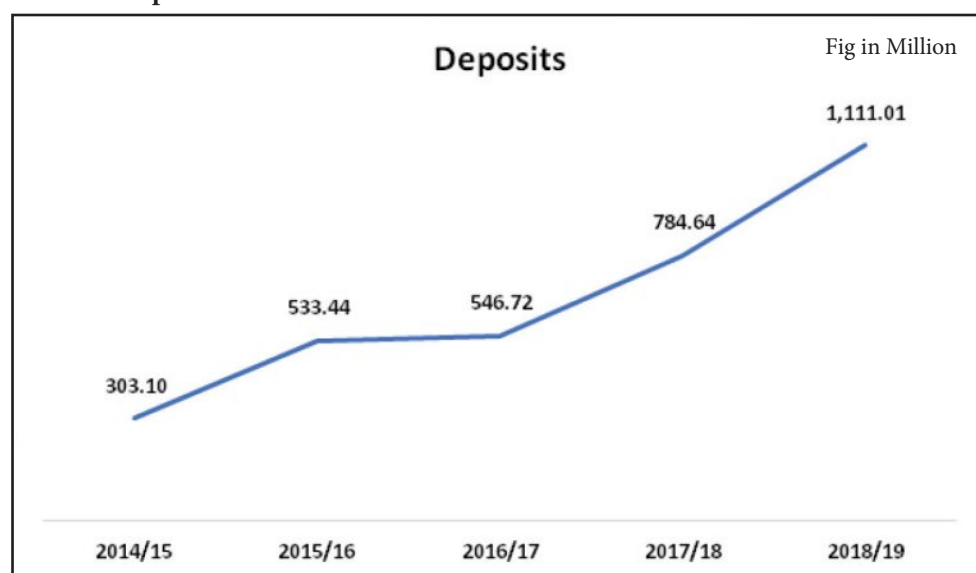


The growth in the business of the Finance can be seen just by looking at the increase in its loans and advances during the last few years. The Finance was able to achieve a very impressive compound annual growth rate (CAGR) of 40.77% over the last five years. Total Loans and Advances of the Finance as on mid July 2019 was NPR 1036.32 million, as compared to NPR 263.88 million only as on mid-July 2015. During the review period total Loans and Advances increased by 102.10%.



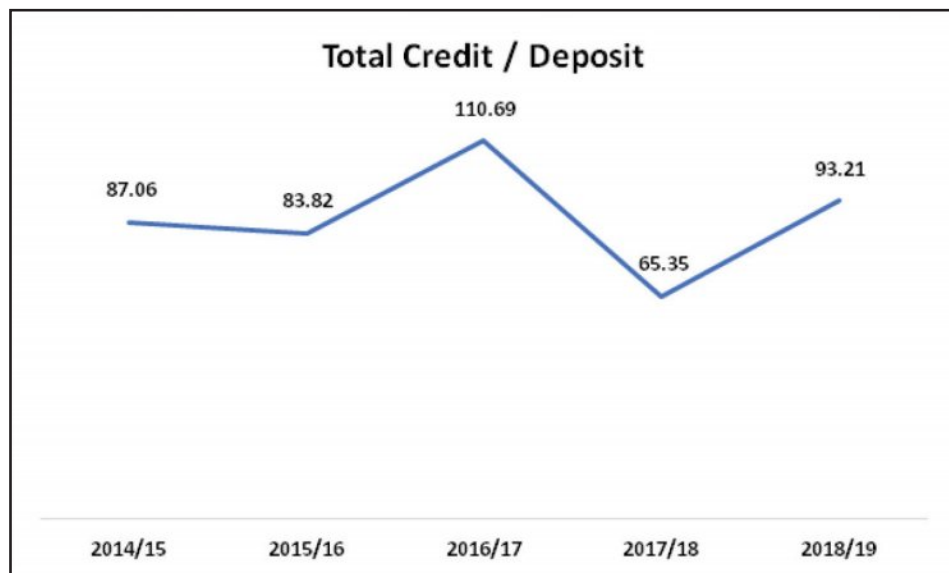
There also has been an increase in quality of assets with NPA ratio decreasing from 2.90 % in 2014/15 to 1.43 % in 2018/19.

### 1.2 Total Deposits



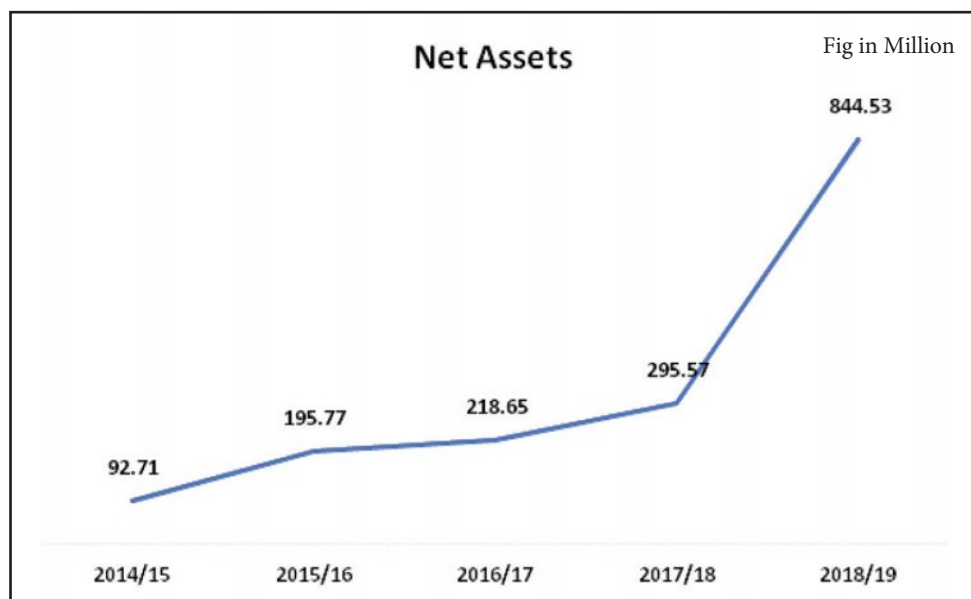
Similar to the increment in loans the Finance has been able to achieve massive increment in Total Deposits. The Finance was able to achieve every impressive compound annual growth rate of 38.37% over the five-year period. Total Deposit of the Finance as on mid July 2019 was NPR 1,111.01 million, as compared to NPR 303.10 million only as on mid-July 2015. During the review period total Deposits increased by 41.60%.

### 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 the finance could not properly utilize its funds which has resulted in a low credit to deposit ratio of 65.35. However, during the review period the finance has significantly improved its loan portfolio and now boasts an impressive credit to deposit ratio of 93.21 % which is an increment of 42.63% from the previous year.

### 1.4 Net Assets

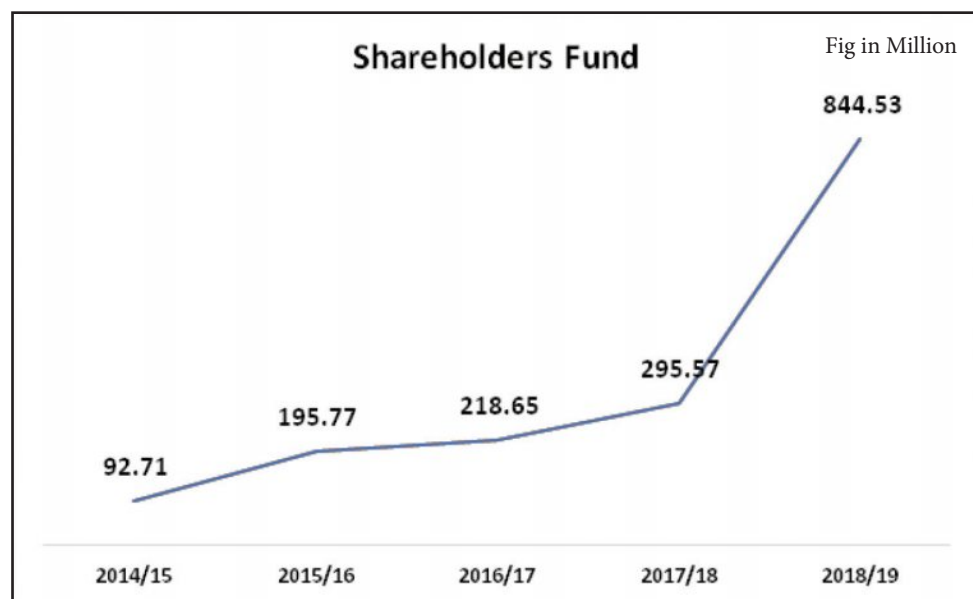


Net assets is defined as the total assets of an entity, minus its total liabilities. The amount of net assets exactly matches the stockholders' equity of a business. Substantial growth was achieved in the net assets of the Finance over the last five years. There has been an increment of 185.73% in the Net Assets during the review period. Such huge increment is mainly due to the injection of new capital. Net Assets of the Finance reached NPR 844.53 million as of mid-July 2019, as compared to NPR 92.71 million as of mid-July 2015, with the impressive CAGR of 73.73%.

### 1.5 Total Assets

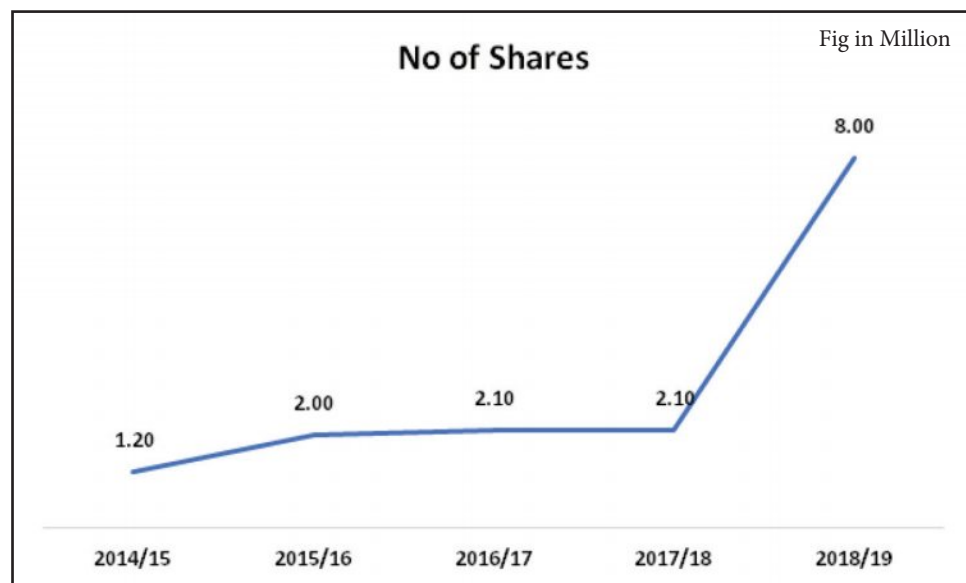
Total Assets represent the total balance sheet value of the Finance, which increase or decrease in line with the increase and decrease in the volume of business. Total Assets of the Finance have increased over the last five years from NPR 400.39 million as on mid-July 2015 to NPR 1,976.78 million as on mid-July 2019. The Finance was able to achieve a very impressive compound annual growth rate of 49.06 % over the five-year period. Total Assets increased by 81.37 % from NPR 1,089.89 million to NPR 1,976.78 million during the current financial year.

### 1.6 Shareholders Fund



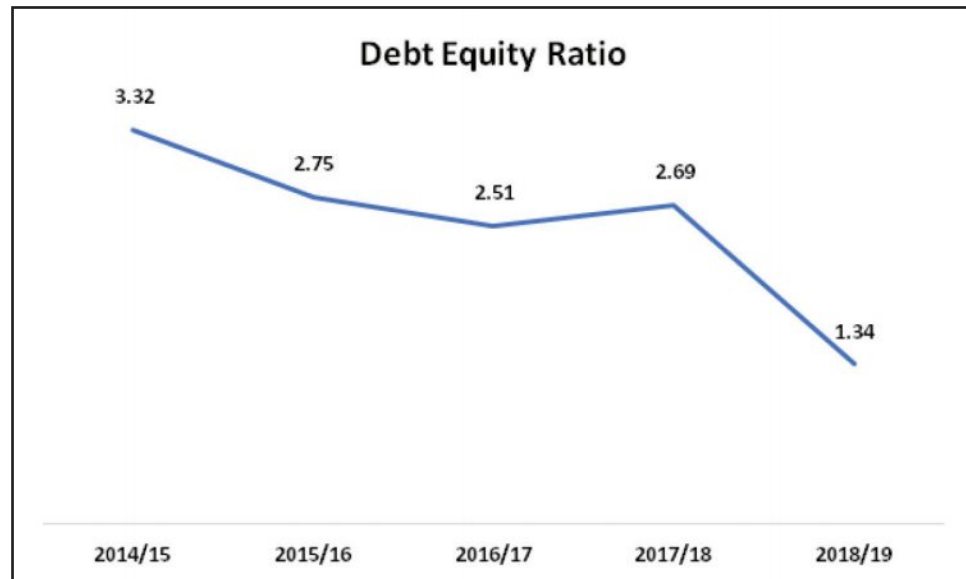
Shareholders' funds refers to the amount of equity in a company, which belongs to the shareholders. The amount of shareholders' funds yields an approximation of theoretically how much the shareholders would receive if a business were to liquidate. The amount of shareholders' funds can be calculated by 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 844.53 million as of mid-July 2019, as compared to NPR 295.57 million as of mid-July 2018, with the impressive CAGR of 73.73%. During the review period, Shareholders Fund increased by 185.73% from NPR 295.57 million as of mid-July last year, which was primarily due to issue of new shares.

### 1.7. No. of Shares



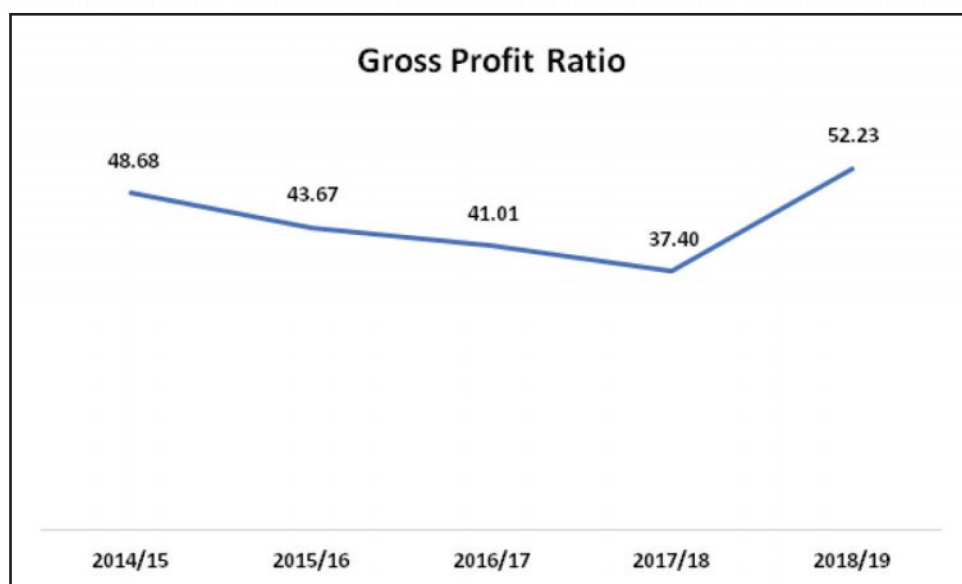
The shares of the finance increased from 1.2 million to 2 million in FY 2015/16 due to issuance of right shares. Similarly, the number of shares increased in FY 2016/17 to 2.10 million due to issuance of right shares. Increase in number of shares in FY 2018/19 was due to issue of right shares which the finance needed to comply with the minimum capital requirement laid out by Nepal Rastra Bank.

### 1.8 Debt-Equity Ratio



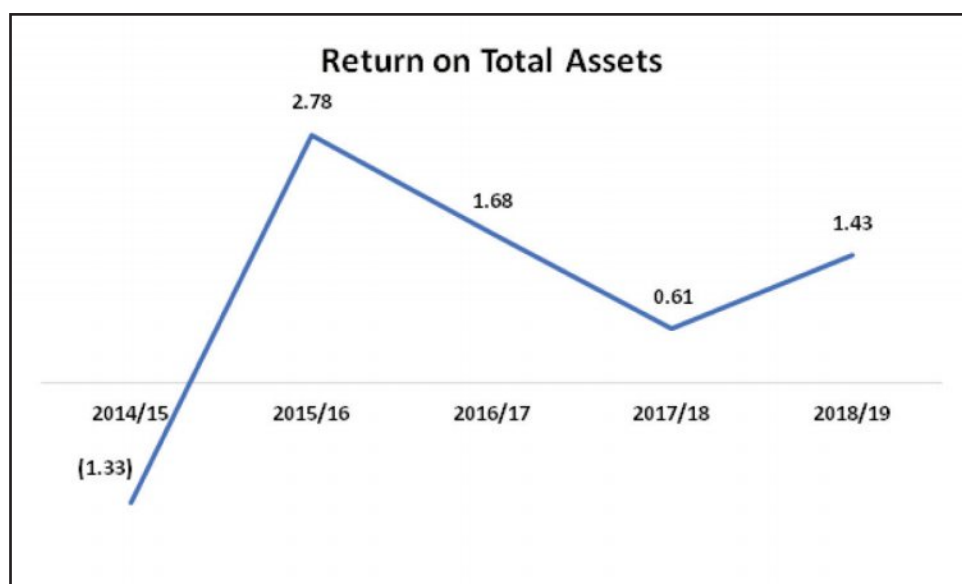
The debt to equity ratio is a measure of a company's financial leverage, and it represents the amount of debt and equity being used to finance a company's assets. It's calculated by dividing a firm's total liabilities by total shareholders' equity. The Debt equity ratio of the Finance is on a decreasing trend and the Debt Equity Ratio during the review period was 1.34 which is lower than the Debt Equity ratio during the previous year by 50.11%. The compound annual decrease in Debt Equity Ratio during the five years is 20.28%.





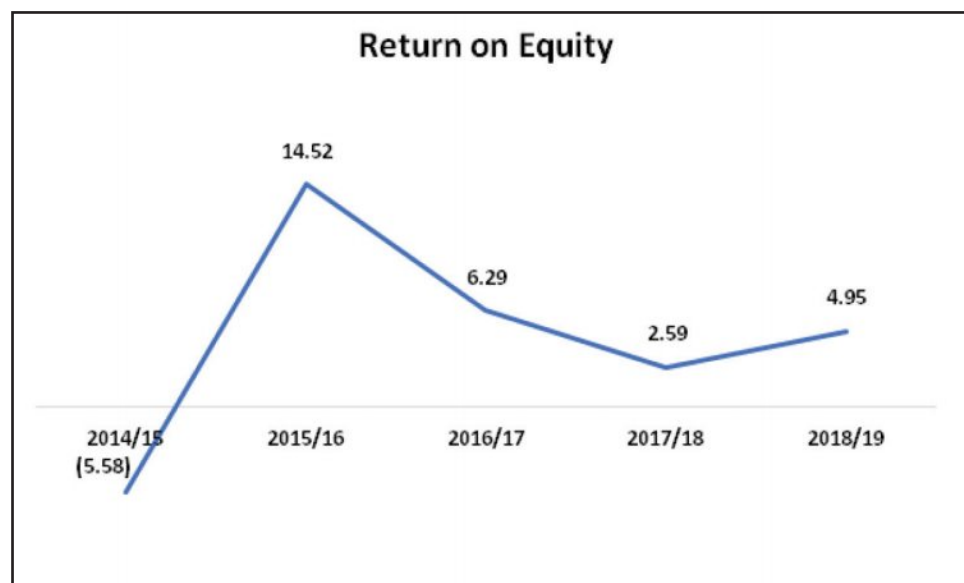
Gross profit ratio (GP ratio) is a profitability ratio that shows the relationship between gross profit and total revenue. It is a popular tool to evaluate the operational performance of the business. The ratio is computed by dividing net interest and fees and commission income by gross revenue. Gross Profit Ratio has increased by 39.63%, from 37.40% as on mid- July 2017/18 to 52.23% as on mid-July 2018/19. Gross Profit Ratio was on a decreasing trend before the review period. However, during the review period the finance has substantially increased its gross profit ratio which shows the operational efficiency of the finance.

#### 1.9 Return on Total Assets



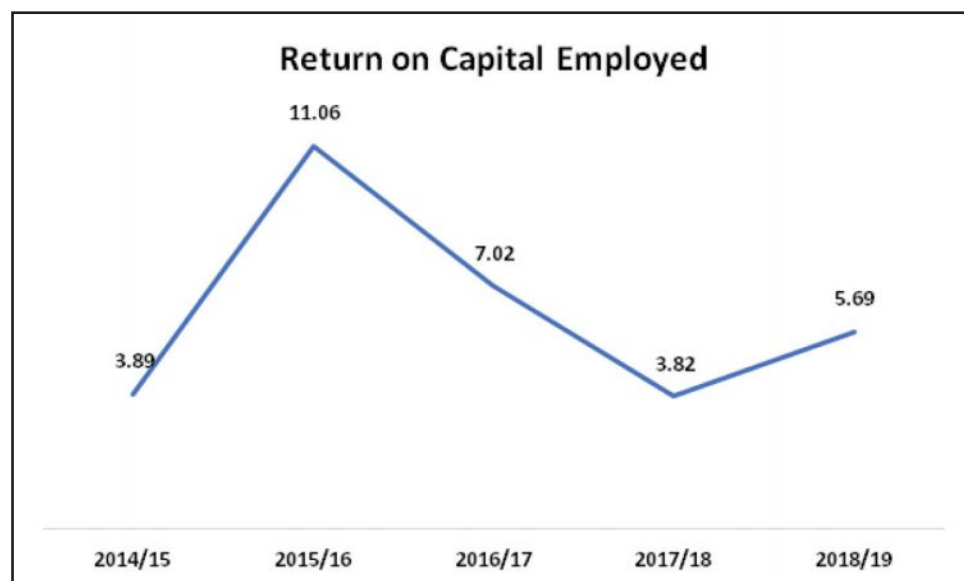
Return on total assets (ROTA) is a ratio that measures a company's earnings relative to its total assets. The ratio is considered to be an indicator of how effectively a company is using its assets to generate earnings. There were slight fluctuations of Return on Total Assets during the last five years. Since the Finance was in loss in the FY 2014/15 it has a negative Return on Total Asset. Since then the company's ROTA has fluctuated and during the review period the Finance has achieved a growth rate of 134.43% and its current ROTA is 1.43.

### 1.10 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. Return on Equity was negative during the FY 2014/15 and since then the company has always had a positive Return on Equity. The return on equity during the review period increased by a massive 91.18% from its previous year. However, it is still lower to the figures it achieved during FY 2015/16 with Return on Equity during the year being 14.52. This is mainly due to influx of new share capital during the review period.

