

WORKING TOGETHER TO MAKE
THE COUNTRY PROSPER



NMB BANK
एनएमबि बैंक

23rd Annual General Meeting
Thursday, January 10, 2019



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Key Highlights of the Bank's Performance

Description	FY 074/75 (2017/18)	FY 073/74 (2016/17)	FY 072/73 (2015/16)	FY 071/72 (2014/15)
Net Interest income Ratio	33.27%	42.62%	49.67%	41.78%
Profit before provisions and Tax Ratio	2,346,669,272	2,117,986,962	2,005,895,299	809,884,887
Price Earnings Ratio	12.48	20.27	29.15	20.24
Capital Adequacy Ratio	15.75%	13.61%	10.98%	11.13%
Return on Capital Employed	13.54%	16.49%	21.96%	16.40%
Debt Equity Ratio	Nil	Nil	Nil	Nil
Profit per Employee (NPR)	1,716,475	1,621,587	1,476,907	1,403,332
Cost of Funds (YTD)	7.46%	5.06%	3.99%	4.55%
Cash Reserve Ratio	6.68%	7.72%	10.81%	13.32%
Cost / Income ratio	36.90%	36.71%	36.49%	37.35%
Return on Average Asset	1.96%	1.97%	1.49%	1.21%
Statutory Liquidity Reserve Ratio	19.79%	20.69%	19.32%	26.98%
Net interest income as a percentage of working funds / Operating cost - Efficiency ratio	1.89	2.04	2.13	1.97
Net Asset Value Per Share (NPR)	216.88	168.72	159.35	137.35
Dividend Cover ratio (Includes Stock Dividend distributed from share premium reserve)	141.50%	80.65%	97.39%	69.83%
Gross Non-Performing assets to gross advances/Non-Performing Loans (Assets) to Total Loans (Assets)	0.88%	1.68%	1.81%	0.42%

Profile of the Company

NMB Bank Limited – "A" class financial institution has been operating in the Nepalese Financial market for over two decades and is one of the leading commercial Banks in the country. The bank in its short history has carved a niche 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.

2015 marked a significant milestone for the bank with a historical merger and successfully commenced operation having merged 4 other financial institutions with it, positioning the Bank as one of the leading commercial banks in the country in terms of assets size, customer base and branch network in the country.

The Bank has a foreign joint venture agreement with FMO, Netherlands which 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. The alliance with FMO positions the Bank in becoming the market leader in SME, renewable energy and agri 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' are committed to utilize finance to deliver sustainable economic, social and environmental development. NMB 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. The strength of NMB is manifested in the diverse portfolios it holds as - NMB Group, with its subsidiaries – NMB Microfinance with its strong network 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 half a million customers across the country through its network strength of 110 branches, 97 ATMs and 4 Extension counters, the Bank remains committed to its vision to be the catalyst for bringing in progressive change to the lives of the Nepalese people through simplified banking solution.



Name of Company

NMB Bank Limited

Location where copies of this annual report are kept

NMB Bhawan, Babar Mahal, Kathmandu

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 Secretary

Pramod Dahal

Company Registration Number

238

Name and office address of Statutory auditor for the F.Y. 2017/18

SAR Associates, Chartered Accountant, Bishal Nagar, Kathmandu.

Registered Address

Babarmahal, GPO-11543, Kathmandu, Nepal

For any clarification on this report please write to :

Company Secretary, Corporate Office,

Babarmahal, Kathmandu G.P.O. Box No.: 11543

Official Website

www.nmbbanknepal.com

Share registrar

NMB Capital Limited

Reminiscing the Journey

NMB Bank created a history when it became the first 'C' category finance company to become 'A' class commercial bank in 2008, since then there is no looking back for NMB Bank Ltd. It has achieved numerous milestones during its more than 2 decades of banking journey. In 2015, NMB Bank merged with 4 financial institutions namely Pathibhara development bank, Bhrikiuti Development Bank, Clean Energy Development Bank and Prudential Finance Company and the merger 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 (17%) of the bank. 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 agri business.

The Bank's financial indicators, assets quality and return indicators over the years have but only improved which is directly reflected in the upgradation of the Bank's ICRA rating from BBB+ 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 twenty-five (25) 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 IFC lending requirements 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 - remarkable considering the economic outlook of the country and therefore reaffirming NMB's strong financial credibility. The said loan shall be utilized in supporting the SME/MSME and tourism projects and shall help easing the liquidity stress in the country whilst simultaneously support small entrepreneurs in establishing and expanding their businesses in line with the Bank's efforts towards contributing to strengthening the Real Economy.

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 management system) is being implemented which shall 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.

In an initiative that is the first for a Bank in Nepal, NMB Bank has appointed an international consultant to help the Bank in the digitalization and automation of its end to end 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.

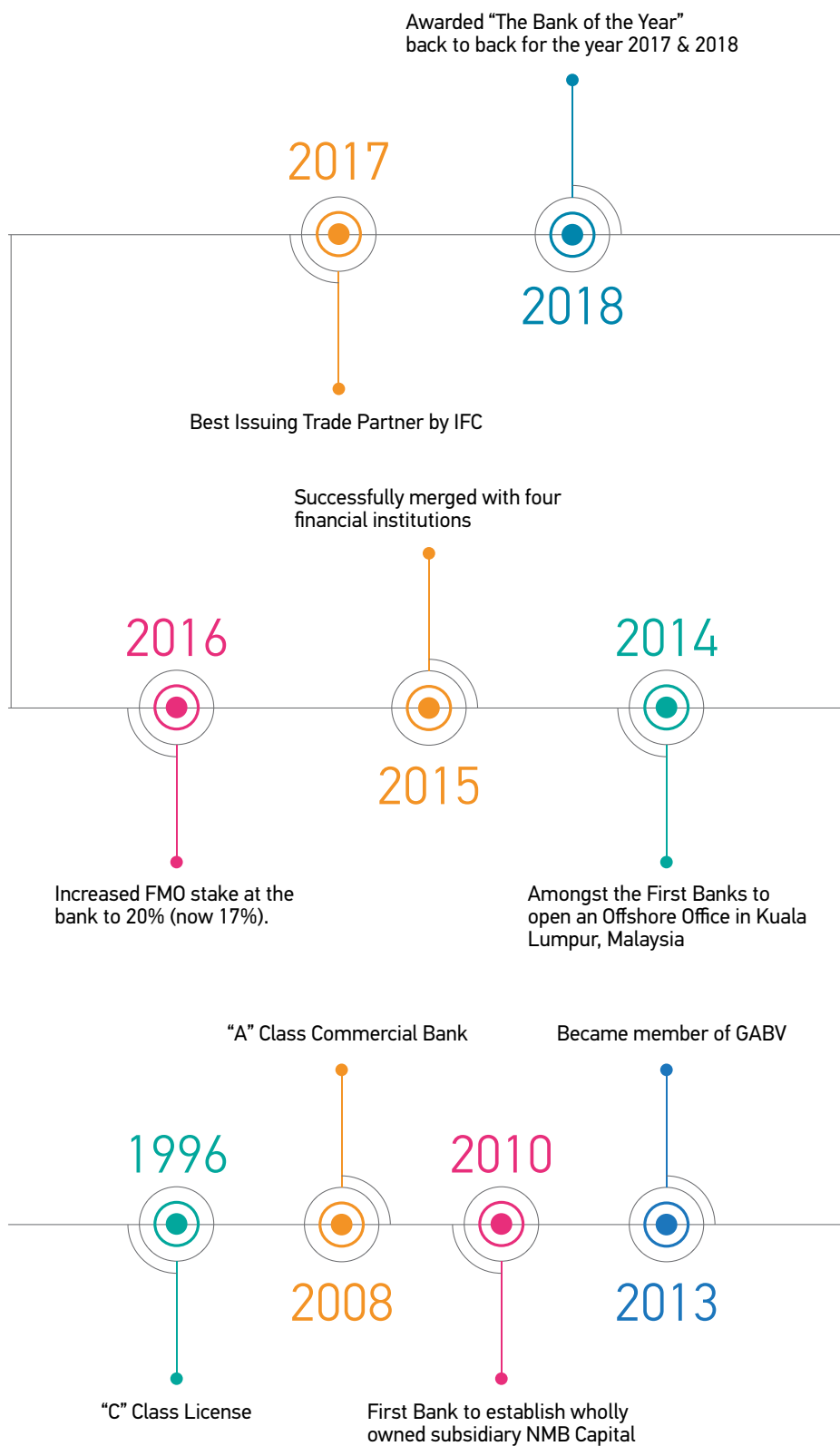
Innovation holds significant importance for NMB Bank, whether in terms of products and services or its internal processes. The Bank understands that seamless integration and re engineering of its internal processes is as crucial for excellence in service delivery as is the innovations introduced in product 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, this year the Bank shall be implementing a more sophisticated core banking system to strengthen its core system with sound, stable, scalable and secure platform. Shortlisted from amongst leading international service providers after much due diligence, the Bank has selected Infosys, a global leader in technology services & consulting, in more than 50 countries to create & execute digital transformation strategies. Infosys shall implement Finacle, a banking suite, which offers a comprehensive and componentized core banking solution to power digital transformation strategy. The solution offers an extensive range of capabilities across deposits, lending and trade finance for Retail and corporate customers.

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.

NMB Bank will not sit on the laurels it has received so far but will endeavor 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



Subsidiaries

NMB Capital Limited

NMB Capital Limited (NMBCL), emerging merchant and investment banker of the country is established as a wholly owned subsidiary of NMB Bank Limited. 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. It has recently started portfolio management service.



NMB Microfinance Bittiya Sanstha Limited

NMB Microfinance 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. NMB Bank hold 51% stake on NMBMF. It was established in 2069 B.S. with core mission of inclusive banking. NMBMF currently has 100 branch offices in operation covering 45 districts.



Membership in Industry related associations



global alliance
for banking
on values



Achievements

- The Bank was selected as Handling Bank in CREF's (Central Renewable Energy Fund) Financial Management Mechanism on January 14, 2018. The core activities under the role of Handling Bank services are to facilitate CREF in channelizing subsidy and credit for the renewable energy sector. The total funds being managed is in the tune of NPR 3.5 billion which shall rise in future and support the Bank as a medium term source for funding loans and investments.
- An additional fund of NPR 3.8 billion has been received from Further Public Offering (FPO) of 1.14 billion shares that was opened for subscription of the public at the rate of NPR 333/ share.
- NMB was able to bring into operation additional 30 branches during the fiscal year, a record for a single fiscal year in the history of the Bank. The number of branches has now reached an impressive 110 which is above the industry average. In addition to this, the Bank has installed 100 ATMs across the country among which 30 ATMs were installed in FY 2017/18.
- NMB became the first Bank in Nepal to sign the mandate with IFC for a loan of USD 15 million - remarkable considering the economic outlook of the country and therefore reaffirming NMB's strong financial credibility.
- The largest project loan syndication in the history of the Nepalese Banking industry - that of Hongshi Shivam Cement of NPR 16 billion led by NMB was successfully closed.



Recognitions

- NMB Bank was awarded the “Bank of the Year 2017 & 2018, Nepal”, by The Bankers Magazine, UK. This helped Bank create yet another milestone by winning an international award twice in a row thus making a mark in the industry. “The Bank of the Year” award is a prestigious international award organized by Financial Times, London.
- NMB Bank was awarded the “Best Issuing Bank Partner in Fragile Countries 2017 South Asia” by the International Finance Corporation (IFC) in recognition of the Bank’s partnership in the Global Trade Finance Program for the year 2017. NMB became the first Bank in the country to receive such award from IFC.
- Frost and Sullivan also awarded the Bank with “Certificate of Merit” in its Nepal Business Excellence Awards 2017.
- ICRA Nepal upgraded the Issuer Rating of the Bank at A- from BBB+. Further, ICRA Nepal has also upgraded the Rating of Subordinated Bond/Debentures of the Bank at LA- from LBBB+. These upgrades in ratings are results of the Bank’s performance over the past year wherein the Bank has been able to improve most of the financial indicators, assets quality and return indicators.



Bank Of The Year 2017

Bank Of The Year 2018



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

Strategic Objectives

1. Position NMB as Bank of Choice for Customers

The strategy envisages client to be put in the focal point in everything we do, be it for sales/ service, process re-engineering, 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.

- 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
- To 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

Enabling the Real Economy of the country to achieve sustainable growth in line with value based banking principles, thus contributing for prosperous Nepal.

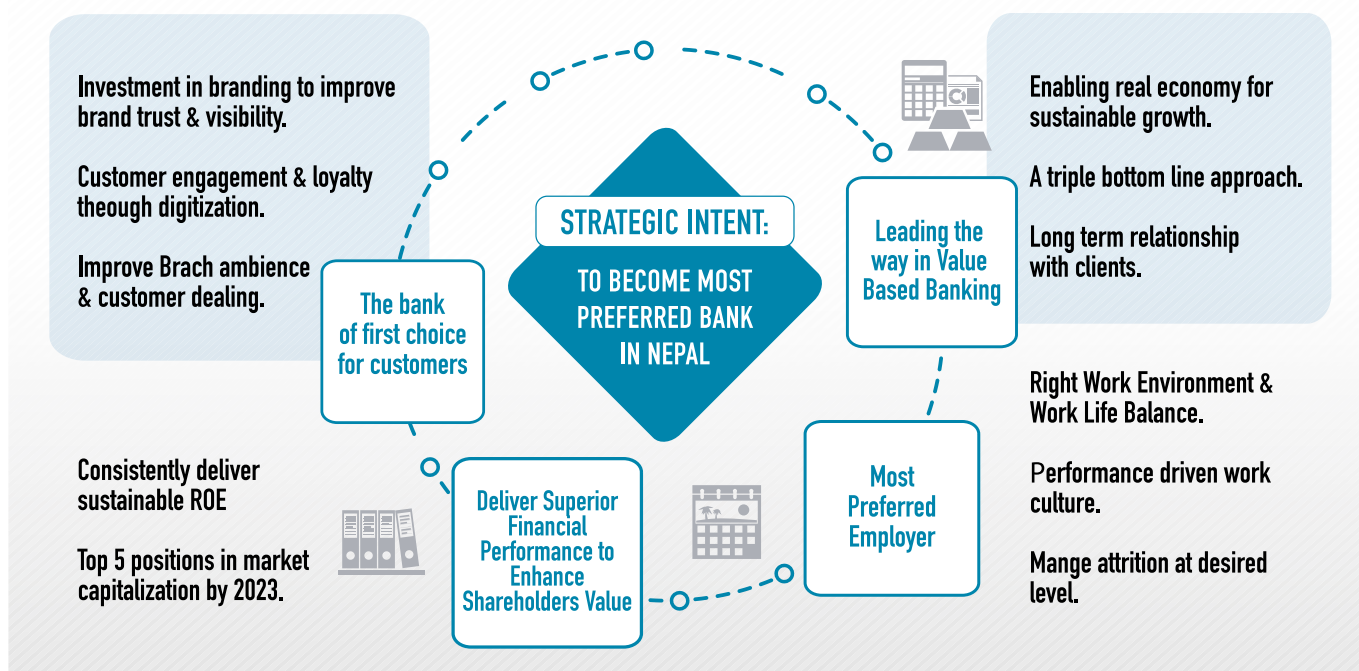
- A triple bottom line approach i.e. People, Planet and Prosperity, a key element of the business model
- Being grounded in communities, serving the real economy and enabling new business models to meet the needs of both transparent and inclusive governance
- Self-sustaining with a long term outlook, resilient to outside disruption
- 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 Strategy Plan envisage 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 expected to deliver following objectives:

- Consistently deliver sustainable +20% ROE

Key Themes & Driving Strategies



Business Ethics

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's believes in its core that the strong ethical culture is fundamental to make the banks 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. Four members of the Board are from Promoters and two members are from Public Shareholders. One member is the independent director. 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.



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Board of Directors

1. Mr. Pawan Kumar Golyan is the Chairman of NMB Bank Limited since 2016. His line of business expands to spinning mills, agriculture, real estate, pashmina industry etc. He is the chairman of Golyan Group of Industries.

2. Mr. Nico Klaas Gerardus Pijl is a Director representative from FMO, Netherlands. FMO is a bilateral private-sector international financial institution founded in 1970, based in the Hague, the Netherlands. Mr. Pijl has had 30 years of experience in FMO.

3. Mr. Rajendra Kafle is a Director representative from Employees Provident Fund. He has more than 29 years of work experience at EPF.

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. Hari Babu Neupane is a representative of General shareholders. He is an Engineer by profession (hydro electronics). He is involved in hydropower sector for more than 5 years.

6. 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.

7. Mr. Nanda Kishor Rathi is an Ex-Chairman of NMB Bank. He is an industrialist and is associated with Maruti Cement, Pasupati Khadya Tel Udhog, National Soap Industries etc. Currently, he is an alternate Director of Mr. Nico Klaas Gerardus Pijl.

Chairman's Statement



Dear Shareholders,

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, journalists, ladies and gentlemen to the 23rd Annual General Meeting of NMB Bank Limited.

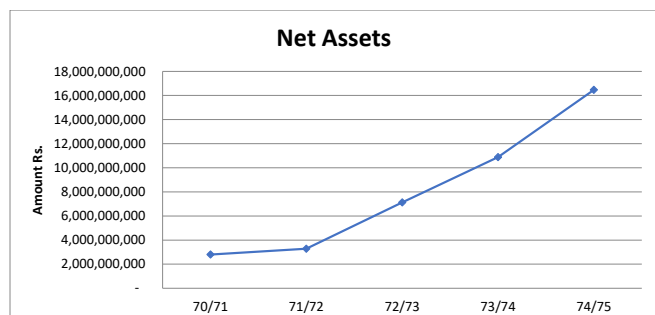
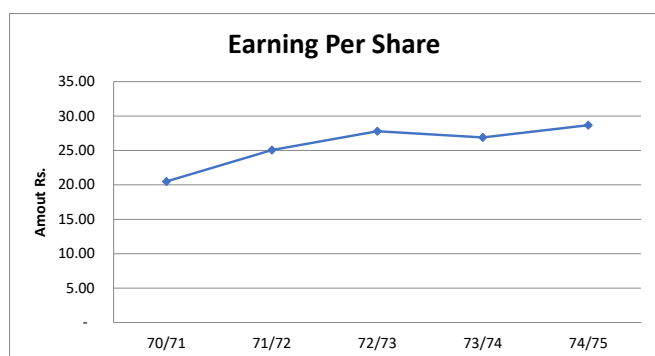
I am pleased to share among you the momentous milestones and the success the bank has achieved in its glorious operation of more than two decades now. The bank has been recognized as "The Bank of The Year" twice in a row for 2017 and 2018 by The Financial Times, London for creating impact at community level to build a self-reliant Nepal by providing sustainable and transparent banking services, focusing on the economic, social and environmental aspects for the development of the country and remaining committed to the highest standard of corporate governance and not just considering profit as the only benchmark for success. NMB Bank always believes that effective Corporate Governance is a key for business excellence hence the Board has always maintained a strong ethical environment and has committed towards sound governance practices.

The awards and accolades have been possible due to the support and contribution of respected shareholders, decisions made by the Board at the policy level, effective and efficient work of the Management Committee and consistent hard work of all the staff of the bank. We have been extremely encouraged by this recognition and would like to dedicate the Award to you, including our customers and all the concerned stakeholders.

Trust that you are already aware of the fact that FMO has its representation at the Board level. FMO, a Dutch Development Bank, has the stake of Government of Netherlands. Similarly, the Bank also has major shareholding of Employee Provident Fund which is one of the largest and stable financial institutions in Nepal. Further, the Bank is also a member of Global Alliance for Banking on Values (GABV). The Bank is a pioneer in introducing value-based banking in the country and will focus on real economy with its dedication to supporting economic, social and environmental development of the country. In order to reaffirm the direction of the bank, it has been aligning its strategy towards financing small-micro and medium enterprises and promoting socio-environmental business models which contribute towards employment generation and equitable economic growth in the country. Our alliance with FMO will further enhance the Bank's SME portfolio as we are working together under technical assistance program with FMO.

The market has remained volatile but to cope with the adversities such as lack of loanable fund in the domestic market, the bank has been able to bring in foreign loans to finance the projects of national priority such as energy and other productive sector loans. It is indeed a matter of great pride that NMB Bank has earned the respect and trust of the foreign investors for the loans in foreign currency.

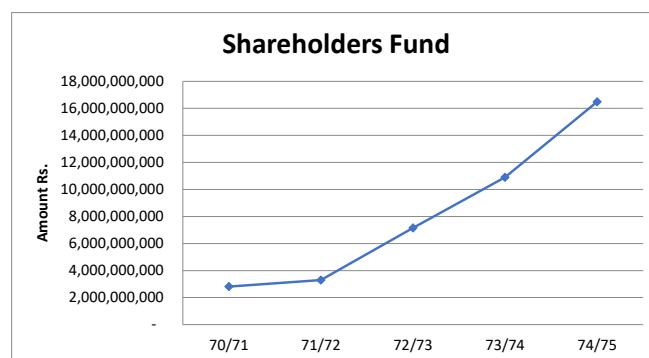
In order to increase the footfalls and access of the unbanked population, the bank will continue to advocate on the importance of savings habit of the people. For this it will continue to promote the “*Ek Ghar Ek Khata*” campaign. In conjunction with this program, the Bank will also continue its focus on strengthening its Current and Saving account (CASA) deposits to curtail its cost of fund. In compliance with the provision of Government of Nepal for commercial banks to set up branches at village level, the Bank successfully opened 17 branches within prescribed date set by the Central Bank.



By embracing digitalization, the bank wants to enhance customer experience by providing seamless and reliable services thus building customer loyalty. In a bid to enhance banking operations, the bank has already purchased new Core Banking Software and is in the final phase of implementation. It has also given due consideration to the mitigation of probable risks emanating from the use of information technology and has invested adequately in required safety and security measures.

Ladies & gentlemen, the global economic market witnessed positive upswings due to improved performance in emerging markets and developing countries along with higher domestic demand, growth in investment, trade and industrial production coupled with stronger business and consumer confidence. At the national level, the economy witnessed a positive growth in agriculture and non-agriculture sector and increase in remittance had benefitted the banking sector as well. Both demand and supply side are expected to drive the economic growth. The transition to new federal structure is likely to provide political stability. Government spending is expected to grow owing to reconstruction work and implementation of new

federal structure. However, Liquidity management has been a persistent challenge for financial sector for last few years. During FY 2016/17 the financial sector faced acute shortage of loanable funds that resulted in interest rate hike. Increasing credit demand coupled with slow deposit mobilization and slowdown in remittance growth could squeeze loanable fund espousing risk of prolonging liquidity challenge in the banking system. This situation might slowdown the growth of entire banking sector.



I am happy to share that during FY 2017/18, the Bank marked an excellent financial performance and substantial progress towards achieving strategic objectives of the Bank.

Despite challenging business environment, the Bank has managed to scale up its business and profitability during the review period. The consistent performance of the Bank over the past few years clearly reflects the Bank’s strategy of sustainable banking which will help the Bank to become one of the best financial institutions in the county. Net profit after tax recorded at NPR 1.85 billion, a growth of 24.53% compared to the previous year. The agenda to distribute 30% dividend out of the distributable profit for the fiscal year 2017/18 is placed for approval in the Annual General Meeting.

Finally, I on behalf of the Board of Directors would like to thank all our respected customers and shareholders for your continued support and guidance. We express our sincere gratitude to all our regulators, the Government of Nepal, Ministry of Finance, Nepal Rastra Bank, Securities Board of Nepal, Nepal Stock Exchange for their valuable support and patronage. I am also pleased to record my appreciation to the Management team and all staff for their hard work and commitment to the Bank. I would like to assure all our stakeholders of our continued commitment towards delivery of excellent performance in the fiscal year 2018/19 as well.

Thank you

Pawan Kumar Golyan
Chairman
Date: January 10, 2019

Directors Report

Respected Shareholders,

Representatives of various regulatory authorities, representatives of various institutions, and all stakeholders, on behalf of the Board of Directors, I would like to express my sincere gratitude for your presence and extend my warm welcome to you all in the 23rd Annual General Meeting of NMB Bank Ltd.

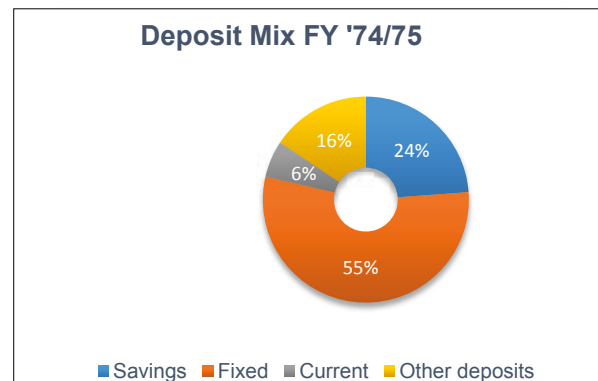
Trust that you have already received the Annual Report which contains Balance Sheet, Profit/Loss Statement and Cash Flow Statement among others. Now, with the permission of this esteemed Meeting, I would like to present the details of the Bank pursuant to Company Act, 2063, clause 109 (4), related to the bank's financial progress, summary of the country's economy, the challenges of the banking industry and the key achievements of the bank during the review period.

1. Key financial performance for the Fiscal Year 2017/18:

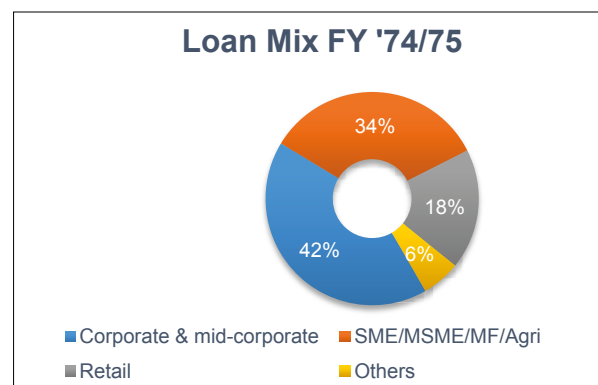
Paid Up Capital and Reserves: Paid Up capital of the Bank in the fiscal year 2073/74 was NPR 6,461,774,334 which grew by 17.67% to reach NPR 7,603,290,634 during the review period. The general reserve fund increased by 28.50% from NPR 1,301,092,903 to NPR 1,671,851,454 in 2074/75. Likewise reserve & fund which remained at NPR 4,440,486,445 in fiscal year 2073/734 augmented by 100.13% in the review period and reached at the level of NPR 8,886,518,667.

