



NMB BANK
एनएमबि बैंक

2018-19 ANNUAL REPORT

24TH ANNUAL GENERAL MEETING



WE SEE ENDLESS POSSIBILITIES



2018-19
Annual Report

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Integrated **Report**

NMB at a Glance

NPR 138.68 Billion

Consolidated Total Assets

15.43%

Total Capital Adequacy Ratio

3.58%

Total Net Interest Margin (YTD)*

0.82%

Non-Performing Loan

110

No. of Branches

834 Thousand

Deposit and Loan Accounts

NPR 3.25 Billion

Core Operating Profit*

34.43%

CASA Ratio

48.18%

Retail and SME Loans as a portion of Total Loans

9.86%

Base Rate (Last Month of FY 2018-19)

103

No. of ATM

1120

Total Number of Staffs

* During fiscal 2019; others at 16 July 2019



Introduction

NMB Bank Limited categorized as an “A” class financial institution by the central bank of Nepal has been operating in the Nepalese Financial market since 1996 A.D. and is one of the leading commercial Banks in the country. The Bank over the years has established itself as one of the most progressive banks in the country. The milestones created by the Bank stand not only to be its own but that of the banking industry in Nepal.

Year 2015 marked a significant milestone for the Bank with a historical merger of four other financial institution and successful commencement of operation on the same date, positioning itself as one of the leading commercial banks in the country in terms of assets size, customer base and branch network. The Bank in 2019 also merged Om Development Bank Limited (ODBL); one of the largest development banks in the country with strong foothold in Gandaki Province. With the merger of ODBL, NMB has become the bank with largest branch networks in the province. NMB has already entered into the agreement to acquire Kanchan Development Bank Limited (KADBL); a regional development bank located in Far-Western region of the country.

The Bank has a foreign joint venture agreement with FMO, Netherlands that has 17% shareholding, the largest foreign investment to be made in the Nepali banking industry till date. FMO is the AAA rated Dutch Development Bank governed by the Dutch Central Bank with the mandate to invest Capital in Financial Institutions in developing countries and emerging markets. This strategic alliance with the FMO is to enable the Bank in becoming the market leader in SME, renewable energy and agriculture businesses.

NMB is the only Nepali Bank to earn membership of the Global Alliance for Banking on Values (GABV), joining a global league of banks that believe in ‘placing people before profit’ and are committed to utilize finance to deliver sustainable economic, social and environmental development. The Bank hosted the 9th Annual GABV Conference in Kathmandu in March 2017.

The Bank has been awarded the prestigious “Bank of the Year Award” consecutively in 2017 & 2018, by The Banker, Financial Times, London and is also a proud recipient of “SAARC Anniversary Awards for Corporate Governance 2018” along with “Certificate of Merit” in South Asian Federation of Accounts (SAFA) Best Presented Annual Report Awards. NMB is also the only Bank in Nepal to receive ISO/IEC 27001:2013 certification for Information Security.

The strength of NMB is manifested in the diverse portfolios it holds as - NMB Group, with its two subsidiaries viz. NMB Microfinance Bittiya Sanstha Limited & NMB Capital Limited. NMB Microfinance with its strong network presence in more than 100 rural locations has been catering to customers in the remote hills of the country, whilst NMB Capital is the leading investment bank in the country. The Bank has been able to capitalize on the strength of its subsidiaries to deliver attractive bottom lines thus elevating NMB’s Group results.

With the objective to constantly improve ‘customer experience’ the bank has been taking strides to innovate its products/ services platforms to consistently meet and surpass customer expectation. Serving more than a million customers across the country through its network strength of 163 branches, 129 ATMs, 5 extension counters, and 30 branchless banking agents, the Bank remains committed to its vision to be the catalyst for bringing in progressive change to the lives



NMB BANK

एनएमबि बैंक

समृद्ध नेपालको लागि

Name of Company

NMB Bank Limited

Legal Form

A listed public company with limited liability incorporated under Banking And Financial Institution Act, 2063 and Companies Act, 2053 (with amendment) and operating under prevailing Bank and Financial Institution related Act, 2073.

Company Registration Number

238 Registered Address Babarmahal, GPO-11543, Kathmandu, Nepal

Official Website

www.nmbbanknepal.com

Share registrar

NMB Capital Limited

Location where copies of this annual report are kept

NMB Bhawan, Babar Mahal, Kathmandu

Company Secretary

Pramod Dahal

Name and office address of Statutory auditor for the F.Y. 2018/19

SAR Associates, Chartered Accountant, Bishal Nagar, Kathmandu.

For any clarification on this report please write to:

Company Secretary, NMB Bhawan, Corporate Office

NMB Bank Limited, Babarmahal, Kathmandu Nepal

G.P.O. Box No 11543, Phone: +977-01-4246160

Subsidiaries

NMB Capital Limited

NMB Capital Limited (NMBCL), a wholly owned subsidiary of NMB Bank Limited, is a leading merchant and investment banker of the country. It formally started its operation from September 17, 2010. NMBCL manages public offering and underwriting of securities, providing trusteeship services for issuance of bonds, debentures and other marketable securities. It is also licensed to provide ancillary services for administration of stocks to the issuing companies like Registrar to Shares, Debentures and Bonds. Since its inception, NMBCL is providing Registrar of Shares (RTS) Services to some of the big public corporate organizations of the country and has also been providing portfolio management services to its clients.



NMB Laghubitta Bittiya Sanstha Limited

NMB Laghubitta Bittiya Sanstha Limited (NMBMF) is incorporated as a public limited company under company Act 2063 and licensed by Nepal Rastra Bank as "D" class financial institution having nationwide working area to operate its microfinance program under Bank and financial institution Act 2006. Established in 2069 B.S. with core mission of inclusive banking, NMBMF currently has 100 branch offices in operation covering 54 districts. NMB Bank hold 51% stake at NMBMF.



Membership in Industry related associations



global alliance
for banking
on values



Key Highlights of the Bank's Performance

Various Ratios	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
Net Interest income Ratio	38.30%	33.27%	42.62%	49.67%	41.78%
Profit before provisions and Tax	3,414,276,468	2,346,669,272	2,117,986,962	2,005,895,299	809,884,887
Price earnings ratio	16.23	12.48	20.27	29.15	20.24
Capital Adequacy Ratio	15.43%	15.75%	13.61%	10.98%	11.13%
Return on Capital Employed	13.32%	13.54%	16.49%	21.96%	16.40%
Debt Equity Ratio	NA	NA	NA	NA	NA
Profit per employee	2,015,425	1,716,475	1,621,587	1,476,907	1,403,332
Cost of Funds (YTD)	7.26%	7.46%	5.06%	3.99%	4.55%
Cash Reserve Ratio	4.19%	6.68%	7.72%	10.81%	13.32%
Cost / Income ratio	35.01%	36.90%	36.71%	36.49%	37.35%
Return on Average Asset	1.83%	1.96%	1.97%	1.49%	1.21%
Statutory Liquidity Reserve (Ratio)	16.86%	19.79%	20.69%	19.32%	26.98%
Net interest income as a percentage of working funds / Operating cost - Efficiency ratio	2.09	1.89	2.04	2.13	1.97
Net Asset Value Per Share	180.94	216.88	168.72	159.35	137.35
Dividend Cover ratio (Includes Stock Dividend distributed from share premium reserve)	178.77%	141.50%	80.65%	97.39%	69.83%
Gross Non-Performing assets to gross advances / Non-Performing Loans (Assets) to Total Loans (Assets)	0.82%	0.88%	1.68%	1.81%	0.42%

Reminiscing the Journey

NMB Bank created a history when it became the first 'C' class finance company to become 'A' class commercial bank in 2008. It has achieved numerous milestones during its 24 years of banking journey. In 2015, NMB Bank commenced joint operation after merging four financial institutions namely Pathibhara Development Bank, Bhrikiuti Development Bank, Clean Energy Development Bank and Prudential Finance Company. This historical merger of four financial institutions and the commencement of operations on the same date remains one of the most successful mergers in the country. In 2016, the Bank signed a joint venture agreement with FMO Netherlands, the Dutch Development Bank following which FMO became the single largest shareholder of the bank. NMB in the year 2019 yet again entered into a merger with Om Development Bank Limited and commenced joint operation in the name of NMB Bank Limited. The Bank without losing its commercial bank essence has yet embarked on a journey different than its competitions by becoming a first member of Global Alliance for Banking on Values (GABV) from Nepal. Hence sustainable banking guided by the principles of Values Based Banking remains at the core of NMB Bank. The Bank has thus explored avenues and business models to ensure that it invests in areas of interventions that have been adopted to create long term sustainable impact in the regions and communities that the Bank functions. NMB has also become a market leader in managing environmental and social risk and the leading player in renewable energy and agriculture business.

The Bank's financial indicators, assets quality and return indicators over the years have but only improved which is directly reflected in the reaffirming of the Bank's ICRA rating to A-. The rating reflects the Bank's strong market positioning in the industry supported by various indicators such as consistent financial performance.

Subsequent to a notice from Nepal Rastra Bank allowing Commercial Banks to borrow loans from foreign financial institutions in convertible foreign currency up to hundred percent of their Core Capital, NMB Bank proactively leveraging on its existing relationship with international

institutions like International Finance Corporation (IFC) and the Asian Development Bank (ADB) was able to quickly touch base with prospective lenders like IFC, CDC amongst others and carry out the due diligence. Having had adequate international exposure, expertise and the necessary association with these financial institutions, the Bank was able to quickly and successfully meet the lending requirements of various international lending organizations and groups to execute the loan agreement. Consequently NMB became the first Bank in Nepal to sign the mandate with IFC for a loan of USD 15 Million in 2018. As of date NMB has attracted USD 31.5 Million foreign debt investment- a remarkable achievement considering the economic outlook of the country and therefore reaffirming NMB's strong financial credibility.

The Bank has made its prerogative to constantly review its existing processes and upgrade and re-engineer areas that create bottlenecks for excellence in service delivery. It is with this objective that a new CRM (Customer Relationship Management System) was implemented to refine the internal processes and automate the end to end workflow thereby optimizing efficiency of staff and eliminating the time lags faced in service delivery.

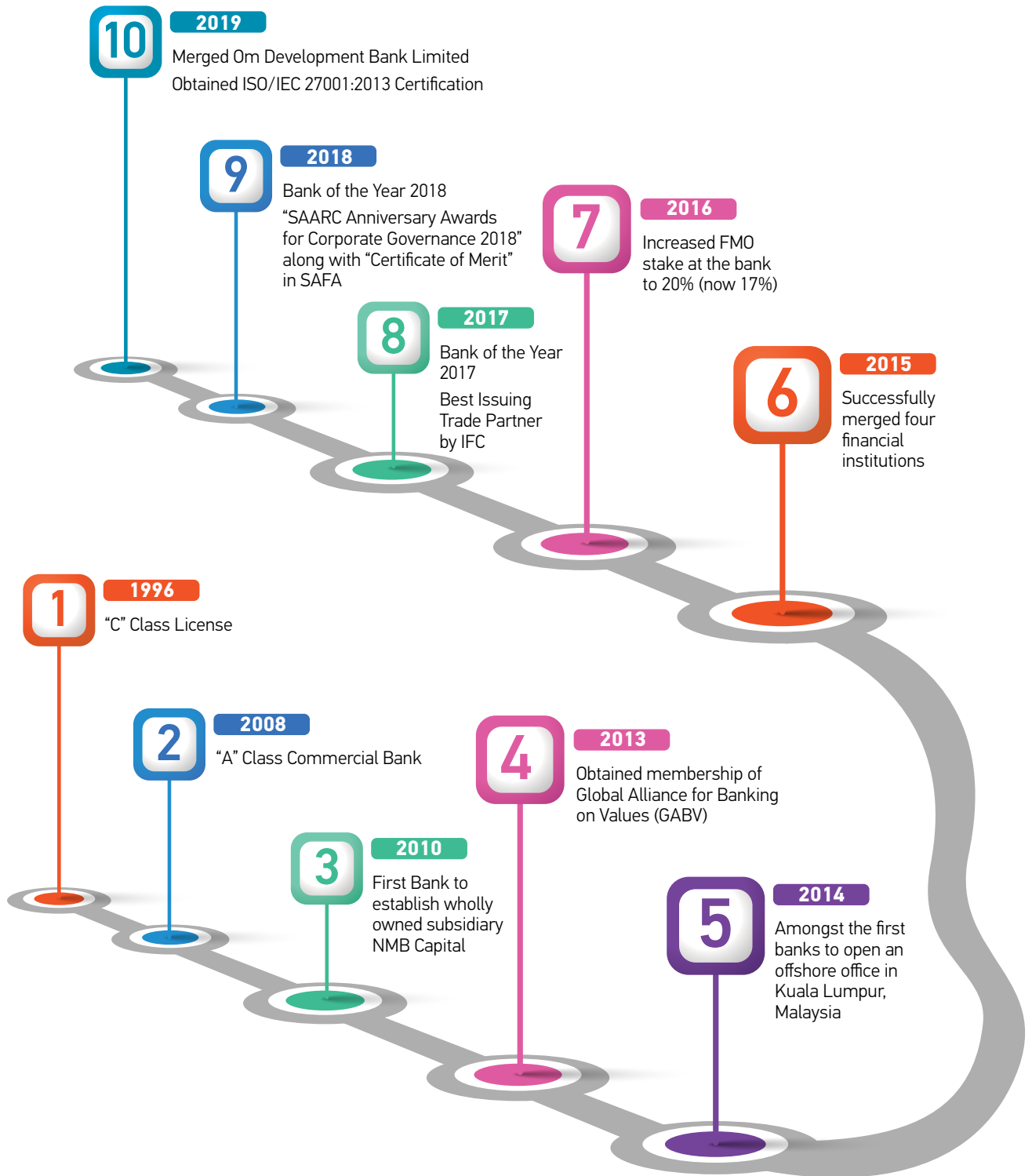
NMB Bank appointed an international consultant to help the Bank in the digitalization and automation of its end to end business processes, resulting in the creation of higher benchmark for turnaround time in service delivery. This will also be a progression towards creating a paperless working environment. The Bank in its effort towards digitalization has launched a multi-functional OMNI channel for its customers through which various banking services can be carried out virtually without having to physically visit branch. NMB will soon launch a digital platform to on-board new deposit and loan customers thereby allowing much flexibility to clients to perform their banking transactions digitally.

Innovation holds significant importance for NMB Bank, whether in terms of products and services or its internal processes. The Bank understands that seamless integration and re-engineering of its internal processes is as crucial for excellence in service delivery as is the

innovations introduced in product offerings. It is with this objective to enhance its internal system that the Bank undertook to work on re-engineering its existing business tracking system specifically for SME/MSME/Retail business. A Business Tracking System was developed with the objective to generate macro level reports to aid in diagnosis and analysis of business performance not limited to tracking/lead generation, monitoring of Turn-around Time (TAT) and forecasting volume of risk assets. The application ensured monitoring at the center and assisted to drive Risk Assets targets across the country, to effectively collate marketing data and measure business performance of the segment. In line with its strategic growth plan, the Bank also upgraded to a more sophisticated FINACLE core banking system

in a record seven months' time in order to strengthen its core system with sound, stable, scalable and secure platform. Bank of the Year award 2017 and 2018 in two consecutive years from The Financial Times London UK have firmly consolidated NMB's position in the market as one of the leading commercial banks in Nepal. The Bank has been awarded "SAARC Anniversary Awards for Corporate Governance 2018" along with "Certificate of Merit" in South Asian Federation of Accounts (SAFA) Best Presented Annual Report Awards. NMB Bank will not sit on the laurels it has received so far but will endeavour to do better for the community at large, all its stakeholders, shareholders and the customers as it is committed towards working for the prosperous Nepal.

Milestones



Vision

Building communities through responsible banking, preferred by all stakeholders, enabling customers and

clients achieve their financial goals thus contributing towards prosperous Nepal.

Mission

- Helping clients and customers to achieve financial security
- Strengthening and promoting sustainable socio economic development by working actively with local and international stakeholders
- Being responsible for bringing about positive environmental and social impacts
- Promoting self-reliance through financial products for real economy
- Creating an innovative climate within the organization, utilizing the skills and potential of staff.
- Delivering banking products and services to create delightful customer experience

Values: 5Bs of Our Success

- Be innovative with the changing time
- Be a team player and deliver results together
- Be responsible to our actions
- Be prudent for sustainable and consistent growth
- Be committed to service excellence

Brand Promise

“Banking for prosperous Nepal” “(SAMBRIDDHA NEPAL KO LAGI)”

Corporate Governance Philosophy

- Meet expectations of all our stakeholders by creating environment of fairness, transparency and accountability within the organization.
- Create and deliver sustainable shareholders value
- Committed towards service excellence and responsible banking
- Motivate workforce by inculcating good corporate governance culture
- Strive for high level business ethics guided by intertwining strategic frameworks

Strategic Objective

1. Position NMB as Bank of Choice for Customers

NMB envisages client to be put in the focal point in everything we do, be it for sales/ service, process reengineering, risk in order to achieve enhanced customer satisfaction and deepen of customer relationship.

- Transformation of existing operating model to enhance customer experience.
- Continue to invest/explore, create and adopt new innovations to keep our service/products as per customers changing needs.
- Invest in brand to significantly improve brand trust and visibility.
- Improve ease of doing transaction– SIMPLE, EFFICIENT, TRANSPARENT, PREDICTABLE
- Invest in digitization to ensure customers high engagement in digital channel.
- Introduction of Net Promoter Score (NPS) program survey to gauge Client's satisfaction and our service standards.
- Create an ambience and team to make customers visit to branch a memorable encounter.
- Back end process reengineering and automation

2. Most preferred Employer in the Industry

Major investments shall be made on employees to attain higher productivity through continuous work improvements, trainings & coaching, encouraging employees to assume responsibilities with sufficient delegation of authorities to develop a performance driven culture. Key steps includes:

- Source right people; refine recruitment process to intake people with right attitude and values aligned with the Bank's Strategic intent.
- Provide conducive work environment, work life balance for all employees
- Embed ethical and performance driven organization culture
- Create learning environment within the organization to provide opportunity for continuous development of employee

- Maintain overall attrition at desired level and make sure right people leave

3. Leading the way in Value Based Banking to become the most trusted banking brand in Nepal

NMB will continue to make investments to the real economy of the country to achieve sustainable growth in line with value based banking principles, thus contributing for prosperous Nepal.

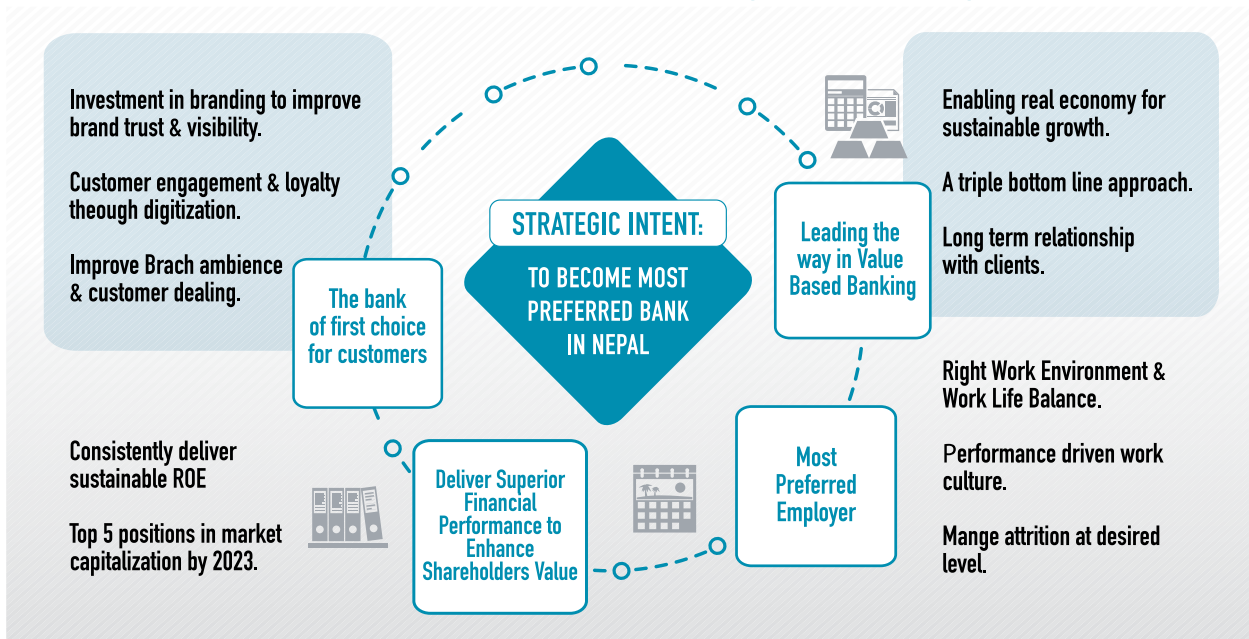
- Implementing a triple bottom line approach i.e. People, Planet and Prosperity, as a key element of the business model
- Being grounded in communities, serving the real economy and enabling new business models to meet the needs of both transparent and inclusive governance
- Self-sustaining with a long term outlook, resilient to outside disruption
- Investing in long term relationships with clients and direct understanding of their economic activities and the risks involved- client centered

4. Enhance Shareholders Value through superior financial performance

NMB aspires to achieve superior financial performance with sustainable business growth to enhance value for shareholders. The business plan with more focus on SME and retail business to deliver following objectives:

- Consistently deliver sustainable +20% ROE in next 5 years
- Increase balance sheet by 3 fold to become Top 3 private sector commercial bank in terms of NPAT.
- Top 5 in Market Capitalization

Key Themes & Driving Strategies



Ethical Principles

Business ethics in banking involves the financial institutions to carry out its business activities in conjunction to the moral standards of society such as honesty, integrity, responsible & accountable for its investments. NMB Bank believes in its core that the strong ethical culture is fundamental to make the bank less vulnerable to misconduct and contribute towards sustainable banking.

The establishment and institutionalization of business ethics in an organization is a long-term process and involves organization as a whole and that the necessary actions are ensured which includes, policy and procedural documents in place, awareness and trainings, accountability and governance and performance review.

Our initiatives for being responsible banking includes:

A. Environmental and Social Risk (E&S) Management:

NMB Bank considers the management of E&S risk as a key component of our corporate social responsibility. We have in place our internal Environmental and Social Risk Management policy, which provides the strategic direction to promote

sustainable socio-economic development, and proactively manage E&S issues in our investments. We are in process of integrating the Environmental and Social Management System (ESMS) in Bank's credit risk management system to ensure that our loan investments are sustainable to environment and society as a whole. In this regards, we have formulated a time bound environmental and social actions plan (ESAP) that defines the list of activities to be carried out for establishment of environmental and social management system in our Bank. An independent E&S Committee chaired by the Chief Risk Officer is also formed for effective execution of the ESAP. In line with this spirit, the bank has specified the industries and businesses in which NMB Bank shall not take any exposure or make investments reaffirming its stand for social responsibility.

B. Good Corporate Governance

Good Corporate Governance has been the integral part of day to day business and activity of the Bank. The Bank has prudently adopted the best business practices, transparency and disclosure. The Bank has laid down clear business ethics policies to strengthen

our Good Corporate Governance practices. Additionally, the Bank has adopted the practice of self-declaration and provides assets details of the employees and the Board of Directors which is evident of its prudent disclosure and transparency practices.

Corporate Governance policies/practices in NMB Bank are focused at meeting expectations of all our stakeholders by creating an environment of fairness, transparency and accountability within the organization. Our corporate governance complements our commitment towards service excellence and our vision towards responsible banking. We strive for optimum level of business ethics, through our banking principles which are guided by various intertwining strategic frameworks. The Bank has Corporate Governance Committee in place chaired by Chief Executive Officer for holistic approach to establish and institutionalize the Good Corporate Governance culture in the bank. Following the Good Corporate Governance philosophy, the Bank has in place the following establishments:

1. Responsibilities of the Board of Directors:

The BoD is responsible for the Bank's business strategy, financial soundness, governance structure, risk management, and compliance adherence obligations to the regulators. The Board is driven by a standard code of conduct, duties and responsibilities as stipulated by the Nepal Rastra Bank.

2. Board Structure:

The Board is structured in terms of leadership, size and the use of committees to effectively carry out oversight roles and other responsibilities. The Board comprises of seven members including the Non-Executive Chairperson. Three members of the Board are from Promoters and three members are from Public Shareholders. One member is the independent director. The Board also consists of one alternate director to the representative of our international partner FMO. The Board has four committees in which the Director is the coordinator of the committee namely a) Audit Committee, b) Risk Management Committee, c) HR Service Committee

and d) Asset Laundering prevention Committee. The Chairperson of the Board is not a part of any Board committees.

3. Senior management:

Under the guidance and oversight of the Board of Directors, Senior Management conducts and manages the Bank's activities in a consistent manner in line with the agreed business strategy; ensuring prudence towards risk appetite and risk management, compliance, good corporate governance and the basic policies approved by the board.

4. Disclosure and Transparency:

The good governance of the Bank is adequately transparent to its shareholders, depositors and other relevant stakeholders. The Bank is determined to protect and educate the clients by having better Disclosure and Transparency system to the stakeholders by means of Annual Report and periodic disclosures. The Transparency has been focused on Product Information Disclosures, Bank's Disclosures and on adopting the best practices on corporate governance.


5. Corporate Governance Policies:

The Bank has established Conflict of Interest Policy, Related Party Transaction Policy and Whistle Blowing Policy to strengthen and institutionalize its Good Corporate Governance practices. The Bank being a joint venture of FMO, Netherlands and being a member of Global Alliance for Banking on Values, it is in our inherent practice and culture to adopt and adhere on ethical and sustainable banking. We strive towards further strengthening the good corporate governance and responsible banking practices to protect the legitimate interest of all the stakeholders in due compliance with applicable acts, laws, regulations and directives.

हामी देखौं
अपार संभावना

कमाएको खर्च गर्ने मात्र होइन

थोपा थोपा बचतबाटै
आफ्नो र देशको उन्नति

 **NMB BANK**
एनएमबि बैंक

समृद्ध नेपालको लागि



Pawan Kumar Golyan
Chairman



Nico Pijl
Director



Rajendra Kafle
Director



Harischandra Subedi
Director



Rabi Krishna Sainju
Director



Sunity Shrestha Hada
Director



Pradeep Raj Pandey
Director

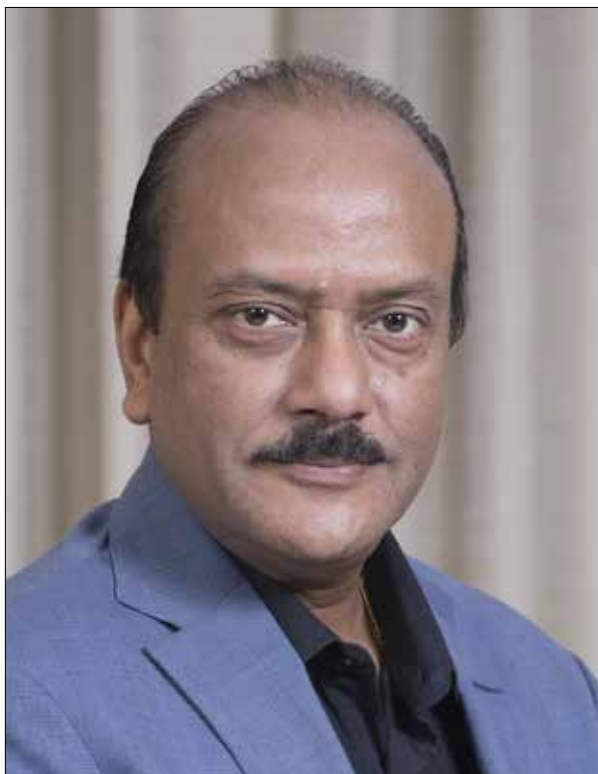


Nanda Kishor Rathi
Alternate Director

Board of Directors

- 1. Mr. Pawan Kumar Golyan** is the Chairman of NMB Bank Limited since 2016 representing promoters' group. A renowned industrialist and philanthropist, Mr. Golyan is also the chairman of Golyan Group of Industries. His line of business expands to spinning mills, agriculture, real estate, pashmina industry etc.
- 2. Mr. Nico Klaas Gerardus Pijl** is a Promoter Director representing FMO, Netherlands. Based in Hague, FMO is a bilateral private-sector international financial institution founded in 1970. Mr. Pijl has over 30 years of experience in FMO.
- 3. Mr. Rajendra Kafle** is a Promoter Director representing Employees Provident Fund. He has more than 30 years of work experience at EPF and is currently serving as the Chief Officer.
- 4. Mr. Harishchandra Subedi** is a representative of General shareholders. He is an Advocate by profession with more than 23 years of experience. He is also a lecturer at Tribhuban University.
- 5. Mr. Rabi Krishna Sainju** is a representative of General shareholders. He is a businessperson by profession.
- 6. Ms. Sunity Shrestha Hada** is a representative of General shareholders group and an academician by profession. She is a retired professor of Marketing from Tribhuvan University.
- 7. Mr. Pradeep Raj Pandey** is an Independent Director of NMB Bank Ltd. He worked in Nepal Airlines for 13 years and held a position of Managing Director. He also served as the CEO of Nepal Tourism Board. He has been a member of several Boards such as Nepal Airlines, Rastriya Beema Samiti, Nepal Tourism Board, Soaltee Hotels Ltd, United Finance Company, United Insurance Company etc.
- 8. Mr. Nanda Kishor Rathi** is an Ex-Chairman of NMB Bank. He is an industrialist and is associated with Maruti Cement, Pasupati Khadya Tel Udhyog, National Soap Industries, etc. Currently, he is an alternate Director of Mr. Nico Klass Gerardus Pijl.

Chairman's Statement



On behalf of the Board of Directors, I take this opportunity to express my sincere gratitude and warm welcome to all the respected shareholders, invitees, officials, media personnel, ladies and gentlemen to the 24th Annual General Meeting of NMB Bank Limited. I am extremely delighted to welcome everyone here to this gathering of shareholders after the successful merger of Om Development Bank Ltd. with NMB Bank Ltd.

It is well-known that NMB Bank, with the intention of strengthening its existing capital base and market coverage completed the merger with Om Development Bank Ltd. that had a strong presence in Gandaki Province and Province 3. The unified banking operation commenced from September 28, 2019. After the merger, the Bank's paid-capital, deposits, loans and advances, and reserve fund reached NPR 11.53 Billion, NPR 123.57 Billion, NPR 115.29 Billion and NPR 9.5 Billion respectively while its branches network and extension counters have reached 163 and 5 respectively as of Mid October 2019. This historic merger was the result of hard-work and contribution of the directors, shareholders, and staff of both NMB Bank and erstwhile Om Development Bank, along with the persistent support of regulatory bodies.

With their patronage, advice, suggestions, and prompt decisions, we have succeeded in reaching this stage today. Therefore, on behalf of the Board of Directors, I as the Chairman of NMB Bank Ltd. wish to extend heartfelt thanks to all who have been instrumental in orchestrating the successful merger.

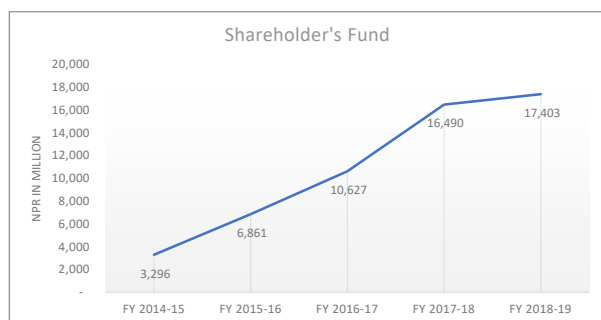
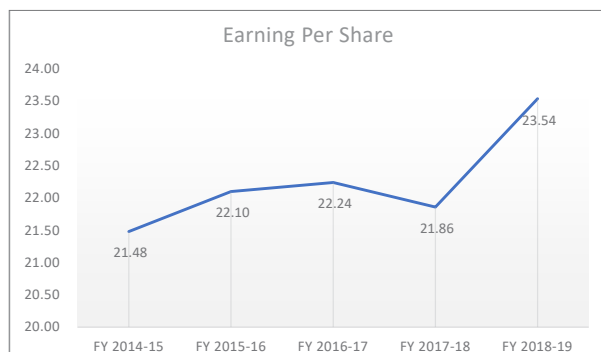
The liquidity crisis prevailing in the overall banking sector did not worsen as anticipated during the review period. The management of deposit and loan interest rates remained challenging due to the higher proportion of investments as compared to savings along with the fluctuations in liquidity from time to time. Although the investment sector did not grow as expected due to slow growth in domestic industries, trade and productive sectors; the growth in remittance inflows, increase in agricultural production, ease of supply of energy, rapid development of construction works, expansion of industrial production, and increase in tourist arrivals created a positive impact.

Despite the challenges, the Bank has managed to scale up its business and achieve good financial results during the review period. During the review year, the Bank's deposits increased to NPR 98.52 Billion while loans and advances grew to NPR 91.89 Billion i.e. a growth of 16.58% in deposits and 21.47% in loans and advances as compared to previous year. The Bank has been able to record net profit of NPR 2.26 Billion during the review year, a growth of 21.77% compared to the previous year. This profit was earned when the Bank's paid-up capital was only NPR 9.62 Billion.

The agenda to distribute 21% bonus share and 14% cash dividend to the listed shareholders after merger from the reserve fund and distributable profit of the fiscal year 2018/19 is placed for approval in the Annual General Meeting. The distributable profit of former Om Development Bank amounting NPR 548.9 Million after regulatory adjustments as on Mid July 2019 and share swap surplus of NPR 603.6 Million has been accounted in the reserve fund of the Bank as on merger date.

NMB Bank has always been at the forefront in accommodating the changes in the financial markets. The Bank has been involved in various activities with

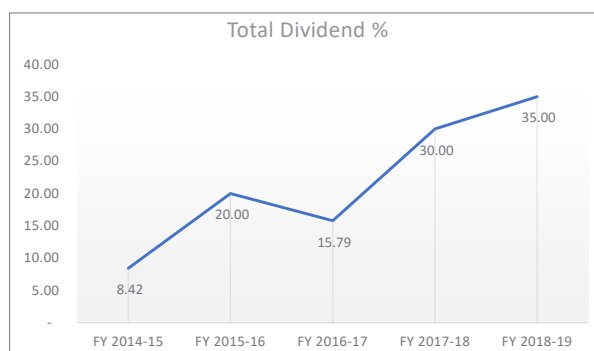
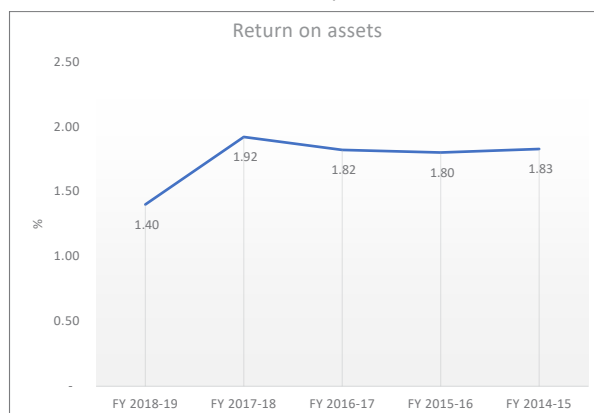
the aim of improving the financial condition of the country by exploring potential opportunities in the financial sectors in cooperation with the domestic and international organizations. Further, the Bank has also been undertaking initiatives to enhance the capacity of its employees.



The Bank has expanded its investment in industrial and agricultural sector that contributes towards employment generation in the country to remain in line with the strategy of increasing credit investment in the productive sector. The Bank has been offering Women Entrepreneurship Loan with an objective of empowering women interested to operate own business and be self-reliant. Likewise, the Bank has also been providing various loan facilities targeted at youths returning from foreign employment as part of government's self-employment campaign. The Bank has given priority to expanding loan investments in small and medium enterprises to be in solidarity with the Nepal Government's policy of focusing on helping local entrepreneurs, while keeping the economic prosperity of the local communities. With the plan to expand our investment in the priority sectors and support the overall development of the country, the Bank continues to work on products to help raise the economic standard of the marginalized people.

The Bank has achieved the goals pursuant to its vision 2020 and is continuously putting effort in moving ahead keeping in line with its 5-year strategic plan for achieving

sustainable business expansion and profitability. We assure our commitment in achieving the goals and be one of the best banks of Nepal.



The Bank has board representations from competent and strong institution like Employees Provident Fund, Nepal and international partnership with Netherland's government supported Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO). We are grateful to FMO for their technical assistance and enhancement of capacity development.

On behalf of the Board of Directors, I would like to thank Mr. Hari Babu Neupane, Director representing public shareholders from 15 February 2016 to 13 March 2019 for his invaluable contribution and guidance. I also take this opportunity to welcome Ms. Sunity Shrestha (Hada) and Mr. Ravi Shankar Sainju to the NMB Board. My sincere appreciation to the respected shareholders, regulatory bodies, media, customers, Board of Directors and staff of the Bank for their invaluable support and confidence.

Thank you.

Pawan Kumar Golyan

Chairman

Date: 9 January, 2020

Management Team



Sitting from Left to Right: Mr. Sharad Tegi Tuladhar, Mr. Sunil KC, Mr. Pradeep Pradhan Standing from Left to Right: Mr. Pramod Dahal, Mr. Sudesh Upadhyaya, Mr. Govind Ghimire, Ms. Shabnam Limbu Joshi, Mr. Roshan Regmi, Mr. Navin Manandhar

1. **Mr. Sunil K.C.**, Chief Executive Officer, has been serving as the CEO of NMB Bank since 2017. Mr. KC joined the bank in 2008 when the bank was just upgraded from Class “C” to a class ‘A’ commercial bank. Since the upgradation of the bank, he has been the key player for continued and sustainable growth of the bank with exemplary financial performance, sizeable balance sheet and sound capital base. Mr. K.C. has more than 29 years of banking experience, starting his banking in then Grindlays Bank (current Standard Chartered Bank Nepal)
2. **Mr. Pradeep Pradhan**, Chief Operating Officer has banking experience of more than 30 years. Since joining the Bank in 2005, he has spearheaded various units as operations, finance and planning, credit operations, information technology etc. Prior to joining the Bank, he had experience in two other commercial banks namely Rastriya Banjya Bank and Standard Chartered Bank Nepal.
3. **Ms. Shabnam Limbu Joshi**, Chief Human Resources & Business Support Officer comes with more than 30 years of banking experience. She joined the bank in 2011, previous to that she worked in Standard Chartered Bank Nepal in various roles such as branch banking, internal audit, operations, compliance, and operational risk.
4. **Mr. Sharad Tegi Tuladhar**, Chief Risk Officer is a seasoned corporate banker with banking experience of 27 years. He started his banking career from Standard Chartered Bank Nepal with exposures in various departments such as credit administration and corporate banking. He had spent 3 years with Sanima Development Bank as Head Corporate and Treasury and also worked briefly with Masreq Bank, Doha prior to joining NMB.
5. **Mr. Sudesh Upadhyaya**, Chief Business Officer is a multi-dynamic banker with more than 21 years of banking experience. He started his career in 1998 from Standard Chartered Bank (SCB) Nepal and also served SCB, Qatar and Mashreq Bank, Qatar. He joined NMB Bank in 2015. He is designated as Chief Business Officer with responsibility of Retail Deposit, Digital Banking, Alternate Delivery Channels-Sales, Branch Banking, Priority Banking, Operations Excellence, Brand Marketing & communication. He is also an Information Officer of the Bank and a reporting authority for all seven provincial heads.
6. **Mr. Govind Ghimire**, Chief Business Officer has over 24 years of banking experience. He started his banking career from Nepal Bangladesh Bank with exposures in various key areas such as branch banking, credit risk, business loans legal etc. He joined NMB Bank in 2008. He is currently responsible for SME, MSME, Mid-Corporate, Renewable Energy and Micro Finance. He is also the Board of Director at NMB Microfinance Bittiya Sanstha Ltd.
7. **Mr. Navin Manandhar**, Chief Business Officer, Wholesale Banking has specialized in corporate banking with banking experience of over 19 years. He started his career with NABIL Bank in the year 2000. He has worked in several commercial banks including Standard Chartered Bank Nepal before joining NMB Bank. He is currently responsible for Energy, Project Finance & Syndication, Treasury, Institutional Banking, Development Organizations, and CSR.
8. **Mr. Pramod Dahal**, Company Secretary, Chief Legal, Compliance & AML Officer has 20 years banking experience. He started his banking career with Union Finance Nepal and moved to NMB Bank in 2005. He has held several key positions in NMB Bank such as Credit Risk Officer, Legal & Compliance Officer. In 2015 he was appointed a Company Secretary with dual responsibility of Legal & Compliance Officer. He is also a designated AML Officer of the Bank.
9. **Mr. Roshan Regmi**, Head Operations with banking experience over 16 years started his banking career from Nepal Bank Ltd. in 2004. He joined NMB Bank in 2011 as Head Information Technology. Since 2015, he is in charge of overall operations of the Bank.

CEO's Message



I am privileged to report that the Fiscal Year 2018/19 proved to be yet another remarkable year for NMB Bank. The achievements and the accolades that the Bank received during the period has emboldened our vision to become the most preferred Bank in Nepal. Our persistent effort towards sustainable growth and untiring approach for the quality and transparency in business was recognized with the prestigious South Asian Federation of Accountants (SAFA) award for "Corporate Governance Disclosures" reaffirming our commitment towards good governance.

The successful merger of Om Development Bank Ltd. (ODBL); one of the top-ranked development banks in the country, has enabled NMB to strengthen its foothold in the market and continue to serve a larger population base within a much wider geographical coverage. With the merger of ODBL, NMB by far has the largest network presence in Gandaki province.

The economy has been growing consistently by over 6% for third consecutive year and it is projected that this growth shall continue with an overall positive macroeconomic scenario in the future as well. In the

backdrop of this positive economy, we see endless possibilities in the country to live up to the expectation of becoming a middle-income nation by the year 2030. The stable government and its gradual liberalization of policies has improved the country's position in the doing business index with significant improvement in access to credit information, and commercial judicial system amongst others along with the reduction of cost and time for cross-border trading. This has created a conducive environment for business sectors and opportunity for direct foreign investments, while also providing opportunities for Banks to expand its trade related services.

Whilst the country's macroeconomic indicators look positive on many fronts, the banking industry is frequently overshadowed by volatility in liquidity resulting to a mismatch in deposit mobilization and credit demand, thus creating a funding gap in the market. This variability in financial market is also attributed by the insufficient internal resources and/or lack of optimum resource utilization per se.

Riding on the wave of growing economy, the Bank has been able to expand its business and achieve desired outcomes in terms of both financial and non-financial growth as we continue to seek sustainability and responsible banking practices in all our internal and external endeavors. Aligning with country's vision of self-reliant Nepal and achieving all sustainable development goals, the Bank has prioritized and focused its investments towards the upliftment of productive and real economy sectors. We believe that our commitment is not just towards the profit but also towards the sustainability of the backbone of the real economy including Agriculture, Energy, Tourism, and Education.

The Bank over the years has become successful in setting benchmarks in the industry and remain distinct over its competitors. As a joint venture of FMO Netherland and the sole member bank of Global Alliance for Banking on Values (GABV) in Nepal, NMB is the first and only Bank in the industry to bring in foreign debt from renowned international groups including International Finance

Corporation (IFC) and CDC Group Plc. With its association to such international investment groups, NMB as of date is the most sought after names amongst foreign investors seeking for an investment opportunity based upon sustainability in Nepal. NMB closed the largest ever loan syndication of a cement manufacturing company in the country amounting NPR 16 Billion as a lead Bank

The dynamic business environment and rise of Fintechs and Telecom services in financial sectors has been changing the way of doing business for Nepalese Banks forcing them to adopt digital technologies at much faster pace than ever before in all its functions for effective tendering of varying and innovative services to its customers. The Bank understands that digital engagement with its customers is imperative for its future growth and has made substantial investment for digitization of its banking products and processes shortening the service turnaround time for customers and other stakeholders. In this age of information and process of digitization, the Bank has also made sizeable investment in information security to maintain confidentiality and integrity of all its stakeholders. Guided by the principles of Value-Based Banking in all its processes, NMB is the first and only Bank in Nepal to achieve ISO/IEC 27001:2013 Certification for Information and Security Management making itself the most progressive Bank moving towards customer centricity.

Amidst the market opportunities and prevailing challenges, we believe that the banking industry has lot more to deliver and grow. However, the growth will also incorporate the merger and acquisition of financial institutions as the consolidation in industry is inevitable. The increase in compliance and other regulatory costs with ever-growing challenge and need to tackle risks

of money laundering and terrorism financing are also expected to push financial institutions towards consolidation. The digitalization of the services coupled with customers' growing service expectations will change the way of doing business. Understanding the unavoidable changes manifested by a paradigm shift in doing business and critically analyzing each behavioral change, NMB is all poised to set the standards and seize every opportunity in the market.

I humbly believe that our year-on-year success is the key-result of all the hard works, patience and determination exerted by our staff who together truly forms the most dynamic and energetic team force. I would like to extend my sincere gratitude to FMO for its unprecedented support in SME and digitization efforts. I also take this opportunity to personally extend my heartfelt thanks to our Chairman Mr. Pawan Kumar Golyan and all board members for their relentless guidance in making NMB one of the best commercial banks of the country. Finally, my sincere thanks to the esteemed shareholders, Nepal Rastra Bank, Ministry of Finance, partner organizations, SEBON, and all other regulatory bodies for their invaluable suggestions to our continuous improvement and business growth. With your constant trust and solidarity, we aspire to grow collectively for many years into the future.

Thank you

Sunil KC
Chief Executive Officer

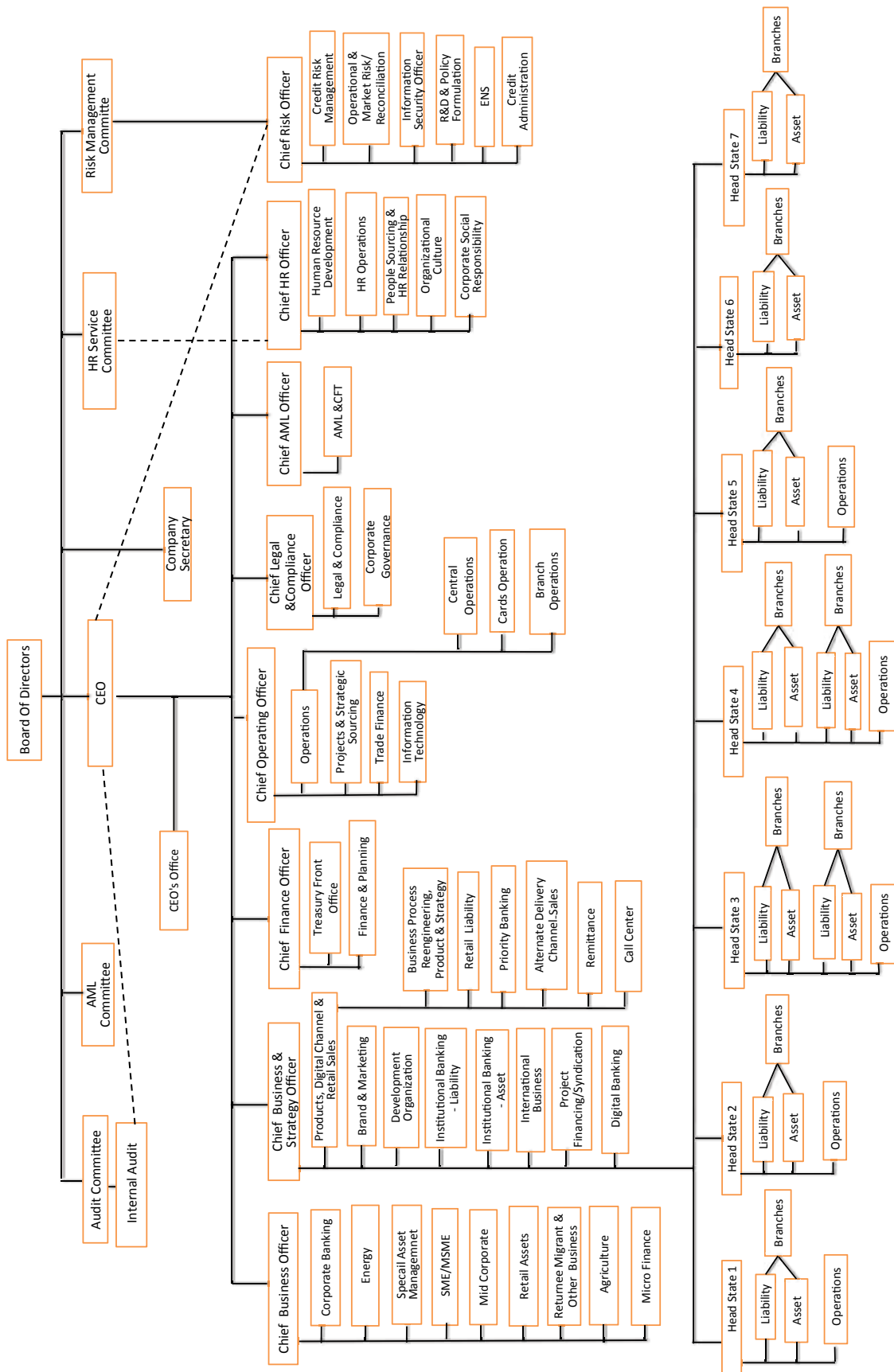
Head of Departments

SN	Name	Department/Title
1	Mr. Bijay Giri	Head - Learning & Development
2	Mr. Sanju Shrestha	Head - Strategic Sourcing
3	Mr. Binay Dahal	Head- SME/ MSME & Agriculture
4	Mr. Mahesh Bajracharya	Head - Operations Excellence
5	Ms. Puspa Aryal	Head - Trade Finance
6	Mr. Suresh Dhakal	Head - Credit Administration
7	Mr. Mridul Parajuli	Head - Finance & Planning
8	Mr. Sharad Poudel	Head – Microfinance
9	Mr. Dinesh Dulal	Head - Energy & Development Organization
10	Mr. Niraj Sharma	Head - Human Resources
11	Mr. Govinda Gyawali	Head - Retail, Brand Marketing & Product Development
12	Mr. Ranjan Pandey	Head- Internal Audit
13	Mr. Dhruva Prasad Adhikari	Head - Legal & Compliance
14	Mr. Krishna Prasad Subedi	Head – Institutional Banking, External Affairs & Media Relationship
15	Ms. Pranisha Shrestha	Head - Corporate Banking
16	Mr. Vishnu Prasad Manandhar	Head - Operational & Market Risk
17	Mr. Susheel Kumar Bhujel	Head - Treasury Front
18	Mr. Mandeep Bhattarai	Head - Alternative Delivery Channels Sales
19	Mr. Shivaraj Upadhyaya	Head - Digital Banking
20	Mr. Ram Prasad Sapkota	Head - Special Assets Management
21	Ms. Deepa Shrestha	Information Security Officer
22	Mr. Sumit Ram Vaidya	Head - Project Financing & Syndication

Head-States

S.N	Names	Position
1	Mr. Utsab Ghimire	Head – State 1
2	Mr. Rajesh Timsina	Head – State 2
3	Mr. Ganesh Parajuli	Head – Bagmati Province
4	Mr. Mohan KC	Head – Gandaki Province
5	Mr. Surendra Maharjan	Head – state 5
6	Mr. Yubraj Dhakal	Head – Karnali Province
7	Mr. Ramesh Bhatt	Head – Sudur Paschim Province

Organizational Structure



Risk Management

Risk Management Framework

Risk-taking is an inherent element of the banking business whereby profits are in part, the reward for successful and acceptable risk taking. Whilst, on the other hand, undue and poorly managed risk are susceptible to loss of profit and thus jeopardize the safety of the depositors. The risk management in the banking sector has been transformed in the country over past few years largely as result of tightening regulatory framework, increase in banks capital base and rising competition between peer banks to increase the assets and profitability.

NMB has continuously evolved and strengthened the risk management system over the period of its existence. The Bank follows an integrated risk management framework to identify, measure, mitigate and control risks offsetting all the odds and volatility that characterized the country's banking sector. The Bank believes that risk which can be preemptively identified, appropriately measurable and can be effectively managed are acceptable taking into consideration the Bank's risk taking capacity to endure the unfavorable results. Responsibility and accountabilities for risk management exists across all levels in the bank i.e. starting from NMB Board to concerned departments and its officials. NMB Bank follows the widely accepted three lines of defense principles in its risk management activities and undertakes planned and systemic approach towards identification, evaluation and control of risk. The Bank has risk management strategies that runs in-sync with the overall business strategy of the bank and thus ensure continued financial and organizational sustainability. The Bank ensures regular updates of its policies and procedures such that the risk management system in the bank is robust.

Components of Risk Management Framework at NMB Bank:

- Board and Senior Management's Oversight on risk management architecture
- Organizational Structure

- Systems and Procedures for identification, acceptance and measurement of risk
- Monitoring and controlling risks

1. Risk Governance Structure

NMB Bank has a standard risk governance structure that consists of independent oversight and monitoring at various levels and functions within the bank for effective management of material risk viz. credit, operational, market, Liquidity, information technology and other risks.

1.1. Board Oversight

NMB Board is the apex authority of the bank and assumes the responsibility of providing strategic direction on the banks business activities, while ensuring prudent corporate governance. The key responsibilities of Board include:

- Approve various risk management policies and processes
- Establish risk appetite and tolerance level for all material risk types
- Create periodic oversight on the adequacy and effectiveness of the risk management environment and structure

1.2. Risk Management Committee (RMC) Oversight

Board Risk Management Committee (RMC) is a Board level sub-committee that comprises of two non-executive Directors of the bank and executives from senior management of the bank. RMC is responsible for oversight of risk governance structure and all types of risk and ensuring the control measures and standards are in place for effective risk management. RMC broadly functions as per the Terms of Reference provisioned in the NRB Directive.

1.3. Senior Management's Oversight

The Bank's Management is responsible for formulation of strategies, policies, guidelines and standard and their effective implementation upon approval by NMB Board and in line with the strategic direction envisaged by the Board. Management level committee's viz. Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC) and Asset Liability Management Committee (ALCO) etc. are formed to shape the risk environment of the Bank for effective management of material risks.

2. Risk Management Process

Risk in banking business are not static, rather are inherently dynamic and thus risk management process also should be vibrant. Risk management process are to be applied and tested across all levels of the organization for its effectiveness. The ultimate goal of the dynamic risk management process is to create an environment where the executives at all level including the Board are constantly vigilant to the potential risk and consider their impact in the business activities of the bank. NMB Bank has in place risk management culture that promotes the risk awareness at all levels, value the importance of risk management and performs the responsibilities of timely identification, control and reporting of risk with accountability. NMB Bank follows the following risk management process:

Risk Identification: NMB bank has implemented a system where potential risk are proactively identified at all levels.

Risk Assessment: The identified risks are analyzed at appropriate risk committees against the bank's risk appetite and the tolerance level established by the NMB Board.

Risk Mitigation & Monitoring: On the basis of the risk analysis and risk mapping, required risk mitigation steps and action plans are outlined and decided for management of potential impacts of the identified

risks. The identified risk and applied risk mitigations activities are consistently monitored further for required resolutions.

Risk Reporting: NMB Bank believes in transparency and prudent corporate governance culture. A detail risk report that documents the overall risk management system of the bank is prepared and is presented to the NMB Board through Risk Management Committee on quarterly basis for Boards oversight. Likewise, such risk management report is also presented to Nepal Rastra Bank on an annual basis. NMB Bank also ensures the Basel Disclosure as required by the Capital Adequacy Framework of Nepal Rastra Bank.

3. Risk Mitigations

The banking environment has remained dynamic with changing regulatory provisions, competition along with the overall economic outlook of the country and as a result, banks are exposed to new emerging risks. Moreover, Nepal Rastra Bank, through its Directives and Risk Management Guidelines has identified major material risk which are core to the banking business in the country.

In order to safeguard the bank against the core material risk, NMB has strictly followed the risk management guidelines of Nepal Rastra Bank and further has also been devising dynamic risk management strategies thus to ensure risk identification in advance for effective control of risk.

3.1. Credit Risk:

Lending business is the primary business and source of assets creation for the bank and is also the major material risk. Credit risk is managed in accordance with the Bank's comprehensive risk management framework and the applicable provisions as per the Directive of Nepal Rastra Bank. Credit policy and credit risk appetite of the Bank approved by the NMB Board sets out the standards and principles for the Bank to assume the credit risk. Management level credit risk management committee largely oversees

the credit risk faced by the Bank, formulates required credit risk strategies and takes corrective actions for mitigation / control of prevailing and potential credit risk.

In line with the three lines of defense principle, the credit underwriting process at NMB includes involvement of multiple functions thus to promote independent assessment of credit risk. The business sourcing activities are carried out by business / sales team who are considered as a first line of defense in credit risk management. The Bank has a dedicated team of credit risk officers with segregated responsibilities on the basis of specialized skills requirement. The credit risk officers are responsible for ensuring the robust credit underwriting standards as per the Bank's credit policy and principles. The team is also responsible for holistic monitoring of risk inherent in the Bank's overall portfolio and reporting to the management and credit risk committee. Various tools and instruments are used by the department to determine the credit worthiness of potential and existing customer. For management of problem loans, NMB Bank has also instituted the special asset management unit with expertise in management of deteriorating credit.

3.2. Operational Risk:

Operational risk stems from the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is recognized as a distinct risk category which the Bank manages through operation risk management policy approved by the Board. The primary oversight body for the management of operational risk is the Operational Risk Management Committee. The Bank has a dedicated operational risk management unit for monitoring and reporting the operational risk. The Bank has pioneered in adopting technology to create efficient processes and systems so as to eliminate the risk at source, designing key risk indicators (KRIs), implementing control points, and creating procedures for incident management.

3.3. Market Risk:

Tight liquidity scenario has been a frequent phenomenon for Nepal. Aggressive lending by banks coupled with slowdown in government spending and remittance inflow, trade deficit etc. have been the reasons for ongoing liquidity challenges for the banks. Effective management of liquidity and balance sheet are crucial to the competitive and profitable existence of Bank.

The Asset Liability Management Committee is the primary oversight body for management of overall liquidity of the Bank. The Bank undertakes stress testing and sensitivity analysis as a tools being within the broad internal capital adequacy framework for measurement and management of market risk.

3.4. Information Technology Risk:

Cyber security risks are categorized as information technology security risks that compromises the banks system and have consequences for the confidentiality and integrity of information. Robust information technology infrastructure for protection against technology failure and cyber-attacks is a strategic priority of the bank. The Bank aims to combat potential and sophisticated cyber security adversaries by establishing a robust cyber security framework that aligns with the banks overall business strategies.