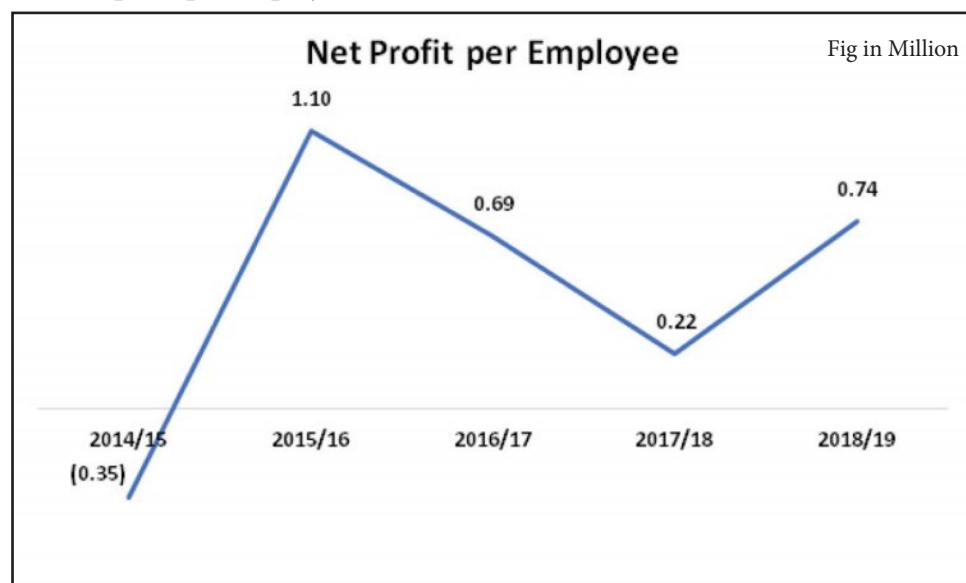
### 1.11 Return on Capital Employed



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 increased from 3.82 in the previous year to 5.69 which is an increment of 49.08%. However, it is still lower to the figures it achieved during FY 2015/16 with Return on

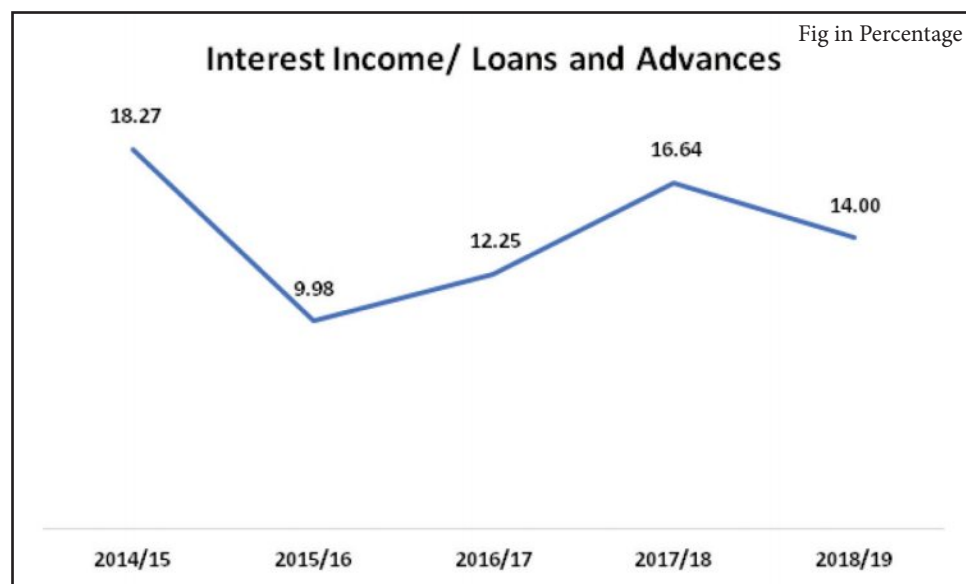
Equity during the year being 11.06. This is mainly due to influx of new share capital during the review period.

### 1.12 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 increased its Net Profit per employee during the review period as compared with the previous year by 244.95%.

### 1.13 Interest Income/ Loans and Advances & Investment



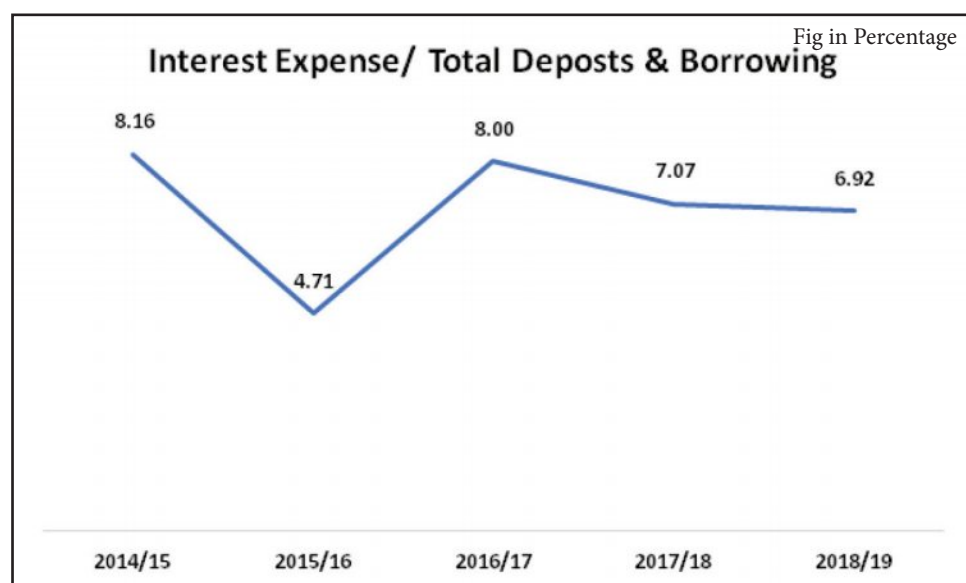
It represents the ratio of interest income earned by the Finance in comparison to total of loans and advances and investments. Interest Income/Loans and Advances & Investment has been fluctuating over the 5 year period with best performance being achieved by the Finance on 2014/15 with 18.27 %. This 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 a Interest Income/ Loans and Advances and Investments of 14 % which is lower then the previous year by 15.87 %.

#### 1.14 Staff Cost per Employee



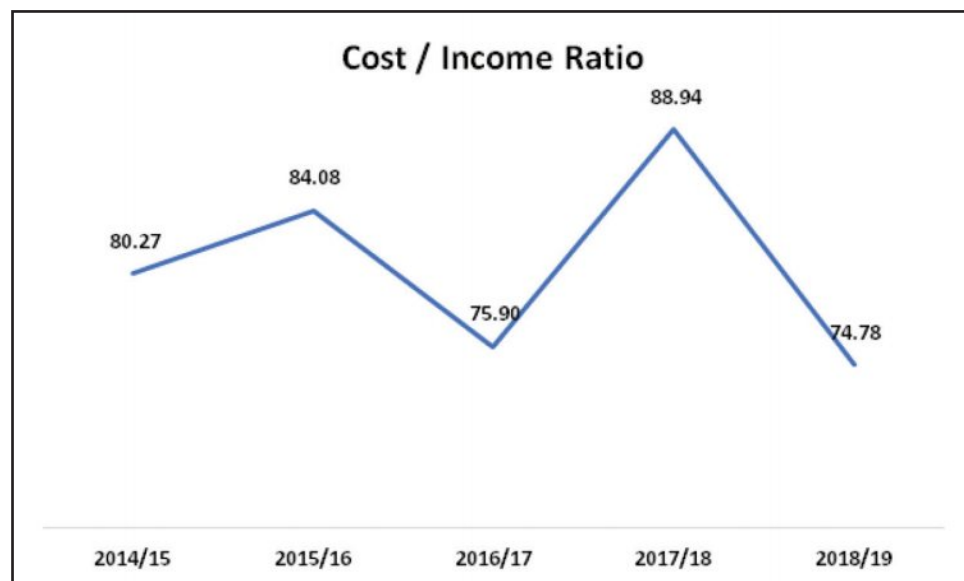
Staff Cost per Employee represents the average staff expenses incurred per employee. Staff Cost per Employee was on declining trend over the last few years prior to the review period. Staff Cost per Employee has increased by 63.74% during the review year making the Staff Cost per Employee NRs 0.56 million. The corresponding figure during the previous year was only NRs 0.34 million.

#### 1.15 Interest Expenses/Total Deposits and Borrowings



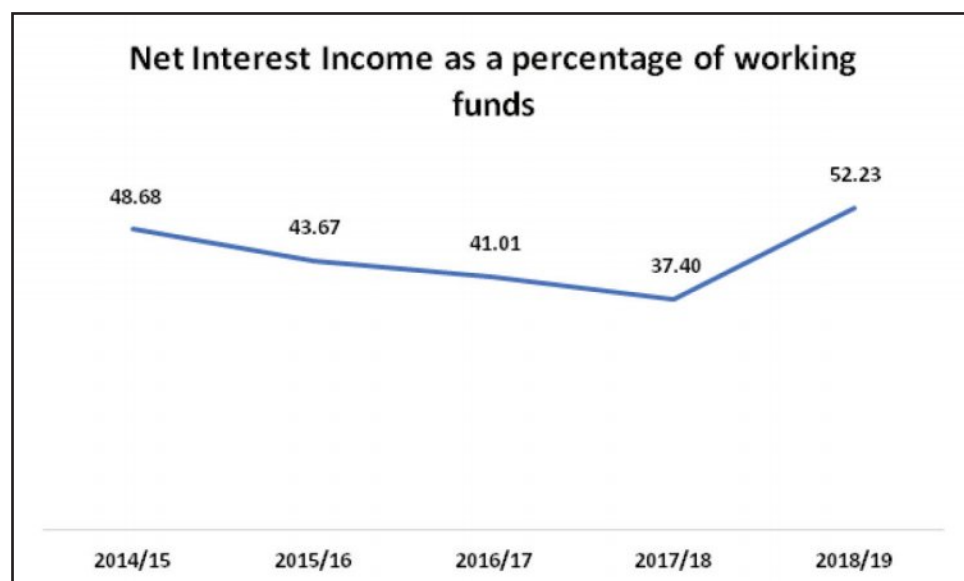
It represents the ratio of interest expenses incurred by the Finance in comparison to total deposits and borrowing. Interest Expenses/Total Deposits and Borrowings of the finance has been fluctuating throughout the past five years but has been steadily decreasing from FY 2016/17. This shows that the finance is decreasing its cost of funds. The Finance has achieved a compound annual decrease of 4.02% during the past five years and an decrease of 2.08% during the review period.

### 1.16 Cost/Income ratio



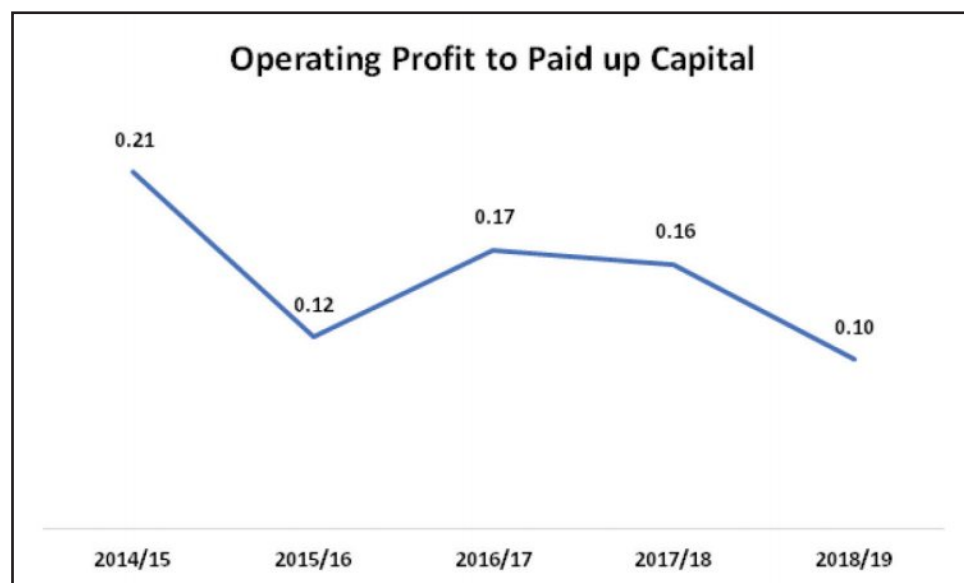
Cost-to-income ratio is the measure of the costs of running a company in relation to its operating income. It is an important financial tool, particularly when evaluating financial institutions. The ratio gives investors a clear view of how efficiently the company is being run – the lower the C/I ratio 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 it achieved its lowest cost-to-income ratio which shows the increase in operational efficiency of the Finance. The Cost to income ratio of the Finance on FY 2018/19 is 74.78% which is an decrease of 15.92% from the previous year. Similarly, the cost-to-income ratio of the finance has a compound annual decrease rate of 1.76% during the last five years.

### 1.17 Net Interest Income as percentage of working funds



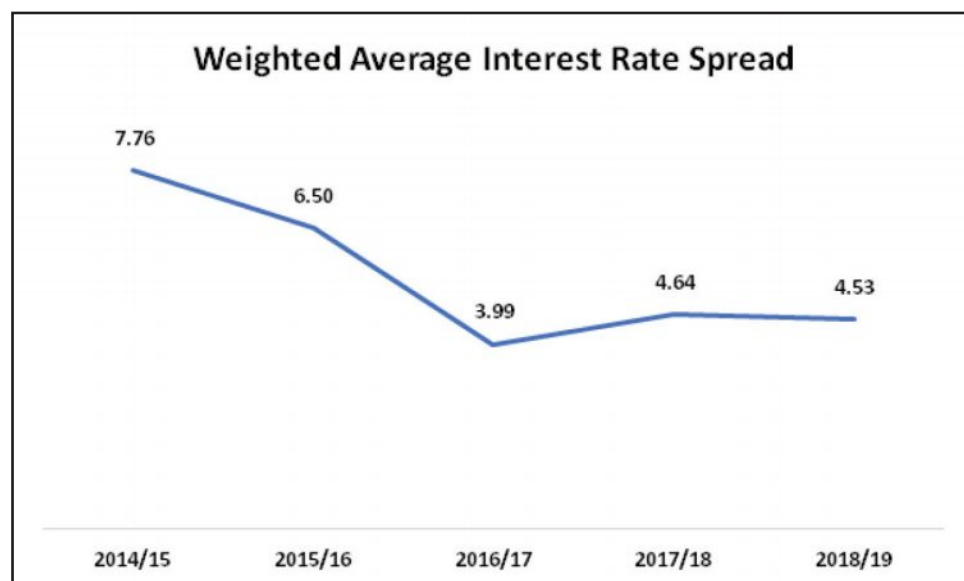
This represents the net interest income as a percentage of working funds. Working funds are the total resources of the finance (total liabilities or total assets) as on a particular date. The Net Interest Income as percentage of working funds of the finance has been fluctuating over the years with the highest return on FY 2014/15 of 5.86%. Net Interest Income as percentage of working funds increased during the review period from 2.74% to 3.58% which is a percentage increment of 30.83%.

### 1.18 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 is in an decreasing trend except for in the FY 2016/17 in which it increased from NRs 0.12 million to NRs 0.17 million. Overall, the 5 years CAGR shows that the operating profit to paid up capital of the finance has decreased by 17.05 %. During the review period it has reduced from NRs 0.16 million to 0.10 million which is a percentage reduction of 36.12%. This reduction is due to the influx of substantial share capital into the company for compliance with the minimum capital requirement laid out by Nepal Rastra Bank.

### 1.19 Weighted Average Interest Rate Spread

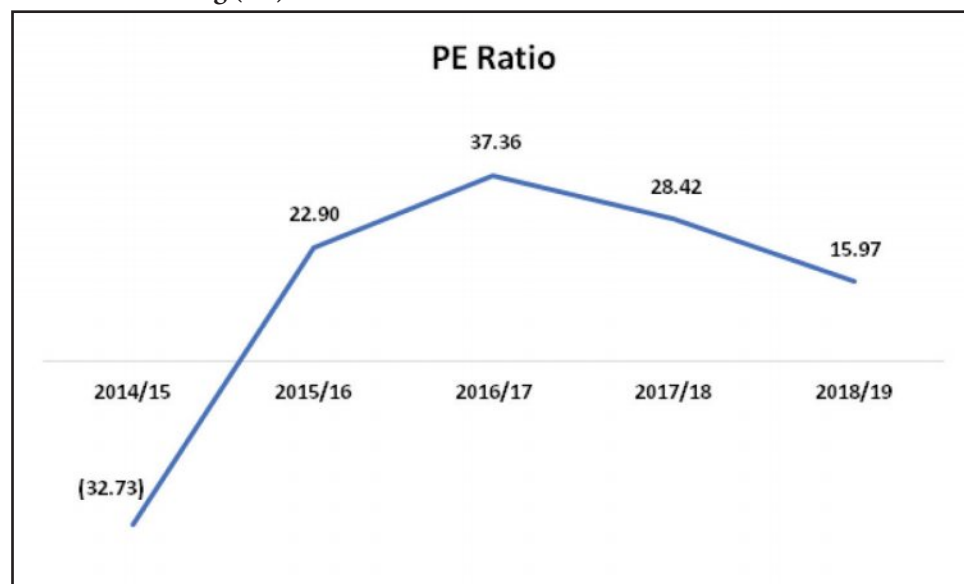


The spread rate is the difference between the interest rates on deposits and loans. The interest rate spread of the finance is in decreasing trend except in the FY 2017/18 in which it increased slightly. The interest rate spread during the review period was 4.53% which is a reduction of 2.37% from the 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.

### 1.20 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. In the review period the finance has finally set off its losses from previous years and has a retained earning of 10.87 million as such the finance is expected to provide handsome returns to its shareholders in the coming years.

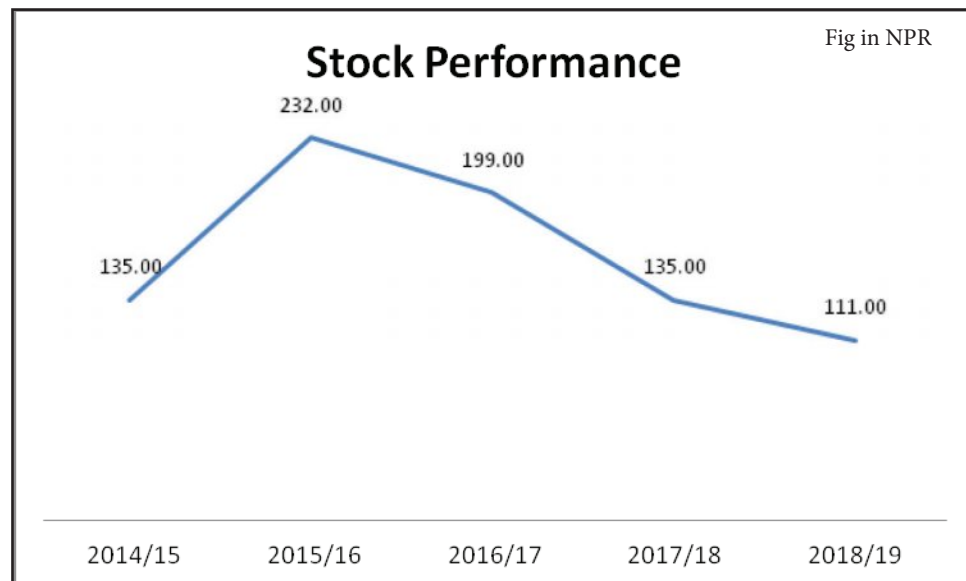
### 1.21 Price Earning (PE) Ration



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 review period. 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 decreased by 43.81% during the review period.



## 1.22 Stock Performance



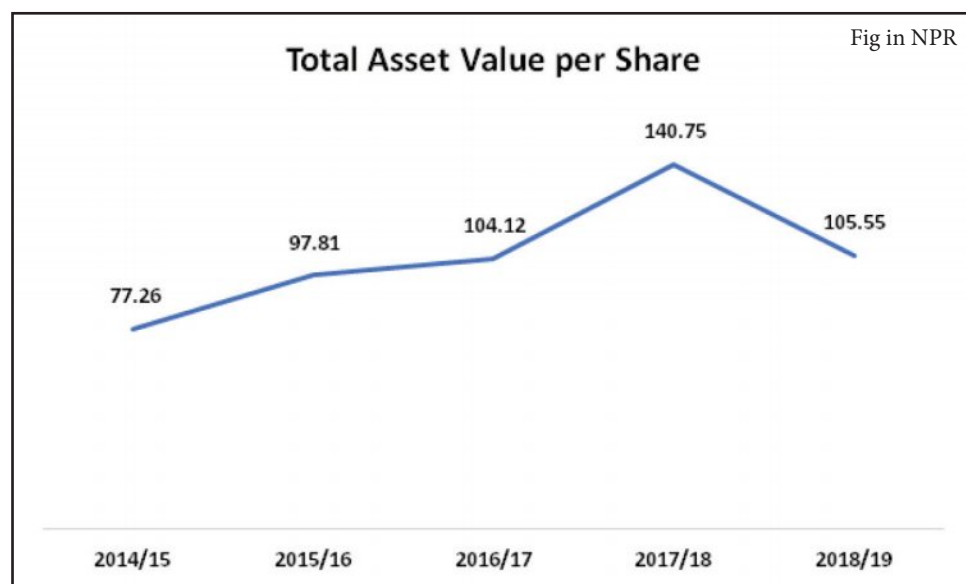
Stock price of the Finance was in a declining trend over the last few years as a result of poor market condition, with the overall stock market on a declining trend. Closing Stock Price per Share of the Finance was NPR 111 as on mid July 2019, as compared to NPR 135 as on mid July 2015. During the review period the stock price of the Finance decreased by 19.57% despite the fact that the financial indicators of the finance has improved.

## 1.23 Market Capitalization



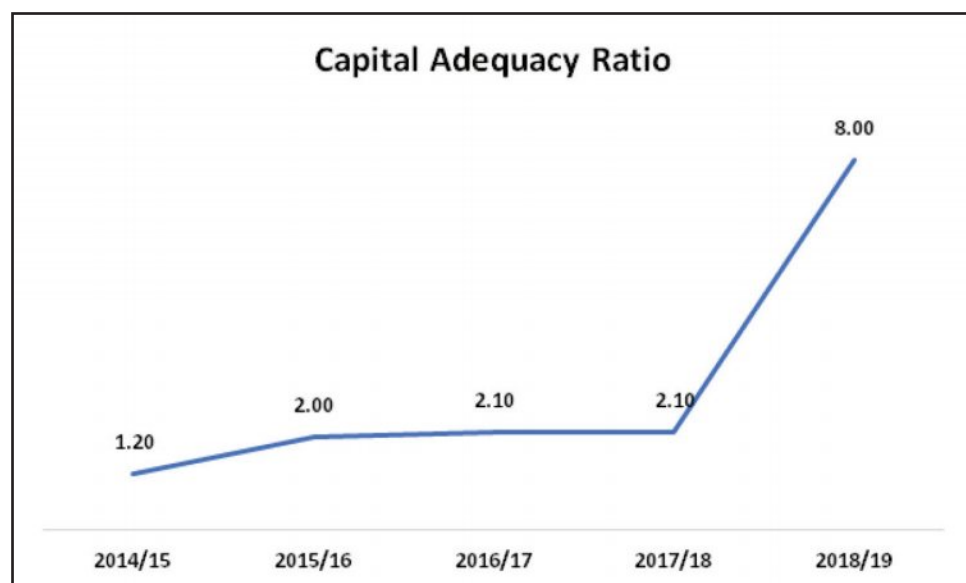
Market capitalization refers to the total value of all a company's shares of stock. It is calculated by multiplying the price of a stock by its total number of outstanding shares. The market capitalization of the finance has increased massively by 206.46% during the review period due to the issue of 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 53.02%. 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.