Deposit Collection: During the fiscal year, the Bank's deposit grew by 15.41% from NPR 73.22 billion to NPR 84.51 billion. The share of institution deposit remained at 41.19% during the fiscal year. The composition of current deposit, fixed deposit, saving deposit and call deposit during the fiscal year remained at 5.54%, 55.29%, 24.40%

and 9.74% respectively. The Bank has managed to mobilize institution deposit within the threshold prescribed by Nepal Rastra Bank.



Loans & Advances: During the fiscal year, the Bank managed to grow its risk asstes portfolio (net) from NPR 61.76 Billion to NPR 75.21 billion compared to the previous year – an increment of 21.78%. During the period, the composition of loans remained as: Real Estate : 4.91%, Home Loans : 11.12%, Margin Lending : 0.55%, Term loan : 18.86%, Overdraft Loan : 4.10%, Trust Receipt/Import Loan : 5.21%, Demand and Working Capital Loan: 21.32%, Hire purchase loan : 6.09%, Deprived sector loan : 4.96%, Discounted Bills : 0.01%, Other loans: 22.87%. Out of total



Loan and Advances to Customers Portfolio Analysis

Product	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Term loans	14,268,625,654	10,966,699,082	9,996,365,976
Overdraft	3,099,974,826	2,972,914,578	3,168,111,397
Trust receipt/Import loans	3,939,614,346	1,996,791,449	2,091,274,424
Demand and other working capital loans	16,124,798,315	12,702,417,437	10,986,254,757
Personal residential loans	8,411,862,846	6,857,584,230	5,653,653,675
Real estate loans	3,717,309,146	4,323,418,551	4,146,528,326
Margin lending loans	417,471,461	1,042,937,797	847,658,162
Hire purchase loans	4,607,041,027	4,418,364,959	3,550,384,348
Deprived sector loans	1,230,213,682	1,312,714,703	884,872,051
Bills purchased	8,000,000	1,120,381,845	912,219,492
Staff loans	605,720,012	375,339,561	185,009,737
Other	17,301,221,618	13,010,102,469	10,783,467,426
Sub total	73,731,852,934	61,099,666,659	53,205,799,768
Interest receivable	187,373,772	220,540,043	224,677,011
Total	73,919,226,706	61,320,206,702	53,430,476,779

loan portfolio Hydro Power , Agriculture, Medium & Small Industry Enterprise exposure remained at 16.44%, 10.71% and 2.60% respectively. The Bank had exposure of 45.66% loans in productive sector. Further, the Bank shall continue to invest in productive sector in the future as well.

Investment: During the fiscal year 2073/74, the bank made an investment of NPR 9.69 billion from 7.63 billion previous year. Out of total investment, the Bank invested NPR 550 million in organizations' shares, NPR 8.2 billion in Nepal Government Bonds and Treasury Bills, and NPR 880 million in foreign banks' Bonds.

Operating Expense: During the fiscal year 2073/74 the other operating expense reached NPR 737 million an increment of 21.23% from NPR 607.9 million the previous fiscal year. The staff expense (excluding bonus) during the review period increased by 19.01% from NPR 618.7 million to NPR 736.4 million. The increase in operating expense however, remained within the pre-approved budget.

Income: The total operating income of the Bank increased by 18.34% i.e. from NPR 3.46 billion in the previous fiscal year to NPR 4.10 billion in review fiscal year. During the review period, the net income increased by 24.53% i.e. from NPR 1.49 billion to NPR 1.85 billion. During the review period, interest income increased from NPR 6.11 billion to NPR 8.73 billion (growth of 42.87%). Likewise, the fees

& commission earned from domestic and foreign trade transaction increased by 25.07% compared to previous fiscal year and stood at NPR 794.2 million. Foreign exchange income increased by 47.01% and reached NPR 306.5 million. The increase was possible due to the Bank's investment in new sector & services.

Capital Fund, Loan, Deposit, Base Rate and Liquidity Ratio

Capital Adequacy: During the fiscal year, the bank's capital adequacy ratio remained at 15.75% against stipulated requirement of 11% by NRB. The Loan deposit ratio was efficiently managed and remained at 77.72%. Liquidity ratio also remained within the prescribed limit and stood at 23.64%. Base rate of the Bank at the end of review period was 10.70%.

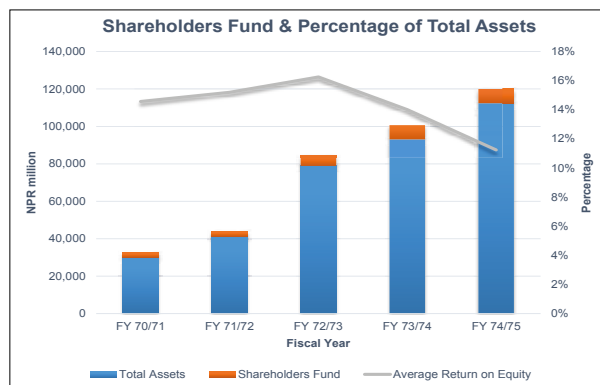
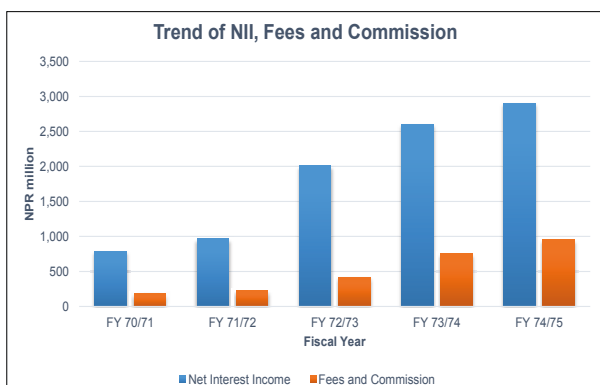
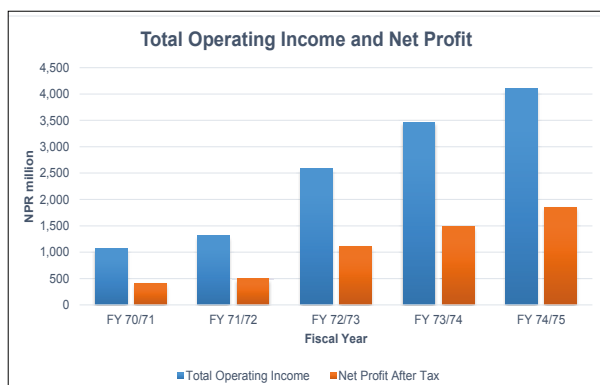
Non Performing Asset: NPA remained at 1.68% in the fiscal year 2073/74, the same was decreased to 0.88% at the end of review period.

Mutual Fund: NMB Bank Ltd issued NMB SulavInvestment Fund in September 2014 and NMB Hybrid Fund L-1 Mutual Fund in September 2017. The progress of both of these schemes is satisfactory.

Debentures: The Debentures issued by the Bank in fiscal year 2071/72 of NPR 500 million will mature in 2077 Bhadra 5. The Bank sets aside fund each year to pay the Debentures in Debenture Redemption Fund. Till date the fund set aside in this fund is NPR 309.5 million.

Further Public Issue:

As per the decision of the 21st Annual General Meeting, 11,415,163 shares having face value of NPR 100 were offered at NPR 333 (with the premium of NPR 233) to the public for further public issuance which was well received and fully subscribed. The bank was able to generate additional fund of NPR 3.8 billion through FPO.



The Bank's key financial performance during the review period:

SN	Particulars	Fiscal Year 2074/75*	Fiscal Year 2073/74*	Percentage change
1	Total Deposit	84,507,136	73,224,063	15.41%
2	Total Loans and Advances (net)	75,209,340	61,756,062	21.78%
3	Total Investment	9,696,999	7,629,533	27.10%
4	Net Interest Income	2,904,014	2,603,980	11.52%
5	Commission and Discount and Other Operating Income	1,196,110	860,755	38.96%
6	Gross Operating Income	4,100,124	3,464,735	18.34%
7	Gross Operating Expenses	737,089	607,997	21.23%
8	Gross Profit	1,853,793	1,488,617	24.53%
9	Paid Up Capital	7,603,291	6,461,774	17.67%
10	Capital Adequacy Ratio (%)	15.75%	13.61%	15.72%
11	Non-Performing Loan/Total Loan Ratio (%)	0.88%	1.68%	-47.62%

*figures in NPR thousand

2. World economic outlook

International Monetary Fund (IMF) projects the world economy to grow 3.5 percent in 2017 and 3.6 percent in 2018. Such growth was estimated 3.1 percent in 2016. Advanced economies, which expanded by 1.7 percent in 2016, are projected to grow at a same rate of 2.0 percent in 2017 and 2018.

Indian economy is projected to expand by 7.2 percent in 2017 and 7.7 percent in 2018. Such growth was 6.8 percent in 2016. Chinese economy, which grew 6.7 percent in 2016, is projected to expand 6.6 percent in 2017 and 6.2 percent in 2018.

International Monetary Fund projects the consumer price inflation of advanced economies to remain at 2.0 percent in 2017 and 1.9 percent in 2018. Such rate was 0.8 percent in 2016. Expansion in aggregate demand is expected to have an inflationary pressure ahead. Likewise, inflation in India is projected at 4.8 percent in 2017 and 5.1 percent in 2018. Such rate was 4.9 percent in 2016. Similarly, inflation in China is projected at 2.4 percent in 2017 and 2.3 percent in 2018; slightly on the higher side compared to that of 2.0 percent in 2016.

US Federal Reserve has been normalizing the unconventional monetary policy since December 2015. The Federal Reserve had adopted such unconventional stance after the global financial crisis of 2008. The Fed increased target range for Fed Fund rate by 0.25 percentage point to the band of 1.0 percent and 1.25 percent on 14 June 2017. However, monetary stance is expected to remain expansionary in Eurozone and Japan. The IMF's Global Financial Stability Report 2017 states the gradual improvement in the financial stability. The report credits such improvement to the expansion in economic activities, and a rise in long-term interest rates, thereby increasing the earnings of banks and insurance companies. Nevertheless, the IMF mentions a cautionary note on international trade

and capital flows resulting in from the recent political development around the world along with an inclination towards protectionism. (excerpt Monetary Policy '74/'75)

Domestic economic outlook:

Economic growth has gained momentum since 2016/17. The economy is estimated to have grown by 5.9 percent in 2017/18 while such growth was 7.4 percent in 2016/17. Despite a sluggish agricultural growth of 2.8 percent due to the flood in Terai region at the beginning of the fiscal year, the economy achieved an encouraging growth in 2017/18. This level of growth was attained on account of industrial output growth of 8.8 percent and service sector's growth of 6.6 percent. With the improvement in the growth trajectory, the size of the economy has reached NPR 3 trillion.

For the last two years, the ratio of Gross Domestic Savings to Gross Domestic Product (GDP) has been increasing. Such a ratio is estimated to have reached 15.0 percent in 2017/18. Gross national savings to GDP is estimated to stand at 43.9 percent in 2017/18. A higher national savings ratio is witnessed mainly due to the remittance inflow. Gross capital formation ratio is estimated to have reached 51.8 percent and resource gap is expected to remain 7.8 percent of GDP. Net export to GDP is estimated to have deteriorated slightly further negative of 36.7 percent in 2017/18. In the last two years, inflation has remained contained. Average consumer price inflation that stood at 4.5 percent in 2016/17 declined to 4.1 percent in eleven months of 2017/18.

The recurrent expenditure of the government till 9 July 2018 stood at 84.29 percent of the budget estimates and capital expenditure at 60.55 percent. Altogether, the total expenditure of the government stood at 76.20 percent of the budget estimates as of 9 July 2018. Likewise, revenue mobilization of the government during the period stood at 93.15 percent of the annual target of NPR 730 billion.

In 2017/18, the government mobilized gross domestic debt of NPR 144.75 billion and made a repayment of NPR 37.52 billion. Accordingly, the net domestic debt of the government stood at NPR 107.23 billion in 2017/18, which is 3.6 percent of GDP.

Current account deficit amounted to NPR 209.21 billion, 7.0 percent of GDP, in eleven months of 2017/18. An escalation in import compared to export raised the trade deficit to NPR 1033.04 billion, which is 34.4 percent of GDP. In the review period, workers' remittances increased 7.3 percent. 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 that had remained

in surplus in 2016/17 by NPR 82.11 billion turned negative by NPR 4.34 billion in eleven months of 2017/18. However, the banking sector has sufficient foreign exchange reserve to sustain the prospective import of goods and services for 9.6 months.

Nepalese currency vis-à-vis the US dollar depreciated by 6.2 percent as of 10 July 2018 compared to mid-July 2017. The buying rate per US dollar stood at NPR 109.64 on 10 July 2018. In 2016/17, Nepalese currency had appreciated by 3.8 percent.

(Excerpt Monetary Policy for 2018/19, Nepal Rastra Bank)

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

The major financial highlights of the Bank during this fiscal year as on October 17, 2018 :

SN	Particulars	NPR (in Thousand)
1	Total Deposit	85,832,090
2	Total Loan and Advances	82,779,003
3	Total Investment	8,950,221
4	Net Interest Income	976,294
5	Commission, Discount and other Operating Income	358,711
6	Income from Foreign Exchange Transaction	104,198
7	Total Operating Income	1,335,005
8	Total Operating Expenses	515,806
9	Net Income	550,556
10	Paid Up Capital	8,743,784
11	Reserves and Funds	8,722,146
12	Capital Adequacy Ratio	15.36%

The growth in the 1st quarter of 2018/19 is in line with the Bank's Strategy 2023. With the consistent growth, the Board and the Management is confident of achieving the target set for the fiscal year 2018/19.

Future Outlook

The bank will focus on lending to productive sectors that have positive impact on the economy of the country. In order to address the liquidity situation in the market and generate more loanable fund, the bank shall seek loan from foreign institutions and issue bonds in Nepalese currency. It also gives us immense pleasure that NMB has been already successful in receiving loans from IFC and an agreement with another foreign financial institution has been approved.

The 22nd Annual General Meeting has approved the merger & acquisition with any of the appropriate financial institutions for which the Board and the Management will proceed as and when the time is right. The Bank shall continue to work on the campaign 'Ek Ghar Ek Khata' to increase banking access, encourage people in rural area to open at least one bank account and establish saving habit.

The bank will continue to improve and invest in its technology. The bank is already in the process of migrating its core banking system and expect the new core banking

system in place by 2nd quarter of the fiscal year 2018/19.

The Bank will focus on the expansion of Visa debit and credit card business for which the Bank operates through its own 'Switch'. The operation through our own 'Switch' has provided the customers with better and faster services in cards facilities.

The Bank will invest in digitization of the process to provide better customer experience. The Digital Banking unit is already working with the vendors to have this in place by next fiscal year.

The Bank will remain active in its Corporate Social Responsibility activities in all 7 states where the bank has its presence by carrying out various activities directly resulting in the benefits of the local people.

4. Industrial and Professional relationship of the bank:

For the progress and success of the bank, the bank is aware of building a cordial relationship with all its stakeholders. The bank is committed towards transparency in all of its banking deals & transactions.

5. **Changes in the Board of Directors:**

During the review period, Mr. Manoj Kumar Goyal on account of his personal reason resigned from the position of Director. Likewise the tenure of Independent (expert) Director Mr. Jiban Man Joshi was completed in Mid-April 2018 whereby, Mr. Pradeep Raj Pandey replaced him in the same capacity as Independent Director.

6. **Significant issues that will impact the business:**

The main risks and challenges that may impact the bank in future are detailed as follows:

- Possible risk of the fixed interest rate in foreign loan can be higher than the prevailing interest rate in the market due to fluctuations in interest rate and possibility of burden in repayment of loan in foreign currency due to exchange rate fluctuations.
- A lack of alternative investment avenues vis-à-vis capital increase may impact the source of income.
- A lack of proper database and advance technology in the country to prevent money laundering.
- Possible Liquidity crunch due to less spending on development expenses may bring about challenges in the management of interest rates in both deposits and loans.
- Possible foreign exchange risk arising in foreign currency deals due to fluctuations in exchange rates

- The country's political instability and other outside reasons can impact import and export resulting in non payment of loans and interest.

- Possible risk arising from the changes in the country's economic, monetary and financial policies

7. **Significant observation from the Auditors to the Board:**

There are no significant audit observations noted during the fiscal year.

8. **Dividend payment:**

The 369th Board of Directors Meeting has proposed to distribute 30% bonus (10% Stock Dividend and 20% Cash Dividend - including Tax) on the existing Paid Up Capital of the Bank for FY 2017/18 for which Nepal Rastra Bank has provided approval to distribute the bonus share and cash dividend totaling NPR 2,623,135,246 /- and the same agenda of dividend distribution is being proposed in the Annual General Meeting.

9. **Details of shares forfeited by the Bank:**

No shares were forfeited during the review year.

10. **Performance of the company and its subsidiary companies:**

NMB Bank Ltd has two subsidiary companies namely NMB Capital and NMB Micro Finance as follows:

NMB Capital Limited

NMB Capital Ltd. was established with capital investment of NPR 200 million under 100% ownership of NMB Bank Ltd. The company has been managing initial public offerings, further public offerings, initial public offering of group investment fund, issue of right share and issue and sale through auction of additional right share.

In the fiscal year 2074/75, the net profit of the company stood at NPR 65.2 million. The company's income rose by 7% from issuance of shares, sales management and portfolio management. The company provided 21.05% cash dividend in fiscal year 2072/73 and 105.26% in fiscal year 2073/74.

The key achievements of the subsidiary company in fiscal year 2074/75 are as follows:

1. During the review period, NMB Capital Ltd. continued its service as issue manager, share registrar, trustee. The company has established a strong infrastructure for dematerialization of shares of its customers.
2. NMB Capital has been working as a fund manager and a depositor for Mutual Funds issued by NMB Bank Ltd. namely 'NMB Sulav Fund 1 and NMB HybridFund L -1. After obtaining approval from SEBON, the primary shares of the mutual funds were issued from first week of Ashwin.

NMB Capital Limited

Statement of Financial Position

As at 16 July 2018

	This Year (NPR)	Previous Year (NPR)
Assets		
Cash and Cash Equivalents	396,328,815	637,541,133
Financial Investments - Held for Trading	-	-
Financial Investments - Available for Sale	11,000,000	13,480,925
Financial Investments - Held to Maturity	236,921,486	118,826,783
Other Financial Assets	25,443,281	26,095,594
Other Assets	-	-
Property & Equipment	13,714,773	16,299,633
Intangible Assets	488,702	141,203
Current Tax Assets	84,244,643	66,022,494
Deferred Tax Assets	3,169,572	1,486,856
Total Assets	771,311,271	879,894,620
Liabilities		
Due to Public	356,938,883	553,791,928
Other Financial Liabilities	39,429,027	26,645,591
Other Liabilities	14,574,589	16,795,744
Current Tax Liabilities	83,635,185	62,718,414
Deferred Tax Liabilities	99,750	922,123
Other Provisions	5,163,588	4,716,416
Total Liabilities	499,841,021	665,590,216
Equity		
Share Capital	200,000,000	100,000,000
Retained Earnings	71,470,250	114,304,404
Other Reserves	-	-
Total Equity	271,470,250	214,304,404
Total Liabilities and Equity	771,311,271	879,894,620

NMB Capital Limited

Statement of Profit or Loss

For the year ended on July 16, 2018

	This Year (NPR)	Previous Year (NPR)
Income		
Income from Merchant Banking Activities	78,936,640	73,643,091
Income from Mutual Fund operations	-	-
Interest Income	16,509,928	42,923,178
Other Income	40,412,404	44,590,882
Net gain/(loss) on financial investments Held for Trading	-	-
	135,858,972	161,157,151
Expense		
Personnel Expense	(27,383,941)	(27,863,110)
Interest Expense	-	-
Depreciation on Property and Equipment	(3,421,950)	(2,917,520)
Amortization of Intangible Assets	(194,902)	(77,957)
Other Operating Expenses	(20,409,776)	(19,171,946)
Total Expenses	(51,410,569)	(50,030,534)
Profit Before Tax from Continuing Operations	84,448,403	111,126,617
Income Tax Expense	(19,234,617)	(28,573,481)
Profit For the Year	65,213,785	82,553,136

NMB Micro Finance Bittyta Sanstha Ltd.

NMB Micro Finance Bittyta Sanstha Ltd is a subsidiary company of NMB Bank Ltd. It has issued capital of NPR 140.875 million out of which NMB Bank has a stake of 51% , other individual promoters have 19% and public has 30% share ownership. The head office of the company is in Pokhara Metropolitan City Ward No 25, Milanchowk, Hemja, Kaski.

The company until Ashad 2075 has provided services to 78,416 families in 460 villages of remote hilly region by way of offering financial services like saving accounts, loans and insurance among others. In partnership with various organizations, it has conducted many corporate social responsibilities related works in such area. The company as on on Ashar end had provided loan of NPR 1.2 billion and mobilized deposit of NPR 696.5 million.

The highlights of NMB Microfinance during the fiscal year 2074/75 are as follows:

1. The company's Board has approved as per the regulations to issue 15% bonus share of NPR 21,131,250/-out of the Paid Up Capital and reserve capital upto previous fiscal year of NPR 140,875,000/-. The company has requested Nepal Rastra Bank for the approval of distribution of cash dividend for tax purpose. After the issuance of bonus share the Paid Up Capital will increase to NPR 162,006,250/-.
2. The subsidiary company opened 16 branches during the fiscal year which has currently increased the total number of branches to 100.
3. During the review period, the company was able to earn net profit of 23% of its paid up capital.
4. The subsidiary company has provided remittance services in coordination with several remittance companies.
5. NMB Microfinance in partnership with Sakchyam-Access to finance and Unnati has initiated programs to reach out to the unbanked areas of the country.

NMB Micro Finance Bittyta Sanstha Ltd. Statement of Financial Position

As at July 16, 2018

Capital & Liabilities	This Year NPR	Previous Year NPR
1. Share Capital	162,006,250	140,875,000
2. Reserve and Funds	86,693,562	76,230,572
3. Debentures and Bonds	-	-
4. Borrowings	1,682,081,898	1,485,583,051
5. Deposits	696,528,653	404,171,984
6. Proposed Dividend	1,112,171	1,482,895
7. Income Tax Liabilities	242,787	387,637
8. Other Liabilities	45,927,871	40,322,945
Total Liabilities	2,674,593,192	2,149,054,084
Assets	Current Year Rs.	Previous Year Rs.
1. Cash Balance	16,451	7,350
2. Balance with Nepal Rastra Bank	24,230,000	9,730,000
3. Balance with Banks/Financial Institutions	447,869,961	320,633,634
4. Money at Call and Short Notice	-	-
5. Investments	2,000,000	2,000,000
6. Loans, Advances and Bills Purchased	2,167,490,812	1,797,137,068
7. Fixed Assets	21,177,981	11,541,759
8. Non-Banking Assets	-	-
9. Other Assets	11,807,986	8,004,273
Total Assets	2,674,593,192	2,149,054,084

NMB Micro Finance Bittyta Sanstha Ltd.

Statement of Profit or Loss

For the period ended on July 16, 2018

Particulars	This Year NPR	Previous Year NPR
Interest Income	377,058,891	238,744,516
Interest Expenses	211,444,355	101,108,777
Net Interest Income	165,614,536	137,635,739
Commission ,Discount and other operating income	66,225,063	50,407,953
Exchange Fluctuation Income	-	-
Total Operating Income	231,839,598	188,043,692
Staff Expenses	106,105,546	70,394,610
Other Operating Expenses	46,946,473	31,172,844
Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	78,787,579	86,476,237
Provision for Possible Losses	71,078,781	15,380,064
Operating Profit	7,708,798	71,096,173
Non-operating Income/Loss	486,423	268,100
Loss Provision Written-Back	43,475,339	-
Profit from Regular Operations	51,670,561	71,364,273
Profit/Loss from extra-ordinary activities	-	-
Net Profit after considering all activities	51,670,561	71,364,273
Staff Bonus Provision	4,697,324	6,487,661
Provision for Income Tax	14,266,825	19,473,725
Current Year's	15,253,262	20,483,909
Previous Years'	-	-
Current Year Deferred Tax (Income)/Expenses	(986,437)	(1,010,184)
Net Profit/Loss	32,706,412	45,402,887

11. Information provided by the Primary shareholders to the Bank during the fiscal year:

None

12. Information of purchase of shares by the shareholders and officials during the fiscal year:

None

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

None

14. 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.

15. Internal control system:

Effective internal controls are the foundation of safe and sound banking therefore NMB has designed and enforced system of operational and financial internal control that safeguards bank's resources, produce reliable financial reports and comply with rules and regulations of the country. Effective internal control also reduces errors/irregularities with timely reviews and mitigations.

NMB Bank has effective inter control system with:

- A control environment:

NMB has an approved Organization Structure (approved by the Board) with clarity of roles and responsibilities of the staff. The reporting relationships of each is transparent. The staff sign 'Staff Code of Ethics' and are aware of the Bank's values & ethics.

The Board level committees have also been formed in line with NRB Directives and are actively working as per the Terms of Reference. The Management level committees have also been formed for active monitoring of the risks of various areas.

- Risk assessment:

Risk assessment is the identification, measurement and analysis of risks which NMB Bank does regularly. The operational and credit risk regularly assess the risks as timely assessed risk prevent the bigger losses. The identified risks are discussed in respective committees for timely mitigation.

- Control activities

All units have their own approved policies and procedures in place which are reviewed/revised and updated timely. The policies and procedures are prepared to comply with

the regulatory requirements. The policies are deliberated at the Board level committees and approved by the Board. The Bank lays utmost importance to timely regulatory reports and which are also constantly monitored by the respective units. The delegation of authority of the staff is in place, outside of which no one has authority to prepare/approve any banking transactions. The delegation of authority is revised periodically.