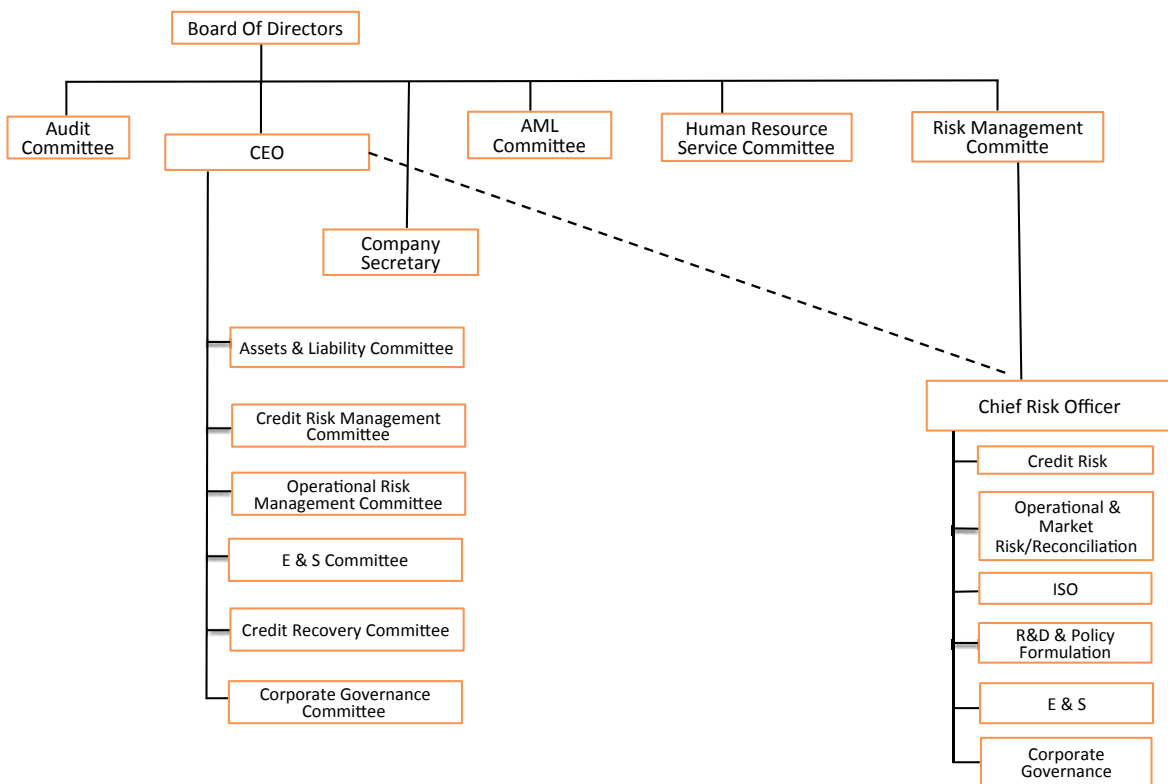
The Bank has formulated Information Security Policy and Disaster Recovery Plan, which are the principle documents of the bank that details the policy statements, IT governance, use of IT resources and infrastructure etc. Bank has done sound investment in technological infrastructure such as Direct Swift Connectivity, Firewall and Intrusion Prevention and Detection System, Firewalls etc. to ensure the robust information technology security. Further, the Bank has migrated its existing Core Banking System to a more robust and advance FINACLE Core Banking System as part of strengthening its system.

3.5. Environmental & Social Risk:

NMB Bank is an institution driven by the objective of responsible and value based banking for sustainable development and growth while protecting environmental and social wellbeing. Our association with FMO and being a member of Global Alliance for Banking on Values (GABV) has made us one of the pioneers to work towards adapting Environmental and Social Risk Management System (ESMS) and

complement our vision on building communities through responsible banking. NMB is jointly working with FMO to establish a fully operational ESMS in the Bank wherein a time bound ESMS action plan has been developed detailing the blueprint on ESMS establishment and effective implementation of the system. This initiative of the Bank now has also been harmonized with guidelines issued by Nepal Rastra Bank on Environmental and Social Risk Management (ESRM).

Risk Management Structure of the Bank



Risk Mitigation Framework

Credit Risk

Identified Risk	Risk Monitoring	Risk Mitigants
“Project Financing: Effectiveness of Due Diligence, Project Progress, Timely & within budget completion, Repayment capacity/ Cash flow as per projection, “	“Project monitoring: Consortium meeting in regular intervals; Periodic project inspections; Annual review of loan account Areas of monitoring: Project development progress vis-à-vis agreed timeline. Unanticipated challenges faced during project development. Adherence to facility terms & conditions. Project performance after its operation etc. Project financing portfolio, progresses thereon and our strategy are reviewed/ discussed in management level Credit Risk Management Committee (CRMC) and Board Level Risk Management Committee (RMC) on a periodic basis to ensure a dynamic approach.”	“The bank has independent Project Financing & Loan Syndication department to provide effective due diligence. Likewise, specialized Credit Risk Officer carry out independent review of credit risk, its mitigations, appropriateness and adequacy of loan covenants and its monitoring requirements etc. Clearly defined related credit policies, procedures and standards enable the bank's credit to be strong.
“International Bank Exposure: Country risk, Contractor's performance risk, Risk of enforceability of security instruments (guarantees, counter guarantees etc.) in terms of laws & jurisdiction, “	“International Banks' exposure are analyzed in management level Asset and Liability Committee (ALCO) and board level Risk Management Committee (RMC) meetings. Required action, mitigation plan and monitoring arrangement are decided by these committees. Risk issues identified and adherence with mitigation/ control plan approved initially are reviewed in annual interval. Annual review also assess the changes in risk issues and required mitigations over the review period.”	Total exposure against each banks are maintained within internally agreed threshold which is reviewed periodically. Approving authority for Bank Limit and single transaction limit are assigned to NMB Board and Management on the basis of associated risk rating, i.e. rating by S&P, Fitch, Moody's etc. The bank has designated independent Correspondent Banking and Market Risk Department for management/monitoring of International Bank Exposure portfolio.
Client Concentration Risk	Single / Group customer concentration is reviewed in quarterly interval to assess the level of concentration and needful remedial action if the exposure is considered on higher side.	Client concentration largely being on Corporate Portfolio, the bank has increased its strategic focus on Small and Medium Enterprises (SME) and productive/value-based lending.

Market Risk

Identified Risk	Risk Monitoring	Risk Mitigants
Market CCD ratio above 75%	Monitored daily	Market CCD ration is monitored daily. Mitigation plan is discussed in ALCO for further action
Market Liquidity below NPR 15 Billion	Monitored daily	Mitigation plan is discussed in ALCO for further action
Negative growth in Country's Balance of Payment (as and when NRB publishes)	Monitored daily	Mitigation plan is discussed in ALCO for further action

Operational Risk

Identified Risk	Risk Monitoring	Risk Mitigants
People	Staff trainings are planned & reviewed Staff career development is periodically reviewed Job description/objectives are in place for all staff	NMB Academy has been established to ensure all staff are adequately trained Timely recruitment of right people at right place All staff are well versed with the Bank's policies / processes
System	Internal and external system audit is carried out periodically	DR site has been set up. BCP/DRP are carried out regularly
External Events	Regulatory requirements are strictly complied Physical security of the Bank is under 24 hour surveillance both vide CCTV and security guard. Intruder alarms and fire alarms are being installed in the branches where not previously installed	Compliance review of each process is regularly reviewed. Ensure deployment of trained security guards. Regular fire/emergency drills are carried out
Internal Events	Internal guidelines for each and every process is in place.	Internal process guidelines are reviewed annually and for any new process, internal guidelines are prepared.

Liquidity Risk

Identified Risk	Risk Monitoring	Risk Mitigants
NLA below 23%	Monitored weekly	Within central bank limit of 20%
CCD ratio below 77%	Monitored daily	Within central bank limit of 80%
Government Securities and Deposit Ratio below 10%	Monitored weekly	Internal requirement. Government securities are purchase to meet this limit
Concentration Risk: Depositors total deposits of NPR 200 Mio and above against total deposits ratio >20%	Monitored monthly	Strategy for improvement is in place
Fixed Deposit against Total Deposit Ratio above 45%	Monitored monthly	Need for improvement understood. Watchful for remedial action as soon as market becomes favourable

Information Technology Risk

Identified Risk	Risk Monitoring	Risk Mitigants
System Break Down	Regularly monitoring system in place	Ensure all ERP systems are in place
Cyber Attack	Regularly monitoring system in place	Backup plan (Disaster Recovery Plan) in place. Maintain minimum down time in case of system failure emergency. Ensure proper protection against cyber-attack and mishandling of the system. Keep on upgrading the system in use appropriately to keep pace with information requirement

Information Security Risk

Information security risk management refers to managing the risks associated with the use of information technology. It involves identifying, assessing and treating risks to the confidentiality, integrity and availability of Bank's information systems. NMB Bank has achieved the ISO/IEC 27001:2013 information security management certification and has become Nepal's first ever commercial bank to achieve such prestigious certification. The ISO 27001 standard ensures that the bank have established methodologies and a framework to business and IT processes to help identify, manage and reduce risks to the security of information systems.

NMB Bank has formulated Information Security Standard Procedure documents that cover the information security domains as specified in ISO 27001. These are the principle documents of the Bank that details the policy statements, IT governance, use of IT resources and infrastructure etc.

Identified Risk	Risk Monitoring	Risk Mitigants
System Break Down	Regularly monitoring system in place	Critical system on high availability for system failure Proper backup plan in place DR plan in place with minimum down time in case of critical system failure
Cyber Attack	Regularly monitoring system in place	Intrusion prevention & detection system are implemented Use of up-to-date anti-malware system & software Regular security assessment process System upgrades for state-of-art technology
Data Breach	Regularly monitoring system in place	Mobile device's (Laptop) drive encryption

Corporate Governance

Effective corporate governance is critical to the proper functioning of any bank. Giving it a true meaning, NMB Bank has a strong Board, four board level committees along with effective control functions and a robust risk management framework with sound risk culture in place. The board members and the senior management team are equally committed to good corporate governance. The board level committees in the Bank have been formed in line with NRB Directive.

NMB Board:

NMB Board constitutes of versatile members from various walks of life. The board constitutes of directors from both promoter & general shareholders categories along with a representative from independent category as prescribed by Nepal Rastra Bank. During the fiscal year 2018/19, 27 Board meetings were conducted to discuss on various agendas related to the smooth functioning of the Bank. Under the chairmanship of Mr. Pawan Kumar Golyan, the NMB Board constitutes of the following members:

S.N.	Name	Designation	Number of Meetings Attended
1	Mr. Pawan Kumar Golyan	Chairman	26/27
2	Mr. Rajendra Kafle	Director	27/27
3	Mr. Nico Pijl	Director	4/27
4	Mr. Harischandra Subedi	Director	26/27
5	Mr. Hari Babu Neupane	Director	17/27
6	Mr. Pradeep Raj Pandey	Director	23/27
7	Mr. Nanda Kishore Rathi	Alternate Director to Nico Pijl	12/27

Mr. Sunil KC, CEO and Mr. Pramod Dahal, Company Secretary also attended all 27 Board meetings during the fiscal year.

The main issues discussed and approved in the Board meetings were as below:

- Approval of Credit Proposals
- Approval of Investment Proposals
- Discussion on Monetary Policy 2075/76
- FPO Share Listing and Registration
- Approval/Ratification on HR Organizational Structure of Bank
- Approval to Accept General Refinancing Facility.
- Approval to Establishing BLB Point
- Approval to Procurement of Server, Storage & Replication System for Credit Admin Department.
- Approval to Write-off Fixed Assets of Baneshwor Branch.
- Approval to Settle the Counterfeit Card Transaction as Operational Loss.
- Notification on CD Ratio and Term Loan above 5 years:
- Notification / Approval on Loan in Industry / Sector Above 100% of Core Capital.
- Notification / Approval on RMC Meeting Minutes.
- Approval to Provide Authority to CEO for Appointing 250 DSAs within a Cost of NPR 15M:
- Approval to State-wise Individual Deposit Incentive Scheme for Q1 2075/76.
- Presentation on Fin Vision Draft Report.
- Approval to Hold Audit Committee Meetings.

- Notification Regarding Bid Amount Received after Stipulated Date for NBA Property Located at Basamadi, Makawanpur.
- Approval to Collaborate with FNCCI for Financial Literacy under CSR Unit.
- Approval to Invitation for RFQ Proposals – Insurance Policy.
- Approval of NMB Financial Bylaws, 2075.
- Notification to the Board on Credit Approval of 50% or more of CEO's Discretion.
- Approval of CSR Activity - Construct Room for Kriyaputri Bhawan.
- Approval on Amendment of Bank's MOA/ AOA as per 22nd AGM Decision.
- Approval to Promoter Share Transfer.
- Approval on Credit Policy.
- Presentation on Branch Performance
- Presentation on Hydro Power Strategy
- Approval to Review of AML/KYC Status
- Approval for Appointment of Consultant for Digitization Consulting Services.
- Approval on amendment of Board Operation Procedure, 2075.
- Approval of Internal Capital Adequacy Assessment Process (ICAAP)
- Approval to Borrow from CDC Group PLC.
- Approval to enter into various FX Derivatives Products.
- Approval of Bid invitation for Banker's Blanket Indemnity (BBI) Policy.
- Approval to Appoint Consultant for VAPT, IT Risk & ISO27001 Consultancy & Certification Service.
- Approval to Borrow in USD from Micro, Small and Medium Enterprises Bonds S.A. through Symbiotics SA.
- Approval to allocate Support Staff to Enhance RM Productivity.
- Review on New Capital Adequacy Framework
- Presentation on HR Related Activities by MR. Jan-Thijs Both, FMO
- Presentation on Digitization by Mr. Rahul Joshi (Consultant).
- Approval to Apply for Visa Principal Membership.
- Half Yearly Review of Strategic Financial Plan FY 2018/19.
- Review on Summary of Reporting Under New Capital Adequacy Framework for 2nd Quarter
- Notification/Approval on Risk Management Committee Minutes.
- Approval on Security Services Deployment
- Update on Monetary Policy - Half Yearly 2075/076
- Approval of Environmental & Social Risk Management Policy.
- Approval to Enter into FX Derivatives Products
- Approval on Procurement of Group Term Life Insurance for Interest Subsidy Loan Customer.
- Approval for Procurement & Implementation of Business Process Automation and Enterprise Content Management.
- Approval of NMB Returnee Migrant Loan Product Paper.
- Approval of Budget & Strategic Financial Plan for FY 2019/20.
- Discussion on Merger

Risk Management Committee:

Roles and Responsibilities of Risk Management Committee are as follows:

1. Give suggestion to the Board on the adequacy of the process adopted by management for identification/mitigation of prevailing risks.
2. Give suggestion to the Board on adequacy of policies/procedures formulated by the Bank to address risk appetite.
3. Obtain reports from the management on analysis, mitigation, monitor and evaluation of the risks and give suggestion to the Board if required.

4. Give suggestion to the Board on capital adequacy, ICAAP, effectiveness of the business strategies, risk appetite of the bank.
5. Give suggestion to the Board on procedures to be formulated by the management based on Risk Management Guideline issued by NRB.
6. Give suggestion to the Board on the outcome of stress testing.
7. Submit report to the board on delegation of authority to be delegated to CEO by the Board.
8. Submit report to the Board on the working of ALCO for managing assets structure, assets mobilization, and income generation.
9. Submit report to the Board by analysing Credit, Deposit, & Investment portfolio as well as Bank Guarantee and Bank Limit exposures in regular interval.
10. Submit a report (impact and mitigation) on the Board on impact on the financial sector due to change on economic sector.

A total of 19 meetings were held during the financial year. Name of the committee members and their attendance are shown below:

S.N.	Name	Designation	Number of Meetings Attended
1	Mr. Rajendra Kafle, Non-Executive Director	Coordinator	19/19
2	Mr. Harischandra Subedi, Non-Executive Director	Member	17/19
3	Mr. Pradeep Pradhan, Chief Operating Officer	Member	17/19
4	Mr. Pramod Kumar Dahal, Chief Lega, AML & Compliance Officer	Member	14/19
5	Mr. Sharad Tuladhar, Chief Risk Officer	Member Secretary	19/19

The agendas and issues discussed and approved:

- Review of Risk Management Reports.
- Review of Stress Test reports.
- Review of Investment Reports.
- Updates on operational risk issues
- Updates from Assets and Liability Management Committee.
- Branch incident updates.
- Review of NRB Audit Comments and the Bank's responses.
- Review of Quarterly Loan Portfolio Analysis reports.
- Review of Non-Performing Loan accounts.
- Update on new Core Banking System.
- Review of NPL accounts with cases in court.
- Review of unsecured Corporate Loan Portfolio to revise the Bank's lending strategy.
- Review of sanction clauses in trade transactions and way forward.
- Review of Conflicts of Interest Policy.
- Review of Financial by-laws 2074.
- Review of Credit Policy -2018.
- Review of Related Party Transaction Policy.
- Review of Non-performing Loan movement as of Ashar end, 2076.
- Review of Revision in Internal Capital Adequacy Assessment Process.
- Review of Product Papers.
- Review of Environmental and Risk Management Policy.
- Review of proposals for booking Non-Banking Assets.

- Review of revisions in Recovery Policy.
- Review of NMB Group Anti-money Laundering and Combating Financing of Terrorism Policy
- Review of revision in Compliance Policy

Audit Committee:

Every licensed institution is required to constitute an Audit Committee as per Clause 5 of Directive 6 issued by Nepal Rastra Bank (NRB) and Sec. 164 of Companies Act, 2063 upon which Audit Committee of NMB Bank is constituted with the Board of Directors (BOD). Non-Executive Director of the Bank heads the board level Audit Committee where Head of Internal Audit Department is the member secretary. This Committee reviews the Bank's financial condition, its internal controls, audit program, and upon detailed discussion on the findings of the internal audit, issues necessary recommendation and directions to the management of the institution. The external as well as internal auditors have direct access to this Committee. The Board of Directors of the Bank discusses the reports of the auditors and the Committee in detail. The Chief Executive Officer (CEO) of the Bank and other officials can be invited to attend the meeting of the Committee if and when necessary. The meeting of the Audit Committee takes place at least once in every three months.

Scope of Audit Committee

Directive 6 of NRB provides major duties and responsibilities to Audit Committee. The major duties and responsibilities of Audit Committee of NMB Bank includes the following:

1. To review the Bank's financial condition, internal controls, audit program, and findings of the Internal Audit Department and to recommend to the Board of Directors about the actions to be taken.
2. To review the internal financial control system and the risk management system of the Bank.
3. To supervise and review the internal auditing activity of the Bank.
4. To review the matters contained in the audit report of the external (statutory) auditors and initiate for necessary corrective actions.
5. To help ensure annual report to be accurate and real.
6. To ensure the Board of Directors that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan.
7. To review the compliance of the regulations issued by NRB and include the same in its report.
8. To review the activities of Bank in respect of its regularity, economical, logical, effectiveness, and give necessary suggestions to the Board of Directors.
9. To submit financial analysis report of the Bank to BOD on quarterly basis.
10. To present/recommend before the BOD of the Bank on following matters:
 - a. Serious issues raised/cited in the report presented by Internal Audit Department of the Bank.
 - b. Audit remarks/issues raised in Investigation Report leading to take action on the staffs of the Bank.
 - c. Preliminary report and final report presented by the external (statutory) auditors of the Bank.
 - d. Financial position, internal control situation, internal audit plan, branch expansion program and other relevant policy matter reported by the Internal Auditors of the Bank.
 - e. An assessment on contingent liability, loan classification and adequacy of loan loss provision.
 - f. Other relevant matters which helps to maintain good corporate governance and transparency in the Bank.
11. To advice the Management for the operation of the Bank in the most efficient and competitive manner as per the Directives of NRB and Bank and Financial Institutions Act, 2063.
12. Develop criteria for the appointment of External Auditor and prepare shortlist.

13. To recommend the names of potential auditors for the appointment of the auditor of the company, fix the remuneration and terms and conditions of appointment of the auditor and present the same in the AGM for the ratification thereof.
14. Other important matter as directed by the Board.
15. Carry out other functions as per NRB Circulars, Directives and other prevailing Acts.

A total of 17 meetings were held during the financial year. Name of the committee members and their attendance are shown below:

Name and attendance of the Members:

S.N.	Name	Designation	Number of Meetings Attended
1	Mr. Harischandra Subedi, Non-Executive Director	Coordinator	17
2	Mr. Nico Klaas Gerardus Pijl, Non-Executive Director	Member	3
3	Mr. Nanda Kishor Rati- Alternate Director	Member	13
4	Mr. Ganesh Parajuli- Head of Internal Audit Department	Member Secretary	6
5	Mr. Ranjan Pandey- Head of Internal Audit Department (Incumbent)	Member Secretary	11

Major Decisions:

- Audit Committee thoroughly discussed the observations and management response on Preliminary findings of Nepal Rastra Bank's onsite inspection report with the supporting documents and advised Bank Management to submit the response to Nepal Rastra Bank and also decided to direct bank management to fully comply with remarks and suggestions of NRB inspection.
- The Bank Management is directed to comply with all the directions given through NRB inspection report without fail. The implementation date mentioned in the response should be strictly followed. Internal Audit Department is directed to follow up the compliance of the directions on quarterly basis and report the status to the committee.
- Pursuant to the Unified Directives # 6(7)(2)(c), committee thoroughly discussed on the progress status of NRB Follow-up Report of Risk Based Supervision 2075 and decided to submit the report for the notification to the Board of Directors.
- Bank Management is recommended to increase lending in agriculture sector as per NRB Directives.
- Bank management is recommended to increase the share of low cost deposits like current deposits and saving deposits in the deposit mix, so that cost of funds and base rate can be reduced.
- Bank Management is recommended to increase Fee based income.
- Bank Management should plan to diversify the deposit so that concentration on top 5 depositors is reduced.
- Bank Management should plan to decrease the concentration on corporate lending and increase SMEs and retail lending.
- Bank management is suggested to devise a specific plan to make the loss making branches into profitable.

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- Bank management is recommended to adopt measures to increase operational efficiency and decrease operating cost.
 - Bank management is suggested to have exit plan for problematic loans and due attention should be given to maintain quality of loan. Management should put effort to regularize substandard, doubtful and bad loans.
 - Bank Management should be properly cross check the income source documents provided by the customer to avail credit facility.
 - Categorization as per Basel III capital Accord should be done correctly. Incorrect categorization as mentioned in audit report should be corrected.
 - Bank Management should advise the borrowers/customers not to withdraw the fund from the business until the financial position of the unit is sound or withdraw only after obtaining bank's consent.
 - NCA position should be analyzed on quarterly basis and site/stock inspection should be carried out at least on quarterly basis as required by NRB directives.
 - Deferral for executing security documents should be provided on genuine and very exceptional case only. Once, deferral approval is provided it should be regularized within the approved time frame. Bank Management should develop the proper tracking system to monitor the status of deferral provided.
 - The Bank Management is recommended to formulate a Market Risk Management Policy in order to identify, measure, monitor and control market risk faced by the bank.
 - The Bank management should prepare a single database that captures all the training records, including training request and training need met.
 - M/s SAR Associates, Chartered Accountants is a Statutory Auditor of the Bank from F.Y 2074/75. As per section 111 & 112 of Companies Act 2063 and section 63 & 64 of BAFIA 2073, the firm is eligible for reappointment as Statutory Auditors for F.Y 2075/76. The meeting has decided to recommend M/s SAR Associates, Chartered Accountants to the 23rd AGM of the Bank to be reappointed as Statutory Auditor for the F.Y 2075/76.
 - Internal Audit Department to increase the scope of audit so as to cover the audit areas like utilization of loan, advance provided by the company to its directors, interest rate charged less than the base rate, process of settlement of short term/demand loan, account turnover, equity withdrawal by the proprietor/director of loan client, etc.
 - Branch Managers (BMs) and Relationship Managers (RMs) of small sized branches lacks proper knowledge on analyzing and interpreting financial statements provided by the borrowers. Financial analysis training needs to be provided to these BMs & RMs to enhance their knowledge.
 - The Bank management should instruct the respective department/branches to maintain the minimum security standards.
 - Member secretary of the committee presented Annual Risk Based Internal Audit Plan for the F.Y 2076/77. The meeting thoroughly discussed on the annual internal audit plan and approved accordingly.

Assets Laundering Prevention Committee (ALPC)

The ALPC assists the Board of Directors in fulfilling its oversight responsibility over the Bank's compliance management to make sure that the bank complies with the provision of the Assets Laundering Prevention Act, 2070, its revised rules, NRB directives and Bank's AML Policy to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activities or to facilitate or finance terrorism.

Role and Responsibilities of Assets Laundering Prevention Committee are as follows:

1. It shall provide oversight on AML policy development and execution are adequate to ensure compliance and are kept updated/ remain relevant to best react on the changing AML regulatory scenarios and conditions.
2. It shall oversee and ensure that effective performance of the AML/KYC function of the Bank.
3. It shall report to the Board significant developments, issues and concerns in the Bank's AML /KYC compliance as necessary.
4. Review and support AML/KYC policy for the purpose of approval from Board of Directors.
5. Review the AML/KYC Status of the bank on quarterly basis and forward to Board for further review.
6. Monitoring AML/KYC related activities to implement AML policy.
7. Obtain a report from the management at least quarterly basis on risk identification, evaluation, control and supervision of risks and give appropriate recommendation to the management and suggestions on the same to the Board
8. Evaluate management's identified risk areas of AML/KYC and implement control measures.
9. Give suggestions/notifications to the board on AML related directives issued by NRB and also suggest to develop structure/ adequate policy to control Risk.

A total of 4 meetings were held during the financial year. Name of the committee members and their attendance are shown below:

S.N.	Name	Designation	Number of Meetings Attended
1	Mr. Hari Babu Neupane, Non-Executive Director	Coordinator	2
2	Mr. Rajendra Kafle, Non-Executive Director	Member	4
3	Mr. Pramod Kumar Dahal, Chief Legal, AML & Compliance Officer	Member Secretary	4

Major Decisions:

- Committee reviewed on AML/CDD status and decided that the memo to be forwarded to the board of directors for their notification/ review.
- NRB directives no 19 to be followed regularly.

- KYC data of customer to be updated in core banking system for the goAML, TTR/STR reporting.
- Overdue accounts as per AML procedure shall be reviewed by respective branch on time.

HR Service Committee Meeting

Roles and Responsibilities of HR Services Committee are as follows:

1. To assist Board of Directors as required in formalizing "Staff Compensation and Service Policy", of the Bank.
2. Ensure periodic review of compensation/salary structure of employee; to submit the report to the Board of Director with its recommendation for necessary change in compensation/salary structure in line with the market on a regular basis.
3. As per the "Staff Compensation and Service Policy" of the Bank according to and in compliance with the prevailing provision in the laws and re8ulations, recommend to the BOD for increment/adjustment in staff remunerations including CEO if deemed necessary with proper justification.
4. To ensure that PMO, Job Description and business target be developed and provided to all staff of the Bank and implement/review performance management system in accordance with the same,
5. To formulate HRM Policy incorporating staff recruitment, sourcing, placement, transfer, promotion and development, reward and punishment, labor relation and ensure periodic review of the same.
6. To evaluate HR plan and organization structure and to recommend staff Succession Plan for key positions to the Board.

A total of 9 meetings were held during the financial year. Name of the committee members and their attendance are shown below:

S.N.	Name	Designation	Number of Meetings Attended
1	Mr. Pradeep Raj Pandey, Non-Executive Director	Coordinator	9
2	Mr. Rajendra Kafle, Non-Executive Director	Member	10
3	Mr. Sunil K.C., CEO	Member	10
4	Mr. Pradeep Pradhan, COO	Member	9
5	Mr. Shabnam Limbu Joshi, CHR & BSO	Member Secretary	10

Major Decisions:

- Review and recommendation of Organization Structure
- Review and recommendation of annual HR Budget of FY 2019/20
- Review and recommendation of staff facilities

- Review of HR expense vs. budget
- Review of provision of Labour Act 2074 and its implications on the Bank
- Review of HR Challenges
- Review of several tie ups with institutions for training and development of the staff
- Review of HR Recruitment Process
- Review and recommendations on NMB Staff Special Relief Fund
- Review and recommendation of registration process in Social Security Fund

Other than the Board level committees, Management level committees have also been formed for effective management of the latent risks in critical risk areas:

Management Team Committee

Name & attendance of the members

S.N.	Name	Designation	Number of Meetings Attended
1	Sunil K.C., CEO	Coordinator	5
2	Pradeep Pradhan, COO	Member	5
3	Shabnam Limbu Joshi, CHR & BSO	Member Secretary	5
4	Sharad Tuladhar, CBO	Member	5
5	Sudesh Upadhyaya, CBO	Member	3
6	Govind Ghimire, CBO	Member	5
7	Navin Manandhar, CBO	Member	4
8	Pramod Dahal, CS, CL&C, AML-0	Member	4
9	Roshan Regmi, H-Ops	Member	5

Major Decisions/discussions:

- Review of monthly financial performances
- Review of CRM Software
- Review of Payment Gateway
- Review of credit corporate card
- Approval of business tracking system
- Update of credit policy
- Turnaround time of loan disbursement

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- Discussion on update of CBS
 - Review of AML software
 - Update on loan recovery process
 - Discussion on staff annual appraisal review process
 - All updated on revision of NMB Staff By Laws
 - KYC completion status of the accounts
 - Update of AML /CFT Trainings
 - Update on major operational/market risk issues
 - Update on risk management framework
 - Update on large tickets deals
 - Update by Head Internal Audit on significant audit issues
 - Update by Head Operations on operations high risk issues
 - Review of the Bank's Mission/Vision/Values
 - Review of 5 year Strategy of the Bank
 - Update on staff productivity exercise

Asset Liability Committee (ALCO)

Name & attendance of the members

S.N.	Members	Designation	Number of Meeting Attended
1	Sunil KC,CEO	Cordinator	9/9
2	Pradeep Pradhan,COO	Member	9/9
3	Sharad Tuladhar,Chief Risk Officer	Member	8/9
4	Pramod Dahal,Chief AML & CS	Member	9/9
5	Sudesh Upadhyaya,CBO	Member	9/9
6	Govind Ghimire,CBO	Member	7/9
7	Navin Manandhar,CBO	Member	8/9
8	Binay Dahal,H-SME/MSME/AGRI	Member	8/9
9	Vishnu Manandhar,H-Ops & Market Risk	Member	6/9
10	Susheel K Bhujel,H-Treasury Front (or On Behalf)	Member	9/9
11	Mridul Parajuli,Head Finance	Member Secretary	9/9

Major Decisions/Review:

- The ALCO endorsed calculation of LCY Cost of Fund.
- Review of Major Financial Indicators
- Review of Base Rate, Spread
- Review of Corporate/Non-Corporate Deposits
- Review of Loan, Deposit & Investment Portfolio
- Review of Market Risk
- Decisions on revision Deposit rates
- Decisions on interest rates of Loan portfolios
- Interest rate revisions
- Review of ICAAP 2019/20
- Issuance of Debentures
- Reviewed deposit concentration risk
- Review market liquidity positions
- Review of Stress Test

Pricing Committee

Name & attendance of the members

S.N.	Name	Designation	Number of Meetings Attended
1	Sunil K.C., CEO	Coordinator	11/11
2	Pradeep Pradhan, COO	Member	2/11
3	Sharad Tuladhar, CBO	Member	5/11
4	Sudesh Upadhyaya, CBO	Member	10/11
5	Govind Ghimire, CBO	Member	9/11
6	Navin Manandhar, CBO	Member	11/11
7	Mridul Parajuli, H-F&P	Member	7/11
8	Susheel Bhujel, H-Treasury Front	Member Secretary	11/11

Major decisions:

- Market update
- Assets pricing revision
- Assets & Liability pricing
- STC Pricing

Operations Risk Management Committee

Name & attendance of the members:

S.N.	Name	Designation	Number of Meetings Attended
1	Sunil K.C., CEO	Chairperson	7/9
2	Pradeep Pradhan, COO	Member	9/9
3	Shabnam Limbu Joshi, CHR & BSO	Member	9/9
4	Sharad Tuladhar, CRO	Member	9/9
5	Pramod Dahal, CS & CCL/AMLO	Member	7/9
6	Govind Ghimire, CBO	Member	8/9
7	Sudesh Upadhyaya, CBO	Member	9/9
8	Navin Manandha, CBO	Member	8/9
9	Sanju Shrestha, HSS	Member	8/9
10	Roshan Regmi, HO	Member	9/9
11	Puspa Aryal, HTF	Member	8/9
12	Deepa Shrestha, ISO	Member	7/9
13	Mahesh Bajracharya, HOE	Member	8/9
14	Vishnu Prasad Manandhar, HOR&MR	Member Secretary	9/9

Major Decisions:

- Operational Risk items of branches/units/departments
- Security of premises and arrangement of CCTV, intruder alarms and fire alarms
- NRB Directives related to KYC and multiple/duplicate accounts
- Logistic requirements of the branches which include vaults and AOF cabinets
- Core Banking and channel performance and downtime
- High risk/potential risk reported in incident reports and minimum control standard checklist gap
- Nostro reconciliation and outstanding items
- Payable/Receivable accounts reconciliation and outstanding items
- Archival of records and documents of the units/departments/branches
- NRB/internal/External audit issues

Credit Risk Committee

Names & attendance of the members

S.N.	Name	Designation	Number of Meetings Attended
1	Sunil K.C., CEO	Coordinator	5/6
2	Pradeep Pradhan, COO	Member	2/6
3	Sharad Tuladhar, CBO	Secretary	5/6
4	Sudesh Upadhyaya, CBO	Member	4/6
5	Govind Ghimire, CBO	Member	6/6
6	Navin Manandhar, CBO	Member	6/6
7	Binay Dahal, HSME	Member	5/6
8	Dinesh Dulal, HE	Member	6/6
9	Pranisha Shrestha, H-CB	Member	6/6
10	Sumit Vaidya, H-PF&LS	Member	6/6

Major decisions:

- Review the status in implementation of the provisions in NRB Directives and Circulars
- Quarterly loan portfolio review and monitoring of Non-Performing Loan (NPL) and loan portfolio CAPs.
- Review of revisions in Credit Policy-2018
- Review of existing credit standards and practices to strengthen Credit Risk management system of the Banks,

- Review of major provisions made in mid-term review of Monetary Policy and its impact to the Bank.
- Review of loan account renewal status and their streamlining
- Analysis of loan account attrition rate in various business segments
- Review of revisions required in Product Papers
- Review of Delinquency Management Guideline
- Review and appointment of new valuers
- Monitoring of industry / business sector wise loan portfolio CAPs

Credit Recovery Committee

Names of the members

S.N.	Name	Designation	Number of Meetings Attended
1	Sunil K.C., CEO	Coordinator	5/6
2	Pradeep Pradhan, COO	Member	2/6
3	Sharad Tuladhar, CRO	Member	5/6
4	Govind Ghimire, CBO	Member	4/6
5	Navin Manandhar, CBO	Member	6/6
6	Dhruba Prasad Adhikari, H-L&C	Member	6/6
7	Ram Prasad Sapkota, H-SAM	Secretary	6/6

During the fiscal year, 28 meetings were held mainly to discuss on the loan recovery process, recommendation for non-banking assets booking, and update on non-performing assets.

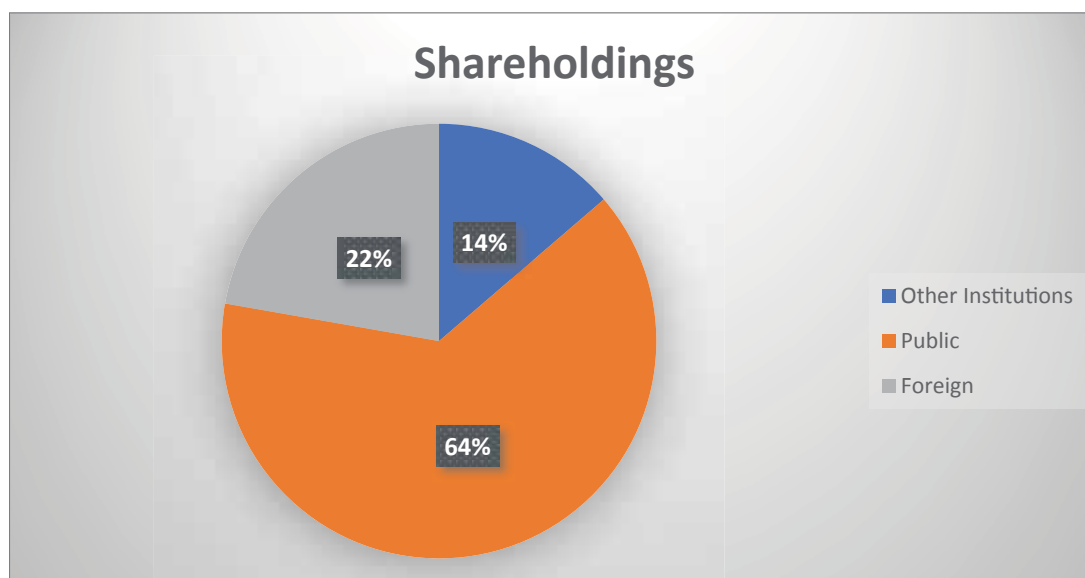
Investors' Information

The Bank has a total 124,018 Shareholders as on Mid July 2019. The shareholding patterns of the shares are depicted below:

Range	No. of Shareholders	No. of Shareholding	%
01-500	111,686	10,361,666	10.77
501-1000	6,356	4,378,537	4.55
1001-1500	2,031	2,476,738	2.58
1501-2000	1,069	1,862,857	1.94
2001-5000	1,702	5,207,967	5.41
5001-10000	480	3,268,759	3.40
10001-50000	526	11,666,726	12.13
50001 and above	168	56,958,377	59.22
Total	124,018	96,181,627	100.00

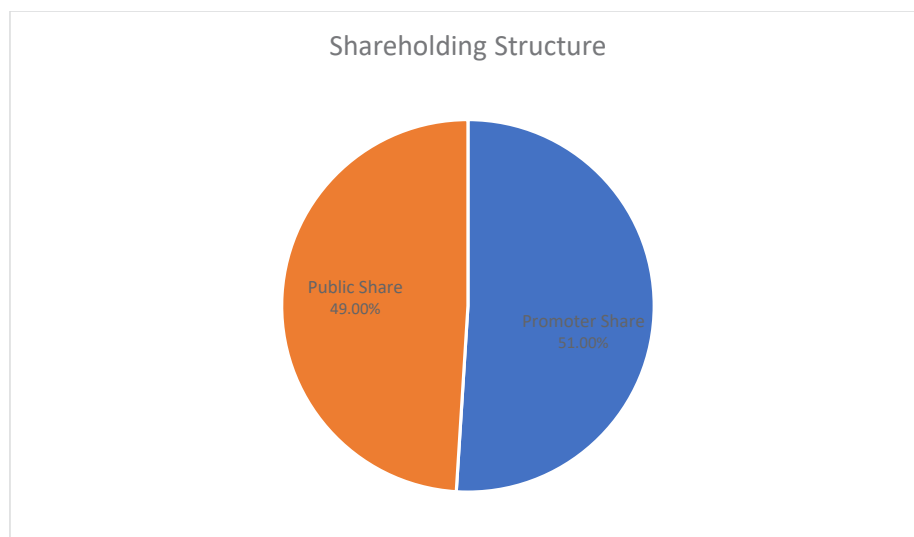
Composition of Shareholders

Particular	Shareholdings	%
Institutional	13,177,081.00	13.70
Individual	61,622,965.49	64.07
Foreign	21,381,580.02	22.23
Total	96,181,626.51	100



Shareholding pattern by public and promoter

Particular	Shareholdings	%
Promoter	49,052,629.51	51
Public	47,128,997.00	49
Total	96,181,626.51	100%

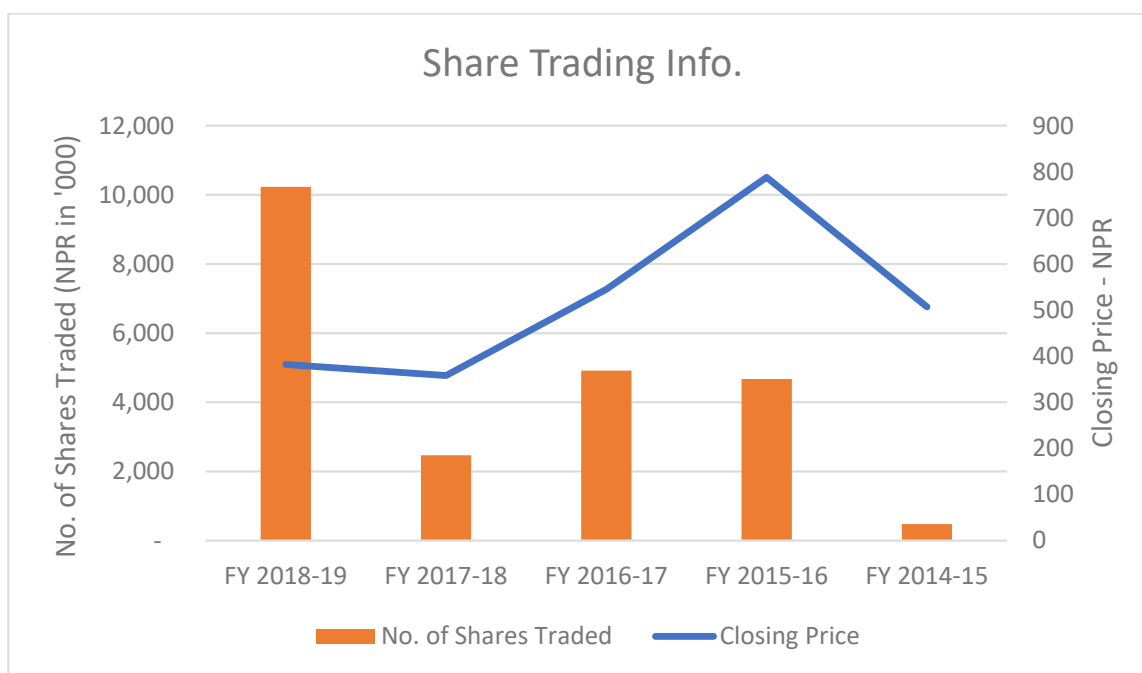
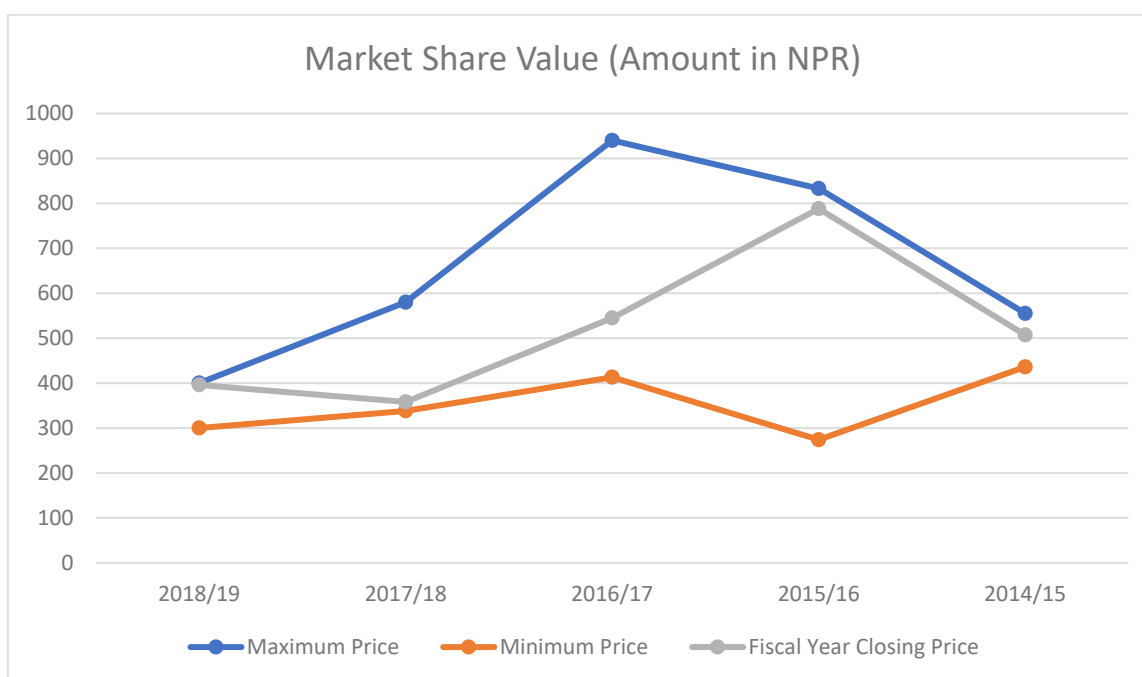


Name of the shareholders holding more than 0.5% of total shares

S.N.	Name of Shareholders	Shareholder Category	Number of Shares	%
1	NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.	Promoter Shareholder	16,348,288	17.00
2	EMPLOYEES PROVIDENT FUND	Promoter Shareholder	6,599,040	6.86
3	YONG LIAN REALTY SDN BHD	Promoter Shareholder	5,033,290	5.23
4	GAYATRI INVESTMENT AND MANAGEMENT P. LTD.	Promoter Shareholder	2,366,426	2.46
5	NAND KISHORE RATHI	Promoter Shareholder	2,010,983	2.09
6	DHANANJAYA PRASAD ACHARYA	Promoter Shareholder	1,824,299	1.90
7	SANTOSH RATHI	Promoter Shareholder	1,187,616	1.23
8	PAWAN KUMAR GOLYAN	Promoter Shareholder	1,103,054	1.15
9	SANTOSH DEVI MURARKA	Promoter Shareholder	948,647	0.99
10	PURUSHOTAM LAL SANGHAI	Promoter Shareholder	862,995	0.90
11	DINBANDHU AGRAWAL	Promoter Shareholder	639,623	0.67
12	ANANT KUMAR GOLYAN	Promoter Shareholder	636,211	0.66
13	BALARAM NEUPANE	Promoter Shareholder	632,454	0.66
14	NARPAT SINGH JAIN	Promoter Shareholder	541,588	0.56
15	PASHUPATI MURARKA	Promoter Shareholder	538,740	0.56
16	ADITYA SANGHAI	Promoter Shareholder	495,169	0.51
17	RAJ KUMAR GOYAL	Promoter Shareholder	494,058	0.51
18	ASHOK KUMAR AGRAWAL	Promoter Shareholder	482,357	0.50

Market Value per Share

Fiscal Year	Maximum Price	Minimum Price	Fiscal Year Closing Price	Number of Shares Traded during FY
2018/19	400	300	396	10,229,057
2017/18	580	338	358	2,470,611
2016/17	940	413	545	4,908,256
2015/16	833	274	788	4,657,296
2014/15	555	436	507	475,539



Details of shares held by Directors, Senior Officers & their relatives

S.N.	Name	Designation	Number of Shares Held
1.	Mr. Pawan Kumar Golyan	Chairman	1,103,054
2.	Mr. Nico Klass Gerardus Pijl (representative from FMO, Netherlands)	Director	-
3.	Mr. Rajendra Kafle (representative from Employees Provident Fund)	Director	-
4.	Mr. Harischandra Subedi	Director	1,858
5.	Mr. Pradeep Raj Pandey	Independent Director	-
6.	Mr. Nand Kishore Rathi (Alternate Director to Mr. Nico Klaas Gerardus Pijl)	Alternate Director	2,010,983
7.	Sunil K.C.	Chief Executive Officer	1,651
8.	Pradeep Pradhan	Chief Operating Officer	22,165
9.	Shabnam Limbu Joshi	Chief Business and Support Officer	-
10.	Sharad Tegi Tuladhar	Chief Risk Officer	-
11.	Govind Ghimire	Chief Business Officer	-
12.	Sudesh Upadhyaya	Chief Business Officer	3,795
13.	Pramod Kumar Dahal	Company Secretary and Chief Legal, Compliance and AML Officer	264
14.	Navin Manandhar	Chief Business Officer	-
15.	Roshan Regmi	Head Operations	-

Communication with Shareholders and Redressed of their complaints

The Board of Directors ensures the accuracy and timeliness of published information and has presented an assessment of results in the quarterly and annual financial statements. All other material and sensitive information about the Company is communicated through quarterly financial statement. Shareholders are also provided sufficient financial information and other relevant information on the website of the company too, to enable them to take decisions regarding their investments. Annual General Meeting is carried out constructively towards enhancing relationship with the shareholders. All the communications to be made to our valued shareholders are done through various communication media like notice in daily papers, email and letter. We regularly organize interaction programs with the shareholders and collect suggestions and grievances from them. The Bank is grateful to the shareholder for their suggestions for the betterment of the Bank. During the financial year no significant complaints have been received from the shareholder. In the cases of minor complaints company secretary and the unit have been handling efficiently.

Human Capital

The performance of the Bank is not only based on good strategy, products but also on human capital. To recruit, retain right people and to provide productive platform is extremely important for the seamless functioning of the Bank. The banking sector is going through a gradual change with digitization wherein the demand for equally efficient workforce is on the rise. The Bank is keenly focused on the customers and shareholders along with the staff's overall experience. The Bank continuously works towards improving employees experience to retain the best talent.

To improve the employee experience and business performance the bank has been investing on building NMB culture that believes in performance, open communication, respect for colleagues, transparency, and team work. In order to be competitive, the management is working on digitization of HR process for effective human resource administration and management.

NMB Bank with 24 years of banking operations has an average staff age is 31 years. This youthful yet matured workforce is an advantage for the management as they rightly understand the ever changing customers and market trends and be at total sync with the digital trend that no one can afford to ignore.

The male/female ratio stands at 63% to 37% where it was 64% to 36% last fiscal year while the effort to maintain the ratio at 50:50 continues. The management believes and provides equal opportunity to all staff and is working to create a woman networking group to support female staff in their workplace.

During the fiscal year 202 new recruits were hired in various grades/roles across all branches/units. The Bank lost 148 staff to abroad studies, competitions, startups, and/or migration abroad. The management takes pride in its staff who have completed more than 10 years in NMB Bank and have lived and experienced the proud NMB culture. Out of total staff, 113 staff have completed 10 plus years of service period. As stated above, the staff average age is 31 years but the Bank also has resources replete with banking experience of more than 30 years. There are 21 staff above 50 years at present.

Employees mix as per gender

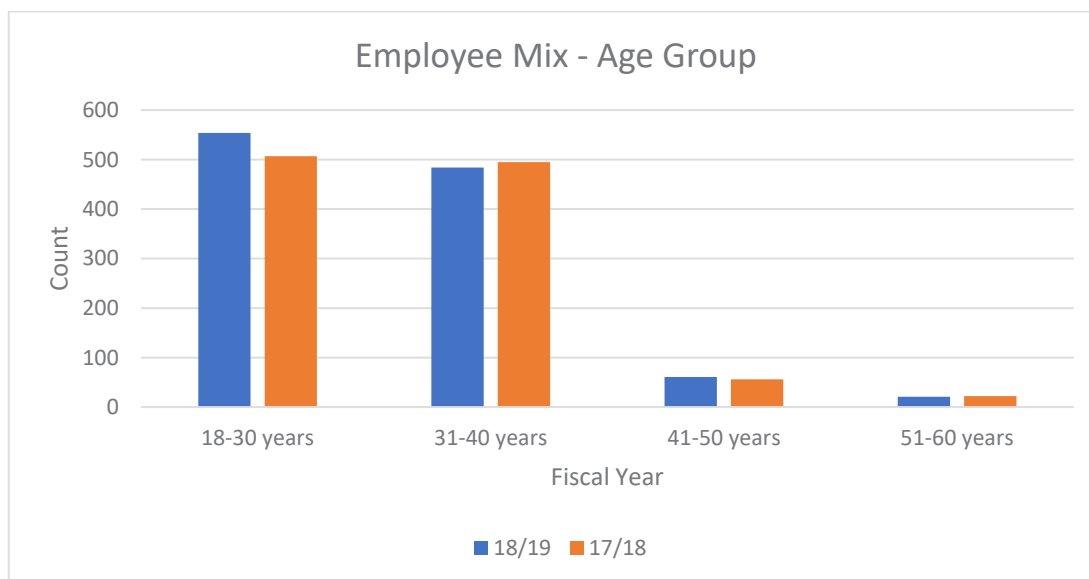
	18/19	%	17/18	%
Male	708	63	696	64
Female	412	37	384	36
Total	1120	100	1080	100

Employees Mix as per permanency

	18/19	%	17/18	%
Permanent	1032	92.14	958	88.70
Probation	65	5.80	95	8.80
	23	2.05	27	2.50
Total	1120	100	1080	100

Employees mix as per age group

	18/19	17/18
18-30 years	554	507
31-40 years	484	495
41-50 years	61	56
51-60 years	21	22
Total	1120	1080



Employee mix as per position

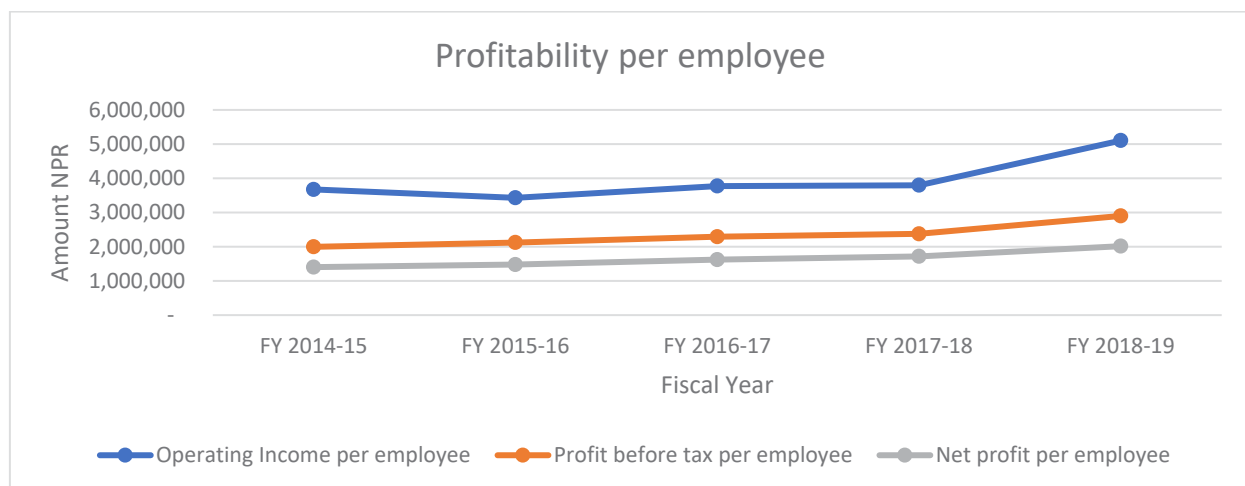
	18/19	17/18
Chief Executive Officer	1	1
Deputy General Manager	1	1
Assistant General Manager	5	1
Chief Manager	6	7
Senior Manager	2	3
Manager	12	9
Deputy Manager	22	12
Assistant Manager	38	43
Senior Officer	46	39
Officer	72	72
Junior Officer	119	101
Supervisor	92	100
Senior Assistant	136	118
Assistant	209	144
Junior Assistant	333	388
Management Trainee	3	12
Contract Staff	23	27
Total	1120	1080

New recruits during the year	18/19	17/18
Male	137	188
Female	65	95
Total	202	283

Employee Attrition during the year	18/19	17/18
Male	114	89
Female	34	27
Total	148	116

Profitability per employee

Particulars	14/15	15/16	16/17	17/18	18/19
Operating Income Per Employee	3,674,417	3,429,499	3,774,221	3,796,411	5,103,589
Profit Before Tax Per Employee	1,996,670	2,122,900	2,292,393	2,376,222	2,900,003
Net Profit Per Employee	1,403,332	1,476,907	1,621,587	1,716,475	2,015,425



Learning & Development

Staff's development is at the core of NMB Bank's Values. The learning & development is a continuous culture deeply rooted in NMB Bank for its staff. Introduced for the first time in Nepalese Banking Industry, NMB Academy, was set up in July 2017 under Learning & Development department to provide and execute knowledge, awareness, trainings and education programs for the bank's employees, customers and stakeholders.

Succession planning and staff training and development in banks have become a challenging tasks for human resource management. L&D department is working tirelessly towards achieving NMB Bank's long term vision of developing in-house resource strength for effective succession planning. The programs are prepared with the objective of helping staff in their career development, management skills, leadership skills and to face many more challenging roles. L&D

training calendar is prepared for a whole year in advance keeping in view of the staff's requirements and enhance their professional competencies.

L&D has used a strong pool of in-house faculty/managers and a number of visiting national/international trainers/consultants from prestigious training/academic institutions for facilitating the trainings.



The Bank in addition to in-house training also sends its staff for training outside NMB. The Bank sponsored 100 staff to JANBI course conducted by NBI during the year. In FY. 2018-19, the staff across all branches/units participated in a number of executive development programs across the major domains of Operations, Credit, Finance, HR, Banking, Strategic Planning, Marketing, IT, Retail, Marketing etc. The staff have attended trainings/workshops in diverse geographies as India, Canada, Germany, Philippines, Thailand, Bangladesh, Greece, Dubai, Egypt, Britain, Malaysia, Netherland, USA etc.

E-learning portal has also been effectively used for introduction of new courses for staff's work areas. Courses and quizzes were introduced through e-learnings. Emphasis will be on more e-learning courses as it has 100% reach to the staff.



The detail of trainings during the fiscal year 2018/19 is as follows:

Training Category	Number of Trainings	Number of Participants
Abroad	40	84
External	38	511
In-house	139	2830
IT Connect Portal Used	1	2
Special (in-house training conducted exclusively for NMB through external resource person)	35	928
Grand Total	353	4355

A good level of investment has been made into staff trainings in FY 2018/19. The training expenses for the year is more than three percent of staff expenses of the bank.

	in NPR
Training Expenses in 2018-19	28,304,668.26

Future plans of NMB Academy

NMB Academy will build on its own pool of in-house trainers in all seven states of the federal Nepal so that trainings of the staff spread wide and far is more accessible. NMB Academy in near will focus on the few initiatives as follows:

- Development of curriculum for the specified courses
- Digital library
- Tie-ups with international training institutes for trainings
- Conduct simulation environment for in-house trainings
- Conduct workshops for the customers/stakeholders

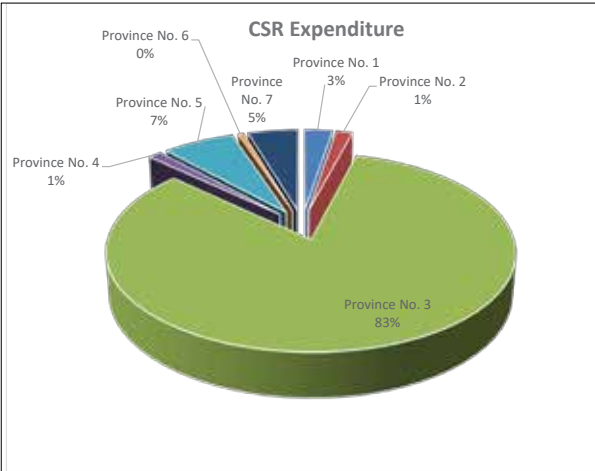


Corporate Social Responsibility

Corporate Social Responsibility and Environment related initiatives

Following the bank's strategic alliance with FMO and association with Global Alliance for Banking on Values, NMB is focused towards sustainable banking and live our vision of "Building communities through responsible banking, preferred by all stakeholders, enabling customers and clients achieve their financial goals thus contributing towards prosperous Nepal".

In our efforts towards responsible banking, we take into consideration the international norms and standards in our investment and financing activities. NMB Bank has devised overarching Environmental and Social Risk Management (E&S) policy that governs the environmental and social performance of the bank. In line with the International Financial Corporation (IFC) performance standards, E&S Policy of the bank mandates all eligible business transactions / investments of the bank is screened for E&S related issues in order to identify potential environmental, social, occupational health & safety and governance related risk. Likewise, the Bank has already adopted the Exclusion List that commensurate to the IFC Exclusion List. Some of the businesses excluded for financing and investment as per IFC Exclusion List are forced labor/child labor, ozone depleting substances, polychlorinated biphenyls (PCB's), illegal logging, nuclear / coal-fired power plants, arms & ammunitions, gambling, radioactive materials or unbounded asbestos fibers, and tobacco.