### 1.24 Total Asset Value per Share



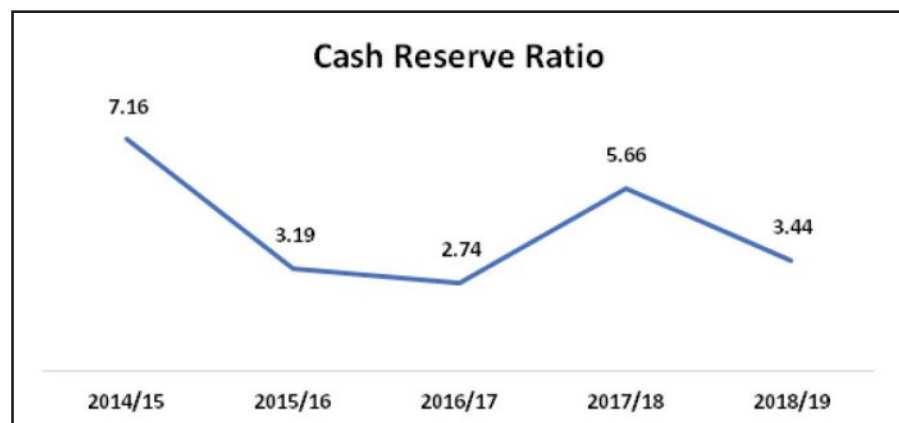
Total Asset Value per Share refers to the total value of the company's net assets divided by its number of shares outstanding. This shows the value each shareholder will receive incase the finance liquidates as on that date. The total asset value per share had been on an increasing trend except for the review period. 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.

### 1.25 Capital Adequacy Ratio



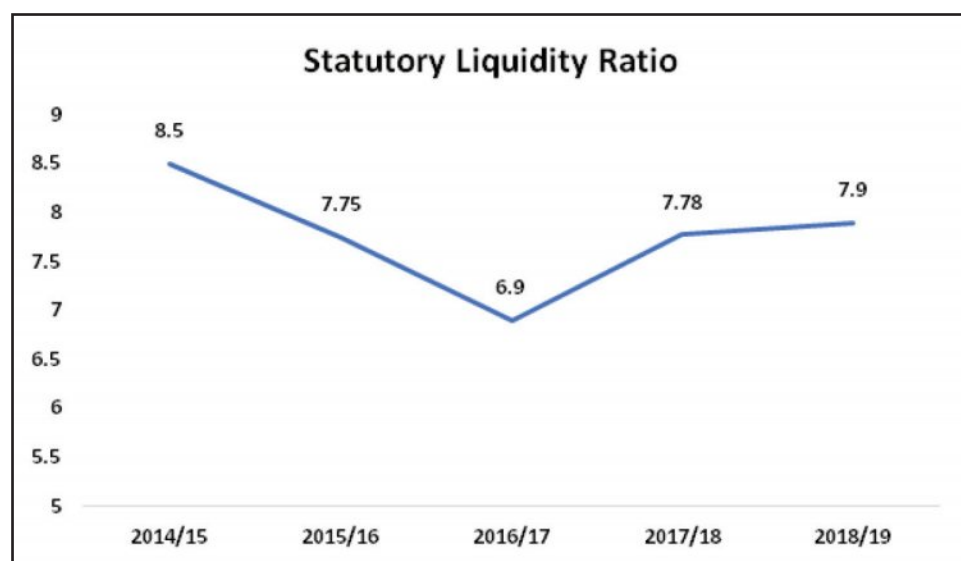
The capital adequacy ratio (CAR) is a measurement of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures. The capital adequacy ratio, also known as capital-to-risk weighted assets ratio (CRAR), is used to protect depositors and promote the stability and efficiency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

### 1.26 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.

### 1.27 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

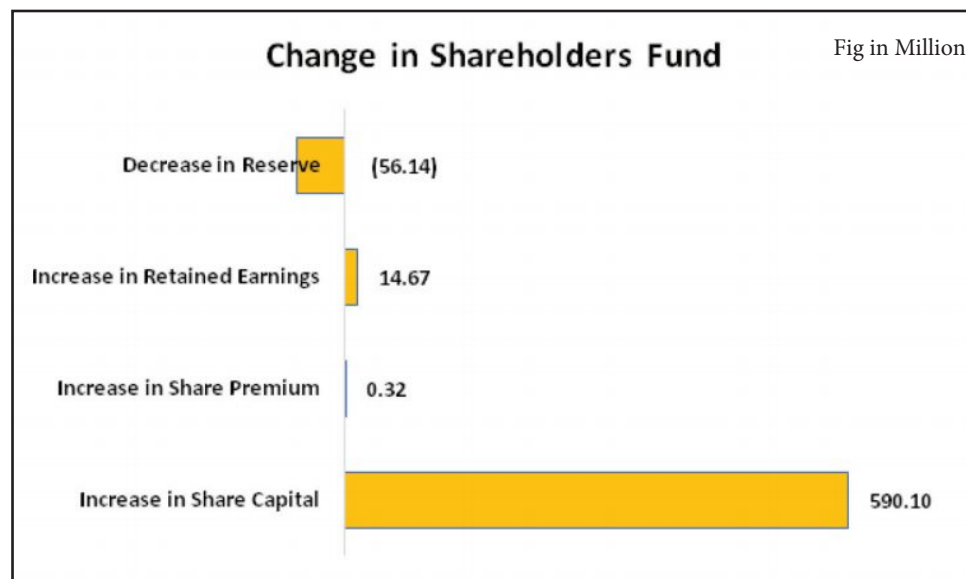
Particulars	As at 31.03.2076	As at 32.03.2075	Horizontal Analysis variance	Vertical Analysis Composition	
			2019 to 2018	2019	2018
<b>Assets</b>					
Cash and cash equivalent	794,547	511,896	55.22%	40.19%	46.97%
Due from Nepal Rastra Bank	36,834	44,419	-17.08%	1.86%	4.08%
Placement with Bank and Financial Institutions	-	-			

Particulars	As at 31.03.2076	As at 32.03.2075	Horizontal Analysis variance	Vertical Analysis Composition	
			2019 to 2018	2019	2018
Derivative financial instruments	-	-			
Other trading assets	-	-			
Loan and advances to B/FIs	77,111	-	100.00%	3.90%	0.00%
Loans and advances to customers	934,107	496,890	87.99%	47.25%	45.59%
Investment securities	89,854	17,576	411.24%	4.55%	1.61%
Current tax assets	-	-			
Investment in subsidiaries	-	-			
Investment in associates	-	-			
Investment property	-	-			
Property and equipment	20,239	12,171	66.28%	1.02%	1.12%
Goodwill and Intangible assets	1,743	219	696.70%	0.09%	0.02%
Deferred tax assets	450	4,947	-90.90%	0.02%	0.45%
Other assets	21,891	1,773	1134.79%	1.11%	0.16%
<b>Total Assets</b>	<b>1,976,775</b>	<b>1,089,891</b>	<b>81.37%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	40,054	-	100.00%	2.03%	0.00%
Due to Nepal Rastra Bank	-	-			
Derivative financial instruments	-	-			
Deposits from customers	1,070,955	784,638	36.49%	54.18%	71.99%
Borrowing	-	-			
Current Tax Liabilities	5,736	1,147	399.88%	0.29%	0.11%
Provisions	-	-			
Deferred tax liabilities	-	-			
Other liabilities	15,500	8,539	81.52%	0.78%	0.78%
Debt securities issued	-	-			
Subordinated Liabilities	-	-			
<b>Total liabilities</b>	<b>1,132,245</b>	<b>794,325</b>	<b>42.54%</b>	<b>57.28%</b>	<b>72.88%</b>
<b>Equity</b>					
Share capital	800,100	210,000	281.00%	40.48%	19.27%
Share premium	7,125	6,797	4.83%	0.36%	0.62%
Retained earnings	10,867	(3,811)	-385.18%	0.55%	-0.35%
Reserves	26,438	82,580	-67.99%	1.34%	7.58%
<b>Total equity attributable to equity holders</b>	<b>844,530</b>	<b>295,567</b>	<b>185.73%</b>	<b>42.72%</b>	<b>27.12%</b>
Non-controlling interest	-	-			
<b>Total equity</b>	<b>844,530</b>	<b>295,567</b>	<b>185.73%</b>	<b>42.72%</b>	<b>27.12%</b>
<b>Total liabilities and equity</b>	<b>1,976,775</b>	<b>1,089,891</b>	<b>81.37%</b>	<b>100.00%</b>	<b>100.00%</b>
Net assets value per share	106	210	-49.74%		

## Talking Points:

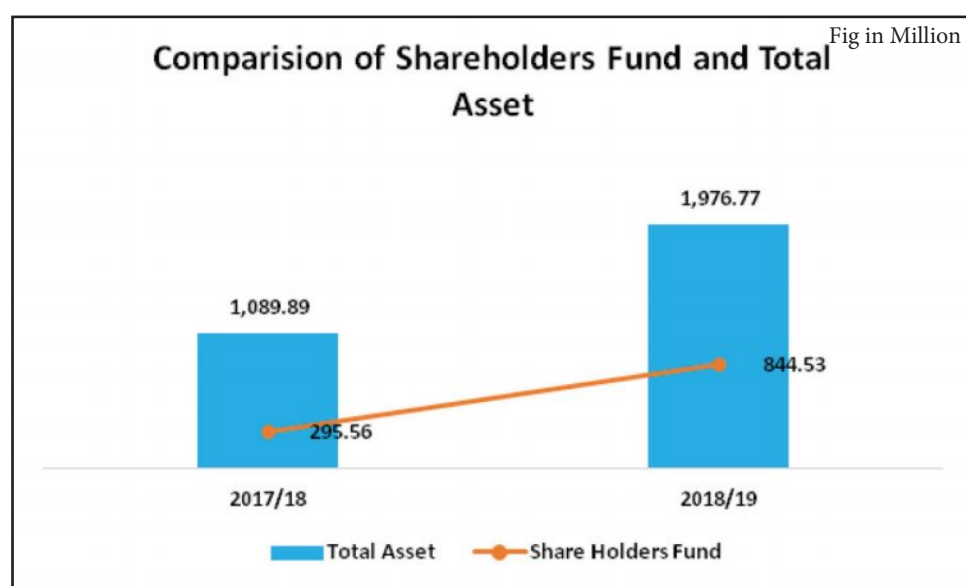
### Shareholders Fund

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 295.57 million in the FY 2017/18 to NRs 844.53 million in FY 2018/19 which is an increment of NRs 548.96 million i.e 185.73%.



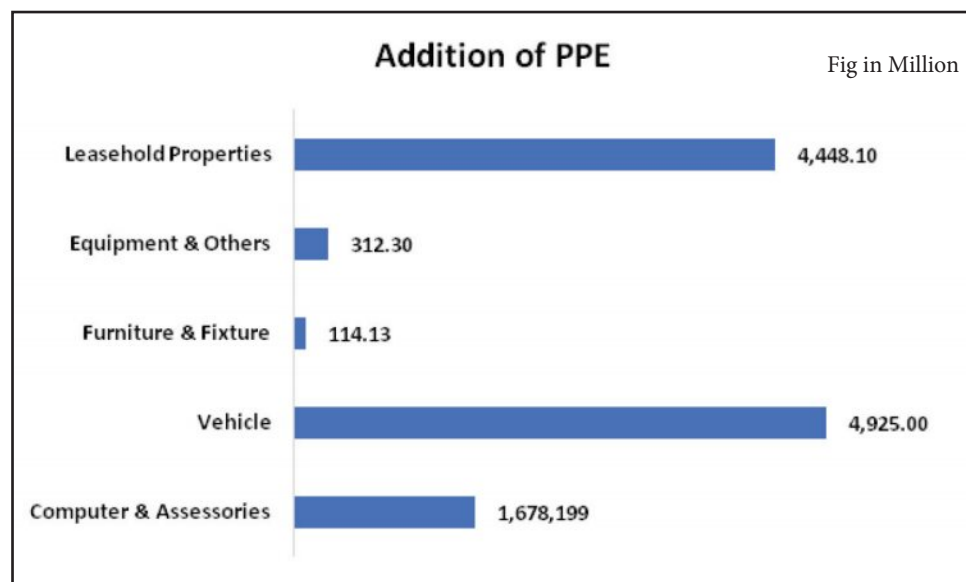
The increase in Shareholders fund is mostly due to issue of right shares amounting to NRs 590.10 million. The decrease in reserve is due to Calls in Advance being classified as Capital Adjustment Reserve in the previous year but being transferred to Share Capital during the FY 2018/19.

The vertical analysis of shareholders fund shows that Shareholders Fund amounts to 42.72% of the total Assets which was only 27.12% during FY 2017/18. This is also due to influx of substantial amount of Share Capital.



## 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 12.17 million in the FY 2017/18 to NRs 20.24 million in FY 2018/19 which is an increment of NRs 8.07 million i.e 66.28%. The details of addition of various items of PPE has been presented below:



The vertical analysis of PPE shows that PPE amounts to 1.02% of the total Assets which was only 1.12% during FY 2017/18. This shows that other assets have grown relatively higher than PPE.

## 2.2 Statement of Profit or Loss

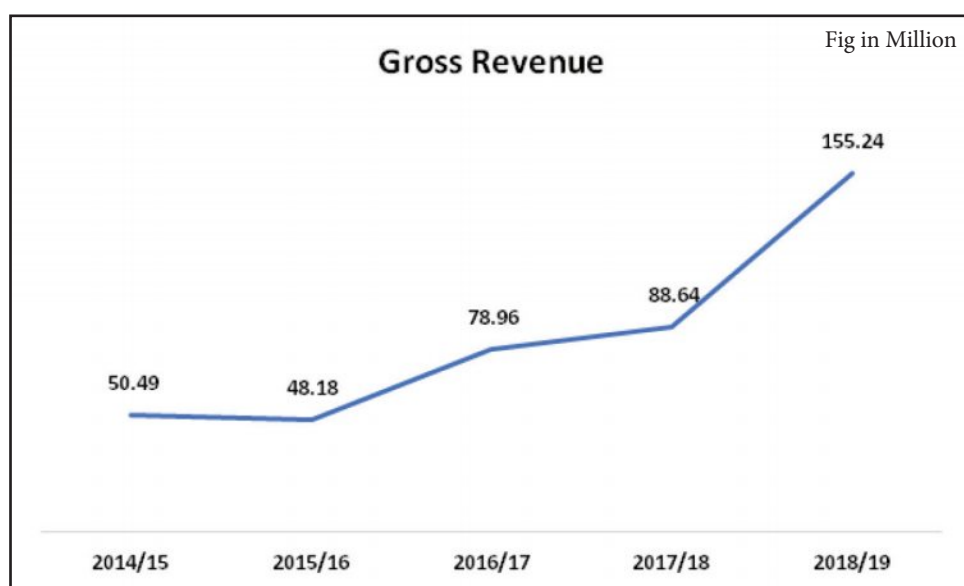
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Particulars	As at 31.03.2076	As at 32.03.2075	Horizontal Analysis variance	Vertical Analysis Composition	
			2019 to 2018	2019	2018
Interest income	144,972.64	85,328.02	69.90%	100%	100%
Interest expense	74,159.74	55,485.39	33.66%	51%	65%
<b>Net interest income</b>	<b>70,812.91</b>	<b>29,842.63</b>	<b>137.29%</b>	<b>49%</b>	<b>35%</b>
Fee and commission income	10,264.76	3,312.18	209.91%	7%	4%
Fee and commission expense	-	-			
<b>Net fee and commission income</b>	<b>10,264.76</b>	<b>3,312.18</b>	<b>209.91%</b>	<b>7%</b>	<b>4%</b>
Net interest, fee and commission income	81,077.67	33,154.81	144.54%	56%	39%
Net trading income	-	-			
Other operating income	201.17	238.41	-15.62%	0%	0%
<b>Total operating income</b>	<b>81,278.84</b>	<b>33,393.22</b>	<b>143.40%</b>	<b>56%</b>	<b>39%</b>
Impairment charge/(reversal) for loans and other losses	(4,213.83)	(1,475.89)	185.51%	-3%	-2%
<b>Net operating income</b>	<b>85,492.66</b>	<b>34,869.11</b>	<b>145.18%</b>	<b>59%</b>	<b>41%</b>
<b>Operating expense</b>	<b>-</b>	<b>-</b>			
Personnel expenses	21,157.14	10,541.02	100.71%	15%	12%

Particulars	As at 31.03.2076	As at 32.03.2075	Horizontal Analysis variance	Vertical Analysis Composition	
			2019 to 2018	2019	2018
Other operating expenses	17,214.84	10,980.30	56.78%	12%	13%
Depreciation & Amortisation	3,699.58	2,039.19	81.42%	3%	2%
<b>Operating Profit</b>	<b>43,421.11</b>	<b>11,308.60</b>	<b>283.97%</b>	<b>30%</b>	<b>13%</b>
Non operating income	4,616.46	-	100.00%	3%	0%
Non operating expense	-	31.47	-100.00%	0%	0%
<b>Profit before income tax</b>	<b>48,037.57</b>	<b>11,277.14</b>	<b>325.97%</b>	<b>33%</b>	<b>13%</b>
Income tax expense	-	-			
Current Tax	15,165.11	6,134.90	147.19%	10%	7%
Deferred Tax Expenses/(Income)	4,643.66	(1,533.71)	-402.77%	3%	-2%
<b>Profit for the period</b>	<b>28,228.80</b>	<b>6,675.95</b>	<b>322.84%</b>	<b>19%</b>	<b>8%</b>
Earning per Share	8.64	4.75	81.89%		

Talking Points:

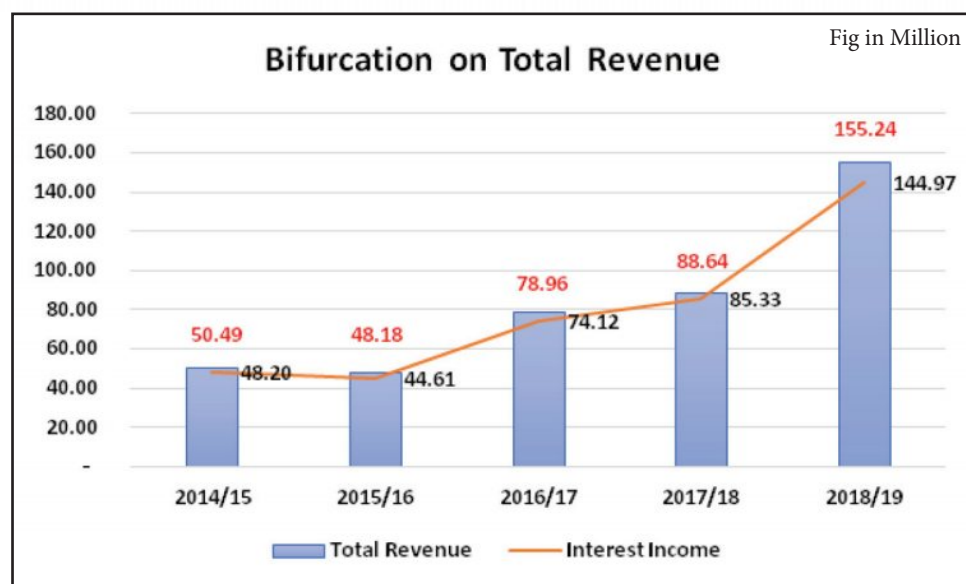
Total Revenue



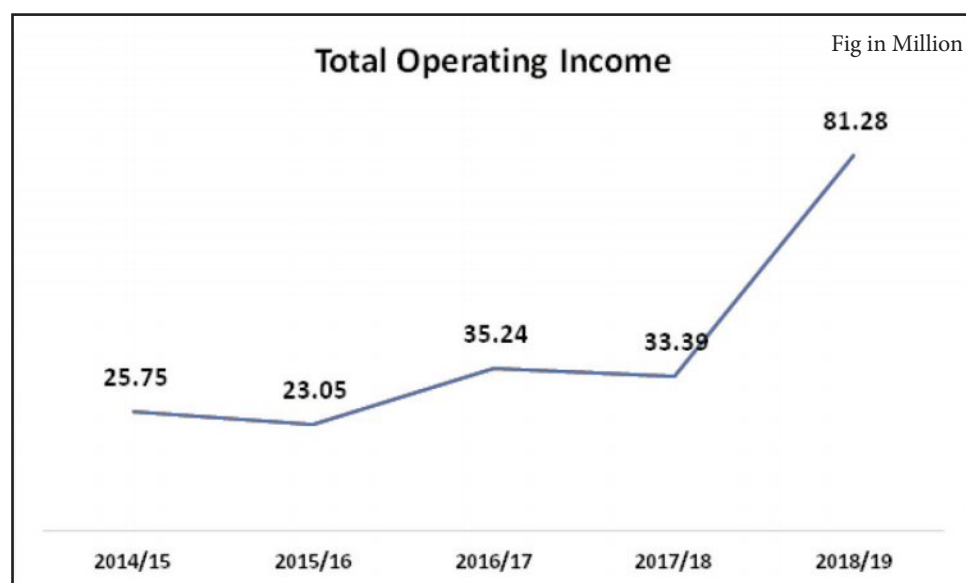
Total revenue is the total amount of sales recognized for a reporting period which includes interest income, fees and commission, prior to any deductions. This figure indicates the ability of a business to sell goods and services, but not its ability to generate a profit. Growth rate slightly declined from FY 2014/15 to 2015/16 but since then it is in increasing trend from FY 2015/16 to FY 2018/19, with compounded annual growth rate (CAGR) of 32.42%.

Total Revenue of the Finance has increased massively by 75.13% during FY 2018/19 in comparison to FY 2017/18. Total Revenue during the FY 2017/18 was NRs 88.64 million which increased to NRs 155.24 million in FY 2018/19. The breakdown of Total revenue during the 5 years is provided below:

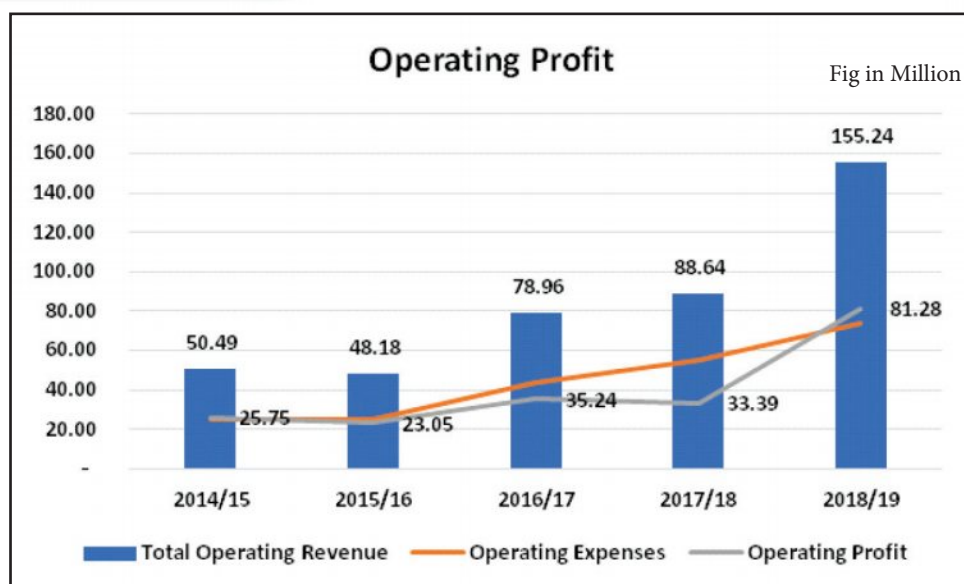




As expected from a financial institution the majority of the revenue comes from Interest Income. During the FY 2018/19 out of total revenue of NRs 155.24 million NRs 144.97 million belonged to Interest Income and the rest NRs 10.26 relates to Other Operating Income.