A separate reconciliation unit has been established to review the outstandings in Sundry/Nostro accounts. A proper escalation matrix is in place so that long outstanding items receive due attention as such outstanding items attract fraudulent activities.

A job description of each staff is prepared to make staff responsible and accountable toward his/her job. The Bank is guided by dual custodianship in terms of numbered stationeries and management of vault/cabinets. The independent reviews of dual control is monitored by operational risk unit and Internal Audit on regular basis.

- Accounting, information, communication

The accounting standard is maintained as prescribed by the regulators. The Board and the Management is concerned on maintenance of data. The accounting, financials of the Bank is conveyed and published as per the regulatory requirement. The Board and staff are well informed about the financials of the bank. The Management follows a transparent policy wherein the Board, Management and all staff are informed of all relevant financials/events. Any regulatory changes in the directives/circulars, any new introduction of internal procedures/policies are informed and maintained in intranet for the Bank for everyone's easy reference.

- Self assessment or monitoring

The departments do not just rely on operational risk or Internal Audit units for assessment of their own work but carry out random checks by the Operation In Charge/Branch Managers in the branches. The branches/other operating units carry out their own sundry reconciliations and escalate to the higher authority for any anomalies. Incident reporting practice is in place wherein any small to big adverse financial/physical events are reported to concerned authority for timely action.

Risk Management:

The Bank has prepared and implemented strong risk management framework to identify, monitor, manage, control and report the probable risk that the organization has to face. In order to better position our activities in an uncertain financial environment with changing customer expectation, the Bank has enhanced risk management capabilities by facilitating effective board and senior management oversight and proper execution of risk management and control processes.

The Board formulates and approves the Bank's strategy and defines risk tolerance level. It also ensures capable expertise with sound knowledge in handling risks. The policies are approved by the Board which are escalated through Board level committees like Risk Management Committee, HR Service Committee, AML Committee etc.

The Management is responsible for implementing the policies and procedures in line with the Bank's strategy. It also ensures that the risk policies/procedures are well communicated to all concerned staff for their understanding and effective implementation. The Management has established a clear line of approving authority beyond which no one can function. The culture of risk identification, measurement, monitoring is well ingrained in all concerned.

16. Information of amount yet to be paid to the directors, Chief Executive Officer, basic shareholders or their close relatives and their associated companies:

None

17. The detail of remuneration paid to the Directors, Chief Executive Officer and Senior Management Staff:

The detail is in Clause 38 of additional disclosures.

18. Information of Undeclared Dividend by the shareholders:

Out of the total dividend distributed by the Bank upto July 16, 2018, NPR 12,317,367/- remains unclaimed by the shareholders. A notice to collect the dividends has been published in the newspaper and in the bank's website.

19. Details of Fixed Asset purchase/sale as per the requirement of Company Act 2063, Clause 141:

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

20. Business transactions with the related companies as per Company Act 2063, Clause 175:

The details is mentioned in clause no.11.

21. Any other information as per Company Act, 2063 in Director's report:

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

22. Board Level Committees:

In line with NRB Directives, four Board level committees have been formed namely, Audit Committee, Risk Management Committee, HR Service Committee & AML Committee. The detail of the committees are available under the heading 'Corporate Governance' clause.

23. Contribution to the national exchequer:

We are very glad to share that our company has contributed Rs. 1.18 billion to the national exchequer in the form of TDS, VAT and the corporate tax during the financial year under review.

24. Other important issues:

Corporate Social Responsibility:

The Bank continues to contribute in corporate social responsibility by taking up numerous activities across the country. NMB has been organizing NMB Heritage Walkathon for last 7 years to promote awareness on the importance of preservation of heritage. As part of the program, the team NMB carried out cleaning of Bhadrakali temple in Kathmandu. The Bank provided seeds and solar power irrigation pump through ICIMOD for vegetable farming to help the 150 flood victims of Saptari District.

Likewise, the Bank launched a pilot project to uplift the marginalized community in its mission to build a “Model Village” in Gairigaun, Fulgachhi of Jhapa Gaupalika-3. The project provides the community people with awareness program in organic farming, animal husbandry, fish farming, tree plantation and other program to empower villagers to live in a self-reliant prosperous village—where people are educated and healthy, and lead a life of dignity in a clean and pollution-free environment.

The CSR activities are not limited in Kathmandu only but are spread across the country where the bank has its presence through activities such as cleaning up temples, collecting clothes for young and old people, organizing blood donation program along with free health camp.

Human Resource:

The total staff in NMB Bank as of now stand at 1170 with 64% & 36% male and female respectively. During the fiscal year 278 new recruits joined the bank whereas 116 resigned from the service of the Bank. Till date 60 and 271 staff have completed 10 & 5 years of continuous service in the bank respectively.

The training and development of the staff is given an utmost priority hence a dedicated learning wing NMB Academy has been set up which works only in the training and developments of the staff. The Academy runs various in-house trainings for the staff. Staff across all branches attend trainings. Along with classroom trainings, trainings are conducted on-line as well.

Employee Health and Safety:

Employee health and safety are considered to be a high priority across our Bank and we consistently review all practices, systems and processes to minimize health and safety hazards. Our policy requirements also make this key imperative and high level of awareness of the importance of health and safety in to our work environment. During the year under review, no major accidents or injuries were reported. Further, there is no known case in exposure to specific diseases arising from the work carried out by our employees.

Management Team:

Mr. Sunil KC has been leading the bank and the Management Team of the Bank. With a strong banking experience of 29 years, he has been with NMB Bank for the past ten years and was the deputy CEO before taking up his new role. Under his leadership, the Management Team consists of the following staff members:

Sunil KC: Chief Executive Officer

Pradeep Pradhan : Chief Operating Officer

Shabnam Limbu Joshi: Chief HR & Business 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,
Chief Legal Compliance & AML Officer

Roshan Regmi: Head Operations

Branch Network:

Till date, the Bank has been providing banking facilities and services through its 110 branches, 4 extension counters & 100 ATMs across the country. The branches are located in each province as follows:

State 1 :24 branches

State 2 : 17 branches

State 3 : 27 branches

State 4 : 8 branches

State 5 : 24 branches

State 6 : 3 branches

State 7 : 7 branches

With the objective of providing premium services to its customers, the Bank has been operating Priority Banking services in its Kantipath Branch. The Bank will continue to open branches and place ATMs in the areas where the Bank hasn't reached so far. Likewise, in order to provide banking facilities to the remote area of the country, the Bank has been providing branchless banking services in Rasuwa, Dolakha, Ramechhap, Morang, Kapilvastu, Siraha, Nawalparasi, Bhaktapur and Illam. The Bank intends to expand its branchless banking facilities in other remote area in future as well.

Representative Office outside Nepal and its progress:

The Representative office established at Lebuah Pasar Besar in Kuala Lumpur, Malaysia has been assisting as a point of contact for expansion of trade business 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 Malaysia. This office has been playing pivotal role to connect and garner the relationship with the Malaysian corporates and business houses and enhance trade business with other foreign establishments.

Bank of the Year Award:

In recognition to its Value Based Banking initiatives and commitment for sustainable and transparent banking services for economic, social and environmental development in the country, for prioritizing and practicing good corporate governance, for aiming to building self-reliant local community and not considering profit as its only goal, the Bank has been awarded with the prestigious International Award- “The Bank of The Year Award” for two consecutive years 2017 & 2018 as of now by London based The Financial Times. This recognition has been considered as important achievement and yet another milestones for the bank. This award has encouraged us to contribute more towards prosperous and self-reliant Nepal.

Acknowledgement:

On behalf of the Board of Directors, I would like to express my gratitude and sincere thanks to all shareholders, stakeholders, customers, the Management team and entire staff for supporting the Bank to achieve new milestones year after year.

Thank You.

Pawan Kumar Golyan
Chairman



Management Team

1. Mr. Sunil KC, 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 up-gradation 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. He has in total 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 Office 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 Banija Bank and Standard Chartered Bank Nepal.

3. Ms. Shabnam Limbu Joshi, Chief Human Resources & Business Support Officer comes with more than 29 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, operational risk. She is now responsible for human resources and strategic sourcing.

4. Mr. Sharad Tegi Tuladhar, Chief Risk Officer is a seasoned corporate banker with banking experience of 26 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 seasoned banker with 20 years of banking experience. He started his career in 1998 from Standard Chartered Bank Nepal and also served in 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 , Brand & Marketing & communication. He is also an Information Officer of the Bank.

6. Mr. Govind Ghimire, Chief Business Officer has 22 years of overall 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 18 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, Service Excellence and CSR.

8. Mr. Pramod Dahal, Company Secretary, Chief Legal, Compliance & AML Officer has 17 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 of 14 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 feel privileged to report that the Bank has witnessed a glorious and remarkable Fiscal Year 2017/18 - the Bank continued to draw on its strengths and build a strong foothold in line with its strategy. Our decision to choose a path much different in outlook from that of our peers has yielded us good returns as the Bank went on to be recognized as the 'Bank of the Year – 2018', the second consecutive time.

At a time when the Country is showing signs of stability, the Bank has opted to charter a roadmap focused on value based and sustainable banking. As the sole member Bank of the Global Alliance for Banking on Values from Nepal, NMB is committed to lead the movement and translate the values GABV encompasses in our business model. The Bank has prudently chosen to finance projects in Nepal that propound the GABV philosophy of working to contribute to the Real Economy.

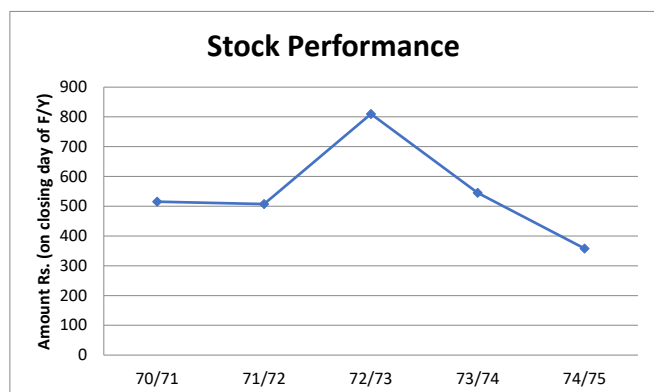
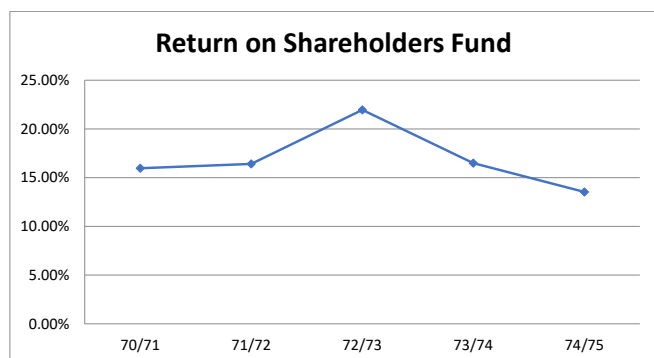
This Fiscal Year the Bank has been able to successfully close noteworthy projects in infrastructure; whether that be financing the largest cement factory in the country or helping shape a micro-hydro project in the Annapurna-Dhaulagiri trekking route for accelerating tourism for economic sustainability in the area. NMB endeavors to contribute to projects spanning from energy, agriculture, tourism, education, infrastructure, SME that have been identified as key drivers for sustainable growth of the Nepalese economy.

Our prerogative remains to place customers at the core of our strategy, to 'Build Communities through Responsible Banking' as defined in the Bank's Vision. In the competitive space of the Nepalese banking industry, the Bank has been innovative to identify and introduce products and services as per our customers changing needs. Ongoing evaluation and re-engineering of our processes have been set to ensure that the Bank's service standards lead to enhanced customer experience and make NMB the 'Most Preferred Bank in Nepal'.

Whilst the Bank endeavors to become the first choice for customers, it is essential that we have the best human capital onboard to ensure that our service benchmarks surpass customer expectations. A system of continuous review of the existing facilities and benefits offered to staff has been set to recommend the best package in the industry to attract the 'creme de la crème' human resources.

The Bank's financial performance has been on an upward trajectory and has witnessed consistent growth in the last

few years. With the core Capital Base of NPR 16.48 Billion and Balance Sheet size of NPR 112.39 billion, the Bank's overall financial health remains sound. This fiscal year, NMB recorded Net Profit after tax of NPR. 1.85 billion, a 24.53% growth vis-à-vis the previous year. Shareholder value remains a priority and our concerted efforts have been to yield higher returns for shareholders year-on-year. The Bank in line with the same has decided to distribute 30% dividend to its valued shareholders.



The changing global business dynamics has triggered the Nepalese Banking industry to adopt and adapt to digital transformation in service platforms. The Bank is transitioning towards 'Digitalization with a Human Touch' to enhance customer experience through addition of new channels designed for inclusiveness and banking convenience of the rural masses.

The Bank in line with its strategy successfully completed its Further Public Offerings (FPO) of NPR 3.8 billion (including premium) which was fully subscribed within the stipulated time period even during a turbulent market situation reaffirming the goodwill the Bank holds.

The Bank has successfully increased its network strength by 30 additional branches for providing easy financial access at the grassroots, thereby contributing for the upliftment of the Real Economy true to our commitment of Value Based Banking.

Amidst a tight liquidity situation in the country, NMB became the 'first Bank in Nepal' to bring in Foreign Currency Loan into the country from IFC for USD 15 Million - remarkable considering the economic outlook of the country and therefore reaffirming NMB's strong financial credibility. The said loan has been utilized in supporting the SME/MSME, tourism projects and support small entrepreneurs in establishing and expanding their businesses in line with the Bank's efforts towards contributing to strengthening the Real Economy.

NMB Bank was awarded the 'Best Issuing Bank Partner in Fragile Countries - 2017 - South Asia' by the International Finance Corporation (IFC) during the 8th IFC Trade Awards. The award came in as recognition of the Bank's partnership in the Global Trade Finance Program for the year 2017. NMB Bank sets precedence by becoming the first Bank in the country to receive such award from IFC. The award reaffirms and echoes the trust and respect earned by the Bank over the years from international partners.

The Bank was awarded with the 'Certificate of Merit' at the Nepal Business Excellence Award 2017 by international business consulting firm Frost & Sullivan and Confederation of Nepalese Industries.

I would like to take this opportunity to extend my sincere gratitude to the Nepal Rastra Bank, the Ministry of Finance, Government of Nepal and regulatory authorities including, the Securities Board of Nepal, our Board of Directors, our foreign Joint Venture Partners FMO, Netherlands and Yong Lian Realty, Malaysia and our esteemed shareholders including the Employees Provident Fund (EPF) for their valuable support during the period. To conclude, I would like to thank the two of our most valuable stakeholders - our customers and our employees for their dedication and concerted efforts towards creating new milestones each year and expect the same level of trust, support and camaraderie in the coming years as well.

Sunil KC
Chief Executive Officer

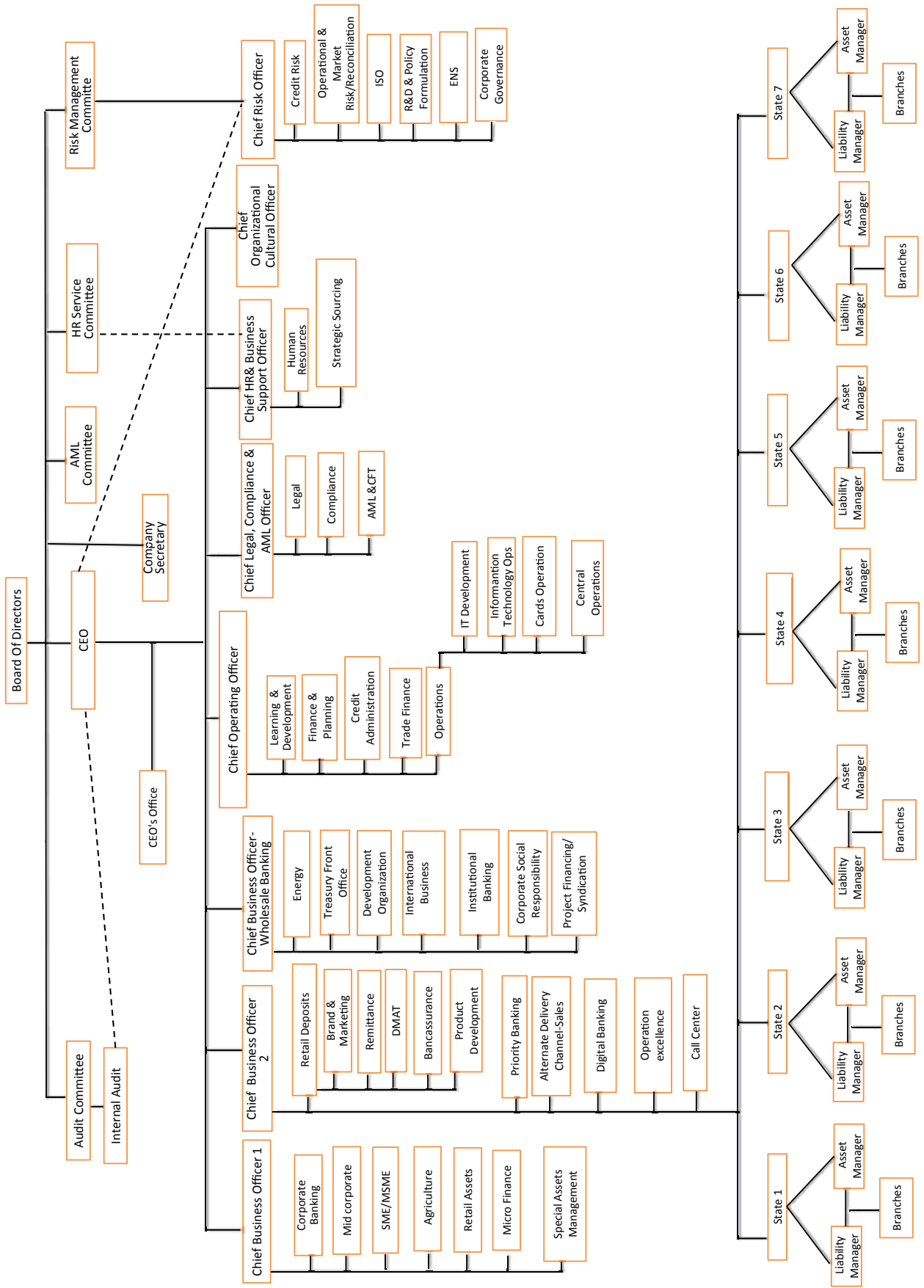
Head of Departments

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 - External Affairs, Media Relationship & Institutional Banking
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 – State 3
4.	Mr. Mohan KC	Head – State 4
5.	Mr. Surendra Maharjan	Head – state 5
6.	Mr. Yubraj Dhakal	Head – State 6
7.	Mr. Ramesh Bhatt	Head – State 7

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 put-in-place a risk management strategies that runs in-sync with the overall business strategy of the bank and thus to 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 in place the 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. Boards 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 banks 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 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 also is the banks major material risk. Credit risk is managed in accordance with the banks comprehensive risk management framework of the bank and the applicable provisions of Nepal Rastra Bank Directive. Credit policy and credit risk appetite of the bank approved by the NMB Board sets out the standards and principles under which the bank is prepared 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 in place 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 banks 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 also in place the dedicated operational risk management unit for monitoring and reporting the operational risk faced by the bank. 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 on the part of 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

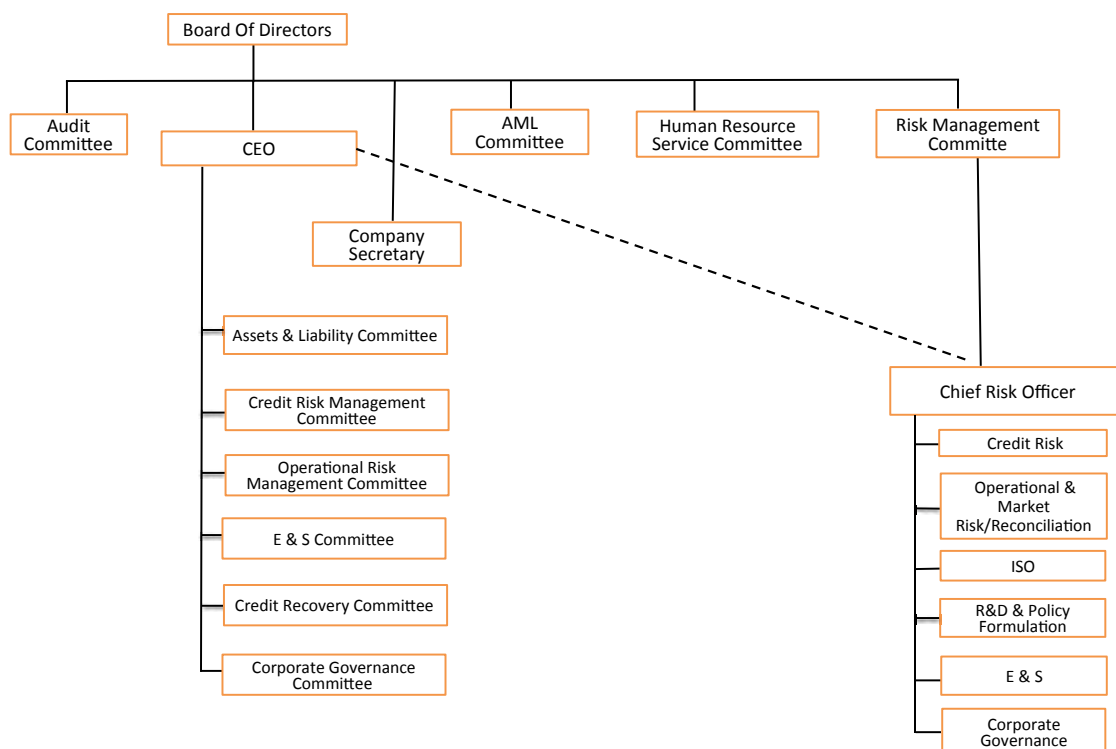
The bank has formulated Information Security Policy and Disaster Recovery Plan, which are the principle documents of the bank that details the policy statements, IT governance, use of IT resources and infrastructure etc. Bank has done sound investment in technological infrastructure such as Direct Swift Connectivity, Firewall and Intrusion Prevention and Detection System, Firewalls etc. to ensure the robust information technology security. Further, the bank is under process to migrate its existing Core Banking System to more robust and advance FINACLE Core Banking System as a 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 Value (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 in the bank. This initiative of the bank now has also been harmonized with guideline issued by Nepal Rastra Bank on Environmental and Social Risk Management (ESRM).

Risk management structure in the bank's Organogram:



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, "	<p>"Project monitoring: Consortium meeting in regular intervals; Periodic project inspections; Annual review of loan account,</p> <p>Areas of monitoring: Project development progress vis-a-vis agreed timeline. Unanticipated challenges faced during project development. Adherence to facility terms & conditions. Project performance after its operation etc.</p> <p>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."</p>	<p>"The bank has independent Project Financing & Loan Syndication department to provide effective due diligence .</p> <p>Likewise, specialized Credit Risk Officer carry out independant review of credit risk, its mitigations, appropriateness and adequacy of loan covenants and its monitoring requirements etc.</p> <p>Clearly defined related credit policies, pocedures and standards enable the bank's credit to be strong.</p>
"International Bank Exposure: Country risk, Contractor's performance risk, Risk of enforceability of security instruments (guarantees, counter guarantees etc.) in terms of laws & jurisdiction, "	<p>"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.</p> <p>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. "</p>	<p>Total exposure against each banks are maintained within internally agreed threshold which is reviewed periodically.</p> <p>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.</p> <p>The bank has designated independant Correspondent Banking and Market Risk Department for management/monitoring of International Bank Exposure portfolio. "</p>
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 lendings.

Market Risk

Identified Risk	Risk Monitoring	Risk mitigants
Market CCD Ratio above 75%	Monitored daily	Market CCD raio is monitored daily. Mitigation plan is discussed in ALCO for further action.
Market Liquidity below NPR 15 Billion	Monitored monthly	Mitigation plan is discussed in ALCO for further action.
Negetive growth in Country's Balance of Payment (As and when NRB Publishes)	Monitored monthly	Mitigation plan is discussed in ALCO for further action.

Operational Risk

Identified Risk	Risk Monitoring	Risk Mitigants
People	Staff trainings are planned and reviewed Staff career development is periodically reviewed Job description/objectives are in place for all staff.	<ul style="list-style-type: none"> - 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.	Compliance review of each process is regularly reviewed. Ensure deployment of trained security guards. Regular fire/emergency drills are carried out.
Internal Process	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 80%
Government Securities and Deposit Ratio below 10%	Monitored weekly	Intenal requirement. Government securities are purchased to meet this limit.
Concentration Risk: Depositors total deposits of NPR 200 Mio and above against Total Deposit 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 favorable.

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.

Corporate Governance

Effective corporate governance is critical to the proper functioning of a bank. Giving it a true meaning, NMB Bank has a strong Board, 4 Board level Committees along with effective control functions. A robust Risk Management framework with sound risk culture is in place. The Board members and the senior management team are equally committed to good corporate governance. The board level committees have been formed in line with NRB Directive.

NMB Board:

Under the chairmanship of Mr. Pawan Kumar Golyan, the NMB Board has in total 18 Board meetings during the review period and constitutes of the following members:

S.No	Name	Designation	No. of meetings attended
1	Mr. Pawan Kumar Golyan	Chairman	18
2	Mr. Rajendra Kafle	Director	17
3	Mr. Nico Pijl	Director	4
4	Mr. Manoj Kumar Goyal	Director	9
5	Mr. Harischandra Subedi	Director	18
6	Mr. Hari Babu Neupane	Director	15
7	Mr. Pradeep Raj Pandey	Director	10
8	Mr. Nanda Kishor Rathi	Alternate Director to Nico Pijl	5

Mr. Sunil KC, CEO and Mr. Pramod Dahal, Company Secretary have also attended all 18 Board meetings during the fiscal year.