CSR Guideline of the Bank

Nepal Rastra Bank (NRB) mandates Banks and Financial Institutions (BFIs) to allocate at least 1% of their net profit of each fiscal year to their Corporate Social Responsibility Fund (CSR Fund). The CSR fund thus allocated requires to be utilized for carrying out CSR activities in line with the prescribed framework set out by the circular.

The circular emphasizes on mandatory requirement for the BFIs to expense out the CSR fund in a transparent way, in diverse activities and covering diverse geographical locations.

NRB has stipulated four broad headings under which CSR fund could be spent as outlined under:

1. Direct or indirect expenditure in social projects.
2. Donation in specific area.
3. Expenditure which helps in achieving 17 areas of Sustainable Development Goals 2016-2030 (SDG).
4. Child Day Care Centre for bank staffs.

It is imperative for businesses today to not only focus on 'profit' but also include social responsibility as an integral part of its operation for achieving harmony with the environment in which it functions. In the modern business environment recognition of Corporate Social Responsibility (CSR) for long term business sustainability is ever increasing.

NMB Bank considers CSR to be an integral part of its corporate identity. The Bank fulfills its CSR by engraining its core values in areas that have been adopted to create long term sustainable impact in the regions and communities where the Bank operates in. The Bank's CSR Plan is aligned to its initiatives such as Value Based Banking, ensuring that the Triple Bottom Line is adhered to. NMB Bank's CSR commitment broadly includes, but is not only limited to, education, health, environment, entrepreneurship / vocational skills/SME development, preservation of heritage, arts and culture. The Bank aims to further extend its reach all over the nation through CSR plan formulated and approved by its CSR committee.

CSR Activities of the Bank Sustainable Banking guided by the principles of Values Based Banking remains at the core of NMB Bank. The Bank has explored avenues and business models to ensure that it invests in areas of interventions that have been adopted to create long term sustainable impact in the regions and communities that the Bank functions. During the fiscal year the Bank carried out various novel CSR projects directly benefitting the communities and people.

1. Constructing Disabled friendly building for Pukar Disability Social Service:

Pukar Disability Social Service is an NGO established in 2065 BS in Dangibari of Jhapa district. The main objective of this institution is to provide overall care to physically disabled youth, men and women. It provides them vocational and skill enhancement trainings to make them financially independent so that they can live a normal life. It also gives shelter to disabled children and youth in a makeshift house with no proper amenities. The bank supported the organization financially to construct a one storey truss roof building in a total area of 1,430 sq meters with 7 rooms and 3 restrooms to accommodate at least 20 disabled people. The house after the completion is handed over to the organization.

2. Financial Literacy programs all over Nepal

Altogether 17 financial literacy programs were conducted various schools and communities of Nepal with beneficiaries above 1200, among which 10 programs were held in collaboration with National College at Palpa in Kalikamantha School, Bhairav School, Palung Mainadi, Chhahara and at Syanja in Shree Bhumre Ma Bi, Shree Purandeeep Bhawani, Rahut Danda, Bhimtari, Siddhartha Higher School and PhediKhola (Bhairav Aama Samuh) with 1000 beneficiaries. Likewise, 6 programs were held in collaboration with FNCSI at Kathmandu, Surkhet, Morang, Dhangadi, Tilotamma and Makawanpur with almost 263 beneficiaries and 1 program took place in Kamatoli Community in collaboration with Dudhe Branch & Shelter Ashraya Nepal with 30 beneficiaries.



3. Heritage Walk

On the occasion of World Heritage Day, NMB Bank organized NMB Bank Heritage Walk like every year since last 9 years in all 7 regions. Total of 10 temples were cleaned namely; Pindeshwor Temple, Janaki Mandir, Bindabasini Temple, Siddha Baba Temple, Deuti Temple, Beiaspur Temple, Bageshori Temple, Kaika Temple, Bandevi Mandir/Radha Krishna Mandir and Swayambhunath Temple (Cleaning Program followed by Heritage Photo Exhibition and Dustbin distribution) on the day by NMB staff, the temple clean up initiative was much appreciated by the local communities.

4. Environment day Celebration:

NMB Bank conducted a series of programs as a part of environment conservation project marking the World Environment Day on June 5. As a member of the Global Alliance for Banking on Values (GABV), the Bank lays emphasis on Value Based Banking wherein environment protection forms a major component hence the Bank conducted tree plantation of 100 saplings in Kageshwori Manohara Municipality in Kathmandu and 300 saplings in the Bank's provincial branches in States 2 & 5 at Ban Batika, Tilotama & Nagar Udhyan, Chandraputa.



5. Toilet maintenance in Siddha Bahira Balak School, Surkhet:

Siddha Bahira Balak School in Surkhet infrastructure was very poor especially the condition of the rest rooms. The door, window, pipe line and commodes were totally damaged due to which the students/teachers were suffering physically. The school could not repair the building due to funding constraints. The Bank renovated the restrooms of the school much to the relief of the students and teachers. The students can now concentrate on the studies without having to worry about the unavailability of a restroom.



6. Kriya Putri Bhawan in Kageshwori Manohara Municipality-6:

Under CSR Activities, the bank has been focusing on Heritage and Cultural preservation, in line with the same, proposal was received from Hindu Dharma Sanrakchyan Samiti to help them construct a room for Kriya Putri. Hindu Dharma Sanrakchyan Samiti takes care of Shiva Panchaayan Temple and Krishna Temple along with a meeting hall, rooms for old-age and Kriya Putri Bhawan which is located in Kageshwori Manohara Municipality-6. They only had 2 rooms for kriya putri rituals which were not sufficient hence, at the request of Hindu Dharma Sanrakchyan Samiti, the Bank constructed one Kriya Putri Room in the existing Kriya Putri Bhawan. The additional room has helped people of surrounding area at times of distress to complete rituals in peaceful manner.

7. Financial Literacy Programs

NMB Bank conducted numerous Financial Literacy Programs in schools, colleges, community groups, factories & women groups to aware them about the benefits of banking and different services available from BFIs to support their financial needs.

Sustainable Banking

NMB Bank is a fore runner for investing in projects with long term sustainable impact to the society and eventually the economy. The Bank has over the years worked tenaciously in Renewal Energy projects and has exposure of over NPR. 577 Million in the Renewable Energy sector and over NPR 5.04 Billion in Hydro Power. The Bank has expertise garnered from years of experience handling Renewable Energy financing projects in Nepal and has technical support of its JV partner FMO, The Netherlands, which has global exposure in financing Renewable Energy projects.

NMB is one of the very few Banks with high exposure in renewable energy financing. The Bank was appointed as the Handling Bank of Central Renewal Energy Fund (CREF) Financial Management Mechanism. CREF is a Government entity established as the financial management mechanism for the renewable energy sector with the mandate to channel subsidy and credit for the renewable energy sector. T

The Bank's role lies in facilitating CREF in channelizing subsidy and credit for the renewable energy sector. Subsidy administration has been performed as the Handling Bank for Household Technologies - that include solar home systems, domestic biogas, biomass etc. and Institutional/ Community based Technologies comprising of Micro-Hydro projects, rural solar drinking water projects, multi-use solar, Pico hydro project and institutional biogas. The project holds significance as it corroborates the fact that the Bank is on the right trajectory in working towards its long term vision of sustainable banking. Whilst it opens pathways for the Bank to collaborate with international development organizations like the United Nations to explore avenues of financing sectors that positively impact and alleviate sustainable growth of the communities at the grass root and uplift the Real sector in line with the Bank's commitment with its JV partner FMO.



Deposit & Loan Products & Services

A. Retail Deposit Products

NMB Bank has always been providing innovative deposit products to its retail customers to instill a habit of savings and banking for secured future. Some of the currently available retail products are as follows

1. NMB Jeevan Chakra

NMB Jeevan Chakra is a deposit product, which encapsulates 7 sub-products, that aims to cater entire banking needs of a natural person from the point of birth to elderly stage of life. The novel product features offered under Jeevan Chakra, are segregated for seven different life stages to best match respective age group characteristics, is designed to cater entire banking needs of an individual. The premium product offers highest interest rate in Savings Group.

2. NMB Premium Super Talab Khata

Premium Super Talab Khata is a payroll account targeted to salaried employees of organization/institution, which offers unique features and benefits. This product is also known as INSURANCE benefit and ZERO balance payroll account. This product provides higher return in savings along with maximum facilities like Accidental Death Insurance, Critical Illness Coverage, and Medical Insurance Coverage of up to NPR. 1 Million, NPR. 0.7 Million, and NPR. 0.1 Million respectively.

3. NMB Mero Kramik Khata

This is a special variant of Monthly Recurring Deposit Plan offered to NMB Savings/Payroll customers. This scheme offers highest interest rate in the industry with flexibility on monthly deposit amount to customers. Customers can choose monthly deposit plan starting from NPR. 1 thousand and up to NPR. 50 thousand. In addition to this, under this scheme customers are benefited with Term Life Insurance coverage up to 10 times of monthly deposit not exceeding NPR 2.5 Million.

4. NMB Smart Savings and Fixed Deposit (Social Onboarding)

This is one of the most interactive products offered by NMB through which customers are able to digitally open their Savings and Fixed Deposit accounts using FaceBook Messenger and Viber. The product offers highest interest rate in Savings and Fixed Deposit, Zero minimum balance requirement in Savings, including free scheme transfer to other Savings product offered by NMB.

5. NMB Samriddha and Supreme Samriddha Gandaki Bachat Khata

These savings products are especially designed to celebrate the successful merger between erstwhile Om Development Bank Limited & NMB Bank. These products offer unmatched facilities and benefits to customers and have been put forward as NMB's flagship savings products in Gandaki Pradesh. The products offer highest interest rates with Accidental Death Insurance of up to NPR. 1 million, and Medical Insurance Coverage of up to NPR. 100K of the account holder, his/her spouse and two children.

6. Sahara Bachat Khata

It is a deposit product wherein 4-times of weighted annual average deposit or NPR. 1 million (whichever is lower) in the event of Accidental Death, Permanent Total Disablement (PTD) resulting from accident caused by violent & visible means, or for 18 Critical Illnesses of an account holder is given by the bank.

7. NMB Talab Khata

NMB Talab Khata is designed to provide one stop solution to help our customers to make the most out of their salary. It offers unique features and benefits relevant to their needs. No Charge on cash withdrawal from any ATM all over Nepal plus Accidental Insurance of NPR. 700,000 .

8. Umanga Bachat Khata

NMB Umanga Bachat is a unique and first of its kind "Combo Offer" exclusively offered to NMB customers. Customers can enjoy benefit of Delight Card with no cash withdrawal charge facility from ATMs of any banks within Nepal.

B. Retail Asset Products

1. NMB Ballooning and Reverse Ballooning Housing Loan

NMB Ballooning Housing Loan is a unique variant of housing loan that facilitates repayment of principal on Home Loans with a flexible approach that allows for EMI payment on part of the loan while the other part of the loan can be settled in bulk on yearly basis. Whereas, NMB Reverse Ballooning loan option allows repayment of principal on Home Loans by a unique modality which allows for EMI to diminish over every 5 to 10 years as chosen and required by the customer.

2. NMB Pre-approved Loans

NMB Pre-approved loans provides customers with flexibility to get their home loan / auto loan / education limit sanctioned before selection/finalization of property or obtainment of final offer letter from University/College (in case of Education Loan). This facilitates customers with confidence in their decision pertaining to purchase of property or processing for higher education. The loan eligibility is assessed based on income details, including other personal details, provided by the customer.

3. NMB Fixed Rate Housing Loan

NMB fixed Rate home loan is one of the best product offerings in the Housing Loan segment. NMB Fixed Rate Home loan is the Variant of NMB Home Loan product, with interest rate fixed for 5 years provided for purchase of residential land & building, apartment, including construction/renovation/extension of building.

4. NMB Housing Loan

NMB Housing Loan is a mortgage backed loan facility for individual to purchase land and/or building, and for construction, furnishing and renovation of houses (residential). It is also offered to purchase apartments and refinance existing loan of residential property on selective basis. Loan limit can range between NPR 0.5 million and NPR 30 million. However the maximum limit for land purchase and refinance is NPR 5 million and maximum limit for furnishing/renovation is NPR 2 Million

5. NMB Education Loan

NMB Education Loan is a funded credit facility extended for the purpose of financing a student's enrollment in higher studies. The expense headings that are funded under this facility are College tuition fees, travel and accommodation expenses. The students can be availed Education loan in between NPR 0.5 million to maximum NPR 10 Million. Education Loan is extended to students or sponsor of the student to enroll for higher study abroad or within Nepal upto NPR 10 million for upto maximum 15 years of tenure.

6. Land Purchase Loan (LPL)

This is a loan facility provided to individuals who wish to purchase land for future residential purpose but not for speculative or investment purposes. Loan limits can range from NPR 0.5 million to NPR 5 million that primarily depends on the value of property and repayment ability. LPL is a term loan facility and period of repayment (loan tenure) can be between 12 months and 180 months with option of Equated Monthly Installments (EMI) or Equated Quarterly installments (EQI).

7. Loan Against Property (LAP)

LAP is Term Loan nature retail loan given against a residential or commercial property (land and/ or building) with the purpose of financing an individual's personal requirement. Limit of LAP can range from NPR 0.5 million to NPR 5 million that primarily depends on the value of property and repayment ability of customer. This facility is of term loan nature and period of repayment can be between 12 months and 120 months with options of Equated Monthly Installments (EMI) or Equated Quarterly Installments (EQI).

8. Personal Overdraft (POD)

NMB Personal Overdraft is an overdraft facility provided to individuals against the security of real-estate property with the aim of addressing their personal financing requirement. The maximum loan limit under this facility is NPR 5 million. This loan is provided on a selective basis.

9. NMB Auto Loan

NMB Auto Loan is a term loan provided to both individual and business entities to purchase new vehicles. The loan is provided in selective cases to purchase used vehicle for private and commercial use. This loan is also available to refinance the existing vehicle/auto loan with other financial institution. Loan limits can range from NPR 0.5 million to NPR 10 million. Loan Limit primarily depends on the value of vehicle and repayment ability/business justification. The value of vehicle is derived from tax invoice/quotation in case of new vehicles and from valuation report in case of used ones. Bank's financing is limited to 50% of value in case of petrol/diesel private vehicles. Loan limit can be up to 80% of value in case of electric vehicles and for commercial vehicles. This facility is of term loan nature with options of EMI and EQI repayment schedules. Generally the maximum tenure for repayment of private and commercial vehicles is 6 years. In case of heavy equipment and used vehicle, the maximum tenure is 5 years.

10. NMB Talab Karja

NMB Talab Karja is a loan facility in which customers having payroll account with NMB Bank are provided personal loan without collateral to meet their short term financial need. This loan on a selective basis can be provided in the range of NPR 50,000 to NPR 1.5 Million. But the loan limit provided in any case cannot be greater than 25 times

of base salary. Here base salary refers to 50% of (Gross salary – Tax – Provident Fund-Other Debt Obligation). Both term loan and personal overdraft is provided in Talab Karja. For personal overdraft, monthly interest is to be paid with annual renewal option of principal. For term loans, repayments are to be made on Equated Monthly Installments (EMI) basis with maximum tenure of 5 years.

11. Loan Against Fixed Deposit (LAFD)

NMB LAFD is a facility provided to meet short term financing need of fixed deposit account holders of the Bank. LAFD limit depends upon the value of fixed deposit. Up to 90% of Face Value of fixed deposit or bond can be provided as both demand loan and/or overdraft. up to the tenure of fixed deposit or 1 year, whichever is earlier.

12. NMB Credit Card

NMB Credit Card is a payment card provided to customers which provides holder the option to borrow funds from the bank when required. This card is provided on a selective basis and limit is calculated on applicant's personal and income parameters. The maximum limit of credit under this product is NPR 250,000. Card holders are provided an interest free principal repayment period of 15-45 days from the card usage date.

13. NMB Gold & Silver Loan

NMB Gold and Silver Loan aims to provide short term demand loan (1 year) or yearly revolving financing against securities of gold and silver for fulfillment of personal financial obligations of urgent nature to a maximum limit of NPR 1 million.

C. NMB Agriculture Loan

NMB Agriculture Loan aims to finance working capital and/or capital expenditure requirement or non-funded requirement of firms engaged in agriculture business activity. Enterprises registered in Nepal working in agriculture with financing need of maximum NPR 100 million are catered under this facility as Overdraft, Demand Loan, Short-term Loan, Term Loan, Import/Export Loan, Trust Receipt Loan, Bridge Gap Loan, Letter of Credit and Bank Guarantees in flexible proportion, under schemes of both with and without interest subsidy.

Loan Limit primarily depends on business justification and the value of offered collateral. The limits of Agricultural segment can go up to 100 Million as per requirement. Real Estate Properties and Agricultural Land both can be accepted as collateral. However, motor able road access to the property is required. Percentage of financing for Agricultural land is only 80% of Fair Market Value (FMV) of collateral while for commercial/ residential land financing up to 100% of FMV is possible.

Any new or existing partnership/ private limited company/ proprietorship firm with business requirement and with healthy balance sheet and Profit & Loss statements is eligible to apply for this facility. The customer on justifiable grounds of assets and purpose is provided the liberty to customize his/her proportion/mix of overdraft, term loan and non-funded facilities as per bank guidelines.

- Overdraft/ Revolving Working Capital limits have a tenure of 1 year (Quarterly Interest Repayment with yearly principal renewal option)
- Term Working Capital Loan has maximum tenure of 5 years.

- Capital Expenditure Loan is exclusively term loan with tenure ranging from 7 years to 10 years. (Term Loans have a minimum tenure of 1 year and are to be repaid on Equated Monthly (EMI) or Equated Quarterly (EQI) basis.)

D. NMB Microfinance Loan

NMB Microfinance Loan is designed in line to policy of NRB to cater the financial need of people who are involved in low income generating activities or microenterprises. Preference is given to socially backward groups (Women, Janajati, Dalit, Marginalized Community, Landless, Blue Collar Workers, Small Farmers, Craftsmen, etc.).

NMB Bank under microfinance lending makes wholesale lending to 'D' Class financial institutions (Microfinance companies), FINGOs and non-financial cooperatives. Direct lending is also made to microenterprise/ individuals operating micro-enterprise.

In direct lending, loan can be provided up to NPR 1 Million for registered micro-enterprises. The maximum limit is NPR 0.5 Million for other cases. Any individual or entity involved in income earning activities through microenterprises with the vision of upgrading to MSME or SME enterprises are eligible. Micro enterprise refers to small businesses involved in micro retail grocery, mini-agriculture, floriculture, cattle rearing, dairy firms and other small retail business. Microfinance Loan tenure can range between 1 year and 5 years. Real-estate/ agricultural land has to be mortgaged as a collateral for direct lending. For wholesale lending, the terms can be discussed and agreed between NMB Bank and borrower financial institution.

E. NMB Subsidy Loan

NMB Subsidy Loan is a product created in line with Nepal Rastra Bank's subsidy program to provide easy and low rate finance to targeted segments of the economy to improve employment, productivity and equality in the country. There are different types of targeted subsidy loans provided under this scheme.

1. Commercial Agriculture and Livestock Loan
2. Educated Youth Self Employment
3. Youth Returned from Foreign Employment
4. Women Entrepreneur Loan
5. Under Privileged Community Business Loan
6. Higher Technical or Commercial Education Loan
7. Loan for Earthquake Victim
8. Agrani Mahila Krishi Karja

The key features of loans under this facility are lower interest rate, no processing charges, shared insurance cost (25% by borrower and 75% by government), quick Loan Processing, and term loans with tenure up to 5 years

F. NMB Renewable Energy Loan

NMB renewable energy loan is a facility aimed to cater financial services to companies working on renewable energy sector such as solar, bio-gas, micro hydroelectricity and improved water mill. Wide array of services are catered under this product ranging from roof top solar financing, solar vendor financing including project financing of micro-hydro projects.

G. NMB Women Entrepreneur Loan (WEL)

NMB Women Entrepreneur Loan -“Sabal ra Safal Nari Karja”, is an MSME/SME/AGL product targeted towards women owners and operators of MSME/SME/AGL establishments with leveraged security coverage, inclusive limit credit card, and other perks. The loan amount can range from 1.5 Million to maximum 10 Million depending upon the requirement of the business entity. In this loan, the women entrepreneur having loan limit of NPR 5 Million for their business entity can avail credit card limit of NPR 50,000 while credit card limit of NPR 100,000 can be availed by customers having WEL limit of NPR 5 Million.

H. NMB MSME Loan

NMB MSME Loan aims to finance working capital and/or capital expenditure requirement or non-funded requirement of micro and mid-size SMEs. Enterprises registered in Nepal working in manufacturing/production and service sector, with financing need of above NPR 1 Million to NPR 5 Million are catered under this facility. Credit facilities such as Overdraft, Demand Loan, Short-term Loan, Term Loan, Import/Export Loan, Trust Receipt Loan, Letter of Credit and Bank Guarantees are provided under this facility. Loan Limit primarily depends on the business justification and value of offered collateral. Loan amount can range from 80% to 100% of Fair Market Value of the offered collateral.

Any new or existing partnership/ private limited company/ proprietorship firm with business requirement and with healthy balance sheet and Profit & Loss statements is eligible to apply for this facility. The customer on justifiable grounds of assets and purpose is provided the liberty to customize his/her proportion/mix of overdraft, term loan and non-funded facilities as per bank guidelines. Following loan tenure/ repayment options are available for NMB MSME loan:

- Overdraft/ Revolving Working Capital limits have a tenure of 1 year (Quarterly Interest Repayment with yearly principal renewal option)
- Term Working Capital Loan has maximum tenure of 5 years
- Capital Expenditure Loan is exclusively term loan with tenure ranging from 7 years to 10 years. (Term Loans have a minimum tenure of 1 year and are to be repaid on Equated Monthly (EMI) or Equated Quarterly (EQI) basis.)

I. NMB SME Loan

NMB SME Loan aims to finance working capital and/or capital expenditure requirement or non-funded requirement of Small and Medium Enterprises. Enterprises registered in Nepal with paid up capital up to NPR 5 Million and fixed assets up to NPR 50 Million working in manufacturing/production and service business are considered Small and Medium Enterprises. The loan limit threshold for such enterprises is between 5.0 Million to 50 Million. Overdraft, Demand Loan, Short-term Loan, Bridge Gap Loan, Term Loan, Import/Export Loan, Trust Receipt Loan, Letter

of Credit and Bank Guarantees with total limit between NPR 5 Million and NPR 50 Million are provided under SME Loan. Loan amount in general can range from 80% to 100% of Fair Market Value of the offered collateral.

Any new or existing partnership/ private limited company/ proprietorship firm with business requirement and with healthy balance sheet and Profit & Loss statements is eligible to apply for this facility. The customer on justifiable grounds of assets and purpose is provided the liberty to customize his/her proportion/mix of overdraft, term loan and non-funded facilities as per bank guidelines. Loan tenure/repayment options are for SME Loan is same as aforementioned NMB MSME loan.

J. NMB SME/MSME/Agriculture Top-Up Program

This program is designed to address the extra financing need of existing SME/MSME and Agriculture loan customers. Top-up refers to increasing the working capital limit of the customer without asking for additional collateral. This program offers pre-approved top-up of up to 125% of Fair Market Value of existing collateral. As the facility is pre-approved, client can swiftly get the limit disbursed upon requirement. To qualify for this program, all of these conditions must be satisfied

- Client is an existing borrower with not less than 2 years credit relationship.
- Client/ Client's group account not to have overdue greater than 30 days in the past 2 years.
- Road access of existing collateral must not be less than 10 feet.

Pre-approved limit (Top-up) cannot be greater than 25% of existing working capital limit including and must be utilized within 3 months of approval.

K. NMB Partially Secured Credit (SME/MSME/Agriculture)

NMB Partially Secured Credit is a scheme for highly credible SME/ MSME/Agriculture Loan customers of other Banks and Financial Institution (BFI) to enhance their limit and start credit relationship with NMB Bank. This facility offers credit facility of up to 143% of Fair Market Value of collateral to clients of other BFIs. To avail this credit line, business must be operating profitably for more than 3 years and should have more than one year credit relationship with other banks while not have repayment overdue of greater than 30 days. Other criteria to remain same as of SME/MSME/ Agriculture Loan. Minimum and maximum loan limits provided under this scheme are NPR 5 Million and NPR 30 Million respectively while working capital limits is provided up to 2 times the existing working capital limit with other banks.

L. NMB Mid-Corporate Loan

NMB Mid-Corporate Loan is a loan facility provided to a segment of institutions whose financing requirement lies in between of that of SME entities and corporate entities. A Mid-Corporate loan ranges from NPR 50 Million to NPR 250 Million. Any new or existing business entities with justifiable projections for future and similar trend in the past (if applicable) are eligible to apply for this facility.

M. NMB Corporate Loan

NMB Corporate Loan is a loan facility provided to large corporate and conglomerate to finance their financial requirement. A corporate loan can start from a minimum limit of approx. NPR 250 million. Any new or existing corporate and conglomerates with justifiable projections for future and similar trend in the past (if applicable) is eligible to apply for this facility.

N. NMB Project Financing

NMB Project Financing is a loan facility to finance large projects like hydroelectricity projects, hospitals, large factories and other large scale manufacturing projects. Overdraft, Demand Loan, Short Term Loan, Trust Receipt Loan, Importers Loan, Packing Credit, Pre-Shipment Loan and Project Term Financing can be structured according to the requirement of the project. After study of project feasibility, term loan limit can be extended up to 70% of the project requirement with flexible repayment tenure ranging from 3 years to 13 years but should be justifiably backed by project requirement and cash flow forecasts

O. NMB Large Hydro Loan

NMB Large hydro loan is a facility exclusively designed for large hydropower projects to meet their capital expenditure and other financial requirements. Corporate scale projects with total loan requirement as per business justification are processed under Large Hydro Loan.

NMB

38% घर भाडा

36% खाना

94% यातायात

99% अन्य

NMB Mero
क्रमिक खाता

कमाएको जति
सबै सकिन्छ ?

अब **NMB Mero** क्रमिक खाता खोलेर हरेक महिना आठदानीबाट केही बचत गरी भविष्यलाई आजै सुरक्षित गर्नुहोस् ।

नेपालमै पहिलो पटक

मासिक बचतको
90 गुणा बढी
व्यक्ति जीवन बीमा भुक्तिय

क्रमिक बचत हरेक महिना रु. १००० देखि रु. ५०,००० सम्म गर्न पाइने ।

हामी देखौं अपार संभावना

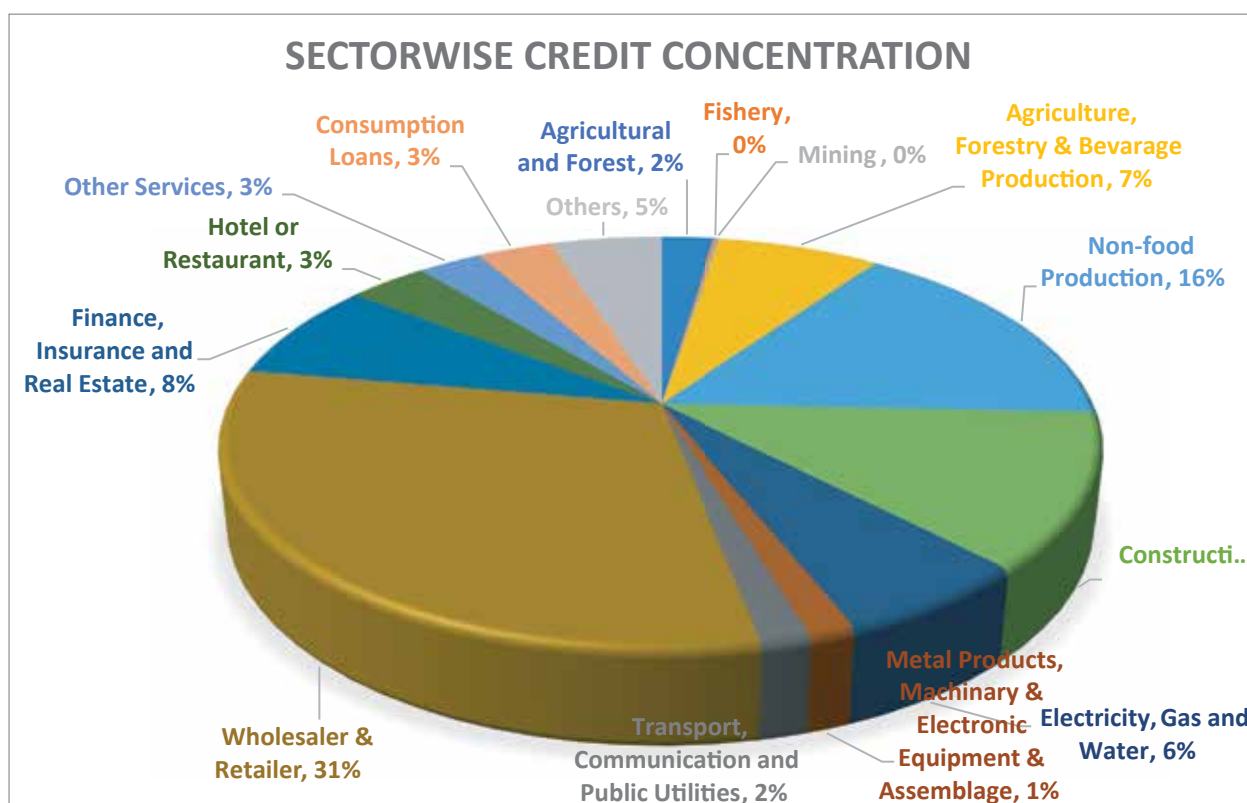
*सर्वोच्च न्याय निकाय

Sector and Productwise Credit Analysis

Sectorwise Loan and Advances - 16 July 2019

NPR in Million

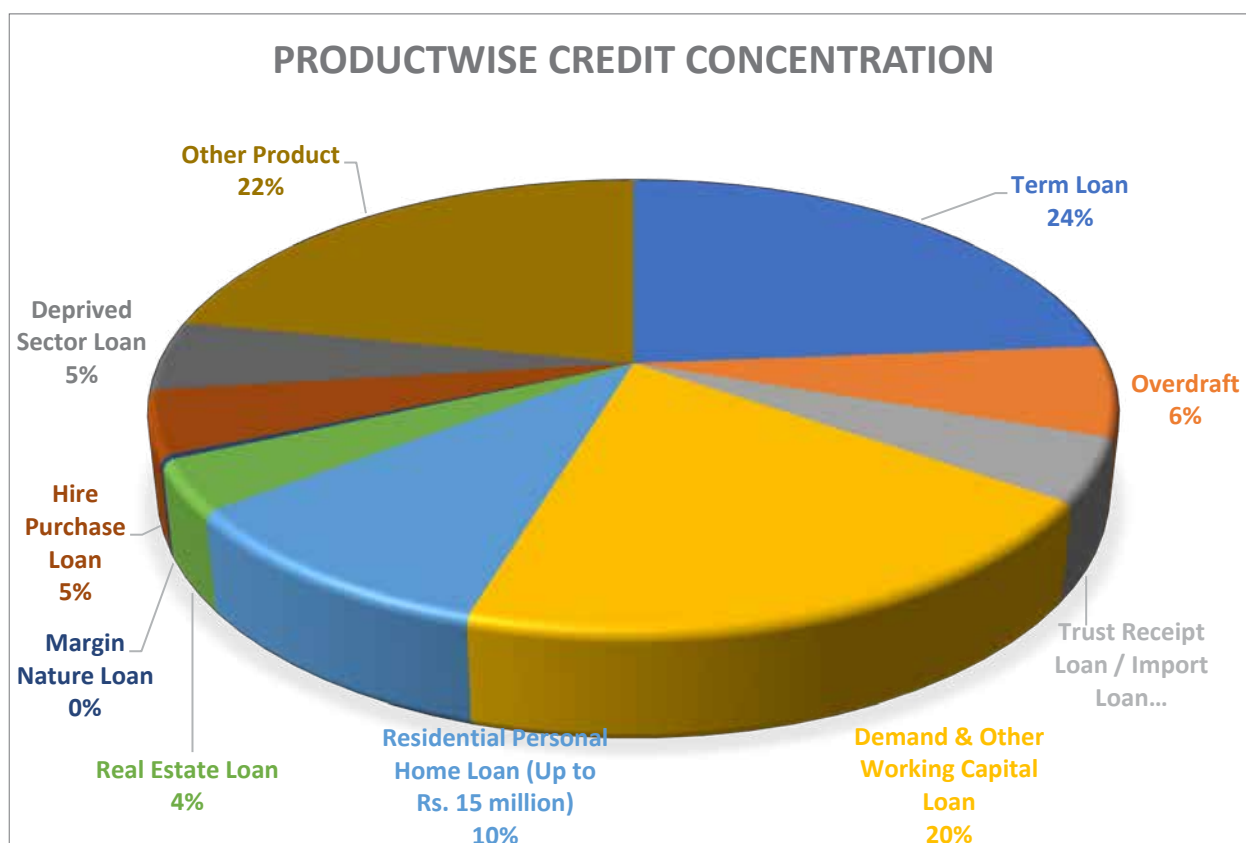
S.No.	Industry/Sector	Total Amount	Percentage of Total loan & advances
1	Agricultural and Forest	2,146	2%
2	Fishery	107	0%
3	Mining	139	0%
4	" Agriculture, Forestry & Beverage Production "	6,563	7%
5	Non-food Production	14,597	16%
6	Construction	11,186	12%
7	Electricity, Gas and Water	5,666	6%
8	Metal Products, Machinery & Electronic Equipment & Assemblage	1,317	1%
9	Transport, Communication and Public Utilities	1,422	2%
10	Wholesaler & Retailer	28,263	31%
11	Finance, Insurance and Real Estate	7,127	8%
12	Hotel or Restaurant	3,213	3%
13	Other Services	2,615	3%
14	Consumption Loans	3,034	3%
15	Others	4,492	5%
	Total	91,887	100%



Product wise Loans and Advances - 16 July 2019

NPR in Million

S.No.	Particulars	Total Amount	Percentage of Total loan & advances
1	Term Loan	21,819	24%
2	Overdraft	5,930	6%
3	Trust Receipt Loan / Import Loan	4,146	5%
4	Demand & Other Working Capital Loan	18,333	20%
5	Residential Personal Home Loan (Up to Rs. 15 million)	9,191	10%
6	Real Estate Loan	3,270	4%
7	Margin Nature Loan	295	0%
8	Hire Purchase Loan	4,179	5%
9	Deprived Sector Loan	4,573	5%
10	Other Product	20,151	22%
	Total	91,887	100%



एनएमबि उमङ्ग बचत खाता

"आजकल मेरो सबै बैंकिङ्ग कारोबार नोबाइलबाटै गर्छु।"
- अरशिचा ताम्बुकार

Thank you NMB

सर्वाधिक ब्याजदर

मात्र रु. २५० मा नोबाइल बैंकिङ्ग, इन्टरनेट बैंकिङ्ग र टेलरबाटै गर्न सकिने एनएमबि वि.सू.क. कारोबार गर्ने गिबले इन्स्टांट कार्ड

वि.सू.क.
घबिघिघिस सेवा, फिक्काट खाता, गृह फर एलेक्ट चेक / ब्यालेन्स जर्नलफिकेट जारी गरिने

नेफ डिपोजिट लकरमा ४०% बृद्ध (प्रत्यक्ष अचाना मात्र)

हामी देखी अपार समाधान

प्रदूषण विरुद्धको शुरुवात एनएमबि ई-अटो लोनको साथ

२० प्रतिशतसम्म फाइनांस सुविधा भएको

५ दिन भित्रै पुर्ण शुल्क नसार्ने | ३० दिनभित्रै कारोबार | १००% पुर्णतः सुरक्षित

NMB BANK
E-AUTO LOAN

एनएमबि रत्नस खाता

"म त हुन्छु र NMB Delight Card ले जुनसुकै ATM बाट पैसा निकाले पनि शुल्क नलाग्ने अनि केही धरै रु.६ लाखसम्मको बीमा पनि पाइने।"

बीमा सुविधा
सम्म बचत खाता खाता

- जुनसुकै ठाउँबाटै खाता खोल्न सकिने
- वार्षिक खाता शुल्कमा ४०% छुट
- वि.सू.क. फिक्काट खाता

हामी देखी अपार समाधान

अब नयाँ एनएमबि NMB VISA DEBIT CARD बाट ATM कारोबार शुल्क रु. १५०/- जम्मा

नयाँ ATM बन्ने र नयाँ बैंक सँगै नयाँ नयाँ सेवाहरुको साथै एनएमबि वचत खाता

वि.सू.क. खाता खोल्न सकिने र एनएमबि वचत खाता

एनएमबि बैंक नारी सम्मान बचत खाता

प्रतिमा सम्मान खाता

१० लाखको सम्मान शिवाङ्ग उपाहार

मा सुविधा

नेपालवारी कुनैपनि ATM बाट पैसा निकाल्न अतिरिक्त शुल्क नलाग्ने

NMB Delight Savings Account

Enjoy exclusive discounts designed to delight you

Get upto **35% Discount** on various outlets with NMB VISA CARD

In partnership with **VISA**

NMB घर कर्जा

हुन्छ हनुहोस्, तपाईंको घर कर्जाको ब्याज बढ्दैन, बढ्दै बढ्दैन।

९९% तिरु ब्याजदर

बालबालिकाको शैक्षिक खातासँगै अनिमावकको जीवन बीमा

एनएमबि
सुरक्षित रक्षक जीवन बीमा

सहयोगी **MetLife**

नेपालकै उत्कृष्ट बैंकको प्रस्तुति

सुखी बचत खाता

एचएटि खाताले दिन्छ

- १००% तिरु ब्याजदर
- १००% तिरु ब्याजदर
- १००% तिरु ब्याजदर

हामी साथै

Access 1300 plus airport lounges across 440 cities around the globe exclusively with **NMB VISA PLATINUM CARD**

VISA

PLATINUM

एवाएमबि जीवन धन बचत खाता

NMB

बाल्यकालदेखि जीवनको हरेक चरणमा वित्तीय सहयात्री

जीवनको प्रत्येक चरणमा तपाईंको आवश्यकताहरूको हरेक चरणमा एवाएमबि धन हुने।

जन्मदेखि १० वर्ष	१३-१८ वर्ष	१९-२४ वर्ष	
बाल्यालय	जीविता खर्च	ढुङ्गा अकाउन्ट	
२५-३० वर्ष	३३-४५ वर्ष	४६-६० वर्ष	६९ वर्षदेखि सम्म
मौल्यी सौध	विरासत	सफरको लागि	प्रेरण

सम्पर्क गर्न २४ घण्टा सेवा प्राप्त गर्न
८८०१७१७६६६ | **हामी तपाईंको आरम्भ गर्न सक्छौं।**

Education Loan

अब Education Loan अघि University Offer Letter पाछि

✓ Valuation Report प्राप्त भएको ३ दिनभित्रै Loan स्वीकृत हुने

✈ देश वा विदेशमा उच्च शिक्षाको लागि पाइने

NMB PRE-APPROVED EDUCATION LOAN

एवाएमबि कृषि कर्जा

ल्याण्ड सुनौलो बिहानी, गरौं दृश्यसाथिक कृषिमा लगाउने

समुचितकर्जा कर्जा अन्तर्गत नयाँ अनुदान कृषि उद्यम विस्तारको लागि प्रचलित तीन दिन कर्जा खसला हुने

NMB

NMB Pre-Approved Home Loan

अब घर खोज्नु अगाडि नै तपाईंको कर्जा पास ।

NMB Pre-Approved Home Loan, हामी तपाईंले घर-घडेरी खोज्नु अगाडि नै कर्जा स्वीकृत गर्दछौं ।

थप जानकारीका लागि नजिकैको एनएमबि बैंकको शाखामा जानुहोस् ।

Credit Rating Report



NMB Bank Limited

ICRA Nepal assigns [ICRANP] LA- to proposed subordinated debenture programme of NMB Bank; reaffirms [ICRANP-IR] A- and [ICRANP] LA-

Facility/Instrument	Amount	Rating Action (January 2019)
Subordinated Debenture Programme (fresh)	NPR 3,000 million	[ICRANP] LA- (assigned)
Subordinated Debenture Programme (existing)	NPR 500 million	[ICRANP] LA- (reaffirmed)
Issuer Rating	NA	[ICRANP-IR] A- (reaffirmed)

ICRA Nepal has assigned [ICRANP] LA- (pronounced ICRA NP L A minus) to the proposed subordinated debenture programme of NMB Bank Limited. Instruments with this rating are considered to have an adequate degree of safety regarding the timely servicing of financial obligations. Such instruments carry low credit risk.

ICRA Nepal has reaffirmed the issuer rating for NMB at [ICRANP-IR] A- (pronounced ICRA NP issuer rating A minus). This is considered to be an adequate credit quality rating. The rated entity carries average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and is not specific to any debt instrument. Similarly, ICRA Nepal has reaffirmed the rating of NMB's existing subordinated debentures of NPR 500 million at [ICRANP] LA-.

The sign of + (plus) or – (minus), appended to the rating symbols, indicates their relative position within the rating categories concerned. Thus, the rating of A- is one notch lower than A.

The assigned/reaffirmed ratings factor in the bank's strong capitalisation (capital to risk assets ratio (CRAR) of 15.36% as of mid-October 2018) following fresh equity infusion in FY2017 and FY2018. NMB's strong capitalisation profile along with its extensive track record, experienced management team and good franchise network augurs well for its incremental growth prospects. The ratings also draw comfort from NMB's institutional promoters (~24% stake held by FMO¹ and Employees' Provident Fund Nepal, including board representation from both entities, thereby adding to the governance aspect of the bank). The rating action also takes into consideration the bank's moderate and steady rate of business growth, established underwriting norms and risk management framework along with good asset quality (gross non-performing assets (NPAs) of 0.76% as of mid-October 2018) and solvency indicators. The ratings also factor in the bank's adequate fair profitability (return on assets (RoA) of ~1.9%) supported by adequate net interest margins (NIMs) of ~3% and good non-interest income levels.

Nonetheless, the rating concerns arise from the tight liquidity situation faced by the Nepalese banking industry, including NMB, because of higher growth in banking sector credit vis-à-vis deposits during the last four to five years. As a result, NMB's liquidity ratio has declined with a commensurate increase in the credit-to-deposit ratio. The higher credit-to-deposit ratio has helped the bank offset the impact of the rising cost of funds, thereby stabilising NIMs and supporting profitability. However, the high deposit concentration (~32% of the total deposits are among the top 20 depositors) has lowered the liquidity cushion available to the bank. NMB's credit concentration among the top borrower groups also remains on the higher side (~27% of the total credit was among the top 20 borrower groups as of mid-October 2018), which also remains a concern. The ratings also remain impacted by NMB's moderate funding profile. Despite the recent improvement, the bank's current and savings deposit (CASA) mix is below the industry average (37% as of mid-October 2018 vs. the commercial bank average of ~43%), which reflects in the higher cost of funds for NMB vis-à-vis its established peers. This, coupled with the bank's relatively higher operating expense ratio, has resulted in a relatively higher base rate for NMB, which is a competitive disadvantage in the base rate plus lending model followed by the banking industry. The ratings also remain constrained by the uncertain operating environment faced by banks in Nepal because of high credit growth, rise in interest rates on the deposit and lending side, rising competition despite consolidation, and tight liquidity, which may impact the asset quality in coming periods.

¹ Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) is a bilateral development bank based in the Netherlands with the Dutch state holding a 51% stake



NMB's credit portfolio grew at a CAGR of 17% during the two years ending FY2018, below the commercial bank average of a CAGR of 23%. NMB's growth in the interim period was supported by the expansion of the branch network. As of mid-October 2018, the bank's credit portfolio of ~NPR 83 billion comprised corporate² loans (36%), SME loans (37%) and retail loans (19%) among others. Increase in the franchise network in the last 12-18 months is expected to support the management's target of boosting NMB's credit portfolio as well as the retail and SME segments, going forward. However, given the tight liquidity scenario, the incremental credit growth is likely to be determined by the bank's ability to raise fresh sources of lendable funds. NMB's credit concentration among the top 20 borrowers increased slightly to 27% in mid-October 2018 from 23% in mid-October 2017 and remains a rating concern. However, due to the sizeable growth in the equity base during the interim period, exposure towards the top 20 borrowers, as a percentage of Tier I capital, has eased since the last rating. In terms of asset quality, NMB's gross NPA level has eased since the last rating on account of the bank's interim credit growth as well as its recovery actions. As of mid-October 2018, NMB's gross NPA was 0.76% vs. 1.67% in mid-October 2017. Similarly, its 0+ days delinquency, as of mid-October 2018, was low at ~4% of total loans outstanding, down from ~6% in mid-October 2017.

NMB registered an improvement in the CASA mix during the last 12-18 months, despite the liquidity challenges and declining CASA proportion across the industry. This can be attributed to management's focussed strategy towards CASA improvement, which remains a positive for the long-term deposit profile. As of mid-October 2018, NMB's CASA deposit proportion stood at 37%, improving from 33% in mid-October 2017. The higher CASA proportion has improved the granularity of the deposits and the concentration among the top depositors (the top 20 depositors accounted for 32% of the total deposits in mid-October 2018 vs. 34% in mid-October 2017). Nonetheless, as of mid-October 2018, NMB's CASA proportion of 37% remained below the commercial bank average of ~43%, translating into a 100 bps higher cost of deposits for NMB vis-à-vis the industry average. This, coupled with the bank's relatively higher operating expense ratio, could be a competitive disadvantage for the bank in the base rate plus lending model following by the industry.

NMB's liquidity position has moderated in the last one to two years because of the ongoing shortage of lendable funds. Its liquid assets, as a percentage of total liabilities, stood at ~22% in mid-October 2018 vs. ~23% in mid-July 2018 and ~27% in mid-July 2017. Although the current liquidity position remains adequate vis-à-vis the regulatory requirement, the liquidity buffer available in case of a large withdrawal has declined over the years. NMB's ability to improve its deposit mix, liquidity buffer and lower the deposit concentration risk will have a bearing on its ability to withstand any incremental liquidity shocks.

NMB's capitalisation profile has strengthened after a series of fresh equity infusion in FY2017 (fresh equity issued to FMO) and FY2018 (fresh equity issued to the general public). NMB raised fresh capital of ~NPR 6 billion through these issuances. This, coupled with moderate growth in the interim period, has led to strong capital levels for NMB. The proposed Tier II bond issuance is expected to further strengthen the capital fund (assuming full subscription). NMB's CRAR stood at 15.36% as of mid-October 2018 (vs. 15.75% in mid-July 2018³), comfortable vis-à-vis the regulatory minimum of 11% under the prevailing Basel III norm. NMB's Tier I capital (14.37% as of mid-October 2018) remained well above 8.50%, which is to be maintained by mid-July 2019 under the Basel III norms prescribed by Nepal Rastra Bank (NRB, the Central bank).

NMB's profitability indicators remain sufficient, supported by adequate NIMs (~3.3% during the last 12-18 months). The increase in the bank's credit-to-deposit ratio has helped maintain stable NIMs, offsetting the impact of the rising cost of funds. NMB's good non-interest income levels (~1.3% during the last 12-18 months) and low credit cost have supported its profitability though higher operating expense remains a drag on the same. NMB has reported stable return on assets during the two years ending FY2018 (~1.9% in FY2018 and ~1.8% in FY2017). However, with sizeable equity infusion, the bank's return on net worth diluted to ~14% in FY2018 from ~17% in FY2017.

² NMB has internally classified loans of up to NPR 200 million as SME while the rest is in the form of corporate loans

³ Before cash dividend for the year



Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodology as indicated below.

Links to applicable criteria:

[Bank Rating Methodology](#)

Bank Profile

NMB Bank Limited commenced operations on December 26, 1996 as a Class C finance company. It has been operating as a commercial bank following its upgradation to Class A in May 2008. NMB is a joint venture company with foreign promoters, FMO (the Netherlands) and Young Leon Realty (Malaysia) holding, holding ~17% and ~5%, respectively. As of mid-October 2018, NMB's promoter-public shareholding stood at ~51:49. The current major promoter group of the bank includes FMO, Employees' Provident Fund, Young Leon Realty and other individual shareholders from business houses of Nepal. Mr Suneel KC is the CEO of the Babarmahal, Kathmandu-based bank.

NMB's market share was about 3.4% in terms of deposit base and 3.7% of total advances of commercial banks as of mid-October 2018 (2.9% and 3.2% share, respectively, in the banking industry). As of mid-October 2018, the bank had a presence throughout the country through 110 branches. It reported a profit after tax of NPR 1,853 million in FY2018 on an asset base of NPR 104,914 million as of mid-July 2018 against a profit after tax of NPR 1,467 million in FY2017 on an asset base of NPR 86,817 million as of mid-July 2017. Till mid-October 2018 (Q1 FY2019), NMB had reported a net profit of NPR 550 million on an asset base of NPR 112,461 million. As of mid-October 2018, the bank's CRAR was 15.36% (Tier I: 14.37%) and gross NPAs were 0.76%.

January 2019

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About ICRA Nepal Limited

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licensed by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as the rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies. The international credit rating agency, Moody's Investors Service, is ICRA's largest shareholder.

For more information, visit www.icranepal.com

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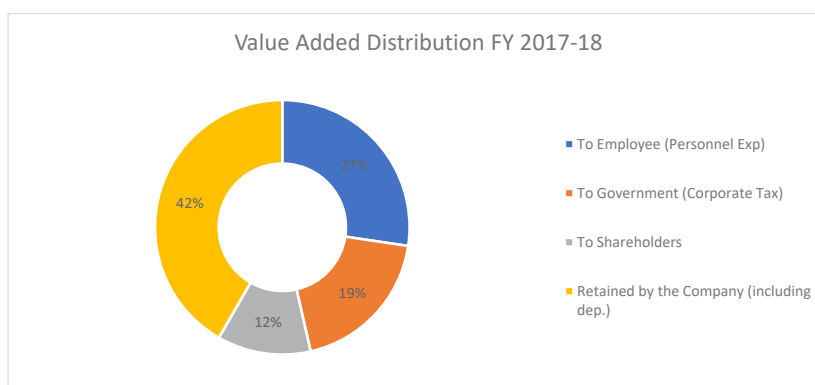
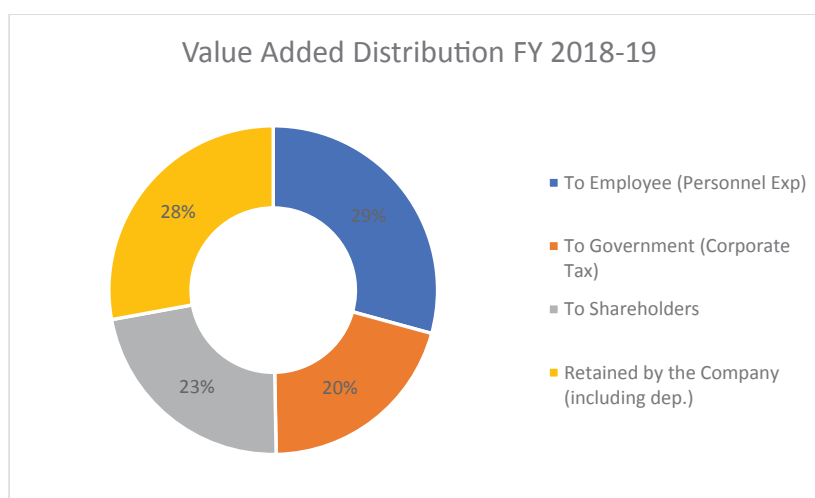
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Value Added Statement

Fiscal Year	FY 2018-19	FY 2017-18
VALUE ADDED		
Net Interest Income	4,244,020,946	2,904,014,078
Net Fee and Commission Income	909,575,596	731,542,041
Net Trading Income	352,049,490	299,605,983
Other Income	209,878,690	170,167,042
Less: Operating Expenses (other than Personnel Exp. & Dep. and amortization)	(708,661,406)	(589,394,199)
Less: Provision against advances, investment & others	(166,272,634)	219,650,789
Total Value Added	4,840,590,682	3,735,585,734
DISTRIBUTIONS		
To Employee (Personnel Exp)	1,415,793,493	1,021,570,435
To Government (Corporate Tax)	990,727,807	712,527,308
To Shareholders	1,084,981,789	443,833,973
Retained by the Company (including dep.)	1,349,087,593	1,557,654,018
Total Distribution	4,840,590,682	3,735,585,734



Statement of Economic Value Added

Fiscal Year	2018-19	2017-18
Net Operating Profit	3,248,499,063	2,561,115,247
Provision for Tax	990,727,807	712,527,308
Net Operating Profit after Tax (A)	2,257,771,256	1,848,587,939
Capital Employed (Average) (Shall include shareholders equity plus provision against loan, advances and investments)	16,449,387,428	14,096,835,180
Cost of Capital (%)	6.14%	5.75%
Capital Charge (B)	1,010,377,312	810,726,177
Economic Value Added (A-B)	1,247,393,944	1,037,861,762



Horizontal Analysis

Statement of Financial Position

Particulars	16 July 2019 31 Asar 2076	2019 Vs 2018	16 July 2018 32 Asar 2075	2018 Vs 2017	15 July 2017 31 Asar 2074
Assets					
Cash and cash equivalent	8,096,354,503	56%	5,180,404,105	-6%	5,499,968,622
Due from Nepal Rastra Bank	10,829,181,584	49%	7,260,194,560	-21%	9,242,454,991
Placement with Bank and Financial Institutions	2,172,967,239	686%	276,407,171	-59%	681,934,928
Derivative financial instruments	8,595,482,282	15%	7,506,751,485	38%	5,425,634,220
Other trading assets	340,390,000	6%	321,720,000	8%	298,280,000
Loan and advances to B/FIs	3,317,961,987	33%	2,497,567,769	34%	1,869,100,231
Loans and advances to customers	88,485,031,394	22%	72,711,771,766	21%	59,886,961,418
Investment securities	10,316,351,016	9%	9,448,446,725	26%	7,480,981,172
Current tax assets	-		-	-100%	719,526,541
Investment in subsidiaries	248,552,000	0%	248,552,000	67%	148,552,000
Investment in associates	-		-		-
Investment property	102,915,862	72%	59,774,627	-23%	77,488,827
Property and equipment	1,577,898,704	1%	1,559,569,574	9%	1,436,619,106
Goodwill and Intangible assets	115,408,800	423%	22,054,209	40%	15,697,146
Deferred tax assets	70,040,593	5%	66,869,011	100%	-
Other assets	1,201,873,611	-73%	4,458,383,903	1431%	291,223,308
Total Assets	135,470,409,573	21%	111,618,466,905	20%	93,074,422,511
Liabilities					
Due to Bank and Financial Institutions	624,364,996	-40%	1,036,268,951	14%	906,395,995
Due to Nepal Rastra Bank	3,203,523,072	385%	660,071,641	-41%	1,110,558,800
Derivative financial instruments	8,458,374,429	13%	7,477,483,892	39%	5,393,031,265
Deposits from customers	97,892,301,967	17%	83,970,867,219	16%	72,317,666,604
Borrowing	3,468,060,000		-	-100%	55,347,308
Current Tax Liabilities	35,578,570	-41%	60,418,156	-90%	588,774,303
Provisions	-		-		9,804,595
Deferred tax liabilities	-		-		69,197,225
Other liabilities	2,145,955,868	53%	1,405,999,800	17%	1,203,837,692
Debt securities issued	2,239,236,412	333%	517,547,945	0%	517,547,945
Subordinated Liabilities	-		-		-
Total liabilities	118,067,395,314	24%	95,128,657,604	16%	82,172,161,732
Equity					
Share capital	9,618,162,652	26%	7,603,290,634	18%	6,461,774,334
Share premium	2,512,798,517	-38%	4,061,366,586	185%	1,424,857,947
Retained earnings	1,780,326,613	-24%	2,339,181,597	71%	1,364,948,851
Reserves	3,491,726,477	40%	2,485,970,484	51%	1,650,679,647
Total equity attributable to equity holders	17,403,014,259	6%	16,489,809,301	51%	10,902,260,779
Non-controlling interest	-		-		-
Total equity	17,403,014,259	6%	16,489,809,301	51%	10,902,260,779
Total liabilities and equity	135,470,409,573	21%	111,618,466,905	20%	93,074,422,511

Horizontal Analysis

Statement of Profit and Loss

Particulars	16 July 2019 31 Asar 2076	2017 Vs 2018	16 July 2018 32 Asar 2075	2016 Vs 2017	15 July 2017 31 Asar 2074
Interest income	11,082,059,031	27%	8,728,699,831	43%	6,109,326,827
Interest expense	6,838,038,085	17%	5,824,685,753	66%	3,505,347,281
Net interest income	4,244,020,946	46%	2,904,014,078	12%	2,603,979,546
Fee and commission income	1,003,530,866	26%	794,250,068	25%	635,069,204
Fee and commission expense	93,955,270	50%	62,708,027	23%	51,082,047
Net fee and commission income	909,575,596	24%	731,542,041	25%	583,987,157
Net interest, fee and commission income	5,153,596,542	42%	3,635,556,119	14%	3,187,966,703
Net trading income	352,049,490	18%	299,605,983	94%	154,789,626
Other operating income	210,373,919	28%	164,962,228	35%	121,978,264
Total operating income	5,716,019,951	39%	4,100,124,330	18%	3,464,734,593
Impairment charge/(reversal) for loans and other losses	166,272,634	-176%	(219,650,789)	-1719%	13,569,888
Net operating income	5,549,747,317	28%	4,319,775,119	25%	3,451,164,705
Operating expense					
Personnel expenses	1,415,793,493	39%	1,021,570,435	24%	826,873,970
Other operating expenses	708,661,406	20%	589,394,199	20%	492,213,506
Depreciation & Amortisation	176,793,355	20%	147,695,238	28%	115,783,837
Operating Profit	3,248,499,063	27%	2,561,115,247	27%	2,016,293,392
Non operating income	17,090,672	-60%	43,140,193	-68%	136,349,614
Non operating expense	17,585,901	-54%	37,935,379	-21%	48,225,932
Profit before income tax	3,248,003,834	27%	2,566,320,061	22%	2,104,417,074
Income tax expense					
Current Tax	994,167,044	20%	829,621,042	41%	589,304,078
Deferred Tax expense/(Income)	(3,439,237)	-97%	(117,093,734)	-542%	26,495,906
Profit for the period	2,257,276,027	22%	1,853,792,753	25%	1,488,617,090

Vertical Analysis

Statement of Financial Position

Particulars	16 July 2019 31 Asar 2076	%	16 July 2018 32 Asar 2075	%	15 July 2017 31 Asar 2074	%
Assets						
Cash and cash equivalent	8,096,354,503	6%	5,180,404,105	5%	5,499,968,622	6%
Due from Nepal Rastra Bank	10,829,181,584	8%	7,260,194,560	7%	9,242,454,991	10%
Placement with Bank and Financial Institutions	2,172,967,239	2%	276,407,171	0%	681,934,928	1%
Derivative financial instruments	8,595,482,282	6%	7,506,751,485	7%	5,425,634,220	6%
Other trading assets	340,390,000	0%	321,720,000	0%	298,280,000	0%
Loan and advances to B/FIs	3,317,961,987	2%	2,497,567,769	2%	1,869,100,231	2%
Loans and advances to customers	88,485,031,394	65%	72,711,771,766	65%	59,886,961,418	64%
Investment securities	10,316,351,016	8%	9,448,446,725	8%	7,480,981,172	8%
Current tax assets	-	0%	-	0%	719,526,541	1%
Investment in subsidiaries	248,552,000	0%	248,552,000	0%	148,552,000	0%
Investment in associates	-	0%	-	0%	-	0%
Investment property	102,915,862	0%	59,774,627	0%	77,488,827	0%
Property and equipment	1,577,898,704	1%	1,559,569,574	1%	1,436,619,106	2%
Goodwill and Intangible assets	115,408,800	0%	22,054,209	0%	15,697,146	0%
Deferred tax assets	70,040,593	0%	66,869,011	0%	-	0%
Other assets	1,201,873,611	1%	4,458,383,903	4%	291,223,308	0%
Total Assets	135,470,409,573	100%	111,618,466,905	100%	93,074,422,511	100%
Liabilities						
Due to Bank and Financial Institutions	624,364,996	0%	1,036,268,951	1%	906,395,995	1%
Due to Nepal Rastra Bank	3,203,523,072	2%	660,071,641	1%	1,110,558,800	1%
Derivative financial instruments	8,458,374,429	6%	7,477,483,892	7%	5,393,031,265	6%
Deposits from customers	97,892,301,967	72%	83,970,867,219	75%	72,317,666,604	78%
Borrowing	3,468,060,000	3%	-	0%	55,347,308	0%
Current Tax Liabilities	35,578,570	0%	60,418,156	0%	588,774,303	1%
Provisions	-	0%	-	0%	9,804,595	0%
Deferred tax liabilities	-	0%	-	0%	69,197,225	0%
Other liabilities	2,145,955,868	2%	1,405,999,800	1%	1,203,837,692	1%
Debt securities issued	2,239,236,412	2%	517,547,945	0%	517,547,945	1%
Subordinated Liabilities	-	0%	-	0%	-	0%
Total liabilities	118,067,395,314	87%	95,128,657,604	85%	82,172,161,732	88%
Equity						
Share capital	9,618,162,652	7%	7,603,290,634	7%	6,461,774,334	7%
Share premium	2,512,798,517	2%	4,061,366,586	4%	1,424,857,947	2%
Retained earnings	1,780,326,613	1%	2,339,181,597	2%	1,364,948,851	1%
Reserves	3,491,726,477	3%	2,485,970,484	2%	1,650,679,647	2%
Total equity attributable to equity holders	17,403,014,259	13%	16,489,809,301	15%	10,902,260,779	12%
Non-controlling interest	-		-		-	
Total equity	17,403,014,259	13%	16,489,809,301	15%	10,902,260,779	12%
Total liabilities and equity	135,470,409,573	100%	111,618,466,905	100%	93,074,422,511	100%

Vertical Analysis

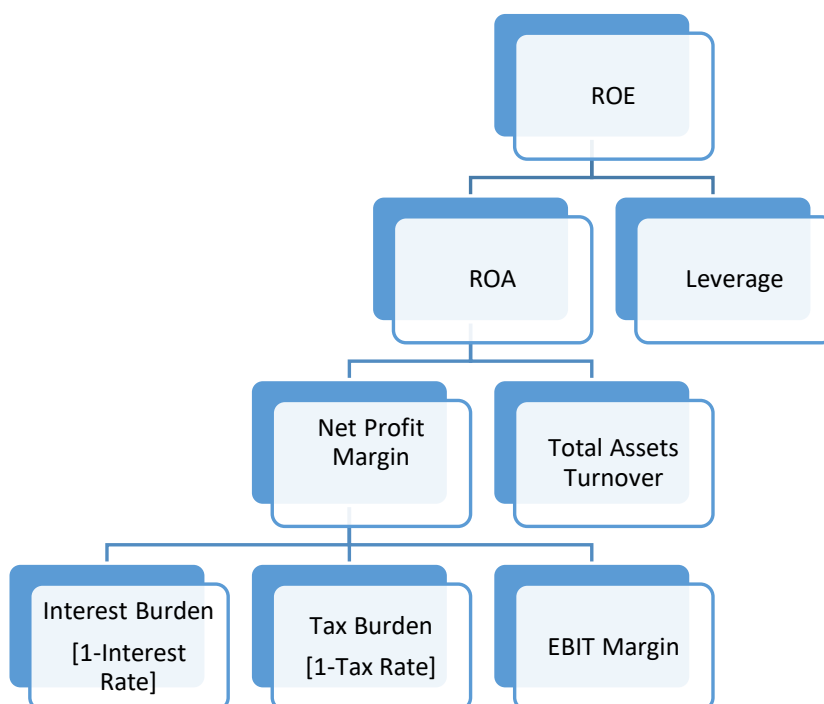
Statement of Profit and Loss

Particulars	16 July 2019 31 Asar 2076	%	16 July 2018 32 Asar 2075	%	15 July 2017 31 Asar 2074	%
Interest income	11,082,059,031	100%	8,728,699,831	100%	6,109,326,827	100%
Interest expense	6,838,038,085	62%	5,824,685,753	67%	3,505,347,281	57%
Net interest income	4,244,020,946	38%	2,904,014,078	33%	2,603,979,546	43%
Fee and commission income	1,003,530,866	9%	794,250,068	9%	635,069,204	10%
Fee and commission expense	93,955,270	1%	62,708,027	1%	51,082,047	1%
Net fee and commission income	909,575,596	8%	731,542,041	8%	583,987,157	10%
Net interest, fee and commission income	5,153,596,542	47%	3,635,556,119	42%	3,187,966,703	52%
Net trading income	352,049,490	3%	299,605,983	3%	154,789,626	3%
Other operating income	210,373,919	2%	164,962,228	2%	121,978,264	2%
Total operating income	5,716,019,951	52%	4,100,124,330	47%	3,464,734,593	57%
Impairment charge/(reversal) for loans and other losses	166,272,634	2%	(219,650,789)	-3%	13,569,888	0%
Net operating income	5,549,747,317	50%	4,319,775,119	49%	3,451,164,705	56%
Operating expense						
Personnel expenses	1,415,793,493	13%	1,021,570,435	12%	826,873,970	14%
Other operating expenses	708,661,406	6%	589,394,199	7%	492,213,506	8%
Depreciation & Amortisation	176,793,355	2%	147,695,238	2%	115,783,837	2%
Operating Profit	3,248,499,063	29%	2,561,115,247	29%	2,016,293,392	33%
Non operating income	17,090,672	0%	43,140,193	0%	136,349,614	2%
Non operating expense	17,585,901	0%	37,935,379	0%	48,225,932	1%
Profit before income tax	3,248,003,834	29%	2,566,320,061	29%	2,104,417,074	34%
Income tax expense						
Current Tax	994,167,044	9%	829,621,042	10%	589,304,078	10%
Deferred Tax expense/(Income)	(3,439,237)	0%	(117,093,734)	-1%	26,495,906	0%
Profit for the period	2,257,276,027	20%	1,853,792,753	21%	1,488,617,090	24%

Du Pont Analysis

DuPont Analysis is an expression which breaks ROI (return on investment) into three major financial metrics that drive return on equity (ROE): operating efficiency, asset use efficiency and financial leverage.