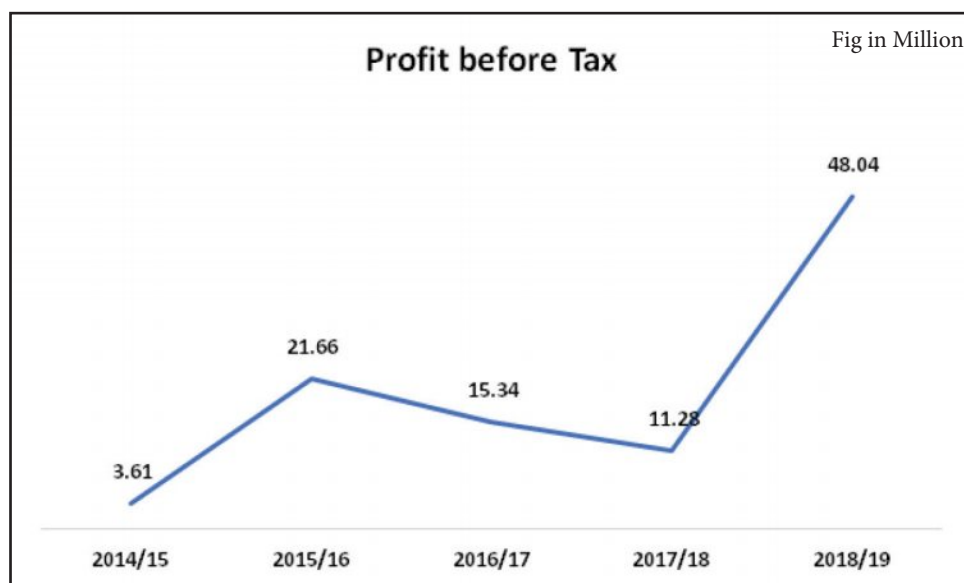


Operating income is a company's profit after subtracting operating expenses, which are the costs of running the daily business. Operating income helps investors separate out the earnings for the company's operating performance by excluding interest and taxes. There has been a substantial increase in the operating income of the Finance during the review period. There has been an increment of 143.40 % to take the total operating income to NRs 81.28 million from 33.39 million in the previous year. Operating Income of the finance has a compound annual growth rate (CAGR) of 33.39% during the last five years. The bifurcation of Operating Income and Operating Expenses is presented below:



Vertical Analysis shows that Operating Profit is 56% of the total interest income during the FY 2018/19. During the previous FY 2017/18 the figure was only 39%. Apart from the increase in interest income the massive increment of 209.91% in Fees and Commission Income has resulted in the increment of Operating Profit.

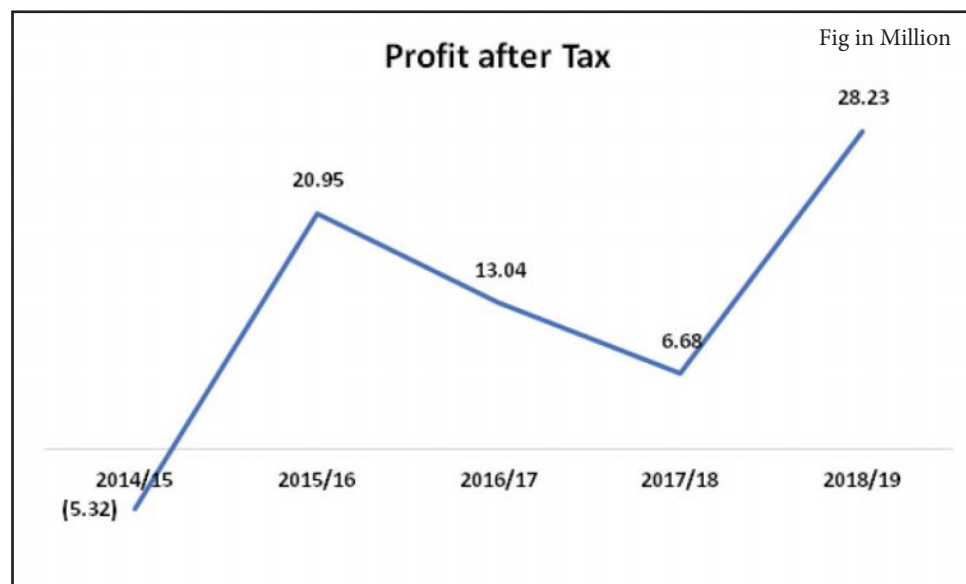
#### Profit Before Tax



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. PBT of the Finance has shown an upward trend in the previous years. 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%. During the review period alone the PBT of the Finance has grown by an massive 325.97 %.

The vertical analysis shows that Profit before Tax is 33% of the total interest income during the FY 2018/19. The same figure was only 13% during the previous FY. This is mainly due to massive increment in Loans and Advances while the operating costs has not increased in proportion to the increase in Loans and Advances.

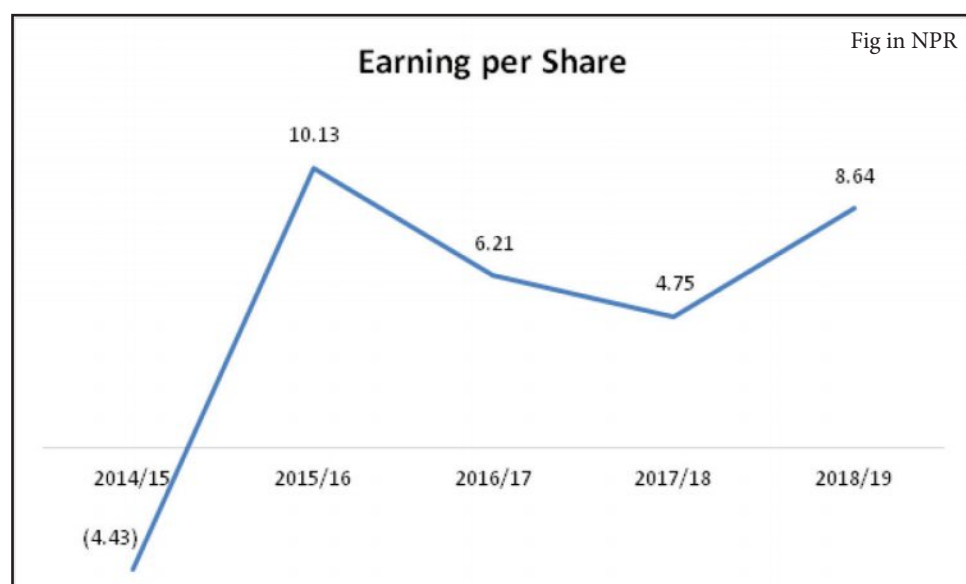
### Profit After Tax



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, with an impressive compound annual growth rate (CAGR) of 7.74% in the past four years. The Finance has Profit after Tax amounting to NRs 28.23 million in the FY 2018/19 which was increased from a loss of NRs 5.32 million in FY 2014/15. The Finance achieved a growth rate of 322.84% during the review period.

The vertical analysis shows that Profit after Tax during the FY 2018/19 is 19% of the total interest income. The corresponding figure during the previous FY was only 8%. This is mainly due to massive increment in Loans and Advances while the operating costs has not increased in proportion to the increase in Loans and Advances.

### 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 is has fluctuated over the past few years. The finance achieved an Earning per Share of NRs 8.64 during the review period which is an increment

of 81.89% from the previous year. Despite the fact that the Finance had issued a substantial number of shares during the review period the Finance was able to achieve such impressive growth in the EPS.

### 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 85.49 million and NPR 28.23 million, respectively, during the review period. The Finance has Return on Equity and Return on Assets of 4.95 % and 1.43%, respectively, for FY 2018/19. However, stock price of the Finance was on a declining trend during the review period due to unfavorable market scenario.

##### 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 1 new branch and three extension counters respectively, 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 21.16 million towards employee expenses during the review period, out of which, NPR 0.36 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 282,288, to the corporate social responsibility reserve. The Finance has carried out various CSR activities, such as tree plantation program, distribution of warm clothes to victims of natural calamities, and assistance to various educational programs.

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. The Finance has made a contribution to the government amounting to NPR 15,165 thousands as income tax paid during the review period, whereas last year, the amount was NPR 6,134 thousands.

## 4. 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.

## 5. 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 21.16 million for the FY 2018-19 as compared to NPR 10.54 million last year. Total number

of employees of the finance has reached to 38 in the year as compared to 31 last year.

### 5.1 Staff Training and 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 362,195 on Staff Training Expenses, which is 1.7% of total staff expenses. As per requirement of Nepal Rastra Bank, Staff Training Expenses should be at least 3% of total staff expenses of previous year, and the Finance has spent 3.43% of total staff expenses of previous year in staff training.

### 5.2 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:

## 6. 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.

## 7. 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 85.49 million and NPR 28.23 million, respectively, during the review period. The Finance has Return on Equity and Return on Assets of 4.95 % and 1.43%, respectively, for FY 2018/19.

## 8. 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

## 9. 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.



## 10. 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.

Employee expenses was NPR 21.16 million for the FY 2018-19 as compared to NPR 10.54 million last year. Total number of employees of the finance has reached to 38 in the year as compared to 31 last year. During the review period, the Finance spent NRs 362,195 on Staff Training Expenses, which is 1.7% of total staff expenses. As per requirement of Nepal Rastra Bank, Staff Training Expenses should be at least 3% of total staff expenses of previous year, and the Finance has spent 3.43% of total staff expenses of previous year in staff training.

## 11. SUPPLIES 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.

## 12. 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.

## 13. 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.

#### 14. 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 282,288 to the corporate social responsibility reserve. During the review period, the Finance has contributed towards corporate social responsibility with the following activities:

- ❖ Carried out tree plantation program with the objective of maintaining healthy and clean environment to minimize effect of environmental pollution over environmental and physical objects and global warming.
- ❖ Discouraged investment in the form of loan in industries involved in manufacturing of alcoholic and cigarette products, which directly affect the health of the public.
- ❖ Distributed warm clothes to the victims of natural calamities.

Provided assistance to various educational programs for the development of educational sector, cancer awareness campaign, blood donation programs, and social organizations.

Economic Outlook

#### 15. GLOBAL ECONOMIC OUTLOOK

International Monetary Fund (IMF) has projected the world economy to grow by 3.2 percent in 2019 compared to 3.6 percent in 2018. The advanced economies, and emerging as well as developing economies are projected to grow by 1.9 percent and 4.1 percent respectively in 2019. Such growth rates were 2.2 percent and 4.5 percent respectively in 2018.

The fund has projected the Chinese and Indian economies to grow by 6.2 percent and 7.0 percent respectively in 2019. These economies grew by 6.6 percent and 6.8 percent respectively in 2018.

Inflation has been projected to remain at 1.6 percent in the advanced economies and 4.8 percent in the emerging and developing economies in 2019. Inflation in these economies remained 2.0 percent and 4.8 percent respectively in 2018.

#### 16. DOMESTIC ECONOMIC OUTLOOK

As per the preliminary estimates of the Central Bureau of Statistics, Gross Domestic Product (GDP) is estimated to grow by 7.1 percent in 2018/19. Increase in agricultural production, ease in energy supply, acceleration in construction activities, expansion in industrial production, and an uptick in tourist arrival have contributed to the higher economic growth. Ratios of Gross Domestic Savings and Gross National Savings to GDP are estimated at 20.5 percent and 52.4 percent respectively in 2018/19. In the previous year, such ratios were 17.8 percent and 47.1 percent. Ratios of Gross Fixed Capital Formation and Gross Capital Formation to GDP are estimated at 36.9 percent and 62.3 percent respectively in 2018/19. In the previous

year, such ratios were 34.7 percent and 55.2 percent respectively. Higher investment compared to savings led to a resource gap at 9.9 percent of GDP in 2018/19. In the previous year, such gap was 8.1 percent. The average consumer price inflation in the eleven month of 2018/19 is 4.5 percent. Such inflation was 4.2 percent a year ago. According to the preliminary statement of receipts and expenditure released by the Office of the Financial Comptroller General, recurrent expenditure of the government stood at Rs.714.98 billion, capital expenditure stood at Rs. 238.36 billion, financing stood at Rs.141.24 billion and revenue mobilization stood at Rs.859.60 billion in 2018/19

GoN mobilized domestic debt of Rs.96.38 billion and made a payment of Rs. 34.31 billion thereby mobilizing net domestic debt of Rs.62.07 billion in 2018/19 which is 1.8 percent of GDP.

Trade deficit widened by 17.2 percent to Rs.1211.96 billion in the eleven months of 2018/19. Similarly, current account registered a deficit of Rs. 248.72 billion in the review period. High current account deficit is due to the expansion of imports. Remittance inflows increased by 17.5 percent to Rs.799.02 billion in the eleven months of 2018/19. However, Balance of Payments (BOP) remained at deficit of Rs.90.83 billion. Nepalese currency vis-à-vis US dollar depreciated by 0.02 percent in 2018/19. The buying rate for one US dollar stood at Rs.109.36 in mid-July 2019 compared to Rs.109.34 a year ago.

The y-o-y growth of broad money supply (M2) stood at 16.7 percent in mid-June 2019 compared to the target of 18 percent in 2018/19. 25. Domestic and private sector credit, on y-o-y basis, increased by 25.1 percent and 20.6 percent respectively in mid-June 2019. The projected growth rates of such credits were 22.5 percent and 20.0 percent respectively.

Total liquidity worth Rs.322.49 billion was injected in 2018/19, of which, Rs.168.16 billion was injected through Repo and Rs.154.33 billion was injected through the Standing Liquidity Facility (SLF). 27. Total liquidity worth Rs.100.35 billion was mopped up in 2018/19, of which, Rs.20.70 billion was mopped up through reverse repo and Rs.79.65 billion was mopped up through the deposit collection. 28. This Bank has injected net liquidity worth Rs.360.91 billion by purchasing US dollar 3.19 billion from commercial banks in 2018/19. During the period, Indian currency equivalent to Rs.516.97 billion was purchased through the sale of convertible foreign currencies. 29. Interbank transaction among the commercial banks stood at Rs.1775.11 billion and among other financial institutions (except commercial banks) at Rs. 209.55 billion in 2018/19. 30. In mid-July 2019, the weighted average interest rate of 91-days Treasury bills stood at 4.97 percent and the weighted average inter-bank rate among the commercial banks stood at 4.52 percent. Such rates were 3.74 percent and 2.96 percent respectively in mid-July 2018. 31. In mid-June 2019, the weighted average deposit rate and lending rate of commercial banks stood at 6.64 percent and 12.20 percent respectively. Such rates were 6.61 percent and 12.42 percent in mid-June 2018.

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

## 17. THE STOCK MARKET

Stock market remained stable in the review year. The NEPSE index stood at 1259.0 in mid-July 2019 compared to 1212.4 a year ago. Similarly, market capitalization increased to Rs.1567.50 billion in mid-July 2019 from Rs. 1435.14 billion a year ago.

Policy to encourage BFIs in mobilizing financial resources through the issuance of debentures has contributed to the development of bond market. In 2018/19, altogether 14 commercial banks obtained approval from this Bank to issue debenture worth Rs.43.98 billion.

## 18. 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



# 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 Financial Statements

#### Opinion

We have audited the accompanying financial statements of **Progressive Finance Limited** ("the Finance") which comprise the Statement of Financial Position as at Ashad 31, 2076, (July 16, 2019), 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 Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid the financial statements presents fairly, in all material respects, the financial position of the Finance, as at Ashad 31, 2076 (July 16, 2019), 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 statements in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the financial Statements section of our report. We are independent of the 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 statements.

#### Information Other than the Financial Statements 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 statements 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 statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

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

#### Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, 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 are responsible for overseeing the Finance's financial reporting process.

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

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

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



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Finance to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 statements. We are responsible for the direction, supervision and performance of the finance 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, Off Balance Sheet Transactions, Statement of Profit or Loss (including other Comprehensive Income), 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: 18<sup>th</sup> November 2019  
Place: Kathmandu

For, SMC Associates  
Chartered Accountants

Sangeet Dhakal, CA  
Partner



## Statement of Financial Position

As at 31 Asar 2076

Particulars	Note	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Assets</b>				
Cash and cash equivalent	4.1	794,546,538	511,896,101	143,178,207
Due from Nepal Rastra Bank	4.2	36,833,783	44,419,406	14,966,197
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	77,110,815	-	-
Loans and advances to customers	4.7	934,107,206	496,890,208	591,042,611
Investment securities	4.8	89,853,940	17,575,820	7,581,230
Current tax assets	4.9	-	-	4,987,446
Investment in subsidiaries	4.10	-	-	-
Investment in associates	4.11	-	-	-
Investment property	4.12	-	-	-
Property and equipment	4.13	20,238,867	12,171,271	5,587,794
Goodwill and Intangible assets	4.14	1,743,000	218,777	393,443
Deferred tax assets	4.15	450,068	4,946,749	3,258,089
Other assets	4.16	21,890,797	1,772,842	1,385,248
<b>Total Assets</b>		<b>1,976,775,014</b>	<b>1,089,891,174</b>	<b>772,380,265</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	4.17	40,054,073	-	-
Due to Nepal Rastra Bank	4.18	-	-	-
Derivative financial instruments	4.19	-	-	-
Deposits from customers	4.20	1,070,955,210	784,638,040	546,721,391
Borrowing	4.21	-	-	-
Current Tax Liabilities	4.9	5,735,847	1,147,452	-
Provisions	4.22	-	-	-
Deferred tax liabilities	4.15	-	-	-
Other liabilities	4.23	15,500,203	8,539,175	5,757,557
Debt securities issued	4.24	-	-	-
Subordinated Liabilities	4.25	-	-	-
<b>Total liabilities</b>		<b>1,132,245,333</b>	<b>794,324,667</b>	<b>552,478,948</b>
<b>Equity</b>				
Share capital	4.26	800,100,000	210,000,000	210,000,000
Share premium		7,124,781	6,796,664	6,796,664
Retained earnings		10,867,025	(3,810,547)	(8,869,360)
Reserves	4.27	26,437,875	82,580,390	11,974,013
<b>Total equity attributable to equity holders</b>		<b>844,529,681</b>	<b>295,566,507</b>	<b>219,901,317</b>
Non-controlling interest				
<b>Total equity</b>		<b>844,529,681</b>	<b>295,566,507</b>	<b>219,901,317</b>
<b>Total liabilities and equity</b>		<b>1,976,775,014</b>	<b>1,089,891,174</b>	<b>772,380,265</b>
Contingent liabilities and commitment	4.28	67,121,067	17,198,276	15,335,888
<b>Net assets value per share</b>		<b>105.52</b>	<b>209.93</b>	<b>156.18</b>

This is the same financial statement mentioned in our attached report

Kishore Kumar Maharjan  
Chairperson

Laxmi Prasad Maharjan  
Director

Shambhu Lal Dangol  
Director

Samundra Kaji Shrestha  
Director

Sangeet Dhakal, CA  
Partner  
S.M.C. Associates  
Chartered Accountants

Sabina Maharjan  
Director

Anish Maharjan  
Director

Bishal Humagain  
Chief Executive Officer

Menuka Sharma Baral  
Head of Accounts

Date: 2 Mangsir, 2076  
Place: Kathmandu



## Statement of Profit or Loss

For the year ended on 31 Asar 2076

Particulars	Note	Current Year	Previous Year
Interest income	4.29	144,972,644	85,328,015
Interest expense	4.30	74,159,738	55,485,385
<b>Net interest income</b>		<b>70,812,906</b>	<b>29,842,630</b>
Fee and commission income	4.31	10,264,763	3,312,179
Fee and commission expense	4.32	-	-
<b>Net fee and commission income</b>		<b>10,264,763</b>	<b>3,312,179</b>
<b>Net interest, fee and commission income</b>		<b>81,077,669</b>	<b>33,154,809</b>
Net trading income	4.33	-	-
Other operating income	4.34	201,166	238,407
<b>Total operating income</b>		<b>81,278,835</b>	<b>33,393,216</b>
Impairment charge/(reversal) for loans and other losses	4.35	(4,213,828)	(1,475,893)
<b>Net operating income</b>		<b>85,492,663</b>	<b>34,869,109</b>
Operating expense			
Personnel expenses	4.36	21,157,139	10,541,015
Other operating expenses	4.37	17,214,838	10,980,302
Depreciation & Amortisation	4.38	3,699,575	2,039,190
<b>Operating Profit</b>		<b>43,421,111</b>	<b>11,308,602</b>
Non operating income	4.39	4,616,458	-
Non operating expense	4.40	-	31,466
<b>Profit before income tax</b>		<b>48,037,569</b>	<b>11,277,136</b>
Income tax expense	4.41		
Current Tax		15,165,107	6,134,898
Deferred Tax Expenses/(Income)		4,643,658	(1,533,707)
<b>Profit for the period</b>		<b>28,228,804</b>	<b>6,675,945</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		28,228,804	6,675,945
Non-controlling interest		-	-
<b>Profit for the period</b>		<b>28,228,804</b>	<b>6,675,945</b>
<b>Earnings per share</b>			
Basic earnings per share		8.64	4.75
Diluted earnings per share		8.64	4.75

This is the same financial statement mentioned in our attached report

**Kishore Kumar Maharjan**  
Chairperson

**Laxmi Prasad Maharjan**  
Director

**Shambhu Lal Dangol**  
Director

**Samundra Kaji Shrestha**  
Director

**Sangeet Dhakal, CA**  
Partner  
S.M.C. Associates  
Chartered Accountants

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Bishal Humagain**  
Chief Executive Officer

**Menuka Sharma Baral**  
Head of Accounts

Date: 2 Mangsir, 2076  
Place: Kathmandu

## Statement of Comprehensive Income

For the year ended on 31 Asar 2076

Particulars	Note	Current Year	Previous Year
<b>Profit for the year</b>		<b>28,228,804</b>	<b>6,675,945</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		(489,924)	(516,509)
Gain/(loss) on revaluation			
Actuarial gains/(losses) on defined benefit plans			
Income tax relating to above items		146,977	154,953
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>		<b>(342,947)</b>	<b>(361,556)</b>
<b>b) Items that are or may be reclassified to profit or loss</b>			
Gains/(losses) on cash flow hedge			
Exchange gain/(losses) arising from translating financial assets of foreign operation			
Income tax relating to above items			
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>			
<b>Other comprehensive income for the period, net of income tax</b>		<b>(342,947)</b>	<b>(361,556)</b>
<b>Total comprehensive income for the period</b>		<b>27,885,857</b>	<b>6,314,389</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		27,885,857	6,314,389
Non-controlling interest		-	-
<b>Total comprehensive income for the period</b>		<b>27,885,857</b>	<b>6,314,389</b>

This is the same financial statement mentioned in our attached report

**Kishore Kumar Maharjan**  
Chairperson

**Laxmi Prasad Maharjan**  
Director

**Shambhu Lal Dangol**  
Director

**Samundra Kaji Shrestha**  
Director

**Sangeet Dhakal, CA**  
Partner  
S.M.C. Associates  
Chartered Accountants

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Bishal Humagain**  
Chief Executive Officer