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

- Approval of Credit Proposals
- Approval for General Refinancing of Hydropower Loan.
- Approval for Write-Off Loans
- Approval of new/amendment of product papers
- Approval on loan in industry/sector above 100% of core capital.
- Review of Investment Reports.
- Approval for Customer Relationship Management (CRM) software.
- Approval for Procurement and Installation of ATM at various locations.
- Approval for Membership Renewal of Global Alliance for Banking on Values
- Approval to open new branches
- Approval for Core Banking system (CBS) Upgrade.
- Approval to Upgrade & Replacement of old ATMs for Chip Compliance.
- Approval for Acquiring Group Personal Accident & Group Medical Expenses Insurance Facility.
- Approval of various Policies.
- Approval to transfer Promoter Shares.
- Review of AML/ CDD status of the Bank
- Review and approval to Increase CEO's Credit Limit Discretion
- Approval for Continuation of EK GHAR EK KHATA (EGEK) Campaign
- Notification/Review on Environmental Social & Corporate Governance Report
- Approval on organization structure
- Approval on HR Budget
- Approval on the Bank's Strategy 2023
- Review and approval of quarterly financial performances of the Bank
- Review and approval of Internal/Statutory audit reports
- Macro Economic updates
- Issuance of FPO
- Review of branch performances
- Review of Risk Management Committees' material issues

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, income generation.
9. Submit a report (impact and mitigation) on the Board on impact on the financial sector due to change on economic sector.

A total of 16 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.No	Name	Designation	No. of meetings attended
1	Mr. Rajendra Kafle, Non-executive Director	Coordinator	16
2	Mr. Harishchandra Subedi, Non-executive Director	Member	16
3	Mr. Pradeep Pradhan, Chief Operating Officer	Member	15
4	Mr. Pramod Kumar Dahal, Chief Legal, AML & Compliance Officer	Member	16
5	Mr. Sharad Tuladhar, Chief Risk Officer	Member Secretary	14

The agendas and issues discussed and approved:

- Revision in Deprived Sector Loan (Direct Lending) Product Paper.
- Review of NRB Directive no. 19/2073 'Anti Money Laundering and Counter Financing Terrorism' (AML & CFT).
- Review of provision regarding related parties in Bank & Financial Institution Act (BAFIA)-2073.
- Update of problematic hydro loan accounts
- Review of proposal for revision in CEO's Credit Approval Discretion
- Review of Product Papers
- Review of Stress Tests
- Quarterly portfolio reviews
- Review of Liquidity Management and Liquidity Contingency Plan Policy
- Update on SWIFT system
- Update on major operational risk issues
- Review of ICAAP
- Review Risk Management Framework
- Review of Investment Report
- Review of Loan Write Off proposals
- Review of Punjab National Fraud incidents and its implications
- Review of loan files approved by CEO
- Assessment of associated risk in deferral of income source provider's Personal Guarantee (PG) in Retail & Deprived Sector Direct Lending.
- Update on Supreme Court's decision to remove building and business establishment built by encroaching the Phewa Lake
- Review of AML Policy
- Review of quarterly non performing loan movements
- Status review of cases filed in court and decision pending for Non-Performing Loan accounts.
- Review of Environmental and Social Risk Management Guideline issued by NRB.
- Review of responses to NRB Audit Comments.
- Review of loan write-off proposal for Board Approval.

Audit Committee:

Every licensed institution is required to constitute an Audit Committee as per Clause 5 of Directives 6 issued by Nepal Rastra Bank (NRB) and Sec. 164 of Companies Act, 2063. Accordingly, Audit Committee of NMB Bank Limited is constituted by the Board of Directors (BOD). Non-executive director of Bank shall head the Audit Committee. Head of Internal Audit Department shall be the member secretary. This Committee shall review the Bank's financial condition, its internal controls, audit program, and upon detailed discussion on the findings of the internal audit, shall issue necessary recommendation and directions to the management of the institution. The external as well as internal auditors shall have direct access to this Committee. The Board of Directors of the Bank shall discuss in detail the reports of the auditors and the Committee. The Chief Executive Officer (CEO) of the Bank and other officials may be invited to attend the meeting of the Committee as an invitee if it deems necessary.

The Co-ordinator of the Committee shall call the meeting. The meeting of the Audit Committee shall take place at least once in every three month.

Scope of Audit Committee

Directive 6 of NRB provides major duties and responsibilities of Audit Committee. The major duties and responsibilities of Audit Committee of NMB Bank Ltd include 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 advise 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 12 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.No	Name	Designation	No. of meetings attended
1	Mr. Harishchandra Subedi, Non-Executive Director	Coordinator	12
2	Mr. Manoj Kumar Goyal, Non-Executive Director	Member	11
3	Mr. Nico Pijl, Non-Executive Director	Member	1
4	Mr. Ganesh Parajuli, Head-Internal Audit Department	Member Secretary	12

Major Decisions:

- Bank Management is directed to devise Health and Safety policy in order to safeguard staff from any health and safety issues while they are working in the Bank.
- Bank Management is directed to get credit policy amended by the Board to incorporate recent changes in NRB unified directives and other prevailing laws.
- Bank Management is directed to formulate operational risk tolerance limit and submit it to RMC for discussion.
- Internal Audit Department to follow compliance Based and Risk Based Internal Audit Approach simultaneously and to cover all the branches/departments at least once in a year
- The Bank management is suggested to have exit plan for problematic loans and due attention should be given to maintain quality of loans. Management should put extra effort to regularize substandard, doubtful and bad loans thereby gradually reducing NPA of the Bank to the level budgeted by the Bank.
- Bank Management is directed to adhere directions of NRB that are yet to be complied with.
- Management is directed to comply with all the remarks and recommendations of the Audit report.
- Decision to appoint new Statutory Auditors in the next AGM as T R Upadhaya & Co. CA is not eligible for reappointment.
- The meeting decided to recommend the Board of Directors to approve NRB compliant Financial Statements of the Bank as on Ashad end 2074 and to submit it to NRB for AGM clearance. In addition to that it also recommended the board to take appropriate decision/s to increase paid up capital of the Bank to 8 billion rupees as required by NRB Directive.
- The meeting decided to recommend the Board of Directors to approve NFRS compliant financial statements and also decided to inform the Board of Directors that the presentation and some figures presented in the financials will be subject to change in next year when NRB issues circulars in this regard.
- Liquidity policies of the Bank should be devised as required by the Risk Management Guidelines issued by NRB.
- Market risk management policy should be devised by end of the fiscal year.
- Environment impact assessment is to be done by the bank while providing loans to any manufacturing industry.
- Bank management is recommended to make a mechanism to make only one account active in case a customer is having multiple same nature deposit accounts in the bank until the customer closes other accounts as required by NRB directives.
- The Bank Management is recommended to increase interest spread so as to increase net interest income by increasing CASA portion in deposit mix and also by increasing high yield MSME, SME and Retail loan accounts.
- Bank Management is recommended to reduce existing concentration of 21.53% on top 5 depositors gradually to reduce concentration risk and cost of fund.
- The meeting has recommended the Bank management to comply with provisions of Company Act, BAFIA and NRB Directives by completing FPO process as soon as possible and also recommended to hold the AGM by the end of Ashar 2075.
- Stock of sister companies within the same group dealing in same products is found stored in the same premises without proper segregation. So, Bank management is recommended to ensure proper stock separation procedure is in place in such case.
- Bank management is recommended to verify figures of audited financials to that of tax clearance certificates/tax submission receipt.

Assets Laundering Prevention Committee (ALPC)

The ALPC shall assist 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 2 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.No	Name	Designation	No. of meetings attended
1	Mr. Hari Babu Neupane, Non-Executive Director	Coordinator	2
2	Mr. Rajendra Kafle, Non-Executive Director	Member	2
3	Mr. Pramod Kumar Dahal, Chief Legal, AML & Compliance Officer	Member Secretary	2

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.
- AML related training shall be provided to all staff at least annually.
- All active accounts with KYC not obtained and not marked YES in system to be blocked
- Branch staff shall immediate review the account when it is alert.
- TOR of ALP Committee to be prepared in line with NRB directives.
- State wise details of account to be discussed.

HR Service Committee meeting

Roles and Responsibilities of HR Services Committee are as follow:

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 regulations, 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:

Name and attendance of the members:

S.No	Name	Designation	No. of meetings attended
1	Mr. Pradeep Raj Pandey, Non-Executive Director	Coordinator	5/9
2	Mr. Rajendra Kafle, Non-Executive Director	Member	5/9
3	Mr. Sunil KC, CEO	Member	9/9
4	Mr. Pradeep Pradhan, COO	Member	9/9
5	Ms. Shabnam Limbu Joshi, CHR & BSO	Member Secretary	9/9

Mr. Nanda Kishor Rathi was replaced by Mr Pradeep Raj Pandey as a coordinator of HR Service Committee, who attended total 4 meetings.

Mr. Rajendra Kafle was appointed a member of the Committee only in April 2018.

Major Decisions:

- Review and recommendation of Organization Structure
- NMB Staff By Laws was revised and recommended for approval to the Board
- Review of quarterly staff update , new recruits, attrition, staff mix ratio
- Review of HR expense vs. budget
- Review of HR Challenges
- Review of staff productivity exercise
- Review and recommendation of Procedure of Travel facility of the Directors and Chief Executive Officer
- Review and recommendation of annual HR Budget'75/'76
- Review of 5 Yr HR Plan

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.No	Name	Designation	No. of meetings attended
1.	Sunil KC, CEO	Coordinator	9/9
2.	Pradeep Pradhan, COO	Member	7/9
3.	Shabnam L Joshi, CHR & BSO	Member Secretary	8/9
4.	Sharad Tuladhar, CRO	Member	8/9
5.	Sudesh Upadhyaya, CBO	Member	6/9
6.	Govind Ghimire, CBO	Member	7/9
7.	Navin Manandhar, CBO	Member	9/9
8.	Pramod Dahal, CS, CL&C, AML O	Member	9/9
9.	Roshan Regmi, Head Operations	Member	6/9

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
- Review of branch operations/ risk and mitigations
- Turnaround time of loan disbursement
- Discussion on replacement of CBS
- Review of AML software
- Update on loan recovery process
- Review and approval of training calendar
- Review of CSR Plan/review
- 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 larg tickets deals
- Update by Head Internal Audit on significant audit issues
- Update by Head Operations on operations
- Update on Bank of the Year Award 2017
- 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	Name	Designation	No. of meetings attended
1.	Sunil KC, CEO	Chairperson	7/8
2.	Pradeep Pradhan, COO	Member	7/8
3.	Sharad Tuladhar, CRO	Member	7/8
4.	Pramod Dahal, CS & C CL AML O	Member	8/8
5.	Sudesh Upadhyaya, CBO	Member	6/8
6.	Govind Ghimire, CBO	Member	6/8
7.	Navin Manandhar, CBO	Member	8/8
8	Vishnu Manandhar, H OR & MR	Member	8/8
9.	Mridul Parajuli, H F&P	Member Secretary	8/8
10.	Susheel Bhujel, H T&F	Member	8/8

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 2017/18
- Issuance of Debentures
- Reviewed deposit concentration risk
- Review market liquidity positions
- Review of Stress Test

Pricing Committee

Name and attendance of the members:

S.No	Name	Designation	No. of meetings attended
1	Sunil KC, CEO	Chairperson	9/10
2	Pradeep Pradhan, COO	Member	6/10
3	Govind Ghimire, CBO	Member	7/10
4	Navin Manandhar, CBO	Member	10/10
5	Sudesh Upadhyaya, CBO	Member	9/10
6	Sharad Tuladhar, CRO	Member	6/10
7	Binay Dahal, HSME	Member	2/10
8	Dinesh Dulal, HE	Member	1/10
9	Mridul Parajuli, H F&P	Member	6/10
10	Susheel Kumar Bhujel, H T&F	Member Secretary	9/10
11	Krishna Prasad Subedi, HEA & IB	Member	1/10

Major decisions:

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

Operations Risk Management Committee

Name and attendance of the members:

S.No	Name	Designation	No. of meetings attended
1	Sunil KC, CEO	Chairperson	7/7
2	Pradeep Pradhan, COO	Member	7/7
3	Shabnam L Joshi, CHR & BSO	Member	6/7
4	Sharad Tuladhar, CRO	Member	5/7
5	Pramod Dahal, CS& C CL AML O	Member	6/7
6	Govind Ghimire, CBO	Member	2/7
7	Navin Manandhar, CBO	Member	5/7
8	Sudesh Upadhyaya, CBO	Member	5/7
9	Sanju Shrestha, HSS	Member	5/7
10	Roshan Regmi, HO	Member	6/7
11	Puspa Aryal, HTF	Member	7/7
12	Shiv Raj Upadhyaya, HDB	Member	7/7
13	Mahesh Bajracharya, HOE	Member Secretary	7/7

Major decisions:

- Operational Risk items of branches/units/departments
- Security of premises and arrangement of CCTV
- 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
- 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 and attendance of the members:

S.N	Names	Designation	No. of meetings attended
1.	Sunil KC, CEO	Chairman	7/7
2	Pradeep Pradhan, COO	Member	7/7
3	Sharad Tuladhar, CRO	Secretary	7/7
4	Sudesh Upadhyaya, CBO	Member	7/7
5	Govind Ghimire, CBO	Member	7/7
6	Navin Manandhar, CBO	Member	7/7
7	Binay Dahal, Head, SME, M-SME & Agri	Member	7/7
8	Sushen Shrestha, Head Retail Risk Asset	Member	7/7
9	Pranisha Shrestha, HCB	Member	7/7
10	Dinesh Dulal, HE	Member	7/7
11	Sumit Vaidya, HPF & LS	Member	7/7

Major decisions:

- Quarterly loan portfolio review
- Business/sub-business sector loan strategy review
- Review of Credit Policy
- Review of existing practice and standards to arrange necessary revision and setup new system- need to obtain Term Life insurance in Retail Loans with high level of succession risk, minimum insurance risk coverage of stock required in SME /M-SME loans, validity of valuator's appointment agreement, etc.
- Review of major provision made in mid-term review of Monetary Policy and its impact to the bank.
- Review of Credit Card Product Paper,
- Review of Delinquency Management Guideline,

Credit Recovery Committee**Names of the members**

S.N	Name	Designation
1.	Sunil KC, CEO	Chairperson
2.	Pradeep Pradhan, COO	Member
3.	Sharad T Tuladhar, CRO	Member
4.	Govind Ghimire, CBO	Member
5.	Navin Manandhar, CBO	Member
6.	Dhruba P Adhikari, HL&C	Member
7.	Ram P Sapkota, HSAM	Secretary

During the fiscal year, 24 meetings were held mainly to discuss on the loan recovery process, write –off process revision, update on non performing assets.

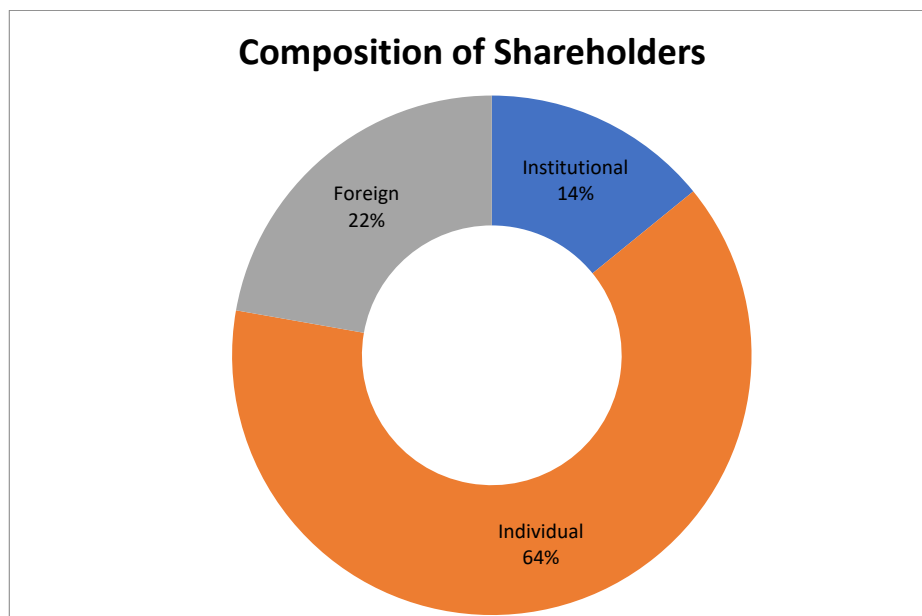
Investors Information

The Bank has total 127291 shareholders as on Ashadh end 2075. The shareholding patterns of the shares are shown below:

Range	No of Share Holders	No of Share Holding	%
01-500	1,14,779	1,03,47,902	10.76
501-1000	6,489	44,25,365	4.60
1001-1500	2,078	25,31,712	2.63
1501-2000	1,061	18,40,939	1.91
2001-5000	1,698	51,54,680	5.36
5001-10000	503	34,31,097	3.57
10001-50000	521	1,16,42,278	12.10
50001 and above	162	5,68,07,654	59.07
Total	1,27,291	9,61,81,626.51	100.00%

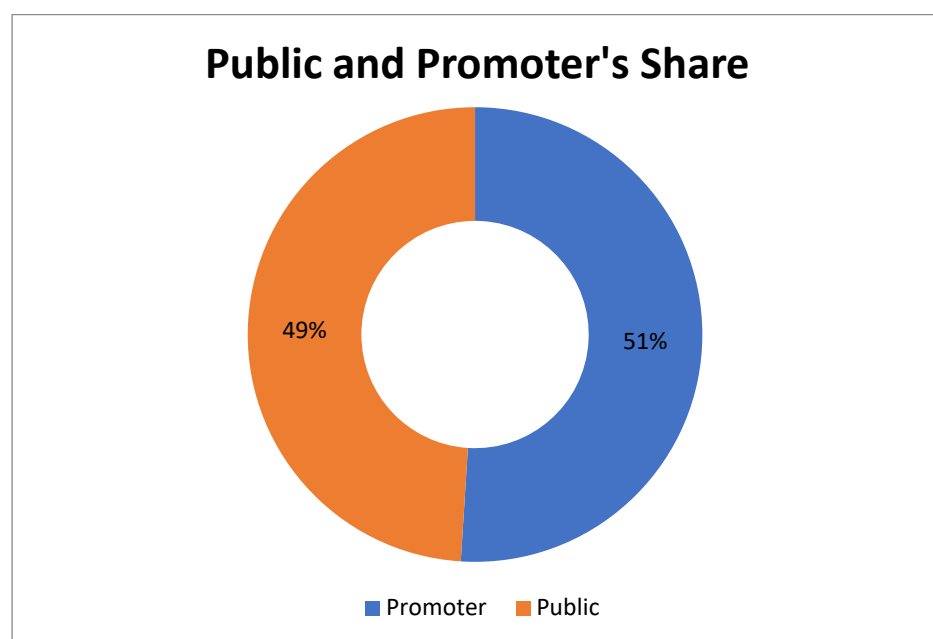
Composition of Shareholders:

Particular	Shareholdings	%
Institutional	1,35,95,069.00	14.13
Individual	6,12,04,977.49	63.64
Foreign	2,13,81,580.02	22.23
Total	9,61,81,626.51	100%



Shareholding pattern by public and promoter

Particular	Shareholdings	%
Promoter	4,90,52,629.51	51
Public	4,71,28,997.00	49
Total	9,61,81,626.51	100%

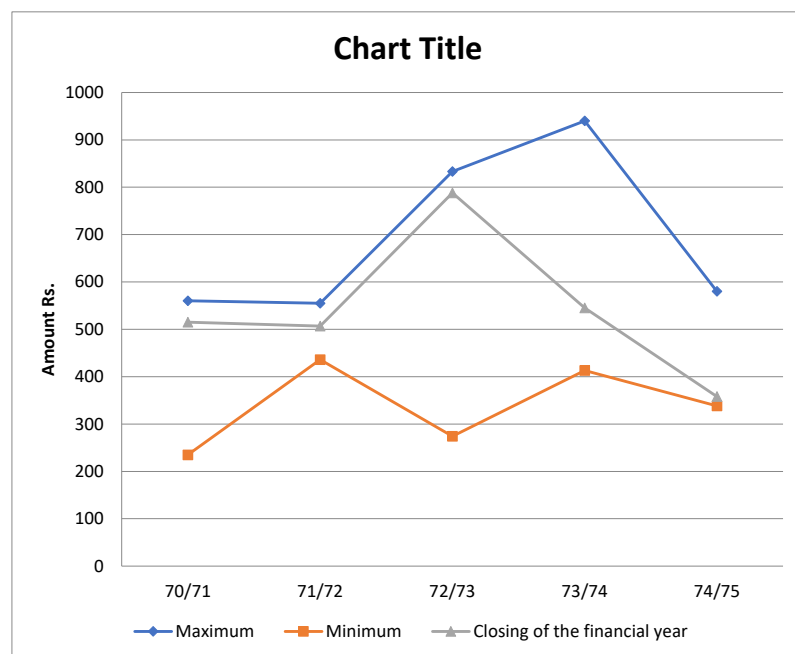


Name of the Shareholders holding more than 0.5 % of total share

S.N.	Particulars	Designation	No of Share	%
1	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Promoter shareholder	1,63,48,288	17.00
2	Employees Provident Fund	Promoter shareholder	65,99,039	6.86
3	Yong Lian Realty SDN BHD	Promoter shareholder	50,33,290	5.23
4	Gayatri Investment and Management P. Ltd.	Promoter shareholder	23,66,426	2.46
5	Nand Kishore Rathi	Promoter shareholder	20,10,983	2.09
6	Dhananjaya Prasad Acharya	Promoter shareholder	18,24,299	1.90
7	Santosh Rathi	Promoter shareholder	11,87,616	1.23
8	Pawan Kumar Golyan	Promoter shareholder	11,03,054	1.15
9	Santosh Devi Murarka	Promoter shareholder	9,48,647	0.99
10	Purushotam Lal Sanghai	Promoter shareholder	8,62,995	0.90
11	Dinbandhu Agrawal	Promoter shareholder	6,39,623	0.67
12	Anant Kumar Golyan	Promoter shareholder	6,36,211	0.66
13	Balaram Neupane	Promoter shareholder	6,32,454	0.66
14	Narpat Singh Jain	Promoter shareholder	5,41,588	0.56
15	Pashupati Murarka	Promoter shareholder	5,32,833	0.55
16	Aditya Sanghai	Promoter shareholder	4,95,169	0.51
17	Raj Kumar Goyal	Promoter shareholder	4,94,058	0.51
18	Ashok Kumar Agrawal	Promoter shareholder	4,82,357	0.50

Market Value per share:

Fiscal Year	Maximum	Minimum	Closing of the financial year	No of Shares Traded
74/75	580	338	358	24,70,611
73/74	940	413	545	49,08,256
72/73	833	274	788	46,57,296
71/72	555	436	507	4,75,539
70/71	560	235	515	23,28,196



Details of Share held by Directors, Senior Officers and their relatives

S.No.	Name	Designation	No. of Share held
1	Mr. Pawan Kumar Golyhan	Chairman	11,03,054
2	Mr. Nico Klaas Gerardus Pijl	Director	-
3	Mr. Rajendra Kafle	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 Pijl	2,010,983
7	Mr. Sunil KC	Chief Executive Officer	4,288
8	Mr. Pradeep Pradhan	Chief Operating Officer	22,165
9	Mr. Shabnam Limbu Joshi	Chief Business Support Officer	-
10	Mr. Sharad Tegi Tuladhar	Chief Risk Officer	1,265
11	Mr. Pramod Kumar Dahal	Chief Compliance, Legal & AML Officer and Company Secretary	2,515
12	Mr. Govind Ghimire	Chief Business Officer	2,277
13	Mr. Sudesh Upadhyaya	Chief Business Officer	3,795
14	Mr. Navin Manandhar	Chief Business Officer	-
15	Mr. Roshan Regmi	Head Operation	1,961

Communication with Shareholders and Redresal of their complains

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

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 important. 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, team work. To stay ahead in the market, the management is working on digitization of HR process, to understand customer and market trend data to employees and workplace data. Human resource Management has evolved over the years, from more administrative to strategic which is the call of the hour.

NMB Bank has a history of more than 2 decades of banking operations yet the average staff age is 31 years. This 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 64% to 36%. The effort to maintain male female 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.

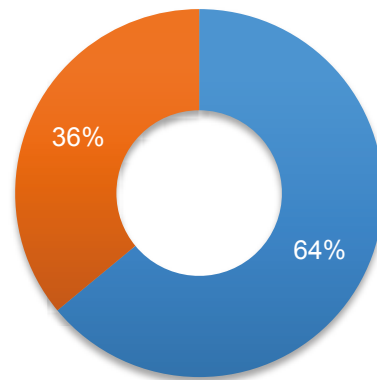
During the fiscal year 283 new recruits were hired in various grades/roles across all branches/units.