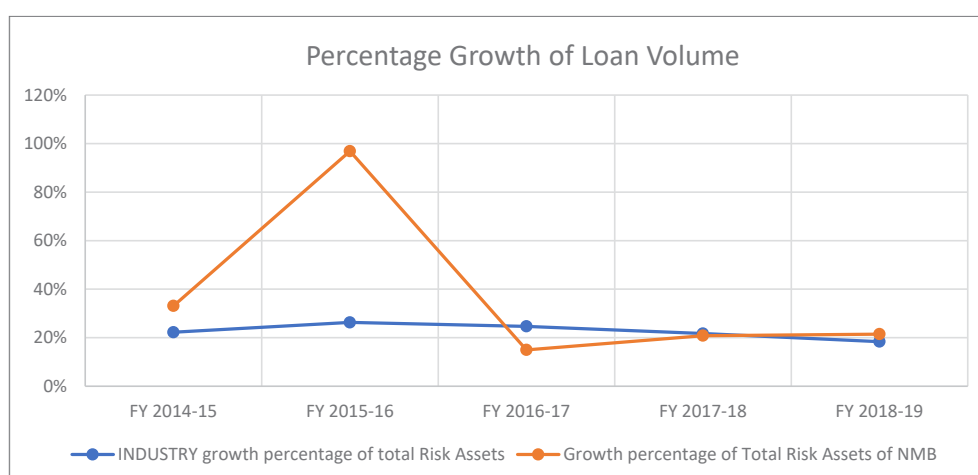
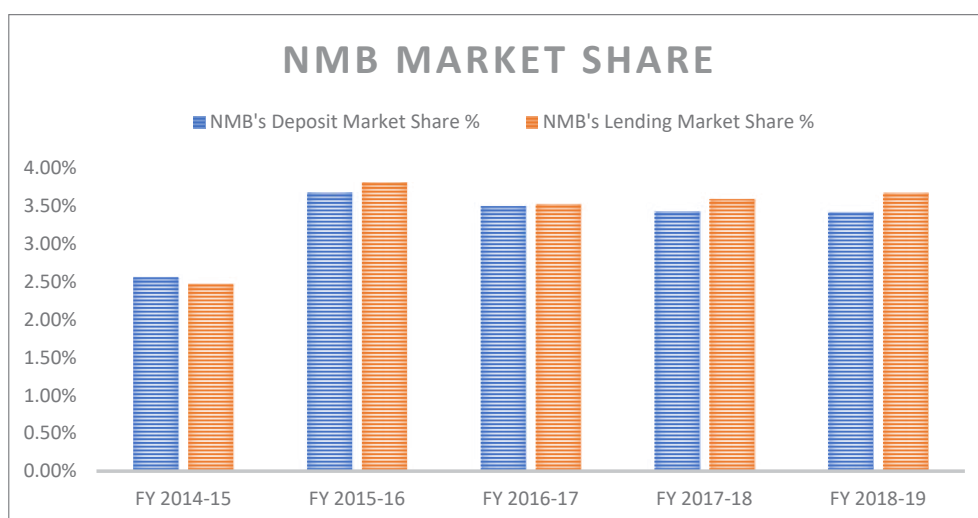
Particulars	2018-19	2017-18
Return On Equity	13.32%	13.54%
Net Profit Margin	39.37%	44.74%
a. Operating Profit Margin	56.66%	61.81%
b. Non-Operating Item	-0.01%	0.13%
c. Tax Effect	-17.28%	-17.20%
Asset Turnover (Times)	0.05	0.04
Financial Leverage (Times)	7.29	7.47

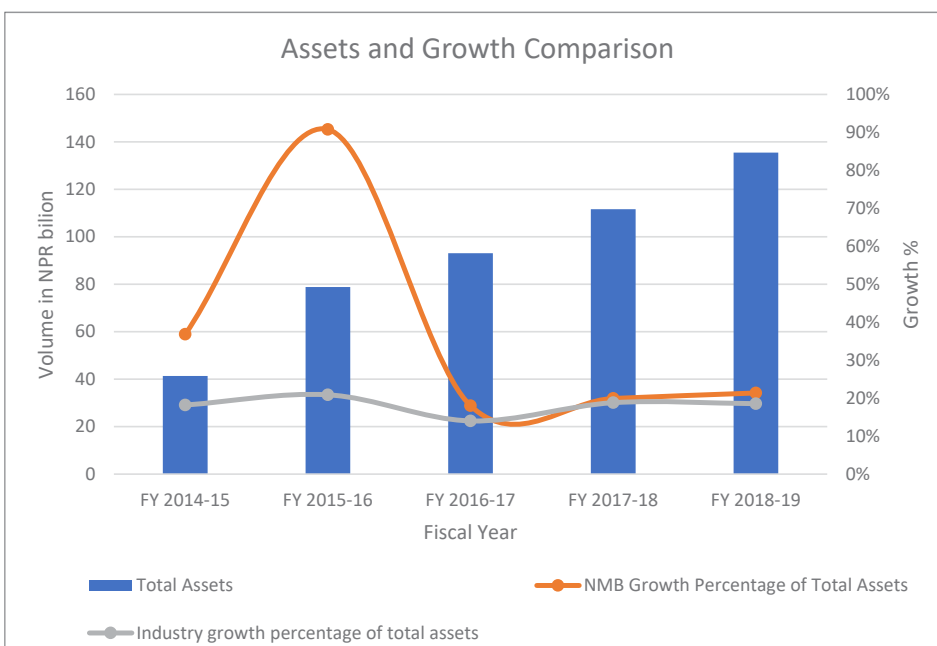
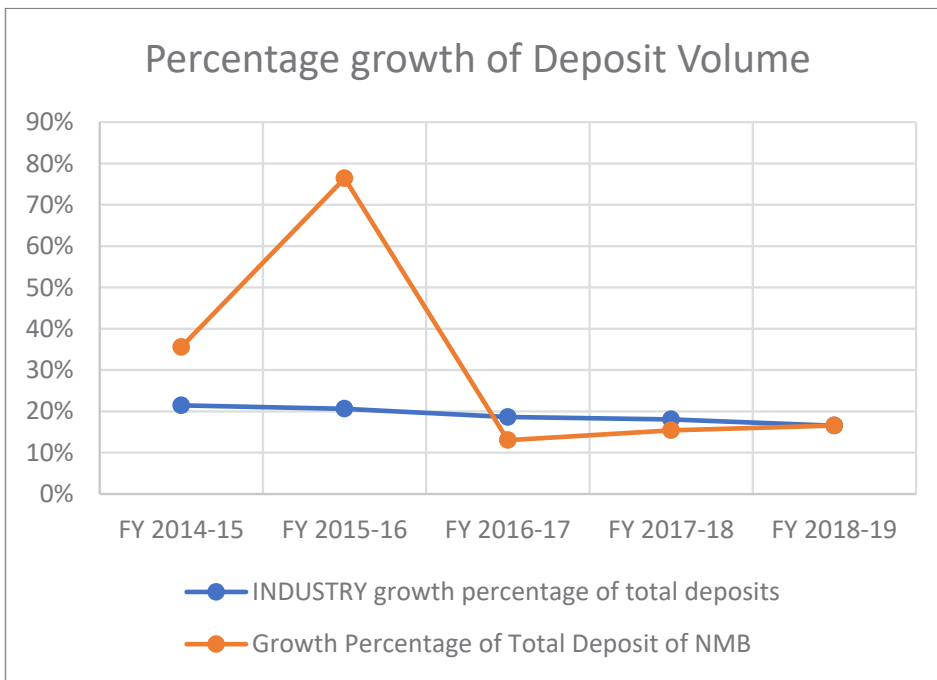
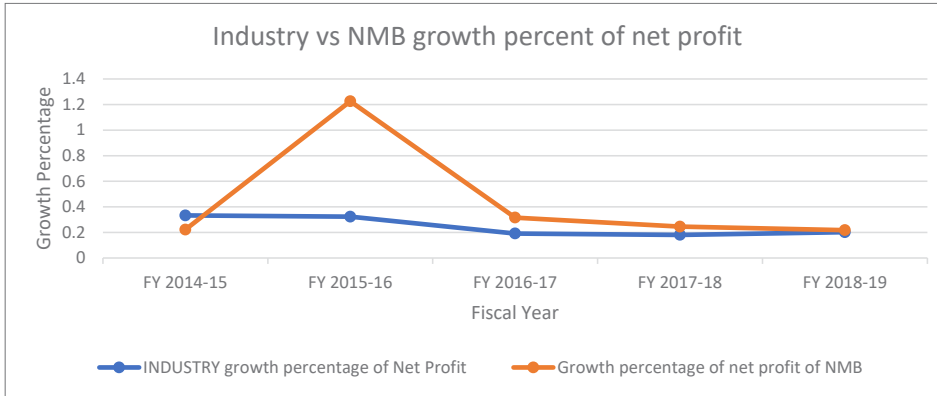


Du Pont Analysis

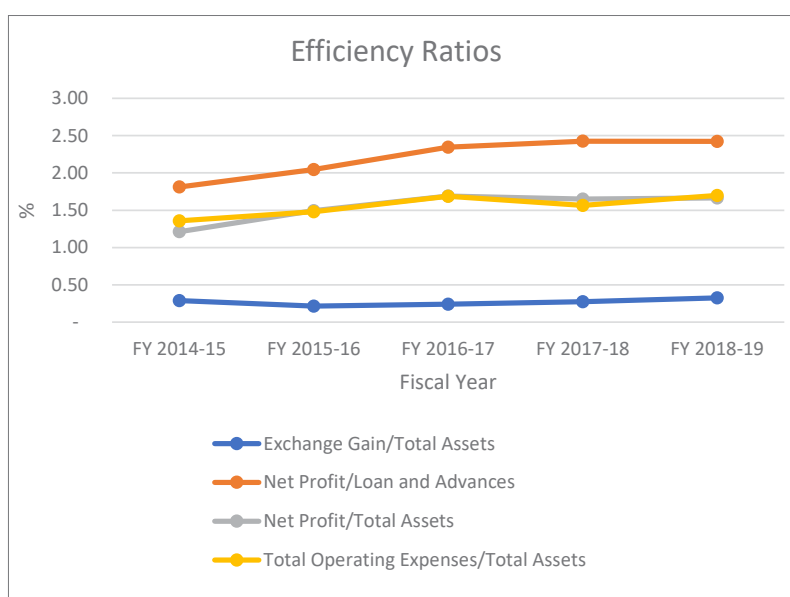
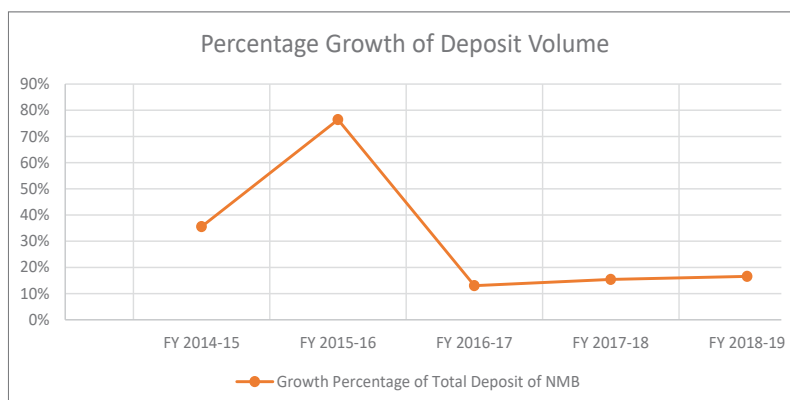
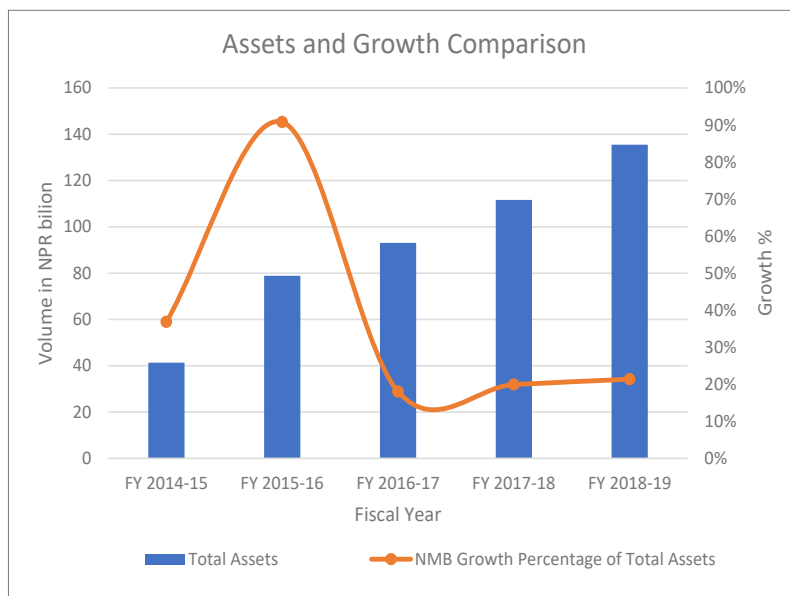
Market Share Information

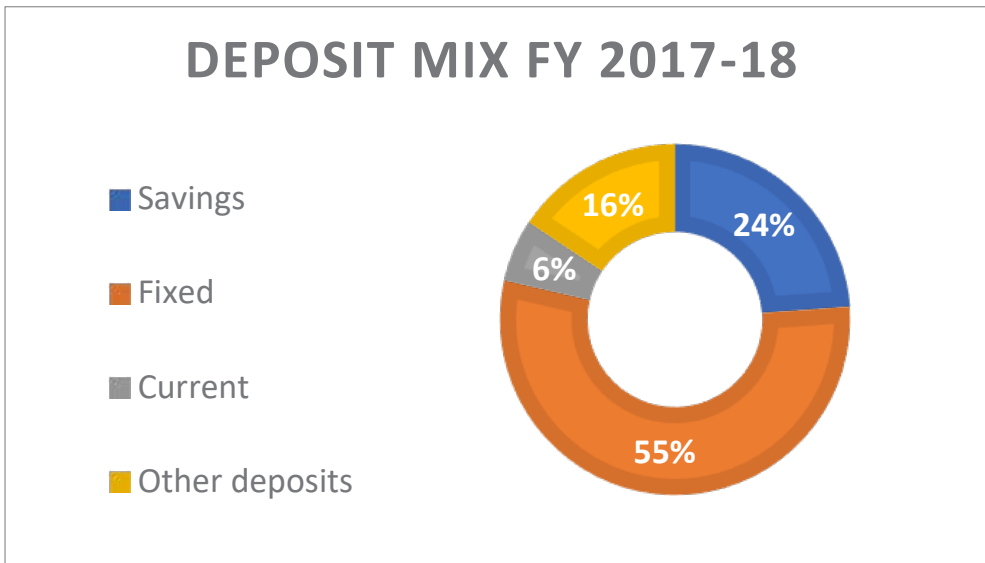
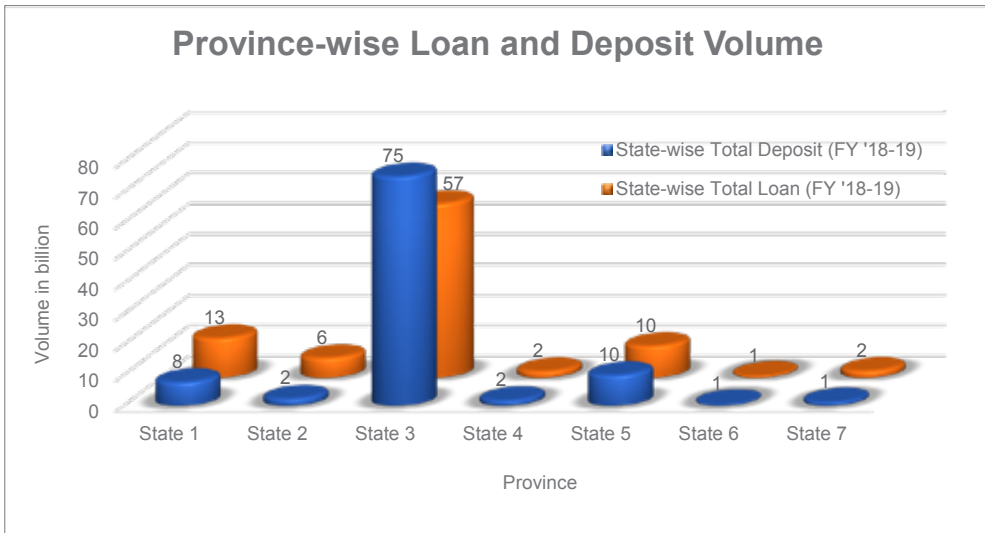
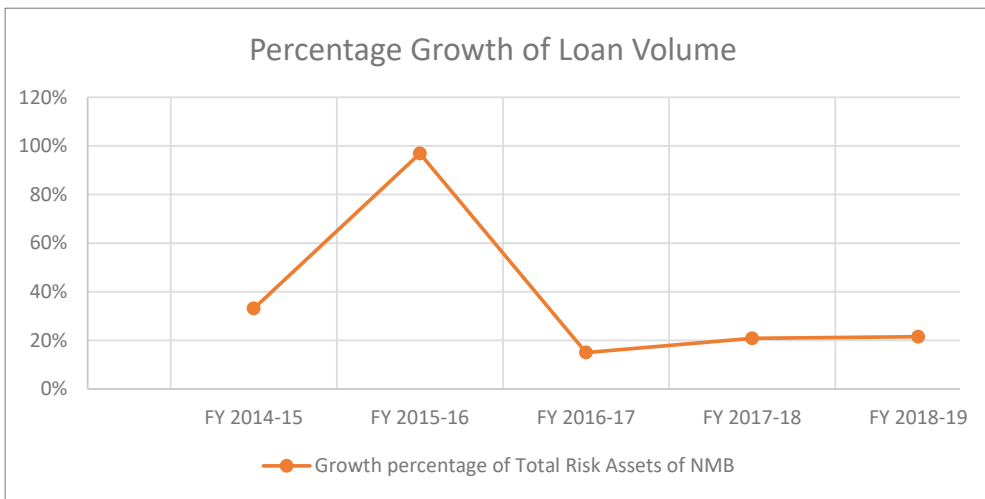
Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Total Deposit of Commercial Banks	1,434,478	1,764,268	2,092,513	2,472,098	2,880,092
Total Deposit of NMB Bank	36,723	64,781	73,224	84,729	98,517
NMB's Deposit Market Share %	2.56%	3.67%	3.50%	3.43%	3.42%
Total Lending of Commercial Banks	1,102,021	1,391,954	1,735,328	2,112,202	2,500,066
Total Lending of NMB Bank	27,289	53,021	61,157	75,857	91,875
NMB's Lending Market Share %	2.48%	3.81%	3.52%	3.59%	3.67%



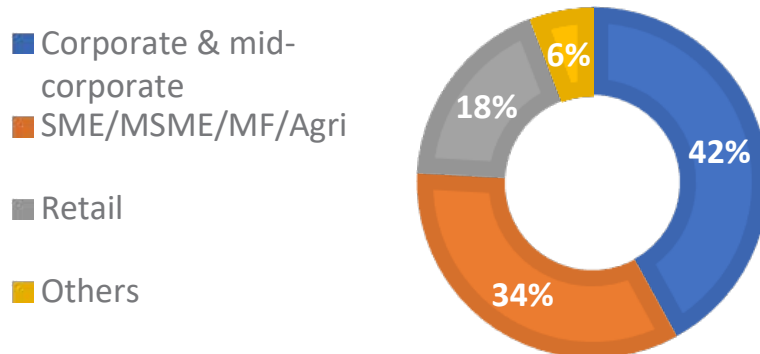


Graphical Presentation – Trend Analysis

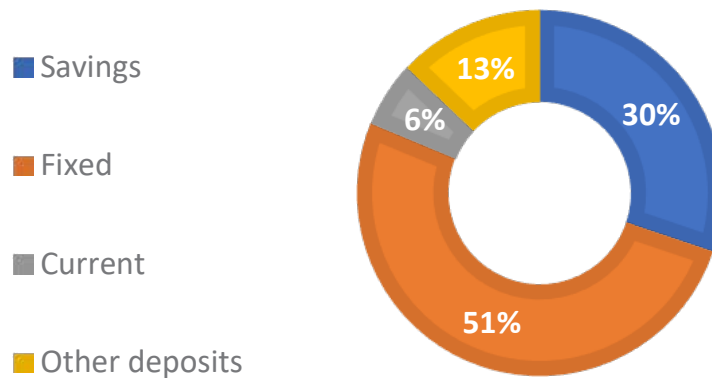




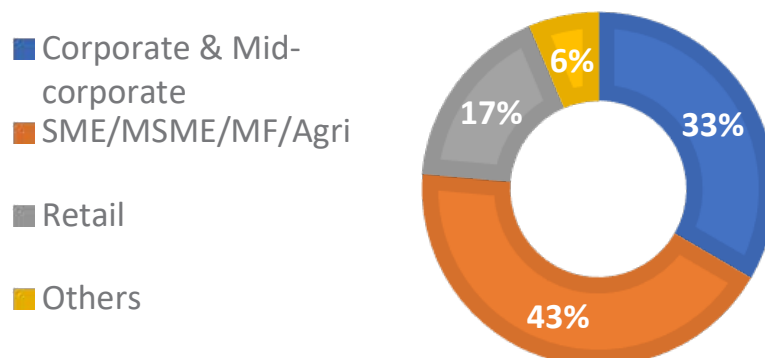
LOAN MIX FY '17/18

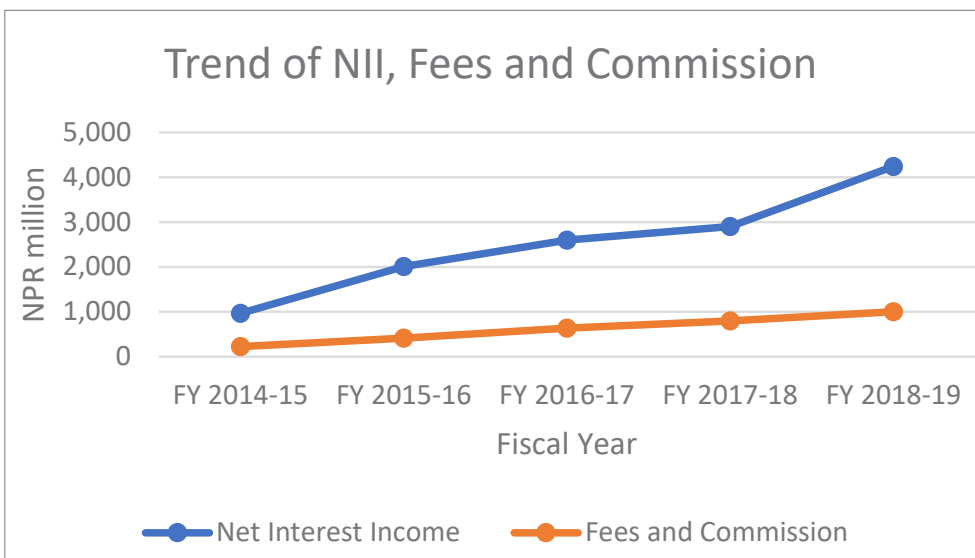
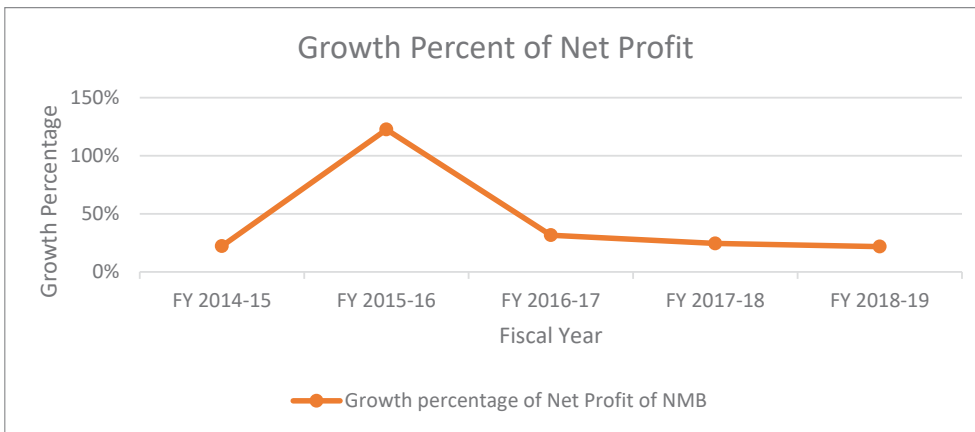
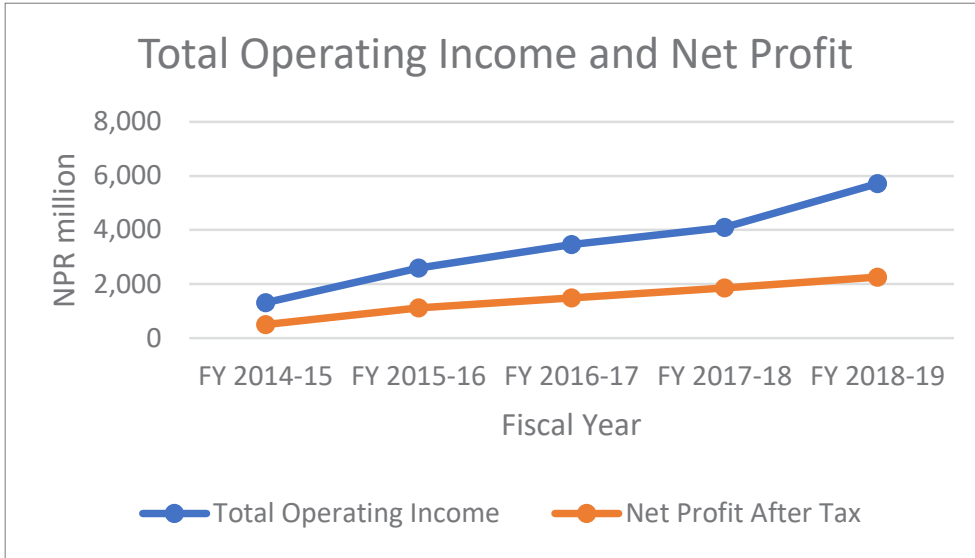


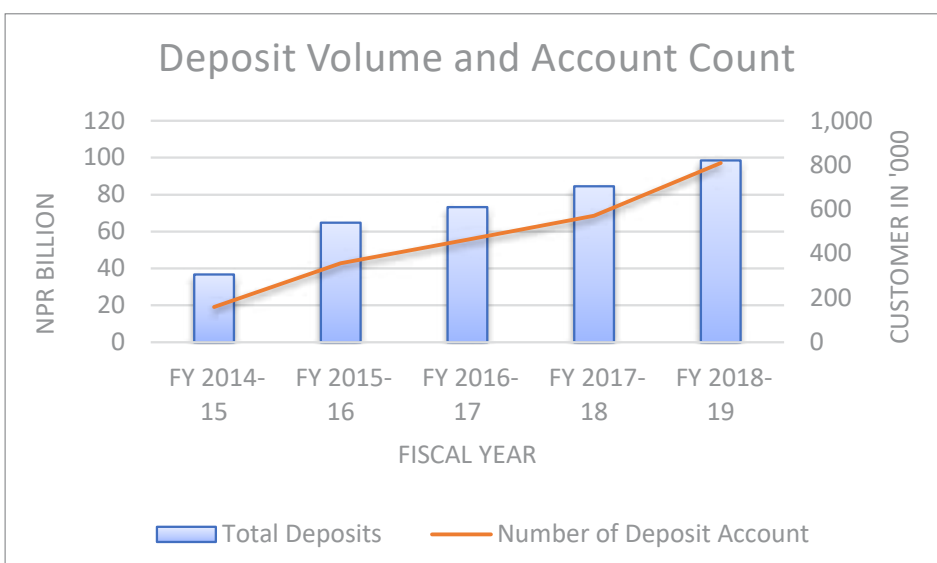
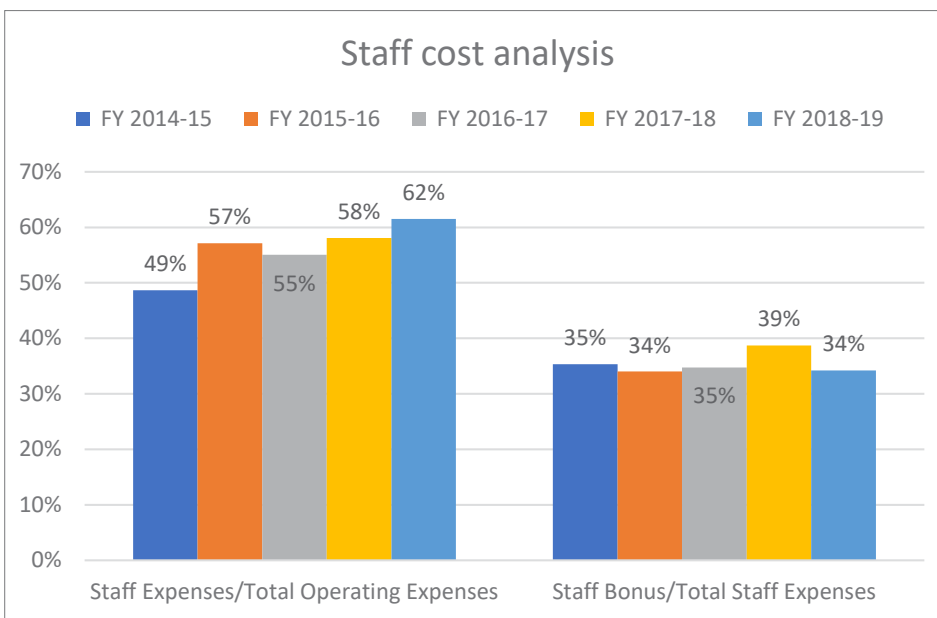
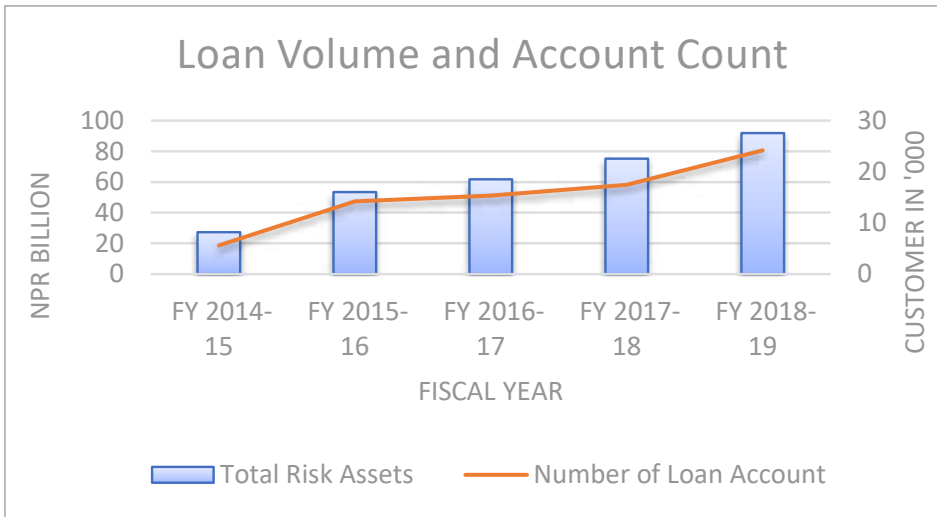
DEPOSIT MIX FY 2018-19

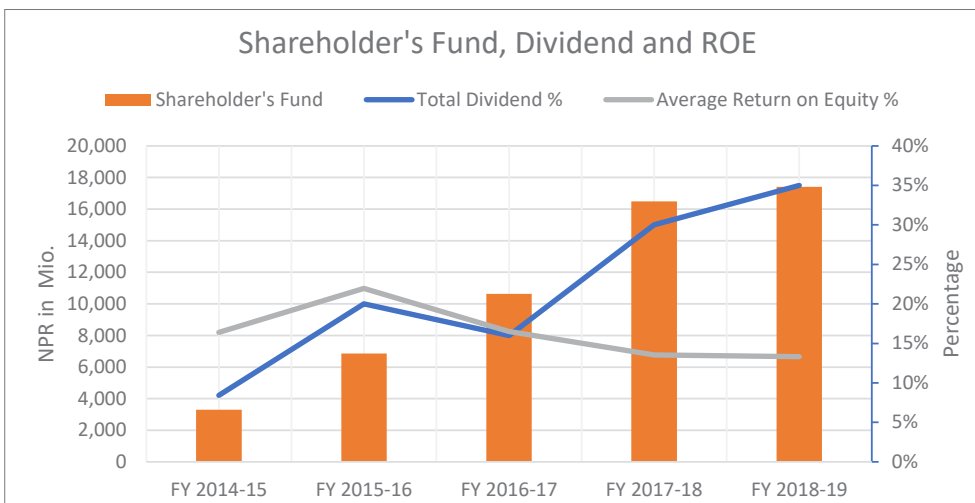
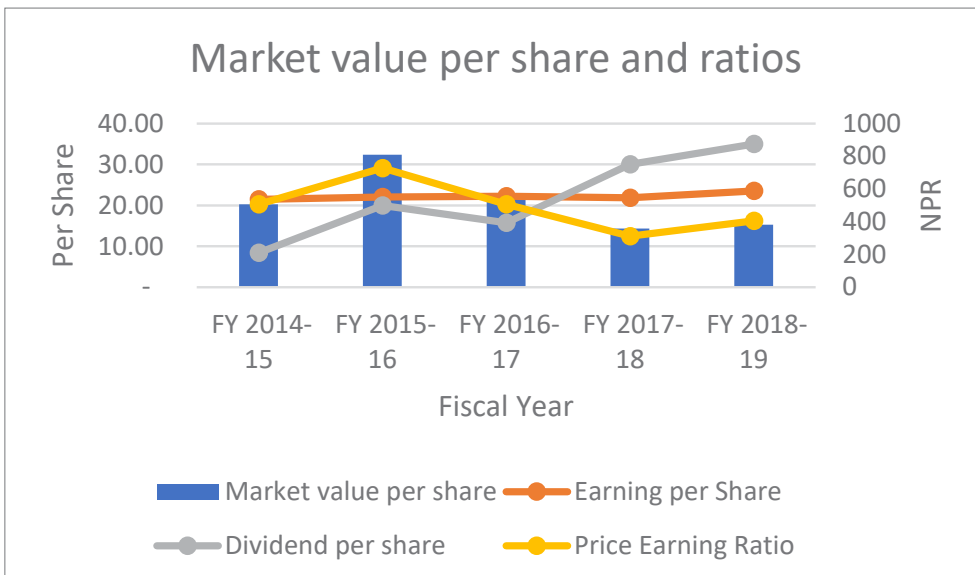
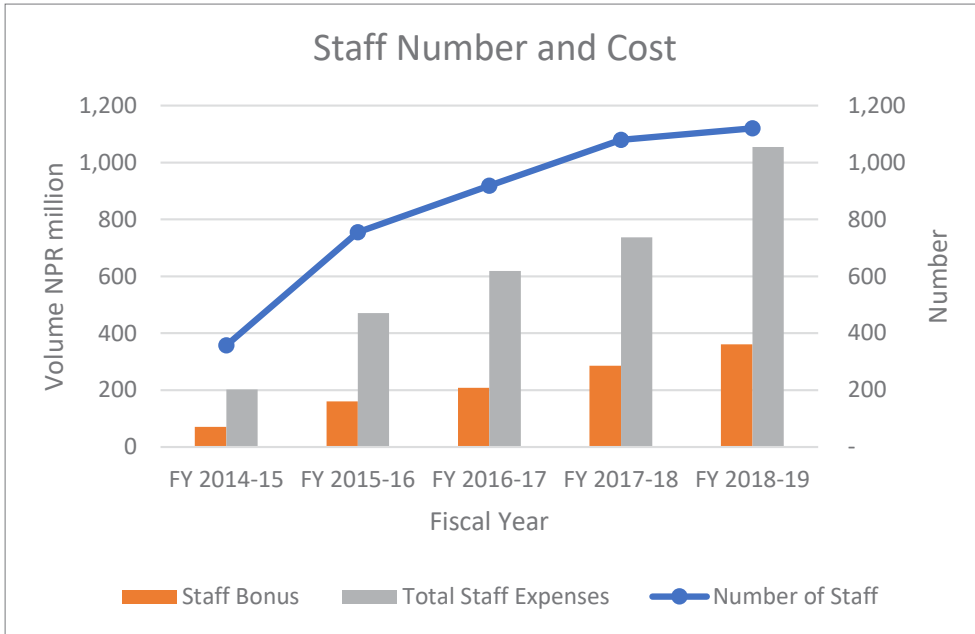


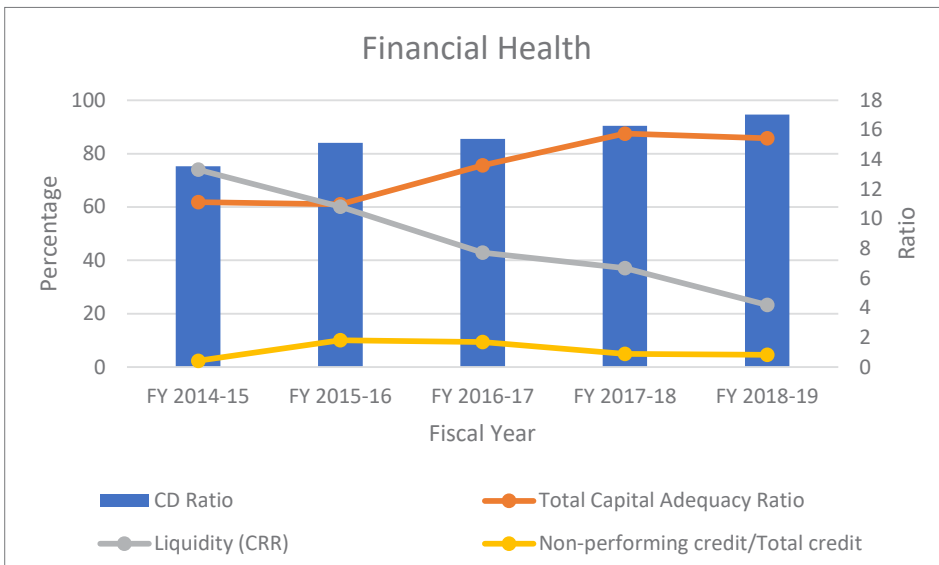
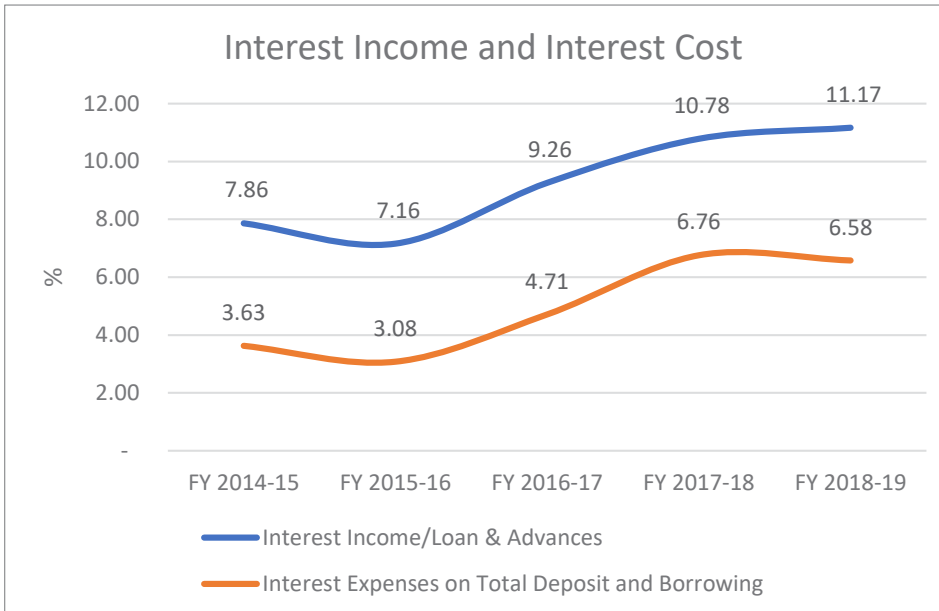
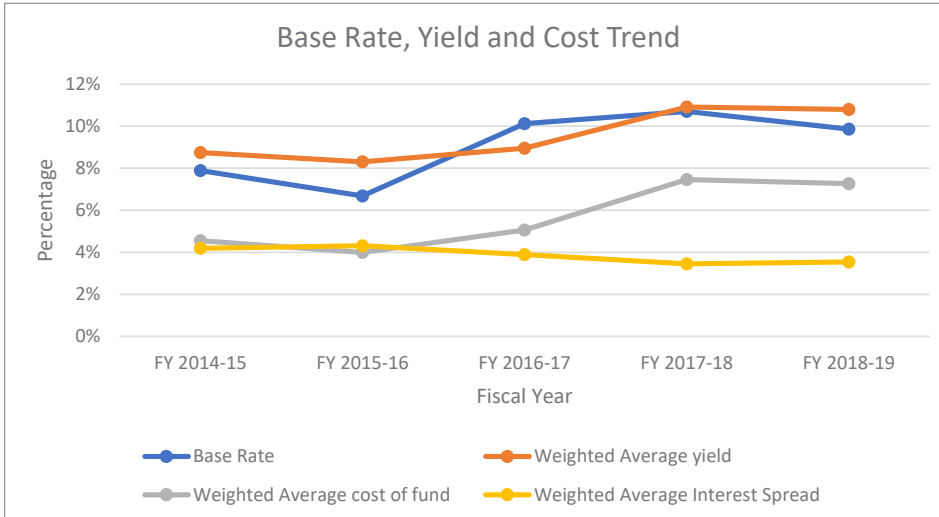
LOAN MIX FY '18/19












हामी देखौं
अपार संभावना

किसान मात्र होइन

अब हाम्रो साथमा कृषि उधमी

 **NMB BANK**
एनएमबि बैंक

समृद्ध नेपालको लागि

Statutory **Reports** and Disclosures

Directors Report

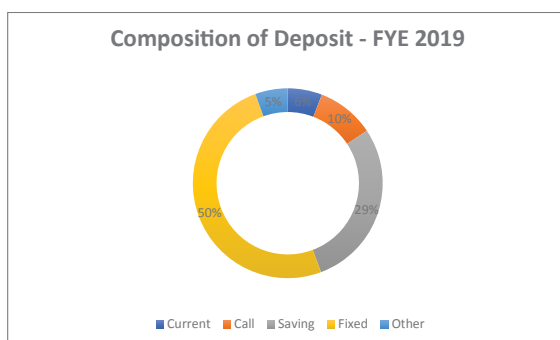
Respected Shareholders,

On behalf of the Board of Directors, I extend my warm welcome and greetings to all the shareholders, representatives of various regulatory authorities, representatives of different institutions, and all other stakeholders for your honorable presence in the 24th Annual General meeting of NMB Bank Limited.

Trust that you have already received the Annual Report post-merger of NMB Bank Ltd. and Om Development Bank Ltd. including separate Statement of Financial Positions, Statement of Comprehensive Income and Statement of Cash Flow of both merged entities for the FY 2018/19. I now, with the permission of this revered Annual General Meeting, would like to present the directors report pursuant to the Company Act, 2006, Clause 109 (4), comprising of the Bank's financial progress, summary of the country's economy, challenges faced by the banking industry, and the achievements of the Bank during the review period.

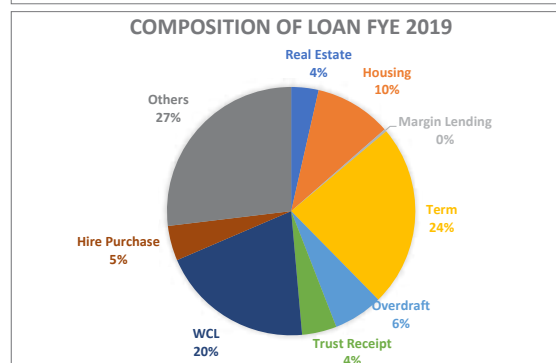
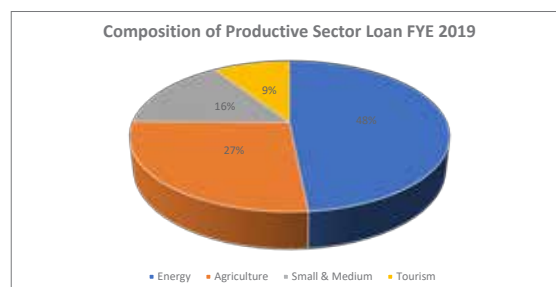
1. Key Financial Performance for the Fiscal Year 2018/19

Deposit Collection: During the fiscal year, the Bank's deposit grew by 16.58% from NPR 84.51 Billion to NPR 98.52 Billion in which the share of institution deposit remained at 39.59%. Of the Bank's total deposit portfolio during the review period, the composition of current deposit, fixed deposit, saving deposit, call deposit, and other deposit remained at 5.85%, 50.15%, 28.62%, 9.83%, and 5.55% respectively.



The Bank has managed to mobilize institution deposit within the threshold as prescribed by Nepal Rastra Bank.

Loans and Advances: During the fiscal year, the Bank grew its risk assets portfolio from NPR 75.65 Billion to NPR 91.89 Billion thereby managing a growth of 21.47% as compared to FY 2017/18. During the review period, the composition of loans remained as: Real Estate: 3.56%, Home Loan: 10.00%, Margin Lending: 0.32%, Term Loan: 23.75%, Overdraft Loan: 6.45%, Trust Receipt/Import Loan: 4.51%, Demand and Working Capital Loan: 19.95%, Hire Purchase Loan: 4.55% and Other Loans: 26.91%. Of the Bank's total loan investment, exposures in Hydropower and Renewable Energy, Agriculture, Small and Medium Enterprises, and Tourism sectors remained at 20.38%, 11.25%, 6.55%, and 3.89% respectively. The share of risk assets portfolio in productive sector during the review period remained at 42.08%. The Bank shall continue to increase credit investment in productive sector in the future as well.



Investment: The Bank increased its investment by 8.85% to take its total investment portfolio of

NPR 10.02 Billion in the previous year to NPR 10.91 Billion during the fiscal year 2018/19. Out of total investment, the Bank invested NPR 870 Million in organizations' shares, NPR 9.38 Billion in Nepal Government Bonds and Treasury Bills, and NPR 650 Million in Bonds of Foreign Banks.

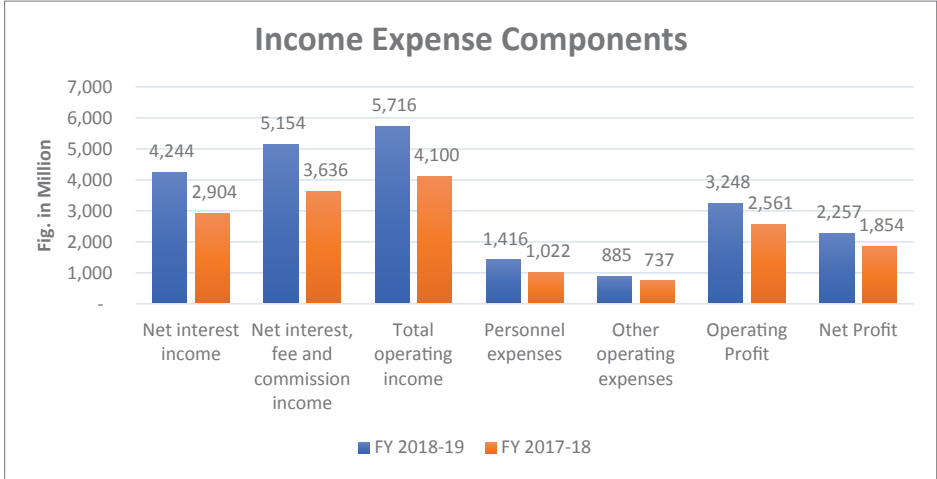
Operating Expense: During the fiscal year 2018/19, Other Operating Expenses reached NPR 885.5 Million i.e. an increment of 20.13% from NPR 737.1 Million in the previous fiscal year. The staff expense (excluding bonus) during the review period increased by 43.25% from NPR 736.4 Million to NPR 1.06 Billion. The increase in operating expense however, remained within the pre-approved budget.

Income: The Total Operating Income of the Bank increased by 39.41% i.e. from NPR 4.10 Billion in the previous fiscal year to NPR 5.72 Billion in the review year. During the review period, the Net Income increased from NPR 1.85 Billion to NPR 2.26 Billion. The fiscal year 2018/19 characterized by the Net Income growth of 21.77% witnessed an increase of 26.96% in the Interest Income whereby the Bank earned NPR 11.08 Billion as compared to NPR 8.73 Billion in the last fiscal year. Likewise, the Fees and Commission earned from domestic and foreign trade transaction increased by 26.35% compared to previous fiscal year and stood at NPR 1 Billion. Foreign Exchange Income increased by 43.56% and reached NPR 440.1 Million. The increase was possible due to the Bank's investment in new sector and services.

Capital Fund, Credit Deposit, Base Rate and Liquidity Ratio: The Bank maintained a sound Capital Fund during the fiscal year, as a result of which the capital adequacy ratio remained at 15.43%; above the stipulated requirement of at least 11% by NRB. Likewise, the Credit Deposit ratio was efficiently managed and remained at 76.88%. Liquidity ratio also remained within the prescribed limit and stood at 28.28%. Base rate of the Bank at the end of review period was 9.86%.

Non-Performing Asset: Due to the management's special efforts and attention towards bad debt recovery, the Bank was able to reduce NPA to 0.82% at the end of the review period from 0.88% in the last financial year.

Debentures: The Debentures of NPR 500 million with interest rate of 7% p.a. issued by the Bank in fiscal year 2014/15 will mature on August 21, 2020. Likewise, the debenture of 10% p.a. interest rate has maturity on April 12, 2029. The Bank sets aside fund in Debenture Redemption Fund each year to pay the Debentures in which NPR 400 Million has been collected till date.



The Bank's key financial performance during the review period: (figures in thousand)

SN	Particulars	Fiscal Year 2018/19	Fiscal Year 2017/18	Incremental Volume	Percentage change (%)
1	Total Deposit	98,516,667	84,507,136	14,009,531	16.58
2	Total Loans and Advances	91,886,955	75,645,917	16,241,038	21.47
3	Total Investment (Including Subsidiaries)	10,905,293	10,018,719	886,574	8.85
4	Net Interest Income	4,244,021	2,904,014	1,340,007	46.14
5	Commission and Discount and Other Operating Income	1,471,919	1,196,110	275,889	23.07
6	Foreign Exchange Income	440,062	306,532	133,530	43.56
7	Gross Operating Income	5,716,020	4,100,124	1,615,896	39.41
8	Gross Operating Expenses	885,455	737,089	148,366	20.13
9	Gross Profit	3,414,276	2,346,669	1,067,607	45.49
10	Net Profit	2,257,276	1,853,793	403,483	21.77
11	Paid Up Capital	9,618,163	7,603,291	2,014,872	26.50
12	Capital Adequacy Ratio (%)	15.43	15.75	-0.32	-2.05

Bank's Jurisdiction and Branch Network: The Bank during the review period provided banking facilities and services to its customers through 110 branches, 4 extension counters and 103 ATMs across the country which after the merger increased to 163 branch offices, 5 extension counters, and 129 ATMs. The number of branches located in each province are as follows:

Province 1	: 24 branches
Province 2	: 17 branches
Bagmati Province	: 44 branches
Gandaki Province	: 39 branches
Province 5	: 29 branches
Karnali Province	: 03 branches
Sudur Paschim Province	: 07 branches

In order to provide banking facilities at the doorstep of the people living in remote areas of the country, the Bank has been providing branchless banking services in Rasuwa, Dolakha, Udayapur, Jhapa, Taplejung, Ramechhap, Morang, Kapilvastu, Sunsari, Nawalparasi, Bhaktapur, Kaski and Illam. The Bank intends to expand its branchless banking facilities in other remote area in future as well.

The Bank has entered into an agreement with various foreign banks and remittance companies to transfer

the money of migrant workers to Nepal through its banking channel. The remittance transactions are still carried out through our banking channel based on such agreements in the past years with the banks and remittance companies of India, Dubai, Malaysia, etc. allowing the Bank to form the basis of foreign currency deposits. The Bank is also reviewing the potential to expand remittance services in other countries.

Representative Office outside Nepal and its progress:

The Representative office established at Lebuah Pasarbesar in Kuala Lumpur, Malaysia has been assisting as a point of contact for expansion of trade and remittance business. With this establishment, the Representative office has helped to foster the growth of trade business between two countries and communicate the information on Nepalese economy and available financial services to Nepalese people in Malaysia. This office has been playing pivotal role to connect and garner the relationships with the Malaysian corporates and business houses and enhance trade businesses with other foreign establishments.