**Menuka Sharma Baral**  
Head of Accounts

Date: 2 Mangsir, 2076  
Place: Kathmandu

# Statement of Changes in Equity

For the year ended on 31 Asar 2076

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
Balance at Sawan 1, 2074	210,000,000	6,796,664	11,226,804			(14,470,041)	5,097,806	218,651,233
Adjustment/Restatement								-
Proposed bonus shares transferred to retained earning								-
Reduction on fair value of shares at less than their cost						132,941		132,941
Proposed dividend transferred to retained earning						-		-
Accrued interest income on loans accounted on accrual basis						1,993,283		1,993,283
Investment in shares measured at fair value					721,223			721,223
Share issue cost adjusted to capital	-					-		
Deferred tax adjustment					(216,368)	3,474,457	(4,855,452)	(1,597,363)
								-
Adjusted/Restated balance at Sawan 1, 2074	210,000,000	6,796,664	11,226,804	-	504,855	(8,869,360)	242,354	219,901,317
Comprehensive income for the year								-
Profit for the year								
Other comprehensive income, net of tax						6,675,945		6,675,945
Remeasurements of defined benefit liability (assets)					(361,556)	-		(361,556)
Fair value reserve (Investment in equity instrument):								
Net change in fair value								
Net amount transferred to profit or loss								
Net gain (loss) on revaluation								
Cash flow hedges:								
Effective portion of changes in fair value								
Net Amount reclassified to profit or loss								

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>Total comprehensive income for the year</b>					(361,556)	6,675,945		6,314,389
Transfer of equity on merger and acquisition								-
Transfer to reserve during the year			1,216,001			(1,617,133)	442,718	41,586
Transfer from reserve during the year							(41,585)	(41,585)
<b>Transactions with owners, directly recognised in equity</b>								-
Right share issued								-
Call in advance (net of cost of share issue)	69,350,800							-
Share based payments								-
Dividends to equity holders								-
Bonus shares issued	-					-		-
Cash dividend paid								-
<b>Total contributions by and distributions</b>								-
Balance at Asar end 2075	279,350,800	6,796,664	12,442,805	-	143,299	(3,810,548)	643,487	295,566,507
Balance at 1 Sawan 2075	279,350,800	6,796,664	12,442,805	-	143,299	(3,810,548)	643,487	295,566,507
Adjustment/Restatement	-	-	-	-	-	-	-	-
<b>Adjusted/Restated balance at 1 Sawan 2075</b>	279,350,800	6,796,664	12,442,805	-	143,299	(3,810,548)	643,487	295,566,507
<b>Comprehensive income for the year</b>								-
Profit for the year								-
Other comprehensive income, net of tax								-
Remeasurements of defined benefit liability (assets)					(342,947)			-
Fair value reserve (Investment in equity instrument):					(342,947)			(342,947)
Net change in fair value					(342,947)			(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								-

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 comprehensive income for the year								-
Transfer to reserve during the year			5,645,761	8,244,833		621,650	282,288	14,794,532
Transfer from reserve during the year						(14,172,882)	(621,650)	(14,794,532)
<b>Transactions with owners, directly recognised in equity</b>								-
Right share issued	520,749,200	328,117						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	-	-	-	-	-	521,077,317
<b>Balance at Asar end 2076</b>	<b>800,100,000</b>	<b>7,124,781</b>	<b>18,088,566</b>	<b>8,244,833</b>	<b>(199,648)</b>	<b>10,867,024</b>	<b>304,125</b>	<b>844,529,681</b>

This is the same financial statement mentioned in our attached report

<b>Kishore Kumar Maharjan</b> Chairperson	<b>Laxmi Prasad Maharjan</b> Director	<b>Shambhu Lal Dangol</b> Director	<b>Samundra Kaji Shrestha</b> Director	<b>Sangeet Dhakal, CA</b> Partner S.M.C. Associates Chartered Accountants
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<b>Sabina Maharjan</b> Director	<b>Anish Maharjan</b> Director	<b>Bishal Humagain</b> Chief Executive Officer	<b>Menuka Sharma Baral</b> Head of Accounts
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Date: 2 Mangsir, 2076  
Place: Kathmandu

## Statement of Cash Flow

For the year ended on 31 Asar 2076

Particulars	Current Year	Previous Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	126,666,292	85,845,834
Fees and other income received	10,264,763	3,312,179
Dividend received	-	-
Receipts from other operating activities	13,456,834	96,685
Interest paid	(75,366,908)	(54,963,647)
Commission and fees paid	-	-
Cash payment to employees	(15,337,675)	(8,825,627)
Other expense paid	(13,441,600)	(10,980,302)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>46,241,706</b>	<b>14,485,122</b>
<b>(Increase)/Decrease in operating assets</b>		
Due from Nepal Rastra Bank	7,585,623	(29,453,209)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	(77,889,712)	-
Loans and advances to customers	(444,866,971)	94,362,473
Other assets	(3,351,536)	(298,655)
<b>Increase/(Decrease) in operating liabilities</b>		
Due to bank and financial institutions	40,054,073	-
Due to Nepal Rastra Bank	-	-
Deposit from customers	286,317,170	237,916,649
Borrowings	-	-
Other liabilities	3,216,273	546,925
<b>Net cash flow from operating activities before tax paid</b>	<b>(142,693,374)</b>	<b>317,559,305</b>
Income taxes paid	(10,576,712)	-
<b>Net cash flow from operating activities</b>	<b>(153,270,086)</b>	<b>317,559,305</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(72,767,816)	(10,511,100)
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(11,477,744)	(8,448,000)
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	719,250	625,167
Dividend received	183,166	141,722
<b>Net cash used in investing activities</b>	<b>(85,156,794)</b>	<b>(18,192,211)</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	-	69,350,800
<b>Net cash from financing activities</b>	<b>521,077,317</b>	<b>69,350,800</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>282,650,437</b>	<b>368,717,894</b>
<b>Cash and cash equivalents as at Sawan 1, 2075</b>	<b>511,896,101</b>	<b>143,178,207</b>
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
<b>Closing Cash and Cash Equivalent at Ashad 31, 2076</b>	<b>794,546,538</b>	<b>511,896,101</b>

This is the same financial statement mentioned in our attached report

**Kishore Kumar Maharjan**  
Chairperson

**Laxmi Prasad Maharjan**  
Director

**Shambhu Lal Dangol**  
Director

**Samundra Kaji Shrestha**  
Director

**Sangeet Dhakal, CA**  
Partner

**Sabina Maharjan**  
Director

**Anish Maharjan**  
Director

**Bishal Humagain**  
Chief Executive Officer

**Menuka Sharma Baral**  
Head of Accounts

**S.M.C. Associates**  
Chartered Accountants

Date: 2 Mangsir, 2076, Place: Kathmandu

# Progressive Finance Limited

## Notes to Financial Statements

For the year ended on 31 Asar 2076

### 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). The financial statements are the first Finance Co. has prepared in line with NFRS. For all earlier periods, the financial statements were prepared in accordance with the Directives issued by Nepal Rastra Bank as well as Nepal Accounting Standards. The financial information of corresponding comparative period has been changed in line with NFRS and the opening statement of financial position on the date of transition to NFRS (1 Shrawan 2074) have also been recomputed. Reconciliation of changes for the financial statements on date of transition and for comparative period is integral part of financial statements.

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 2/075. 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 2075-76, starting from 1 Shrawan 2075 and ending on 31 Ashad 2076. Financial information of following period/dates are provided on the financial statements.

1. Opening NFRS financial statements (statement of financial position on 1 Shrawan 2074)
2. Comparative NFRS financial statements (financial statements as on and for the period ended on 32 Ashad 2075)
3. NFRS financial statements for current period (financial statements as on and for the period ended on 31 Ashad 2076)

### 2.2.2 Approval of Financial Statements

The financial statements are authorised for issue by the Board of Directors on 2076.8.2 meeting no 436 . 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 Bank 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

The financial statements are prepared as per NFRS for the first time. For first time preparation, NFRS 1 requires the financial statements of previous period be prepared in line with NFRS. This has resulted in changes in accounting policies. The changes in policies as well as impact on statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flow is separately presented.

#### 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

Note No.	Accounting Policy	Information Note No.
3.7	Property and Equipment	4.13
3.8	Goodwill Intangible assets	4.14
3.9	Investment Property	4.12
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.



## Cash and cash equivalent

For the year ended on 31 Asar 2076

Note: 4.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Cash in hand	23,693,901	20,801,378	25,641,418
Balances with B/FIs	5,357,544	4,015,878	1,266,263
Money at call and short notice	765,495,093	487,078,845	116,270,526
Other	-	-	-
<b>Total</b>	<b>794,546,538</b>	<b>511,896,101</b>	<b>143,178,207</b>

Money at call and short notice in previous year includes Rs. 13,438,834 with problematic financial institutions. Such amount has been considered net of 100% impairment allowance. There is no deposit with problematic institution in the current year.

## Due from Nepal Rastra Bank

For the year ended on 31 Asar 2076

Note: 4.2

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Statutory balances with NRB	36,833,783	44,419,406	14,966,197
Securities purchased under resale agreement	-	-	-
Other deposit and receivable from NRB	-	-	-
<b>Total</b>	<b>36,833,783</b>	<b>44,419,406</b>	<b>14,966,197</b>

## Placements with Bank and Financial Institutions

For the year ended on 31 Asar 2076

Note: 4.3

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Placement with domestic B/FIs	-	-	-
Placement with foreign B/FIs	-	-	-
Less: Allowances for impairment	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Derivative financial instruments

For the year ended on 31 Asar 2076

Note: 4.4

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Held for trading	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Others	-	-	-
Held for risk management	-	-	-
Interest rate swap	-	-	-
Currency swap	-	-	-
Forward exchange contract	-	-	-
Other	-	-	-
<b>Total</b>	-	-	-

## Other trading assets

For the year ended on 31 Asar 2076

Note: 4.5

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Treasury bills	-	-	-
Government bonds	-	-	-
NRB Bonds	-	-	-
Domestic Corporate bonds	-	-	-
Equities	-	-	-
Other	-	-	-
<b>Total</b>	-	-	-
Pledged			
Non-pledged			

## Loan and advances to B/FIs

For the year ended on 31 Asar 2076

Note: 4.6

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Loans to microfinance institutions	77,889,712	-	-
Other	-	-	-
Less: Allowances for impairment	(778,897)	-	-
<b>Total</b>	77,110,815	-	-

## Allowances for impairment

For the year ended on 31 Asar 2076

Note: 4.6.1

Balance at Sawan 1	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Impairment loss for the year:			
Charge for the year	778,897		
Recoveries/reversal			
Amount written off			
<b>Balance at Asar end</b>	<b>778,897</b>	<b>-</b>	<b>-</b>

## Loans and advances to customers

For the year ended on 31 Asar 2076

Note: 4.7

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Loan and advances measured at amortized cost	958,430,471	512,767,364	608,395,660
Less: Impairment allowances			
Collective impairment	(24,323,265)	(15,877,156)	(17,353,049)
Individual impairment			
<b>Net amount</b>	<b>934,107,206</b>	<b>496,890,208</b>	<b>591,042,611</b>
Loan and advances measured at FVTPL			
<b>Total</b>	<b>934,107,206</b>	<b>496,890,208</b>	<b>591,042,611</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.

We have selected around 35% of our outstanding loan 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 31.03.2076	As at 32.03.2075	As at 01.04.2074
Individual impairment	-	-	-
Collective impairment	23,279,468.4	11,662,414.3	13,828,852.1
<b>Total</b>	<b>23,279,468.4</b>	<b>11,662,414.3</b>	<b>13,828,852.1</b>

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

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Performing loan</b>	<b>926,147,742</b>	<b>500,737,671</b>	<b>595,061,857</b>
Good	891,131,509	476,294,683	584,803,857
Watchlist	35,016,233	24,442,988	10,258,000
<b>Non-performing loan</b>	<b>14,350,534</b>	<b>9,534,327</b>	<b>10,096,780</b>
Substandard	4,664,201	375,308	4,255,979

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Doubtful	1,394,289	66,459	1,598,759
Loss	8,292,044	9,092,560	4,242,042
<b>Total</b>	<b>940,498,276</b>	<b>510,271,998</b>	<b>605,158,637</b>
<b>Add: loan to employees and Net AIR</b>	<b>17,932,196</b>	<b>2,495,367</b>	<b>3,237,022</b>
<b>Total loan</b>	<b>958,430,472</b>	<b>512,767,365</b>	<b>608,395,659</b>
<b>Impairment allowance</b>			
<b>Performing loan</b>	<b>11,998,007</b>	<b>5,985,096</b>	<b>6,360,939</b>
Good	10,247,195	4,762,947	5,848,039
Watchlist	1,750,812	1,222,149	512,900
<b>Non-performing loan</b>	<b>12,325,258</b>	<b>9,892,059</b>	<b>10,992,111</b>
Substandard	1,166,050	93,827	1,063,995
Doubtful	697,144	33,229	799,380
Loss	8,292,044	9,092,560	4,242,042
Additional	2,170,020	672,443	4,886,694
<b>Total</b>	<b>24,323,265</b>	<b>15,877,155</b>	<b>17,353,050</b>

## Analysis of loan and advances - By Product

For the year ended on 31 Asar 2076

Note: 4.7.1

Product	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Term loans	291,794,060	87,547,942	105,791,849
Overdraft	-	-	-
Trust receipt/Import loans	-	-	-
Demand and other working capital loans	190,621,310	32,310,818	29,151,541
Personal residential loans	44,059,840	5,922,746	6,185,065
Real estate loans	44,915,880	46,970,392	40,197,098
Margin lending loans	32,946,150	17,940,561	59,126,913
Hire purchase loans	90,821,120	62,183,599	49,800,260
Deprived sector loans	23,262,408	53,117,999	53,398,270
Bills purchased			
Staff loans			
Other	233,423,224	205,925,445	262,751,384
<b>Sub total</b>	<b>951,843,992</b>	<b>511,919,502</b>	<b>606,402,380</b>
Interest receivable	6,586,483	847,864	1,993,283
<b>Grand total</b>	<b>958,430,475</b>	<b>512,767,366</b>	<b>608,395,663</b>

## Analysis of loan and advances - By Currency

For the year ended on 31 Asar 2076

Note: 4.7.2

Currency	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Nepalese rupee	958,430,471	512,767,364	608,395,660
Indian rupee			
United State dollar			
Great Britain pound			
Euro			
Japanese yen			
Chinese yuan			
Other			
<b>Total</b>	<b>958,430,471</b>	<b>512,767,364</b>	<b>608,395,660</b>

## Analysis of loan and advances - By Collateral

For the year ended on 31 Asar 2076

Note: 4.7.3

Collateral	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Secured</b>			
Movable/immovable assets	898,044,600	425,285,727	511,128,402.72
Gold and silver			
Guarantee of domestic B/FIs	9,999,998	50,000,000	-
Government guarantee			
Guarantee of international rated bank			
Collateral of export document			
Collateral of fixed deposit receipt	2,576,450	9,758,400	19,185,089
Collateral of Government securities			
Counter guarantee			
Personal guarantee	11,431,080	4,454,720	8,533,533
Other collateral	36,378,343	23,268,518	69,548,635
<b>Subtotal</b>	<b>958,430,471</b>	<b>512,767,365</b>	<b>608,395,660</b>
<b>Unsecured</b>			
<b>Grant Total</b>	<b>958,430,471</b>	<b>512,767,365</b>	<b>608,395,660</b>

## Allowances for impairment

For the year ended on 31 Asar 2076

Note: 4.7.4

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Specific allowances for impairment</b>			
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			
<b>Balance at Asar end</b>	-	-	-
<b>Collective allowances for impairment</b>			
Balance at Sawan 1	15,877,155	17,353,048	11,992,635
Impairment loss for the year:			
Charge/(reversal) for the year	8,446,109	(1,475,893)	5,360,413
Exchange rate variance on foreign currency			
Other movement			
<b>Balance at Asar end</b>	<b>24,323,264</b>	<b>15,877,155</b>	<b>17,353,048</b>
<b>Total allowances for impairment</b>	<b>24,323,264</b>	<b>15,877,155</b>	<b>17,353,048</b>

## Investment securities

For the year ended on 31 Asar 2076

Note: 4.8

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Investment securities measured at amortized cost	15,000,000	15,000,000	5,000,000
Investment in equity measured at FVTOCI	74,853,940	2,575,820	2,581,230
<b>Total</b>	<b>89,853,940</b>	<b>17,575,820</b>	<b>7,581,230</b>

## Investment securities measured at amortized cost

For the year ended on 31 Asar 2076

Note: 4.8.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Debt securities	-	-	-
Government bonds	15,000,000	15,000,000	5,000,000
Government treasury bills	-	-	-
Nepal Rastra Bank bonds	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-
Other	-	-	-
Less: specific allowances for impairment	-	-	-
<b>Total</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>5,000,000</b>

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

For the year ended on 31 Asar 2076

Note: 4.8.2

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Equity instruments</b>			
Quoted equity securities	73,764,940	2,175,820	2,201,230
Unquoted equity securities	1,089,000	400,000	380,000
<b>Total</b>	<b>74,853,940</b>	<b>2,575,820</b>	<b>2,581,230</b>



## Information relating to investment in equities

For the year ended on 31 Asar 2076

Note: 4.8.3

Particulars	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Investment in quoted equity</b>	<b>74,944,651</b>	<b>73,764,940</b>	<b>2,176,835</b>	<b>2,175,820</b>	<b>1,665,506</b>	<b>2,201,230</b>
Rural Microfinance Limited	-	-	348,200	376,856	347,971	426,250
Jalvidut Hydro Power	-	-	79,300	122,915	79,300	156,221
RSDC Micro Finance	-	-	4,700	28,305	1,400	47,200
Surya Life Insurance Limited	-	-	22,400	148,200	15,300	163,710
Nepal Telecom	-	-	256,800	288,400	256,800	270,000
Suryodaya Microfinance Limited	-	-	1,700	26,350	1,000	6,720
Himalayan General Insurance	-	-	256,650	78,300	256,650	129,630
Forward Microfinance Limited	-	-	2,600	57,720	2,600	83,746
National Life Insurance Limited	-	-	462,675	198,951	462,675	457,700
Arun Kabeli Power Limited	-	-	29,500	76,700	29,500	120,655
Mero Microfinance Limited	-	-	4,100	62,640	4,100	99,180
National Microfinance Limited	-	-	1,900	50,922	1,900	32,566
Divyeshwori Microfinance Limited	-	-	1,100	1,188	1,100	2,486
GBIME Mutual Fund	-	-	47,470	41,631	47,470	48,372
NMB Hybrid Fund	-	-	157,740	152,850	157,740	156,794
Laxmi Microfinance Limited	-	-	-	4,392	-	-
NICASIA Mutual Fund	-	-	500,000	459,500	-	-
<b>Portfolio Management Service</b>						
NIC Asia Capital	24,944,651	23,736,244				
Sunrise Capital	25,000,000	25,114,135				
NIBL Capital	25,000,000	24,914,561				
<b>Investment in unquoted equity</b>	<b>194,500</b>	<b>1,089,000</b>	<b>194,500</b>	<b>400,000</b>	<b>194,500</b>	<b>380,000</b>
Karja Suchana Kendra	94,500	945,000	94,500	280,000	94,500	280,000
Nepal Clearing House Limited	100,000	144,000	100,000	120,000	100,000	100,000
<b>Total</b>	<b>75,139,151</b>	<b>74,853,940</b>	<b>2,371,335</b>	<b>2,575,820</b>	<b>1,860,006</b>	<b>2,581,230</b>

## Current tax assets/(liabilities)

For the year ended on 31 Asar 2076

Note: 4.9

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Current tax assets</b>	<b>10,905,490</b>	<b>4,719,417</b>	<b>9,448,776</b>
Current year income tax assets	10,905,490	4,719,417	2,624,733
Tax assets of prior periods			6,824,043
<b>Current tax liabilities</b>	<b>16,641,337</b>	<b>5,866,869</b>	<b>4,461,330</b>
Current year income tax liabilities	16,641,337	5,866,869	4,461,330
Tax liabilities of prior periods			
<b>Net assets/(liabilities)</b>	<b>(5,735,847)</b>	<b>(1,147,452)</b>	<b>4,987,446</b>

## Investment in subsidiaries

For the year ended on 31 Asar 2076

Note: 4.10

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Investment in quoted subsidiaries			
Investment in unquoted subsidiaries			
<b>Total investment</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Impairment allowances			
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Investment in quoted subsidiaries

For the year ended on 31 Asar 2076

Note: 4.10.1

	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Investment in unquoted subsidiaries

For the year ended on 31 Asar 2076

Note: 4.10.2

	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-	-	-

## Information relating to subsidiaries of the Bank

For the year ended on 31 Asar 2076

Note: 4.10.3

	Percentage of ownership held by the Bank		
	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Total</b>	-	-	-

## Non controlling interest of the subsidiaries

For the year ended on 31 Asar 2076

Note: 4.10.4

	As at 31.03.2076	
	... Ltd.	... 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.	... 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 01.04.2074	
	... Ltd.	... 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 2076

Note: 4.11

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.11.1

	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-	-	-

## Investment in unquoted associates

For the year ended on 31 Asar 2076

Note: 4.11.2

	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Total</b>	-	-	-	-	-	-

## Information relating to associates of the Bank

For the year ended on 31 Asar 2076

Note: 4.11.3

	Percentage of ownership held by the Bank		
	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Total</b>	-	-	-

## Equity value of associates

For the year ended on 31 Asar 2076

Note: 4.11.4

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

## Investment properties

For the year ended on 31 Asar 2076

Note: 4.12

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<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 2076

Note: 4.13

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipment & Others	Total Asar end 2076
<b>Cost</b>									
As on Sawan 1, 2074	-	-	1,838,544	3,420,499	1,900,530	1,411,773	-	3,771,091	12,342,437
Addition during the Year	-	-	4,203,718	2,310,850	488,300	-	-	1,445,402	8,448,270
Acquisition	-	-	-	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-
<b>Balance as on Asar end 2075</b>	-	-	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	-	-	-	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-
<b>Balance as on Asar end 2076</b>	-	-	6,042,262	7,409,548	7,313,830	1,525,903	-	5,528,799	27,820,342
<b>Depreciation and Impairment</b>									
As on Sawan 1, 2074	-	-	520,921	1,507,138	1,414,265	1,200,987.92	-	2,111,331	6,754,643
Depreciation charge for the Year	-	-	483,828	638,690	105,391	52,702	-	584,182	1,864,793
Impairment for the year	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
<b>As on Asar end 2075</b>	-	-	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

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicle	Furniture & Fixture	Machinery	Equipment & Others	Total Asar end 2076
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
Capital Work in Progress									
			4,448,109						4,448,109
<u>Net Book Value</u>									
As on Asar end 2074	-	-	1,317,623	1,913,361	486,265	210,785	-	1,659,760	5,587,794
As on Asar end 2075	-	-	5,037,513	3,585,521	869,174	158,083	-	2,520,980	12,171,271
As on Asar end 2076	-	-	8,277,170	4,080,260	5,643,907	205,315	-	2,032,215	20,238,867