The Bank lost 116 staff to abroad studies, competitions, start-ups, 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, 60 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. No of staff above 50 years: 21

Staff Mix



■ Male Staff ■ Female Staff

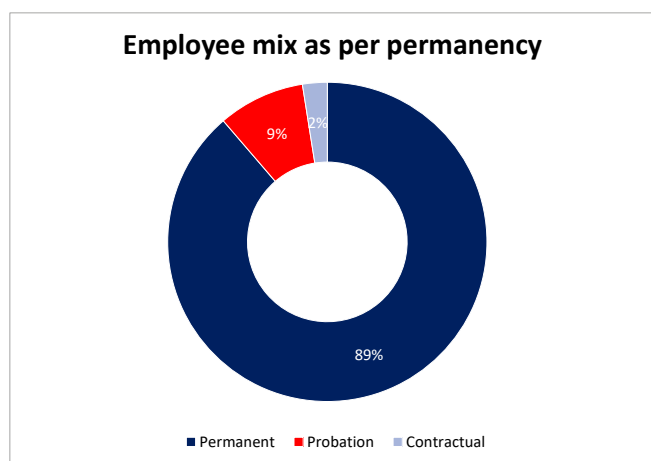


Employee mix as per Gender

	074/75	%	073/74	%
Male	696	64	598	65
Female	384	36	320	35
Total	1080	100	918	100

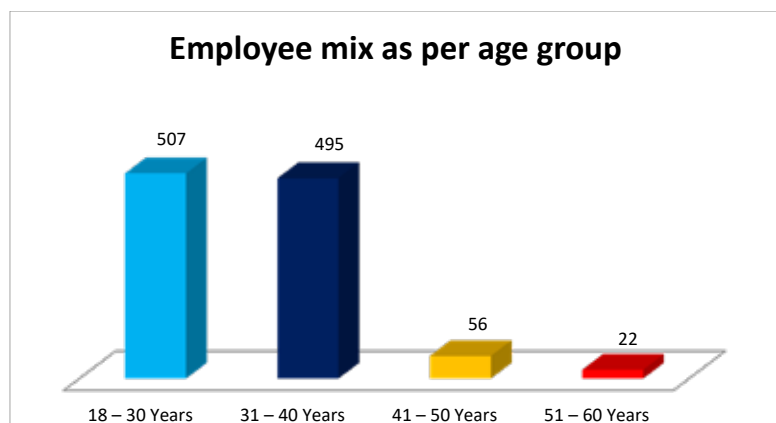
Employee mix as per Permanency

	074/75	%	073/74	%
Permanent	958	88.70	775	84.42
Probation	95	8.80	119	12.96
Contractual	27	2.50	24	2.62
Total	1080	100	918	100



Employee mix as per Age Group

	074/75	073/74
18 – 30 Years	507	340
31 – 40 Years	495	500
41 – 50 Years	56	55
51 – 60 Years	22	23
Total	1080	918



Employee mix as per position

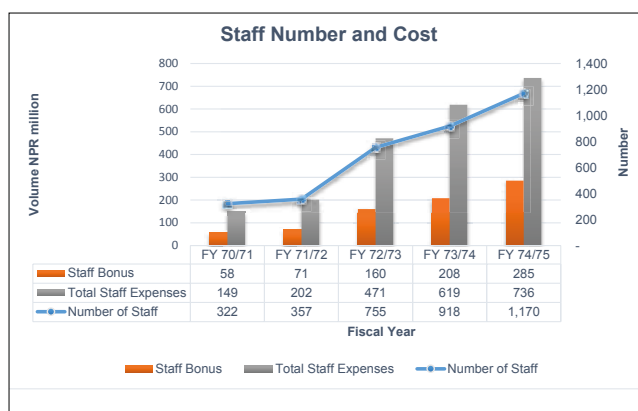
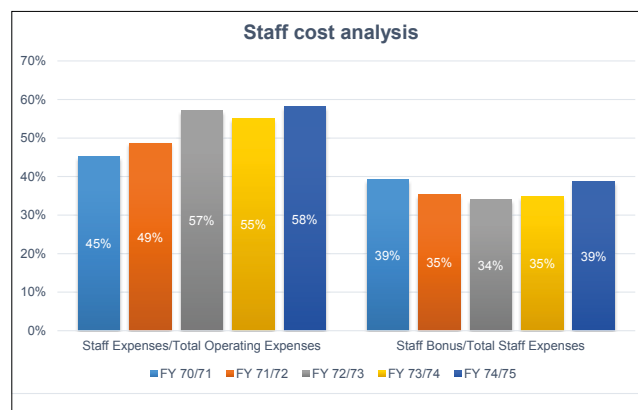
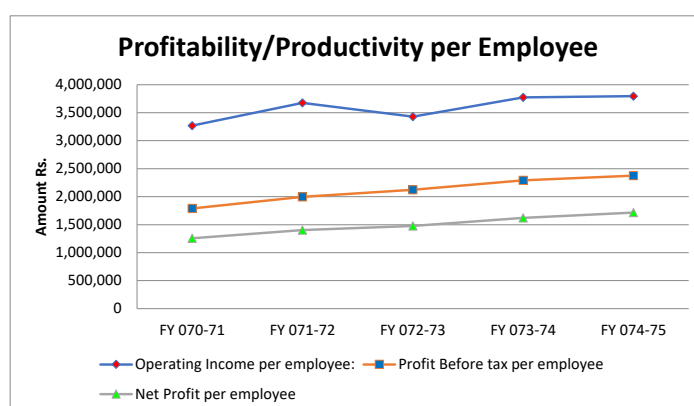
Positions	074/75	073/74
Chief Executive Officer	1	1
Deputy General Manager	1	1
Assistant General Manager	1	1
Chief Manager	7	7
Senior Manager	3	3
Manager	9	8
Deputy Manager	13	13
Assistant Manager	43	40
Senior Officer	39	39
Officer	72	70
Junior Officer	102	96
Supervisor	100	107
Senior Assistant	118	111
Assistant	144	155
Junior Assistant	388	226
Management Trainee	12	16
Contract Staff	27	24
Total	1080	918

New Recruits during the Year	074/75	073/74
Male	188	206
Female	95	84
Total	283	290

Employee Left during the Year	074/75	073/74
Male	89	101
Female	27	29
Total	116	130

Productivity per employee in terms of profitability per employee

Fiscal Year	FY 070-71	FY 071-72	FY 072-73	FY 073-74	FY 074-75
Operating Income per employee:	3,269,817	3,674,417	3,429,499	3,774,221	3,796,411
Profit Before tax per employee	1,790,308	1,996,670	2,122,900	2,292,393	2,376,222
Net Profit per employee	1,257,432	1,403,332	1,476,907	1,621,587	1,716,475



Learning & Development

“Live as if you were to die tomorrow. Learn as if you were to live forever.”

— Mahatma Gandhi

True to the saying of Mahatma Gandhi, the learning & development is a continuous culture being developed in NMB Bank for its staff. NMB Academy, the Nepal first banking academy, was set up in July 2017 under the umbrella of 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 daunting Human Resource Management tasks. 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 to enhance professional competencies.

The detail of trainings during the fiscal year 2017/18 is as follows:

Training Category	No of Trainings	No of Participants
Abroad	27	47
External	146	462
In-house	170	3433
IT Connect Portal used	15	43
Special (In-house Training conducted exclusively for NMB through external resource person)	36	926
Grand Total	394	4911

A good level of investment has been made into staff trainings in FY. 2017-18. The training expense for the year is more than three percent of staff expenses of the bank. The detail is as follows:

Future plans of NMB Academy

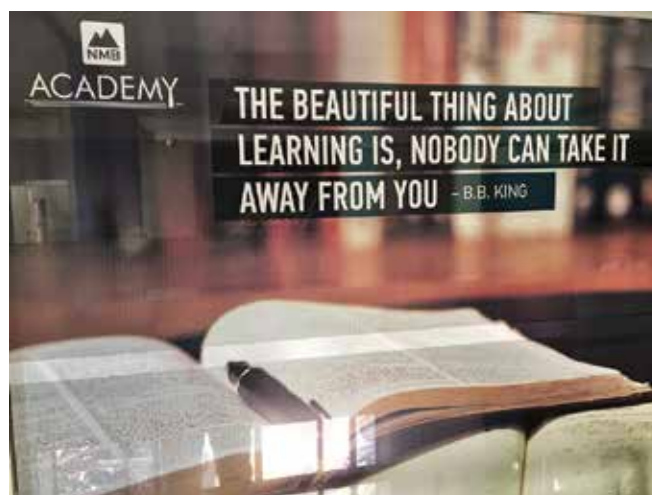
NMB Academy will build on its own pool of in-house trainers in all seven states of the federal Nepal so that trainings of the staff spread wide and far is more accessible. NMB Academy in near will focus on the few initiatives as follows:

- Development of curriculum for the specified courses
- Digital library

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.

NMB Bank in addition to NMB Academy also sends staff for training outside NMB Bank. NMB Academy for the second time signed MOU with National Banking institute (NBI) for the programs worth NPR 5 million. The Bank sponsored 75 staff to JANBI course conducted by NBI during the year. In FY. 2017-18, 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, Sri Lanka, Canada, Peru, Germany, Philippines, France, Singapore, Thailand, Bangladesh, Greece 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.



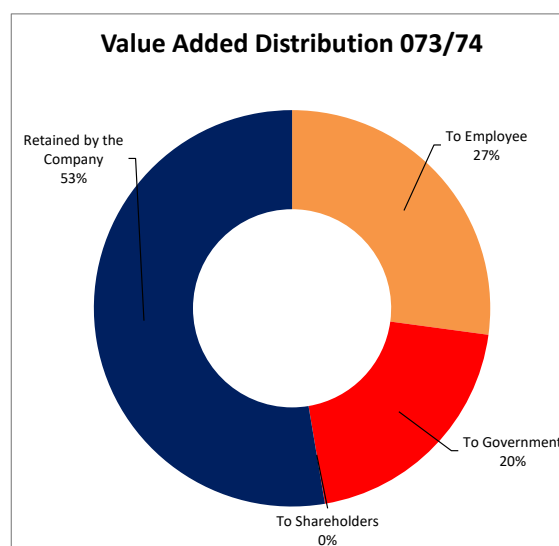
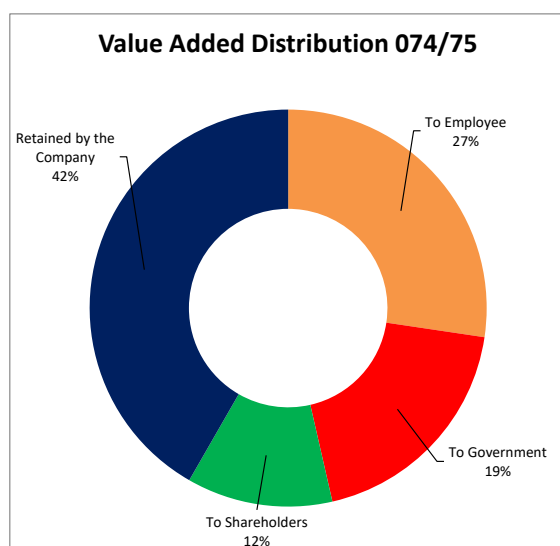
Training Expense-Total expenditure on training in FY. 2017-18	In Rs.
FY. 2017-18	22,604,303.14

- Tie-ups with international training institutes for trainings
- Conduct simulation environment for in-house trainings
- Conduct workshops for the customers/stakeholders

Staff’s development is at the core of NMB Bank’s Values. Staff are the strength of the Bank. Learning & Development journey of each staff will always be the priority of the Bank.

Value Added Statement

	074/75	073/74
VALUE ADDED		
Net Interest Income	2,904,014,078	2,603,979,546
Net Fee and Commission Income	731,542,041	583,987,157
Net Trading Income	299,605,983	154,789,626
Other Income	170,167,042	210,101,946
Operating Expenses (other than Personnel Exp. & Dep. and amortization)	(589,394,199)	(492,213,506)
Provision against advances, investment & others	219,650,789	(13,569,888)
Total Value Added	3,735,585,734	3,047,074,881
DISTRIBUTIONS		
To Employee	1,021,570,435	826,873,970
To Government	712,527,308	615,799,984
To Shareholders	443,833,973	-
Retained by the Company	1,557,654,018	1,604,400,927
Total Distribution	3,735,585,734	3,047,074,881

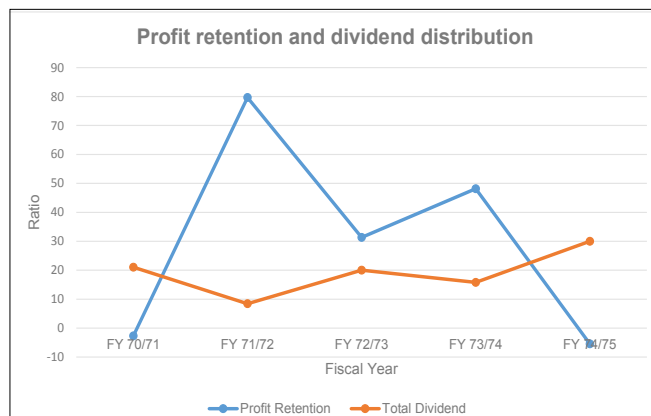
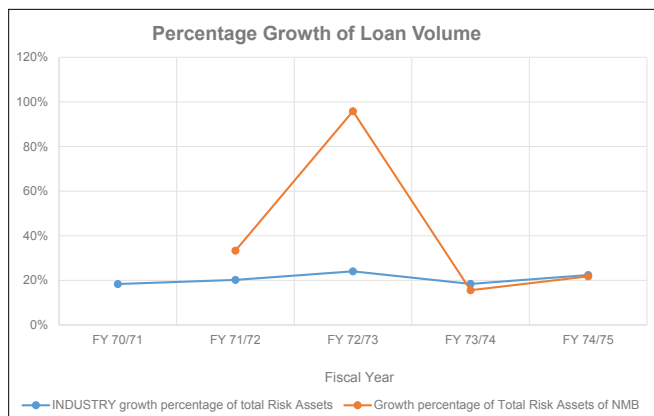
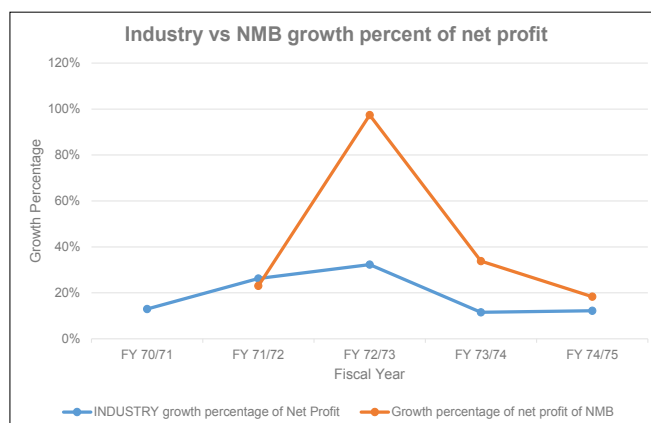
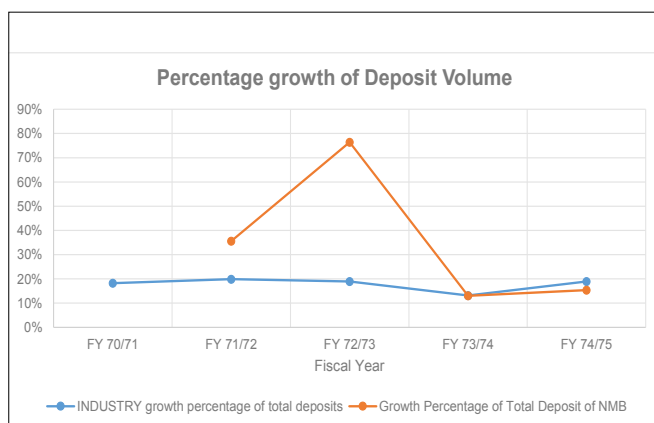
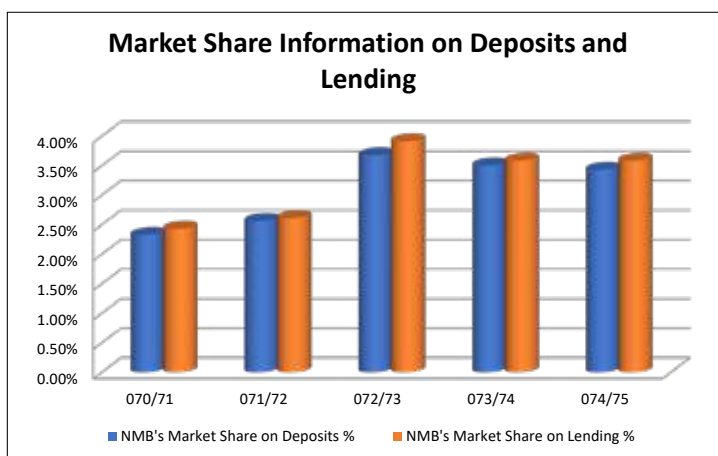


Economic Value Added Statement

	074/75	073/74
Net Operating Profit	2,561,115,247	2,016,293,392
Provision for Tax	712,527,308	615,799,984
Net Operating Profit after Tax (A)	1,848,587,939	1,400,493,408
Capital Employed (Average) (Shall include shareholders equity plus provision against loan, advances and investments)	14,096,835,180	10,471,208,277
Cost of Capital (%)	5.75%	5.60%
Capital Charge (B)	810,726,177	586,259,377
Economic Value Added (A-B)	1,037,861,762.00	814,234,031

Market Share Information

	074/75	073/74	072/73	071/72	070/71
Total Deposit of commercial banks	2,472,098,238	2,092,513,382	1,764,267,576	1,434,478,143	1,165,827,408
Total Deposit of NMB Bank	84,728,741	73,224,063	64,781,464	36,722,918	27,087,258
NMB's Market Share %	3.43%	3.50%	3.67%	2.56%	2.32%
Total Lending of all BFIs of Nepal	2,117,516,880	1,706,969,944	1,356,033,264	1,045,020,923	842,513,753
Total Lending of NMB Bank	75,857,098	61,157,357	53,021,384	27,288,891	20,467,041
NMB's Market Share %	3.58%	3.58%	3.91%	2.61%	2.43%



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 in to 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 to name a few.

The bank is also in process to set up an Environmental and Social Management System (ESMS) in the bank which shall establish the standard procedures and processes in conducting and integrating E&S risk assessment in the bank's credit risk management process. Subsequent to completion of first phase of ESMS, bank plans to deepen and enhance the ESMS by adhering to the equator principles and become a member of Equator Principle Financial Institution (EPFI).



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 puts greater emphasis on mandatory requirement to expense out the CSR fund in a transparent way, in diverse activities and covering diverse geographical locations.

NRB has stipulated 4 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. NMB Bank has been likewise active in CSR activities. During the fiscal year the bank carried out various CSR projects directly benefitting the communities and people.

1. Model Village:

The Bank opted to work on a novel concept for Banking in Nepal – adoption of a model village concept in Gairigaon, Jhapa with the objective to uplift the social and economic wellbeing of its marginalized population through financial and technical assistance in agriculture. Agriculture being one of the priority sectors of growth for the Government of Nepal and has the potential for sustainable growth that agribusinesses hold for a developing economy like Nepal. Gairigaon is a small village located at Jhapa Gaonpalika-3, in Eastern Nepal, with a population of approx. 700 people. The inhabitants of the village comprise of Rai, Limbu, Satar and Bishwakarma communities, the latter two belong to the “Dalit” or the marginalized classes.

The communities though dependent on agriculture still practice traditional modes of farming, and lack knowledge and use of modern agricultural farming practices due to which the farmers have not been able to yield optimum benefit from their farmland resulting in financial strain and negative impact on their livelihood.

The project shall introduce and educate the targeted community with the concept of integrated farming by introducing high yielding crops/seeds, modern farming tools and livestock farming. Integrated farming introduces a farming ecosystem which supports farming of various food items, use of waste material of one farming item to another which ultimately result in saving money on manure, emphasizing organic farming and hence increasing the overall yield of farming.



At least 200 farming families in Gairigaon are expected to benefit from the project in the long term. The Bank intends to replicate the same model in other areas to help the marginalized communities find a stronger financial standing in alignment with its JV partner FMO's focus segments and the Bank's vision to contribute to a prosperous Nepal.

2. Supporting Saptari Flood Victims

Saptari was severely affected by the floods that hit Eastern Nepal from 11-14 August 2017. Most of the parts of Saptari were submerged for about a week and it had affected the lives of more than 120,000 people in the district alone. The floods had impacted livelihoods, food security, nutrition security, water and sanitation depleting the food stocks in addition to damage to assets and infrastructure.

The farmers involved with ICIMOD through the solar power irrigation pump pilot project had lost the crops planted for harvesting which was their major source of income. NMB Bank supported those 150 farmers with NPR 849,000 to cultivate vegetables in about 6 kathas of land each. The investment had the potential of generating about NPR 20 million for the 150 farmers (approx NPR 134,000 per farmer) in a few months time.

3. Sponsoring to Street Children

Shelter Ashraya Nepal is working for the welfare of orphan, under-privileged and street children of Nepal. NMB Bank supported Shelter Ashraya Nepal with NPR 400,000 to reduce prevalence of hunger, malnutrition by support the shelter, food and education of the orphans and street children under the Sustainable Development Goal 2.

4. Heritage Walk and Cleanliness

On the occasion of World Heritage Day, NMB Bank in association with Kathmandu Metropolitan City Office organizes NMB Bank Heritage Walk every year. The Bank has committed to pledge its support for the preservation of rich heritage sites as part of its



Corporate Social Responsibility since the past few years. First initiated on the occasion of its 16th Anniversary, the Bank has been organizing the Heritage Walk. The Bank also organizes 'fund raising' for heritage preservation by keeping a donation box at the Bank's premises during the event's week. Similarly, this year along with Heritage Walk from head office to Bhadrakali temple, NMB Bank organized a campaign on 21st April 2018 to clean our cultural heritages at various locations throughout the nation. Total of 8 temples were cleaned namely; Arjun Bhadrakali Mandhir, Arjun Dhara Mandhir, Pindeshwori Mandhir, Siddhababa Mandhir, Bageshwori Mandhir and Shivapuri Dham and Harihar Mandhir.

5. Bhadrakali Temple Maintenance

As a part of our Corporate Social Responsibility, Bank has been conducting various activities since past 7 years in Bhadrakali temple for heritage preservation. Some of our initiatives are Bhadrakali clean-up program, installation of spiritual flags, management of lights in Dashain-Tihar and coloring of temple time and again. With continuous efforts toward heritage preservation, this year Bank repaired the broken ladder of Bhadrakali temple, replaced the rusty old water pipe and placed dustbin to ensure that the temple premises are comfortable and clean for the visitors.

6. Table Tennis for children with visual disability

Most of the children with visual disability are deprived from sports facilities. Children are for playing and if those children cannot play due to their disability, they feel depressed. The children with visual disability also can't play the games like Cricket, Table Tennis using the same equipments that normal children use. They are not getting opportunities to play because they need special types of equipments.

Realizing this aspect, NMB Bank in collaboration with Fellowship Society Nepal supported such children with a scientific sound

table tennis board and other required materials required for conducting sound table tennis training. The training was provided to 30 children with visual disability from an inclusive school; Namuna Machindra College, Patan. The training lasted for 5 days. The project contributed in creating environment for visually disable children to participate in sports activities so that they can also feel like a normal child. The school and the partnering organization believe that the training can be an encouraging factor for the children to participate in international level showdown table tennis competitions as well.

7. Donating Sarees to Hatti Hatti

Hatti Hatti is a non-profit organization that educates and empowers women from marginalized communities in Nepal to become entrepreneurs. The women are given advance tailoring training so that they can earn their living by selling the products that they make from old sarees such as; bow ties, ties, hair band, kimonos etc.

NMB Bank as a CSR activity initiated a Saree Collection Campaign within the bank to collect and donate the sarees to support marginalized women of Hatti Hatti. Total of 73 sarees were collected within the bank and was handed over to Hatti Hatti.

8. Financial Literacy in Palpa

NMB Bank and National College signed to conduct various Financial Literacy Programs all over Nepal. First of all, training was given by NMB staff to third year Students of Bachelors in Development Finance of National College. After the training, students during their field visit to Palpa conducted financial literacy programs in various local level schools. More than 1000 local people benefitted from the program.





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. 1 billion in the Renewable Energy sector and over NPR 3.5 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 evident to which the Bank was able to successfully gain appointment as the Handling Bank in Central Renewal Energy Fund (CREF) Financial Management Mechanism which was previously being handled by a competitor Bank.

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. 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 including - 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.

Products & Services

A. Retail Deposit Products

NMB Bank has been a keen observer of the void that has existed in the market at given points in time. Testament to this, the Bank has been able to introduce banking solutions that have provided smarter banking solutions ranging from Derivative and Treasury products to Retail Banking. The currently available retail products are as follows:

1. 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.

2. 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 .

3. 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 any ATMs all over Nepal.

4. Nari-Samman Bachat Khata

The product is specially designed for women from all walks of life to provide a host of features including a very attractive interest rate and to top it all; every Nari- Samman account holder receives 'a Silver Coin'.

5. Delight Saving Account

Delight Saving Account provides exclusive feature of free cash withdrawal from any ATM all over Nepal and other value-added benefits and discounts.

6. Saral Bachat Khata

Customers can enjoy a rewarding banking experience with NMB SaralBachatKhata that maximizes savings with attractive feature of 10 gram silver coin to every account holder.

7. NMB Manyajan Bachat

NMB ManjyanBachatKhata provides a convenient and exclusive privilege banking experience for Senior Citizens of age group 50 years and above at all NMB Bank branches.

8. NMB Share Khata

NMB Bank Share Khata is a special product for those customers who are interested in trading of shares while utilizing best of banking facilities. Customers can link their Trading and Demat accounts with our secure and

integrated NMB Share Khata and manage their investments conveniently.

9. NMB Smart Khata

With NMB Smart Khata, customers can enjoy more benefits with a host of exclusive offers, at a very comfortable balance requirement and other ADC freebies.

10. Young Saver's Account

Young Savers Account helps you save not only your child's happiness, education and other essentials but also ensures that your child learns to manage money and also the habit of saving for rainy days. This account is exclusively designed for children and students.

11. Bishesh Bachat

NMB BisheshBachatKhata is a high yield savings deposit product which provides you premium banking services at Zero minimum balance requirement.

12. NMB Sulav Remit

Sulav remit is the remittance service which offers international funds transfer facilities. NMB Bank Sulav Remit has established remittance business relationship with various foreign banks and foreign exchange companies. Nepalese staying abroad can visit any of these banks and exchange companies and send money through "Sulav Remit", the fastest, easiest and reliable money transfer system of NMB Bank Limited, at low charges to more than 8000+ remittance payment outlets across Nepal.

B. Retail Asset products

1. Housing Loan

NMB Bank offers affordable and flexible Housing Loans for purchase, construction, extension and renovation of one's dream home. Our housing loan schemes are tailored to suit both salaried and self-employed individuals upto NPR 50 million to purchase of land and building/construction of residential building/home extension and renovation/plot purchase

2. Education Loan

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 10 years of tenure.

3. Land Purchase Loan

NMB Bank offers Land Purchase loan for purchase of plot for future residential purpose upto NPR 7 million upto maximum 15 years of tenure.