2. Impact of Domestic and World Economic Outlook On Bank's Performance

Financial Status Review

- Where the world economy in 2018 grew at 3.6 percent, the International Monetary Fund (IMF) projects it to grow by only 3.2 percent in 2019
- In 2018, the economies of developed countries grew by 2.2 percent, and the economies of emerging and developing countries grew by 4.5 percent. The IMF, for 2019 has projected a slow growth in economies of developed countries, and emerging and developing countries by 1.9 percent and 4.1 percent respectively.
- China and India achieved an economic growth rate of 6.6 percent and 6.8 percent respectively, while in 2019 it is projected to grow by 6.2 percent and 7.0 percent respectively.
- International Monetary Fund projects the consumer price inflation of developed, and emerging and developing economies to remain at 1.6 percent and 4.8 percent respectively in 2019. The consumer price inflation in 2018 was 2.0 percent in advanced economies, and 4.8 percent in emerging and developing economies.
- Economic growth has gained momentum since 2016/17. The Central Bureau of Statistics preliminarily estimates country's economic growth of 7.1 percent in FY 2018/19. The economic growth is due to increase in agricultural production, ease of energy supply, intensification of construction works, expansion of industrial production, and increase in tourist arrivals.
- In the FY 2018/19, the ratio of Gross Domestic Savings to Gross Domestic Product (GDP) is estimated to have reached 20.5 percent while Gross National Savings to GDP is estimated to be at 52.4 percent.
- During the review period, the ratio of Gross Fixed Capital formation to GDP is estimated to have reached 36.9 percent. Such proportion of Gross Capital Formation is estimated to be 62.3 percent.
- Due to higher demand for investment than savings, the ratio of resource gap to GDP is expected to have remained 9.9 percent during the review year.
- Average consumer price inflation that stood at 4.2 percent in 2017/18 increased to 4.5 percent during eleven months of 2018/19.
- According to preliminary Statement of Receipts and Payments released by the Financial Comptroller General Office, the government made Recurrent Expenditure of NPR 714.98 Billion, Capital Expenditure of NPR 238.36 Billion, and Financial Management Expenditure of NPR 141.24 Billion. The government during the period mobilized the revenue of NPR 859.60 Billion.
- In the year 2018/19, the government mobilized gross domestic debt of NPR 96.38 Billion and made a repayment of NPR 34.31 Billion. Accordingly, the net domestic debt of the government stood at NPR 62.07 Billion during the period, which is 1.8 percent of the GDP.
- Current account deficit amounted to NPR 248.72 Billion in eleven months of 2017/18. An escalation in import compared to export raised the trade deficit by 17.2 percent than previous year to NPR 1,211.96 Billion.
- In the eleven months of the review period, workers' remittances increased 17.5 percent with an inflow of NPR 799.02 Billion. A modest growth in remittance inflow coupled with mounting trade deficit has resulted in an upsurge of current account deficit. The overall balance of payments deficit in eleven months of 2018/19 stood at NPR 90.83 Billion.
- Considering the imports of eleven months of the review period, the banking sector has sufficient foreign exchange reserve to sustain the prospective import of goods for 8.8 months and import of goods and services for 7.7 months.

- Nepalese currency vis-à-vis the US dollar depreciated by 0.02 percent as of Mid-July 2019 compared to Mid-July 2018. The buying rate per US dollar stood at NPR 109.36 as on fiscal year 2018/19 end that was NPR 109.34 during FY 2017/18.

(Source: Monetary Policy for 2019/20, NRB)

Despite the decline in the growth of global economy, the projection of economic growth of neighboring China and India has been positive. International trade

in the region appears to be impacted as taxes and other disputes between major economies continue to prevail. Although decrease in market capitalization growth in the securities market, foreign exchange reserve and the investment fund have created challenges in the banking sector, the increase in agricultural production, ease of supply of energy, intensification of construction works, expansion of industrial production, and increase in tourist arrivals as indicated by Monetary Policy for higher economic growth are likely to create positive impact to the overall banking sector.

3. The Board of Directors' opinion on the achievements of current fiscal year and future plans:

Following are the main financial highlights of the Bank as on Mid October 2019 for the running fiscal year:

SN	Particulars	NPR (in Thousand)
1	Total Deposit	123,565,057
2	Total Loan and Advances	115,297,262
3	Total Investment (Including Subsidiaries)	12,653,290
4	Net Interest Income	1,223,654
5	Commission, Discount and other Operating Income	379,839
6	Income from Foreign Exchange Transaction	136,624
7	Net Operating Income	1,603,493
8	Total Operating Expenses	635,427
9	Total Operating Income (Before Impairment)	1,603,493
10	Net Profit	815,136
11	Paid Up Capital	11,529,742
12	Reserves and Funds	9,500,421
13	Capital Adequacy Ratio	15.81%

Future Plans:

The Bank will continue to seek a balanced growth of deposit and loan investments remaining in line with its strategy. With continuous improvisations in quality of the loans, the Bank will focus on increasing the size of credit investments in Agricultural, Retail, and Small and Medium Enterprises (SME) sectors. Likewise, various loan facilities offered by the Bank targeted at youths

returning from foreign employment will be made more effective so they could utilize their skills for the economic prosperity of the nation. The Bank will specially focus on increasing lending to productive sectors for which expansion of its branch networks in potential business areas will be given a priority.

Existing technologies will be improved and updated as required to make the Bank technically efficient for providing effective and accurate banking services to the customers. The Bank plans further investment in technology to minimize risks and provide maximum convenience to its customers.

Additional resources and authorities will be delegated to provincial offices to ensure its effective functioning.

The bond issuing process has been initiated with an objective of capital formation to expand business, which will be completed within the stipulated timeframe as per the Directive issued to Banks and Financial Institutions by Nepal Rastra Bank.

The Bank will intensify its effort to appoint remittance agents in different countries and depute dedicated staff for monitoring and increasing remittance transactions through its channel by entering into agreements with remittance service providers.

The Bank will pay special attention to increase the business size of the subsidiary companies. The process of issuing mutual funds with new investment plans will be accelerated for achieving its business growth.

The Bank will continue to contribute towards upliftment of community and protection of environment, and support country's commitments towards sustainable development goals as part of its corporate social responsibilities.

4. Industrial and Professional Relations:

On the foundation of transparency and professionalism, the Bank has developed an amiable and professional relationships with all its stakeholders. The Bank firmly believes that such relationships will be pivotal for its sustainable future growth and success.

5. Changes in the Board of Directors:

In the review year, Director Hari Babu Neupane resigned from the Board of Directors and his

resignation was approved on 13 March 2019. Other than that no changes were made in the Board of Directors during the review period. However, in the running fiscal year, Mr. Rabi Krishna Sainju and Ms. Sunity Shrestha (Hada) were elected to fill the vacant directorial positions from public shareholders category.

6. Significant Issues Affecting Business:

The major risks and challenges that holds the potential to significantly impact the bank in future are detailed as below:

- Risks inherent in the credit investments and non-funding based services provided by the Bank
- The volatility in liquidity situation has brought challenges in the management of interest rates of both deposits and loans.
- Risk of increased competition and lack of skilled human resources.
- Possible foreign exchange risks in foreign currency deals arising from fluctuations in exchange rates.
- The risks arising from the country's political and other external reasons that has impact on imports and exports resulting in non-payment of loans and interest.
- Possible risk of the fixed interest rate in foreign loan that can be higher than the prevailing interest rate in the market due to fluctuations in interest rate, and possible risk of burden in repayment of loan in foreign currency due to exchange rate fluctuations.
- Possible risks resulting from changes in economic, monetary and financial policies of the nation.
- Risks resulting from the sluggishness of the international economic and financial sectors that could have a ripple effect on the Nepalese market.

- The likely impact on the source of income due to lack of alternative investment avenues and contraction in the domestic market.
- A lack of proper database and advance technology in the country to prevent money laundering.

7. Significant Observation in the Audit Report and Subsequent Response from the Board:

There is no observation mentioned in the Audit Report that could significantly affect the Bank's business.

8. Recommended Amount for Dividend Payment:

With the approval of Nepal Rastra Bank, the Bank has proposed the agenda in the Annual General Meeting with recommendation for distributing 35% Dividend (21% Stock Dividend amounting NPR 2,421,245,759 and 14% Cash Dividend amounting NPR 1,614,163,839.11 - including Tax) on the Paid Up Capital of the Bank after merger to be distributed from the distributable profit of NMB Bank as on Mid July 2019 to all the shareholders maintained on the date of book closure. The profits of the merging entity Om Development Bank have been accounted in the Reserve Fund.

9. Details of Shares Forfeited by the Bank:

No shares were forfeited during the review year.

10. Performance of the Company and its Subsidiaries, and Review of the Existing Status:

The performance progress of the Bank is mentioned in the first section whereas the performance of its subsidiaries- namely NMB Capital and NMB Micro Finance are mentioned in section 25(b) of the Director's report

11. Major Changes made by the Company and its Subsidiaries Resulting to Significant Changes in the Company's Business:

NMB Capital Ltd., a 100% subsidiary of NMB, has been acting as Share Registrar of the Bank, for the service of which the subsidiary company was paid NPR 762 Thousands in the review period. At the end of the review year, the bank account of NMB Capital Ltd. maintained at this bank had deposit of NPR 140.10 Million. NMB Capital was paid interest of NPR 2.14 Million by the Bank in the fiscal year 2018/19.

An employee of the Bank has been appointed as the Chief Executive Officer of the subsidiary NMB Capital Ltd. The Bank received NPR 2.17 Million as building rent and NPR 2.4 Million as administrative and other services fee as per the agreement from NMB Capital.

12. Information provided by the Basic Shareholders to the Bank:

During the review period, no information was received other than the regular information to be provided as per the prevailing law.

13. Details of Share Ownership of the Directors and Officials and the Information Received by the Company in relation to their share transactions during the review period:

In the review fiscal year, none of the directors and officials have been involved in the company's stock trading. The details of their share ownership are listed below:

S.N.	Name	Designation	Share Ownership
1.	Mr. Pawan Kumar Golyan	Chairman	1,103,054
2.	Mr. Nico Klass Gerardus Pijl (representative from FMO, Netherlands)	Director	-
3.	Mr. Rajendra Kafle (representative from Employees Provident Fund)	Director	-
4.	Mr. Harischandra Subedi	Director	1,858
5.	Mr. Pradeep Raj Pandey	Independent Director	-
6.	Mr. Nand Kishore Rathi (Alternate Director to Mr. Nico Klaas Gerardus Pijl)	Alternate Director	2,010,983
7.	Sunil K.C.	Chief Executive Officer	1,651
8.	Pradeep Pradhan	Chief Operating Officer	22,165
9.	Shabnam Limbu Joshi	Chief Business and Support Officer	-
10.	Sharad Tegi Tuladhar	Chief Risk Officer	-
11.	Govind Ghimire	Chief Business Officer	-
12.	Sudesh Upadhyaya	Chief Business Officer	3,795
13.	Pramod Kumar Dahal	Company Secretary and Chief Legal, Compliance and AML Officer	264
14.	Navin Manandhar	Chief Business Officer	-
15.	Roshan Regmi	Head Operations	-

14. Information on the Directors relatives' involvement in the Bank's contracts:

Disclosure not required as there was no such agreement.

15. If the Bank has purchased its own shares, mention the reason for such purchase, number of purchased shares and amount paid by the Bank:

None.

16. Internal control system:

With utmost priority from the Board of Directors to safeguard the interest of the creditors, the internal control system of the Bank and its functioning have been made more effective to ensure sound and safe operation by formulating necessary rules, policies and procedures for inherent and potential risk management. Abiding by the prevailing law and directive issued by Nepal Rastra Bank, four committees viz. Audit Committee, Risk Management Committee, Assets Laundering Prevention Committee, and Human Resources Service Committee have been formulated by the Board of

Directors. These committees discuss various risks in detail and update the same to the Board of Directors. For effective risk management and prevention, various activities are being carried out at the management level of the Bank by its Management Team Committee, Credit Risk Committee, Assets Liability Committee, Human Resources Recruitment Committee, Information Technology Committee, and Corporate Governance Committee.

In addition, the Risk Management Department of the Bank has independently undertaken the task of effectively controlling and managing the risk along with the periodic review of the actions taken in the area of risk control. The department has significantly contributed to maintaining the institutional governance at the Bank through meticulous monitoring of the activities to ensure full compliance of the prevailing law and directives issued by Nepal Rastra Bank.

Effective internal controls are the foundation of safe and sound banking; therefore, NMB Bank Ltd. has designed and enforced a system of operational and financial internal control that safeguards the bank's resources, produces reliable financial reports, and complies with rules and regulations of the country. Effective internal control also reduces errors/irregularities with timely reviews and mitigations. The business strategies and the important policies approved by the Board of Directors have been adopted by the senior management for risk management activities. The Bank has also been strengthening its internal control system by providing various types of trainings to its employees to effectively manage risks.

Risk Management:

For agile performance through proper risk management, the Bank has prepared and implemented a robust risk management framework for identification, measurement, monitoring, management, control, and reporting of the potential risks that the organization has to face. The Board of

Directors also annually reviews the approved and implemented Risk Management Framework to deal with underlying risks of special importance to the Bank.

The Board of Directors has also been identifying the risk appetite for the Bank and the extent to which it wants to bear the risk to determine the overall risk strategy. The Board has effectively managed the risks by categorizing them into assets risk, operational risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, and other risks. In addition to the management level committee, following committees have also been constituted at the Board level for risk management and effective internal control system of the Bank.

Committees formed at the level of Board of Directors

Audit Committee Details related to it are mentioned in section 18 of this Director's report

Risk Management Committee:

A risk management committee under the coordination of a Non-Executive Director has been set up at the Bank. The coordinator of the Audit Committee has been appointed as a member of the Risk Management Committee where Head of Compliance Department and Chief Information Officer are the members and Head of Risk Management Department is the Principal Member Secretary. The committee regularly assembles for the meeting to discuss on the risks identified by the management level risk committee, the immediate implications on the Bank's strategy including capital fund, liquidity position, credit to deposit ratio, risk appetite, etc. due to major changes in the directives issued by Nepal Rastra Bank and the changes in monetary policy. In each quarter, any potential risk in relation to the stress testing is discussed and the information is submitted to the Board of Directors for review. In the review year, the Risk Management Committee held 19 meetings accounting total expenditure of NPR 440,000.

Human Resources (HR) Service Committee:

Under the coordination of one Non-Executive Director, HR Service Committee has been constituted. The committee also consists of the Chief Executive Officer, and the Chief Information Officer as members, and Chief Human Resources Officer as the Member Secretary. Bylaws on the service provision of the employees, policies related to the employees and succession planning, employees' salary allowance and organizational structure are discussed in this committee. In the review year, the HR Service Committee held 10 meetings accounting total expenditure of NPR 240,000.

Assets Laundering Prevention Committee:

Assets Laundering Prevention Committee has been constituted with a Non-Executive Director, a member from the Board, and Chief AML as Member Secretary. The Committee has made special efforts to oversee and control the risks by ensuring that laws pertaining to money laundering and prevailing directive issued by Nepal Rastra Bank are fully complied.

17. Details of Total Management Expenditure of the last Fiscal Year:

During the review period, the employee expenses and office operating expenses amounted NPR 1.94 Billion.

18. List of Audit Committee members, their remuneration, allowances and facilities, details of the work done by the Committee and the details of any suggestions made by the Committee:

Under the coordination of one Non-Executive Director, Audit Committee has been constituted with an additional Non-Executive Director and Head of Internal Audit Department as Principal Member Secretary as per the direction of Nepal Rastra Bank. Following are the Audit Committee members:

Mr. Harischandra Subedi	- Coordinator
Mr. Nico Klaas Gerardus Pijl	- Member
Mr. Ranjan Pandey	- Member Secretary

The Audit Committee has been performing its functions complying with the instructions by Nepal Rastra Bank. Each report received from the auditor is discussed and reviewed in the Audit Committee with necessary instructions for improvement. The Audit Committee discusses and reviews each report received by the Auditor to identify all the risk areas and ensures that the risks are addressed before a periodic submission of the report to the Board of Directors. The Board is regularly receiving suggestions from the Audit Committee.

During the review year, the Audit Committee held 17 meetings to which its members excluding Member Secretary were remunerated an allowance of NPR 12,000 each per meeting. The total expenditure for the meeting amounted to NPR 396,000.

19. Details of any payments yet to be made to the Directors, Chairman, Chief Executive Officer, Basic Shareholders or their close relatives or their associated companies:

None

20. Details of remuneration to the Directors, Chief Executive Officer and Senior Management Staff:

Detailed in section 35 of additional disclosures.

21. Information of Undeclared Dividend by the shareholders:

Out of the total dividend distributed by the Bank upto 16 July 2019, NPR 5,128,793 remains unclaimed by the shareholders. Uncollected dividend of last fiscal year until Mid July 2019 amounting NPR 138,950,026.78 is with the share registrar NMB Capital Ltd. A notice to collect the dividends has been published in the newspaper and in the Bank's website. The undeclared dividends of the shareholders before FY 2011/12 have been deposited in the Investor Protection Fund.

22. Details of Fixed Assets purchased/sold pursuant to Clause 141 of the Company Act 2006:

During the review period there was no purchase/sale of fixed asset.

23. Details of the transactions with related companies pursuant to Clause 175 of Company Act 2006:

Detailed in section 11 of this report.

24. Any other information to be disclosed in the Director's Report as per Company Act 2006 and prevailing law:

Required information has been provided in the relevant section of this annual report.

25. Other Essential Information:

(A) In relation to completion of merger

As decided by the Annual General Meeting to merge with other financial institutions so as to develop the competitiveness and build a strong capital structure, the Bank successfully completed the merger with Om Development Bank Ltd. having stronghold in Gandaki province and started joint operation from 28th September 2019 in the name of NMB Bank. Through this merger, the capital structure base of the Bank strengthened while its access to general public also increased with increased network presence in Province 3 and Gandaki province. The merger also significantly increased the business portfolio of the Bank.

(B) Subsidiary Companies and its Progress

NMB Capital Ltd.

NMB Capital Ltd.; established with a capital investment of NPR 200 Million is a wholly owned subsidiary company of the Bank. The company has been managing the process of issuing primary shares, further public offerings, and right shares of various companies along with other investment plans and portfolio management targeted towards general public as well as institutional clients.

In the fiscal year 2018/19, the net profit of the company stood at NPR 52 million.

The key achievements of the subsidiary company in fiscal year 2018/19 are as follows:

- i. NMB Capital Ltd. continued the services of issuance and sales manager, share registrar, guarantor and trustee during the review period. The company has established a strong infrastructure for providing shares dematerialization services to its customers.
- ii. NMB Capital has been working as a fund manager and depository for Mutual Funds viz. 'NMB Sulav Fund 1' and 'NMB Hybrid Fund L-1' issued by NMB Bank Ltd. With approval from Securities Board of Nepal (SEBON), the company initiated the issuance of mutual funds from 3rd week of October.
- iii. The company has received an approval from SEBON to provide institutional consulting services.

NMB Capital Limited
STATEMENT OF FINANCIAL POSITION
As at 16 July 2019

	16 July 2019 (NPR)	16 July 2018 (NPR)
Assets		
Cash and Cash Equivalents	515,316,772.21	396,328,814.76
Investment Securities measured at Fair Value through P/L	-	-
Investment in Equity measured at Fair Value through OCI	11,000,000.00	11,000,000.00
Investment Securities measured at Amortized Cost	179,330,362.81	236,921,486.09
Other Financial Assets	22,647,325.74	25,443,281.13
Other Assets	-	-
Property & Equipment	13,170,943.64	13,714,772.84
Intangible Assets	965,607.60	488,701.60
Current Tax Assets	210,498.74	608,895.73
Deferred Tax Assets	4,124,439.53	2,172,844.31
Total Assets	746,765,950.27	686,678,796.46
Liabilities		
Dues to Public	408,253,956.99	356,938,883.14
Other Financial Liabilities	29,767,579.95	36,962,761.71
Other Liabilities	14,784,347.23	17,038,603.71
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
Other Provisions	8,697,354.00	5,163,588.00
Total Liabilities	461,503,238.17	416,103,836.56
Equity		
Share Capital	200,000,000.00	200,000,000.00
Retained Earnings	82,537,798.28	68,619,502.20
Other Reserves	2,724,913.83	1,955,457.70
Total Equity	285,262,712.10	270,574,959.90
Total Liabilities and Equity	746,765,950.27	686,678,796.46

NMB Capital Limited
STATEMENT OF PROFIT OR LOSS
As at 16 July 2019

	16 July 2019 (NPR)	16 July 2018 (NPR)
Income		
Income from Merchant Banking Activities	25,479,619.89	36,371,046.98
Income from Mutual Fund operations	39,598,000.01	42,565,592.64
Interest Income	3,478,070.94	16,509,927.77
Other Income	50,045,221.81	40,412,404.36
Net gain/(loss) on financial investments Held for Trading	-	-
Total Income	118,600,912.65	135,858,971.75
Expense		
Personnel Expense	26,800,562.56	28,285,411.60
Interest Expense	-	-
Depreciation on Property and Equipment	3,865,552.41	3,421,950.29
Amortization of Intangible Assets	254,995.00	194,901.61
Other Operating Expenses	15,486,605.20	20,409,526.55
Total Expenses	46,407,715.17	52,311,790.05
Profit Before Tax from Continuing Operations	72,193,197.48	83,547,181.70
Income Tax Expenses	21,657,959.24	20,472,939.27
Deferred Tax Expenses/(Income)	1,492,795.32	-
Profit For the Year	52,028,033.56	63,074,242.43

NMB Laghubitta Bittyta Sanstha Ltd.

NMB Laghubitta Bittyta Sanstha Ltd is a subsidiary microfinance company of NMB Bank. It has a paid-up capital of NPR 162 Million of which NMB Bank, other individual promoters, and general public have share ownerships of 51%, 19%, and 30% respectively. The head office of the company is in Pokhara Metropolitan City Ward No 25, Milanchowk, Hemja, Kaski. It has 100 branches spread in 54 hilly districts of the country.

The microfinance institution has been providing financial services such as savings, loans, insurance to a large number of people living in remote mountainous and hilly regions of the country. The company in cooperation with various organizations have been encouraging and facilitating social works at the local level. The company as on 16 November 2019 had provided loan of NPR 3,3 Billion and mobilized deposit of NPR 1.2 Billion.

The highlights of NMB Microfinance during the fiscal year 2018/19 are as follows:

- i. The paid-up capital of the financial institution as on 16th July 2019 is NPR 162 Million. As approved by the 6th Annual General Meeting, its issued and paid-up capital after issuance of 12% bonus share and 1:1.5 ratio right share will reach NPR 453.6 Million.
- ii. The subsidiary company opened 16 branches during the fiscal year 2018/19 totaling its branches count to 100
- iii. The company in partnership with Sakchyam- Access to Finance and AVSAR Project has been working to provide financial services in remote areas with poor financial access.
- iv. The company has conducted various renewable energy promotion programs in collaboration with Winrock International and Arc Finance, financed renewable energy loan to deprived communities for purchasing solar panels, and solar lights for households in partnership with various vendor companies under Renewable Energy Project, and provided renewable energy related trainings to employees and customers.

NMB Microfinance Bittiya Sanstha Limited
Balance Sheet
As at 16 July 2019

	FY 2018/19 (NPR)	FY 2017/18 (NPR)
Capital & Liabilities		
1. Share Capital	210,608,125	162,006,250
2. Reserve and Funds	95,577,936	86,693,563
3. Debentures and Bonds	-	-
4. Borrowings	1,960,240,209	1,682,081,898
5. Deposits	1,082,721,395	696,528,653
6. Proposed Dividend	2,557,993	1,112,171
7. Income Tax Liabilities	2,671,717	242,787
8. Other Liabilities	65,025,009	45,927,871
Total Liabilities	3,419,402,385	2,674,593,192
Assets		
1. Cash Balance	130,155	16,451
2. Balance with Nepal Rastra Bank	16,030,000	24,230,000
3. Balance with Banks/Financial Institutions	284,303,949	447,869,961
4. Money at Call and Short Notice	-	-
5. Investments	2,000,000	2,000,000
6. Loans, Advances and Bills Purchased	3,077,263,360	2,167,490,812
7. Fixed Assets	25,806,730	21,177,981
8. Non-Banking Assets	-	-
9. Other Assets	13,868,191	11,807,986
Total Assets	3,419,402,385	2,674,593,192

NMB Microfinance BittiyaSanstha Limited
Profit and Loss Account
As at 16 July 2019

Particulars	FY 2018/19 (NPR)	FY 2017/18 (NPR)
Interest Income	468,569,376	377,058,891
Interest Expenses	261,092,922	211,444,355
Net Interest Income	207,476,454	165,614,536
Commission ,Discount and other operating income	92,841,611	66,225,063
Exchange Fluctuation Income	-	-
Total Operating Income	300,318,066	231,839,598
Staff Expenses	136,286,290	106,105,546
Other Operating Expenses	59,582,692	46,946,473
Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	104,449,084	78,787,580
Provision for Possible Losses	102,326,706	71,078,781
Operating Profit	2,122,378	7,708,798
Non-operating Income/Loss	938,877	486,423
Loss Provision Written-Back	92,544,258	43,475,339
Profit from Regular Operations	95,605,514	51,670,561
Profit/Loss from extra-ordinary activities	-	-
Net Profit after considering all activities	95,605,514	51,670,561
Staff Bonus Provision	9,560,551	4,697,324
Provision for Income Tax Provision	26,000,241	14,266,825
Current Year's Tax Provision	27,671,717	15,253,262
Previous Year's Tax Provision	(44,941)	-
Current Year Deferred Tax (Income)/Expenses	(1,626,535)	(986,437)
Net Profit/Loss	60,044,721	32,706,412

(C) Corporate Social Responsibility

The Bank as part of its corporate social responsibility continued to support various social and environmental causes that would support the country's commitment towards achieving UN's sustainable development goals 2016-2030. The Bank during the review period organized Financial Literacy Programs in various places to aware the people on financial services and support Nepal Government's vision of financial inclusion of all its citizens. The Bank inaugurated its joint operation after the merger of Om Development Bank Ltd. by donating NPR 200,000 as financial support to Apangata Maitri Samaj-a disabled-friendly social organization based in Pokhara.

The Bank has fully supported Pukar Apanga Asakta Samaj (Pukar Disability Social Service) in constructing a residential building for housing differently-abled children in ward number 8, Kankai Municipality, Jhapa.

The Bank as in previous years reiterated its commitment towards cultural and historical heritage site preservation, and organized a nation-wide NMB Heritage Walkathon event to raise awareness and fund for the conservation and restoration of such heritage sites in the country. The Bank has spread the CSR activities across the country through its branches and state offices and even to the places where the Bank does not have physical presence.

The Bank on the occasion of its anniversary organized various social activities such as distribution of educational materials to poor students, operation of health camps, plantation, etc. across the country through its branch network. The Bank to support literacy in rural areas has been distributing useful books collected from staff, customers, and others.

(D) Human Resources:

The Bank considering the needs of committed and productive staff for the successful implementation of future plans and its overall growth has paid special attention to the development and management of its employees. The Bank believes that empowered employees are the source of happy customers and has made considerable investment in its staff capacity development and effective management through various internal and external training programs. During the review period, most of the employees received internal training while 382 employees received external training. 76 employees participated in trainings and seminars outside the country.

In the review year, the number of committed employees was 1120 that increased to 1523 after merger of which 623 are females and 900 are male employees. At present, there are 9 employees completing more than 15 years of service period, 136 employees with more than 10 years of service, and 339 employees having worked for more than 5 years in the Bank.

(E) Arrangements for Grievance Handling:

Mr. Sudesh Upadhyaya, Chief Business and Strategy Officer who is also a member of the Bank's management team has been appointed as Grievance Handling Officer for hearing grievances of customers and the general public. Also, an online portal has been created on the Bank's website for grievance handling. In the review year, the Bank received 423 complaints and grievances through its branch offices, head office, hotline, and call center. All the grievances other than those related to loan recovery that follows legal procedures have been resolved in time.

(F) Board of Directors Meeting and Conduct:

The meeting of Board of Directors has been held regularly as per the existing acts and policies. During the review period, 27 board meetings were held to which the Chairman of the Board was remunerated NPR 13,000 and other board members were remunerated NPR 12,000 each per meeting.

All the Board officials have been complying the conducts mentioned in Section 6(1) of Unified Directive 2075.

(G) Management Team:

Mr. Sunil KC has been leading the Bank and its Management Team as the Chief Executive Officer. With a banking experience of 28 years, he has been with NMB Bank for over a decade and was the deputy CEO before taking up his new role in the year 2017. Under his leadership during the review period, the Management Team consisted of the following staff members:

Pradeep Pradhan	Chief Operating Officer
Shabnam Limbu Joshi	Chief Business and Support Officer
Sharad Tegi Tuladhar	Chief Risk Officer
Sudesh Upadhyaya	Chief Business Officer
Govind Ghimire	Chief Business Officer
Navin Manandhar	Chief Business Officer
Pramod Dahal	Company Secretary and Chief Legal, Compliance and AML Officer
Roshan Regmi	Head Operations

Acknowledgement:

On behalf of the Board of Directors, I would like to express my sincere gratitude to all esteemed shareholders, representatives from various regulatory bodies, stakeholders, customers, Management team and the entire staff for supporting the Bank to achieve remarkable financial results and reach new milestones year after year.

Thank You.

Pawan Kumar Golyan

Chairman

Date: 9 January, 2020

FY 2018/19

Annex-15 of Securities Registration and Issue Regulation, 2016 (Details related to clause 26.2)

1. Director's Report:

Director's report is included in the annual report of FY 2018/19.

2. Auditor's Report:

Auditor's report is included in the annual report of FY 2018/19.

3. Audited Financial Statements:

Audited financial statements are included in the annual report of FY 2018/19.

4. State of Legal Proceedings:

- i) If any lawsuit has been filed by or against the organization within the quarterly period:
45 lawsuits related to debt collection and banking property were being reviewed in various courts during the last financial year,
- ii) If any lawsuit was filed by or against the founder or director of the organization for disobeying the prevailing rules or committing a criminal offense:
Not in the information of this Bank.
- iii) If any lawsuit has been file against founder or director for financial offence:
Not in the information of this Bank.

5. Analysis of organization's share transactions and progress:

- i) Management's perception regarding the trading of organization's shares in the securities market:
The fluctuations in share trading are determined by the open market and are in line with the values and norms of the same
- ii) The maximum, minimum and final value of the Bank's shares in each quarter of the previous financial year as well as the total number and days of transactions.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Maximum Value	380	398	364	400
Minimum Value	303	315	300	356
Last Value	377	392	356	396
Number of Transactions	9,347	10,049	7,514	6,250
Days of Transactions	62	60	60	23

6. Problems and Challenges:

- i) Internal Problems and Challenges: Problems in the management of deposits and loan interest rates due to fluctuations in liquidity, lack of skilled human resources in the banking sector, the challenge of managing operating risks along with an increase in transactions are considered as internal problems and challenges by the Bank.
- ii) External Problems and Challenges: Continuing disputes including taxation among countries with larger economies affecting international trade in the region, lack of investment in alternative sectors for expansion of business as compared to capital growth, imbalance in demand for credit and deposit growth, increasing unhealthy competition in banking sector are taken as external problems and challenges by the Bank.
- iii) Strategies Adopted by Management: Deposits and credit investments are gradually increased as per Bank's strategy. The Bank is focused to increase retail loan, agriculture loan, and small and micro-enterprise loan whereas continuously improving the quality of its risk assets portfolio. In addition, the Bank has paid special attention to increasing investment in the productive sector of the country for which priority shall be given to branches expansion in places with high business potential. The Bank has placed emphasis on new areas of income generation and mobilization of deposits, management of passive debts and diversifying risk assets, and use of Finacle Core Banking Software to make the core banking system timely and relevant. The Bank also has made various effective training arrangements to make its skilled human resources more robust and efficient.

7. Corporate Governance

Details on the steps taken by the management of the Bank for the promotion of corporate governance:

- i) The policies adopted by the Board of Directors have been implemented.
- ii) Various committees formed at the management level (such as Assets and Liability Committee, Human Resources Recruitment Committee, Debt-Risk Management Committee, Corporate Governance Committee, etc.) are active.
- iii) In order to organize internal control mechanism, the Audit Committee has been meeting regularly to review and implement the suggestions given by the internal auditors in the regular audit report.
- iv) The Risk Management Committee has been meeting regularly to discuss the issues such as stress testing, adequacy of policies and rules, operational risk, etc. and following the instructions received for management.
- v) Discussions are being held from time to time by the Assets Laundering Prevention Committee emphasizing on customer identification process and issues related to this area.
- vi) Various internal policies, rules and guidelines have been formulated and implemented to manage banking transactions and minimize operational risks.
- vii) Full compliance of the directives and guidelines on good governance issued by the regulator bodies including Nepal Rastra Bank, Securities Board, and Company Registrar's Office.
- viii) In order to maintain good governance within the Bank, a Corporate Governance Committee has been constituted and the decisions of the governance issues discussed in the meeting have been implemented. The Chief Executive officer has been given the responsibility for maintaining Corporate Governance in the Bank.

Amendments to the MOA and AOA of the Bank presented as a special resolution in the General Meeting dated 9 January 2020

Article/ Section	Existing Arrangements	Proposed Arrangements	Justification to the Amendment																																							
On the MOA Side																																										
6(b)	The issued capital of the Bank shall be NPR 11,529,741,707.96 (in words: Eleven Billion Five Hundred Twenty Nine Million Seven Hundred Forty One Thousand Seven Hundred Seven and 96/100 only). This capital is divided into 115,297,417.07 (in words: One Hundred Fifteen Million Two Hundred Ninety Seven Thousand Four Hundred Seventeen and 07/100) units of shares with face value of NPR 100 per share.	The issued capital of the Bank shall be NPR 13,950,987,466.96 (in words: Thirteen Billion Nine Hundred Fifty Million Nine Hundred Eighty Seven Thousand Four Hundred Sixty Six and 96/100 only). With face value of NPR 100 per share, the capital is divided into 139,509,874.66 (in words: One Hundred Thirty Nine Million Five Hundred Nine Thousand Eight Hundred Seventy Four and 66/100) units of shares.	As per the proposal made on 24th Annual General Meeting of the Bank to distribute 21% bonus share on existing paid-up capital																																							
6(c)	The paid-up capital of the Bank shall be NPR 11,529,741,707.96 (in words: Eleven Billion Five Hundred Twenty Nine Million Seven Hundred Forty One Thousand Seven Hundred Seven and 96/100 only).	The issued capital of the Bank shall be NPR 13,950,987,466.96 (in words: Thirteen Billion Nine Hundred Fifty Million Nine Hundred Eighty Seven Thousand Four Hundred Sixty Six and 96/100 only). With face value of NPR 100 per share, the capital is divided into 139,509,874.66 (in words: One Hundred Thirty Nine Million Five Hundred Nine Thousand Eight Hundred Seventy Four and 66/100) units of shares.	As per the proposal made on 24th Annual General Meeting of the Bank to distribute 21% bonus share on existing paid-up capital																																							
On the AOA Side																																										
27(2)	The Bank shall have a 7 member board committee consisting of three elected representatives from both promoter and public shareholders and one independent director.	The Bank shall have a board committee of 7 members- 3 representatives from promoter shareholder category including one director nominated by Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Nederland and two elected directors, three elected representatives from public shareholder category and one independent director.	To ensure the representation of foreign investor on Board of Directors																																							
32(b)	Per meeting allowance received by the Chairman and other Directors shall be NPR 13,000 and NPR 12,000 respectively.	Per meeting allowance received by the Chairman and other Directors shall be NPR 18,000 and NPR 16,000 respectively.	Due to the time relative necessity to increase the allowance received by the board of directors																																							
32(c) (iii)	<p>Existing Arrangements Facility of Food Expenses</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Designation/Expense Heading</th> <th style="width: 12.5%;">Area-1 (USD)</th> <th style="width: 12.5%;">Area-2 (USD)</th> <th style="width: 12.5%;">Area-3 (USD)</th> <th style="width: 12.5%;">Area-4 (INR)</th> <th style="width: 12.5%;">Area-5 (NPR)</th> </tr> </thead> <tbody> <tr> <td>Chairman (Food Expenses)</td> <td style="text-align: right;">165.00</td> <td style="text-align: right;">110.00</td> <td style="text-align: right;">99.00</td> <td style="text-align: right;">2,200.00</td> <td style="text-align: right;">2,200.00</td> </tr> <tr> <td>Directors (Food Expenses)</td> <td style="text-align: right;">143.00</td> <td style="text-align: right;">99.00</td> <td style="text-align: right;">88.00</td> <td style="text-align: right;">1,650.00</td> <td style="text-align: right;">1,650.00</td> </tr> </tbody> </table> <p>Proposed Amendments Daily Travelling Allowance</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Designation/Expense Heading</th> <th style="width: 12.5%;">Area-1 (USD)</th> <th style="width: 12.5%;">Area-2 (USD)</th> <th style="width: 12.5%;">Area-3 (USD)</th> <th style="width: 12.5%;">Area-4 (INR)</th> <th style="width: 12.5%;">Area-5 (NPR)</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td style="text-align: right;">250.00</td> <td style="text-align: right;">250.00</td> <td style="text-align: right;">200.00</td> <td style="text-align: right;">11,000.00</td> <td style="text-align: right;">11,000.00</td> </tr> <tr> <td>Directors</td> <td style="text-align: right;">225.00</td> <td style="text-align: right;">225.00</td> <td style="text-align: right;">175.00</td> <td style="text-align: right;">10,000.00</td> <td style="text-align: right;">10,000.00</td> </tr> </tbody> </table>					Designation/Expense Heading	Area-1 (USD)	Area-2 (USD)	Area-3 (USD)	Area-4 (INR)	Area-5 (NPR)	Chairman (Food Expenses)	165.00	110.00	99.00	2,200.00	2,200.00	Directors (Food Expenses)	143.00	99.00	88.00	1,650.00	1,650.00	Designation/Expense Heading	Area-1 (USD)	Area-2 (USD)	Area-3 (USD)	Area-4 (INR)	Area-5 (NPR)	Chairman	250.00	250.00	200.00	11,000.00	11,000.00	Directors	225.00	225.00	175.00	10,000.00	10,000.00	Need for linguistic improvement and time-relative growth of daily travelling allowance observed
Designation/Expense Heading	Area-1 (USD)	Area-2 (USD)	Area-3 (USD)	Area-4 (INR)	Area-5 (NPR)																																					
Chairman (Food Expenses)	165.00	110.00	99.00	2,200.00	2,200.00																																					
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Directors	225.00	225.00	175.00	10,000.00	10,000.00																																					
32(c) (v)	Without increasing the amount limit mentioned in sub-clauses (i) and (ii), hotel and food expense shall be reimbursed as per the bill and other expenses not mentioned such as travel ticket, passport and visa fee, communication and transportation, etc. shall be reimbursed as per actual bill	Except as mentioned in sub-clauses (i) and (ii), air tickets, passport and visa fee, communication and transportation required during visit shall be inquired according to actual bill.	Need for linguistic improvement and consideration of practical aspects observed																																							

Notice about 24th Annual General Meeting

The 396th Board Meeting of the Bank held on 10 December 2019, has decided to conduct 24th Annual General Meeting in the following date, venue and time to discuss upon the following agenda. This notice is published to inform all our esteemed shareholders regarding the Annual General Meeting as per Clause 67 of Company Act, 2006.

1. Date, Venue and Time of the Annual General Meeting

Date : Thursday, 9 January, 2020

Venue : Nepal Administrative Staff College, Lalitpur

Time : 10:00 A.M.

2. Agenda of the Meeting

A. General Agenda

- i. To discuss and approve the annual report presented by the Chairman on behalf of the Board of Directors,
- ii. To discuss and approve the Auditor's report for FY 2018/19 including Balance Sheet, Profit and Loss Statement, Cash Flow Statement, and other financial reports (including consolidated financials of subsidiary companies and financial reports of erstwhile Om Development Bank Ltd.),
- iii. To appoint and decide upon the remuneration of the Auditor for fiscal year 2019/20 in compliance with the Clause 111 of Company Act, 2006 and Clause 63 of Bank and Financial Institution Act 2016, (existing Auditor MS. S.R. Associates, Chartered Accountant is eligible for reappointment)
- iv. To approve the appointment of auditor for financial audit of erstwhile Om Development Bank Ltd. until September 27 of the FY 2019/20.
- v. To approve the distribution of 14 percent cash dividend (including for tax purpose) amounting NPR 1,614,163,839.11 (in words: Rupees One Billion Six Hundred Fourteen Million, One Hundred Sixty Three Thousand, Eight Hundred Thirty Nine and 11/100 only) of the existing paid-up capital of NPR 11,529,741,707.96 (in words: Rupees Eleven Billion Five Hundred Twenty Nine Million Seven Hundred Forty One Thousand Seven Hundred Seven and 96/100 only) as proposed by the Board of Directors.

B. Special Agenda

- i. To approve the increment in the existing issued capital from NPR 11,529,741,707.96 (in words: Rupees Eleven Billion Five Hundred Twenty Nine Million Seven Hundred Forty One Thousand Seven Hundred Seven and 96/100 only) to NPR 13,950,987,466.96 (in words: Rupees Thirteen Billion Nine Hundred Fifty Million Nine Hundred Eight Seven Thousand Four Hundred Sixty Six and 96/100 only)
- ii. To approve the distribution of 21 percent bonus share of existing paid-up capital amounting to NPR 2,421,245,759 (in words: Rupees Two Billion Four Hundred Twenty One Million Two Hundred Forty Five Thousand Seven Hundred Fifty Nine only) to adjust the effect of proposed increment in issued capital

- iii. To approve the amendment of Memorandum of Association of the Bank with respect to the increment of its issued and paid-up capital. (Related details are included in the Annual Report)
- iv. To approve the amendment of the Article of Association of the Bank (Related details are included in the Annual Report)
- v. To provide authority to the Board of Directors to acquire other banks and financial institutions and to carry out merger process with other banks and financial institutions, and to delegate authority to carry out the tasks related to the appointment of the Appraiser/Valuator for the same
- vi. To provide authority to the Board of Directors to carry out or cause to carry out tasks related to amendment in the Memorandum of Association and Article of Association of the Bank such as record keeping, making minor changes, certification of the documents, registration and receipt of acknowledgement of the record.

C. Miscellaneous

D. Regarding Election

- i. To conduct election to appoint six directors with 3 each representing from public shareholders and promoter shareholders

By Order
Company Secretary

Additional Information about the Annual General Meeting (AGM)

1. Share register shall remain closed from 2076/09/04 B.S. (20/12/2019 A.D.) to 2076/09/24 B.S. (09/01/2020) for the purpose of this AGM.
2. A brief annual financial statement is published along with this notice for shareholders' information. Further, all the proposals presented at the AGM along with brief financial statements are also kept on the Bank's website www.nmbbanknepal.com.np
3. Shareholders interested in participating at the AGM are required to bring either an original copy of Share Certificate or Demat account details and documents proving their identity with photograph or its copy along with them.
4. Shareholders attending the AGM must be present in the AGM venue and sign the attendance register that will be made available from 09:00 A.M. onwards.
5. Shareholders willing to nominate proxy to attend the AGM, shall register proxy form at the Bank's head office Babarmahal, Kathmandu, at least 48 hours before the AGM commences.

6. Only existing shareholders shall be nominated proxy. If any shareholder after appointing proxy is self-present in the AGM, then such proxy shall be automatically cancelled.
7. In case of minor or insane shareholders, person registered as his/her guardian in the share register book shall be entitled to take part, vote or appoint a proxy in the AGM. In case of joint shareholdings, only the unanimously selected representative or the partner whose name appears first in the serial order of the share register book can attend the AGM.
8. Any issue or query raised in the AGM shall be responded by Chairman or any other dignitaries as permitted by the Chairman.
9. If any shareholder has any issue or query about the Bank, shareholders are requested to send it in writing to the Bank's registered office at least 7 days before the AGM commences. However, such issues or queries shall not be tabled for discussion as agenda in the AGM.
10. Except for documents related to AGM, shareholders are kindly requested not to carry any bags and luggage while attending the AGM.

Additional Information on Election of Members of Board of Directors

1. The programs related to the election will be as per the notice published by the Election Officer. The election program will be published by the Election Officer on 2076/09/10 B.S. (26/12/2019 A.D.) Thursday 1 PM at the Bank's central office Babarmahal, Kathmandu.
2. The shareholder willing to be a candidate for the post of Director must have owned at least 100 units mortgage free shares of any type issued by the Bank.
3. The shareholder willing to be a candidate for the post of Director will have to register his candidacy in the prescribed format within the date and time mentioned in the notice of the election program published at Bank's central office, ward number 11, NMB Bhawan, Babarmahal, Kathmandu. The candidacy must be proposed by one ordinary shareholder of the Bank and seconded by another shareholder as supporter.
4. Shareholders can purchase Directors' "Election Guidelines 2065" by paying a fee of NPR 200 from the central office of the Bank

NOTE: For shareholders' convenience, Annual Report has been uploaded in Bank's website (<https://www.nmbbanknepal.com.np>) wherein shareholders can browse and access the report online.





Financial
Statements
FY 2018-19

Independent Auditor's Report

To the Shareholders of NMB Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the NMB Bank Limited (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2076 (July 16, 2019), and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 31 Ashad, 2076 (16 July 2019), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Consolidated Financial Statements* section of our Report. We are independent of the Group in accordance with the ICAN's *Handbook of Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's *Handbook of 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 opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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. Misstatement 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 consolidated 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 risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the consolidated financial statements including the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of bank


Sunir Kumar Dhungel
Managing Partner



Place: Kathmandu, Nepal
Date: November 10, 2019

Consolidated Statement of Financial Position

As at 31 Ashad, 2076 (16 July, 2019)

(Amount in NPR)

Particulars	Note	Group		NMB	
		As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Assets					
Cash and cash equivalent	4.1	8,801,746,664	5,956,726,206	8,096,354,503	5,180,404,105
Due from Nepal Rastra Bank	4.2	10,845,211,584	6,864,740,937	10,829,181,584	7,260,194,560
Placement with Bank and Financial Institutions	4.3	2,172,967,239	276,407,171	2,172,967,239	276,407,171
Derivative financial instruments	4.4	8,595,482,282	7,506,751,485	8,595,482,282	7,506,751,485
Other trading assets	4.5	340,390,000	321,720,000	340,390,000	321,720,000
Loan and advances to B/FIs	4.6	3,317,961,987	2,497,567,769	3,317,961,987	2,497,567,769
Loans and advances to customers	4.7	91,011,889,312	74,413,584,770	88,485,031,394	72,711,771,766
Investment securities	4.8	10,458,681,378	9,608,368,211	10,316,351,016	9,448,446,725
Current tax assets	4.9	-	-	-	-
Investment in subsidiaries	4.10	-	-	248,552,000	248,552,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	102,915,862	59,774,627	102,915,862	59,774,627
Property and equipment	4.13	1,616,577,616	1,594,345,849	1,577,898,704	1,559,569,574
Goodwill and Intangible assets	4.14	116,673,171	22,643,811	115,408,800	22,054,209
Deferred tax assets	4.15	74,165,032	69,938,833	70,040,593	66,869,011
Other assets	4.16	1,229,893,858	4,909,055,046	1,201,873,611	4,458,383,903
Total Assets		138,684,555,985	114,101,624,715	135,470,409,573	111,618,466,905

	Note	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Liabilities					
Due to Bank and Financial Institutions	4.17	624,364,996	1,036,268,951	624,364,996	1,036,268,951
Due to Nepal Rastra Bank	4.18	3,203,523,072	660,071,641	3,203,523,072	660,071,641
Derivative financial instruments	4.19	8,458,374,429	7,477,483,892	8,458,374,429	7,477,483,892
Deposits from customers	4.20	98,830,664,647	84,509,502,746	97,892,301,967	83,970,867,219
Borrowing	4.21	4,828,300,209	1,182,081,898	3,468,060,000	-
Current Tax Liabilities	4.9	38,039,788	60,051,484	35,578,570	60,418,156
Provisions	4.22	224,219	73,556	-	-
Deferred tax liabilities	4.15	8,605,751	5,871,843	-	-
Other liabilities	4.23	2,675,953,373	1,871,616,566	2,145,955,868	1,405,999,800
Debt securities issued	4.24	2,239,236,412	517,547,945	2,239,236,412	517,547,945
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		120,907,286,896	97,320,570,522	118,067,395,314	95,128,657,604
Equity					
Share capital	4.26	9,618,162,652	7,603,290,634	9,618,162,652	7,603,290,634
Share premium		2,512,798,517	4,066,854,498	2,512,798,517	4,061,366,586
Retained earnings		1,961,722,547	2,476,497,798	1,780,326,613	2,339,181,597
Reserves	4.27	3,519,188,757	2,502,931,208	3,491,726,477	2,485,970,484
Total equity attributable to equity holders		17,611,872,473	16,649,574,138	17,403,014,259	16,489,809,301
Non-controlling interest		165,396,616	131,480,054	-	-
Total equity		17,777,269,089	16,781,054,193	17,403,014,259	16,489,809,301
Total liabilities and equity		138,684,555,985	114,101,624,715	135,470,409,573	111,618,466,905
Contingent liabilities and commitment	4.28	88,270,903,369	84,803,180,879	88,270,353,369	84,803,180,879
Net Assets Value per share		183.11	218.98	180.94	216.88

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Piji
Director

Rajendra Kafle
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Harischandra Subedi
Director

Pradeep Raj Pandey
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: Sunday, November 10, 2019
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Profit or Loss

For the year ended 31 Ashad, 2076 (16 July 2019)

(Amount in NPR)

Particulars	Note	Group		NMB	
		Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Interest income	4.29	11,607,773,819	9,169,057,454	11,082,059,031	8,728,699,831
Interest expense	4.30	7,092,738,463	6,036,130,108	6,838,038,085	5,824,685,753
Net interest income		4,515,035,356	3,132,927,346	4,244,020,946	2,904,014,078
Fee and commission income	4.31	1,159,227,002	939,618,308	1,003,530,866	794,250,068
Fee and commission expense	4.32	101,418,691	69,926,838	93,955,270	62,708,027
Net fee and commission income		1,057,808,311	869,691,470	909,575,596	731,542,041
Net interest, fee and commission income		5,572,843,667	4,002,618,816	5,153,596,542	3,635,556,119
Net trading income	4.33	352,049,490	299,605,983	352,049,490	299,605,983
Other operating income	4.34	212,650,641	166,970,494	210,373,919	164,962,228
Total operating income		6,137,543,798	4,469,195,293	5,716,019,951	4,100,124,330
Impairment charge/(reversal) for loans and other losses	4.35	176,055,082	(192,047,347)	166,272,634	(219,650,789)
Net operating income		5,961,488,716	4,661,242,640	5,549,747,317	4,319,775,119
Operating expense					
Personnel expenses	4.36	1,587,182,602	1,157,939,860	1,415,793,493	1,021,570,435
Other operating expenses	4.37	764,153,498	642,723,322	708,661,406	589,394,199
Depreciation & Amortisation	4.38	187,669,499	155,987,560	176,793,355	147,695,238
Operating Profit		3,422,483,117	2,704,591,898	3,248,499,063	2,561,115,247
Non operating income	4.39	17,090,672	43,140,193	17,090,672	43,140,193
Non operating expense	4.40	17,609,148	37,935,379	17,585,901	37,935,379
Profit before income tax		3,421,964,641	2,709,796,712	3,248,003,834	2,566,320,061
Income tax expense	4.41				
Current Tax		1,043,451,780	865,791,637	994,167,044	829,621,042
Deferred Tax expense/(Income)		(1,877,083)	(116,372,096)	(3,439,237)	(117,093,734)
Profit for the period		2,380,389,944	1,960,377,171	2,257,276,027	1,853,792,753
Profit attributable to:					
Equity holders of the Bank		2,345,558,841	1,940,103,356	2,257,276,027	1,853,792,753
Non-controlling interest		34,831,103	20,273,815	-	-
Profit for the period		2,380,389,944	1,960,377,171	2,257,276,027	1,853,792,753
Earnings per share					
Basic earnings per share (BEPS)		24.46	22.88	23.54	21.86
Diluted earnings per share (DEPS)		24.46	22.88	23.54	21.86

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Rajendra Kafle
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Harischandra Subedi
Director

Pradeep Raj Pandey
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: Sunday, November 10, 2019
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Other Comprehensive Income

For the year ended 31 Ashad, 2076 (16 July 2019)

(Amount in NPR)

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Profit for the year	2,380,389,944	1,960,377,171	2,257,276,027	1,853,792,753
Other comprehensive income, net of income tax				
a) Items that will not be reclassified to profit or loss				
- Gains/(losses) from investments in equity instruments measured at fair value	2,474,640	(41,011,310)	2,162,140	(38,270,067)
- Gains/(losses) on revaluation	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	(4,188,587)	(24,750,032)	(1,269,955)	(24,971,604)
-Income tax relating to above items	(514,184)	(19,728,403)	267,656	(18,972,501)
Net other comprehensive income that will not be reclassified to profit or loss	(1,199,763)	(46,032,939)	624,530	(44,269,170)
b) Items that are or may be reclassified to profit or loss				
- Gains/(losses) on cash flow hedge	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
- Income tax relating to above items	-	-	-	-
- Reclassify to profit or loss	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method				
	-	-	-	-
Other comprehensive income for the period, net of income tax	(1,199,763)	(46,032,939)	624,530	(44,269,170)
Total comprehensive income for the period	2,379,190,181	1,914,344,230	2,257,900,556	1,809,523,583
Total comprehensive income attributable to:				
Equity holders of the Bank	2,344,728,421	1,893,994,416	2,257,900,556	1,809,523,583
Non-controlling interest	34,461,761	20,349,814	-	-
Total comprehensive income for the period	2,379,190,181	1,914,344,230	2,257,900,556	1,809,523,583

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Rajendra Kafle
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Harischandra Subedi
Director

Pradeep Raj Pandey
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: Sunday, November 10, 2019
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of changes in equity

For the year ended 31 Ashad, 2076 (16 July 2019)

(Amount in NPR)

Particulars	Group										Total equity	
	Attributable to equity holders of the Group											
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	
Balance at 15 July 2017	6,461,774,334	1,444,715,109	1,309,897,100	54,642,254	-	21,883,371	-	1,513,818,419	277,705,039.3	11,084,435,628	111,856,859	11,196,292,486
Adjustment/Restatement	-	-	-	-	-	-	-	(2,612,928)	-	(2,612,928)	-	(2,612,928)
Transfer to Capital Adjustment Fund	-	-	-	-	-	-	-	(4,030,966)	4,030,966	-	-	-
Adjusted/Restated balance at 16 July 2017	6,461,774,334	1,444,715,109	1,309,897,100	54,642,254	-	21,883,371	-	1,507,174,525	281,736,005	11,081,822,698	111,856,859	11,193,679,858
Comprehensive income for the year 2017-18	-	-	-	-	-	-	-	1,940,103,355	-	1,940,103,356	20,273,815	1,960,377,171
Profit for the year	-	-	-	-	-	-	-	1,940,103,355	-	1,940,103,356	20,273,815	1,960,377,171
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	(28,707,917)	-	-	-	(28,707,917)	-	(28,707,917)
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	68,802	(17,401,022)	(17,332,220)	75,999	(17,256,220)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves during the year	-	-	374,094,605	1,731,624	404,406,612	-	-	(882,235,818)	103,685,694	1,682,716	-	1,682,716
General reserve fund	-	-	374,094,605	-	-	-	-	(374,094,605)	-	-	-	-
Debt redemption reserve	-	-	-	-	-	-	-	(90,999,503)	90,999,503	-	-	-
Investment adjustment Reserve	-	-	-	-	-	-	-	6,205,056	(6,205,056)	-	-	-
Exchange fluctuation reserve	-	-	-	1,731,624	-	-	-	(1,731,624)	-	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	-	(17,041,728)	17,041,728	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	(166,803)	1,849,519	1,682,716	-	1,682,716
Regulatory Reserve	-	-	-	-	404,406,612	-	-	(404,406,612)	-	-	-	-
Transfer from reserves during the year	-	-	-	-	-	-	-	3,037,118	(3,037,118)	-	-	-
Staff skill development fund	-	-	-	-	-	-	-	3,037,118	(3,037,118)	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
FPO Issued and Alloted	1,141,516,300	-	-	-	-	-	-	-	-	1,141,516,300	-	1,141,516,300
Premium on FPO Issue	-	2,659,732,979	-	-	-	-	-	-	-	2,659,732,979	-	2,659,732,979
FPO Issue Expenses (net off taxes)	-	(23,224,340)	-	-	-	-	-	-	-	(23,224,340)	-	(23,224,340)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Issue of NIMBMF	-	-	-	-	-	-	-	14,369,250	-	14,369,250	-	14,369,250
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	(14,369,250)	-	-	-	-	-	-	-	(14,369,250)	-	(14,369,250)
Cash dividend paid	-	-	-	-	-	-	-	(106,019,434)	-	(106,019,434)	(726,619)	(106,746,053)
Total contributions by and distributions	1,141,516,300	2,622,139,389	-	-	-	-	-	(91,650,184)	-	3,672,005,505	(726,619)	3,671,278,886
Balance at 16 July 2018	7,603,290,634	4,066,854,498	1,683,991,705	56,373,878	404,406,612	(6,824,546)	-	2,476,497,798	364,983,558	16,649,574,138	131,480,054	16,781,054,193

Balance at 17 July 2018	7,603,290,634	4,066,854,498	1,683,991,705	56,373,878	404,406,612	(6,824,546)	-	2,476,497,798	364,983,558	16,649,574,138	131,480,054	16,781,054,193
Adjustment/Restatement	-	-	-	-	-	-	-	4,954	-	4,954	-	4,954
Prior Period Taxes	-	-	-	-	-	-	-	(1,216,722)	-	(1,216,722)	-	(1,216,722)
Adjusted/Restated balance at 17 July 2018	7,603,290,634	4,066,854,498	1,683,991,705	56,373,878	404,406,612	(6,824,546)	-	2,475,286,030	364,983,558	16,648,362,370	131,480,054	16,779,842,425
Comprehensive income for the year 2018-19	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	2,345,558,841	-	2,345,558,841	34,831,103	2,380,389,944
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	1,732,248	-	-	-	1,732,248	-	1,732,248
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	(2,562,669)	(2,562,669)	(369,342)	(2,932,011)
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	457,579,767	22,003,093	414,326,452	1,732,248	-	2,345,558,841	(2,562,669)	2,344,728,421	34,461,761	2,379,190,181
Transfer to reserve during the year	-	-	457,579,767	22,003,093	414,326,452	-	-	(1,015,260,206)	124,178,658	2,827,765	(235)	2,827,529
General Reserve Fund	-	-	457,579,767	-	-	-	-	(657,579,767)	-	-	-	-
Debt Redemption Reserve	-	-	-	-	-	-	-	(90,452,511)	90,452,511	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	22,003,093	-	-	-	(22,003,093)	-	-	-	-
Staff Skill Development Fund	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	(17,200,430)	17,200,186	(245)	(235)	(480)
Customer Protection Fund	-	-	-	-	-	-	-	(2,697,952)	5,525,961	2,828,009	-	2,828,009
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve	-	-	-	-	414,326,452	-	-	(414,326,452)	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	(11,000,000)	11,000,000	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Staff Skill Development Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Premium Received from FMO	-	471,569,200	-	-	-	-	-	-	-	471,569,200	-	471,569,200
Share Issue Expenses (net of taxes)	-	(5,265,251)	-	-	-	-	-	-	-	(5,265,251)	-	(5,265,251)
Bonus Share Issue of NMBMF	-	-	-	-	-	-	-	10,776,938	-	10,776,938	-	10,776,938
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,014,872,018	(2,020,359,931)	-	-	-	-	-	(5,289,025)	-	(10,776,938)	-	(10,776,938)
Cash dividend paid	-	-	-	-	-	-	-	(1,849,350,032)	-	(1,849,350,032)	(544,964)	(1,849,894,996)
Total contributions by and distributions	2,014,872,018	(1,554,085,982)	-	-	-	-	-	(1,863,862,119)	-	(1,383,046,083)	(544,964)	(1,383,591,047)
Balance at 16 July 2019	9,618,162,652	2,512,798,517	2,141,571,472	78,376,972	818,733,064	(5,092,298)	-	1,961,722,547	485,599,568	17,611,872,473	165,396,616	17,777,269,089