## Goodwill and Intangible Assets

For the year ended on 31 Asar 2076

Note: 4.14

Particulars	Goodwill	Software		Other	Total Asar end 2076	Total Asar end 2075
		Purchased	Developed			
<b>Cost</b>						
As on Sawan 1, 2074	-	1,164,995.00	-	-	1,164,995	-
Addition during the Year						
Acquisition	-	-	-	-	-	-
Capitalization	-	-	-	-	-	-
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
<b>Balance as on Asar end 2075</b>	-	1,164,995	-	-	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>	-	2,978,645	-	-	2,978,645	
<b>Amortization and Impairment</b>						
As on Sawan 1, 2074	-	771,551.92	-	-	771,552	-
Amortization charge for the Year	-	174,666	-	-	174,666	-
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
<b>As on Asar end 2075</b>	-	946,218	-	-	946,218	
Amortization charge for the Year	-	289,427	-	-	289,427	
Impairment for the year	-	-	-	-	-	
Disposals	-	-	-	-	-	
Adjustment	-	-	-	-	-	
<b>As on Asar end 2076</b>	-	1,235,645	-	-	1,235,645	
<b>Capital Work in Progress</b>						
<b>Net Book Value</b>						
As on Asar end 2074	-	393,443	-	-	393,443	
As on Asar end 2075	-	218,777	-	-	218,777	
As on Asar end 2076	-	1,743,000	-	-	1,743,000	

## Deferred Tax

For the year ended on 31 Asar 2076

Note: 4.15

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>
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			

Particulars	As at 32.03.2075		
	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	-	61,415	(61,415)
Property & equipment	73,726	-	73,726
Employees' defined benefit plan	902,788	-	902,788
Lease liabilities			-
Provisions			-
Other temporary differences	4,031,650	-	4,031,650

Particulars	As at 32.03.2075		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences</b>	<b>5,008,164</b>	<b>61,415</b>	<b>4,946,749</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 32, 2075</b>	<b>5,008,164</b>	<b>61,415</b>	<b>4,946,749</b>
Deferred tax (asset)/liabilities as on Sawan 1, 2074			(3,258,089)
<b>Deferred tax expenses/(income) during the year</b>			<b>(1,688,660)</b>
Deferred tax expense/(income) recognised in profit or loss			(1,533,707)
Deferred tax expense/(income) recognised in other comprehensive income			(154,953)
Deferred tax expense/(income) recognised in directly in equity			

Particulars	As at 01.04.2074		
	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	-	1,380,996	(1,380,996)
Investment properties	-	-	-
Investment securities	-	216,368	(216,368)
Property & equipment	73,036	-	73,036
Employees' defined benefit plan	750,767	-	750,767
Lease liabilities			-
Provisions			-
Other temporary differences	4,031,650	-	4,031,650
<b>Deferred tax on temporary differences</b>	<b>4,855,453</b>	<b>1,597,364</b>	<b>3,258,089</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, 2074</b>	<b>4,855,453</b>	<b>1,597,364</b>	<b>3,258,089</b>
<b>Deferred tax (asset)/liabilities as on Ashad 31, 2073 (Previous GAAP)</b>			<b>(4,855,452)</b>
Origination/(Reversal) during the year			
Deferred tax expense/(income) recognised in profit or loss			
Deferred tax expense/(income) recognised in other comprehensive income			
<b>Deferred tax expense/(income) recognised in directly in equity</b>			<b>(1,597,363)</b>

## Other Assets

For the year ended on 31 Asar 2076

Note: 4.16

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Assets held for sale			-
Other non banking assets			-
Bills receivable	-	-	-
Accounts receivable	1,243,237	718,362	226,085
Accrued income	11,828,750	-	-
Prepayments and deposit	1,244,981	839,512	959,153
Income tax deposit	-	-	-
Deferred employee expenditure	5,036,335	98,669	9,732
Other	2,537,494	116,299	190,278
<b>Total</b>	<b>21,890,797</b>	<b>1,772,842</b>	<b>1,385,248</b>

## Due to Bank and Financial Institutions

For the year ended on 31 Asar 2076

Note: 4.17

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Money market deposits	-	-	-
Interbank borrowing	-	-	-
Other deposits from BFIs	40,054,073	-	-
Settlement and clearing accounts	-	-	-
Other deposits from BFIs	-	-	-
<b>Total</b>	<b>40,054,073</b>	<b>-</b>	<b>-</b>

## Due to Nepal Rastra Bank

For the year ended on 31 Asar 2076

Note: 4.18

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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>	<b>-</b>

## Derivative financial instruments

For the year ended on 31 Asar 2076

Note: 4.19

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<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 2076

Note: 4.20

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Institutions customers:</b>			
Term deposits	124,679,800	77,000,000	45,000,000
Call deposits	75,706,260		
Current deposits	920,660		
Other	246,182,550	231,142,302	157,746,857
<b>Individual customers:</b>			
Term deposits	272,991,500	271,036,796	255,018,001
Saving deposits	348,338,840	203,615,390	86,328,698
Current deposits	2,135,600		
Other	-	1,843,552	2,627,835
<b>Total</b>	<b>1,070,955,210</b>	<b>784,638,040</b>	<b>546,721,391</b>

## Currency wise analysis of deposit from customers

For the year ended on 31 Asar 2076

Note: 4.20.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Nepalese rupee	1,070,955,210	784,638,040	546,721,391
Indian rupee			
United State dollar			
Great Britain pound			
Euro			
Japanese yen			
Chinese yuan			
Other			
<b>Total</b>	<b>1,070,955,210</b>	<b>784,638,040</b>	<b>546,721,391</b>

## Borrowing

For the year ended on 31 Asar 2076

Note: 4.21

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Domestic Borrowing	-	-	-
Nepal Government	-	-	-
Other Institutions	-	-	-
Other	-	-	-
<b>Sub total</b>	<b>-</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>-</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Provisions

For the year ended on 31 Asar 2076

Note: 4.22

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Provisions for redundancy	-	-	-
Provision for restructuring	-	-	-
Pending legal issues and tax litigation	-	-	-
Onerous contracts	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Movement in provision

For the year ended on 31 Asar 2076

Note: 4.22.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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>	-	-	-

## Other liabilities

For the year ended on 31 Asar 2076

Note: 4.23

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Liability for employees defined benefit obligation*	2,562,943	2,046,272	1,731,875
Liability for long-service leave	1,442,320	963,019	770,680
Short-term employee benefits	176,141	-	-
Bills payable	-	-	-
Creditors and accruals	2,363,771	934,080	568,479
Interest payable on deposit	1,207,170	521,738	-
Interest payable on borrowing	-	-	-
Liabilities on deferred grant income	-	-	-
Unpaid Dividend	-	-	-
Liabilities under Finance Lease	-	-	-
Employee bonus payable	4,803,758	2,740,407	1,534,188
Other	2,944,100	1,333,659	1,152,335
<b>Total</b>	<b>15,500,203</b>	<b>8,539,175</b>	<b>5,757,557</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 2076

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 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.23.2

There is no plan assets.

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.23.3

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.23.4

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.23.5

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.23.6

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Actuarial (gain)/loss			
<b>Total</b>	-	-	-

## Actuarial assumptions

For the year ended on 31 Asar 2076

Note: 4.23.7

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Discount rate			
Expected return on plan asset			
Future salary increase			
Withdrawal rate			

## Debt securities issued

For the year ended on 31 Asar 2076

Note: 4.24

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
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 2076

Note: 4.25

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Redeemable preference shares	-	-	-
Irredeemable cumulative preference shares	-	-	-
Other	-	-	-
<b>Total</b>	-	-	-

## Share capital

For the year ended on 31 Asar 2076

Note: 4.26

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Ordinary shares	800,100,000	210,000,000	210,000,000
Convertible preference shares (equity component)			
Irredeemable preference shares (equity component)			
Perpetual debt (equity component only)			
<b>Total</b>	<b>800,100,000</b>	<b>210,000,000</b>	<b>210,000,000</b>
<b>Regulatory share capital</b>	<b>800,100,000</b>	<b>279,350,800</b>	<b>210,000,000</b>

## Ordinary shares

For the year ended on 31 Asar 2076

Note: 4.25.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Authorized Capital			
8,001,000 Ordinary share of Rs. 100 each	800,100,000	800,100,000	400,000,000
Issued capital			
8,001,000 Ordinary share of Rs. 100 each	800,100,000	800,100,000	210,000,000
Subscribed and paid up capital*			
8,001,000 Ordinary share of Rs. 100 each	800,100,000	210,000,000	210,000,000
<b>Total</b>	<b>800,100,000</b>	<b>210,000,000</b>	<b>210,000,000</b>
<b>Capital as per NRB Directives</b>	<b>800,100,000</b>	<b>210,000,000</b>	<b>210,000,000</b>

Reconciliation of no. of equity shares	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Opening	2,100,000	2,100,000	2,001,600
Add: issued during the year	5,901,000	-	98,400
Closing	<b>8,001,000</b>	<b>2,100,000</b>	<b>2,100,000</b>

## Ordinary share ownership

For the year ended on 31 Asar 2076

Note: 4.25.2

Particulars	As at 31.03.2076		As at 32.03.2075		As at 01.04.2074	
	Percent	Amount	Percent	Amount	Percent	Amount
<b>Domestic ownership</b>						
Nepal Government						
"A" class licensed institutions						
Other licensed institution						
Other Institutions	0.85%	6,795,600	2.20%	4,622,900.00		
Public	99.15%	793,304,400	95.69%	205,377,100	100%	210,000,000
Other (Corporate)						
<b>Foreign ownership</b>						
<b>Total</b>		<b>800,100,000</b>		<b>210,000,000</b>		<b>210,000,000</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
Rasana Shrestha	3.52
Arjun Maharjan	3.38
Ram Kaji Awale	3.15
Babu Raja Maharjan	1.98
Bulal Maharjan	1.95
Mukesh Maharjan	1.95

Name of shareholder	% of holding
Bishan Maharjan	1.95
Krishna Awale	1.94
Surendra Awale	1.90
Manoj Dangol	1.90
Laxmi Prasad Maharjan	1.90
Raju Maharjan	1.90
Rabi Maharjan	1.90

Name of shareholder	% of holding
Shambhu Lal Dangol	1.90
Bhim Lal Maharjan	1.90
Ram Maharjan	1.90
Rajit Maharjan	1.90
Purna Sagar Maharjan	1.90
Sumin Maharjan	1.90
Sangha Ratna Dangol	1.90
Sanu Kaji Maharjan	1.90
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
Anil Maharjan	1.00
Hira Kaji Maharjan	1.00
Bikki Maharjan	1.00

Name of shareholder	% of holding
Rushan Shrestha	1.00
Aayunskha Maharjan	1.00
Ishwori Bade	0.99
Isha Shrestha	0.94
Bish Ram Singh	0.91
Anil Maharjan	0.79
Toya Nath Poudel	0.77
Bijaya Maharjan	0.74
Saraswoti Timalsina	0.71
Ram Kaji Awale	0.65
Binaya Amatya	0.62
Ishan Shrestha	0.62
Kaji Ratna Maharjan	0.58
Ramesh Singh Maharjan	0.54
Sujan Jangam	0.54
Sandeep Timalsina	0.53
Purna Maharjan	0.50
<b>Total</b>	<b>74.35</b>

## Reserves

For the year ended on 31 Asar 2076

Note: 4.27

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Statutory general reserve	18,088,566	12,442,805	11,226,804
Exchange equalisation reserve	-	-	-
Corporate social responsibility reserve	282,288	191,168	130,368
Capital redemption reserve	-	-	-
Regulatory reserve	8,244,833	-	-
Investment adjustment reserve	-	348,258	-
Capital reserve	-	-	-
Assets revaluation reserve	-	-	-
Fair value reserve	(199,648)	143,299	504,855
Dividend equalisation reserve	-	-	-
Actuarial gain	-	-	-
Special reserve	-	-	-
Other reserve	-	-	-
Capital Adjustment Fund	-	69,350,800	-
Other	21,836	104,060	111,986
<b>Total</b>	<b>26,437,875</b>	<b>82,580,390</b>	<b>11,974,013</b>

Movement of specific reserves for the year 2075-76 is as follows:

Particulars	Corporate social responsibility reserve	Training reserve	
<b>Opening</b>	<b>191,168</b>	<b>104,059</b>	
Addition for the year	282,288	-	
Utilization during the year	(191,168)	(82,224)	
<b>Closing</b>	<b>282,288</b>	<b>21,835</b>	

## Contingent liabilities and commitments

For the year ended on 31 Asar 2076

Note: 4.28

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Contingent liabilities	-	-	-
Undrawn and undisbursed facilities	22,461,930.00	-	-
Capital commitment	2,419,279.00	-	-
Lease Commitment	42,239,858.00	17,198,276.00	15,335,888.00
Litigation			
<b>Total</b>	<b>67,121,067.00</b>	<b>17,198,276.00</b>	<b>15,335,888.00</b>

## Contingent liabilities

For the year ended on 31 Asar 2076

Note: 4.28.1

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Acceptance and documentary credit			
Bills for collection			
Forward exchange contracts			
Guarantees			
Underwriting commitment			
Other commitments			
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Undrawn and undisbursed facilities

For the year ended on 31 Asar 2076

Note: 4.28.2

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
Undisbursed amount of loans	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>22,461,930</b>	<b>-</b>	<b>-</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 2076

Note: 4.28.3

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Capital commitments in relation to Property and Equipment</b>			
Approved and contracted for	2,419,279		
Approved but not contracted for			
<b>Sub total</b>	<b>2,419,279</b>	<b>-</b>	<b>-</b>
<b>Capital commitments in relation to Intangible assets</b>			
Approved and contracted for			
Approved but not contracted for			
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,419,279</b>	<b>-</b>	<b>-</b>

## Lease commitments

For the year ended on 31 Asar 2076

Note: 4.28.4

Particulars	As at 31.03.2076	As at 32.03.2075	As at 01.04.2074
<b>Operating lease commitments</b>			
Future minimum lease payments under non cancellable operating lease, where the bank is lessee			
Not later than 1 year	4,824,327	2,429,984	2,045,497
Later than 1 year but not later than 5 years	20,995,470	8,808,720	8,773,147
Later than 5 years	16,420,061	5,959,572	4,517,244
<b>Sub total</b>	<b>42,239,858</b>	<b>17,198,276</b>	<b>15,335,888</b>
<b>Finance lease commitments</b>			
Future minimum lease payments under non cancellable operating lease, where the bank is lessee			
Not later than 1 year			
Later than 1 year but not later than 5 years			
Later than 5 years			
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>42,239,858</b>	<b>17,198,276</b>	<b>15,335,888</b>

## Litigation

For the year ended on 31 Asar 2076

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 2076

Note: 4.29

Particulars	Current Year	Previous Year
Cash and cash equivalent	35,205,845	12,515,876
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	-	-
Loans and advances to customers	108,659,281	72,036,790
Investment securities	719,250	625,167
Loan and advances to staff	388,268	150,182
Other	-	-
<b>Total interest income</b>	<b>144,972,644</b>	<b>85,328,015</b>

## Interest expense

For the year ended on 31 Asar 2076

Note: 4.30

Particulars	Current Year	Previous Year
Due to bank and financial institutions	-	-
Due to Nepal Rastra Bank	-	890,000
Deposits from customers	74,159,738	54,595,385
Borrowing	-	-
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
<b>Total interest expense</b>	<b>74,159,738</b>	<b>55,485,385</b>

## Fees and Commission Income

For the year ended on 31 Asar 2076

Note: 4.31

Particulars	Current Year	Previous Year
Loan administration fees	-	-
Service fees	10,128,666	3,261,099
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit card/ATM issuance and renewal fees	-	-
Prepayment and swap fees	-	-
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	136,097	51,080
Commission on letter of credit	-	-
Commission on guarantee contracts issued	-	-
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	-	-
<b>Total fees and Commission Income</b>	<b>10,264,763</b>	<b>3,312,179</b>

## Fees and commission expense

For the year ended on 31 Asar 2076

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 2076

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 2076

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	183,166	141,722
Gain/loss on sale of property and equipment	-	-
Gain/loss on sale of investment property	-	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Locker rent	-	-
Other	18,000	96,685
<b>Total</b>	<b>201,166</b>	<b>238,407</b>

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

For the year ended on 31 Asar 2076

Note: 4.35

Particulars	Current Year	Previous Year
Impairment charge/(reversal) on loan and advances to B/FIs	-	-
Impairment charge/(reversal) on loan and advances to customer	9,225,006	(1,475,893)
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>(4,213,828)</b>	<b>(1,475,893)</b>

## Personnel Expense

For the year ended on 31 Asar 2076

Note: 4.36

Particulars	Current Year	Previous Year
Salary	8,080,593	5,023,624
Allowances	4,680,143	2,337,172
Gratuity expense	516,671	314,398
Provident fund	665,297	414,789
Uniform	330,000	270,000
Training & development expense	362,195	227,091
Leave encashment	717,467	308,496
Medical	981,281	436,793
Insurance	-	-
Employees incentive	-	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	19,734	2,433
Other expenses related to staff	-	-
<b>Subtotal</b>	<b>16,353,381</b>	<b>9,334,796</b>
Employees bonus	4,803,758	1,206,219
<b>Grand total</b>	<b>21,157,139</b>	<b>10,541,015</b>

## Other operating expense

For the year ended on 31 Asar 2076

Note: 4.37

Particulars	Current Year	Previous Year
Directors' fee	384,600	285,200
Directors' expense	118,521	107,045
Auditors' remuneration	169,500	169,500
Other audit related expense	216,724	143,160
Professional and legal expense	465,437	432,103
Office administration expense	11,593,973	7,473,666
Operating lease expense	4,074,915	2,369,628
Operating expense of investment properties	-	-
Corporate social responsibility expense	191,168	-
Onerous lease provisions	-	-
Other	-	-
<b>Total</b>	<b>17,214,838</b>	<b>10,980,302</b>

Office administration expenses include the following:	Current Year	Previous Year
Water and electricity	514,822	274,110
Repair and maintenance		
Building	-	-
Vehicles	81,597	253,931
Computer and accessories	-	-
Office equipment and furniture	-	-
Others	695,450	12,800
Insurance	1,127,736	758,053
Postage, telex, telephone , fax	208,039	226,943
Printing and stationery	533,567	476,254
Newspaper, books and journal	43,304	39,092
Advertisement	664,869	329,817
Donation	-	37,500
Security	2,379,404	953,381
Deposit and loan guarantee premium	-	-
Travel allowance and expense	332,329	30,373
Entertainment	349,051	212,475
Annual/special general meeting	430,508	28,250
Other	4,233,297	3,840,687
<b>Total</b>	<b>11,593,973</b>	<b>7,473,666</b>

## Depreciation & Amortisation

For the year ended on 31 Asar 2076

Note: 4.38

Particulars	Current Year	Previous Year
Depreciation on property and equipment	3,410,148	1,381,027
Depreciation on investment property	-	-
Amortisation of intangible assets	289,427	658,163
<b>Total</b>	<b>3,699,575</b>	<b>2,039,190</b>

## Non operating income

For the year ended on 31 Asar 2076

Note: 4.39

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

## Non operating expense

For the year ended on 31 Asar 2076

Note: 4.40

Particulars	Current Year	Previous Year
Loan written off	-	31,466
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
<b>Total</b>	<b>-</b>	<b>31,466</b>

## Income tax expense

For the year ended on 31 Asar 2076

Note: 4.41

Particulars	Current Year	Previous Year
<b>Current tax expense</b>	<b>15,165,107</b>	<b>6,134,898</b>
Current year	16,641,337	5,866,869
Adjustments for prior years	(1,476,230)	268,029
<b>Deferred tax expense</b>	<b>4,643,658</b>	<b>(1,533,707)</b>
Origination and reversal of temporary differences	4,643,658	(1,533,707)
Changes in tax rate		
Recognition of previously unrecognised tax losses		
<b>Total income tax expense</b>	<b>19,808,765</b>	<b>4,601,191</b>

## Reconciliation of tax expense and accounting profit

For the year ended on 31 Asar 2076

Note: 4.41.1

Current Year		
Profit before tax	48,037,569	11,277,136
Tax amount at tax rate of 30%	14,411,271	3,383,141
Add: Tax effect of expenses that are not deductible for tax purpose	(1,378,305)	2,204,527
Less: Tax effect on exempt income	-	-
Add/less: Tax effect on other items	-	-
Total income tax expense	13,032,966	5,587,668
Effective tax rate	27.13%	49.55%

## Statement of Distributable Profit or Loss

For the year ended on 31 Asar 2076

Note: 4.42

Particulars	Current Year	Previous Year
Profit of previous year	5,058,813	
Adjusted Retained earning of 01.04.2074	(8,869,360)	
Regulatory Adjustment of Previous Year	(1,341,166)	
<b>Adjusted Retained Earning available for distribution before current year profit</b>	<b>(5,151,713)</b>	
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>28,228,804</b>	<b>6,675,945</b>
Appropriations:		
a. General reserve	(5,645,761)	(1,216,001)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	(282,288)	(60,800)
e. Employees' training fund	-	(104,059)
f. Investment Adjustment Reserve	348,258	(348,258)
g. Other	273,392	111,986
<b>Profit or (loss) before regulatory adjustment</b>	<b>17,770,692</b>	<b>5,058,813</b>
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(5,738,618)	
b. Short loan loss provision in accounts (-)/reversal (+)	-	
c. Short provision for possible losses on investment (-)/reversal (+)	(800,544)	
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	-	
e. Deferred tax assets recognised (-)/ reversal (+)	(364,505)	
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	
g. Bargain purchase gain recognised (-)/reversal (+)	-	
h. Actuarial loss recognised (-)/reversal (+)	-	
i. Other (+/-)	-	
<b>Distributable profit or (loss) from current year profit</b>	<b>10,867,025</b>	<b>5,058,813</b>

<b>Total amount available for distribution is as follows:</b>	
Retained earning	10,867,025
Share premium (bonus share only)	7,124,781
<b>Total</b>	<b>17,991,806</b>

## Disclosure and Additional Information

For the year ended on 31 Asar 2076

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 2076

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent		794,546,538		
Due from Nepal Rastra Finance	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
<b>Total Financial Assets</b>		<b>905,145,261</b>	<b>-</b>	<b>950,196,206</b>
<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>-</b>	<b>15,500,203</b>

As at 32 Ashad 2075

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent				511,896,101
Due from Nepal Rastra Finance	AC			44,419,406
Loans and advances to customers	AC			591,042,611
Investment securities				
Quoted shares	FVOCI	2,175,820		
Unquoted shares	FVOCI			400,000
Other Investment	AC			15,000,000
<b>Total Financial Assets</b>		<b>2,175,820</b>	<b>-</b>	<b>1,162,758,118</b>
<b>Financial Liabilities</b>				
Due to Finance and Financial Institutions	AC			-
Deposits from customers	AC			784,638,040
Other Liabilities	AC			8,539,175
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>793,177,215</b>