4. Loan Against Property (LAP)

Loan Against Property is a mortgage loan designed to provide a solution for real estate owners who wish to fund

some of their expenditures – whether it is renovating one’s residence, purchasing a commercial property, expenditure on social events, healthcare, starting a business, growing an existing business, going on a long trip or making a dream come true. The loan limit is upto NPR 7.5 million with maximum 10 years tenor.

5. Personal Overdraft (POD)

A personal overdraft helps customers manage their cash flow by giving access to additional funds (up to an approved limit) when they need it upto NPR 5 million.

6. Auto Loan

NMB Bank Auto Loan provides the best deal to purchase a vehicle for personal use upto NPR 10 million with tenor of 7 Years.

7. Retail Loans under interest subsidy

Commercial Agriculture and Livestock loan: under this loan, financial assistance is given for the promotion of agriculture and livestock sector.

Educated Youth Self-employment loan is provided to generate employment opportunities in rural as well as urban areas through setting up of self employment ventures.

Youth Returned from Foreign Employment Project Loan is provided as financial assistance for the citizens who have returned from foreign land after gaining vocational experience.

Women Entrepreneur Loan To provide financial assistance for skilled women to generate employment opportunities in rural as well as urban areas through setting up of self employment ventures.

Business Loan to uplift under-privileged community to uplift their livelihood.

Higher and Technical or Commercial education loan for vocational education.

Loan for earthquake victim for building their residence.

C. Agriculture Products

1. Agriculture Loan

Overview:

NMB Agriculture (AG) loan is defined as “all types of credit facilities to registered firm / company / institution / cooperative engaged in commercial agriculture and livestock business. To finance working capital and/ or capital expenditure requirement / or non-funded facilities to borrowers engaged in agriculture business activity.

Maximum Loan Amount

❖ Under interest subsidy:

- Total limit extended upto NPR 100 million (Terminating

funded and / or non-funded) to a single customer / customer group, excluding all Retail Loans.

- Maximum tenure up to 5 years.
- Tenure of loan shall be determined based on business nature, repayment source and requirement of customer.

❖ Without interest subsidy:

Total loan limit NPR 100 million (funded/or non-funded) to the single borrower / group excluding all retail loans.

Major Provision of Interest Subsidy:

- Commercial Agriculture & life stock up to 50 million.
- Tenure of loan maximum up to 5 years. Can be extended for special project
- Repayment shall be assessment by bank according to the nature of loan, amount & purpose.
- Interest Rate to be charged with 2 % premium in base rate of the bank.
- 5% interest subsidy on interest rate.
- NPR 1 million on group guarantee.

Facility Type

(a) Funded Facilities:

Facility mix can be in any proportion of the following facilities:

❖ Working Capital

- Overdraft
- Demand Loan
- Short term loan
- Import/Export Loan
- Trust Receipt

❖ Terminating Loan

- Term Loan
- Bridge gap loan

(b) Non-funded /Trade facilities:

- Letter of Credit (Sight/Usance) (Import/ Local Purchase)
- Guarantees (Bid bond/ Performance/Advance payment/ Suppliers Credit, other Guarantees except Financial Guarantees)

2. NMB Agrani Mahila Krishi Karja

Overview:

NMB Agrani Mahila Krishi Karja is a product designed for financing the credit requirement of women farmers. The product has been designed to focus on financing marginalized groups i.e. female farmers up to NPR 1.50 million to meet their agricultural input cost need based on harvesting tenure of the farm and total landholdings on which produce is proposed to be grown. The product

aims to provide credit with simplified procedures to meet their crop cultivation requirement. The product falls under government subsidized loan to support working women to meet their agricultural production financing requirement.

❖ **Target Segment**

The primary target segment for this product includes women who are involved in agricultural activities who fulfill the below mentioned criteria.

- Women who own agricultural land in their own name or jointly in name of other family members or in name of family members qualifying under single family.
- Cultivating any crop for at least two years.
- With good financial discipline evidenced by track record with other BFIs (If Available).

❖ **Facility Structure**

- Term loan:
- Minimum limit must be NPR 0.10 million and Maximum limit can be NPR 1.50 million
- The repayment of loan shall be tied up with nature of business and cash flow generation. The tenure of such loans shall not be more than 5 years.
- Tenure shall be approved as per the need of the customer. Repayment shall be done in EMI/EQI/Semi-annual or any other appropriate modality justified by business cash flow.

D. Micro-SME Products

Credit facilities under 'NMB MSME Loan' can be extended to small businesses having financing need above Deprived sector Direct Lending (NPR 1 million) up to NPR 5 million. The facilities can be funded as well as non-funded. The businesses can be trading, service, as well as manufacturing and registered as proprietorship, partnership, or a private limited company.

Tenure of working capital Term loan shall be minimum 1 year to maximum 5 years repayable in EMI or EQI basis based on cash flow assessment of the unit.

1. NCA Financing:

Working capital loan may be revolving or terminating in nature. Renewable on expiry with appropriate account strategy. Tenure of working capital Term loan shall be minimum 1 year to maximum 5 years repayable in EMI or EQI basis based on cash flow assessment of the unit. WC loans may be in the form of

- Overdraft
- Demand Loan
- Short Term Loan
- Import/ Export/ Trust Receipt Loan/Working Capital Term Loan

2. Term Loan :

- Tenure of 1-5 years and provided for procurement purpose.
- Up to 10 years for Capex financing of land and building, associated/required for core business activity factory, office etc not for commercial and personal purpose.
- Up to 7 years for other Capex financing (equipment/ machinery)
- Loan shall be repaid in EMI/EQI basis.

3. Bank Guarantee Facility

Guarantee Facility may be extended to support customer's business activities – to bid in a tender, to ensure about required performance level under a contract, to obtain advance payment, to extend financial support etc.

- Bid Guarantee
- Performance guarantee
- Advance Payment Guarantee
- Suppliers Credit Guarantee

Letter of Credit Facility:

Letter of Credit Facility may be extended to support customer's business activities for import and local purchase. It may be in the form of Sight or Usance.

E. SME Products:

To finance working capital and/ or capital expenditure requirement including refinancing of equity/capital expenditure and non-funded facilities. As such, the target segment is quite broad that includes agriculture and forest related, beverage, wholesaler, retailer, hotel restaurant, handicrafts, tourism, import/export trade, automotive dealers, construction, oil, power & gas, service sector, agriculture, renewable energy etc.

Limits:

- Above NPR 5 million
- Total limit NPR 50 million (funded and / or non-funded) to single borrower/group, excluding all retail loans.

Facility/ Products

➤ Funded Facilities:

Facility mix can be in any proportion of the followings:

- Overdraft
- Demand Loan
- Short-term Loan
- Bridge Gap Loan
- Term Loan
- Import/Export loan
- Trust Receipt Loan

एनएमबि बैंक

नारी सम्मान

बचत खाता

49 वीं वार्षिक स्थापना उत्सव

आज सुविधाएं

- 1% वार्षिक बचत दर
- 1% वार्षिक बचत दर
- 1% वार्षिक बचत दर

उच्च व्याजदरले ल्यायो तरफू

एनएमबि **उमङ्ग** बचत खाता

सर्वाधिक वार्षिक बचत दर

आज सुविधाएं

- 1% वार्षिक बचत दर
- 1% वार्षिक बचत दर
- 1% वार्षिक बचत दर

एनएमबि बैंक तलब खाता

हाडी नयाँ परिचयको तरफमा

- **सर्वाधिक व्याज**
- **सुनम जोड्नुपर्छ** रु. ५,००,००० सम्मको रकम
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

आज नयाँ सुविधाएं

- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

Enjoy exclusive discounts designed to delight you

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

Partnership with **VISA**

प्रदूषण विरुद्धको शुरुवात एनएमबि ई-अटोलोनको साथ

प्रतिशतसम्म फाइनेन्स सुविधा पएको ।

- **बढि उपलब्ध पुनः बचतले**
- **बचतको साथै**
- **सुलभ सेवा पुनः**

NMB BANK **E-AUTO LOAN**

आज जोड्नुपर्छ NMB VISA DEBIT CARD-ESC

ATM कार्टीबाट सुलभ रु. १५०/- मात्र

बजार ATM बाहेक नयाँ उपलब्ध बैंक अफिसबाट पनि नयाँ सेवा सुलभ पुनः नयाँ सुविधा

आज नयाँ सुविधाएं

- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

बैचलनरी कम्पनि ATM बाट पैसा निकाल्न अतिरिक्त शुल्क नलाग्ने

NMB Delight Savings Account

एनएमबि बैंकको ३५ वर्षे घरकजस्तो अब तपाईंको सपना हुनेछ साकार

एनएमबि घर कर्जा

आज नयाँ सुविधाएं

- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

बालबालिकाको शैक्षिक खतासँगै अभिभावकको जीवन बीमा

एनएमबि सुखी नयाँ जीवन बीमा

नयाँ सुविधाएं

- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

नेपालकै उत्कृष्ट बैंकको प्रकृति

सहारा बचत खाता

एउटै साताले दिन्छ

- **1% वार्षिक बचत दर**
- **1% वार्षिक बचत दर**
- **1% वार्षिक बचत दर**

आज नयाँ सुविधाएं

- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि
- **वैयक्तिक अथवा व्यावसायिक उद्देश्य**का लागि

ACCESS 1000+ AIRPORT LOUNGES WHICH COVER 500 CITIES AROUND THE GLOBE EXCLUSIVELY WITH NMB VISA PLATINUM

Lounge FIRST TIME IN NEPAL

Enjoy the privileges and comforts of a lounge, while you travel with NMB Visa Platinum Credit Card

- I. For loan limit upto NPR 10 million:
 - 100% overdraft may be allowed subject to the at-least 50% of the sales being verified through bank statements
 - II. For loan limit more than NPR 10 million, Ratio of OD to other facilities is preferred to maintained at 40:60. Maintaining any ratio above this will need to be justified through
 - a) Nature of business/ specific business need
 - b) At least 70% Sales turnover clearly evident in bank statements
- **Non-funded & trade facilities:**
- Letter of Credit (LC)(sight/usance) (import/local purchase)
 - Guarantees (Bid bond/Performance/Advance payment/ Suppliers Credit, other Guarantees except Financial Bank Guarantee)

NMB Interest Subsidy Loan

Nepal Government has come up with scheme to provide financial assistance for promotion of agriculture and livestock sector, to generate employment opportunities in rural as well as urban areas through setting up of

self-employment ventures, to provide continuous and sustainable employment to a large segment of traditional and prospective artisans of Dalit community youth, to provide educational loan for the higher education and technical or commercial education and for technical and vocational education, to provide housing loan to the earthquake victim with interest subsidy.

Loan Types

As per the NRB circular, the bank shall extend following seven types of loans with interest and insurance premium subsidy arrangement:

- a) Commercial Agriculture and Livestock loan up to NPR 1 million,
- b) Educated Youth Self-employment loan up to or below NPR 0.7 million,
- c) Youth Returned from Foreign Employment Project Loan up to or below NPR1 million,
- d) Women Entrepreneur Loan up to or below NPR 1.5 million,
- e) Business Loan to uplift under privilege community up to or below NPR 1 million,
- f) Higher and Technical or Commercial education loan up to or below NPR 0.5 million,
- g) Loan for Earthquake Victims for building their Residence up to or below NPR 0.3 million.

F. Micro Finance Products

1. Wholesale Loan

S.N	Clients	Summary/Purpose
1	"D" Class Bank	Provided to D' class Micro finance institutions involved in deprived sector lending.
2	FINGOs	Provided to Financial INGO's institutions involved in financial activities in deprived sector lending.
3	Cooperative	Provided to various cooperatives involved in Deprived sector lending like milk & agro cooperatives, savings & credit cooperatives, multipurpose cooperatives farming.

2. Retail-Direct Lending

a. Retail lending against Group Guarantee

Clients	Purpose
Individual/Group	Provided to different low income women involved either in agriculture or Micro enterprise against group guarantee basis.

b. Retail lending against collateral

Clients	Purpose
Individual	Provided to low income individual who are involved in agriculture or Micro enterprise against collateral
Micro Enterprises	Provided to Micro enterprises registered with competent government authority including local government authority.

c. Retail lending under interest subsidy

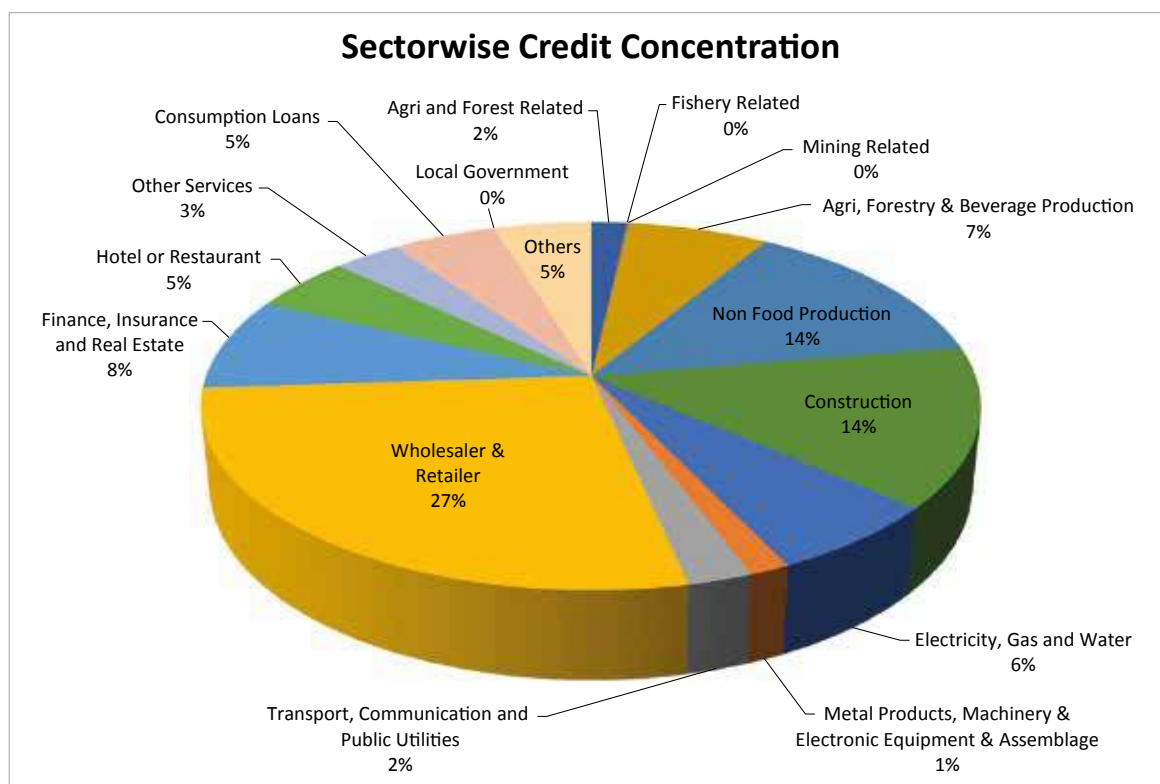
S.N	Types of Loan	Purpose/Summary
1	Commercial Agriculture and Livestock loan	To provide financial assistance for the promotion of agriculture and livestock sector.
2	Educated Youth Self-employment loan	To generate employment opportunities in rural as well as urban areas through setting up of self employment ventures.
3	Youth Returned from Foreign Employment Project Loan	To provide financial assistance for the citizens who have returned from foreign land after gaining vocational experience
4	Women Entrepreneur Loan	To provide financial assistance for skilled women to generate employment opportunities in rural as well as urban areas through setting up of self employment ventures.
5	Business Loan to uplift under privilege community	loan facility provided to the under privileged population as described by NRB to provide financial assistance for the uplift of their livelihood
6	Higher and Technical or Commercial education loan	To provide educational loan for the higher education and technical or commercial education and for technical and vocational education.
7.	Loan for earth quake victim for building their residence	To provide housing loan to the earthquake victim with interest subsidy.

Sector wise and Product wise Credit Concentration Analysis

Sector wise Loan

(Rs. in million)

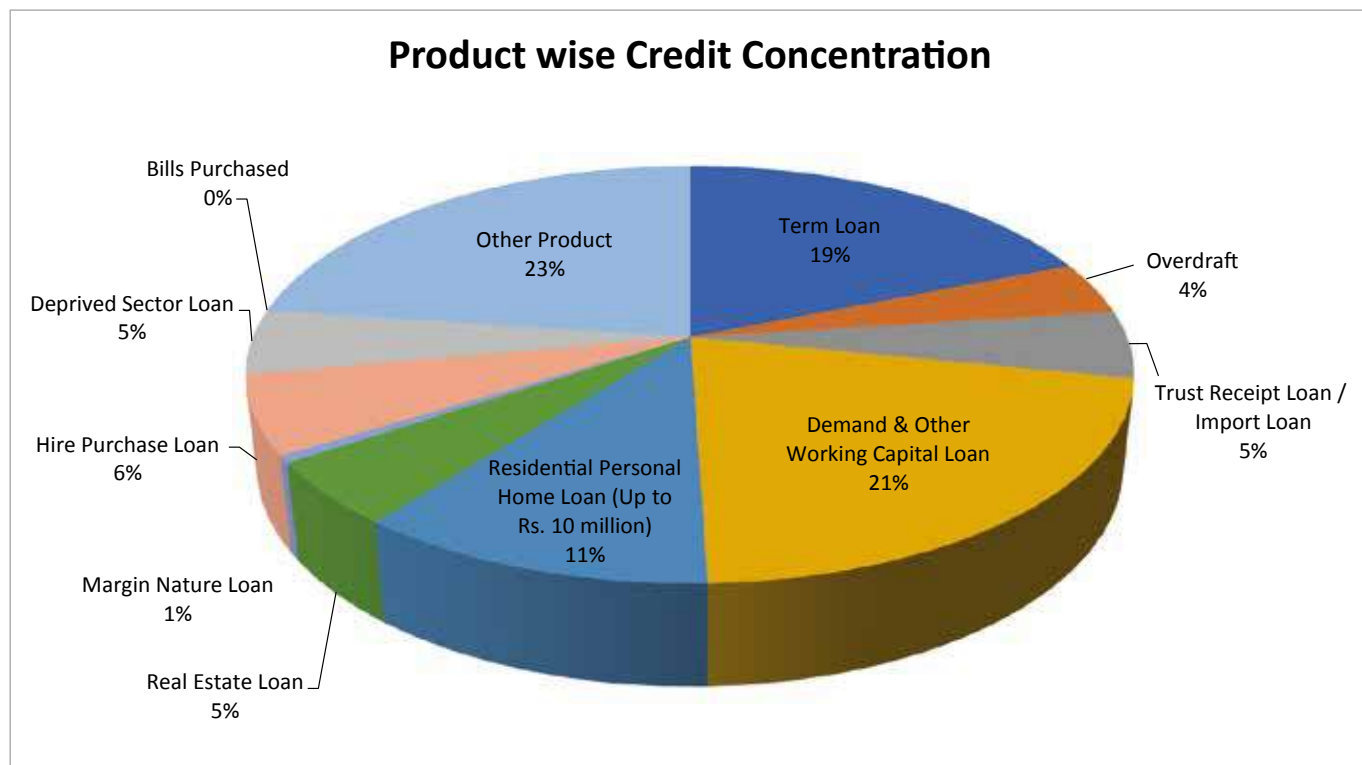
S.N.	Credit	Total Amount	%
1	Agri and Forest Related	1,293	1.71%
2	Fishery Related	29	0.04%
3	Mining Related	55	0.07%
4	Agri, Forestry & Beverage Production	5,156	6.82%
5	Non Food Production	10,429	13.79%
6	Construction	10,618	14.04%
7	Electricity, Gas and Water	4,843	6.40%
8	Metal Products, Machinery & Electronic Equipment & Assemblage	1,080	1.43%
9	Transport, Communication and Public Utilities	1,747	2.31%
10	Wholesaler & Retailer	20,689	27.35%
11	Finance, Insurance and Real Estate	6,129	8.10%
12	Hotel or Restaurant	3,722	4.92%
13	Other Services	2,437	3.22%
14	Consumption Loans	3,845	5.08%
15	Local Government	-	0.00%
16	Others	3,574	4.72%
	Total	75,646	100.00%



Product wise Loan

(Rs. in million)

S.N.	Credit	Total Amount	%
1	Term Loan	14,269	18.86%
2	Overdraft	3,100	4.10%
3	Trust Receipt Loan / Import Loan	3,940	5.21%
4	Demand & Other Working Capital Loan	16,125	21.32%
5	Residential Personal Home Loan (Up to Rs. 10 million)	8,412	11.12%
6	Real Estate Loan	3,717	4.91%
7	Margin Nature Loan	417	0.55%
8	Hire Purchase Loan	4,607	6.09%
9	Deprived Sector Loan	3,750	4.96%
10	Bills Purchased	8	0.01%
11	Other Product	17,301	22.87%
	Total	75,646	100.00%





NMB Bank Limited

ICRA Nepal upgrades issuer rating of NMB Bank at [ICRANP-IR] A- from [ICRANP-IR] BBB+ and subordinated bond/debenture rating at [ICRANP] LA- from [ICRANP] LBBB+.

Facility/Instrument	Amount	Rating Action (January 2018)
Issuer Rating	NA	[ICRANP-IR] A- (upgraded)
Subordinated Bond Program	NPR 500 Million	[ICRANP] LA- (upgraded)

ICRA Nepal has upgraded the issuer rating of NMB Bank Limited (NMB) at **[ICRANP-IR] A-** (pronounced ICRA NP Issuer Rating A minus) from **[ICRANP-IR] BBB+** (pronounced ICRA NP Issuer Rating Triple B Plus). Entities with **[ICRANP-IR] A-** rating are considered as adequate-credit-quality rating assigned by ICRA Nepal. The rated entity carries average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

ICRA Nepal has also upgraded the rating of subordinated bond/debentures of NPR 500 million of NMB at **[ICRANP] LA-** (pronounced ICRA NP L A minus) from **[ICRANP] LBBB+** (pronounced ICRA NP L Triple B Plus). Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

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

The rating upgrade factors in the bank's ability to maintain its assets quality (gross NPL¹s of 1.20% on mid-Jan 2018) and return indicators in the post-merger era, despite sizeable credit book acquired from regional BFIs and their relatively weaker underwriting norms. NMB's ability to successfully manage the post-merger integration issues is reflected in steady assets quality and profitability indicators. The rating action also factors in NMB's healthy capitalization profile aided by fresh equity injection by FMO² in late 2016, which could strengthen further after proposed equity raising plans (FPO)³ of the bank (assuming full subscription). With induction of FMO as joint venture partner (with 20% stake) through fresh equity injection⁴, the institutional shareholding in NMB has increased to ~35% aiding the governance aspect of the bank. The rating action also factors in NMB's good market positioning in the industry as reflected in adequate market share (~3.5% share in the commercial bank industry credit and deposits) and franchise network (93 branches as on mid-Jan 2018). Good market positioning coupled with NMB's established track record (operating since 1996⁵), support and business synergies from FMO and experienced management team is likely to have positive impact on the prospects of the bank.

The ratings are however constrained by moderate funding profile of the bank; characterised by inferior CASA mix (33% as on mid-Jan 2018 vs. commercial bank average of ~43%) and relatively higher deposit concentration (34% of deposits among top 20 accounts as on mid-Oct 2017). Due to higher reliance on price sensitive high-ticket deposits, NMB fares inferior to the industry leaders in terms of cost of fund and base rate. This could be a competitive disadvantage in the "base rate plus" lending model recently implemented in the industry. Rating concern also emanates from the rising interest rates across the banking industry which could result in the stress in the credit portfolio underwritten during the lower interest rate regime. The rating is also constrained by uncertain operating environment that the banks in Nepal are currently facing.

NMB's credit portfolio has grown at a healthy pace of CAGR ~38% over past 5 years ending FY17, albeit on a low base. The credit growth was aided by merger with 4 regional BFIs in October 2015. The growth in the post-merger era has remained low (~15% growth in FY17) due to focus on the portfolio

¹ Non-performing loans

² FMO is a bilateral Development Bank based in Netherland with 51% stake by the Dutch State.

³ The bank has proposed to issue ~11.41 million units of equity shares to public at a premium.

⁴ ~9.4 million new shares of NMB was issued to FMO at NPR 250 per share (total equity injection of ~NPR 2.35 billion)

⁵ As class C finance company before its upgradation to Class A bank in 2008.

consolidation and shortage of lendable funds in the banking industry that developed towards second half of FY17. Given the deposit crunch, incremental credit growth of the bank is likely to remain pegged with the incremental deposit growth. Management's ability to mobilize the adequate franchise network of the bank to generate fresh deposits remains to be seen. As on mid-Oct 2017, NMB's credit portfolio stood at NPR 64 billion; broadly comprised of loan towards Small and Medium Enterprise (SMEs) (40%), towards large corporates (35%) and retail consumer loans (19%). NMB's credit concentration has grown marginally during past 12-18 months yet remains comfortable (23% of total credit among top 20 borrower groups). Assets quality of NMB remains good with gross NPLs of 1.20% on mid-Jan 2018 (1.68% on mid-July 2017) and 0+ days delinquency of ~6% on mid-Oct 2017.

In terms of deposit profile, NMB continues to fare weaker to the industry average. As on mid-Jan 2018, NMB's deposit base of NPR 80 billion comprised of 33% CASA (lower than industry average of ~43%), at par with mid-July 2017 level and lower to mid-July 2016 level of ~36%. At the same time, deposit concentration among top accounts remains on higher side. During past 12-18 months, Nepalese banking industry has witnessed shortage of lendable deposits pushing up the cost of deposits. This is likely to adversely affect the bank's competitive positioning (in the "base rate plus" lending rate regime). This is also likely to affect NMB's profitability (by affecting the net interest margin) as the bank's ability to pass on the increased cost to the borrower is dictated by industry competition. CCD ratio of NMB remains comfortable despite moderation in deposit growth vis-à-vis credit growth in recent years (~76% on mid-Jan 2018 vs. regulatory ceiling of 80%).