Consolidated Statement of changes in equity

For the year ended 31 Ashad, 2076 (16 July 2019)

(Amount in NPR)

Particulars	NMB											
	Attributable to equity holders of the Bank											
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at 15 July 2017	6,461,774,334	1,424,857,947	1,301,092,903	54,642,254	-	19,731,751	-	1,364,948,851	275,212,739	10,902,260,779	-	10,902,260,779
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Adjustment Fund	-	-	-	-	-	-	-	(4,030,966)	4,030,966	-	-	-
Adjusted/Restated balance at 16 July 2017	6,461,774,334	1,424,857,947	1,301,092,903	54,642,254	-	19,731,751	-	1,360,917,885	279,243,705	10,902,260,779	-	10,902,260,779
Comprehensive income for the year 2017-18	-	-	-	-	-	-	-	1,853,792,753	-	1,853,792,753	-	1,853,792,753
Profit for the year	-	-	-	-	-	-	-	1,853,792,753	-	1,853,792,753	-	1,853,792,753
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	(26,789,047)	-	-	-	(26,789,047)	-	(26,789,047)
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(17,480,123)	(17,480,123)	-	(17,480,123)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(26,789,047)	-	1,853,792,753	(17,480,123)	1,809,523,563	-	1,809,523,563
Transfer to reserve during the year	-	-	370,758,551	1,731,624	404,406,612	-	-	(878,566,159)	101,669,372	-	-	-
General reserve fund	-	-	370,758,551	-	-	-	-	(370,758,551)	-	-	-	-
Debiture redemption reserve	-	-	-	-	-	-	-	(90,999,503)	90,999,503	-	-	-
Investment adjustment Reserve	-	-	-	-	-	-	-	6,205,056	(6,205,056)	-	-	-
Exchange fluctuation reserve	-	-	-	1,731,624	-	-	-	(1,731,624)	-	-	-	-
Regulatory Reserve	-	-	-	-	404,406,612	-	-	(404,406,612)	-	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	-	(16,874,926)	16,874,926	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	3,037,118	(3,037,118)	-	-	-
Staff Skill Development Fund	-	-	-	-	-	-	-	3,037,118	(3,037,118)	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
FPO issued and Alloted	1,141,516,300	-	-	-	-	-	-	-	-	1,141,516,300	-	1,141,516,300
Premium on FPO Issue	-	2,659,732,979	-	-	-	-	-	-	-	2,659,732,979	-	2,659,732,979
FPO Issue Expenses (net off taxes)	-	(23,224,340)	-	-	-	-	-	-	-	(23,224,340)	-	(23,224,340)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	1,141,516,300	2,636,508,639	-	-	-	-	-	-	-	3,778,024,939	-	3,778,024,939
Balance at 16 July 2018	7,603,290,634	4,061,366,586	1,671,851,454	56,373,878	404,406,612	(7,057,296)	-	2,339,181,997	360,395,836	16,489,809,301	-	16,489,809,301

Balance at 17 July 2018	7,603,290,634	4,061,366,586	1,671,951,454	56,373,878	404,406,612	(7,057,296)	2,339,181,597	360,395,836	16,489,809,301	-	16,489,809,301
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-	(1,216,722)	-	(1,216,722)	-	(1,216,722)
Adjusted/Restated balance at 17 July 2018	7,603,290,634	4,061,366,586	1,671,951,454	56,373,878	404,406,612	(7,057,296)	2,337,964,875	360,395,836	16,488,592,578	-	16,488,592,578
Comprehensive income for the year 2018-19	-	-	-	-	-	-	2,257,276,027	-	2,257,276,027	-	2,257,276,027
Profit for the year	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	1,513,498	-	-	1,513,498	-	1,513,498
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	-	-	(888,969)	(888,969)	-	(888,969)
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	451,455,205	22,003,093	414,326,452	1,513,498	2,257,276,027	(888,969)	2,257,900,556	-	2,257,900,556
Transfer to reserve during the year	-	-	451,455,205	22,003,093	414,326,452	-	(451,455,205)	118,346,713	-	-	-
General Reserve Fund	-	-	-	-	-	-	(90,452,511)	90,452,511	-	-	-
Debt Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	22,003,093	-	-	(22,003,093)	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	(16,894,202)	16,894,202	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve	-	-	-	-	414,326,452	-	(414,326,452)	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	(11,000,000)	11,000,000	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Staff Skill Development Fund	-	-	-	-	-	-	-	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-
Premium Received from FMO	-	-	471,569,200	-	-	-	-	-	471,569,200	-	471,569,200
Share Issue Expenses (net off taxes)	-	-	(5,265,251)	-	-	-	-	-	(5,265,251)	-	(5,265,251)
Share based payments	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,014,872,018	(2,014,872,018)	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	(1,808,782,825)	-	(1,808,782,825)	-	(1,808,782,825)
Total contributions by and distributions	2,014,872,018	(1,548,568,069)	-	-	-	-	(1,808,782,825)	-	(1,342,478,876)	-	(1,342,478,876)
Balance at 16 July 2019	9,618,162,652	2,512,798,517	2,123,306,659	78,376,972	818,733,064	(5,543,798)	1,780,326,613	476,853,581	17,403,014,259	-	17,403,014,259

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Rajendra Kafle
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Harishandra Subedi
Director

Navin Manandhar
Chief Finance Officer

Miridul Parajuli
Head-Finance & Planning

Date: Sunday, November 10, 2019
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of cash flows

For the year ended 31 Ashad, 2076 (16 July 2019)

(Amount in NPR)

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	10,546,876,485	8,794,988,534	10,029,237,559	8,364,873,036
Fees and other income received	1,132,864,080	929,787,387	970,870,892	790,304,114
Dividend received	-	-	-	-
Receipts from other operating activities	385,714,392	358,041,840	384,775,861	357,555,417
Interest paid	(6,823,042,020)	(6,039,527,238)	(6,561,973,326)	(5,828,082,883)
Commission and fees paid	(93,955,270)	(69,926,838)	(93,955,270)	(62,708,027)
Cash payment to employees	(1,456,045,782)	(1,147,047,730)	(1,295,324,891)	(1,013,279,499)
Other expense paid	(767,592,573)	(669,041,524)	(700,390,033)	(613,344,690)
Operating cash flows before changes in operating assets and liabilities	2,924,819,312	2,157,274,431	2,733,240,793	1,995,317,467
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(3,970,076,184)	2,387,693,785	(3,978,276,184)	2,402,193,785
Placement with bank and financial institutions	(2,265,215,135)	338,994,868	(2,265,215,135)	406,887,994
Other trading assets	(18,670,000)	(23,440,000)	(18,670,000)	(23,440,000)
Loan and advances to bank and financial institutions	(817,737,763)	(634,657,961)	(817,737,763)	(634,657,961)
Loans and advances to customers	(16,428,761,736)	(13,044,839,083)	(15,509,016,343)	(12,646,608,128)
Other assets	3,553,083,797	(2,861,359,668)	3,573,449,198	(2,868,310,588)
Total	(19,947,377,021)	(13,837,608,060)	(19,015,466,228)	(13,363,934,899)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(411,903,955)	129,872,956	(411,903,955)	129,872,956
Due to Nepal Rastra Bank	2,531,451,431	(450,487,159)	2,543,451,431	(450,487,159)
Deposit from customers	14,395,099,867	11,945,557,284	13,921,434,748	11,653,200,615
Borrowings	3,758,194,083	141,151,539	3,468,040,000	(55,347,308)
Other liabilities	382,545,373	2,033,609,256	387,420,114	2,223,142,470
Net cash flow from operating activities before tax paid	20,655,386,800	13,799,703,876	19,908,462,338	13,500,381,574
Income taxes paid	(1,172,181,378)	(664,974,613)	(1,125,413,472)	(633,132,526)
Net cash flow from operating activities	2,460,647,713	1,454,395,634	2,500,823,432	1,498,631,616

CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities	(4,834,268,827)	(10,521,875,476)	(4,834,268,827)	(10,401,270,740)			
Receipts from sale of investment securities	4,292,200,326	8,381,577,243	4,351,536,812	8,377,760,162			
Purchase of property and equipment	(210,592,007)	(284,530,625)	(199,177,763)	(268,775,840)			
Receipt from the sale of property and equipment	92,584,085	11,583,879	92,022,568	10,583,525			
Purchase of intangible assets	(107,102,744)	(12,888,798)	(106,455,282)	(12,210,798)			
Receipt from the sale of intangible assets	-	-	-	-			
Purchase of investment properties	(53,480,759)	-	(53,480,759)	-			
Receipt from the sale of investment properties	10,844,000	73,597,200	10,844,000	73,597,200			
Investment in subsidiaries, associates & joint ventures	-	(100,000,000)	-	(100,000,000)			
Interest received	660,235,537	384,317,755	660,235,537	384,317,755			
Dividend received	71,020,758	134,100,160	71,020,758	132,758,055			
Net cash used in investing activities	(78,559,632)	(1,934,118,662)	(7,722,956)	(1,803,240,682)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipt from issue of debt securities	1,684,505,000	-	1,684,505,000	-			
Repayment of debt securities	-	-	-	-			
Receipt from issue of subordinated liabilities	-	-	-	-			
Repayment of subordinated liabilities	-	-	-	-			
Receipt from issue of shares	466,303,949	100,000,000	466,303,949	-			
Dividends paid	(1,857,083,570)	(128,628,002)	(1,815,971,398)	(21,881,950)			
Interest paid	-	-	-	-			
Other receipt/payment	13,301,500	-	-	-			
Net cash from financing activities	307,026,879	(28,628,002)	334,837,550	(21,881,950)			
Net increase (decrease) in cash and cash equivalents	2,689,114,960	(508,351,031)	2,827,938,026	(326,491,015)			
Cash and cash equivalents at the beginning of the year	6,024,619,332	6,458,150,739	5,180,404,105	5,499,968,622			
Cash and cash equivalents acquired from the merger	-	-	-	-			
Effect of exchange rate fluctuations on cash and cash equivalents held	88,012,372	6,926,498	88,012,372	6,926,498			
Cash and cash equivalents at the end of the year	8,801,746,664	5,956,726,206	8,096,354,503	5,180,404,105			

As per our attached report of even date

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Rajendra Kafle
Director

Nico Piji
Director

Pawan Kumar Golyan
Chairman

Sunil KC
CEO

Mridul Parajuli
Head-Finance & Planning

Navin Manandhar
Chief Finance Officer

Pradeep Raj Pandey
Director

Harishchandra Subedi
Director

Date: Sunday, November 10, 2019
Place: NMB Bhawan, Babarmahal, Kathmandu

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Cash and cash equivalent

4.1

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Cash in hand	2,452,263,134	2,409,735,309	2,452,131,879	2,409,717,758
Balances with B/Fls	1,614,483,063	1,595,755,250	909,222,157	819,450,700
Money at call and short notice	522,936,277	236,768,728	522,936,277	236,768,728
Other	4,212,064,190	1,714,466,919	4,212,064,190	1,714,466,919
Total	8,801,746,664	5,956,726,206	8,096,354,503	5,180,404,105

The fair value of cash is the carrying amount. Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, treasury bills and placements having original maturity of three months or less than three months.

Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the regulatory, liquidity and business requirements. Cash held in FCY is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. The income on these assets is credited to statement of profit or loss under interest income.

Due from Nepal Rastra Bank

4.2

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Statutory balances with NRB	8,268,566,442	5,160,583,504	8,252,536,442	5,136,353,504
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	2,576,645,141	1,704,157,433	2,576,645,141	2,123,841,056
Total	10,845,211,584	6,864,740,937	10,829,181,584	7,260,194,560

The fair value of balance with the central bank and other deposits at NRB is the carrying amount.

Balance with the central bank is principally maintained as a part of the regulatory cash reserve ratio required by the central bank. There are regulatory and liquidity restrictions placed on the level of balance with the central bank. The other receivable from NRB is receivable of Li:Ka Accounts (contra) of Government bodies. Due from Nepal Rastra Bank is subsequently also measured at amortised cost.

Placements with Bank and Financial Institutions

4.3

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Placement with domestic B/FIs	-	-	-	-
Placement with foreign B/FIs	2,172,967,239	276,407,171	2,172,967,239	276,407,171
Less: Allowances for impairment	-	-	-	-
Total	2,172,967,239	276,407,171	2,172,967,239	276,407,171

These assets are measured at amortised costs. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

Derivative financial instruments

4.4

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Held for trading				
Interest rate swap	-	-	-	-
Currency swap	1,899,469,355	1,392,798,943	1,899,469,355	1,392,798,943
Forward exchange contract	6,139,923,883	5,331,619,218	6,139,923,883	5,331,619,218
Others	556,089,044	782,333,323	556,089,044	782,333,323
Held for risk management				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
Total	8,595,482,282	7,506,751,485	8,595,482,282	7,506,751,485

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices etc. All derivatives are initially recognised and subsequently measured at fair value, with all trading gains or losses recognised in the Statement of Profit or Loss under Net trading Income. Fair value is determined using the forward market rates ruling on the reporting date.

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.5

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Treasury bills	-	-	-	-
Government bonds	340,390,000	321,720,000	340,390,000	321,720,000
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	-	-	-	-
Other	-	-	-	-
Total	340,390,000	321,720,000	340,390,000	321,720,000
Pledged	-	-	-	-
Non-pledged	340,390,000	321,720,000	340,390,000	321,720,000

Citizens Saving Certificates are purchased by the bank under Market Maker Procedure, 2070 issued by the Nepal Rastra Bank. These instruments are purchased and sold by the bank under market procedure without any intention to hold it till maturity. The fair value of these CSCs generally approximates the carrying amount.

4.6

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Loans to microfinance institutions	3,352,109,972	2,522,765,611	3,352,109,972	2,522,765,611
Other	-	-	-	-
Less: Allowances for impairment	34,147,985	25,197,842	34,147,985	25,197,842
Total	3,317,961,987	2,497,567,769	3,317,961,987	2,497,567,769

Loan and advances given to microfinance financial institutions as deprived sector lending is presented under this head after providing required impairment allowances. These assets are subsequently measured at amortised costs. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

4.6.1: Allowances for impairment

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Balance at Shrawan 1	25,197,842	18,851,263	25,197,842	18,851,263
Impairment loss for the year:	-	-	-	-
Charge for the year	8,950,143	6,346,580	8,950,143	6,346,580
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Balance at Ashad end	34,147,985	25,197,842	34,147,985	25,197,842

Loans and advances to customers

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Loan and advances measured at amortized cost	92,443,680,801	75,678,271,321	89,849,808,825	73,919,226,706
Less: Impairment allowances	-	-	-	-
Collective impairment	993,674,668	843,404,146	977,833,534	821,733,216
Individual impairment	438,116,822	421,282,405	386,943,898	385,721,724
Net amount	91,011,889,312	74,413,584,770	88,485,031,394	72,711,771,766
Loan and advances measured at FVTPL	-	-	-	-
Total	91,011,889,312	74,413,584,770	88,485,031,394	72,711,771,766

The sum of the outstanding amount of all loans and advances extended to the customers other than BFIs, bills purchased and discounted and amortized cost of staff loans; less the amount of impairment allowances is presented under this head.

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.7.1: Analysis of loan and advances - By Product

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Product				
Term loans	21,819,278,827	14,268,625,654	21,819,278,827	14,268,625,654
Overdraft	5,929,688,112	3,099,974,826	5,929,688,112	3,099,974,826
Trust receipt/Import loans	4,146,313,974	3,939,614,346	4,146,313,974	3,939,614,346
Demand and other working capital loans	18,332,571,900	16,124,798,315	18,332,571,900	16,124,798,315
Personal residential loans	9,191,498,367	8,411,862,846	9,191,498,367	8,411,862,846
Real estate loans	3,270,011,964	3,717,309,146	3,270,011,964	3,717,309,146
Margin lending loans	294,605,497	417,471,461	294,605,497	417,471,461
Hire purchase loans	4,179,117,890	4,607,041,027	4,179,117,890	4,607,041,027
Deprived sector loans	3,779,631,047	2,954,936,105	1,235,353,629	1,230,213,682
Bills purchased	-	8,000,000	-	8,000,000
Staff loans	698,451,305	611,927,024	691,436,278	605,720,012
Other	20,150,992,840	17,301,221,618	20,150,992,840	17,301,221,618
Sub total	91,792,161,723	75,462,782,369	89,240,869,277	73,731,852,934
Interest receivable	651,519,078	215,488,951	608,939,548	187,373,772
Grand total	92,443,680,801	75,678,271,321	89,849,808,825	73,919,226,706

4.7.2: Analysis of loan and advances - By Currency

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Nepalese rupee	88,946,025,473	74,014,883,703	86,352,153,497	72,255,839,089
Indian rupee	-	-	-	-
United State dollar	3,477,759,306	1,643,853,338	3,477,759,306	1,643,853,338
Great Britain pound	-	-	-	-
Euro	19,896,022	19,534,280	19,896,022	19,534,280
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	92,443,680,801	75,678,271,321	89,849,808,825	73,919,226,706

4.7.3: Analysis of loan and advances - By Collateral

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

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Secured				
Movable/immovable assets	89,823,850,881	73,662,058,233	89,352,247,540	73,329,496,135
Gold and silver	-	-	-	-
Guarantee of domestic B/FIs	18,898,358	7,538,789	18,898,358	7,538,789
Government guarantee	89,125,832	83,000,167	89,125,832	83,000,167
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	385,025,416	498,271,513	385,025,416	498,271,513
Collateral of Government securities	4,511,679	920,102	4,511,679	920,102
Counter guarantee	-	-	-	-
Personal guarantee	674,466	484,068	-	-
Other collateral	2,121,594,170	1,425,998,448	-	-
Subtotal	92,443,680,801	75,678,271,321	89,849,808,825	73,919,226,706
Unsecured	-	-	-	-
Grant Total	92,443,680,801	75,678,271,321	89,849,808,825	73,919,226,706

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For the year ended 31 Ashad 2076

4.7.4: Allowances for impairment

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Specific allowances for impairment				
Balance at Shrawan 1	421,282,405	719,924,493	385,721,724	708,385,395
Impairment loss for the year:	-	-	-	-
Charge for the year	-	-	-	-
Recoveries/reversal during the year	16,834,418	(298,642,088)	1,222,174	(322,663,671)
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	438,116,822	421,282,405	386,943,898	385,721,724
Collective allowances for impairment				
Balance at Shrawan 1	821,733,216	724,859,889	821,733,216	724,859,889
Impairment loss for the year:	-	-	-	-
Charge/(reversal) for the year	171,941,451	96,873,328	156,100,317	96,873,328
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement	-	-	-	-
Balance at Ashad end	993,674,668	821,733,216	977,833,534	821,733,216
Total allowances for impairment	1,431,791,490	1,243,015,621	1,364,777,431	1,207,454,940

Investment securities

4.8

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Investment securities measured at amortized cost	9,820,318,939	9,024,056,884	9,690,988,576	8,894,967,898
Investment in equity measured at FVTOCI	638,362,439	584,311,327	625,362,439	553,478,827
Total	10,458,681,378	9,608,368,211	10,316,351,016	9,448,446,725

The investments made by Bank in financial instruments has been presented under this account head in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income.

4.8.1: Investment securities measured at amortized cost

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Debt securities	14,989,953	14,088,986	-	-
Government bonds	8,252,044,202	5,479,269,098	8,252,044,202	5,479,269,098
Government treasury bills	786,811,382	2,538,022,061	786,811,382	2,538,022,061
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other Investments	766,473,402	992,676,739	652,132,992	877,676,739
Less: specific allowances for impairment	-	-	-	-
Total	9,820,318,939	9,024,056,884	9,690,988,576	8,894,967,898

The details of other investment as at 31 Ashad 2076 are as follows:

Description	Int Rate	Maturity Date	Face Value (USD)	Carrying Amount (NPR.)
1. Syndicate Bank London	3.88%	4-Dec-19	1,400,000	154,819,312
2. ICICI Bank Dubai	3.75%	18-Mar-20	1,000,000	111,022,840
3. ICICI Bank Dubai	3.77%	18-Mar-20	1,700,000	188,718,901
4. ICICI Bank Dubai	3.76%	18-Mar-20	300,000	33,306,449
5. Syndicate Bank London	2.53%	4-Dec-19	1,480,000	164,265,490
Total				652,132,992

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

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Equity instruments				
Quoted equity securities	593,366,539	556,919,327	593,366,539	539,086,827
Unquoted equity securities	44,995,900	27,392,000	31,995,900	14,392,000
Total	638,362,439	584,311,327	625,362,439	553,478,827

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For the year ended 31 Ashad 2076

4.8.3: Information relating to investment in equities

Particulars	Group				NMB			
	As at 31 Ashad 2076		As at 32 Ashad 2075		As at 31 Ashad 2076		As at 32 Ashad 2075	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity								
United Insurance Co. (Nepal) Limited	211,300	246,000	211,300	258,600	211,300	246,000	211,300	258,600
NLG Insurance Company Limited	-	5,400	-	43,710	-	5,400	-	43,710
Ridi Hydro Power Limited	3,600	4,410	3,600	5,781	3,600	4,410	3,600	5,781
Rural Microfinance Development Center Limited	-	458,073	-	411,390	-	458,073	-	411,390
Laxmi Laghubitta Sanstha Limited	-	2,644	-	4,392	-	2,644	-	4,392
Mero Micro Finance Bittiya Sanstha Ltd.	37,023,000	46,046,000	14,000,000	20,020,000	37,023,000	46,046,000	14,000,000	20,020,000
Butwal Power Company	209,006,679	187,688,873	209,006,679	190,650,803	209,006,679	187,688,873	209,006,679	190,650,803
Nepal Telecom	34,698,472	34,382,502	-	-	34,698,472	34,382,502	-	-
NMB Sulav Investment Fund-1	105,000,000	113,610,000	112,500,000	129,937,500	105,000,000	113,610,000	105,000,000	121,275,000
NMB Hybrid Fund-1	140,000,000	140,420,000	150,000,000	144,830,000	140,000,000	140,420,000	140,000,000	135,660,000
Laxmi Equity Fund	40,947,100	31,242,637	40,947,100	33,167,151	40,947,100	31,242,637	40,947,100	33,167,151
NIC Asia Growth Fund	10,000,000	10,280,000	10,000,000	9,190,000	10,000,000	10,280,000	10,000,000	9,190,000
Sanima Equity Fund	20,000,000	18,800,000	20,000,000	19,120,000	20,000,000	18,800,000	20,000,000	19,120,000
Citizen Mutual Fund-I	10,000,000	10,180,000	10,000,000	9,280,000	10,000,000	10,180,000	10,000,000	9,280,000
Total	606,890,151	593,366,539	566,668,679	556,919,327	606,890,151	593,366,539	549,168,679	539,086,827

Investment in unquoted equity												
Nepal Stock Exchange Limited	5,000	71,600	5,000	5,000	5,000	71,600	5,000	5,000	5,000	5,000	5,000	5,000
Nepal clearing House Limited	4,198,000	6,045,100	4,198,000	4,198,000	4,198,000	6,045,100	4,198,000	4,198,000	4,198,000	4,198,000	4,198,000	4,198,000
Credit Information Bureau Limited	189,000	1,890,000	189,000	189,000	189,000	1,890,000	189,000	189,000	189,000	189,000	189,000	189,000
Citizens Mutual Fund-II	2,000,000	2,000,000	-	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-
NABIL BALANCE FUND-II	10,000,000	10,000,000	-	-	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	-	-	-
Forward Community	-	-	-	-	-	-	-	-	-	-	-	-
Samudayak Laghubitta Bittaya Sansitha Ltd	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	-	-	-
Nepal Finsoft Company Ltd.	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-
CEDB Hydro Fund Limited	10,000,000	11,989,200	10,000,000	10,000,000	10,000,000	11,989,200	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	39,392,000	44,995,900	27,392,000	27,392,000	27,392,000	31,995,900	26,392,000	26,392,000	26,392,000	14,392,000	14,392,000	14,392,000
Grand Total	646,282,151	638,362,439	594,060,679	584,311,327	633,282,151	625,362,439	563,560,679	563,560,679	563,560,679	553,478,827	553,478,827	553,478,827

Treasury bills, Government bonds and USD Bonds have been classified as financial assets held to maturity instrument as the Bank has intention and capacity to hold these instruments until their maturity. These instruments are carried at amortised costs. These instruments are issued by the government. Bank considers that the fixed return on these bonds adequately compensates for associated risks. Premiums paid on development Bonds are considered for the EIR calculation and the balance outstanding have been measured accordingly. Interest accrued on Development Bonds and T-Bills are shown as part of the Investments.

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

The Bank has invested NPR 105,000,000 in NMB Sulav Investment Fund-1 and NPR 140,000,000 in NMB Hybrid Fund-1 as Seed Capital. For both Mutual Funds, the Bank is the Fund Sponsor while the Bank's Subsidiary NMB Capital Limited is the Fund Manager. These investment have been made as per the requirement of "Mutual Fund Regulation 2067" issued by the Securities Board of Nepal (SEBON) to invest seed money by the Fund Sponsor/Manager. The cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading.

Investments that has not distributed any dividend since previous three years are:

1. NMB Hybrid Fund-1
2. NIC Asia Growth Fund (NICGF)-1

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Current tax assets

4.9

The advance deposited by the bank less tax liabilities are presented under this head:

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Current tax assets				
Current year income tax assets	1,062,454,150	732,387,644	956,949,945	633,132,526
Tax assets of prior periods	-	130,752,238	-	130,752,238
Total Current tax Assets	1,062,454,150	863,139,882	956,949,945	763,884,764
Current tax liabilities				
Current year income tax liabilities	1,100,493,938	923,191,366	992,528,515	824,302,920
Tax liabilities of prior periods	-	-	-	-
Total Current tax Liabilities	1,100,493,938	923,191,366	992,528,515	824,302,920

The movement of Advance tax as of Ashad end 2076 is given below:

Particulars	Amount (NPR)
A. Advance Income Tax carried forward from previous year	-
B. Advance Tax Installments FY 2075/76	948,820,518
C. Tax Withheld by Withholder FY 2075/76	8,129,427
D. Tax transferred to Tax Deposit for legal cases	77,848
E. Provision for Income tax for FY 2075/76	992,528,515
Net Tax Payable (A+B+C-D-E)	(35,656,418)

The advance tax amount NPR. 77,848 has been transferred to Tax Deposit for legal cases after the reporting period. The three advance tax installments are within the limit of 90% of total tax liability and the deficit has been deposited within Ashwin end 2076.

Investment in subsidiaries	4.10	
	NMB	
Particulars	As at 31 Ashad 2016	As at 32 Ashad 2015
Investment in quoted subsidiaries	48,552,000	48,552,000
Investment in unquoted subsidiaries	200,000,000	200,000,000
Total investment	248,552,000	248,552,000
Less: Impairment allowances	-	-
Net carrying amount	248,552,000	248,552,000

4.10.1: Investment in quoted subsidiaries

Particulars	NMB			
	As at 31 Ashad 2016		As at 32 Ashad 2015	
	Cost	Fair Value	Cost	Fair Value
NMB Micro Finance Bittiya Sashta Limited, 826,231 Promoter shares of Rs 100 each fully paid up	48,552,000	48,552,000	48,552,000	48,552,000
Total	48,552,000	48,552,000	48,552,000	48,552,000

4.10.2: Investment in unquoted subsidiaries

Particulars	NMB			
	As at 31 Ashad 2016		As at 32 Ashad 2015	
	Cost	Fair Value	Cost	Fair Value
NMB Capital Ltd., 2,000,000 Ordinary shares of Rs 100 each fully paid up	200,000,000	200,000,000	200,000,000	200,000,000
Total	200,000,000	200,000,000	200,000,000	200,000,000

4.10.3: Information relating to subsidiaries of the Bank

Particulars	NMB	
	Percentage of ownership held by the Bank	
	As at 31 Ashad 2016	As at 32 Ashad 2015
NMB Capital Limited	100%	100%
NMB Micro Finance Bittiya Sashta Limited	51%	51%

Notes to Consolidated Financial Statements

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4.10.4: Non controlling interest of the subsidiaries

Particulars	Group	
	As at 31 Ashad 2076	As at 32 Ashad 2075
Equity interest held by NCI (%)	49%	49%
Profit/(loss) allocated during the year	34,831,103	20,273,815
Accumulated balances of NCI as on year end	165,396,616	131,480,054
Dividend paid to NCI	544,964	726,619

Investment in associates

The Bank do not have any investment in associates as of fiscal year end 2076.

4.11

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total investment	-	-	-	-
Less: Impairment allowances	-	-	-	-
Net carrying amount	-	-	-	-

4.11.1: Investment in quoted associates

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
	Cost	Fair Value	Fair Value	Cost
"Ltd.shares of Rs.each"				
"Ltd.shares of Rs.each"				
.....				
Total				

4.11.2: Investment in unquoted associates

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
	Cost	Fair Value	Fair Value	Cost
".....Ltd.Shares of Rs.each"				
".....Ltd.Shares of Rs.each"				
.....				
Total				

4.11.3: Information relating to associates of the Bank

Particulars	Group		NMB	
	Percentage of ownership held by the Bank		Percentage of ownership held by the Bank	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
.....Ltd.				
.....Ltd.				
.....Ltd.				
.....Ltd.				
.....				

4.11.4: Equity value of associates

Particulars	Group	
	As at 31 Ashad 2076	As at 32 Ashad 2075
.....Ltd.		
.....Ltd.		
.....		
Total		

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Investment properties

4.12

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Investment properties measured at fair value				
Balance as on Shrawan 1	59,774,627	77,488,827	59,774,627	77,488,827
Addition/disposal during the year	43,141,235	(17,714,200)	43,141,235	(17,714,200)
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	102,915,862	59,774,627	102,915,862	59,774,627
Investment properties measured at cost				
Balance as on Shrawan 1	-	-	-	-
Addition/disposal during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	-	-	-	-

As per NAS 40 'Investment Property' (land and building acquired as non banking assets) are measured at fair value.

Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – "Property, Plant and Equipment"; and assets classified as non-current assets held for sale under NFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations". The Group has recognized as investment property all land or land and building acquired as non banking assets.

The details of Non-Banking Assets as of Ashad end, 2076 are as follows:

Party's Name	Date NBA is assumed	Amount (NPR)
1. Kipu Quality Meat Products P. Ltd.	16-Jul-15	5,354,000
2. Kamdhenu Mahila Dugdha Utpadak Ssl	16-Nov-17	785,000
3. Ankita Impex	4-Mar-18	13,936,000
4. Jalthal Live Stock P. Ltd	4-Sep-18	2,200,000
5. Factory Outlet And Clothing Store	18-Jun-18	15,530,000
6. China Hygienic Meat Pro & Sup P.Ltd	15-Jul-18	20,134,000
7. China Hygienic Meat Pro & Sup P.Ltd	9-Feb-18	6,612,125
8. Eastern Shoe Centre	1-Feb-19	4,041,500
9. Chandrakala Limbang	1-Feb-19	466,000
10. Mauni Traders	1-Mar-19	3,120,000
11. National Solar & Investment	7-Jan-19	20,695,000
12. Ujjwal Trading & Supplier	9-Jan-19	4,650,384
13. Babu Rai	9-Jan-19	1,574,853
14. Rtc- Teechnology Nepal	13-Jan-19	72,000
15. Evergreen	8-Feb-19	3,745,000
Total		102,915,862

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Property and Equipment

4.13

Particulars	Group										Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others				
Cost												
As on Shrawan 1, 2074	829,637,410	162,658,358	183,528,066	151,640,906	285,096,087	72,360,254	269,179,706	101,842,463			2,055,943,249	
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	
Acquisition	-	-	-	-	-	-	-	-	-	-	-	
Capitalization	-	6,165,630	63,048,482	22,863,614	65,719,950	22,826,621	90,594,152	12,481,750			283,700,200	
Disposal during the year	-	-	(1,013,363)	(1,139)	(18,692,296)	(157,410)	(13,282,797)	(1,660,232)			(34,807,238)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashad end 2075	829,637,410	168,823,988	245,563,185	174,503,381	332,123,741	95,029,465	346,491,060	112,663,981			2,304,836,211	
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	
Acquisition	-	-	-	-	-	-	-	-	-	-	-	
Capitalization	-	1,572,465	20,917,698	34,135,744	86,321,157	13,239,011	53,524,035	3,789,800			213,499,910	
Disposal during the year	(5,566,005)	-	(8,525)	(12,903)	(50,402,599)	(12,598)	(853,351)	4,127			(56,851,854)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
Balance as on Ashad end 2076	824,071,405	170,396,453	266,472,358	208,626,222	368,042,299	108,255,877	399,161,745	116,457,908			2,461,484,267	
Depreciation and Impairment												
As on Shrawan 1, 2074	-	34,201,872	96,164,598	91,950,331	114,167,278	51,059,993	133,915,044	69,402,283			590,861,398	
Depreciation charge for the Year	-	4,030,658	19,768,722	19,280,860	53,524,107	6,948,581	37,636,030	7,687,696			148,876,654	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	(818,586)	-	(14,993,148)	(133,851)	(13,220,338)	(81,767)			(29,247,691)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
As on Ashad end 2075	-	38,232,531	115,114,734	111,231,191	152,698,237	57,874,722	158,330,735	77,008,212			710,490,362	
Depreciation charge for the Year	-	4,103,140	24,593,007	23,202,347	60,912,326	9,254,768	43,221,296	8,795,393			174,082,276	
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	
Disposals	-	-	-	-	(38,847,209)	-	(818,777)	-			(39,665,986)	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	
As on Ashad end 2076	-	42,335,671	139,707,741	134,433,538	174,763,353	67,129,490	200,733,254	85,803,604			844,906,652	
Capital Work in Progress												
Net Book Value												
As on Ashad end 2074	829,637,410	128,456,486	87,363,468	59,690,574	170,928,809	21,300,261	135,264,662	32,440,181			1,465,081,851	
As on Ashad end 2075	829,637,410	130,591,458	130,448,451	63,272,190	179,425,504	37,154,742	188,160,325	35,655,769			1,594,345,849	
As on Ashad end 2076	824,071,405	128,060,782	126,764,617	74,192,684	193,278,946	41,126,387	198,428,490	30,654,304			1,616,577,616	

Particulars	NMB										Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others				
Cost												
As on Shrawan 1, 2074	829,637,410	162,658,358	175,298,735	141,951,293	269,946,485	56,685,551	269,179,706	99,652,107			2,005,009,644	
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-	6,165,630	62,938,078	18,059,946	59,274,670	19,261,613	90,594,152	12,481,750			268,775,840	
Disposal during the year	-	-	(1,013,363)	-	(18,692,296)	(154,803)	(13,282,797)	(88,300)			(33,231,560)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-			-	
Balance as on Ashad end 2075	829,637,410	168,823,988	237,223,450	160,011,239	310,528,859	75,792,360	346,491,060	112,045,557			2,240,553,924	
Addition during the Year												
Acquisition	-	-	-	-	-	-	-	-			-	
Capitalization	-	1,572,465	20,161,123	27,173,070	84,545,157	8,574,593	53,524,035	3,627,320			199,177,763	
Disposal during the year	(5,566,005)	-	-	-	(50,402,599)	-	(853,351)	-			(56,821,955)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-			-	
Balance as on Ashad end 2076	824,071,405	170,396,453	257,384,573	187,184,309	344,671,417	84,366,953	399,161,745	115,672,877			2,382,909,732	
Depreciation and Impairment												
As on Shrawan 1, 2074	-	34,201,872	92,650,073	87,566,169	108,321,146	43,331,054	133,915,044	68,405,181			568,390,538	
Depreciation charge for the Year	-	4,030,658	19,206,515	17,211,689	50,550,127	4,669,185	37,636,030	8,537,299			141,841,503	
Impairment for the year	-	-	-	-	(14,993,148)	(133,851)	(13,220,338)	(81,767)			(29,247,691)	
Disposals	-	-	(818,586)	-	-	-	-	-			-	
Adjustment	-	-	-	-	-	-	-	-			-	
As on Ashad end 2075	-	38,232,531	111,038,002	104,777,858	143,878,125	47,866,388	158,330,735	76,860,712			680,984,350	
Depreciation charge for the Year	-	4,103,140	23,971,209	19,774,897	57,375,668	6,536,260	43,221,296	8,710,194			163,692,664	
Impairment for the year	-	-	-	-	(38,847,209)	-	(818,777)	-			-	
Disposals	-	-	-	-	-	-	-	-			(39,665,986)	
Adjustment	-	-	-	-	-	-	-	-			-	
As on Ashad end 2076	-	42,335,671	135,009,210	124,552,755	162,406,583	54,402,647	200,733,254	85,570,907			805,011,027	
Capital Work in Progress												
Net Book Value												
As on Ashad end 2074	829,637,410	128,456,486	82,648,662	54,385,123	161,625,339	13,354,497	135,264,662	31,246,927			1,436,619,106	
As on Ashad end 2075	829,637,410	130,591,458	126,185,448	55,233,381	166,650,734	27,925,972	188,160,325	35,184,845			1,559,569,574	
As on Ashad end 2076	824,071,405	128,060,782	122,375,362	62,631,554	182,264,834	29,964,306	198,428,490	30,101,971			1,577,898,704	

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Goodwill and Intangible Assets

4.14

Particulars	Group					Total
	Goodwill	Software		Other	Developed	
		Purchased				
Cost						
As on Shrawan 1, 2074	-	47,134,420	-	-	-	47,134,420
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	12,753,198	-	-	-	12,753,198
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashad end 2075	-	59,887,619	-	-	-	59,887,619
Addition during the Year						
Acquisition	-	-	-	-	-	-
Capitalization	-	107,616,583	-	-	-	107,616,583
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashad end 2076	-	167,504,201	-	-	-	167,504,201
Amortization and Impairment						
As on Shrawan 1, 2074	-	31,049,514	-	-	-	31,049,514
Amortization charge for the Year	-	6,194,294	-	-	-	6,194,294
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashad end 2075	-	37,243,808	-	-	-	37,243,808
Amortization charge for the Year	-	13,587,223	-	-	-	13,587,223
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashad end 2076	-	50,831,031	-	-	-	50,831,031
Capital Work in Progress						
Net Book Value						
As on Ashad end 2074	-	16,084,906	-	-	-	16,084,906
As on Ashad end 2075	-	22,643,811	-	-	-	22,643,811
As on Ashad end 2076	-	116,673,171	-	-	-	116,673,171

Particulars	NMB					Total
	Goodwill	Software		Other	Total	
		Purchased	Developed			
Cost						
As on Shrawan 1, 2074	-	45,886,627	-	-	-	45,886,627
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	12,210,798	-	-	-	12,210,798
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashad end 2075	-	58,097,426	-	-	-	58,097,426
Addition during the Year						
Acquisition	-	-	-	-	-	-
Capitalization	-	106,455,282	-	-	-	106,455,282
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Ashad end 2076	-	164,552,707	-	-	-	164,552,707
Amortization and Impairment						
As on Shrawan 1, 2074	-	30,189,482	-	-	-	30,189,482
Amortization charge for the Year	-	5,853,735	-	-	-	5,853,735
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashad end 2075	-	36,043,217	-	-	-	36,043,217
Amortization charge for the Year	-	13,100,691	-	-	-	13,100,691
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Ashad end 2076	-	49,143,908	-	-	-	49,143,908
Capital Work in Progress						
Net Book Value						
As on Ashad end 2074	-	15,697,146	-	-	-	15,697,146
As on Ashad end 2075	-	22,054,209	-	-	-	22,054,209
As on Ashad end 2076	-	115,408,800	-	-	-	115,408,800

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Deferred Tax

4.15

The creation of Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) has a bearing on the computation of capital adequacy ratio and banks' ability to declare dividends. DTA represents unabsorbed depreciation, difference between carrying amount as per books of accounts and tax including carry forward losses which can set-off against assets future taxable income which is considered as timing difference. DTA has an effect of decreasing future income tax payments which indicates that they are prepaid income taxes and meet the definition of assets. DTA is deducted from Tier I capital, if deferred tax reserve is included already thereon. Deferred tax (assets)/liabilities have been recognised as per the provision of Nepal Accounting Standard (NAS -09)

Particulars	Group			NMB		
	Year ended 31 Ashad 2076			Year ended 31 Ashad 2076		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	34,147,985	34,147,985	-	34,147,985	34,147,985	-
Loans and advances to customers	1,364,777,431	1,407,356,962	(42,579,530)	1,364,777,431	1,364,777,431	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(322,258)	322,258	-	(1,016,836)	1,016,836
Property & equipment	1,734,188,938	1,719,114,233	15,074,704	1,698,480,217	1,693,307,503	5,172,714
Employees' defined benefit plan	217,064,310	-	217,064,310	198,629,898	-	198,629,898
Lease liabilities	8,271,373	-	8,271,373	8,271,373	-	8,271,373
Provisions	9,078,445	-	9,078,445	9,078,445	-	9,078,445
Deferred tax on temporary differences	1,010,258,544	948,089,076	62,169,468	994,015,605	927,364,825	66,650,780
Deferred tax on carry forward of unused tax losses	3,389,813	-	3,389,813	3,389,813	-	3,389,813
Deferred tax due to changes in tax rate			-			-
Net Deferred tax asset/(liabilities) as on 31 Ashad 2076			65,559,281			70,040,593
Deferred tax (asset)/liabilities as on 32 Ashad 2075			(64,066,990)			(66,869,011)
Origination/(Reversal) during the year			1,492,290			3,171,581
Deferred tax expense/(income) recognised in profit or loss			(1,877,083)			(3,439,237)
Deferred tax expense/(income) recognised in other comprehensive income			384,793			267,656
Deferred tax expense/(income) recognised in directly in equity			-			-

Particulars	Group				NMB			
	Year ended 31 Ashad 2017		Year ended 31 Ashad 2016		Year ended 31 Ashad 2017		Year ended 31 Ashad 2016	
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)		Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	
Deferred tax on temporary differences on following items								
Loan and Advance to B/FIs	-	-	-	-	-	-	-	-
Loans and advances to customers	1,231,443,337	1,259,558,516	(28,115,179)	1,231,443,337	1,231,443,337	1,231,443,337	-	-
Investment properties	-	59,774,627	(59,774,627)	-	59,774,627	(59,774,627)	-	(59,774,627)
Investment securities	-	10,713,721	(10,713,721)	-	10,381,221	(10,381,221)	-	(10,381,221)
Property & equipment	920,390,884	787,367,827	133,023,057	876,980,620	751,986,372	124,994,248	-	124,994,248
Employees' defined benefit plan	164,991,006	-	164,991,006	151,214,591	-	151,214,591	-	151,214,591
Lease liabilities	-	-	-	-	-	-	-	-
Provisions	5,544,336	584,566	4,959,770	5,544,336	-	5,544,336	-	5,544,336
Deferred tax on temporary differences	695,366,781	634,672,978	60,677,178	679,554,865	616,075,667	63,479,198	-	63,479,198
Deferred tax on carry forward of unused tax losses			3,389,813	3,389,813	-	3,389,813	-	3,389,813
Deferred tax due to changes in tax rate			-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on 31 Ashad 2017			64,066,990			66,869,011		66,869,011
Deferred tax (asset)/liabilities as on 31 Ashad 2016			72,033,510			69,197,225		69,197,225
Origination/(Reversal) during the year			(136,100,499)			(136,066,237)		(136,066,237)
Deferred tax expense/(income) recognised in profit or loss			(116,372,096)			(117,093,734)		(117,093,734)
Deferred tax expense/(income) recognised in other comprehensive income			(19,728,403)			(18,972,501)		(18,972,501)
Deferred tax expense/(income) recognised in directly in equity			-			-		-

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Other assets

4.16

Other Asset include accounts receivable, interest receivable, accrued income, prepayments, deposit, deferred employee benefits and stationary stock details presented as follows:

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	55,465,547	478,188,664	29,268,898	30,334,128
Accrued income	16,847,224	12,434,921	16,847,224	12,434,921
Prepayments and deposit	72,841,593	43,227,751	72,749,604	42,388,619
Income tax deposit	63,703,616	63,703,616	63,703,616	63,703,616
Deferred employee expenditure	739,878,746	451,037,186	739,878,746	451,037,186
Others:				
Advance Gold and Silver	228,747,129	-	228,747,129	-
Stock of Stationery	18,718,339	19,736,719	17,771,668	18,771,774
Fuel Stock	-	34,255	-	34,255
Gold Markup	32,513,857	-	32,513,857	-
Advance to CBS Project	-	38,222,000	-	38,222,000
Receivable from FPO shareholders - Share Allotment	-	3,801,249,279	-	3,801,249,279
Others	1,177,807	1,220,655	392,868	208,124
Total	1,229,893,858	4,909,055,046	1,201,873,611	4,458,383,903

The provision outstanding as of Ashad end 2076 of NMB includes IPO receivables of erstwhile Bank of Asia and deposit of capital merchant finance amounting NPR. 5,544,336 and NPR. 3,534,109 respectively and are netted off with receivables and Cash and Cash Equivalent respectively.

Due to Bank and Financial Institutions

4.17

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Money market deposits	-	-	-	-
Interbank borrowing	-	500,000,000	-	500,000,000
Other deposits from BFIs	-	-	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	624,364,996	536,268,951	624,364,996	536,268,951
Total	624,364,996	1,036,268,951	624,364,996	1,036,268,951

Due to Nepal Rastra Bank

4.18

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Refinance from NRB	585,303,362	660,071,641	585,303,362	660,071,641
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	2,618,219,710	-	2,618,219,710	-
Total	3,203,523,072	660,071,641	3,203,523,072	660,071,641

The Bank has an outstanding borrowing of NPR 585,303,362 (Schedule 4.18) from the Central Bank under Refinancing Facility available to Financial Institutions. The other payable to NRB is payable of Li.Ka Accounts (contra) of Government bodies. Due to Nepal Rastra Bank is subsequently measured at amortised cost.

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Derivative financial instruments

4.19

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	1,886,751,200	1,382,071,887	1,886,751,200	1,382,071,887
Forward exchange contract	6,014,776,452	5,312,931,206	6,014,776,452	5,312,931,206
Others	556,846,777	782,480,798	556,846,777	782,480,798
Held for risk management	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
Total	8,458,374,429	7,477,483,892	8,458,374,429	7,477,483,892

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices etc. Derivatives are categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all trading gains or losses recognised in the Statement of Profit or Loss under Net trading Income. Fair value is determined using the forward market rates ruling on the reporting date.

Deposits from customers

4.20

All deposits account other than deposit from bank and financial institutions (local and foreign bank and NRB)

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Institutions customers:				
Term deposits	28,320,801,308	23,581,918,142	28,370,801,308	23,671,918,142
Call deposits	8,951,169,615	7,573,942,659	9,045,528,330	7,641,835,785
Current deposits	5,494,378,104	4,605,900,471	5,494,378,104	4,605,900,471
Other	5,795,411,079	5,626,605,019	5,795,411,079	5,626,605,019
Individual customers:				
Term deposits	21,034,039,618	22,161,841,630	21,034,039,618	22,161,841,630
Saving deposits	28,928,443,210	20,557,909,842	27,845,721,815	19,861,381,189
Current deposits	188,742,494	184,616,311	188,742,494	184,616,311
Other	117,679,219	216,768,673	117,679,219	216,768,673
Total	98,830,664,647	84,509,502,746	97,892,301,967	83,970,867,219

4.20.1: Currency wise analysis of deposit from customers

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Nepalese rupee	93,284,403,713	82,092,407,581	92,346,041,033	81,553,772,054
Indian rupee	-	-	-	-
United State dollar	4,222,411,207	2,155,435,584	4,222,411,207	2,155,435,584
Great Britain pound	24,019,388	31,385,378	24,019,388	31,385,378
Euro	1,098,259,906	39,565,485	1,098,259,906	39,565,485
Japanese yen	8,288,556	-	8,288,556	-
Chinese yuan	183,800,655	189,152,396	183,800,655	189,152,396
Other	9,481,223	1,556,323	9,481,223	1,556,323
Total	98,830,664,647	84,509,502,746	97,892,301,967	83,970,867,219

Borrowing

4.21

The bank has brought offshore borrowing amounting USD 15 Mio. from International Financial Corporation(IFC), USD 15 Mio. from CDC Group, London and NPR. 169.56 Mio. from Micro small and medium enterprises bonds, S.A, Luxembourg.

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	1,360,240,209	1,182,081,898	-	-
Other	-	-	-	-
Sub total	1,360,240,209	1,182,081,898	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	3,468,060,000	-	3,468,060,000	-
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	3,468,060,000	-	3,468,060,000	-
Total	4,828,300,209	1,182,081,898	3,468,060,000	-

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For the year ended 31 Ashad 2076

Provisions 4.22

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	224,219	73,556	-	-
Total	224,219	73,556	-	-

4.22.1: Movement in provision

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Balance at Shrawan 1	73,556	-	-	-
Provisions made during the year	135,665	73,556	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	14,999	-	-	-
Unwind of discount	-	-	-	-
Balance at Ashad end	224,219	73,556	-	-

Other liabilities

4.23

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
	Liability for employees defined benefit obligations	73,230,653	72,462,163	59,445,250
Liability for long-service leave	138,853,762	86,044,161	128,750,654	82,605,302
Short-term employee benefits	1,028,442	9,540	-	-
Bills payable	97,620,487	98,397,763	97,620,487	98,397,763
Creditors and accruals	1,374,872,190	914,528,161	923,806,589	515,281,016
Interest payable on deposit	419,841,689	221,604,523	419,841,689	221,604,523
Interest payable on borrowing	38,556,051	6,359,178	38,531,865	6,359,178
Liabilities on deferred grant income	2,233,207	2,925,180	-	-
Unpaid Dividend	5,128,793	12,317,367	5,128,793	12,317,367
Liabilities under Finance Lease	8,271,373	-	8,271,373	-
Employee bonus payable	379,065,397	299,473,585	360,889,315	285,146,674
Others:	-	-	-	-
TDS Payable	103,798,365	134,366,091	102,551,154	122,304,636
Audit Fee Payable	1,258,075	1,258,075	1,118,700	1,118,700
Others	32,194,889	21,870,778	-	-
Total	2,675,953,373	1,871,616,566	2,145,955,868	1,405,999,800

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.23.1: Defined benefit obligations

The defined-benefit obligation is calculated annually by an independent actuary using the projected unit method. The Bank operates a defined contribution plan as provident fund contribution of its employees and defined benefit plan for the Gratuity payment requirement under its staff rules. For defined contribution plan, the Bank pays contributions to an independently administered retirement fund on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid. For funded defined benefit plans, the liability recognised in the financial statement is the present value of the defined benefit obligation less the fair value of plan assets. Such obligations are estimated on the basis of the actuarial assumptions.

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

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Present value of unfunded obligations	153,625,139	93,251,053	130,414,488	83,378,260
Present value of funded obligations	257,307,396	191,683,809	257,307,396	191,683,809
Total present value of obligations	410,932,535	284,934,862	387,721,884	275,062,069
Fair value of plan assets	197,862,146	130,819,168	197,862,146	130,819,168
Present value of net obligations	189,859,738	144,242,901	189,859,738	144,242,901
Recognised liability for defined benefit obligations	410,932,535	284,934,862	387,721,884	275,062,069

4.23.2: Plan assets

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Plan assets comprise	-	-	-	-
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	197,862,146	130,819,168	197,862,146	130,819,168
Other	-	-	-	-
Total	197,862,146	130,819,168	197,862,146	130,819,168

4.23.3: Movement in the present value of defined benefit obligations

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Defined benefit obligations at Shrawan 1	294,791,246	204,297,939	275,062,069	195,713,617
Actuarial losses	27,201,771	34,005,777	25,980,978	36,237,227
Benefits paid by the plan	(18,960,091)	(11,993,820)	(17,729,820)	(9,706,097)
Current service costs and interest	107,899,609	58,624,966	104,408,657	52,817,322
Defined benefit obligations at Ashad end	410,932,535	284,934,862	387,721,884	275,062,069

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.23.4: Movement in the fair value of plan assets

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Fair value of plan assets at Shrawan 1	130,819,168	61,025,096	130,819,168	61,025,096
Contributions paid into the plan	60,864,641	74,780,285	60,864,641	74,780,285
Benefits paid during the year	(9,419,548)	(4,986,213)	(9,419,548)	(4,986,213)
Actuarial (losses) gains	15,597,885	-	15,597,885	-
Expected return on plan assets	-	-	-	-
Fair value of plan assets at Ashad end	197,862,146	130,819,168	197,862,146	130,819,168

4.23.5: Amount recognised in profit or loss

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Current service costs	81,836,905	40,208,342	81,051,928	37,033,544
Interest on obligation	34,162,523	27,617,124	32,469,867	26,994,156
Expected return on plan assets	-	-	-	-
Total	115,999,428	67,825,466	113,521,795	64,027,700

4.23.6: Amount recognised in other comprehensive income

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Actuarial (gain)/loss	(2,932,011)	(17,325,022)	(888,969)	(17,480,123)
Total	(2,932,011)	(17,325,022)	(888,969)	(17,480,123)

4.23.7: Actuarial assumptions

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Discount rate	9.00%	9.00%	9.00%	9.00%
Expected return on plan asset	-	-	-	-
Future salary increase	8.00%	8.00%	8.00%	8.00%
Withdrawal rate	16.00%	16.00%	16.00%	16.00%

There is no plan assets for the subsidiaries and the bank deposits the fund at the account maintained at CIT for gratuity payment as per actuary report.

Debt securities issued

4.24

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	2,239,236,412	517,547,945	2,239,236,412	517,547,945
Total	2,239,236,412	517,547,945	2,239,236,412	517,547,945

The Bank had issued non-convertible "7% NMB Debenture 2077" on 6 Falgun 2071 (18 February 2015) amounting to NPR 500 Million. The Debenture, which was fully subscribed, has a maturity period of 5 years 6 months. The bank has also issued 30 Lacs units of NMB Debenture 2085 with the face value of NPR. 1,000 per unit amounting NPR 3 Billion at the rate of 10% for the period of 10 years. The General public had subscribed 99,505 units amounting NPR. 9,95,05,000 and 15,85,000 units amounting NPR. 1,58,50,00,000 was subscribed through Private Placements. The final allotment of NPR. 1,68,45,05,000 to the subscribed unit holders was made on 29 Chaitra 2075. The debenture has been measured at amortized cost

Subordinated Liabilities

4.25

The bank does not have any subordinate liabilities as on reporting date.

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Share capital

4.26

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Ordinary shares	9,618,162,652	7,603,290,634	9,618,162,652	7,603,290,634
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	9,618,162,652	7,603,290,634	9,618,162,652	7,603,290,634

4.26.1: Ordinary shares

Particulars	NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075
Authorized Capital		
100,000,000 Ordinary share of Rs. 100 each	10,000,000,000	10,000,000,000
Issued capital		
96,181,627 Ordinary share of Rs. 100 each	9,618,162,652	7,603,290,634
Subscribed and paid up capital		
96,181,627 Ordinary share of Rs. 100 each	9,618,162,652	7,603,290,634
Total	9,618,162,652	7,603,290,634

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

Financial Year	Cumulative Paid up Capital NPR	Remarks
2006-07(2063-64 BS)	199,540,600	Issuance of 30% Bonus Shares
2007-08(2064-65 BS)	1,000,000,000	Issuance of 1:4 Right Shares
2008-09(2065-66 BS)	1,424,641,350	Issuance of 10% Bonus Shares and 30% Right Shares
2009-10(2066-67 BS)	1,651,650,000	Auction of 53,586.5 remaining right shares of FY 2008-09 and public issue of 715,000 shares.
2010-11 (2067-68 BS)	2,000,000,000	Issuance of 10:21.09 right shares and auction of unsubscribed right shares.
2013-14 (2070-71 BS)	2,400,000,000	Issuance of 20% Bonus Shares
2015-16 (2072-73 BS)	4,154,559,320	Shares issued to shareholders of merged entities
2015-16 (2072-73 BS)	4,486,924,066	Issuance of 8% Bonus Shares
2016-17 (2073-74 BS)	5,430,062,466	FMO's additional investment of NPR 943,138,400
2016-17 (2073-74 BS)	6,461,774,334	Issuance of 19% Bonus Shares
2017-18 (2074-75 BS)	7,603,290,634	Issuance of FPO
2018-19 (2075-76 BS)	9,618,162,652	Issuance of 15% Bonus Shares from FY 2073/74 and 10% Bonus Shares from FY 2074/75

The 22nd AGM of the bank held on 31 Shrawan 2075 has approved 15% bonus shares (stock dividend) amounting NPR 1,140,493,595 and 23rd AGM held on 26 Poush 2075 has approved 10% stock dividend amounting NPR. 874,378,423. This has raised paid up capital of the bank to NPR 9,618,162,652.

Total fractional share is 72,855.51 as on Ashad end 2076. Fraction share usually come from issue of bonus share and split of share also.

4.26.2: Ordinary share ownership

Particulars	NMB			
	As at 31 Ashad 2076		As at 32 Ashad 2075	
	Percent	Amount	Percent	Amount
Domestic ownership	77.77	7,480,004,650	77.77	5,913,047,211
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	13.70	1,317,708,100	14.87	1,130,245,465
Public	64.07	6,162,296,550	62.90	4,782,801,746
Other	-	-	-	-
Foreign ownership	22.23	2,138,158,002	22.23	1,690,243,423
Total	100.00	9,618,162,652	100.00	7,603,290,634

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

The details of shareholders holding shares above 0.5% as of Ashad end 2076 are given below:

Shareholder's Name	Share Units	% holding
1. Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	16,348,288	17.00
2. Employees Provident Fund	6,599,040	6.86
3. Yong Lian Realty Sdn Bhd	5,033,290	5.23
4. Gayatri Investment And Management P. Ltd.	2,366,426	2.46
5. Nand Kishore Rathi	2,010,983	2.09
6. Dhananjaya Prasad Acharya	1,824,299	1.90
7. Santosh Rathi	1,187,616	1.23
8. Pawan Kumar Golyan	1,103,054	1.15
9. Santosh Devi Murarka	948,647	0.99
10. Purushotam Lal Sanghai	862,995	0.90
11. Dinbandhu Agrawal	639,623	0.67
12. Anant Kumar Golyan	636,211	0.66
13. Balaram Neupane	632,454	0.66
14. Narpat Singh Jain	541,588	0.56
15. Pashupati Murarka	538,740	0.56
16. Aditya Sanghai	495,169	0.51
17. Raj Kumar Goyal	494,058	0.51
18. Ashok Kumar Agrawal	482,357	0.50

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Statutory general reserve	2,141,571,472	1,683,991,705	2,123,306,659	1,671,851,454
Exchange equalisation reserve	78,376,972	56,373,878	78,376,972	56,373,878
Corporate social responsibility reserve	49,146,943	31,946,758	48,442,603	31,548,400
Capital redemption reserve	400,000,000	309,547,489	400,000,000	309,547,489
Regulatory reserve	818,733,064	404,406,612	818,733,064	404,406,612
Investment adjustment reserve	10,000,000	10,000,000	10,000,000	10,000,000
Capital reserve	-	-	-	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(5,092,298)	(6,824,546)	(5,543,798)	(7,057,296)
Dividend equalisation reserve	-	-	-	-
Actuarial gain	(51,397,994)	(48,835,325)	(48,915,471)	(48,026,502)
Special reserve	-	-	-	-
Other reserves:	-	-	-	-
- Deferred Tax Reserve	5,997,582	3,169,572	-	-
-Capital Adjustment Fund	57,326,449	57,326,449	57,326,449	57,326,449
Staff Skill Development Fund	-	-	-	-
-NMB Staff Relief Fund	10,000,000	-	10,000,000	-
Others	4,526,568	1,828,616	-	-
Total	3,519,188,757	2,502,931,208	3,491,726,477	2,485,970,484

Other Reserves of NMB presented under Statement of change in equity includes debenture/capital redemption reserve, staff skill development fund, capital adjustment fund, corporate social responsibility fund, investment adjustment reserve, actuarial gain/losses and staff relief fund.