As at 1 Shrawan 2074

Particulars	Classification	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash and cash equivalent				143,178,207
Due from Nepal Rastra Finance	AC			14,966,197
Loans and advances to customers	AC			591,042,611
Investment securities				
Quoted shares	FVOCI	2,201,230		
Unquoted shares	FVOCI			380,000
Other Investment	AC			5,000,000
<b>Total Financial Assets</b>		<b>2,201,230</b>	<b>-</b>	<b>754,567,015</b>
<b>Financial Liabilities</b>				
Due to Finance and Financial Institutions	AC			-
Deposits from customers	AC			546,721,391
Other Liabilities	AC			5,757,557
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>552,478,948</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 2076	As at 32 Ashad 2075
<b>1.1 Risk Weighted Exposure (RWE)</b>		
RWE for Credit Risk	1,194,694.21	633,753.02
RWE for Operational Risk	101,025.10	100,712.55
RWE for Market Risk		-
<b>Total RWE before adjustment under Pillar II</b>	<b>1,295,719.31</b>	<b>734,465.57</b>
<u>Adjustments under Pillar II</u>		
<b>Total RWE</b>	<b>1,295,719.31</b>	<b>734,465.57</b>
<b>1.2 Capital</b>		
<b>A. Core Capital (Tier I)</b>	<b>849,281.53</b>	<b>283,422.00</b>
Paid up Equity Share Capital	800,100.00	210,000.00
Irredeemable Non-cumulative preference shares		
Share Premium	7,124.78	6,797.00
Proposed Bonus Equity Shares		
Statutory General Reserves	18,088.57	12,443.00
Retained Earnings	(3,810.55)	(10,160.00)
Un-audited current year cumulative profit/(loss)	28,228.80	
Capital Redemption Reserve		
Capital Adjustment Reserve		69,351.00
Dividend Equalization Reserves		
Other Free Reserve		
Less: Goodwill		
Less: Deferred Tax Assets	(450.07)	(5,008.00)
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		
<u>Adjustments under Pillar II</u>		
<b>B. Supplementary Capital (Tier II)</b>	<b>12,492.34</b>	<b>5,825.00</b>
Cumulative and/or Redeemable Preference Share		

Particulars	As at 31 Ashad 2076	As at 32 Ashad 2075
Subordinated Term Debt		
Hybrid Capital Instruments		
General Loan Loss Provision	11,998.01	4763
Exchange Equalization Reserve		
Investment Adjustment Reserve	348.26	348
Assets Revaluation Reserve	41.59	41
Other Reserves	104.48	672
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>861,773.87</b>	<b>289,247.00</b>
<b>1.3 Capital Adequacy Ratio</b>		
<b>Tier I Capital to Total RWE</b>	65.55%	38.59%
<b>Total Capital Fund to Total RWE</b>	66.51%	39.38%

## Risk Exposure

For the year ended on 31 Asar 2076

Note: 5.3.3

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

### a) Credit Risk

A. Balance Sheet Exposures	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 Balance	23,693.90		-	23,693.90	0%	-	20,801.38	-
Balance With Nepal Rastra Bank	36,833.78		-	36,833.78	0%	-	44,419.41	-
Gold	-		-	-	0%	-	-	-
Investment in Nepalese Government Securities	15,000.00		-	15,000.00	0%	-	15,000.00	-
All Claims on Government of Nepal	-		-	-	0%	-	-	-
Investment in Nepal Rastra Bank securities	-		-	-	0%	-	-	-
All claims on Nepal Rastra Bank	-		-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-		-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-		-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-		-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA 4-6)	-		-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-		-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-		-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-		-	-	100%	-	-	-
Claims on 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	770,852.63			770,852.63	20%	154,170.53	477,746.46	95,549.29

A. Balance Sheet Exposures	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	107,877.71		-	107,877.71	100%	107,877.71	-	-
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)	393,980.56		-	393,980.56	75%	295,485.42	476,650.30	476,650.30
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-	-	-
Claims secured by residential properties	44,059.84		-	44,059.84	60%	26,435.90	5,922.75	3,553.65
Claims not fully secured by residential properties			-	-	150%	-	-	-
Claims secured by residential properties (Overdue)			-	-	100%	-	-	-
Claims secured by Commercial real estate	424,644.96		-	424,644.96	100%	424,644.96	-	-
Past due claims (except for claims secured by residential properties)	17,546.12		-	17,546.12	150%	26,319.18	-	-
High Risk claims	11,832.65		-	11,832.65	150%	17,748.98	17,940.56	26,910.84
Lending against shares	18,446.15		-	18,446.15	150%	27,669.23	-	-
Investments in equity and other capital instruments of institutions listed in stock exchange	74,944.65		-	74,944.65	100%	74,944.65	2,042.96	2,042.96
Investments in equity and other capital instruments of institutions not listed in the stock exchange	194.50		-	194.50	150%	291.75	194.50	291.75
Staff loan secured by residential property			-	-	60%	-	-	-
Interest Receivable/claim on government securities	-		-	-	0%	-	-	-

A. Balance Sheet Exposures	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)	39,105.90		-	39,105.90	100%	39,105.90	28,754.23	28,754.23
<b>TOTAL (A)</b>	<b>1,979,013.35</b>	<b>-</b>	<b>-</b>	<b>1,979,013.35</b>		<b>1,194,694.21</b>	<b>1,089,472.55</b>	<b>633,753.02</b>
<b>B. Off Balance Sheet Exposures</b>								
Revocable Commitments	-	-	-	-	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%	-	-	-

A. Balance Sheet Exposures	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	-	-	-	-	100%	-	-	-
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
<b>TOTAL (B)</b>	-	-	-	-	-	-	-	-
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>1,979,013.35</b>	<b>-</b>	<b>-</b>	<b>1,979,013.35</b>		<b>1,194,694.21</b>	<b>1,089,472.55</b>	<b>633,753.02</b>
Adjustments under Pillar II								
<b>Total RWE for Credit Risk</b>	<b>1,979,013.35</b>	<b>-</b>	<b>-</b>	<b>1,979,013.35</b>		<b>1,194,694.21</b>	<b>1,089,472.55</b>	<b>633,753.02</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 (a)	Deposits with other banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Govt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	Total
Claims on domestic banks that meet capital adequacy requirements										-
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank (ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates										-
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporates (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)										-
Claims fulfilling all criterion of regularity retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial Real Estate										-
Past due claims (except for claims secured by residential properties)										-
High Risk claims										-
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>Off Balance Sheet Exposures</b>										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-

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

**b) Operational Risk**

Amount in '000

Particulars	Fiscal Year		
	2072-73	2073-74	2074-75
Net Interest Income	40,275.69	74,764.50	73,807.38
Commission and Discount Income	3,516.02	4,805.24	4,881.45
Other Operating Income			
Exchange Fluctuation Income			
Addition/Deduction in Interest Suspense during the period			
<b>Gross income (a)</b>	<b>43,791.71</b>	<b>79,569.74</b>	<b>78,688.83</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>6,568.76</b>	<b>11,935.46</b>	<b>11,803.32</b>
<b>Capital Requirement for operational risk (d) (average of c)</b>	<b>10,102.51</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>101,025.10</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>101,025.10</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	4,664,200.88	1,166,050.22	3,498,150.66
Doubtful	1,394,288.69	697,144.35	697,144.34
Bad	8,292,044.15	8,292,044.15	-
<b>Total</b>	<b>14,350,533.72</b>	<b>10,155,238.72</b>	<b>4,195,295.00</b>

## Compliance with Capital Requirement

For the year ended on 31 Asar 2076

Note: 5.3.4

Inline with NRB Directive 1/075, the following is the status of compliance with capital requirements at Ashad end 2076

Particulars	Requirement	Position
Tier I Capital to RWE	6%	65.55%
Tier I and Tier II Capital to RWE	10%	66.51%

## Operating Segment Information

For the year ended on 31 Asar 2076

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 2076

Particulars	Province 1	Province 2	Province 3	Gandaki	Province 5	Karnali	Far West	Total
Revenue from external customers			160,055,031					160,055,031
Intersegment revenues								
<b>Net revenue</b>			<b>160,055,031</b>					<b>160,055,031</b>
Interest income			144,972,644					144,972,644
Interest expenses			74,159,738					74,159,738
<b>Net interest revenue</b>			<b>70,812,906</b>					<b>70,812,906</b>
Depreciation and amortization			3,699,575					3,699,575
<b>Segment profit/(loss)</b>			<b>67,113,331</b>					<b>67,113,331</b>
Entity's interest in the profit or loss of associate accounted for using equity method								-
<b>Other material non-cash items:</b>								-
<b>Loans:</b>			<b>1,029,733,709</b>					<b>1,029,733,709</b>
Consumer			354,430,649					354,430,649
Corporate			675,303,060					675,303,060
<b>Deposit</b>			<b>1,070,955,210</b>					<b>1,070,955,210</b>
Consumer			623,465,940					623,465,940
Corporate			447,489,270					447,489,270
Impairment of Assets			25,102,162					25,102,162
<b>Segment Assets</b>			<b>1,976,775,014</b>					<b>1,976,775,014</b>
<b>Segment Liabilities</b>			<b>1,132,245,333</b>					<b>1,132,245,333</b>

#### 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

Total revenue for reportable segments	160,055,031
Other revenue	-
Elimination of intersegment revenues	-
<b>Entity's revenue</b>	<b>160,055,031</b>

##### b) Profit or loss

Total profit or loss for reportable segments	28,228,804
Other profit or loss	-
Elimination of intersegment profit	-
Unallocated amounts:	-
Staff bonus	-
Income tax	-
NFRS adjustments	-
<b>Profit before income tax</b>	<b>28,228,804</b>

##### c) Assets

Total assets for reportable segments	1,976,775,014
Other assets	-
Unallocated assets	-
<b>Entity's assets</b>	<b>1,976,775,014</b>

##### d) Liabilities

Total liabilities for reportable segments	1,132,245,333
Other liabilities	-
Unallocated liabilities	-
<b>Entity's liabilities</b>	<b>1,132,245,333</b>

#### 5.4.5 Information about product and services

Particulars	Amount
Financial Intermediary Activities	154,382,060
Treasury	902,416
Others	154,097

#### 5.4.6 Information about geographical areas

Revenue from geographical areas are as follows:

Domestic:	
Province 1	-
Province 2	-
Province 3	160,055,031
Gandaki	-
Province 5	-
Karnali	-
Far West	-
<b>Foreign:</b>	<b>160,055,031</b>
<b>Total Revenue</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 of the Bank and Chief Executive Officer.

##### a) Board of Directors

Board of Directors of the Bank comprise the following:

Name	Position	Remarks
Mr. Kishore Kumar Maharjan	Chairperson	
Mr. Anish Maharjan	Director	
Mr. Laxmi Prasad Maharjan	Director	
Mr. Sambhu Lal Dangol	Director	
Mr. Laxman Yadav	Director	Till 2076.3.29
Mr. Ranadev Krishna Shrestha	Director	Till 2076.3.29
Mr. Samundra Kaji Shrestha	Director	From 2076.03.29
Ms. Sabina Maharjan	Director	From 2076.03.29
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. 384,600.

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 Bank.

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

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

## b) Chief Executive Officer

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 3,125,390 (previous year Rs. 1,278,000).

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.

# Disclosure effect of transition from previous GAAP to NFRS

## For the year ended on 31 Asar 2076

**Note: 5.10**

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) issued by the Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan 2075, with a transition date of 1 Shrawan 2074. These financial statements for the year ended 31 Ashad 2076 are the first the Finance has prepared under NFRS. For all periods up to and including the year ended 32 Ashad 2075, the Finance prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP')

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Finance has prepared financial statements which comply with NFRS for the year ended 31 Ashad 2076, together with the comparative information as at and for the year ended 32 Ashad 2075 and the opening NFRS Statement of Financial Position as at 1 Shrawan 2074, the date of transition to NFRS.

In preparing these financial statements in line with NFRS, the Finance has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognized directly in equity (retained earnings). This note explains the adjustments made by the Finance in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan 2074 and the financial statements as at and for the year ended 32 Ashad 2075.

### A. Exemptions from retrospective application

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Finance has elected to apply the following optional exemptions from retrospective application:

#### a) Deemed cost for property, plant and equipment, intangible assets and investment property

The Finance has elected to measure all its property, plant and equipment, intangible assets and investment property at the Previous GAAP carrying amount as its deemed cost on the date of transition to NFRS.

### B. Exceptions to retrospective application

The Finance has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

- Estimates: On assessment of the estimates made under the Previous GAAP financial statements, the Finance has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the Finance for the relevant reporting dates reflecting conditions existing as at that date.



- b) Business Combination: Finance has elected not to apply the NFRS 3 retrospectively to past business combinations that occurred before the date of transition to NFRS. All the assets and liabilities acquired and accounted as per previous GAAP are continued to be measured on same manner on the date of transition to NFRS.

### C. Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

- Reconciliation of Equity as at 1 Shrawan, 2074 and 32 Ashad, 2075.
- Reconciliation of Profit or Loss for the year ended on 32 Ashad 2075
- Effect of NFRS adoption for the statement of financial position for date of transition and comparative period
- Effect of NFRS adoption for the statement of profit or loss and other comprehensive income for comparative period
- Effect of NFRS adoption for the statement of cash flows

#### i) Reconciliation of Equity as at 1 Shrawan, 2074 and 32 Ashad, 2075.

Particulars	Note	As at 01.04.2074	As at 32.03.2075
<b>Total equity under previous GAAP</b>		<b>218,651,233</b>	<b>294,123,624</b>
<b>Adjustments under NFRS</b>			
Measurement of investment securities at fair value	1	637,796	636,601
Deferred tax	2	(1,380,995)	1
Interest income	3	1,993,283	847,864
Others:	4	-	(41,585)
<b>Total adjustment to equity</b>		<b>1,250,084</b>	<b>1,442,881</b>
<b>Total Equity under NFRS</b>		<b>219,901,317</b>	<b>295,566,505</b>

#### ii) Reconciliation of Profit or Loss for the year ended on 32 Ashad 2075

Particulars	Note	For the year ended on 32 Ashad 2075
<b>Profit/(loss) as per previous GAAP</b>		<b>6,080,006</b>
<b>Adjustments under NFRS</b>		
Interest income	3	(1,142,986)
Employee benefit amortization under staff loan	3	(2,433)
Non banking assets		-
Fair valuation of investment securities	4	360,361
Right share issue expenses	5	-
Deferred tax	6	1,380,996
<b>Total adjustment to profit or loss</b>		<b>595,938</b>
<b>Profit or loss under NFRS</b>		<b>6,675,944</b>
Other comprehensive income	8	(361,556)
<b>Total Comprehensive income under NFRS</b>		<b>6,314,388</b>

## Notes to Reconciliation

### 1. Shares at Fair Value

In previous GAAP, investment in shares of other entities were measured at lower of cost or market value. In NFRS, all shares are measured at fair value with resultant impact to fair value reserve, which is routed through OCI.

Particulars		As at 01.04.2074	As at 32.03.2075
Fair value of shares		721,223	204,714
Deferred tax on fair value		(216,368)	(61,415)
Reversal of earlier booked loss on shares		132,941	493,302
<b>Net change</b>		<b>637,796</b>	<b>636,601</b>

### 2. Deferred Tax

Changes in the carrying amount of investment securities and considering few reserves for deferred tax has resulted in changes in deferred tax under NFRS.

Particulars		As at 01.04.2074	As at 32.03.2075
Revised deferred tax on other items		(1,380,995)	1
Revised deferred tax on other items		-	-
<b>Net change</b>		<b>(1,380,995)</b>	<b>1</b>

### 3. Interest Income

In previous GAAP, interest income was accounted on cash basis. Under NFRS, interest income has been accounted on accrual basis for those assets not significantly impaired.

Particulars		As at 01.04.2074	As at 32.03.2075
Additional interest income accounted from interest suspense		1,993,283	847,864
Additional interest income on staff loan under NFRS with corresponding impact to personnel expenses as amortization of deferred employee benefit expenses			2,433
<b>Net change</b>		<b>1,993,283</b>	<b>847,864</b>

### 4. Fair valuation of investment securities

Reversal of earlier accounted loss on shares has resulted in increase in profit under NFRS.

Particulars			As at 32.03.2075
Reversal of loss allowance			360,361
<b>Net change</b>			<b>360,361</b>
In addition, fair value on certain shares accounted on previous year (2074-75) amounting to Rs. 41,585 has been reversed in order to calculated revised final calculation of fair value of shares			

### 5. Right Share Issue Expenses

Share issue expenses was charged to SOPL under previous GAAP. In NFRS, such expenses are treated as adjusted to equity capital.

Particulars			2074-75
Reversal of share issue expenses			-
<b>Net change</b>			<b>-</b>

## 6. Deferred Tax

In earlier financial statement, deferred tax expenses was accounted. Under NFRS, due to changes in carrying amount of assets, liabilities and reserves, deferred tax has been revised and deferred tax income has arose.

Particulars			2074-75
Deferred tax expenses/(income) accounted earlier			(152,711)
Revised deferred tax expenses/(income)			(1,533,707)
<b>Net change</b>			<b>1,380,996</b>

## 7. Other Comprehensive Income

Changes in fair value of shares has resulted in changes in the figures of OCI.

Particulars			2074-75
Increase/(decrease) in fair value of shares			(516,509)
Deferred tax impact			154,953
<b>Net change</b>			<b>(361,556)</b>

### iii) Effect of NFRS adoption for the statement of financial position on transition date and comparative period

#### a) As at 1 Shrawan 2074

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
<b>Assets</b>				
Cash and cash equivalent		143,178,208	(1)	143,178,207
Due from Nepal Rastra Bank		14,966,197	-	14,966,197
Placement with Bank and Financial Institutions		-	-	-
Derivative financial instruments		-	-	-
Other trading assets		-	-	-
Loan and advances to B/FIs		-	-	-
Loans and advances to customers	a	587,805,589	3,237,022	591,042,611
Investment securities	b	6,727,064	854,166	7,581,230
Current tax assets		4,987,446	-	4,987,446
Investment in subsidiaries		-	-	-
Investment in associates		-	-	-
Investment property		-	-	-
Property and equipment	c	5,981,237	(393,443)	5,587,794
Goodwill and Intangible assets	d	-	393,443	393,443
Deferred tax assets	e	4,855,452	(1,597,363)	3,258,089
Other assets	f	2,628,986	(1,243,738)	1,385,248
<b>Total Assets</b>		<b>771,130,179</b>	<b>1,250,086</b>	<b>772,380,265</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions		-	-	-
Due to Nepal Rastra Bank		-	-	-
Derivative financial instruments		-	-	-
Deposits from customers		546,721,391	-	546,721,391
Borrowing		-	-	-
Current Tax Liabilities		-	-	-
Provisions		-	-	-

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
Deferred tax liabilities		-	-	-
Other liabilities		5,757,557	-	5,757,557
Debt securities issued		-	-	-
Subordinated Liabilities		-	-	-
<b>Total liabilities</b>		<b>552,478,948</b>	<b>-</b>	<b>552,478,948</b>
<b>Equity</b>				
Share capital	g	210,000,000	-	210,000,000
Share premium		6,796,664	-	6,796,664
Retained earnings	h	(14,470,041)	5,600,681	(8,869,360)
Reserves	i	16,324,610	(4,350,597)	11,974,013
<b>Total equity attributable to equity holders</b>		<b>218,651,233</b>	<b>1,250,084</b>	<b>219,901,317</b>
Non-controlling interest				
<b>Total equity</b>		<b>218,651,233</b>	<b>1,250,084</b>	<b>219,901,317</b>
<b>Total liabilities and equity</b>		<b>771,130,181</b>	<b>1,250,084</b>	<b>772,380,265</b>

## b) As at 32 Ashad 2075

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
<b>Assets</b>				
Cash and cash equivalent		511,896,102	(1)	511,896,101
Due from Nepal Rastra Bank		44,419,406	-	44,419,406
Placement with Bank and Financial Institutions		-	-	-
Derivative financial instruments		-	-	-
Other trading assets		-	-	-
Loan and advances to B/FIs		-	-	-
Loans and advances to customers	a	494,394,841	2,495,367	496,890,208
Investment securities	b	16,919,388	656,432	17,575,820
Current tax assets		-	-	-
Investment in subsidiaries		-	-	-
Investment in associates		-	-	-
Investment property		-	-	-
Property and equipment	c	12,390,048	(218,777)	12,171,271
Goodwill and Intangible assets	d	-	218,777	218,777
Deferred tax assets	e	5,008,163	(61,414)	4,946,749
Other assets	f	3,420,344	(1,647,502)	1,772,842
<b>Total Assets</b>		<b>1,088,448,292</b>	<b>1,442,882</b>	<b>1,089,891,174</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions		-	-	-
Due to Nepal Rastra Bank		-	-	-
Derivative financial instruments		-	-	-
Deposits from customers		784,638,039	1	784,638,040
Borrowing		-	-	-
Current Tax Liabilities		1,147,452	-	1,147,452
Provisions		-	-	-
Deferred tax liabilities		-	-	-

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
Other liabilities		8,539,175	-	8,539,175
Debt securities issued		-	-	-
Subordinated Liabilities		-	-	-
<b>Total liabilities</b>		<b>794,324,666</b>	<b>1</b>	<b>794,324,667</b>
<b>Equity</b>				
Share capital	g	279,350,800	(69,350,800)	210,000,000
Share premium		6,796,664	-	6,796,664
Retained earnings	h	(10,159,879)	6,349,332	(3,810,547)
Reserves	i	18,136,039	64,444,351	82,580,390
<b>Total equity attributable to equity holders</b>		<b>294,123,624</b>	<b>1,442,883</b>	<b>295,566,507</b>
Non-controlling interest				-
<b>Total equity</b>		<b>294,123,624</b>	<b>1,442,883</b>	<b>295,566,507</b>
<b>Total liabilities and equity</b>		<b>1,088,448,290</b>	<b>1,442,884</b>	<b>1,089,891,174</b>

iv) **Effect of NFRS adoption for the statement of profit or loss and other comprehensive income for the year ended on 32 Ashad 2075**

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
Interest income	j	86,471,000	(1,142,985)	85,328,015
Interest expense		55,485,385	-	55,485,385
<b>Net interest income</b>		<b>30,985,615</b>	<b>(1,142,985)</b>	<b>29,842,630</b>
Fee and commission income	k	51,080	3,261,099	3,312,179
Fee and commission expense		-	-	-
<b>Net fee and commission income</b>		<b>51,080</b>	<b>3,261,099</b>	<b>3,312,179</b>
<b>Net interest, fee and commission income</b>		<b>31,036,695</b>	<b>2,118,114</b>	<b>33,154,809</b>
Net trading income		-	-	-
Other operating income	k	3,357,784	(3,119,377)	238,407
<b>Total operating income</b>		<b>34,394,479</b>	<b>(1,001,263)</b>	<b>33,393,216</b>
Impairment charge/(reversal) for loans and other losses	l	(1,115,531)	(360,362)	(1,475,893)
<b>Net operating income</b>		<b>35,510,010</b>	<b>(640,901)</b>	<b>34,869,109</b>
<b>Operating expense</b>				-
Personnel expenses	j	10,538,582	2,433	10,541,015
Other operating expenses		10,980,301	1	10,980,302
Depreciation & Amortisation		2,039,189	1	2,039,190
<b>Operating Profit</b>		<b>11,951,938</b>	<b>(643,336)</b>	<b>11,308,602</b>
Non operating income	k	110,256	(110,256)	-
Non operating expense	k	-	31,466	31,466
<b>Profit before income tax</b>		<b>12,062,194</b>	<b>(785,058)</b>	<b>11,277,136</b>
Income tax expense				
Current Tax		6,134,899	(1)	6,134,898
Deferred Tax	m	(152,711)	(1,380,996)	(1,533,707)
<b>Profit for the period</b>		<b>6,080,006</b>	<b>595,939</b>	<b>6,675,945</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	b	-	(516,509)	(516,509)

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
Gain/(loss) on revaluation		-	-	-
Actuarial gains/(losses) on defined benefit plans		-	-	-
Income tax relating to above items	m	-	154,953	154,953
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>		-	<b>(361,556)</b>	<b>(361,556)</b>
<b>b) Items that are or may be reclassified to profit or loss</b>		-		-
Gains/(losses) on cash flow hedge		-	-	-
Exchange gain/(losses) arising from translating financial assets of foreign operation		-	-	-
Income tax relating to above items		-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>		-	-	-
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>			-	-
<b>Other comprehensive income for the period, net of income tax</b>		-	<b>(361,556)</b>	<b>(361,556)</b>
<b>Total comprehensive income for the period</b>		<b>6,080,006</b>	<b>234,383</b>	<b>6,314,389</b>

**v) Effect of NFRS adoption for the statement of cash flows for the year ended on 32 Ashad 2075**

The regrouping of various assets and liabilities has resulted in changes in the form of presentation of cash flow. NFRS itself does not change the cash flow status.