As for profitability, NMB's average return on net worth (~19% over past 2-3 years) remains above commercial bank average; albeit partly aided by reversal of credit provisions maintained at the time of merger. Profitability also remains supported by fair Net Interest Margin (NIMs) (~3% of average total assets (ATA)) on growing asset base. NIMs in turn remains supported by healthy yield on advances on retail/SME dominated lending portfolio and healthy rate of credit mobilisation (CCD ratio of 75-78% during past 1-2 years). Non-interest income of NMB has improved in the post-merger era (~1.5% of ATA) diversifying the earnings profile. Profitability also remains supported by low credit provision expenses. However, due to slow growth post-merger, operating expense ratio continues to remain high (~1.9% of ATA) which remains a drag to profitability. Going forward, bank's profitability will depend on its ability to achieve targeted growth by managing required funds and maintain assets quality on current and incremental credit portfolio.

NMB's capitalization profile improved in FY17 after fresh equity injection from FMO, pushing up the capital adequacy ratio (CRAR⁶) from ~11% to ~13%. As on mid-Jan 2018, NMB's CRAR stood at 13.06%, comfortable vis-à-vis regulatory minimum of 11% under prevailing Basel III norm. NMB's tier I capital (11.87% as on mid-Jan 2018) remains well above 8% to be maintained by mid-July 2018 and 8.50% to be maintained by mid-July 2019 under the Basel III norms prescribed by NRB. Capitalisation of proceeds from proposed FPO is likely to give further boost to the capitalization profile of the bank (assuming full subscription) and improve the risk bearing capacity of the bank. However, NMB's capital would still remain lower by ~NPR 0.4 billion compared to minimum regulatory requirement of NPR 8 billion even after the proposed FPO (assuming full subscription), hence bank would need to be capitalise retained earnings to meet regulatory minimum capital.

Bank Profile

NMB Bank Ltd started its operation from 26th December 1996 as a Class C Finance Company. The bank has been operating as a commercial bank following its up gradation from Class C to Class A in May 2008. It was registered as joint –Venture Company with foreign promoter M/s Young Leon Realty, Malaysia. In the first half of FY 2015-2016, NMB underwent merger with 4 regional banking and financial institutions⁷ to raise the minimum paid up capital, commencing joint operation from mid-October 2015.

⁶ Capital to risk-weighted-assets adjusted ratio

⁷ **Clean Energy Development bank** (CEDBL-National Level Class B Bank), **Bhrikutee Development Bank** (10-district level Class B Bank-graded IPO 3 by ICRA Nepal in November 2014), **Pathibhara Development Bank** (3-district level Development Bank) and **Prudential Finance Limited** (National Level Class C Finance Company)



The merger increased the capital fund and assets base of NMB in addition to increasing its footprint across the country.

Post-merger NMB issued further promoter equity shares to FMO Netherland. This increased FMO's stake in NMB to 20% from 3.18% immediately following the merger⁸. As on mid-Jan 2018, promoter public shareholding of NMB stood at ~60:40. The current major promoter group of the bank includes FMO (20% shareholding), Employee's Provident fund (~8%) and Young Leon Realty (~6%) with remaining promoter stake held mostly by individual businessmen and private investment companies.

As on mid-Jan 2018, NMB has presence throughout the country through its 93 branches. NMB has market share of about 3.1% in terms of deposit base and 3.2% of total advances of Nepalese Banking Industry as on mid-Jul 2017 (3.5% and 3.6% share among the commercial banks). NMB reported a profit after tax of NPR 1,511 million during FY 2016-17 over an asset base of NPR 86,867 million as at mid-Jul-17 against profit after tax of NPR 1,115 million during FY 2015-16 over an asset base of NPR 74,613 million as on mid-Jul-16. Till mid-Jan-18 (Q2FY 2017-18), NMB has reported a net profit of NPR 1,007 million over an asset base of NPR 95,042 million. As of mid-Jan-18, NMB's CRAR⁹ was 13.06% (tier I CRAR 11.87%) and gross NPLs¹⁰ were 1.20%.

January 2018

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⁸ FMO was the major promoter in one of the merging entities (Clean Energy Development Bank).

⁹ Capital to risk-weighted-assets adjusted ratio

¹⁰ Non-performing loans

Horizontal Vertical Analysis

Horizontal Vertical Analysis

Horizontal Analysis

Statement of Financial Position

Amount in Rs.

Particulars	July 16, 2018 (Ashadh 32, 2075)	2017 vs 2018	July 15, 2017 (Ashad 31, 2074)	2016 vs 2017	July 15, 2016 (Ashad 31, 2073)
ASSETS					
Cash and cash equivalent	5,183,938,214	-5.75%	5,499,968,622	-18.61%	6,757,540,896
Due from Nepal Rastra Bank	6,840,510,937	-25.99%	9,242,454,991	44.63%	6,390,585,135
Placement with Bank and Financial Institutions	276,407,171	-59.47%	681,934,928	-58.22%	1,632,360,961
Derivative financial instruments	7,506,751,485	38.36%	5,425,634,220	47.97%	3,666,599,873
Other trading assets	321,720,000	7.86%	298,280,000	149040.00%	200,000.00
Loan and advances to B/FIs	2,497,567,769	33.62%	1,869,100,231	31.07%	1,425,995,187
Loans and advances to customers	72,711,771,766	21.42%	59,886,961,418	15.15%	52,006,836,331
Investment securities	9,448,446,725	26.30%	7,480,981,172	68.58%	4,437,770,882
Current tax assets	763,884,764	6.16%	719,526,541	54.19%	466,635,611
Investment in subsidiaries	248,552,000	67.32%	148,552,000	23.38%	120,400,000
Investment in associates	-		-		-
Investment property	59,774,627	-22.86%	77,488,827	10.75%	69,968,627
Property and equipment	1,559,569,574	8.56%	1,436,619,106	8.04%	1,329,744,034
Goodwill and Intangible assets	22,054,209	40.50%	15,697,146	-0.50%	15,775,309
Deferred tax assets	66,869,011		-		-
Other assets	4,883,611,861	1576.93%	291,223,308	-46.52%	544,556,369
Total Assets	112,391,430,113	20.75%	93,074,422,511	18.02%	78,864,969,215
LIABILITIES					
Due to Bank and Financial Institutions	1,036,268,951	14.33%	906,395,995	-31.78%	1,328,575,351
Due to Nepal Rastra Bank	660,071,641	-40.56%	1,110,558,800	-19.37%	1,377,300,000
Derivative financial instruments	7,477,483,892	38.65%	5,393,031,265	48.02%	3,643,347,688
Deposits from customers	83,970,867,219	16.11%	72,317,666,604	13.97%	63,452,888,272
Borrowing	-	-100.00%	55,347,308	-50.00%	110,694,615
Current Tax Liabilities	824,302,920	40.00%	588,774,303	87.60%	313,840,105
Provisions	9,078,444	-7.41%	9,804,595	-45.10%	17,859,204
Deferred tax liabilities	-	-100.00%	69,197,225	15.01%	60,168,466
Other liabilities	1,405,999,800	16.79%	1,203,837,692	34.85%	892,714,998
Debt securities issued	517,547,945	0.00%	517,547,945	0.00%	517,547,945
Subordinated Liabilities			-		-
Total Liabilities	95,901,620,812	16.71%	82,172,161,732	14.58%	71,714,936,644
EQUITY					
Share capital	7,603,290,634	17.67%	6,461,774,334	44.01%	4,486,924,066
Share premium	4,061,366,586	185.04%	1,424,857,947	13937.53%	10,150,347
Retained earnings	2,339,181,597	71.38%	1,364,948,851	-0.96%	1,378,156,309
Reserves	2,485,970,484	50.60%	1,650,679,647	29.49%	1,274,801,849
Total equity attributable to equity holders	16,489,809,301	51.25%	10,902,260,779	52.48%	7,150,032,571
Non-controlling interest					
Total equity	16,489,809,301	51.25%	10,902,260,779	52.48%	7,150,032,571
Total liabilities and equity	112,391,430,113	20.75%	93,074,422,511	18.02%	78,864,969,215

Horizontal Analysis

Statement of Profit or Loss

Amount in Rs.

Particulars	July 16, 2018 (Ashadh 32, 2075)	2017 vs 2018	July 15, 2017 (Ashad 31, 2074)
Interest Income	8,728,699,831	43%	6,109,326,827
Interest expense	5,824,685,753	66%	3,505,347,281
Net interest income	2,904,014,078	12%	2,603,979,546
Fee and commission income	794,250,068	25%	635,069,204
Fee and commission expense	62,708,027	23%	51,082,047
Net fee and commission income	731,542,041	25%	583,987,157
Net interest, fee and commission income Net trading income	3,935,162,102	18%	3342756329
Other operating income	164,962,228	35%	121,978,264
Total operating income	4,100,124,330	18%	3,464,734,593
Impairment charge/(reversal) for loans and other losses	(219,650,789)	-1719%	13,569,888
Net operating income	4,319,775,119	25%	3,451,164,705
Operating expense			
Personnel expenses	1,021,570,435	24%	826,873,970
Other operating expenses	589,394,199	20%	492,213,506
Depreciation & Amortisation Operating Profit	147,695,238	28%	115,783,837
Operating Profit	2,561,115,247	27%	2,016,293,392
Non operating income	43,140,193	-68%	136,349,614
Non operating expense	37,935,379	-21%	48,225,932
Profit before income tax	2,566,320,061	22%	2,104,417,074
Income tax expense			
Current Tax	829,621,042	41%	589,304,078
Deferred Tax expense/(Income)	(117,093,734)	-542%	26,495,906
Profit for the period	1,853,792,753	25%	1,488,617,090
Earnings per share	28.67	5%	27.27

Note : The bank has prepared its financial statement on NRFS basis for the first time in this financial year, accordingly, this analysis could be prepared for three years on Financial Position and for two years on Financial Performance.

Vertical Analysis

Statement of Financial Position

Amount in Rs.

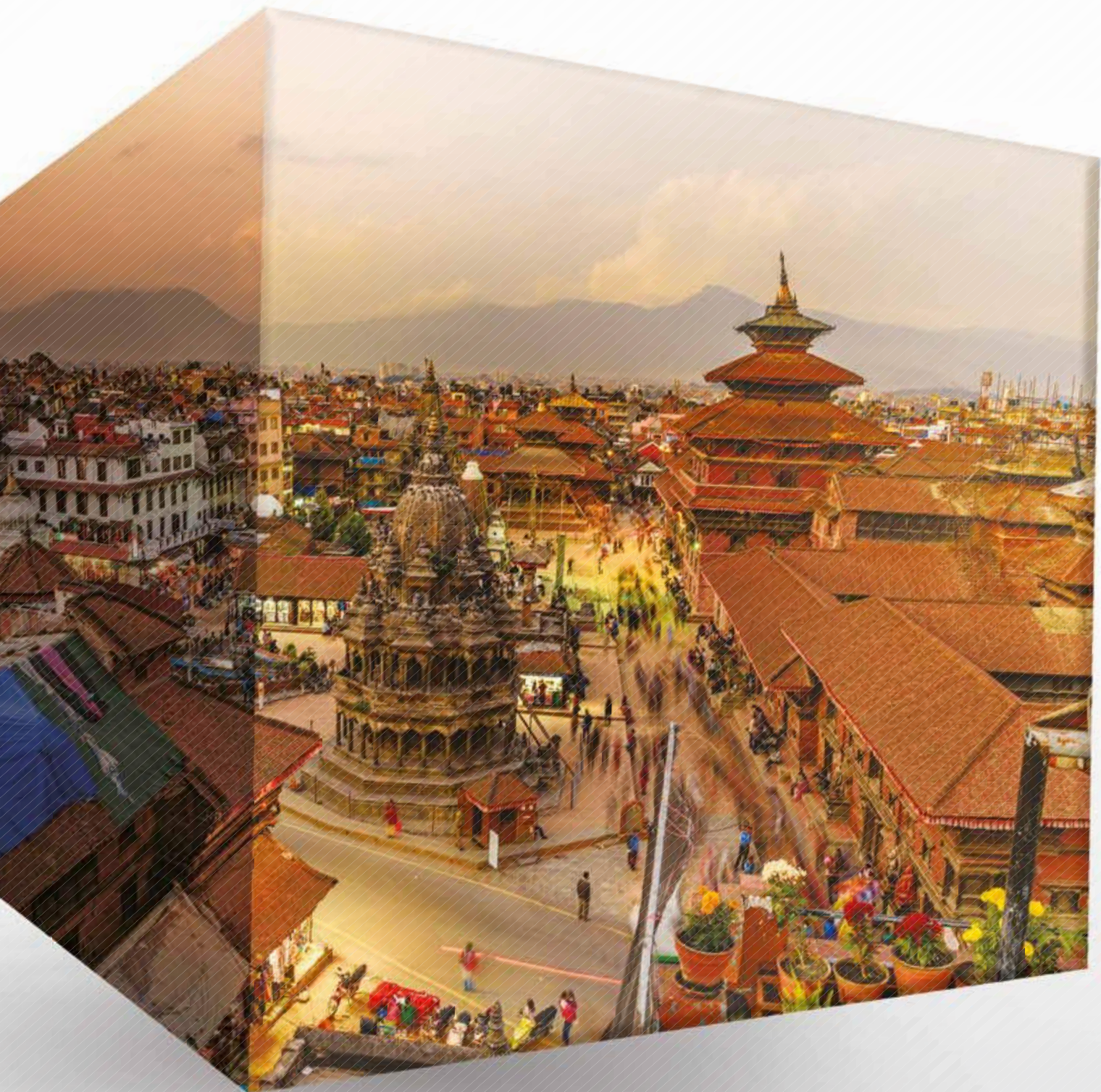
Particulars	July 16, 2018 (Ashadh 32, 2075)		July 15, 2017 (Ashad 31, 2074)		July 15, 2016 (Ashad 31, 2073)	
ASSETS						
Cash and cash equivalent	5,183,938,214	4.61%	5,499,968,622	5.91%	6,757,540,896	8.57%
Due from Nepal Rastra Bank	6,840,510,937	6.09%	9,242,454,991	9.93%	6,390,585,135	8.10%
Placement with Bank and Financial Institutions	276,407,171	0.25%	681,934,928	0.73%	1,632,360,961	2.07%
Derivative financial instruments	7,506,751,485	6.68%	5,425,634,220	5.83%	3,666,599,873	4.65%
Other trading assets	321,720,000	0.29%	298,280,000	0.32%	200,000	0.00%
Loan and advances to B/FIs	2,497,567,769	2.22%	1,869,100,231	2.01%	1,425,995,187	1.81%
Loans and advances to customers	72,711,771,766	64.70%	59,886,961,418	64.34%	52,006,836,331	65.94%
Investment securities	9,448,446,725	8.41%	7,480,981,172	8.04%	4,437,770,882	5.63%
Current tax assets	763,884,764	0.68%	719,526,541	0.77%	466,635,611	0.59%
Investment in subsidiaries	248,552,000	0.22%	148,552,000	0.16%	120,400,000	0.15%
Investment in associates	-	0.00%	-	0.00%	-	0.00%
Investment property	59,774,627	0.05%	77,488,827	0.08%	69,968,627	0.09%
Property and equipment	1,559,569,574	1.39%	1,436,619,106	1.54%	1,329,744,034	1.69%
Goodwill and Intangible assets	22,054,209	0.02%	15,697,146	0.02%	15,775,309	0.02%
Deferred tax assets	66,869,011	0.06%	-	0.00%	-	0.00%
Other assets	4,883,611,861	4.35%	291,223,308	0.31%	544,556,369	0.69%
Total Assets	112,391,430,113	100.00%	93,074,422,511	100.00%	78,864,969,215	100.00%
LIABILITIES						
Due to Bank and Financial Institutions	1,036,268,951	0.92%	906,395,995	0.97%	1,328,575,351	1.68%
Due to Nepal Rastra Bank	660,071,641	0.59%	1,110,558,800	1.19%	1,377,300,000	1.75%
Derivative financial instruments	7,477,483,892	6.65%	5,393,031,265	5.79%	3,643,347,688	4.62%
Deposits from customers	83,970,867,219	74.71%	72,317,666,604	77.70%	63,452,888,272	80.46%
Borrowing	-	0.00%	55,347,308	0.06%	110,694,615	0.14%
Current Tax Liabilities	824,302,920	0.73%	588,774,303	0.63%	313,840,105	0.40%
Provisions	9,078,444	0.01%	9,804,595	0.01%	17,859,204	0.02%
Deferred tax liabilities	-	0.00%	69,197,225	0.07%	60,168,466	0.08%
Other liabilities	1,405,999,800	1.25%	1,203,837,692	1.29%	892,714,998	1.13%
Debt securities issued	517,547,945	0.46%	517,547,945	0.56%	517,547,945	0.66%
Subordinated Liabilities	-		-	0.00%	-	0.00%
Total Liabilities	95,901,620,812	85.33%	82,172,161,732	88.29%	71,714,936,644	90.93%
EQUITY						
Share capital	7,603,290,634	6.77%	6,461,774,334	6.94%	4,486,924,066	5.69%
Share premium	4,061,366,586	3.61%	1,424,857,947	1.53%	10,150,347	0.01%
Retained earnings	2,339,181,597	2.08%	1,364,948,851	1.47%	1,378,156,309	1.75%
Reserves	2,485,970,484	2.21%	1,650,679,647	1.77%	1,274,801,849	1.62%
Total equity attributable to equity holders	16,489,809,301	14.67%	10,902,260,779	11.71%	7,150,032,571	9.07%
Non-controlling interest	-		-		-	
Total equity	16,489,809,301	14.67%	10,902,260,779	11.71%	7,150,032,571	9.07%
Total liabilities and equity	112,391,430,113	100.00%	93,074,422,511	100.00%	78,864,969,215	100.00%

Vertical Analysis

Statement of Profit or Loss

Amount in Rs.

Particulars	July 16, 2018 (Ashadh 32, 2075)		July 15, 2017 (Ashad 31, 2074)	
Interest Income	8,728,699,831	100%	6,109,326,827	100%
Interest expense	5,824,685,753	67%	3,505,347,281	57%
Net interest income	2,904,014,078	33%	2,603,979,546	43%
Fee and commission income	794,250,068	9%	635,069,204	10%
Fee and commission expense	62,708,027	1%	51,082,047	1%
Net fee and commission income	731,542,041	8%	583,987,157	10%
Net interest, fee and commission income Net trading income	3,935,162,102	45%	3342756329	55%
Other operating income	164,962,228	2%	121,978,264	2%
Total operating income	4,100,124,330	47%	3,464,734,593	57%
Impairment charge/(reversal) for loans and other losses	(219,650,789)	-3%	13,569,888	0%
Net operating income	4,319,775,119	49%	3,451,164,705	56%
Operating expense				
Personnel expenses	1,021,570,435	12%	826,873,970	14%
Other operating expenses	589,394,199	7%	492,213,506	8%
Depreciation & Amortisation Operating Profit	147,695,238	2%	115,783,837	2%
Operating Profit	2,561,115,247	29%	2,016,293,392	33%
Non operating income	43,140,193	0%	136,349,614	2%
Non operating expense	37,935,379	0%	48,225,932	1%
Profit before income tax	2,566,320,061	29%	2,104,417,074	34%
Income tax expense				
Current Tax	829,621,042	10%	589,304,078	10%
Deferred Tax expense/(Income)	(117,093,734)	-1%	26,495,906	0%
Profit for the period	1,853,792,753	21%	1,488,617,090	24%
Earnings per share	28.67		27.27	



Financial Statements

Independent Auditor's Report

To the Shareholders of NMB Bank Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of NMB Bank Limited (the "Bank"), and the consolidated financial statements of the Bank and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 32, 2075 (July 16, 2018), 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.

Management's responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

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

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

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.


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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at Ashadh 32, 2075 (July 16, 2018), and its financial performance and cash flows for the year then ended in accordance with the Nepal Financial Reporting Standards and Company Act, 2063.

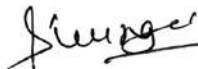
Report on the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

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 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 and notes to the consolidated financial statements 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



Date: November 21, 2018
Place: Kathmandu, Nepal

Consolidated Statement of Financial Position

As at 32 Asar, 2075 (16 July, 2018)

(Amount in NPR)

Particulars	Note	Group			NMB		
		As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Assets							
Cash and cash equivalent	4.1	6,028,153,441	6,458,150,739	7,105,435,630	5,183,938,214	5,499,968,622	6,757,540,896
Due from Nepal Rastra Bank	4.2	6,864,740,937	9,252,184,991	6,395,815,135	6,840,510,937	9,242,454,991	6,390,585,135
Placement with Bank and Financial Institutions	4.3	208,514,045	137,637,401	1,622,893,375	276,407,171	681,934,928	1,632,360,961
Derivative financial instruments	4.4	7,506,751,485	5,425,634,220	3,666,599,873	7,506,751,485	5,425,634,220	3,666,599,873
Other trading assets	4.5	321,720,000	298,280,000	200,000	321,720,000	298,280,000	200,000
Loan and advances to B/FIs	4.6	2,497,567,769	1,869,100,231	1,425,995,187	2,497,567,769	1,869,100,231	1,425,995,187
Loans and advances to customers	4.7	74,413,584,770	61,405,969,132	52,743,422,610	72,711,771,766	59,886,961,418	52,006,836,331
Investment securities	4.8	9,608,368,211	7,575,288,880	4,491,043,825	9,448,446,725	7,480,981,172	4,437,770,882
Current tax assets	4.9	863,139,882	805,645,307	514,467,392	763,884,764	719,526,541	466,635,611
Investment in subsidiaries	4.10	-	-	-	248,552,000	148,552,000	120,400,000
Investment in associates	4.11	-	-	-	-	-	-
Investment property	4.12	59,774,627	77,488,827	69,968,627	59,774,627	77,488,827	69,968,627
Property and equipment	4.13	1,595,084,763	1,465,081,851	1,341,902,821	1,559,569,574	1,436,619,106	1,329,744,034
Goodwill and Intangible assets	4.14	22,643,811	16,084,906	16,386,684	22,054,209	15,697,146	15,775,309
Deferred tax assets	4.15	69,938,833	564,733	-	66,869,011	-	-
Other assets	4.16	4,913,860,467	319,333,511	569,393,845	4,883,611,861	291,223,308	544,556,369
Total Assets		114,973,843,041	95,106,444,729	79,963,525,004	112,391,430,113	93,074,422,511	78,864,969,215

	Note	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 31 Asar 2074	As at 31 Asar 2073
Liabilities									
Due to Bank and Financial Institutions	4.17	1,036,268,951	906,395,995	1,328,575,351	1,036,268,951	906,395,995	1,328,575,351	906,395,995	1,328,575,351
Due to Nepal Rastra Bank	4.18	660,071,641	1,110,558,800	1,377,300,000	660,071,641	1,110,558,800	1,377,300,000	1,110,558,800	1,377,300,000
Derivative financial instruments	4.19	7,477,483,892	5,393,031,265	3,643,347,688	7,477,483,892	5,393,031,265	3,643,347,688	5,393,031,265	3,643,347,688
Deposits from customers	4.20	84,509,502,746	72,137,541,062	63,616,155,330	83,970,867,219	72,317,666,604	63,452,888,272	72,317,666,604	63,452,888,272
Borrowing	4.21	1,182,081,898	1,240,930,359	771,202,579	-	55,347,308	110,694,615	55,347,308	110,694,615
Current Tax Liabilities	4.9	923,191,366	671,976,626	361,155,139	824,302,920	588,774,303	313,840,105	588,774,303	313,840,105
Provisions	4.22	9,152,000	9,977,608	17,894,559	9,078,444	9,804,595	17,859,204	9,804,595	17,859,204
Deferred tax liabilities	4.15	5,871,843	72,598,243	63,972,250	-	69,197,225	60,168,466	69,197,225	60,168,466
Other liabilities	4.23	1,871,616,566	1,849,594,340	966,661,068	1,405,999,800	1,203,837,692	892,714,998	1,203,837,692	892,714,998
Debt securities issued	4.24	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945
Subordinated Liabilities	4.25	-	-	-	-	-	-	-	-
Total liabilities		98,192,788,848	83,910,152,243	72,663,811,909	95,901,620,812	82,172,161,732	71,714,936,644	82,172,161,732	71,714,936,644
Equity									
Share capital	4.26	7,603,290,634	6,461,774,334	4,486,924,065	7,603,290,634	6,461,774,334	4,486,924,066	6,461,774,334	4,486,924,066
Share premium		4,066,854,498	1,444,715,109	10,150,347	4,061,366,586	1,424,857,947	10,150,347	1,424,857,947	10,150,347
Retained earnings		2,476,497,798	1,513,818,419	1,460,042,894	2,339,181,597	1,364,948,851	1,378,156,309	1,364,948,851	1,378,156,309
Reserves	4.27	2,502,931,208	1,664,127,765	1,288,071,691	2,485,970,484	1,650,679,647	1,274,801,849	1,650,679,647	1,274,801,849
Total equity attributable to equity holders		16,649,574,138	11,084,435,628	7,245,188,997	16,489,809,301	10,902,260,779	7,150,032,571	10,902,260,779	7,150,032,571
Non-controlling interest		131,480,054	111,856,859	54,524,097	-	-	-	-	-
Total equity		16,781,054,193	11,196,292,487	7,299,713,095	16,489,809,301	10,902,260,779	7,150,032,571	10,902,260,779	7,150,032,571
Total liabilities and equity		114,973,843,041	95,106,444,729	79,963,525,004	112,391,430,113	93,074,422,511	78,864,969,215	93,074,422,511	78,864,969,215

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

Hari Babu Neupane
Director

Pradeep Raj Pandey
Director

Pradeep Pradhan
Chief Operating Officer

Mridul Parajuli
Head-Finance & Planning

Date: Wednesday, November 21, 2018
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Profit or Loss

For the year ended 32 Asar, 2075 (16 July 2018)

(Amount in NPR)