Staff Relief Fund amounting NPR. 10,000,000 has been set up with the objective to financially assist staff at the time of their acute financial difficulty of the nature of staff's own/spouse/children critical illness, permanent disability due to illness or destruction of property due to natural calamity. The amount paid during the reporting period is NPR. 1 mio. The said reserve has been included in Tier 2 Capital.

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

Particulars	As at 31 Ashad 2016	As at 32 Ashad 2015
Accrued interest on Loans and Advances recognized as Income	591,317,341	222,679,176
Provision of Non - Banking Assets (Investment Property)	102,915,862	59,774,627
Deferred Tax Assets	70,040,593	66,869,011
Actuary Losses	48,915,471	48,026,502
Fair value adjustment of Equity Shares	5,543,798	7,057,296
Total	818,733,064	404,406,612

After change of Core Banking System, the interest on majority of risk assets portfolio are due as per English Calendar due to which approximately a fortnight's interest income are not realized as of fiscal year end 2016.

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Contingent liabilities and commitments

4.28

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions as on reporting date.

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Contingent liabilities	44,144,526,363	44,101,467,843	44,144,526,363	44,101,467,843
Undrawn and undisbursed facilities	43,884,977,705	40,389,967,733	43,884,977,705	40,389,967,733
Capital commitment	66,303,121	165,645,352	65,753,121	165,645,352
Lease Commitment	-	-	-	-
Litigation	175,096,180	146,099,951	175,096,180	146,099,951
Total	88,270,903,369	84,803,180,879	88,270,353,369	84,803,180,879

4.28.1: Contingent liabilities

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Acceptance and documentary credit	20,275,562,695	20,595,601,948	20,275,562,695	20,595,601,948
Bills for collection	5,205,236,496	6,593,722,925	5,205,236,496	6,593,722,925
Forward exchange contracts	-	-	-	-
Guarantees	18,663,727,172	16,912,142,969	18,663,727,172	16,912,142,969
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	44,144,526,363	44,101,467,843	44,144,526,363	44,101,467,843

4.28.2: Undrawn and undisbursed facilities

Particulars	Group		NMB	
	As at 31 Ashad 2076	As at 32 Ashad 2075	As at 31 Ashad 2076	As at 32 Ashad 2075
Undisbursed amount of loans	8,081,845,898	6,653,704,000	8,081,845,898	6,653,704,000
Undrawn limits of overdrafts	4,350,254,360	3,840,304,766	4,350,254,360	3,840,304,766
Undrawn limits of credit cards	99,140,074	98,274,598	99,140,074	98,274,598
Undrawn limits of letter of credit	20,525,761,911	23,513,172,255	20,525,761,911	23,513,172,255
Undrawn limits of guarantee	10,827,975,461	6,284,512,114	10,827,975,461	6,284,512,114
Total	43,884,977,705	40,389,967,733	43,884,977,705	40,389,967,733

4.28.3: Capital commitments

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

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Capital commitments in relation to Property and Equipment				
Approved and contracted for	6,583,583	3,662,852	6,033,583	3,662,852
Approved but not contracted for	-	-	-	-
Sub total	6,583,583	3,662,852	6,033,583	3,662,852
Capital commitments in relation to Intangible assets				
Approved and contracted for	59,719,538	161,982,500	59,719,538	161,982,500
Approved but not contracted for	-	-	-	-
Sub total	59,719,538	161,982,500	59,719,538	161,982,500
Total	66,303,121	165,645,352	65,753,121	165,645,352

4.28.4: Lease commitments

Particulars	Group		NMB	
	As at 31 Ashad 2016	As at 32 Ashad 2015	As at 31 Ashad 2016	As at 32 Ashad 2015
Operating lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Sub total	-	-	-	-

Finance lease commitments

Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Sub total	-	-	-	-
Grand total	-	-	-	-

The lease agreements including that of subsidiaries are cancellable agreements as per terms of lease contracts.

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.28.5: Litigation

a. Contingent of Tax:

The bank has filed appeals at Supreme Court, Revenue Tribunal or Inland Revenue Department based on the stage of appeal against amended assessment orders of various fiscal years issued by Large Taxpayers Office. The detail of the cases are given below:

Fiscal Year	Status	Disputed Tax Amount
NMB Bank Limited		
FY 2063-64	Appealed to Supreme Court on 2070.11.15 for which the final decision is pending	32,182,889
FY 2064-65	Appealed to Supreme Court on 2071.09.24 for which the final decision is pending	26,954,038
FY 2066-67	Appealed to Revenue Tribunal against the decision of LTO on 2075.02.08 for which the final decision is pending	33,671,385
FY 2067-68	Appealed to Revenue Tribunal against the decision of LTO on 2075.02.08 for which the final decision is pending	7,724,850
FY 2068-69	Appealed to Revenue Tribunal against the decision of LTO on 2074.04.16 for which the final decision is pending	5,891,178
FY 2069-70	Appealed to IRD for Administrative Review on 2074.03.15 for which the final decision is pending	16,092,992
FY 2070-71	Appealed to IRD for Administrative Review on 2075.04.28 for which the final decision is pending	4,982,475
FY 2071-72	Appealed to IRD for Administrative Review on 2075.09.02 for which the final decision is pending	7,475,620
	Total	134,975,426
Erstwhile Clean Energy Development Bank Limited		
FY 2065-66	Appealed to IRD for Administrative Review on 2070.06.08 for which the final decision is pending	1,505,630
FY 2066-67	Appealed to IRD for Administrative Review on 2071.08.23 for which the final decision is pending	14,595,261
FY 2067-68	Appealed to Revenue Tribunal against the decision of LTO on 2074.04.16 for which the final decision is pending	7,616,269
FY 2068-69	Appealed to Revenue Tribunal against the decision of LTO on 2074.04.16 for which the final decision is pending	4,010,125
FY 2069-70	Appealed to IRD for Administrative Review on 2074.04.27 for which the final decision is pending	2,953,526
FY 2070-71	Appealed to IRD for Administrative Review on 2075.06.02 for which the final decision is pending	3,780,670
	Total	34,461,482
Erstwhile Prudential Finance Company Limited		
FY 2065-66	Appealed to IRD for Administrative Review on 2070.07.29 for which the final decision is pending	5,659,272
	Total	5,659,272
	Grand Total	175,096,180

Since decisions for these cases are pending, disputed tax amount of NPR 175,096,180 mentioned above has been disclosed as contingent liability on Income Tax and no provision for additional liability has been made.

As of the fiscal year end 2075/76, self-Assessment Returns filed by NMB Bank Ltd. for FY 2072/73 to 2074/75 and by erstwhile Clean Energy Development Bank Ltd. for FY 2071/72 to 2072/73 and by erstwhile Bhrikuti Development Bank Ltd. for FY 2072/73 is yet to be reassessed by Large Tax Payers Office.

b. In the second quarter of FY 2015/16, the Bank had purchased land with an area of 80 Annas (2,543 sq meter) for NPR 590 Million in Kamaladi, Kathmandu. The land was bought through auction process involving four financial institutions. The previous owner of property has filed case in Kathmandu District Court for repeal of auction process.

Interest income

4.29

Interest income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from BFIs, loan and advances to staff, etc. Details presented as follows:

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Cash and cash equivalent	62,214,239	52,770,428	13,780,049	9,590,254
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	140,169,449	42,538,692	140,169,449	42,538,692
Loan and advances to bank and financial institutions	145,439,154	129,463,374	145,439,154	129,463,374
Loans and advances to customers	10,625,666,262	8,436,853,243	10,172,263,538	8,077,886,340
Investment securities	514,448,520	454,384,404	494,048,717	407,924,702
Loan and advances to staff	90,208,322	36,395,287	90,208,322	36,395,287
Other	29,627,873	16,652,026	26,149,802	24,901,182
Total interest income	11,607,773,819	9,169,057,454	11,082,059,031	8,728,699,831

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 32,210,184.75 has been reversed and credited to Interest Suspense during the reporting period.

Interest expense

4.30

Interest expenses include interest accrued on deposits collected and debt securities issued. Details presented as follows:

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Due to bank and financial institutions	69,566,217	38,307,122	69,566,217	38,307,122
Due to Nepal Rastra Bank	17,217,476	32,550,947	17,217,476	32,550,947
Deposits from customers	6,599,609,495	5,760,802,430	6,532,587,197	5,716,330,942
Borrowing	323,435,591	169,373,719	135,757,511	2,400,853
Debt securities issued	82,909,684	35,095,890	82,909,684	35,095,890
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	7,092,738,463	6,036,130,108	6,838,038,085	5,824,685,753

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

4.31

Fees and Commission Income

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Loan administration fees	-	-	-	-
Service fees	489,096,397	383,727,229	341,530,916	249,416,509
Consortium fees	29,596,921	25,586,494	29,596,921	25,586,494
Commitment fees	2,882,016	-	2,882,016	-
DD/TT/Swift fees	19,347,569	13,239,368	19,347,569	13,239,368
Credit card/ATM issuance and renewal fees	39,088,343	34,877,234	39,088,343	34,877,234
Prepayment and swap fees	25,663,923	23,986,846	25,663,923	23,986,846
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	3,087,144	6,579,223	-	-
Remittance fees	20,917,818	24,982,254	20,917,818	24,982,254
Commission on letter of credit	75,591,404	70,937,543	75,591,404	70,937,543
Commission on guarantee contracts issued	250,984,009	180,943,955	250,984,009	180,943,955
Commission on share underwriting/issue	-	-	-	-
Locker rental	2,705,220	2,582,665	2,705,220	2,582,665
Other fees and commission income:	-	-	-	-
Bills Purchase and Discount	-	-	-	-
Collection Fee	9,408,164	14,568,251	9,408,164	14,568,251
Agency Commission	13,385,760	11,623,876	13,385,760	11,623,876
Others	177,472,314	145,983,371	172,428,803	141,505,074
Total fees and Commission Income	1,159,227,002	939,618,308	1,003,530,866	794,250,068

Fees and commission expense
4.32

Particulars	Group		NMB	
	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015
ATM management fees	39,410,044	35,803,750	39,410,044	35,803,750
VISA/Master card fees	22,801,865	7,782,037	22,801,865	7,782,037
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	8,585,284	-	8,585,284	5,159,536
Remittance fees and commission	-	-	-	-
Other fees and commission expense	30,621,497	26,341,052	23,158,077	13,962,705
Total fees and Commission Expense	101,418,691	69,926,838	93,955,270	62,708,027

Net trading income
4.33

Particulars	Group		NMB	
	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015
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	352,049,490	299,605,983	352,049,490	299,605,983
Other	-	-	-	-
Net trading income	352,049,490	299,605,983	352,049,490	299,605,983

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Other operating income

4.34

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Foreign exchange revaluation gain	88,012,372	6,926,498	88,012,372	6,926,498
Gain/loss on sale of investment securities	2,870,741	3,237,886	-	920,805
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	72,599,705	134,100,160	71,020,758	132,758,055
Gain/loss on sale of property and equipment	35,200,614	6,594,315	35,200,614	6,599,656
Gain/loss on sale of investment property	504,476	3,155,000	504,476	3,155,000
Operating lease income	-	-	2,172,966	2,137,344
Gain/loss on sale of gold and silver	13,462,733	12,464,871	13,462,733	12,464,871
Other	-	491,765	-	-
Total	212,650,641	166,970,494	210,373,919	164,962,228

Impairment charge/(reversal) for loan and other losses

4.35

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Impairment charge/(reversal) on loan and advances to B/Fis	8,950,143	6,346,579	8,950,143	6,346,579
Impairment charge/(reversal) on loan and advances to customer	167,104,939	(198,186,901)	157,322,491	(225,790,343)
Impairment charge/(reversal) on financial investment	-	(207,026)	-	(207,026)
Impairment charge/(reversal) on placement with banks and financial institutions	-	-	-	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	176,055,082	(192,047,347)	166,272,634	(219,650,789)

Personnel Expense

4.36

Particulars	Group		NMB	
	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015	Year ended 31 Ashad 2016	Year ended 32 Ashad 2015
Salary	497,302,046	381,101,707	433,615,983	332,360,603
Allowances	404,821,146	340,047,178	335,490,961	283,280,022
Gratuity expense	57,559,486	39,578,609	58,175,295	35,893,037
Provident fund	41,150,814	33,725,711	35,951,632	29,935,358
Uniform	-	12,323	-	12,323
Training & development expense	32,912,733	25,090,618	28,304,668	22,604,303
Leave encashment	114,124,812	53,990,977	105,465,657	53,528,551
- Sick Leave Expenses	40,593,618	28,224,874	32,603,472	28,134,664
- Leave Fare Expenses	50,599,234	25,766,104	50,119,157	25,393,888
- Home Leave Expenses	22,931,960	-	22,743,028	-
Medical	-	-	-	-
Insurance	1,137,739	1,125,280	-	-
Employees incentive	1,300,096	4,932,000	-	40,000
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	21,878,721	(51,954,699)	21,878,721	(51,954,699)
Other expenses related to staff	36,523,678	31,149,817	36,021,261	30,724,264
- Recruitment and Selection Expenses	205,178	201,837	-	157,937
- Staff Welfare Expenses	36,318,500	30,947,980	36,021,261	30,566,327
Subtotal	1,208,711,270	858,799,520	1,054,904,178	736,423,762
Employees bonus	378,471,332	299,140,340	360,889,315	285,146,674
Grand total	1,587,182,602	1,157,939,860	1,415,793,493	1,021,570,435

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Other operating expense

4.37

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Directors' fee	4,360,655	3,464,850	3,207,000	2,250,000
Directors' expense	2,099,053	1,776,781	2,082,488	1,160,742
Auditors' remuneration	1,539,393	1,431,710	1,118,700	1,118,700
Other audit related expense	1,101,864	537,811	300,182	343,969
Professional and legal expense	3,505,675	5,486,234	3,344,731	5,486,234
Office administration expense	426,603,409	312,537,044	395,614,463	290,836,003
a. Electricity and Water	32,627,629	29,601,084	31,420,687	28,122,434
b. Insurance	17,854,902	14,535,454	17,578,042	14,303,564
c. Postage, Telex, Telephone, Fax	59,387,524	49,498,136	56,205,013	46,448,634
e. Office Equipment, Furniture and Repair	3,724,531	4,764,485	2,774,538	3,976,433
f. Travelling Allowances and Expenses	32,427,002	27,872,469	21,905,537	18,931,292
g. Stationery and Printing	45,633,378	30,731,834	40,910,154	27,328,599
h. Periodicals and Books	637,480	695,894	524,039	575,569
i. Office Expenses	49,315,657	32,093,240	48,606,865	31,440,073
j. Vehicle fuel	27,438,318	21,777,922	26,733,578	21,646,349
k. Outsource Staff Expenses	34,877,547	17,824,378	27,768,631	16,244,341
l. Security Expenses	107,035,922	72,666,519	106,630,907	72,252,107
m. Repair and Maintenance	15,643,520	10,475,628	14,556,471	9,566,608
Operating lease expense	149,178,241	123,756,305	134,965,710	113,096,710
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	5,679,038	1,767,532	5,678,558	1,663,002
Onerous lease provisions	-	-	-	-
Others	170,086,169	191,965,055	162,349,575	173,438,838
Annual General Meeting Expenses	3,428,634	336,775	3,055,969	-
Entertainment/Business Promotion	22,889,213	22,294,793	22,452,358	22,294,793
Advertisements	73,970,329	85,590,263	73,269,284	84,901,483
Donations	43,445	85,670	15,000	45,000
Membership Fee	11,474,244	7,109,050	10,424,244	6,384,050
Card Transaction Charges	-	-	-	-
Bank Charges and Commission	306,020	530,800	306,020	530,800
Rates and Taxes	7,915,301	7,296,717	6,884,216	7,024,459
Deposit Guarantee Expenses	23,573,388	20,344,993	23,573,388	20,344,993
IS Audit-Compliance Expenses	1,191,458	113,000	1,191,458	113,000
Dematerialization Expenses	-	-	-	-
Issue And Surveillance Expenses	5,765,104	14,878,057	5,765,104	10,776,212
Merger Expenses	433,862	-	433,862	-
Others	19,095,171	33,384,937	14,978,672	21,024,048
Total	764,153,498	642,723,322	708,661,406	589,394,199

Depreciation and Amortisation

4.38

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life while amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation and amortization include depreciation on plant and equipment and amortization of intangible assets.

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Depreciation on property and equipment	174,082,276	149,793,266	163,692,664	141,841,503
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	13,587,223	6,194,294	13,100,691	5,853,735
Total	187,669,499	155,987,560	176,793,355	147,695,238

Non operating income

4.39

The incomes that have no direct relationship with the operation of transactions are presented as under.

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Recovery of loan written off	17,090,672	43,140,193	17,090,672	43,140,193
Other income	-	-	-	-
Total	17,090,672	43,140,193	17,090,672	43,140,193

Non operating expense

4.40

The expense that has no direct relationship with the operation of transactions are presented as under.

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Loan written off	17,585,901	37,935,379	17,585,901	37,935,379
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	23,248	-	-	-
Total	17,609,148	37,935,379	17,585,901	37,935,379

Notes to Consolidated Financial Statements

For the year ended 31 Ashad 2076

Income tax expense

4.41

The bank has calculated Income Tax as per Income Tax Act, 2058. The bank has also paid income tax on interest suspense for the previous year 2075 due to which effective tax rate is higher in comparison to current year.

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Current tax expense	1,043,451,780	865,791,637	994,167,044	829,621,042
Current year	1,041,813,251	860,473,515	992,528,515	824,302,920
Adjustments for prior years	1,638,529	5,318,122	1,638,529	5,318,122
Deferred tax expense	(7,988,980)	(116,372,096)	(3,439,237)	(117,093,734)
Origination and reversal of temporary differences	(7,988,980)	(116,372,096)	(3,439,237)	(117,093,734)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	1,035,462,800	749,419,541	990,727,807	712,320,180

4.41.1: Reconciliation of tax expense and accounting profit

Particulars	Group		NMB	
	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
Profit before tax	3,408,322,698	2,701,608,171	3,248,003,834	2,566,320,061
Tax amount at tax rate of 30 %/25%	1,022,496,809	878,585,397	974,401,150	842,221,159
Add: Tax effect of expenses that are not deductible for tax purpose	265,093,198	246,603,042	261,507,446	246,603,042
Less: Tax effect on exempt income	14,674,649	33,195,838	14,674,649	33,195,838
Add/less: Tax effect on other items	231,102,107	231,519,086	228,705,433	231,325,443
Less: Tax effect of expenses allowed/Income that are not allowed for tax purpose	228,049,023	228,129,273	225,315,620	227,935,630
Less: Tax effect of carried forward losses	3,053,084	3,389,813	3,389,813	3,389,813
Total income tax expense	1,041,813,251	860,473,515	992,528,515	824,302,920
Effective tax rate	30.57%	31.85%	30.56%	32.12%

Statement of distributable profit or loss

For the year ended 31 Ashad, 2076 (16 July 2019)

(As per NRB Regulation)

Particulars	(Amount in NPR)	
	As at 31 Ashad 2076	As at 32 Ashad 2075
Net profit or (loss) as per statement of profit or loss	2,257,276,027	1,853,792,753
Appropriations:		
a. General reserve	(451,455,205)	(370,758,551)
b. Foreign exchange fluctuation fund	(22,003,093)	(1,731,624)
c. Capital redemption reserve	(90,452,511)	(90,999,503)
d. Corporate social responsibility fund	(22,572,760)	(18,537,928)
e. Employees' training fund	-	-
f. Investment Adjustment Reserve	-	-
Profit or (loss) before regulatory adjustment	1,670,792,457	1,371,765,147
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(368,638,165)	(222,679,176)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)		
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	(43,141,235)	(59,774,627)
e. Deferred tax assets recognised (-)/ reversal (+)	(3,171,582)	(66,869,011)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(888,969)	(48,026,502)
i. Other (+/-)	-	-
- Fair value of investment securities	1,513,498	(7,057,296)
Total Adjustments	(414,326,452)	(404,406,612)
Distributable profit or (loss)	1,256,466,005	967,358,536

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2018-19 (FY 2075/2076)

Rs. in '000'

Condensed Consolidated Statement of Financial Position	This Quarter Ending	Immediate Previous Year Ending(Audited)
Assets		
Cash and cash equivalent	8,095,758	5,180,404
Due from Nepal Rastra Bank	10,818,537	7,260,195
Placement with Bank and Financial Institutions	2,177,098	276,407
Derivative financial instruments	8,595,482	7,506,751
Other trading assets	340,390	321,720
Loan and advances to B/FIs	3,317,962	2,497,568
Loans and advances to customers	88,488,182	72,711,772
Investment securities	10,316,351	9,448,447
Current tax assets	-	-
Investment in subsidiaries	248,552	248,552
Investment in associates	-	-
Investment property	102,916	59,775
Property and equipment	1,577,899	1,559,570
Goodwill and Intangible assets	115,409	22,054
Deferred tax assets	66,869	66,869
Other assets	1,206,735	4,458,384
Total Assets	135,468,139	111,618,467
Liabilities		
Due to Bank and Financial Institutions	624,365	1,036,269
Due to Nepal Rastra Bank	3,203,523	660,072
Derivative financial instruments	8,458,374	7,477,484
Deposits from customers	97,892,302	83,970,867
Borrowing	3,468,060	-
Current Tax Liabilities	9,599	60,418
Provisions	9,078	-
Deferred tax liabilities	-	-
Other liabilities	2,107,809	1,406,000
Debt securities issued	2,239,236	517,548
Subordinated Liabilities	-	-
Total liabilities	118,012,348	95,128,658
Equity		
Share capital	9,618,163	7,603,291
Share premium	2,512,799	4,061,367
Retained earnings	1,792,975	2,339,182
Reserves	3,531,856	2,485,970
Total equity attributable to equity holders	17,455,791	16,489,809
Non-controlling interest	-	-
Total equity	17,455,791	16,489,809
Total liabilities and equity	135,468,139	111,618,467

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2018-19 (FY 2075/2076)

Rs. in '000'

Condensed Consolidated Statement of Profit or Loss	Up to this Quarter	Up to Corresponding Previous Year Quarter (Audited)
Interest income	11,104,234	8,728,700
Interest expense	6,838,038	5,824,686
Net interest income	4,266,196	2,904,014
Fees and Commission Income	1,003,531	794,250
Fees and commission expense	93,955	62,708
Net fee and commission income	909,576	731,542
Net interest, fee and commission income	5,175,771	3,635,556
Net trading income	352,049	299,606
Other operating income	210,374	164,962
Total operating income	5,738,195	4,100,124
Impairment charge/(reversal) for loans and other losses	163,122	(219,651)
Net operating income	5,575,073	4,319,775
Operating expense		
Personnel expenses	1,419,153	1,021,570
Other operating expenses	700,390	589,394
Depreciation & Amortisation	176,793	147,695
Operating Profit	3,278,736	2,561,115
Non operating income	17,091	43,140
Non operating expense	17,586	37,935
Profit before income tax	3,278,241	2,566,320
Income tax expense		
Current Tax	968,188	829,621
Deferred Tax expense/(Income)	-	(117,094)
Profit for the period	2,310,053	1,853,793

Condensed Consolidated Statement of Comprehensive Income

Profit/Loss for the period	2,310,053	1,853,793
Other Comprehensive Income	625	(44,269)
Total Comprehensive Income	2,310,678	1,809,524

Statement showing Net Profit after Regulatory Adjustments:

Net Profit for the period ended 31 Asadh 2076		2,310,053
Profit required to be appropriated to statutory reserve		(591,896)
Profit required to be transfer to Regulatory Reserve		(443,365)
Net Profit for the period ended 31 Ashad 2076 available for distribution		1,274,793

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2018-19 (FY 2075/2076)

Ratios	Upto This Quarter (YTD)	Up to Corresponding Previous Year Quarter
Capital fund to RWA	15.32%	15.75%
Non performing loan (NPL) to total loan	0.82%	0.88%
Total loan loss provision to Total NPL	184.52%	184.17%
Cost of Funds (YTD)	7.26%	7.46%
CCD Ratio	76.88%	77.72%
Base Rate	9.86%	10.70%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter	4.26%	4.14%
Additional Informations:		
Average Yield (YTD Average)	10.80%	10.91%
Return on Equity (Annualized)	13.61%	13.54%
Return on Assets (Annualized)	1.86%	1.80%
PE Ratio (Annualized)	15.86	16.38
Net-Worth per share (NPR)	181.49	216.88
Assets per share (NPR)	1,418.41	1,478.19
Liquidity Ratio (NLA)	28.28%	23.64%

Comparison Unaudited and Audited Financial Statements as of FY 2018-2019 (FY 2075/76)

Rs. in '000'

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In % (Rounded off)	
Assets					
Cash and cash equivalent	8,095,758	8,096,355	597	0%	Due to re-classification from Placement with BFI's
Due from Nepal Rastra Bank	10,818,537	10,829,182	10,644	0%	Due to adjustment of receivable of Int. Subsidy from NRB and placements
Placement with Bank and Financial Institutions	2,177,098	2,172,967	(4,131)	0%	Due to re-classification to Cash and Cash Equivalent and placements
Derivative financial instruments	8,595,482	8,595,482	-	-	
Other trading assets	340,390	340,390	-	-	
Loan and advances to B/FIs	3,317,962	3,317,962	-	-	
Loans and advances to customers	88,488,182	88,485,031	(3,150)	0%	Due to change in impairment
Investment securities	10,316,351	10,316,351	-	-	
Current tax assets	-	-	-	-	
Investment in subsidiaries	248,552	248,552	-	-	
Investment in associates	-	-	-	-	
Investment property	102,916	102,916	-	-	
Property and equipment	1,577,899	1,577,899	-	-	
Goodwill and intangible assets	115,409	115,409	-	-	
Deferred tax assets	66,869	70,041	3,172	5%	Due to adjustment of deferred tax
Other assets	1,206,735	1,201,874	(4,861)	0%	Due to adjustment in sundry creditor and net off provisions
Total Assets	135,468,139	135,470,410	2,270	0%	
Liabilities					
Due to Bank and Financial Institutions	624,365	624,365	-	-	
Due to Nepal Rastra Bank	3,203,523	3,203,523	-	-	
Derivative financial instruments	8,458,374	8,458,374	-	-	
Deposits from customers	97,892,302	97,892,302	-	-	
Borrowing	3,468,060	3,468,060	-	-	
Current Tax Liabilities	9,599	35,579	25,979	271%	Due to change in tax liabilities and net off with current tax assets
Provisions	9,078	-	(9,078)	-100%	Due to net off with other assets
Deferred tax liabilities	-	-	-	-	
Other liabilities	2,107,809	2,145,956	38,146	2%	Due to adjustment of Interest Suspense as per NRB Guidelines and staf bonus
Debt securities issued	2,239,236	2,239,236	-	-	
Subordinated Liabilities	-	-	-	-	
Total liabilities	118,012,348	118,067,395	55,047	0%	
Equity					
Share capital	9,618,163	9,618,163	-	-	
Share premium	2,512,799	2,512,799	-	-	
Retained earnings	1,792,975	1,780,327	(12,648)	-1%	Due to change in profit
Reserves	3,531,856	3,491,726	(40,129)	-1%	Due to change in profit
Total equity attributable to equity holders	17,455,791	17,403,014	(52,777)	0%	
Non-controlling interest					
Total equity	17,455,791	17,403,014	(52,777)	0%	
Total liabilities and equity	135,468,139	135,470,410	2,270	0%	

Comparison Unaudited and Audited Financial Statements as of FY 2018-2019 (FY 2075/76)

Rs. in '000

Particulars	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In % (Rounded off)	
Interest income	11,104,234	11,082,059	(22,175)	0%	Due to booking of Interest Income Subsidy and reversal of Interest Suspense as per NRB guidelines
Interest expense	6,838,038	6,838,038	-	-	
Net interest income	4,266,196	4,244,021	(22,175)	-1%	Due to change in Interest Income
Fees and Commission income	1,003,531	1,003,531	-	-	
Fees and commission expense	93,955	93,955	-	-	
Net fee and commission income	909,576	909,576	-	-	
Net interest, fee and commission income	5,175,771	5,153,597	(22,175)	0%	
Net trading income	352,049	352,049	-	-	
Other operating income	210,374	210,374	-	-	
Total operating income	5,738,195	5,716,020	(22,175)	0%	
Impairment charge/(reversal) for loans and other losses	163,122	166,273	3,150	2%	Due to addition of impairment
Net operating income	5,575,073	5,549,747	(25,325)	0%	
Operating expense					
Personnel expenses	1,419,153	1,415,793	(3,360)	0%	Due to change in Staff Bonus
Other operating expenses	700,390	708,661	8,271	1%	Due to recognition of lease expense as per NAS 17.
Depreciation & Amortisation	176,793	176,793	-	-	
Operating Profit	3,278,736	3,248,499	(30,237)	-1%	
Non operating income	17,091	17,091	-	-	
Non operating expense	17,586	17,586	-	-	
Profit before income tax	3,278,241	3,248,004	(30,237)	-1%	
Income tax expense	-	-	-	-	
Current Tax	968,188	994,167	25,979	3%	Due to change in Profit and Income Tax.
Deferred Tax expense/(Income)	-	(3,439)	(3,439)	100%	Due to booking of deferred tax
Profit for the period	2,310,053	2,257,276	(52,777)	-2%	
Other Comprehensive Income	625	625	-	-	
Total Comprehensive Income	2,310,678	2,257,901	(52,777)	-2%	Due to change in profit
Distributable Profit					
Net profit/(loss) as per profit or loss	2,310,053	2,257,276	(52,777)	-2%	
Add/Less: Regulatory adjustments as per NRB Directive	(1,035,261)	(1,000,810)	34,451	-3%	
Profit/(loss) after regulatory adjustments	1,274,793	1,256,466	(18,327)	-1%	Due to change in profit and subsequent appropriations

Significant Accounting Policies to Consolidated Financial Statements

Financial Year 17 July 2018 to 16 July 2019 (1 Shrawan 2075 to 31 Ashad 2076)

1. General Information

1.1 Reporting Entity:

NMB Bank Limited (hereinafter referred to as “the Bank”) is a limited liability company domiciled in Nepal. The registered office of the Bank is G.P.O. Box 11543, Babar Mahal, Kathmandu, Nepal. The Bank has a primary listing in the Nepal Stock Exchange Limited, the only Stock Exchange in Nepal.

The Bank carries out commercial banking activities in Nepal licensed under the Bank and Financial Institutions Act, 2006 as Class A financial institution in May 2008 and has been operating in the Nepalese Financial market for over twenty four years.

1.2 Subsidiary:

a.NMB Capital Ltd. (NMBCL) is a 100% subsidiary company of the Bank and was incorporated on September 17, 2010 as a public limited company as per the Companies Act 2063. It is into Merchant and investment banking licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008.

b.NMB Microfinance Bittiya Sanstha Ltd. (NMBMF) is incorporated as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” Class financial institution having Nation Wide working area to operate its microfinance program under Bank and Financial Institution Act 2006. As at the Balance Sheet date, the bank holds 51% controlling interest in the NMBMF.

The financial year of both of the subsidiaries is same as that of the Bank ending on July 16, 2019

1.3 “The Group” represents The Bank and the subsidiaries.

1.4 Approval of Financial Statements:

The consolidated financial statements of the group for the year ended 16 July 2019 have been authorized by the Board of Directors in accordance with its resolution dated 10 November 2019 and the Board of Directors have recommended for its approval by the forthcoming Annual General Meeting

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements of the Bank are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented herein.

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standard (NFRS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated, comply with the requirements of Companies Act 2063 and also provide appropriate disclosures required under regulations of the Securities Exchange Board of Nepal (SEBON). The financial statements have been prepared in accordance with the accrual basis.

The cash flow statement has been prepared using the direct method whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

The Group has opted for some certain carve outs which are briefly described in Notes to Accounts. As a consequence of carve out adjustments, net profit would have been impacted.

In preparing the Consolidated Financial Statement, the financial statements of the Bank and the Subsidiary are combined line by line by adding together Assets, Liabilities, Equity, Income and Expenses. The consolidated financial statements have been prepared in accordance with Nepal Financial Reporting Standards 10 "Consolidated Financial Statements".

Para 8 of NFRS 10 outlines three conditions to be fulfilled in order to establish control:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect the amount of the investor's returns

Non-Controlling Interest (NCI) refers to ownership of a company, which does not give the shareholder the control of the company.

2.2 Going Concern

The Board of Directors have made an assessment of Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Hence, the Financial Statements are continued to be prepared on the going concern basis.

2.3 Responsibility for Financial Statements

As stated in paragraph 6 of NAS 01 "Presentation of Financial Statements" read along with Section 108(2) of the Company Act, 2006 the Board of Directors is responsible for the preparation of financial statements of the Bank. The Board of Directors acknowledges this responsibility. The Financial statements include the following components:

- (a) Consolidated Statement of Financial Position(SOFP) stating the financial position of the Bank and the Group as at the end of reporting period;
- (b) Consolidated Statement of Profit and Loss (SOPL) and Consolidated Statement of Other Comprehensive Income (SOCI) stating the financial performance of the Bank and the Group for the reported period ended.
- (c) Consolidated Statement of Cash Flow Statement (SOCF) stating the ability of Bank and the Group to generate Cash and Cash Equivalent.
- (d) Consolidated Statement of Changes in Equity (SOCE) stating all the changes in Equity of the Bank and the Group during the reporting period.
- (e) Notes to the Consolidated Financial Statements comprising summary of Principal Accounting Policies and explanatory notes that are of significant importance to the users of Financial Statements.

2.4 Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies as on the balance sheet date have been converted into local currency at mid-point exchange rates published by Nepal Rastra Bank after adjustment for effective trading rate.

Net difference arising from the conversion of foreign currency assets and liabilities is accounted for as revaluation gain/loss under Exchange Gain in Schedule 4.34. 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Statement of Change in Equity as per NRB Directives.

Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Gain/loss foreign exchange transaction" under "Net Trading Income" in Schedule 4.33

2.5 Functional and presentation currency

The Consolidated financial statements are presented in Nepalese Rupees (NPR), the functional currency of Group entities. The Consolidated financial statements are prepared in the formats implemented by Nepal Rastra Bank and the assets and liabilities are presented in the order of liquidity in the statement of financial position. The Income and expenses are classified 'by nature' in the presentation of statement of profit or loss. All figures in the accounts have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences.

2.6 Significant accounting judgements and estimates

As part of the process of preparing the financial statements in conformity with NFRS, the Bank's management is required to make certain judgements, estimates and assumptions that may affect the Bank's profits, its financial position and other information presented in the Annual Report. These estimates are based on available information and the judgements made by the Bank's management. Actual outcomes may deviate from the assessments made, and such deviations may at times be significant.

The Bank uses various valuation models and techniques to estimate the fair values of assets and liabilities. There are significant uncertainties related to these estimates and these estimates are highly dependent on market data, such as the level of interest rates, currency rates and other factors. The uncertainties related to these estimates

are reflected mainly in the statement of financial position. The bank undertakes continuous development in order to improve the basis for fair value estimates, with regard to both modelling and market data. Changes in estimates resulting from refinements in assumptions and methodologies are reflected in the period in which the enhancements are first applied. Judgements and estimates are also associated with impairment testing of loans and claims.

2.7 Change in Accounting Policies

The bank has changed its accounting policies when required, to ensure compliance with NFRS. The effect of change in accounting policies at the date of transition has been given to the retained earnings (and reserves, if applicable)

2.8 Materiality and Aggregation

In compliance with Nepal Accounting Standard - NAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.9 New Standards in Issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments. A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

Besides, IASB is yet to issue internationally applied standards namely NFRS 9 'Financial Instruments', NFRS 15 – Revenue from Contracts with Customers and NFRS 16 – Leases

2.10 Basis for classification and measurement

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

The financial statements have been prepared on the historical cost basis, except for:

- As per NFRS 9 "Financial Instruments", Investment Securities (investment in equity shares and mutual funds) are measured at fair value.
- Derivative Financial Instruments are measured at fair value (FVTPL).
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value
- Inventories are measured at cost or net realizable value whichever is lower.

- As per NAS 40 'Investment Property' (land and building acquired as non banking assets) are measured at fair value.
- As per NAS 19 "Employee Benefits", Liabilities for employee defined benefit obligations and liabilities for long service leave are measured at fair value.

Financial assets at amortised cost

An investment is classified at "amortised cost" only if it is not designated as a FVTPL and both of the following criteria are met: the objective of the Bank's business model is to hold the assets in order to collect the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

Financial assets at fair value

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value.

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques which include the use of mathematical models. The input to these models is taken from observable market data where possible. Fair values are measured using different valuation models and techniques. This process involves determining future expected cash flows, which can then be discounted to the balance sheet date. The estimation of future cash flows for these instruments is subject to assumptions on market data, the fair value estimate may therefore be subject to variations and may not be realisable in the market. Under different market assumptions, the values could also differ significantly.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and where the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

2.11 Financial assets and financial liabilities

Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Since financial assets derive their value from a contractual claim, these are non physical in form and are usually regarded as being more liquid than other tangible assets.

Financial liabilities are obligations that arise from contractual agreements and that require settlement by way of delivering cash or another financial asset. Settlement could also require exchanging other financial assets or financial liabilities under potentially unfavourable conditions. Settlement may also be made by issuing own equity instruments.

2.12 Recognition and de-recognition of financial instruments

Financial instruments are recognised in the statement of financial position on a settlement date basis, except for derivative instruments, which are recognized on a trade date basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

2.13 Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group as per NFRS 3. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2.14 Offsetting

A financial asset and a financial liability are offset and the net amount recognised only where there is a legal right to do so and the intention is to settle on a net basis.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise monetary assets and placements with original maturities of three months or less, calculated from the date the acquisition and placements were made.

Cash and cash equivalents are classified as financial asset and are measured at amortized cost in SoFP.

Restricted deposits are not included in cash and cash equivalents. These are measured at amortized cost and presented as a line item on the face of consolidated Statement of Financial Position (SoFP).

2.16 Impairment

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- a significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- Where observable data indicate that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in repayment patterns or economic conditions that correlate with defaults.

Assets carried at amortised cost

Financial assets carried at amortised cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) are impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

The recoverable value of loan is estimated on the basis of realizable value of collateral (value of collateral is considered after hair cut prescribed by NRB) and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience.

Subsequent reversal of impairment loss, due to factors such as an improvement in the debtor's credit rating, is recognized in the statement of profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. Financial assets (and the related impairment allowance accounts) are written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. For individual impairment, bank considers Top 50 loan clients and loans above delinquency of 90 days.

2.17 Derivative assets and derivative liabilities

Derivative assets and derivative liabilities (derivatives) create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract.

Derivative financial instruments meet the definition of a financial instrument and are accounted for as derivative financial asset or derivative financial liability measured at FVTPL and corresponding fair value changes are recognized in profit or loss.

2.18 Deposits from customers and BFIs and Debt Securities

These are classified as financial liabilities measured at amortized cost.

2.19 Revenue recognition

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

Revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognised on an accrual basis in the period in which it accrues. The Group applies NAS 18 – “Revenue” in the accounting of revenue, unless otherwise stated.

a. Net interest income

Interest income and expenses are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the expected estimated future cash payments and receipts through the expected life of the financial asset or liability. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate.

The interest income has been recognized as per NRB Guidelines on Interest Income Recognition.

b. Fees and commission income

Fees and commission income is generally recognised when the related services are provided or on execution of a significant act. Fees charged for servicing a loan are recognised as revenue as the service is provided.

c. Dividend Income

Dividend is recognised as income when the right to receive the dividend is established. For bonus shares, the numbers of shares alone are increased without any change in the cost price of shares.

d. Net Trading Gain

The Group presents all accrued interest, dividend, unrealized fair value changes and disposal gains or losses in respect of trading assets and liabilities under this head. The Group also presents foreign exchange trading gains or losses arising on foreign exchange buy and sell transactions under trading income.

2.20 Interim Reports

Interim reports corresponding to the financial statements reported had been reported in accordance with the regulatory reporting requirements. Those statements have been published.

2.21 Discounting

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

2.22 Limitation of NFRS implementation

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

2.23 Significant changes from the policies adopted in the past

Significant changes from the accounting policies adopted under previous GAAP (erstwhile Nepal Accounting Standards and directives issued by Nepal Rastra bank) and the adoption of NFRS has been disclosed in the respective segments, including the impact.

2.24 Property, plant and equipment (PPE) and Intangible Assets

- a. Property, plant and equipment and Intangible assets (software) are stated at cost less accumulated depreciation (Cost Model)
- b. Land is not depreciated. Depreciation of others is charged to Statement of Profit and Loss on Straight Line method over the useful life of those assets. The estimated useful life of the assets are as follows:

Assets	Estimated Life	Rate of Depreciation
Building	40 years	2.5%
Office equipment	7 years	14.28%
Computers	5 years	20%
Furniture & Fixtures	7 years	14.28%
Vehicles	5 to 7 years	20%/ 14.28%
Intangible Assets/software	5 Years	

- c. Leasehold improvements are capitalised at cost and amortised over period of lease.
- d. Intangible assets (software) are capitalised and amortised over the life of assets determinable or best estimated.
- e. Depreciation on property, plant and equipment sold or disposed off during the year is charged up to the date of sales and gain or loss on the sales transaction is accounted for.
- f. Software costs are amortized over their estimated useful lives from the period of purchase.
- g. Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.25 Investment property

Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – “Property, Plant and Equipment”; and assets classified as non-current assets held for sale under NFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations”. The Group has recognized as investment property all land or land and building acquired as non banking assets.

Non banking assets (only land and building) are initially recognized at fair value. Since it is not intended for owner-occupied use, a depreciation charge is not raised.

2.26 Retirement Benefits

The Bank offers retirement benefits to its confirmed employee, mainly provident fund, gratuity and accumulated sick leave, all payable at the time of separation from service.

a. Provident fund

Provident fund is recognised at the time of contribution to the fund which is independent to the Bank.

b. Gratuity

Provision for gratuity is made on the basis of actuarial valuation carried out by an Actuary as per the provisions of Nepal Accounting Standards. At the time of separation from service, cash payments are made to the employees and the amount is computed as per the Bank's Policy.

c. Accumulated sick leave

Provision for accumulated sick leave is made on the basis of actuarial valuation carried out by an Actuary as per the provisions of Nepal Accounting Standards. At the time of separation from service, cash payments are made to the employees and the amount is computed as per the Bank's Policy.

d. Accumulated home leave

Provision for accumulated home leave is made on the basis of actuarial valuation carried out by an Actuary as per the provisions of Nepal Accounting Standards. At the time of separation from service or eligible accumulated leaves, cash payments are made to the employees and the amount is computed as per the Bank's Policy.

2.27 Operating Lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The Group has applied NAS 17 – “Leases” and expense is recognized to Statement of Profit or Loss (SoPL) on straight line basis considering adjusted incremental rent over the lease period.

2.28 Income Tax

a. Current Income Tax

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

b. Deferred Tax

Deferred tax is recognised on the differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined by using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to temporary differences in opening balances is credited or charged directly to equity and subsequent year differences are recognised in the income statement together with the deferred gain or loss.

2.29 Segmental Reporting

An operating segment is a component of the bank that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relating to transactions with any of the bank's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank is organised for management and reporting purposes into segments such as: Retail, SME and MSME, Corporate, Deprived, Treasury and Others. Income tax is managed on a group basis and are not allocated to operating segments. All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Others". Support costs are also allocated to Retail, Corporate, SME and MSME, Deprived, Treasury and others based on Management's estimates of the benefits accruing to these segments for the costs incurred.

2.30 Share capital and reserves

The Ordinary shares in the Bank are recognized at the amount paid per ordinary share. The holders of ordinary shares are entitled to one vote per share at general meetings of the bank and are entitled to receive the annual dividend payments. The various reserve headings are explained hereinafter:

a. General reserve

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

b. Exchange equalization reserve

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

c. Fair value reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for financial assets. NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset is reclassified from this reserve heading to retained earnings.

d. Asset revaluation reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model. The Bank does not have any amount to present under asset revaluation reserve.

e. Capital Adjustment Fund

This is a statutory reserve and is a compliance requirement of NRB circular 12/072/73. The Bank is required to appropriate an amount equivalent to 100% of capitalized portion of interest income on borrowing accounts where credit facility was rescheduled or restructured, following the after effects of the great earthquake that struck the nation in April 2015. Fund in this account can be reclassified to retained earnings upon full and final repayment of the credit facility.

f. Corporate social responsibility fund

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

g. Investment adjustment reserve

The Bank is required to maintain balance in this reserve heading which is calculated at fixed percentages of the cost of equity investments that are not held for trading. Changes in this reserve requirement are reclassified to retained earnings.

h. Actuarial gain / loss reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for employee benefits. NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

i. Regulatory reserve

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

loss provision as per NRB directive and impairment on loan and advance as per NFRS, amount equals to deferred tax assets, actuary loss recognized in other comprehensive income, amount of goodwill recognized under NFRS.

j. Debenture Redemption Reserve

The Bank is required to maintain a redemption reserve in respect of borrowing raised through debenture issuance. As per the terms of NRB approval relating to the Bank's debenture issuance, the Bank is annually required to transfer 20% of the debenture's face value to redemption reserve.

k. Employees training fund

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

2.31 Stationery

Stationery purchased are stated at cost and charged to revenue at the time of consumption.

2.32 Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.33 Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue.

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorised for issue required as per Nepal Financial Reporting Standards (NFRS)

3. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Previous year's figures have been reclassified wherever necessary in order to facilitate comparison.

Additional Disclosures - Financial Year 17 July 2018 to 16 July 2019 (1 Shrawan 2075 to 31 Ashad 2076)

1. Provision for Bonus

Provision for bonus has been calculated and provided at 10% of net profit before bonus and tax.

2. General Reserve

As per section 44 of the Banks and Financial Institutions Act 2063, 20% of the current year's net profit amounting NPR 451,455,205 has been transferred to General Reserve.

3. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act, 2063 25% of the revaluation gain amounting to NPR 22,003,093 has been transferred to Exchange Fluctuation Reserve.

4. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 440,061,862 out of which a gain of NPR 202.11 Million was generated through NDF contracts transactions. Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Gain/loss foreign exchange transaction" under "Net Trading Income" in Schedule 4.33 and income realized through revaluation gain is shown under Foreign exchange revaluation gain in other operating income in schedule 4.34.

5. Investment Adjustment Reserve

The investments are valued at fair value required as per NFRS and hence only 100% of investment amount for CEDB Hydro Fund under 'Available for Sale' category totalling to NPR 10,000,000 has been set aside as Investment Adjustment Reserve.

Particulars	Investment Amount	IAR %	IAR Amount
IAR not required to be created	204,387,000	0%	-
100% IAR required	10,000,000	100%	10,000,000
Total	214,387,000		10,000,000

6. Debenture Redemption Reserve

As required by NRB directive, an amount equal to NPR 90,452,511 has been appropriated to Debenture Redemption Reserve during the year. The total balance in Debenture Redemption Reserve as at 16 July 2019 is NPR 400,000,000.

Debenture – 1	
Debenture Amount	500,000,000
Issued Date	18-Feb-15
Maturity Date	21-Aug-20
Beginning Year Excluding Issue Year	2015-16
Final Year Excluding Redemption Year	2019-20
No. of Years for Reserve Creation	5 Years
Debenture Reserve per year	100,000,000
Current Year	2018-19
No. of Years for Reserve Creation till FY 2018-19	4 Years
Redemption Reserve required for 4 Years (A)	400,000,000
Debenture – 2	
Debenture Amount	1,684,505,000
Issued Date	12-Apr-19
Maturity Date	12-Apr-29
Beginning Year Excluding Issue Year	2019-20
Final Year Excluding Redemption Year	2027-28
No. of Years for Reserve Creation	9
Debenture Reserve per year	187,167,222.22
Current Year - Issue Year	2018-19
No. of Years for Reserve Creation till FY 2018-19	None
Redemption Reserve required (B)	-
Total Reserve (A)+(B)	400,000,000
Reserve created till FY 2017-18	309,547,489
Additional Reserve for this year	90,452,511

7. Corporate Social Responsibility (CSR) Fund

The bank has apportioned NPR. 22,572,760 /- as CSR fund which is equivalent to 1% of Net Profit of the year. The fund has been created as per the requirement of NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/11/073/74 dated 2073/10/12. The fund so created shall be used for CSR activities of the Bank in the next fiscal year as per bank's CSR policy. The detailed movement of reserve is given below:

Particulars	NPR
A. Net profit for FY 2075/76	2,257,276,027
B. 1% of net profit appropriated to CSR fund	22,572,760
C. Opening CSR fund	31,548,400
D. CSR expense incurred for FY 2075/76	5,678,558
E. Closing CSR Reserve FY 2075/76 (B+C-D)	48,442,603
F. Net Movement (E-C)	16,894,202

8. Staff Skill Development (SSD) Fund

The bank has expensed NPR. 28,304,668 under staff training for the FY 2075/76 which is more than the 3% of the total employee cost of the previous FY 2074/75. Hence, no fund has been apportioned to "Staff Skill Development Fund" as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/10/073/74 dated 2073/09/26. The detailed movement of reserve is given below:

Particulars	NPR
A. Staff Expenses of FY 2074/75	736,423,762
B. 3% of the above to be expensed in FY 2075/76	22,092,713
C. Training Expenses for FY 2075/76	28,304,668
D. Excess/(Shortfall) (C-B)	6,211,955
E. Opening SSDF	-
F. Transfer to SSD Fund	-

9. Event after reporting period

The Board of Directors in its meeting dated 10 November 2019 has proposed the issue of 21 % Stock Dividend and 14% cash dividend (including for tax purpose) for each share held. The dividend shall be distributed from the retained earnings available as on Ashad end 2076 of NMB Bank Ltd on the paid up capital of NPR. 11,529,741,708 (including adjusted paid up capital of erstwhile Om Development Bank Ltd.). This is to be approved at the forthcoming Annual General Meeting of the Bank.

10. Unpaid Dividend

As on the balance sheet date, unpaid dividends of over five years amount to NPR 5,128,793.31 and total unpaid dividends also amounts to NPR 5,128,793.31. Subsequently the Bank deposits the unclaimed amounts in Investor's Protection Fund as required by the Companies Act.

11. Earnings per Share

Basic earnings per equity share are computed in accordance with NAS 26 Earnings per Share. Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Bonus shares, also known as scrip dividends, involve the issue of shares without any consideration. Since the bonus shares do not change the resources available to the entity to earn a return for the shareholders (as in the case of shares issued for cash) the effect of change in number of shares in the EPS calculation is cancelled for the year in which bonus issue takes place and as well as in the prior periods presented. The EPS has also been restated in Principal Indicators.

The following table sets forth, for the periods indicated, the computation of earnings per share.

Particulars	YE Ashad 2076	YE Ashad 2075
Weighted average no. of equity shares outstanding (Restated)	95,900,157	84,797,652
Net profit	2,257,276,027	1,853,792,753
Basic earnings per share	23.54	21.86
Nominal value per share	100	100

12. Principal Indicators

The principal indicators of the bank for the past 5 years are as follows:

S.No	Particulars	Indicators	FY 2071/72	FY 2072/73	FY 2073/74	FY 2074/75	FY 2075/76
1	Percent of Net Profit/ Gross Income	Percent	18.42	20.90	20.52	18.09	18.06
2	Earnings Per Share (Restated for previous years)	Rs.	21.48	22.10	22.24	21.86	23.54
3	Market Value Per Share	Rs.	507	810	545	358	382
4	Price Earnings Ratio	Ratio	20.24	29.15	20.27	12.48	16.23
5	Dividend (including bonus) on Share Capital	Percent	8.42	20.00	15.79	30.00	35.00
6	Cash Dividend on Share Capital	Percent	0.42	1.00	0.79	20.00	14.00
7	Interest Income/Loans & Advances	Percent	7.86	7.16	9.26	10.78	11.17

S.No	Particulars	Indicators	FY 2071/72	FY 2072/73	FY 2073/74	FY 2074/75	FY 2075/76
8	Staff Expenses/Total Operating Expenses	Percent	48.66	57.15	55.03	58.09	61.52
9	Interest Expenses on Total Deposit and Borrowing	Percent	3.63	3.08	4.71	6.76	6.58
10	Exchange Gain/Total Assets	Percent	0.29	0.21	0.24	0.27	0.32
11	Staff Bonus/Total Staff Expenses	Percent	35.32	34.01	34.77	38.72	34.21
12	Net Profit/Loan and Advances	Percent	1.81	2.05	2.34	2.43	2.42
13	Net Profit/Total Assets	Ratio	1.21	1.49	1.69	1.65	1.67
14	Total Credit/Deposit	Percent	75.32	84.07	85.50	90.46	94.61
15	Total Operating Expenses/Total Assets	Percent	1.36	1.48	1.69	1.56	1.70
16	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	Percent	8.84	9.34	12.39	14.78	13.09
	b) Supplementary Capital	Percent	2.29	1.64	1.22	0.97	2.34
	c) Total Capital Fund	Percent	11.13	10.98	13.61	15.75	15.43
17	Liquidity (CRR)	Ratio	13.32	10.81	7.72	6.68	4.19
18	Non-performing credit/Total credit	Percent	0.42	1.81	1.68	0.88	0.82
19	Base Rate	Percent	7.89	6.68	10.12	10.70	9.86
20	Weighted Average Interest Rate Spread	Percent	4.19	4.31	3.89	3.45	3.54
21	Return on assets	Percent	1.40	1.92	1.82	1.80	1.83
22	Return on Equity	Percent	16.40	21.96	16.49	13.54	13.32
23	Cost to Income Ratio	Percent	37.35	36.49	36.71	36.90	35.01
24	Cost of Fund (YTD)	Percent	4.55	3.99	5.06	7.46	7.26
25	Average Yield (YTD)	Percent	8.74	8.30	8.95	10.91	10.80
26	Book Net-worth	Rs. in '000	3,296,447	6,861,160	10,627,149	16,489,809	17,403,014
27	Total Shares	Nos. in '000	24,000	44,869	64,618	76,033	96,182
28	Total Staff	Number	357	755	918	1,080	1,120
29	No of Branches	Number	29	69	80	110	110
30	No of ATMs	Number	37	49	66	96	103

13. Loans and Advances Written Off

The Bank has written off loans and advances amounting to NPR 14,622,195 (excluding interest write off) the detail of which is as follows:

S.No	Name of Clients	Facility	Date of Written off	Principal	Accrued Interest
1	China Hygienic Meat Production & Suppliers Pvt. Ltd.	Overdraft Loan	17/02/19	14,622,195	0.00

However, the bank has also recovered amount NPR. 17,585,901 during the fiscal year from loan and interest write off amount of previous fiscal years.

14. Other Assets Written Off

The Bank did not write off any balance on Other Assets.

15. Summary of Changes in Dues to customers during the year

The financial growth of the dues to customers (except dues to BFI's) during the year is given below:

Amount in NPR

Particulars	FY End 2076	FY End 2075	Increase/(Decrease)
Term deposits	49,404,840,926	45,833,759,771	3,571,081,155
Call deposits	9,146,310,257	7,641,835,785	1,504,474,472
Current deposits	5,683,120,598	4,790,516,782	892,603,816
Saving deposits	28,196,756,446	19,861,381,189	8,335,375,257
Other	5,461,273,739	5,843,373,692	(382,099,953)
Total	97,892,301,967	83,970,867,219	13,921,434,748

16. Agency Account

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	521,093,280	150,000	-	521,243,280
Inter branch	-	-	-	-

17. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 105,179,647.74 from capitalization of interest during moratorium period of five separate projects. These capitalizations have been approved/mandated by the NRB.

S.No.	Borrower Name	Total Capitalization
1	Bindhyabasini Hydropower Development Company Pvt. Ltd.	10,409,773.90
2	Eastern Hydro Power Ltd.	6,090,589.18
3	Kalanga Hydro Pvt. Ltd.	26,968,533.37
4	Liberty Energy Company Ltd.	15,755,847.46
5	Upper Solu Hydro Electric Company Ltd.	45,954,903.83
	Total	105,179,647.74

18. Dividend Income

During the fiscal year, the Bank has earned following dividend incomes from its investments:

Particulars	Amount (NPR)
Karja Suchana Kendra FY 2073/74	178,500
Karja Suchana Kendra FY 2074/75	267,750
Mero Microfinance Bittiya Sanstha Limited FY 2074/75	2,002,000
Nepal Clearing House Limited FY 2074/75	906,788
Laxmi Laghubitta Bittiya Sanstha Limited FY 2074/75	110
Butwal Power Company Limited FY 2074/75	7,509,212
NMB Capital FY 2074/75	38,000,000
Rural Microfinance Laghubitta Bittiya Sanstha Limited FY 2074/75	5,670
Nepal Stock Exchange Ltd.	45,466
NMB Sulav Investment Fund - FY 2074/75	22,105,262
TOTAL	71,020,758

19. Classification of Assets and Liabilities based on Maturity (As per yearly NRB Report)

Amount in NPR Million

S.N.	Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
Assets							
1	Cash Balance	2,452	-	-	-	-	2,452
2	Balance with Banks & FIs	9,688	-	-	-	-	9,688
3	Investment in Foreign Banks	3,189	318	329	110	-	3,946
4	Call Money	-	-	-	-	-	-
5	Government Securities	339	886	293	122	7,644	9,284
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	3,053	-	-	-	-	3,053
8	Loans & Advances	26,845	14,052	5,709	4,117	41,164	91,887
9	Interest Receivable	131	-	-	-	-	131
10	Reverse Repo	-	-	-	-	-	-
11	Receivables from other Institutions under Commitment	-	-	-	-	-	-
12	Payment to be made for facilities under s.no 20,21 & 22	22,811	10,115	2,973	4,143	7,635	47,677
13	Others	-	-	-	-	-	-
	Total Assets (A)	68,508	25,371	9,304	8,492	56,443	168,118
Liabilities							
14	Current Deposits	7,837	-	-	-	-	7,837
15	Saving Deposits	10,732	1,043	1,043	1,101	23,967	37,886
16	Fixed Deposits	14,162	12,026	9,025	7,297	6,894	49,405
17	Debentures	-	-	-	-	2,185	2,185
18	Borrowings:	42	544	-	-	3,468	4,053
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/Financial Institutions	-	-	-	-	3,468	3,468
	(c) Refinance	42	544	-	-	-	585
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	793	102	102	102	3,149	4,247
	(a) Sundry Creditors	70	-	-	-	-	70
	(b) Bills Payable	96	-	-	-	-	96
	(c) Interest Payable	521	-	-	-	-	521
	(d) Provisions	4	-	-	-	166	170
	(e) Others	102	102	102	102	2,983	3,389

20	Payable to other institutions under Commitment	1,096	29	-	-	-	1,124
21	Unutilized Approved Facilities	4,332	-	-	-	-	4,332
22	Letter of Credit/Guarantee (Net of Margin)	17,383	10,087	2,973	4,143	7,635	42,221
23	Repo	-	-	-	-	-	-
24	Payment to be made for facilities under S.No 11	-	-	-	-	-	-
25	Others	-	-	-	-	-	-
	Total Liabilities (B)	56,376	23,830	13,143	12,643	47,298	153,290
	Net Financial Assets (A-B)	12,132	1,541	(3,839)	(4,151)	9,145	14,829
	Cumulative Net Financial Assets	12,132	13,673	9,834	5,683	14,829	-

20. Summary of concentration of Exposures

Amount in NPR

Particulars	Loans, and Advance	Deposit	Contingent
Total amount as at 16 July 2019	91,886,954,994	98,516,666,963	44,144,526,363
Highest exposure to single unit	4,758,287,064	4,991,647,889	6,168,537,870
Highest % of exposure to single unit	5.18%	5.07%	13.97%

21. Borrowing by the Bank against the collateral of own assets

Borrowing by the Bank against the collateral of own asset is NIL.