Particulars	Note	As per previous GAAP	Adjustments	As per NFRS
Cash flow from operating activities		(36,459,431)	354,018,736	317,559,305
Cash flow from investing activities		(5,528,586)	(12,663,625)	(18,192,211)
Cash flow from financing activities		69,350,800	-	69,350,800
<b>Net cash inflow/(outflow) during the period</b>		<b>27,362,783</b>	<b>341,355,111</b>	<b>368,717,894</b>
Cash and cash equivalent at the beginning of the period		41,873,879	101,304,328	143,178,207
<b>Cash and cash equivalent at the end of the period</b>		<b>69,236,662</b>	<b>442,659,439</b>	<b>511,896,101</b>

## Notes to Reconciliation

For the year ended on 31 Asar 2076

### a. Loans and Advance to Customers

Particulars	01 Shrawan 2074	32 Ashad 2075
Staff loan included from other assets	1,253,470	1,746,172
Amortization impact on staff loan	(9,731)	(98,669)
Accrued interest on loan included with loan	1,993,283	847,864
<b>Total Change</b>	<b>3,237,022</b>	<b>2,495,367</b>
<b>Remeasurement change on NFRS</b>	<b>(9,731)</b>	<b>(98,669)</b>
<b>Regrouping change on NFRS</b>	<b>3,246,753</b>	<b>2,594,036</b>

### b. Investment Securities

Particulars	01 Shrawan 2074	32 Ashad 2075
Investment in shares measured at fair value	721,223	204,714
Reversal of earlier accounted investment revaluation	-	(41,585)
Adjustment to earlier loss allowance on shares	132,941	493,302
Incremental change in fair value of shares	721,223	516,509
<b>Total</b>	<b>854,164</b>	<b>656,431</b>
<b>Remeasurement change on NFRS</b>	<b>132,941</b>	<b>451,717</b>
<b>Regrouping change in NFRS</b>	<b>721,223</b>	<b>204,714</b>

### c. Property and Equipment

Particulars	01 Shrawan 2074	32 Ashad 2075
Software reclassified to intangible assets	(393,443)	(218,777)
<b>Regrouping change on NFRS</b>	<b>(393,443)</b>	<b>(218,777)</b>

### d. Goodwill and Intangible Assets

Particulars	01 Shrawan 2074	32 Ashad 2075
Software reclassified from property and equipment	393,443	218,777
<b>Regrouping change on NFRS</b>	<b>393,443</b>	<b>218,777</b>

### e. Deferred Tax Assets/Liabilities

Particulars	01 Shrawan 2074	32 Ashad 2075
Deferred tax impact on fair valuation of shares	(216,368)	(61,415)
Deferred tax impact on other items	(1,380,995)	1
<b>Revised deferred tax (liability) -remeasurement change</b>	<b>(1,597,363)</b>	<b>(61,414)</b>

### f. Other Assets

Particulars	01 Shrawan 2074	32 Ashad 2075
Staff loan transferred to loans to customer	(1,253,470)	(1,746,172)
Deferral of amortization of staff loan in NFRS	9,731	98,669
<b>Net Change</b>	<b>(1,243,739)</b>	<b>(1,647,503)</b>
<b>Regrouping change in NFRS</b>	<b>(1,253,470)</b>	<b>(1,746,172)</b>
<b>Remeasurement change in NFRS</b>	<b>9,731</b>	<b>98,669</b>

### g. Equity Share Capital

Particulars	01 Shrawan 2074	32 Ashad 2075
Adjustment of proposed bonus shares		
Share issue expenses adjusted to equity capital	-	-
Calls in advance included in retained earning		(69,350,800)
<b>Net Change</b>	-	<b>(69,350,800)</b>
Regrouping change on NFRS	-	(69,350,800)

### h. Retained Earning

The following is the impact on retained earning on adoption of NFRS.

Particulars	01 Shrawan 2074	32 Ashad 2075
<b>Retained Earning previously reported</b>	<b>(14,470,041)</b>	<b>(10,159,879)</b>
Regrouping adjustment:		
Interest suspense transferred to interest income	1,993,283	847,864
Impairment loss on share reversed	132,941	493,302
Share issue expenses adjusted to equity	-	-
Reversal of deferred tax reserve	4,855,452	5,008,163
Remeasurement adjustment:		
Equity method accounting of associate		
Deferred tax adjustment	(1,380,995)	
<b>Net Change</b>	<b>5,600,681</b>	<b>6,349,329</b>
<b>Reported in NFRS</b>	<b>(8,869,360)</b>	<b>(3,810,550)</b>

### i. Reserves

Particulars	01 Shrawan 2074	32 Ashad 2075
<b>Reserves previously reported</b>	<b>428,741,825</b>	<b>397,513,726</b>
Regrouping adjustment:		
Reversal of deferred tax reserve	(4,855,452)	(5,008,163)
Calls in advance included as capital adjustment		69,350,800
Remeasurement adjustment:		
Reversal of earlier accounted investment revaluation		(41,585)
Fair value reserve on measurement of shares at fair value through OCI, net of deferred tax	504,855	143,299
<b>Net Change</b>	<b>(4,350,597)</b>	<b>64,444,351</b>
<b>Reported in NFRS</b>	<b>424,391,228</b>	<b>461,958,077</b>

### j. Interest Income

Particulars		2074-75
Interest on loan to customer on accrual basis reversal		(1,145,419)
Additional interest income on staff loan with corresponding debit to personnel expenses		2,433
<b>Net Change</b>	<b>0</b>	<b>(1,142,986)</b>
<b>Remeasurement change on NFRS</b>	<b>0</b>	<b>(1,142,986)</b>

### k. Fees and Commission Income / Other Operating Income

Changes has arisen due to regrouping of line items previously included in other operating income (Rs.3,119,377), non operating income (Rs. 110,256) and non operating expenses (Rs. 31,466).



Particulars		2074-75
Transferred from other operating income		3,119,377
Transferred from non operating income		110,256
Transferred from non operating expenses		31,466
<b>Net Change - regrouping change</b>	<b>0</b>	<b>3,261,099</b>

#### l. Impairment charge/(reversal) for loans and other losses

Particulars		2074-75
As per previous reporting framework, shares were measured at cost and any share whose market value was below their cost, the excess of cost over market value of such share was included as impairment through profit or loss. This has not been routed through OCI along with fair value measurement of all shares in OCI.		(360,361)
<b>Total Change</b>		<b>(360,361)</b>
<b>Regrouping change on NFRS</b>		<b>(360,361)</b>

#### m. Deferred tax expenses or income

Particulars		2074-75
Restated opening balance of deferred tax assets/(liability)		3,258,089
Restated closing balance of deferred tax assets/(liability)		4,946,749
Deferred tax impact taken in OCI		154,953
<b>Revised deferred tax income</b>		<b>1,533,707</b>
<b>Previous deferred tax income</b>		<b>(152,711)</b>
<b>Remeasurement change (income) in Profit or Loss</b>		<b>(1,380,996)</b>
<b>Remeasurement change (income) in OCI</b>		<b>154,953</b>

## Major Financial Indicators of Last Five Years

For the year ended on 31 Asar 2076

Note: 5.11

S.N.	Particulars	Indicator	2075-76	2074-75*	2073-74	2072-73	2071-72
1	Net profit/total income	%	17.64	7.51	14.18	24.80	(5.46)
2	Earning per share						
	Basic earning per share	Rs.	8.64	4.75	6.21	10.13	(4.43)
	Diluted earning per share	Rs.	8.64	4.75	6.21	10.13	(4.43)
3	Market price per share	Rs.	138.00	135.00	232.00	232.00	145.00
4	Price/earning ratio	Times	15.97	28.42	37.36	22.90	(32.73)
5	Dividend or bonus per share	Rs.	-	-	-	-	-
6	Cash dividend	Rs.	-	-	-	-	-
7	Interest income/loan and advances	%	14.00	16.64	12.25	9.98	18.27
8	Employee expenses/total operating expenses	%	50.29	44.74	14.38	21.29	22.65
9	Employee expenses/total deposit and borrowing	%	1.90	1.34	1.62	1.70	3.05
10	Exchange income/total income	%	-	-	-	-	-
11	Staff bonus/total employee expenses	%	22.71	11.44	17.36	23.84	3.90
12	Net profit/loans and advances	%	2.79	1.34	2.15	4.54	-2.02
13	Net profit/total assets	%	1.43	0.61	1.68	2.78	-1.33
14	Total loans and advances/total deposit	%	93.21	65.35	110.69	83.82	87.06
15	Total operating expenses/total assets	%	2.13	2.16	7.92	5.85	10.21
16	Capital adequacy ratio						
	a) Core Capital	%	65.55	38.59	32.20	34.84	28.87
	b) Supplementary Capital	%	0.96	0.79	1.62	0.88	1.06
	c) Total Capital Fund	%	66.51	39.38	33.82	35.72	29.92
17	Cash reserve ratio (CRR)	%			2.74	3.19	7.16
18	NPAs/total loan and advances	%	1.43	1.90	1.67	1.59	2.90
19	Base rate	%	10.55				
20	Weighted average interest rate spread	%	4.53		3.99	6.50	7.76
21	Book net worth	Rs.	105.55	140.75	104.12	95.45	77.26
22	Total shares	No.	8001000	2,100,000	2,100,000	2,001,600	1,200,000
23	Total employees	No.	38	31	19	19	15
24	Others:						
	Per employee business (Rs. In lakh)	%	26799684	16,460,387	31,850,455	23,532,700	17,591,739
	Employee expenses/total income	%	13.22	11.86	9.62	11	

**Note: 5.12**

Regulatory Reserve Consists of the following:

Regulatory Reserve	Upto 74-75	Upto 75-76	Total
Interest income on NFRS	847,864.00	5,738,618.00	6,586,482.00
Loss on investment	493,302.00	800,544.00	1,293,846.00
Deferred tax	-	364,505.00	364,505.00
<b>Total</b>	<b>1,341,166.00</b>	<b>6,903,667.00</b>	<b>8,244,833.00</b>

In relation to the loans categorised under pass, watchlist and substandard category, accrued interest of Rs. 847,864 for the FY 2074/75 and Rs. 5,738,618 for the FY 2075/76 has been recognised as interest income for the respective year. The same amount has been transferred to regulatory reserve for the FY 2074/75 and 2075/76.

Further, an amount of Rs. 493,302 for the FY 2074/75 and Rs. 800,554 for the FY 2075/76 has been transferred to Regulatory Reserve for loss incurred on the investment.

Rs. 450,068 has been categorised as deferred tax asset during the FY 2075/76 which comprise of Deferred Tax Asset of Rs. 85,563 for the loss on investment. The loss on investment amounting to Rs. 85,563 has been transferred separately as loss on investment under regulatory reserve. Hence, regulatory reserve for deferred tax asset of Rs. 364,505 has been created net of loss on investment during the year.

Ageing of Accrued Interest Receivables	As on 2074.75	As on 2075.76
Pass	617,681.27	5,331,593.47
Watch list	86,047.97	906,932.14
Substandard	144,134.88	347,956.61
Doubtful	1,342.80	178,804.02
Loss	1,718,015.97	2,449,931.76
<b>Total</b>	<b>2,567,222.89</b>	<b>9,215,218.00</b>

## Comparison Audited and Unaudited Financial Statements

Fiscal Year: 2075-76

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	794,407,800	794,546,538	138,738	0.02	Regrouping with due from NRB
Due from Nepal Rastra Bank	36,972,521	36,833,783	(138,738)	(0.38)	Regrouping with cash and cash equivalent
Placement with Bank and Financial Institutions	-	-	-		
Derivative financial instruments	-	-	-		
Other trading assets	-	-	-		
Loan and advances to B/FIs	-	77,110,815	77,110,815	100%	Loan to microfinance was not separately presented on interim report.
Loans and advances to customers	1,007,209,801	934,107,206	(73,102,595)	(7.26)	Regrouping with loans and advance to BFIs, AIR on loans (net of suspense) included along with loan which was included in other assets in unaudited
Investment securities	89,838,303	89,853,940	15,637	0.02	Recomputation of fair values of share investment
Current tax assets	-	-	-		
Investment in subsidiaries	-	-	-		
Investment in associates	-	-	-		
Investment property	-	-	-		
Property and equipment	19,029,404	20,238,867	1,209,463	6.36	Recalculation of depreciation on property and equipment
Goodwill and Intangible assets	1,639,545	1,743,000	103,455	6.31	Recalculation of amortization
Deferred tax assets	5,211,937	450,068	(4,761,869)	(91.36)	Deferred tax was not calculated on unaudited figures
Other assets	28,448,387	21,890,797	(6,557,590)	(23.05)	AIR (net of interest suspense) included in loans to customer
<b>Total Assets</b>	<b>1,982,757,698</b>	<b>1,976,775,014</b>	<b>(5,982,684)</b>	<b>(0.30)</b>	
<b>Liabilities</b>					
Due to Bank and Financial Institutions	-	40,054,073	40,054,073		Regrouping with deposit from customer
Due to Nepal Rastra Bank	-	-	-		
Derivative financial instruments	-	-	-		
Deposits from customers	1,111,009,290	1,070,955,210	(40,054,080)	(3.61)	Regrouping with deposit from customer
Borrowing	-	-	-		
Current Tax Liabilities	5,932,499	5,735,847	(196,652)	(3.31)	Changes in profit for the year along with netting impact

Statement of Financial Position	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
Provisions	-	-	-	-	
Deferred tax liabilities	-	-	-	-	
Other liabilities	15,616,825	15,500,203	(116,622)	(0.75)	Changes in figures of liabilities on finalization of calculation related to staffs, bonus etc.
Debt securities issued	-	-	-	-	
Subordinated Liabilities	-	-	-	-	
<b>Total liabilities</b>	<b>1,132,558,614</b>	<b>1,132,245,333</b>	<b>(313,281)</b>	<b>(0.03)</b>	
<b>Equity</b>					
Share capital	797,275,330	800,100,000	2,824,670	0.35	Reclassification of share issue expenses
Share premium	7,124,781	7,124,781	-	-	
Retained earnings	21,311,510	10,867,025	(10,444,485)	(49.01)	Resulting change of all adjustments related to Statement of Profit or Loss and regulatory reserve
Reserves	24,487,464	26,437,875	1,950,411	7.96	Change in profit changed the allocation to reserves along with change in fair value of investment
<b>Total equity attributable to equity holders</b>	<b>850,199,085</b>	<b>844,529,681</b>	<b>(5,669,404)</b>	<b>(0.67)</b>	
Non-controlling interest		-			
<b>Total equity</b>	<b>850,199,085</b>	<b>844,529,681</b>	<b>(5,669,404)</b>	<b>(0.67)</b>	
<b>Total liabilities and equity</b>	<b>1,982,757,699</b>	<b>1,976,775,014</b>	<b>(5,982,685)</b>	<b>(0.30)</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	144,703,698	144,972,644	268,946	0.19	Change in accrued interest on recalculation
Interest expense	74,159,738	74,159,738	-	-	
<b>Net interest income</b>	<b>70,543,960</b>	<b>70,812,906</b>	<b>268,946</b>	<b>0.38</b>	
Fee and commission income	10,264,763	10,264,763	-	-	
Fee and commission expense	-	-	-	-	
<b>Net fee and commission income</b>	<b>10,264,763</b>	<b>10,264,763</b>	<b>-</b>	<b>-</b>	
Other operating income	201,166	201,166	-	-	
<b>Total operating income</b>	<b>81,009,889</b>	<b>81,278,835</b>	<b>268,946</b>	<b>0.33</b>	

Statement of Profit or Loss	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance		Reasons for Variance
			In Amount	In %	
Impairment charge/(reversal) for loans and other losses	(6,885,580)	(4,213,828)	2,671,752	(38.80)	Impact of revised calculation of fair value of shares and change in impairment of loan
Net operating income	87,895,469	85,492,663	(2,402,806)	(2.73)	
Personnel expenses	21,220,887	21,157,139	(63,748)	(0.30)	Finalized calculation of gratuity and bonus
Other operating expenses	20,933,050	20,914,413	(18,637)	(0.09)	Correction on calculation of depreciation and few other expenses booked as payable
<b>Operating profit</b>	<b>45,741,532</b>	<b>43,421,111</b>	<b>(2,320,421)</b>	<b>(5.07)</b>	
Non operating income/(expense)	4,616,458	4,616,458	-	-	
Profit before tax	50,357,990	48,037,569	(2,320,421)	(4.61)	
Income tax	15,361,759	19,808,765	4,447,006	28.95	Final calculation of income tax expenses for the period
<b>Profit /(loss) for the period</b>	<b>34,996,231</b>	<b>28,228,804</b>	<b>(6,767,427)</b>	<b>(19.34)</b>	
			-		
Other comprehensive income	(353,894)	(342,947)	10,947	(3.09)	Finalization of fair value of investment
<b>Total comprehensive income</b>	<b>34,642,337</b>	<b>27,885,857</b>	<b>(6,756,480)</b>	<b>(19.50)</b>	
<b>Distributable Profit</b>					
Net profit/(loss) as per profit or loss	34,996,231	28,228,804	(6,767,427)	(19.34)	
Add/Less: Regulatory adjustment as per NRB Directive		(1,895,504)	(1,895,504)		In interim report, regulatory adjustment was not made.
<b>Free profit/(loss) after regulatory adjustments</b>	<b>34,996,231</b>	<b>26,333,300</b>	<b>(8,662,931)</b>	<b>(24.75)</b>	



**नेपाल राष्ट्र बैंक**  
**वित्त कम्पनी सुपरिवेक्षण विभाग**  
 गैर-स्थलगत सुपरिवेक्षण इकाई



केन्द्रीय कार्यालय  
 बालुवाटार, काठमाडौं  
 फोन : ४४१९८०४/४४१९२५०  
 फ्याक्स : ४४१५१५८  
 ईमेल : fsidreportsfc@nrb.org.np  
 Web : www.nrb.org.np  
 पोष्ट बक्स : ७३

पत्रसंख्या:- वि.कं.सु.वि./अफसाइट/एजिएम/०२/२०७६-७७ **1986**  
 प्रोग्रेसिभ फाइनेन्स लिमिटेड  
 तीनकुने, काठमाडौं।

मिति २०७६/०८/१९

**विषय: वित्तीय विवरण प्रकाशन सम्बन्धमा।**

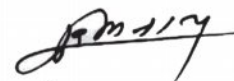
महाशय,

तर्हावाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा आ.व. २०७५/७६ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गरी सार्वजनिक गर्न प्रचलित कानुनी व्यवस्थाको पालना गर्ने गरी 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 Sytem 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 परिपत्रका व्यवस्थाहरुको पूर्ण पालना गर्ने सञ्चालक समिति र प्रमुख कार्यकारी अधिकृतको ध्यानाकर्षण गराइन्छ।

उपर्युक्त निर्देशनलाई त्यस संस्थाको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नु हुन अनुरोध गर्दछु।

भवदीय,



(खिलनाथ दहाल)  
 सहायक निर्देशक

**बोधार्थ :**

१. नेपाल राष्ट्र बैंक  
 बैंक तथा वित्तीय संस्था नियमन विभाग।
२. वित्त कम्पनी सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, प्रोग्रेसिभ फाइनेन्स लिमिटेड





नेपाल राष्ट्र बैंकबाट 'अ' वर्गको इजाजतप्राप्त राष्ट्रिय स्तरको वित्तीय संस्था

प्रोग्रेसिभ फाइनेन्स लिमिटेड

च.नं. २७१-०७६/०७७

श्री नेपाल राष्ट्र बैंक,  
वित्त कम्पनी सुपरिवेक्षण विभाग  
बालुवाटार, काठमाण्डौ



मिति: २०७६/०९/१३

**विषय: आ.व ०७५/०७६ को वार्षिक साधारण सभा गर्न स्वीकृति दिँदा औल्याइएका कैफियत सम्बन्धमा ।**

महोदय,

उपरोक्त विषयमा तहाँको मिति २०७६/०८/१९ को पत्र संख्या वि.क.सु.वि./अफसाईट /एजिएम/०२/०७६/०७७ को पत्रबाट यस वित्तीय संस्थाको २३ औं वार्षिक साधारण सभा प्रयोजनका लागि आ.व ०७५/०७६ को वित्तीय विवरण प्रकाशन गर्न स्वीकृति दिँदा दिईएका निर्देशनमा थप स्पष्ट गर्ने सम्बन्धमा संस्थाको मिति २०७६/०८/२९ गते बसेको संचालक समितिको ४३७ औं बैठकमा छलफल हुँदा तपसील बमोजिमको जवाफ तथा प्रतिक्रिया पठाउने निर्णय भएको हुँदा उक्त व्यहोराको जानकारीका लागि अनुरोध छ ।

**भएको निर्णय र प्रतिक्रियाको व्यहोरा:**

१. त्यस बैंकबाट प्राप्त निर्देशनहरूको पूर्ण पालना गर्न र लेखापरीक्षण प्रतिवेदनमा औल्याइएका कैफियतहरूलाई पुनः नदोहोरिने गरी सुधारलाई निरन्तरता दिनेछौं ।
२. नियमित रूपमा System Audit गर्ने व्यवस्था मिलाउन आवश्यक कार्य गर्नेछौं ।
३. प्राप्त निर्देशन अनुसार सम्पत्ति शुद्धिकरण (मनी लाउन्डरिङ) निवारण ऐन, २०६४, सम्पत्ति शुद्धिकरण (मनी लाउन्डरिङ) निवारण नियमावली, २०७३ तथा नेपाल राष्ट्र बैंकबाट जारी भएको एकिकृत निर्देशन तथा परिपत्रका व्यवस्थाहरूको पूर्ण पालना गर्न संचालक समिति तथा प्रमुख कार्यकारी अधिकृत प्रतिबद्ध रहेको व्यहोरा जानकारी गराउदछौं ।

विशाल हुमागाँई  
प्रमुख कार्यकारी अधिकृत



## 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 २०७६ साल पौष २८ गते सोमबारका दिन हुने २३ औं  
 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: २०७६/...../.....

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 २३औं साधारण सभा निम्न मिति, समय र स्थानमा हुने भएकाले उक्त सभामा उपस्थित हुन यो प्रवेश-पत्र जारी गरिएको छ ।

### साधारण सभा हुने

मिति : २०७६ साल पौष २८ गते सोमवार (तदनुसार १३ जनवरी, २०२०)

समय : दिउँसो १:०० वजे

स्थान : ज्यापू प्रज्ञाभवन, भोलगणेश, ललितपुर म.न.पा. वडा नं. ९, ललितपुर

.....  
 शेयरधनीको दस्तखत

.....  
 कम्पनी सचिवको दस्तखत

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