22. Transactions in Bullion

The Group deals in bullion (Gold/Silver) by holding stock on consignment basis on behalf of suppliers as per the arrangement. The value of consignment as on balances sheet date is 228,747,129 and has been reflected under "Advance Gold and silver" (Gold Consignment)" in Schedule 4.16. Transaction of gold and silver are carried out as per the NRB Directives.

23. Capital Construction

There are no capital constructions (pending capitalization) as at the end of the current fiscal year.

24. Loan Impairment

The bank maintains an allowance for credit losses relating to on-balance sheet exposures of loans and advances.

Loans which are individually significant (the threshold being selected to cover up top 50 files, files under 50% and 100% provision and files with special asset management department) are assessed individually for objective indicators of impairment. A loan is considered impaired when it is determined that bank will not be able to collect all amounts due according to the original contractual terms. Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying value of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell.

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking into account loan type, past due status and other relevant factors viz. OD Loan, Working Capital Loan, Term Loan and Retail EMI. The collective impairment allowance is determined by reviewing factors including historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default.

The impairment status as per para 63 of NAS 39 is given below:

Particulars	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
a. Individual Impairment	752,441,136	896,307,701
b. Collective Impairment	150,255,194	74,395,715
Total	902,696,330	970,703,416

The Loss given default status (LGD) for impairment calculation purpose is given below:

Particulars	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
OD Loan	19%	21%
Term Loan	4%	5%
Retail EMI	19%	22%
Working Capital Loan	25%	28%

25. Carve-outs in NFRS

Upon the recommendation from Accounting Standard Board-Nepal, the Institute of Chartered Accountants of Nepal (ICAN) has issued following carve-outs for the implementation of NFRS and has prescribed alternative treatments as set out below:

a. NFRS 10 – “Consolidated Financial Statements”

The holding company can carve out to prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances as specified in para 19 of NFRS 10 unless it is impracticable to do so.

The Bank and its both Subsidiaries have adopted uniform accounting policy based on NFRS for like transactions and other events in similar circumstances.

b. NAS 39 – “Financial Instruments: Recognition and Measurements”

This is the carve out from the requirement to determine impairment loss on financial assets – loans and advances by adopting the ‘Incurred Loss Model’ as specified in para 63 of NAS 39 unless the entity is a bank or a financial institution registered as per Bank and Financial Institutions Act 2073. Such entities shall measure impairment loss on loans and advances at the higher of:

- amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and
- amount determined as per para 63 of NAS 39 adopting Incurred Loss Model

This is the mandatory carve out. Hence, the Group has recognized impairment loss on loans and advances at the higher of the amount derived as per prudential norms specified in NRB directive and the amount derived from incurred loss model as specified in para 63 of NAS 39 as given below:

Particulars	Year ended 31 Ashad 2076	Year ended 32 Ashad 2075
a. Impairment on Loan as per Para 63	902,696,330	970,703,416
b. Loan Loss Provision as per NRB	1,398,925,416	1,232,652,783
Higher of a and b	1,398,925,416	1,232,652,783

The Group has recognized impairment loss on other financial assets measured at amortized cost in accordance with para 63 of NAS 39.

c. NAS 39 – “Financial Instruments: Recognition and Measurements”

This is the carve out from the requirement to incorporate all fees and points paid or received under contractual terms of a financial instrument in the calculation of ‘Effective Interest Rate’ for the financial instrument as specified in para 9 of NAS 39 and also carve out from the requirement to recognize interest income on a financial asset or a group of similar financial assets, which has been written down as a result of an impairment loss, by applying the rate of interest used to discount the asset’s future cash flows for the purpose of measuring its impairment loss as specified in para 9 of NAS 39 unless it is immaterial or impracticable to determine reliably.

The Group has opted this carve out and hence has excluded the full amount of upfront loan management fees or commission received on loans and advances in the calculation of effective interest rate for the loan. The upfront fees and commission are recognized as income in the same period the loan is approved. The Group has recognized interest income on impaired financial asset by applying the original effective interest rate to the gross carrying amount of a financial asset.

26. Risk Management

Risk Management Structure

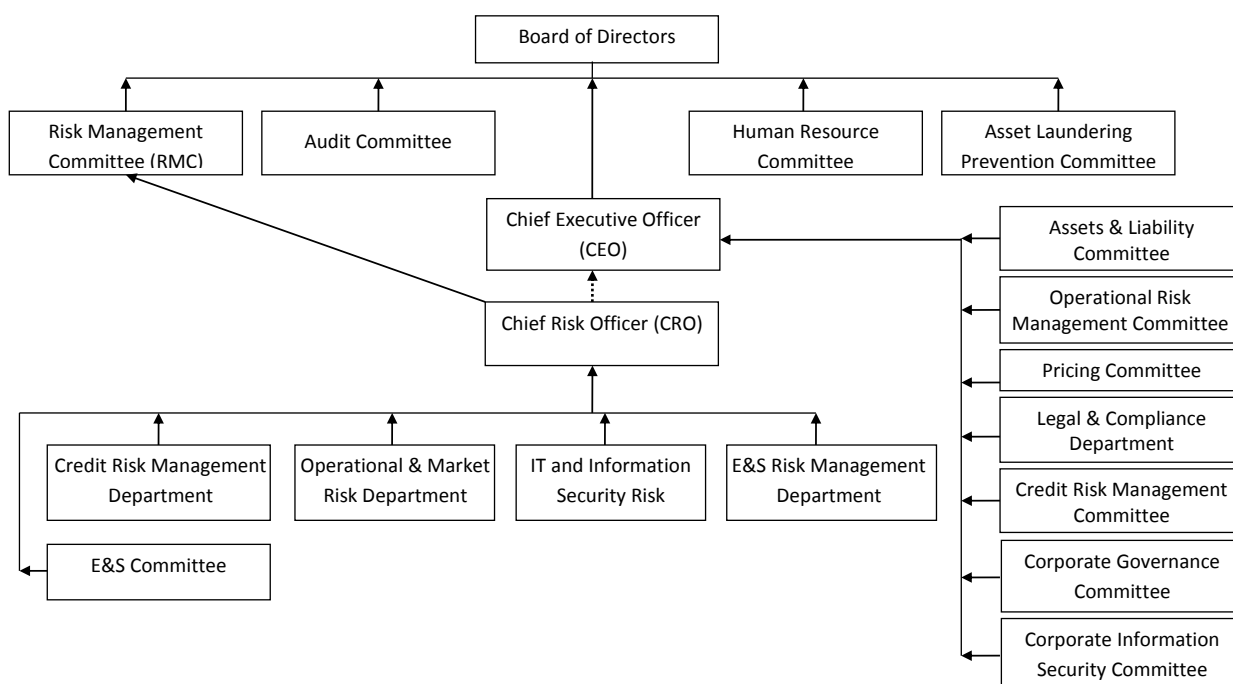
NMB Board is the ultimate authority to oversee overall risk management of the bank by establishing risk management strategies, appropriate risk appetite, and ensuring the risk management policies, procedures and standards are adequate and is effectively implemented. Sound risk management system in the bank is established through formation of Board level Risk Management Committee and Audit committee; management level Asset and Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee, E&S (Environmental and Social) Committee, Credit Recovery Committee and Corporate Governance Committee. In this structure, new/ revised policies and standards, reports on risk management, portfolio analysis, stress testing, investment, liquidity, capital adequacy, industry/market analysis, and critical risk issues identified are escalated to Risk Management Committee for review and decision.

Risk management structure in the bank's Organogram:

Risk Governance

The bank aspires to efficiently manage various risks that arise during business process through formulation and implementation of Risk Management Framework. Risk Governance at the bank is primarily based on following principles:

- 1) Risk Appetite Determination,
- 2) Pervasive Risk Culture,
- 3) Effective Communication/Reporting,
- 4) Effective Functional Structure, Policies, Procedures, and MIS, adequate infrastructure and resources for Risk Management,



Risk governance structure, i.e. the responsibility for maintaining risk within the banks risk appetite is cascaded down from the Board to the respective Committees and then to appropriate functional bodies in organizational structure.

In addition, the bank as an active member of the Global Alliance for Banking on Values (GABV) strives for delivering sustainable economic, social and environmental development with a focus on helping individuals fulfil their needs and build stronger communities.

Credit Risk Management in NMB Bank:

Credit Risk refers to the potential loss due to failure of counterparty to meet its obligations in accordance with the terms specified in the credit agreements. Credit Policy, Credit Risk Management Framework, Credit Process Manual, Product Papers and various other credit related documents in place provides the firm foundation for a strong credit risk management environment in the bank by defining clear roles and responsibilities of various functions and risk takers in Credit system. The key independent units responsible for ensuring effective Credit Risk Management in the bank are Credit Risk Management Department, Credit Administration and Control Department, Special Assets Management Department and Business Segments.

A thorough analysis of the borrower and the industry in which the borrower operates is ensured prior advancing credit facilities. The Bank also has an internal credit risk rating procedure in place to categorize customers in different risk profiles and formulate appropriate account strategies. The Bank primarily focuses on ensuring prudent financing requirements of the client and the client's capacity to repay the debt obligation on time.

Bank has a product wise and industry/sector wise portfolio and NPL thresholds to monitor the quality of loan portfolio and manage the concentration risk. These thresholds are reviewed on periodical basis in Credit Risk Management Committee and Risk Management Committee in quarterly interval for required actions/strategic decisions.

Market Risk and Operation Risk Management in NMB Bank:

Market and Operation Risk management in Nepalese Banks has been a newer challenge. In the times of volatility and fluctuations in the market, NMB Bank needs to prove its determination by withstanding the market variations and achieve sustainability in terms of growth as well as to have a stable share value. Hence, an essential component of enhanced risk management framework would be to mitigate all the risks and rewards of the products and services offered by the bank.

NMB has passed through a monumental change after the merger with three Development Banks and one Finance Company. NMB has taken strategic focus on digitization and technological advancement to enhance banks services as well as risk management.

NMB ensures parity between risk and return and hence, management of risk by incorporating a set of systematic and professional methods especially those defined by the Basel III becomes an essential requirement for us.

In the course of operations, the bank is invariably faced with different types of risks that may have a potentially negative effect on the business. NMB Bank's risk management approach includes risk identification, measurement and assessment, and minimizes impact on the financial result and capital of the bank.

Market risk includes interest rate and foreign exchange risk.

Interest rate risk is the risk of negative effects on the financial result and capital of the bank as a result of changes in interest rates.

The bank's products are mostly based on floating interest rate. Only fixed deposits are with fixed interest rate. In Nepalese local market, short term movement in interest rate is negligible. Asset and Liability Committee (ALCO) monitors the interest rate movement on regular basis.

Foreign exchange risk is the risk of negative effects on the financial result and capital of the bank caused by changes in exchange rates.

The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying remittances and trade transactions.

Operational risk is the risk of negative effects on the financial result and capital of the bank caused by omissions in the work of employees, inadequate internal control procedures and processes, inadequate management of information and other systems, and unforeseeable external events.

NMB Bank has independent department to look after operational risk wherein Operational Risk Management Committee meets on monthly basis to discuss and plan the way forward to mitigate potential operational risk identified.

Bank has developed and adhered to Minimum Control Standards and Incident Reporting Guidelines along with Whistle Blowing Policy to identify potential operational risks. Operational Risk Department independently assess each incident/event/cause to measure the risk grade which is ultimately discussed/ analyzed further in Operational Risk Management Committee to put appropriate controls in place. If required, the incident/event/cause along with the risk assessment, probability and impact is escalated further to Risk Management Committee or the Board of the Bank. Apart from that, Operational Risk Unit conducts branch/ department visits to monitor/ review the branches and departments and also to train/ create awareness on operational risk.

Liquidity Risk

Liquidity risk is the potential event where the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk management and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer.

Other Risk

Management of other risk such as Reputational, Legal and Compliance, Human Resource (HR) etc. is equally pertinent as the bank grows. The bank has separate department to oversee Legal and Compliance issues. HR Department and Board level HR Committee is responsible for all HR functions and related risk management. The bank has also setup dedicated Officers to manage Reputational and other risks.

Internal Control

The Board and the management is committed in managing risks and in controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or minimize risks which can cause potential loss or reputational damage to the bank, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, bank has established set of policies and procedures for risk identification, risk evaluation, risk mitigation and control/monitoring.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, Risk Management Committee, Management and Internal Audit.

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

27. Categories of Financial Instruments and 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. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

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

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

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

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in NAS 39 and by headings of the Statement of Financial Position.

The Hierarchy of fair value measurement is given below:

Particulars	Fair value Hierarchy (Level)	As at		As at	
		As at 31 Ashad 2076		As at 32 Ashad 2075	
		Carrying Value	Fair value	Carrying Value	Fair value
FVTPL					
Other trading assets	3	340,390,000	340,390,000	321,720,000	321,720,000
Derivative financial instruments	1	8,595,482,282	8,595,482,282	7,506,751,485	7,506,751,485
Subtotal		8,935,872,282	8,935,872,282	7,828,471,485	7,828,471,485
FVTOCI					
Quoted Equities	1	593,366,539	593,366,539	539,086,827	539,086,827
Unquoted Equities	3	31,995,900	31,995,900	14,392,000	14,392,000
Subtotal		625,362,439	625,362,439	553,478,827	553,478,827
Grand-Total		9,561,234,721	9,561,234,721	8,381,950,312	8,381,950,312
Amortized cost					
Cash and cash equivalent	3	8,096,354,503	8,096,354,503	5,180,404,105	5,180,404,105
Due from Nepal Rastra Bank	3	10,829,181,584	10,829,181,584	7,260,194,560	7,260,194,560
Placement with BFI's	3	2,172,967,239	2,172,967,239	276,407,171	276,407,171
Loan and advances to B/Fls	3	3,317,961,987	3,317,961,987	2,497,567,769	2,497,567,769
Loans and advances to customers	3	88,485,031,394	88,485,031,394	72,711,771,766	72,711,771,766
Investment securities (except equity instruments)	3	9,690,988,576	9,690,988,576	8,894,967,898	8,894,967,898
Subtotal		122,592,485,282	122,592,485,282	96,821,313,269	96,821,313,269
Total of Financial Assets		132,153,720,004	132,153,720,004	105,203,263,581	105,203,263,581
FVTPL/FVTOCI					
Liability for employees DBO	3	59,445,250	59,445,250	60,864,641	60,864,641
Subtotal		59,445,250	59,445,250	60,864,641	60,864,641
Amortized cost					
Due to Bank and Financial Institutions	3	624,364,996	624,364,996	1,036,268,951	1,036,268,951
Due to Nepal Rastra Bank	3	3,203,523,072	3,203,523,072	660,071,641	660,071,641
Deposits from customers	3	97,892,301,967	97,892,301,967	83,970,867,219	83,970,867,219
Borrowing	3	3,468,060,000	3,468,060,000	-	-

Other liabilities	3	1,846,937,438	1,846,937,438	1,140,225,221	1,140,225,221
Debt securities issued	3	2,239,236,412	2,239,236,412	517,547,945	517,547,945
Subtotal		109,274,423,885	109,274,423,885	87,324,980,977	87,324,980,977
FVTPL					
Derivative financial instruments	1	8,458,374,429	8,458,374,429	7,477,483,892	7,477,483,892
Subtotal		8,458,374,429	8,458,374,429	7,477,483,892	7,477,483,892
Total of Financial Liabilities		117,792,243,564	117,792,243,564	94,863,329,510	94,863,329,510

The details of equity instruments with fair valuation hierarchy are as follows:

Particulars	NMB				Fair Valuation Hierarchy
	As at 31 Asar 2076		As at 32 Asar 2075		Level
	Cost	Fair Value	Cost	Fair Value	
1. Investment in quoted equity shares					
1.1 United Insurance Co. (Nepal) Limited	211,300	246,000	211,300	258,600	Level 1
1,440 Promoter shares of Rs 100 each fully paid up					
120 Ordinary shares of Rs 100 each fully paid up					
1.2 NLG Insurance Company Limited	-	5,400	-	43,710	Level 1
54 Ordinary bonus shares of Rs 100 each fully paid up					
1.3 Ridi Hydro Power Limited	3,600	4,410	3,600	5,781	Level 1
36 Ordinary shares @ Rs. 100 each fully paid up and bonus Shares - 13 Units					
1.4 Butwal Power Company Ltd.	209,006,679	187,688,873	209,006,679	190,650,803	Level 1
417,179 ordinary shares @ Rs.100 each fully paid up and bonus shares - 41,718 Units					
1.5 Rural Microfinance Development Center Limited	-	458,073	-	411,390	Level 1
693 Units bonus Shares @ Rs 100 each fully paid up					
1.6 Laxmi Laghubitta Sanstha Limited	-	2,644	-	4,392	Level 1
4 Units ordinary bonus Shares @ Rs 100 each fully paid up					
1.7 Mero Micro Finance Bittiya Sanstha Ltd.	37,023,000	46,046,000	14,000,000	20,020,000	Level 1
140,000 Promoter shares of Rs 100 each fully paid up, bonus Shares - 90,230 Units, Right Share - 230,230 (Total Shares - 460,460 Units)					
1.8 Nepal Telecom Ltd.	34,698,472	34,382,502	-	-	Level 1
49,614 ordinary shares @ Rs.100 each fully paid up					
Sub-Total	280,943,051	268,833,902	223,221,579	211,394,676	-

2. Investment in quoted mutual fund:					
2.1 NMB Sulav Investment Fund-1	105,000,000	113,610,000	105,000,000	121,275,000	Level 1
10,500,000 Ordinary shares of Rs 10 each fully paid up					
2.2 NMB Hybrid Fund-1	140,000,000	140,420,000	140,000,000	135,660,000	Level 1
14,000,000 Ordinary Share of Rs. 10 each fully paid up					
2.3 Laxmi Equity Fund (LEMF)	40,947,100	31,242,637	40,947,100	33,167,151	Level 1
4,094,710 ordinary shares @ Rs 10 each fully paid up					
2.4 NIC Asia Growth Fund (NICGF)	10,000,000	10,280,000	10,000,000	9,190,000	Level 1
1,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.5 Sanima Equity Fund (SAEF)	20,000,000	18,800,000	20,000,000	19,120,000	Level 1
2,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.6 Citizen Mutual Fund-I	10,000,000	10,180,000	10,000,000	9,280,000	Level 1
1,000,000 units ordinary shares @ Rs. 10 each fully paid up					
Sub-Total	325,947,100	324,532,637	325,947,100	327,692,151	
Total Investments in quoted equity instruments	606,890,151	593,366,539	549,168,679	539,086,827	
3. Investment in unquoted equity					
3.1 Nepal Stock Exchange Limited	5,000	71,600	5,000	5,000	Level 3
716 Ordinary shares of Rs 100 each fully paid up					
3.2 Nepal clearing House Limited	4,198,000	6,045,100	4,198,000	4,198,000	Level 3
41,980 Equity shares of Rs 100 each and bonus Units - 18,741 (Total Units-60,451)					
3.3 Credit Information Bureau Limited	189,000	1,890,000	189,000	189,000	Level 3
5,600 Ordinary shares of Rs 100 each, bonus Units - 3,710 (Total Units-9,310)					
3.4 CEDB Hydro Fund Limited	10,000,000	11,989,200	10,000,000	10,000,000	Level 3
100,000 Promoter shares of Rs 100 each fully paid up, bonus Shares - 8,993 Units (Total Units-108,993)					
3.5 Citizens Mutual Fund-II	2,000,000	2,000,000	-	-	Level 3
200,000 units of Rs 10 each fully paid up			-	-	
3.6 NABIL BALANCE FUND-II					Level 3
1,000,000 units of Rs 10 each fully paid up	10,000,000	10,000,000			
Sub-Total	26,392,000	31,995,900	14,392,000	14,392,000	
Grand Total	633,282,151	625,362,439	563,560,679	553,478,827	

28. Capital Adequacy

The capital adequacy status as of 16 July 2019 is given below:

		Amount in thousands	
		2076 Ashad End	2075 Ashad End
1.1 Risk Weighted Exposures			
a	Risk Weighted Exposure for Credit Risk	112,632,092	95,709,597
b	Risk Weighted Exposure for Operational Risk	5,117,630	4,159,720
c	Risk Weighted Exposure for Market Risk	2,144,860	1,994,290
Total Risk Weighted Exposures (a+b+c)		119,894,582	101,863,607
Adjustments under Pillar II			
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,238,947	1,026,683
	Add : 2% of the the total RWE due to Supervisory add up	2,397,892	2,037,272
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-	2,037,272
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		123,531,421	106,964,834
1.2 Capital			
Tier 1 Capital (Core Capital) (CET1 +AT1)		16,166,512	15,810,510
a	Paid up Equity Share Capital	9,618,163	7,603,291
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	2,512,799	2,920,873
d	Proposed Bonus Equity Shares	-	1,140,494
e	Statutory General Reserves	2,123,307	1,671,851
f	Retained Earnings	1,780,327	2,339,182
g	Un-audited current year cumulative profit/(Loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	57,326	57,326
j	Dividend Equalization Reserves	-	-
k	Less: Deferred Tax Assets	-	-
l	Other Free Reserve	-	-
m	Debenture Redemption Reserve	400,000	309,547
n	Less: Goodwill	-	-
o	Less: Intangible Assets	(115,409)	(22,054)
p	Less: Fictitious Assets	-	-
q	Less: Investment in equity in licensed Financial Institutions	-	-
r	Less: Investment in equity of institutions with financial interests	(210,000)	(210,000)
s	Less: Investment in equity of institutions in excess of limits	-	-
t	Less: Investments arising out of underwriting commitments	-	-
u	Less: Reciprocal crossholdings	-	-
v	Less: Purchase of land & building in excess of limit and unutilized	-	-
w	Less: Other Deductions	-	-
Adjustments under Pillar II		-	-
	Less : Shortfall in Provision (6.4 a 1)	-	-
	Less : Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-	-
		-	-
Supplementary Capital (Tier II)		2,894,863	1,040,744
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	1,784,505	200,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	1,011,982	774,370
e	Exchange Equalization Reserve	78,377	56,374
f	Investment Adjustment Reserve	10,000	10,000
g	Assets Revaluation Reserve	-	-
h	Other Reserves	10,000	-
Total Capital Fund (Tier I and Tier II)		19,061,375	16,851,254
1.3 Capital Adequacy Ratios			
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		13.09	14.78
Tier 1 Capital to Total Risk Weighted Exposures		13.09	14.78
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		15.43	15.75

Credit Risk Exposures

2076 Ashad

Amount in thousands

Assets	2076 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
Balance Sheet Exposures	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Cash Balance	2,452,132	-	-	2,452,132	0%	-	2,409,718	-
Balance With Nepal Rastra Bank	8,252,536	-	-	8,252,536	0%	-	5,136,354	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	9,286,601	-	-	9,286,601	0%	-	10,334,628	-
All Claims on Government of Nepal	3,662,502	-	-	3,662,502	0%	-	910,588	-
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	3,403,965	-	-	3,403,965	20%	680,793	1,023,920	204,784
Claims on domestic banks that do not meet capital adequacy requirements	2,747	-	-	2,747	100%	2,747	-	-
Claims on foreign bank (ECA Rating 0-1)	2,335,104	-	-	2,335,104	20%	467,021	1,414,075	282,815
Claims on foreign bank (ECA Rating 2)	1,180,905	-	-	1,180,905	50%	590,453	182,350	91,175
Claims on foreign bank (ECA Rating 3-6)	1,417,546	-	-	1,417,546	100%	1,417,546	-	-

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	143,707	-	-	-	-	143,707	-	-	28,741	915,614	183,123	-	-	-
Claims on Domestic Corporates	65,675,730	-	-	-	-	65,675,730	-	65,675,730	65,675,730	54,199,076	54,199,076	-	-	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	0	0	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	9,413,128	-	-	-	-	9,413,128	-	9,413,128	7,059,846	7,102,986	5,327,240	-	-	-
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	-	-	-	-	-	86,026	86,026	-	-	-
Claims secured by residential properties	10,389,524	-	-	-	-	10,389,524	-	10,389,524	6,233,714	9,140,904	5,484,542	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	118,858	35,762	-	-	-	83,096	-	83,096	83,096	49,058	49,058	-	-	-
Claims secured by Commercial real estate	376,363	-	-	-	-	376,363	-	376,363	376,363	350,053	350,053	-	-	-
Past due claims (except for claims secured by residential properties)	880,197	357,389	-	-	-	522,808	-	522,808	784,212	543,483	815,224	-	-	-
High Risk claims	4,655,551	-	-	-	-	386,955	-	4,268,597	6,402,895	3,135,866	4,703,799	-	-	-
Lending against securities (bonds & shares)	294,605	-	-	-	-	294,605	-	294,605	294,605	-	-	-	-	-
Investments in equity and other capital instruments of institutions listed in stock exchange	659,522	7,920	-	-	-	651,603	-	651,603	651,603	564,835	564,835	-	-	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange	4,392	-	-	-	-	4,392	-	4,392	6,588	4,387	6,581	-	-	-
Staff loan secured by residential property	442,257	-	-	-	-	442,257	-	442,257	265,354	771,042	462,625	-	-	-
Interest Receivable/claim on government securities	92,645	-	-	-	-	92,645	-	92,645	-	103,824	-	-	-	-
Cash in transit and other cash items in the process of collection	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets (as per attachment)	3,335,525	-	-	-	-	3,335,525	-	3,335,525	3,335,525	6,255,404	6,255,404	-	-	-
TOTAL	128,476,040	401,070	386,955	127,688,016	94,356,831	104,634,189	79,066,359	79,066,359	79,066,359	79,066,359	79,066,359	79,066,359	79,066,359	79,066,359
Off Balance Sheet Exposures														
Revocable Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bills Under Collection	5,205,236	-	-	-	-	5,205,236	-	5,205,236	-	6,593,723	-	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,836,115	-	402,659	3,433,456	-	3,433,456	-	3,433,456	686,691	3,961,747	792,349	-	-	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Eligible Credit Risk Mitigants

2076 Ashad

Amount in thousands

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)	
Balance Sheet Exposures										
1 Cash Balance	-	-	-	-	-	-	-	-	-	-
2 Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
3 Gold	-	-	-	-	-	-	-	-	-	-
4 Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
5 All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
6 Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
7 All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
8 Claims on Foreign government and Central Bank (ECA -1)	-	-	-	-	-	-	-	-	-	-
9 Claims on Foreign government and Central Bank (ECA -2)	-	-	-	-	-	-	-	-	-	-
10 Claims on Foreign government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
11 Claims on Foreign government and Central Bank (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
12 Claims on Foreign government and Central Bank (ECA -7)	-	-	-	-	-	-	-	-	-	-
13 Claims on BIS, IMF, ECB, EC And Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
14 Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
15 Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
16 Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
17 Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
18 Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
19 Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
20 Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
21 Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-

Market Risk Exposures

2076 Ashad

Amount in thousands

S.No.	Currency	2076 Ashad End			2075 Ashad End Relevant Open Position
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	
1	INR	(2,647,689)	(4,238,289)	4,238,289	3,913,111
2	USD	85.2	9,363	9,363	23,693
3	GBP	(12.5)	(1,708)	1,708	1,744
4	CHF	(4.2)	(470)	470	47
5	EUR	(49.3)	(6,082)	6,082	1,422
6	JPY	(426.7)	(434)	434	13,827
7	SEK	(1.0)	(12)	12	0
8	DKK	(10.0)	(165)	165	155
9	HKD	(11.2)	(157)	157	112
10	AUD	(62.6)	(4,859)	4,859	1,166
11	SGD	(72.9)	(5,902)	5,902	1,379
12	KRW	(322.9)	(30)	30	17,630
13	AED	(56.0)	(1,675)	1,675	291
14	MYR	(118.4)	(3,168)	3,168	2,947
15	THB	(27.0)	(96)	96	191
16	QAR	(107.4)	(3,257)	3,257	2,126
17	CNY	(161.0)	(2,571)	2,571	3,235
18	CAD	(69.3)	(5,833)	5,833	368
19	SAR	(186.6)	(5,466)	5,466	5,056
20	KWD	(0.4)	(160)	160	81
21	BHD	(0.0)	(14)	14	2
Total Open Position (a)				4,289,712	3,988,583
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				214,486	199,429
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				2,144,860	1,994,290

Operation Risk Exposures

2076 Ashad

Amount in thousands

Particulars	Years before 2076 Ashar End		
	2072/73	2073/74	2074/75
Net Interest Income	2,013,282	2,603,980	2,904,014
Commission and Discount Income	197,616	635,069	794,250
Other Operating Income	218,106	121,978	164,962
Exchange Fluctuation Income	160,269	154,790	299,606
Addition/Deduction in Interest Suspense during the period	3,412	(3,072)	(33,010)
Gross income (a)	2,592,684	3,512,744	4,129,822
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	388,903	526,912	619,473
Capital Requirement for operational risk (d) (average of c)			511,763
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure [f=(d×e)]			5,117,630
Adjustments under Pillar II			
If Gross Income for all the last three years is negative (6.4 a 8)			
Total Credit and Investments (net of specific Provision)			
Capital Requirement for Operational Risk (5%)			
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure (g)			
Equivalent Risk Weight Exposure (h= f + g)			

29. Operating Segments

a) General Information:

The bank has identified its segments on the basis of geographical location as per provinces of the country. The bank supervises, manages and controls its branch networks through regional demarcations. All the transactions have been done at the arm's length prices between the segments with intra segment revenue and cost being eliminated at the Head Office. Interest earnings and foreign exchange gains/losses generated while conducting businesses under different segments are reported under the respective segment. Equity and Tax Expense are not allocated to the individual segments. For segmentation purpose, all business transactions of offices and business units located in a particular province are grouped together.

b) Description of the types of products and services from which each reportable segment derives its revenues

The products and services offered by the Bank can be broadly divided into the following categories:

1. Retail Banking: Retail banking, also known as consumer banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks. Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards.
2. Corporate, SME and Institutional (except Retail): The corporate and institutional banking segment of banks typically serves a diverse range of clients, ranging from small- to mid-sized local businesses with a few millions in revenues to large conglomerates with billions in sales and offices across the country.
3. Treasury Unit – The unit has two divisions – Front and back treasury operations. It operates within the consideration of the foreign exchange rules and regulations under the guidance of Nepal Rastra Bank (NRB) – central bank of Nepal. The major functions are exchange rate updation, check foreign currency position, fund management, deal T-bills/ bond, interbank placements, forward contract and other treasury research.
4. Trade Finance - The Bank's trade finance operations like LC, Guarantee etc are handled by trade finance.
5. Others

c) Information about profit or loss, assets and liabilities

Particulars	Retail	SME & MSME	Corporate	Deprived	Treasury	Others	Total
a Revenues from external customers	2,268,230,112	3,429,754,519	5,179,017,573	488,916,745	1,171,656,745	15,987,113	12,553,562,807
b Intersegment revenues	2,267,747,741	(1,708,229,106)	(143,768,843)	(258,527,047)	235,687,428	(392,910,174)	-
c Net Revenue	4,535,977,853	1,721,525,412	5,035,248,731	230,389,699	1,407,344,173	(376,923,061)	12,553,562,807
d Interest Revenue	4,240,021,117	3,186,756,447	4,745,129,094	481,873,376	931,714,166	-	13,585,494,201
e Interest Expense	3,573,287,354	1,716,632,371	3,080,536,507	272,655,961	305,450,887	392,910,174	9,341,473,255
f Net Interest Revenue (b)	666,733,763	1,470,124,077	1,664,592,587	209,217,416	626,263,279	(392,910,174)	4,244,020,946
g Depreciation and amortization	21,763,719	38,648,131	55,354,015	6,017,224	38,246,646	16,763,620	176,793,355
h Segment profit/(loss)	509,751,847	939,713,325	1,247,385,933	118,678,584	657,627,518	(225,153,374)	3,248,003,834
i Entity's interest in the profit or loss of associates accounted for using equity method - Not Applicable							
j Other material items	-	-	-	-	-	-	-
-Loan and advances	16,676,757,733	29,614,677,002	42,415,796,971	4,610,783,213	-	-	93,318,014,920
-Deposits	50,975,019,203	1,437,712,793	45,667,120,804	436,814,164	-	-	98,516,666,963
k Impairment of assets	64,797,224	86,065,007	5,021,095	10,389,307	-	-	166,272,634
l Segment assets	16,676,757,733	29,614,677,002	42,415,796,971	4,610,783,213	29,307,033,685	12,845,360,968	135,470,409,573
m Segment liabilities	56,905,709,806	1,604,983,544	50,980,263,760	487,635,325	6,963,613,401	18,528,203,737	135,470,409,573

d) Measurement of operating segment profit or loss, assets and liabilities

- a. Basis of accounting for any transactions between reportable segments:

The Bank is organised for management and reporting purposes into segments such as: Retail, SME and MSME, Corporate, Deprived, Treasury and Others. The Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income tax is managed on a group basis and are not allocated to operating segments. All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Others". Support costs are also allocated to Retail, Corporate, SME and MSME, Deprived, Treasury and others based on Management's estimates of the benefits accruing to these segments for the costs incurred.

- 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
None
- ii. Nature of any differences between the measurements of the reportable segment's assets and the entity's assets.
None
- iii. Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any,
The bank has segmental division based upon the business segment and geographical segment also.
- IV. Nature and effect of any asymmetrical allocations to reportable segments
None

e) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a Revenue

Particulars	Amount
Total Revenues for reportable segments	15,057,493,205
Other Revenues	-
Elimination of intersegment revenues	2,503,930,399
Entity's Revenues	12,553,562,807

b Profit or Loss

Particulars	Amount
Total profit or loss for reportable segments	3,248,003,834
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts	-
Profit before income tax	3,248,003,834

c Assets

Particulars	Amount
Total assets for reportable segments	135,470,409,573
Other assets	-
Unallocated amounts	-
Entity's assets	135,470,409,573

d Liabilities

Particulars	Amount
Total liabilities for reportable segments	135,470,409,573
Other liabilities	-
Unallocated amounts	-
Entity's liabilities	135,470,409,573

f) Information about products and services

Particulars	Amount (Fees Income)
Retail Banking	295,956,736
Corporate, SME & Institutional	659,232,784
Treasury	475,630,007
Trade Finance	17,653,766
Others	16,482,342
Total	1,464,955,635

g) Information about geographical areas

Particulars	Revenue (Amount)
a Domestic	12,553,562,807
- Province 1	1,619,728,598
- Province 2	804,921,236
- Province 3	8,213,080,874
- Gandaki Province	252,978,830
- Province 5	1,317,855,766
- Karnali Province	69,152,848
- Far Western Province	275,844,655
b Foreign	-
Total (a+b)	12,553,562,807

h) Information about major customers

Information about the extent of its reliance on its major customers, if revenue from a single external customer amounts to 10 percent or more of the entity's revenue.

Not Applicable

30. Share options and share based payment

The Group does not have any share options or share-based payment transactions in the reporting period or in earlier period.

31. Merger and Acquisition

The Group has not entered into any merger and acquisition activities in the reporting period and in the comparative previous period. However, the Bank had signed Memorandum of Understanding dated 16 May 2019 with Om Development Bank Limited (ODBL) to merge ODBL with NMB Bank. After obtaining necessary regulatory approvals, both the Banks commenced joint operations from 28 September 2019 (11 Ashwin 2076) as NMB Bank Limited.

Erstwhile ODBL was a Pokhara based National Level Development Bank Limited with Paid -up Capital of NPR 2.51 Bio and Reserve and Surplus of NPR 1.4 Bio. as on Mid July 2019. ODBL had a Branch network of 53 and 19 ATMs with total Deposit mobilization of 25 Billion and Loan and Advances totalling 22 Billion. The merger was driven by NMB Bank's strategic intent to have a strong presence in Province 4 where a majority of erstwhile ODBL's branches are located. The shareholders of ODBL were provided with a swap ratio of 1:0.76.

32. Additional disclosures of non-consolidated entities

The Group does not have any non-consolidated entities to report for the reporting period and in the comparative previous period.

33. Events after the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than those disclosed in the notes.

34. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 1,659,000 during the fiscal year. There were 27 Board Meeting conducted during the interim period.

The Chairperson and other members of the Board are paid NPR 13,000 and NPR 12,000 per meeting respectively for Board and Board Level Committees.

The Meeting fees paid to different Board Level Committees are as follows:

Board Level Committees	No of Meetings	Meeting Allowance (NPR)
Audit Committee	17	396,000
Risk Management Committee	19	444,000
Human Resource Service Committee	6	132,000
Building Construction Sub-Committee	7	180,000
Assets Laundering Prevention Committee	4	72,000
Merger Committee	9	324,000

As approved by the 18th Annual General Meeting held on 4 Poush 2070, the Board Members have been provided with a monthly allowance of NPR 8,000 for telephone, newspaper and mobile expenses till Falgun End 2075. From Chaitra 2075 monthly allowance of NPR 12,000 is paid as per 23rd Annual General Meeting held on Poush 26 2075. The total amount paid as monthly allowances to the board members during the reporting period amounted to NPR 624,000.

Existing members of the Board are:

- | | | |
|------|-----------------------------|---|
| i) | Mr. Pawan Kumar Golyan | Chairman (Represents Group – Promoter Shareholder) |
| ii) | Mr. Nico Klass Geradus Pijl | Member (Representative from FMO) |
| iii) | Ms. Rajendra Kafle | Member (Representative from Employees Provident Fund) |
| iv) | Mr. Harishchandra Subedi | Member (Represents Group – Public Shareholder) |
| v) | Mr. Pradeep Raj Pandey | Independent Director |
| vi) | Mr. Nand Kishor Rathi | Alternate Director to Mr. Nico Pijl |

(b) Loans and Advances extended to Promoters

There are no such loans extended to promoters.

(c) Compensation Details for Key Management Personnel

Key Management Personnel includes members of Executive Committee of the Bank.

S.No	Particulars	Amount
A	Short Term Employee Benefits	63,851,298
B	Post-Employment Benefits	Nil
C	Other Long Term Benefits	Nil
D	Termination Benefits (Gratuity and Sick Leave Encashment)	Nil
E	Share Based Payment	Nil
	Total of Key Management Personnel Compensation	63,851,298

The Salary and benefits paid to CEO is as follow:

Particulars	Basic Salary	Provident Fund	Allowance	Bonus & Welfare	Other Perquisites	Total Income
C.E.O	5,904,000	590,400	5,248,000	4,737,609	208,860	16,688,869
Total	5,904,000	590,400	5,248,000	4,737,609	208,860	16,688,869

Key management personnel are also provided with the following benefits:

- i) Benefits as per the Employee Terms of Service By-laws,
- ii) Bonus to staff as per the Bonus Act,
- iii) Vehicle Fuel Expenses as per the Bank's Staff Vehicle Scheme.

Existing members of Executive Committee include:

Mr. Sunil KC	Chief Executive Officer
Mr. Pradeep Pradhan	Chief Operating Officer
Ms. Shabnam Limbu Joshi	Chief Human Resource Officer
Mr. Sharad Tegi Tuladhar	Chief Risk Officer
Mr. Sudesh Upadhyaya	Chief Business and Strategy Officer
Mr. Govind Ghimire	Chief Business Officer
Mr. Navin Manandhar	Chief Finance Officer
Mr. Pramod Dahal	Chief Internal Audit and AML/CFT Officer
Mr. Roshan Regmi	Head Product Digital Channel and Retail Sales

(d) Transaction with Subsidiaries

Amount in Thousand

S No	Particulars	NMB Capital	NMB Micro Finance
1	Investment by NMB Bank Ltd.	200,000	48,552
2	Deposits in NMB Bank Ltd.	140,104	4,255
3	Borrowing from NMB Bank Ltd.	-	600,000
4	Interest Payment by NMB Bank Ltd.	2,138	-
5	Interest Payment to NMB Bank Ltd.	-	65,077
6	Rent Payment to NMB Bank Ltd.	2,173	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Share Registrar Fee payment by NMB Bank	762	-
9	Investment by NMB Bank Ltd. in NMB Sulav Investment Fund-1 as Seed Capital	105,000	-
10	Investment by NMB Bank Ltd in NMB Hybrid Fund-1 as Seed Capital	140,000	-
11	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank Ltd.	22,105	-
12	Dividend Distribution of NMB Capital Ltd. to NMB Bank Ltd. for FY 2074.75	38,000	-

The intra-group related figures have been excluded for presentation of the financial statement of the Group.

Disclosure under New Capital Adequacy Framework for the Year Ended Ashad 2076

Amounts in NPR Thousands

1. Capital Management

a. The bank assesses the impact of the new rules, if any on their capital adequacy through a comprehensive capital planning and optimisation/mitigation process. The capital planning is an integral part of the Bank's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected, and a plan is formulated to maintain the required capital.

The bank has not raised any capital through hybrid capital instruments till 16 July 2019.

2. Capital Structure and Capital Adequacy:

2.1. Tier 1 Capital and a breakdown of its Components:

S.No.	Details	Amount
1.	Paid up Equity Share Capital	9,618,163
2.	Share Premium	2,512,799
3.	Proposed Bonus Equity Shares	-
4.	Statutory General Reserves	2,123,307
5.	Retained Earnings	1,780,327
6.	Capital Adjustment Reserve	57,326
7.	Deferred Tax Reserves	-
8.	Deferred Tax Assets	-
9.	Debenture Redemption Reserve	400,000
10.	Less: Investment in equity of institutions with financial interest	(210,000)
11.	Less: Intangible Assets	(115,409)
	Total Core Capital	16,166,512

2.2. Tier 2 Capital and a breakdown of its Components:

S.No	Details	Amount
1.	Subordinated Term Debt	1,784,505
2.	General Loan Loss Provision	1,011,982
3.	Exchange Equalization Reserve	78,377
4.	Investment Adjustment Reserve	10,000
5.	Other Reserve	10,000
	Total Supplementary Capital	2,894,863

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

The Bank had issued "7% NMB Debenture 2077" on 6 Falgun 2071 amounting to NPR 500 Million having a maturity of 5 years 6 months. The Debenture was fully subscribed. As at the year end, the outstanding amount of Debenture is 500 Million whereas NPR 100 Million is only eligible to be recognized as capital funds (Tier 2). To reflect the diminishing value of these instruments as a continuing source of strength, a cumulative discount (amortization) factor of 20% per annum has been applied for capital adequacy computations, during the last 5 years to maturity.

During the fiscal year, the bank has also issued 3 million units of NMB Debenture 2085 with the face value of NPR. 1000 per unit amounting NPR 3 Billion at the rate of 10% for the period of 10 years. The General public had subscribed 99,505 units amounting NPR. 99,505,000 and 1,585,000 units amounting NPR. 1,585,000,000 was subscribed through Private Placements. The final allotment of NPR. 1,684,505,000 to the subscribed unit holders was made on 29 Chaitra 2075. To reflect the diminishing value of these instruments as a continuing source of strength, a cumulative discount (amortization) factor of 20% per annum will be applied for capital adequacy computations, during the last 5 years to maturity.

The amortized cost of debenture as on fiscal year end is NPR. 2,239,236,412.

2.4. Deductions from Capital:

Investment in equity shares of fully owned subsidiary company NMB Capital Ltd amounting to NPR 200,000,000 and CEDB Hydro Fund amounting to NPR 10,000,000 has been deducted from Tier 1 Capital.

Similarly, the amount of deferred tax reserve has been separately credited to Regulatory reserve, which is not considered for the purpose of capital ratios.

Intangible asset has also been deducted as per NRB Directive by NPR 115,408,800.

2.5. Total Qualifying Capital:

S.No	Details	Amount
1.	Core Capital (Tier 1)	16,166,512
2.	Supplementary Capital (Tier 2)	2,894,863
	Total Capital Fund	19,061,375

2.6. Capital Adequacy Ratio:

S.No	Details	Percentage
1.	Tier 1 Capital to Total Risk Weighted Exposure	13.09%
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	15.43%

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

The capital instruments of the Bank include fully paid up Equity Shares and Debenture. Both are non-convertible. The main features of Debenture have been mentioned under S.No 2.3 above.

3. Risk Exposures:

3.1. Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk:

S.No	Risk Weighted Exposure	Amount
a.	Risk Weighted Exposure for Credit Risk	112,632,092
b.	Risk Weighted Exposure for Operational Risk	5,117,630
c.	Risk Weighted Exposure for Market Risk	2,144,860
	Total Risk Weighted Exposures (a+b+c)	119,894,582
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,238,947
	Add : 2% of the total RWE due to Supervisory add up	2,397,892
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	123,531,421

3.2. Risk Weighted Exposures under each of categories of Credit Risk:

S.No	Particulars	Amount
1.	Claims on government and Central Bank	NIL
2.	Claims on other Official Entities	NIL
3.	Claims on Bank	3,187,301
4.	Claims on Domestic Corporate and Securities Firms	65,675,730
5.	Claims on Foreign Corporate	Nil
6.	Claims on Regulatory Retail Portfolio	7,059,846
7.	Claims fulfilling all criterion of regulatory retail except granularity	Nil
8.	Claims secured by Residential Properties	6,233,714
9.	Claims not fully secured by residential properties	Nil
10.	Claims secured by Residential Properties (Overdue)	83,096
11.	Claims secured by Commercial Real Estate	376,363
12.	Past Due Claims	784,212
13.	High Risk Claims	6,402,895
14.	Lending against securities (bonds & shares)	294,605
15.	Investments	923,545
16.	Other Assets	3,335,525
17.	Off Balance sheet items	18,275,261
	Total	112,632,092

3.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	Amount
a.	Risk Weighted Exposure for Credit Risk	112,632,092
b.	Risk Weighted Exposure for Operational Risk	5,117,630
c.	Risk Weighted Exposure for Market Risk	2,144,860
1.	Total Risk Weighted Exposure	119,894,582
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,238,947
	Add : 2% of the total RWE due to Supervisory add up	2,397,892
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	123,531,421
2.	Total Core Capital Fund (Tier 1)	16,166,512
3.	Total Capital Fund (Tier 1 & Tier 2)	19,061,375
4.	Total Core Capital to Total Risk Weighted Exposures (%)	13.09%
5.	Total Capital to Total Risk Weighted Exposures (%)	15.43%

3.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	96,884	22,043	74,841
2.	Substandard	219,452	54,863	164,589
3.	Doubtful	260,090	130,045	130,045
4.	Loss	179,992	179,992	-
	Total	756,418	386,943	369,475

3.5. NPA Ratio

Gross NPA to Gross Advances: 0.82% Net NPA to Net Advances: 0.41%

3.6 Movement of Non-Performing Assets

S.No	Particulars	Ashad End 2075	Ashad End 2076	Movement
1.	Restructure/Reschedule Loan	1,361	96,884	95,523
2.	Substandard	172,303	219,452	47,149
3.	Doubtful	255,984	260,090	4,106
4.	Loss	239,663	179,992	(59,671)
	Total Non-Performing Loan	669,311	756,418	87,107

3.7. Movement of Loan Loss Provision and Interest Suspense on loans & advances

S.No	Category	Ashad End 2075	Ashad End 2076	Movement
1.	Pass	778,735	888,849	110,902
2.	Watch List	42,998	123,132	79,346
3.	Restructured	189	22,043	21,854
4.	Substandard	43,076	54,863	11,787
5.	Doubtful	127,992	130,045	2,053
6.	Loss	239,663	179,992	(59,671)
	Total Loan Provision	1,232,653	1,398,925	166,272
	Accrued Interest Receivable (including staff)	222,679	697,364	474,684

After change of Core Banking System, the interest on majority of risk assets portfolio are due as per English Calender due to which approximately a fortnight's interest income are not realized as of fiscal year end 2076.

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 32,210,184.75 has been reversed and credited to Interest Suspense during the reporting period.

3.8. Details of Additional Loan Loss Provision

S.No	Category	Ashad End 2076
1.	Pass	-
2.	Watch List	10,851
3.	Restructured	-
4.	Substandard	-
5.	Doubtful	-
6.	Loss	-
	Total Additional Loan Loss Provision	10,851

3.9. Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk Mitigants of NPR 10,805,341 thousands for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

4. Compliance with external requirement

The bank is subject to compliance requirement under NRB Directive No.1/075 which has stipulated a minimum Total Capital Adequacy Ratio (CAR) of 11.00%. The Bank complied with this requirement at all times during the reporting period. The compliance position at the reporting date is given below:

Capital Parameter	Requirement	NMB Bank
Minimum Common Equity Capital Ratio	4.50%	7.79%
Capital Conversation Buffer	2.50%	2.50%
Minimum common equity plus capital conservation buffer	7.00%	10.29%
Minimum Tier 1 Capital (Excluding conservation buffer)	6.00%	10.59%
Minimum Total Capital (Excluding conservation buffer)	9.00%	12.93%
Minimum Total Capital (including conservation buffer)	11.00%	15.43%
Leverage Ratio	4.00%	8.48%

5. Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities:

The bank 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.

Risk management is essential for well-being of the overall banking business. Credit, Market and Operational Risk are managed independently at NMB Bank. Credit Risk Department reviews risk related to credit prior to disbursement of all loans, it is independent of a loan approver. Credit Risk Management Committee meets once a month to review credit portfolio risk. Market risk is closely monitored all time and managed through ALCO. Operational Risk Committee which meets once each month is a platform to assess/monitor operational risk identified vides various units, branches. Effective implementation of process/controls is periodically reviewed by an Operational Risk Unit. Operational Risk Unit also carries out assurance reviews of the units to evaluate control weakness, recommends robust controls around the risk areas and monitors execution of control in an ongoing basis.

Audit Committee is formed as per the 'Terms of Reference' prescribed by NRB with 3 members. Coordinator of the committee is one of the Non-Executive Directors with Head Internal Audit as its secretary. The committee reviews internal/external/NRB audit reports, recommends stringent control process and escalates the audit observations to the Board. The Committee also reviews quarterly unaudited financial reports of the Bank with recommendation to the Board. The committee selects and recommends External Auditor to the Board based on financial and technical evaluations. Audit Committee is committed towards maintaining robust control system hence monitors closure of risk issues raised by Internal/External/NRB auditors.

Risk Management Committee with view of ensuring better risk management in the bank and in line of NRB's requirement is formed with 5 members chaired by Non-Executive Director, Coordinator of Audit Committee, Head Operation, Head Credit Risk and Head Compliance, and Operational Risk are the members of the committee. The committee reviews high risk issues escalated by operational and credit risk committees (management level), deliberates on the risks and recommends to the Board if required. Stress testing/Capital adequacy is also reviewed at the committee with recommendation to the Board. Revised/new NRB directives, Monetary Policy with material impact on the Bank are also reviewed for its implications.

Branch Network

State1

1. Dharan
2. Biratnagar
3. Birtamod
4. Urlabari
5. Belbari
6. Tarahara
7. Pathari
8. Dudhe
9. Letang
10. Kerabari
11. Kanchanbari
12. Madhumalla
13. Chandragadhi
14. Itahari
15. Kerkha
16. Phidim
17. Katari
18. Taplejung
19. Salleri
20. Damak
21. Bhojpur
22. Gaighat
23. Ilam
24. Chaulaculi

State5

125. Butwal
126. Nepalgunj
127. Traffic Chowk Butwal
128. Manigram
129. Jeetpur
130. Pharsatikar
131. Sunawal
132. Murgiya
133. Chandrauta
134. Thutipipal
135. Chutrabesi
136. Bhalwari
137. Chamumber
138. Gorusinge
139. Aryabhanjyang
140. Tamgas
141. Drivertole
142. Bangai
143. Bhairahawa
144. Palpa
145. Kohalpur
146. Tulsipur
147. Kudiya Susta
148. Pakadi
149. Butwal New
150. Bhairahawa New
151. Manigram New
152. Lamahi
153. Bardaghat

State2

25. Birgunj
26. anakpur
27. Lahan
28. Nijgadh
29. Golbazar
30. Bardibas
31. Bateshwar
32. Tilathi
33. Surunga
34. Shakhuwan
35. Nawarajpur
36. Aurahi
37. Bishrampur
38. Pachrauta
39. Mahottari
40. Sonama
41. Hansapur

State6

154. Dailekh
155. Surkhet
156. Naumule

State7

157. Dhangadi
158. Doti
159. Lamki
160. Masuriya
161. Mahendranagar
162. Doti Ki Singh
163. Beldandi

State3

42. Babarmahal
43. Banepa
44. Putalisadak
45. Lubhu
46. Thaiba
47. Thamel
48. Newroad
49. Kumaripati
50. Chabahil
51. Kirne
52. Manthali
53. Kantipath
54. Narayangadh
55. Dhunche
56. Bhaktapur
57. Kalanki
58. Bashundhara
59. Sitapaila
60. Thapathali
61. Tinkune
62. Naxal
63. Teku
64. Pulchowk
65. Timure
66. Hetauda
67. Galchhi
68. Kapan
69. Lions Chowk Ngt
70. Bharatpur
71. Baghdarbar
72. Maharajgunj
73. Golmadi Bhaktapur
74. Kumaripati New
75. Kalanki New
76. Bouddha
77. Ngt Mainroad
78. Parsa
79. Tandi
80. Chanauli
81. Parijaatpath Hetauda
82. Gangabu
83. Satdobato
84. Baneshwor
85. Dharmapath Newroad

State4

86. Pokhara
87. Waling
88. Gorkha
89. Burtibang
90. Beni
91. Kawasoti
92. Damauli
93. Sardi Bagaicha
94. Chipledhunga
95. Newroad Pokhara
96. Bagar
97. Amarsinghchowk
98. Hemja
99. Bhimad
100. Bhotewodar
101. Safa Sadak Damauli
102. Nagdanda
103. Turture
104. Manang
105. Shishuwa
106. Baglung
107. Lamachaur
108. Kushmishera
109. Bandipur
110. Besishahar
111. Rambazar
112. Bhairabtole
113. Jomsom
114. Galyang
115. Lakeside
116. Lekhnath
117. Bank Road Gorkha
118. Aarughat
119. Dumre
120. Dulegaunda
121. Aabukhareni
122. Manakamana
123. Birauta
124. Indrachowk Kawasoti



NMB BANK
एनएमबि बैंक

समृद्ध नेपालको लागि

ATM Network

Inside Valley

1. Annapurna Hotel, Kathmandu
2. Babarmahal 1, Kathmandu
3. Babarmahal 2, Kathmandu
4. Babarmahal 3, Kathmandu
5. Baneshor, Kathmandu
6. Boudha, Kathmandu
7. Civil Mall, Kathmandu
8. Kapan, Kathmandu
9. Kuleshwor, Kathmandu
10. Lubhu, Lalitpur
11. Mangal Bazar, Lalitpur
12. Naxal, Kathmandu
13. Saleways Maharajgunj, Kathmandu
14. Sitapaila, Kathmandu
15. Thaiba, Lalitpur
16. Thapathali, Kathmandu
17. Tripureshwor, Kathmandu
18. Kumariapati, Lalitpur
19. Thamel, Kathmandu
20. Putalisadak, Kathmandu
21. Jain Bhawan, Kathmandu
22. Kantipath, Kathmandu
23. District Court, Kathmandu
24. Jcomplex Newroad, Kathmandu
25. Kalanki, Kathmandu
26. Maharajgunj Branch, Kathmandu
27. Chabahil, Kathmandu
28. Mid Baneshor, Kathmandu
29. Tinkune, Kathmandu
30. Pulchok, Lalitpur
31. Teku, Kathmandu
32. Golfutar, Kathmandu
33. Hotel Garuda, Kathmandu
34. Thimi, Bhaktapur
35. Thamel-Narsinghchok, Kathmandu
36. Jatra Thamel, Kathmandu
37. Truly Asia-Thamel, Kathmandu
38. Sorakhutte (Paknajol), Kathmandu
39. Kathmandu Guest House, Kathmandu
40. Trisara, Kathmandu
41. Bhainsipati, Kathmandu
42. Bouddha1, Kathmandu
43. Satdobato, Kathmandu
44. Gongabu, Kathmandu
45. Baneshwor 1, Kathmandu
46. Hotel Marshyangdi, Kathmandu

Outside Valley

47. Banepa, Kavre
48. Belbari, Morang
49. Bhairahawa, Rupandehi
50. Birgunj, Parsa
51. Trafficchowk, Butwal
52. Chandragadi, Jhapa
53. Chandrouta, Kapilvastu
54. Dailekh, Bheri
55. Damak, Jhapa
56. Dhangadi, Kailali
57. Dotisilgadi, Doti
58. Dudhe, Jhapa
59. Gorkha, Gandaki
60. Itahari, Sunsari
61. Jeetpur, Kapilvastu
62. Katari, Udaypur
63. Lahan, Siraha
64. Manigram, Rupandehi
65. Manthali, Ramechhap
66. Murgiya, Rupandehi
67. Tansen, Palpa
68. Pathari, Morang
69. Pharshatikar, Rupandehi
70. Phidim, Ilam
71. Pokhara Saleways, Pokhara
72. Tarahara, Sunsari
73. Golbazar, Siraha
74. Charnumber, Kapilvastu
75. Pokhara, Gandaki
76. Bp Counter, Dharan
77. Nepalgunj, Banke
78. Biratnagar, Morang
79. Narayanghat, Chitwan
80. Bhaktapur
81. Birtamod, Jhapa
82. Janakpur
83. Urlabari, Morang
84. Kanchanbari, Morang
85. Sunawal, Nawalparasi
86. Waling, Syangja
87. Gorusinghe, Kapilvastu
88. Tamghas, Gulmi
89. Lamke, Kailali
90. Kohalpur, Banke
91. Masuriya, Kailali
92. Kawasoti, Nawalparasi
93. Beni, Myagdi
94. Burtibang, Baglung
95. Illam
96. Sandhikharka, Arghakhanchi
97. Tulsipur, Dang
98. Surkhet
99. Mahendranagar, Kanchanpur
100. Damauli, Tanahun
101. Galchi, Dhading
102. Hetauda
103. Pokhara Bgb, Pokhara
104. Dhunche, Rasuwa
105. Pame Pokhara Lakeside, Pokhara
106. Sauraha, Chitwan
107. Letang, Morang
108. Milanchowk, Butwal
109. Bhojpur
110. Thutipipal, Rupandehi
111. Janakpur Assembly, Janakpur
112. Pokhara Barahi, Pokhara
113. Bindabasini, Pokhara
114. Manakamana, Gorkha
115. Pokhara1-Chipleddhunga, Pokhara
116. Fishtail, Pokhara
117. Bagar, Pokhara
118. Amarsingh, Pokhara
119. Hemjha, Kaski
120. Narayanghat1, Chitwan
121. Butwal, Rupandehi
122. Lakesite1, Pokhara
123. Lekhnath, Pokhara
124. Gorkha1, Gorkha
125. Birauta, Pokhara
126. Chanauli, Chitwan
127. Kawasoti 1, Nawalparasi
128. Manigram1, Rupandehi
129. Hetauda1, Hetauda

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