Particulars	Note	Group		NMB	
		Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Interest income	4.29	9,169,057,454	6,438,559,594	8,728,699,831	6,109,326,827
Interest expense	4.30	6,036,130,108	3,607,946,050	5,824,685,753	3,505,347,281
Net interest income		3,132,927,346	2,830,613,544	2,904,014,078	2,603,979,546
Fee and commission income	4.31	939,618,308	759,120,248	794,250,068	635,069,204
Fee and commission expense	4.32	69,926,838	51,976,715	62,708,027	51,082,047
Net fee and commission income		869,691,470	707,143,534	731,542,041	583,987,157
Net interest, fee and commission income		4,002,618,816	3,537,757,077	3,635,556,119	3,187,966,703
Net trading income	4.33	299,605,983	154,789,626	299,605,983	154,789,626
Other operating income	4.34	169,107,837	130,353,935	164,962,228	121,978,264
Total operating income		4,471,332,637	3,822,900,639	4,100,124,330	3,464,734,593
Impairment charge/(reversal) for loans and other losses	4.35	(192,047,347)	28,949,952	(219,650,789)	13,569,888
Net operating income		4,663,379,984	3,793,950,687	4,319,775,119	3,451,164,705
Operating expense					
Personnel expenses	4.36	1,157,939,860	932,000,458	1,021,570,435	826,873,970
Other operating expenses	4.37	644,860,665	537,201,837	589,394,199	492,213,506
Depreciation & Amortisation	4.38	155,987,560	121,751,116	147,695,238	115,783,837
Operating Profit		2,704,591,898	2,202,997,276	2,561,115,247	2,016,293,392
Non operating income	4.39	43,140,193	136,349,614	43,140,193	136,349,614
Non operating expense	4.40	37,935,379	48,225,932	37,935,379	48,225,932
Profit before income tax		2,709,796,712	2,291,120,958	2,566,320,061	2,104,417,074
Income tax expense	4.41				
Current Tax		865,791,637	638,610,557	829,621,042	589,304,078
Deferred Tax expense/(Income)		(116,372,096)	28,405,484	(117,093,734)	26,495,906
Profit for the period		1,960,377,171	1,624,104,918	1,853,792,753	1,488,617,090
Profit attributable to:					
Equity holders of the Bank		1,940,103,355	1,598,166,919	1,853,792,753	1,488,617,090
Non-controlling interest		20,273,815	25,937,999	-	-
Profit for the period		1,960,377,170	1,624,104,918	1,853,792,753	1,488,617,090
Earnings per share					
Basic earnings per share		29.27	28.64	28.67	27.27
Diluted earnings per share		29.27	28.64	28.67	27.27

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

Hari Babu Neupane
Director

Pradeep Raj Pandey
Director

Pradeep Pradhan
Chief Operating Officer

Mridul Parajuli
Head-Finance & Planning

Date: Wednesday, November 21, 2018
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Other Comprehensive Income

For the year ended 32 Asar, 2075 (16 July 2018)

(Amount in NPR)

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Profit for the year	1,960,377,171	1,624,104,918	1,853,792,753	1,488,617,090
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	(41,011,310)	(34,045,996)	(38,270,067)	(26,323,464)
- Gains/(losses) on revaluation	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	(24,750,032)	(33,768,085)	(24,971,604)	(31,900,363)
- Income tax relating to above items	(19,861,346)	(19,223,591)	(18,972,501)	(17,467,148)
Net other comprehensive income that will not be reclassified to profit or loss	(46,032,939)	(47,469,857)	(44,269,170)	(40,756,679)
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	(46,032,939)	(47,469,857)	(44,269,170)	(40,756,679)
Total comprehensive income for the period	1,914,344,230	1,576,635,061	1,809,523,583	1,447,860,411
Total comprehensive income attributable to:				
Equity holders of the Bank	1,893,994,416	1,551,337,691	1,809,523,583	1,447,860,411
Non-controlling interest	20,349,814	25,297,370	-	-
Total comprehensive income for the period	1,914,344,230	1,576,635,061	1,809,523,583	1,447,860,411

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

Hari Babu Neupane
Director

Pradeep Raj Pandey
Director

Pradeep Pradhan
Chief Operating Officer

Mridul Parajuli
Head-Finance & Planning

Date: Wednesday, November 21, 2018
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of cash flows

For the year ended 32 Asar, 2075 (16 July 2018)

(Amount in NPR)

	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	8,794,988,534	6,163,974,211	8,364,873,036	5,845,823,206
Fees and other income received	929,787,387	766,025,902	790,304,114	641,974,858
Dividend received	-	-	-	-
Receipts from other operating activities	358,041,840	305,498,605	357,555,417	305,230,505
Interest paid	(6,039,527,238)	(3,554,459,060)	(5,828,082,883)	(3,451,860,291)
Commission and fees paid	(69,926,838)	(51,971,579)	(62,708,027)	(51,082,047)
Cash payment to employees	(1,147,047,730)	(769,073,782)	(1,013,279,499)	(679,462,474)
Other expense paid	(669,041,524)	(568,569,193)	(613,344,690)	(523,392,105)
Operating cash flows before changes in operating assets and liabilities	2,157,274,431	2,291,425,104	1,995,317,467	2,087,231,651
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	2,387,693,785	(2,856,369,856)	2,402,193,785	(2,851,869,856)
Placement with bank and financial institutions	406,887,994	950,426,033	406,887,994	950,426,033
Other trading assets	(23,440,000)	(298,080,000)	(23,440,000)	(298,080,000)
Loan and advances to bank and financial institutions	(634,657,961)	(447,570,097)	(634,657,961)	(447,570,097)
Loans and advances to customers	(13,044,839,083)	(8,774,458,732)	(12,646,608,128)	(7,889,729,923)
Other assets	(2,861,359,668)	(1,518,742,955)	(2,868,310,588)	(1,512,606,939)
Total	(13,769,714,934)	(12,944,795,607)	(13,363,934,899)	(12,049,430,781)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	129,872,956	(422,179,356)	129,872,956	(422,179,356)
Due to Nepal Rastra Bank	(450,487,159)	(266,741,200)	(450,487,159)	(266,741,200)
Deposit from customers	11,945,557,284	9,076,215,672	11,653,200,615	8,864,778,332
Borrowings	141,151,539	569,727,780	(55,347,308)	(55,347,307)
Other liabilities	2,037,143,365	2,434,580,996	2,226,676,579	1,880,396,248
Net cash flow from operating activities before tax paid	13,803,237,985	11,391,603,892	13,503,915,683	10,000,906,717
Income taxes paid	(664,974,613)	(618,870,714)	(633,132,526)	(567,260,810)
Net cash flow from operating activities	1,525,822,869	119,362,675	1,502,165,725	(528,553,223)

CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(10,521,875,476)	(12,819,130,211)	(10,401,270,740)	(12,748,983,078)
Receipts from sale of investment securities	8,381,577,243	9,643,616,138	8,377,760,162	9,636,637,520
Purchase of property and equipment	(284,530,625)	(314,647,181)	(268,775,840)	(292,794,969)
Receipt from the sale of property and equipment	11,583,879	78,998,733	10,583,525	78,916,456
Purchase of intangible assets	(12,888,798)	-	(12,210,798)	-
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	73,597,200	13,757,616	73,597,200	13,757,616
Investment in subsidiaries, associates & joint ventures	(100,000,000)	(28,152,000)	(100,000,000)	(28,152,000)
Interest received	384,317,755	210,966,857	384,317,755	210,966,857
Dividend received	134,100,160	45,555,613	132,758,055	43,176,660
Net cash used in investing activities	(1,934,118,662)	(3,169,034,436)	(1,803,240,682)	(3,086,474,939)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	100,000,000	2,423,829,613	-	2,357,846,000
Dividends paid	(128,628,002)	(75,167,299)	(21,881,950)	(54,114,667)
Interest paid	-	-	-	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	(28,628,002)	2,348,662,315	(21,881,950)	2,303,731,333
Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year	(436,923,796)	(701,009,445)	(322,956,906)	(1,311,296,828)
Cash and cash equivalents acquired from the merger	6,458,150,739	7,105,435,630	5,499,968,622	6,757,540,896
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at the end of the year	6,028,153,441	6,458,150,739	5,183,938,214	5,499,968,622

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	Hari Babu Neupane Director	Pradeep Raj Pandey Director	Pradeep Pradhan Chief Operating Officer	Mridul Parajuli Head-Finance & Planning

Date: Wednesday, November 21, 2018
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of changes in equity

For the year ended 31 Asar, 2075 (16 July 2018)

(Amount in NPR)

Particulars	Group											Total equity
	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 2016	5,518,635,934	10,150,347	1,011,796,513	41,211,115	-	-	-	97,046,316	263,162,748.5	6,942,002,973	52,528,964	6,994,631,937
Adjustment/Restatements as per NFRS	-	-	-	-	-	-	-	-	-	-	-	-
Accrued income on loans and advances to customers recognized	-	-	-	-	-	-	-	238,369,877	-	238,369,877	3,327,733	241,697,610
Impairment of loans and advances to customers reversal	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of premium of HTM Investment reversal	-	-	-	-	-	-	-	686,302	-	686,302	-	686,302
Fair Value of investment property recognized	-	-	-	-	-	-	-	69,968,627	-	69,968,627	-	69,968,627
Adjustment to deferred tax reserve	-	-	-	-	-	-	-	(48,350,297)	(65,376,981)	(113,727,277)	(1,030,215)	(114,757,493)
Actuarial adjustment to Leave encashment and Gratuity	-	-	-	-	-	-	-	(2,160,816)	-	(2,160,816)	(690,024)	(2,850,840)
Proposed Bonus shares transferred to retained earning	(1,031,711,869)	-	-	-	-	-	-	1,037,576,869	-	5,865,000	296,579	5,865,000
Proposed cash dividend transferred to retained earning	-	-	-	-	-	-	-	54,609,309	-	54,609,309	296,579	54,905,888
Actuarial Gains/Losses transferred to Actuary Reserve (net of tax)	-	-	-	-	-	-	-	12,053,247	(8,437,273)	3,615,974	91,061	3,707,035
Fair Value of AFS recognized	-	-	-	-	-	-	-	243,461	-	45,959,029	-	45,959,029
Adjusted/Restated balance at 16 July 2016	4,486,924,065	10,150,347	1,011,796,513	41,211,115	-	45,715,568	-	1,460,042,894	189,348,495	7,245,188,997	54,524,097	7,299,713,095
Comprehensive income for the year 2016-17	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	1,598,166,919	-	1,598,166,919	25,937,999	1,624,104,918
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurements of defined benefit Liability/Assets (Group)	-	-	-	-	-	-	-	(142,770)	-	(142,770)	-	(142,770)
Gain/(Losses) from Investments in Equity Instrument measured at Fair Value	-	-	-	-	-	(23,832,197)	-	-	-	(23,832,197)	-	(23,832,197)
Gain (loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(22,997,031)	(22,997,031)	(640,629)	(23,637,660)
Gains/(Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gains/(Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
General reserve fund	-	-	298,100,587	-	-	-	-	(298,100,587)	-	-	-	-
Debiture redemption reserve	-	-	-	-	-	-	-	(90,750,870)	90,750,870	-	-	-
Investment adjustment Reserve	-	-	-	-	-	-	-	(1,272,381)	1,272,381	-	-	-
Exchange fluctuation reserve	-	-	-	13,431,139	-	-	-	(13,431,139)	-	-	-	-
Staff skill development fund	-	-	-	-	-	-	-	(3,037,118)	3,037,118	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	-	(14,905,029)	14,905,029	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	(1,139,086)	1,139,086	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
Dividend tax and other transfer	-	-	-	-	-	-	-	118,917	249,089	368,006	-	368,006
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued	-	19,857,162	-	-	-	-	-	-	-	19,857,162	32,331,970	52,189,133

Consolidated Statement of changes in equity

For the year ended 31 Asar, 2075 (16 July 2018)

(Amount in NPR)

Particulars	NMB											Total equity
	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 2016	5,518,635,934	10,150,347	1,007,623,410	41,211,115	-	-	-	22,194,575	261,344,127	6,861,159,508	-	6,861,159,508
Adjustment/Restatements as per NFRS	-	-	-	-	-	-	-	-	-	-	-	-
Accrued income on loans and advances to customers recognized	-	-	-	-	-	-	-	234,906,318	-	234,906,318	-	234,906,318
Impairment of loans and advances to customers reversal	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of premium of HTM Investment reversal	-	-	-	-	-	-	686,302	-	-	686,302	-	686,302
Fair Value of investment property recognized	-	-	-	-	-	-	69,968,627	-	-	69,968,627	-	69,968,627
Adjustment to deferred tax reserve	-	-	-	-	-	-	(47,336,159)	-	(65,318,853)	(112,655,012)	-	(112,655,012)
Actuarial adjustment to Leave encashment and Gratuity	-	-	-	-	-	-	(256,629)	-	-	(256,629)	-	(256,629)
Proposed Bonus shares transferred to retained earning	(1,031,711,869)	-	-	-	-	-	1,031,711,869	-	-	-	-	-
Proposed cash dividend transferred to Actuary Reserve	-	-	-	-	-	-	54,300,625	-	-	54,300,625	-	54,300,625
Actuarial Gains/Losses transferred to Actuary Reserve (net of tax)	-	-	-	-	-	-	11,737,322	-	(8,216,125)	3,521,197	-	3,521,197
Fair Value of AFS recognized	-	-	-	-	-	38,158,176	243,461	-	-	38,401,637	-	38,401,637
Adjusted/Restated balance at 16 July 2016	4,486,924,065	10,150,347	1,007,623,410	41,211,115	-	38,158,176	1,378,156,309	187,809,149	7,150,032,571	7,150,032,571	-	7,150,032,571
Comprehensive income for the year 2016-17	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	1,488,617,090	-	-	1,488,617,090	-	1,488,617,090
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	(18,426,425)	-	-	-	(18,426,425)	-	(18,426,425)
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(Losses) on Cash Flow Hedge	-	-	-	-	-	-	-	(22,330,254)	(22,330,254)	(22,330,254)	-	(22,330,254)
Exchange Gains/(Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
General reserve fund	-	-	293,469,493	-	-	-	(293,469,493)	-	-	-	-	-
Debtenture redemption reserve	-	-	-	-	-	-	(90,750,870)	-	90,750,870	-	-	-
Investment adjustment Reserve	-	-	-	-	-	-	(1,272,381)	-	1,272,381	-	-	-
Exchange fluctuation reserve	-	-	-	13,431,139	-	-	(13,431,139)	-	-	-	-	-
Staff skill development fund	-	-	-	-	-	-	(3,037,118)	-	3,037,118	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	(14,673,475)	-	14,673,475	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	822,421	-	-	822,421	-	822,421
Dividend Tax Adjustment as per Section 54(3) of ITA, 2002	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-	-	-	-	-	-
FMO Additional Investment (9,431,384 Units)	943,138,400	1,414,707,600	-	-	-	-	-	-	-	2,357,846,000	-	2,357,846,000
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-

Statement of distributable profit or loss

For the year ended 16 July 2018 (Asar end 2075)

(As per NRB Regulation)

Particulars	As at 32 Asar 2075	As at 31 Asar 2074
Net profit or (loss) as per statement of profit or loss	1,853,792,753	1,488,617,090
Appropriations:		
a. General reserve	(370,758,551)	(293,469,493)
b. Foreign exchange fluctuation fund	(1,731,624)	(13,431,139)
c. Capital redemption reserve	(90,999,503)	(90,750,870)
d. Corporate social responsibility fund	(18,537,928)	(14,673,475)
e. Employees' training fund	-	(3,037,118)
f. Investment Adjustment Reserve	-	(1,272,381)
Profit or (loss) before regulatory adjustment	1,371,765,147	1,071,982,614

(Amount in NPR)

Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(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 (+)	(59,774,627)	-
e. Deferred tax assets recognised (-)/ reversal (+)	(66,869,011)	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(48,026,502)	-
i. Other (+/-)	-	-
- Fair value of investment securities	(7,057,296)	-
Total Adjustments	(404,406,612)	-
Distributable profit or (loss)	967,358,536	1,071,982,614

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

Hari Babu Neupane
Director

Pradeep Raj Pandey
Director

Pradeep Pradhan
Chief Operating Officer

Mridul Parajuli
Head-Finance & Planning

Date: Wednesday, November 21, 2018
Place: NMB Bhawan, Babarmahal, Kathmandu

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Cash and cash equivalent

4.1

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Cash in hand	2,409,735,309	1,703,504,852	1,491,275,494	2,409,717,758	1,703,496,402	1,491,151,855
Balances with B/FIs	1,667,182,485	2,294,436,004	2,646,573,067	822,984,809	1,336,262,337	2,298,801,972
Money at call and short notice	236,768,728	407,919,965	557,849,219	236,768,728	407,919,965	557,849,219
Other	1,714,466,919	2,052,289,919	2,409,737,849	1,714,466,919	2,052,289,919	2,409,737,849
Total	6,028,153,441	6,458,150,739	7,105,435,630	5,183,938,214	5,499,968,622	6,757,540,896

The fair value of cash is the carrying amount.

Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the regulatory, liquidity and business requirements. To that extent there are regulatory and liquidity restrictions placed on the cash at vault. Cash held in FCY is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. There are interest bearing advances and 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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Statutory balances with NRB	5,160,583,504	9,252,184,991	6,395,815,135	5,136,353,504	9,242,454,991	6,390,585,135
Securities purchased under resale agreement	-	-	-	-	-	-
Other deposit and receivable from NRB	1,704,157,433	-	-	1,704,157,433	-	-
Total	6,864,740,937	9,252,184,991	6,395,815,135	6,840,510,937	9,242,454,991	6,390,585,135

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. Due from Nepal Rastra Bank is subsequently measured at amortised cost.

Placements with Bank and Financial Institutions

4.3

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Placement with domestic B/FIs	204,993,438	135,485,250	1,617,536,344	272,886,564	679,782,777	1,627,003,930
Placement with foreign B/FIs	3,520,607	2,152,151	5,357,030	3,520,607	2,152,151	5,357,030
Less: Allowances for impairment	-	-	-	-	-	-
Total	208,514,045	137,637,401	1,622,893,375	276,407,171	681,934,928	1,632,360,961

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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Held for trading	-	-	-	-	-	-
Interest rate swap	-	-	-	-	-	-
Currency swap	2,175,132,266	1,075,831,985	575,090,621	2,175,132,266	1,075,831,985	575,090,621
Forward exchange contract	5,331,619,218	4,349,802,235	3,091,509,252	5,331,619,218	4,349,802,235	3,091,509,252
Others	-	-	-	-	-	-
Held for risk management	-	-	-	-	-	-
Interest rate swap	-	-	-	-	-	-
Currency swap	-	-	-	-	-	-
Forward exchange contract	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	7,506,751,485	5,425,634,220	3,666,599,873	7,506,751,485	5,425,634,220	3,666,599,873

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Other trading assets

4.5

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Treasury bills	-	-	-	-	-	-
Government bonds	321,720,000	298,280,000	200,000	321,720,000	298,280,000	200,000
NRB Bonds	-	-	-	-	-	-
Domestic Corporate bonds	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	321,720,000	298,280,000	200,000	321,720,000	298,280,000	200,000
Pledged	-	-	-	-	-	-
Non-pledged	321,720,000	298,280,000	200,000	321,720,000	298,280,000	200,000

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.

Loan and advances to B/FIs

4.6

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Loans to microfinance institutions	2,522,765,611	1,887,951,493	1,440,381,396	2,522,765,611	1,887,951,493	1,440,381,396
Other	-	-	-	-	-	-
Less: Allowances for impairment	25,197,842	18,851,263	14,386,210	25,197,842	18,851,263	14,386,210
Total	2,497,567,769	1,869,100,231	1,425,995,187	2,497,567,769	1,869,100,231	1,425,995,187

4.6.1: Allowances for impairment

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Balance at Sawan 1	18,851,262.71	14,386,209.53	7,665,121.95	18,851,263	14,386,210	7,665,122
Impairment loss for the year:	-	-	-	-	-	-
Charge for the year	6,346,579.61	4,465,053.18	6,721,087.58	6,346,580	4,465,053	6,721,088
Recoveries/reversal	-	-	-	-	-	-
Amount written off	-	-	-	-	-	-
Balance at Asar end	25,197,842	18,851,263	14,386,210	25,197,842	18,851,263	14,386,210

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.

Loans and advances to customers

4.7

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Loan and advances measured at amortized cost	75,678,271,321	62,868,842,584	54,181,311,163	73,919,226,706	61,320,206,702	53,430,476,779
Less: Impairment allowances	-	-	-	-	-	-
Collective impairment	843,404,146	742,948,959	720,140,777	821,733,216	724,859,889	710,829,094
Individual impairment	421,282,405	719,924,493	717,747,775	385,721,724	708,385,395	712,811,354
Net amount	74,413,584,770	61,405,969,132	52,743,422,610	72,711,771,766	59,886,961,418	52,006,836,331
Loan and advances measured at FVTPL	-	-	-	-	-	-
Total	74,413,584,770	61,405,969,132	52,743,422,610	72,711,771,766	59,886,961,418	52,006,836,331

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.7.1: Analysis of loan and advances - By Product

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Product						
Term loans	14,268,625,654	10,966,699,082	9,996,365,976	14,268,625,654	10,966,699,082	9,996,365,976
Overdraft	3,099,974,826	2,972,914,578	3,168,111,397	3,099,974,826	2,972,914,578	3,168,111,397
Trust receipt/Import loans	3,939,614,346	1,996,791,449	2,091,274,424	3,939,614,346	1,996,791,449	2,091,274,424
Demand and other working capital loans	16,124,798,315	12,702,417,437	10,986,254,757	16,124,798,315	12,702,417,437	10,986,254,757
Personal residential loans	8,411,862,846	6,857,584,230	5,653,653,675	8,411,862,846	6,857,584,230	5,653,653,675
Real estate loans	3,717,309,146	4,323,418,551	4,146,528,326	3,717,309,146	4,323,418,551	4,146,528,326
Margin lending loans	417,471,461	1,042,937,797	847,658,162	417,471,461	1,042,937,797	847,658,162
Hire purchase loans	4,607,041,027	4,418,364,959	3,550,384,348	4,607,041,027	4,418,364,959	3,550,384,348
Deprived sector loans	2,954,936,105	2,839,479,939	1,626,868,582	2,954,936,105	2,839,479,939	1,626,868,582
Bills purchased	8,000,000	1,120,381,845	912,219,492	8,000,000	1,120,381,845	912,219,492
Staff loans	611,927,024	379,337,153	187,056,297	605,720,012	375,339,561	185,009,737
Other	17,301,221,618	13,010,102,469	10,783,467,426	17,301,221,618	13,010,102,469	10,783,467,426
Sub total	75,462,782,369	62,630,429,487	53,949,842,860	73,731,852,934	61,099,666,659	53,205,799,768
Interest receivable	215,488,951	238,413,097	231,468,303	187,373,772	220,540,043	224,677,011
Grand total	75,678,271,321	62,868,842,584	54,181,311,162	73,919,226,706	61,320,206,702	53,430,476,779

4.7.2: Analysis of loan and advances – By Currency

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Nepalese rupee	74,014,883,703	61,638,726,337	53,244,740,288	72,255,839,089	60,090,090,455	52,493,905,904
Indian rupee	-	-	-	-	-	-
United State dollar	1,643,853,338	1,214,884,411	929,148,372	1,643,853,338	1,214,884,411	929,148,372
Great Britain pound	-	-	-	-	-	-
Euro	19,534,280	15,231,835	7,422,503	19,534,280	15,231,835	7,422,503
Japenese yen	-	-	-	-	-	-
Chinese yuan	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	75,678,271,321	62,868,842,584	54,181,311,162	73,919,226,706	61,320,206,702	53,430,476,779

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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Secured						
Movable/immovable assets	73,662,058,233	60,474,682,957	53,156,872,863	73,329,496,135	60,208,443,117	53,096,842,960
Gold and silver	-	-	-	-	-	-
Guarantee of domestic B/FIs	7,538,789	50,581,851	26,486,928	7,538,789	50,581,851	26,486,928
Government guarantee	83,000,167	120,017,566	123,480,623	83,000,167	120,017,566	123,480,623
Guarantee of international rated bank	-	-	-	-	-	-
Collateral of export document	-	-	-	-	-	-
Collateral of fixed deposit receipt	498,271,513	940,353,732	183,666,269	498,271,513	940,353,732	183,666,269
Collateral of Government securities	920,102	810,436	-	920,102	810,436	-
Counter guarantee	-	-	-	-	-	-
Personal guarantee	484,068	210,300	250,195	-	-	-
Other collateral	1,425,998,448	1,282,185,743	690,554,285	-	-	-
Subtotal	75,678,271,321	62,868,842,584	54,181,311,162	73,919,226,706	61,320,206,702	53,430,476,779
Unsecured	-	-	-	-	-	-
Grant Total	75,678,271,321	62,868,842,584	54,181,311,162	73,919,226,706	61,320,206,702	53,430,476,779

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.7.4: Allowances for impairment

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Specific allowances for impairment						
Balance at Sawan 1	719,924,493	717,747,775	1,457,459,102	708,385,395	712,811,354	1,457,459,102
Impairment loss for the year:	-	-	-	-	-	-
Charge for the year	-	6,602,677	-	-	-	-
Recoveries/reversal during the year	(298,642,088)	(4,425,960)	(744,647,748)	(322,663,671)	(4,425,960)	(744,647,748)
Write-offs	-	-	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at Asar end	421,282,405	719,924,493	712,811,354	385,721,724	708,385,395	712,811,354
Collective allowances for impairment						
Balance at Sawan 1	724,859,889	720,140,777	-	724,859,889	710,829,094	-
Impairment loss for the year:	-	-	-	-	-	-
Charge/(reversal) for the year	96,873,328	22,808,182	-	96,873,328	14,030,794	-
Exchange rate variance on foreign currency impairment	-	-	-	-	-	-
Other movement	-	-	-	-	-	-
Balance at Asar end	821,733,216	742,948,959	-	821,733,216	724,859,889	-
Total allowances for impairment	1,243,015,621	1,462,873,452	712,811,354	1,207,454,940	1,433,245,283	1,423,640,448

Investment securities

4.8

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Investment securities measured at amortized cost	9,024,056,884	7,234,955,572	4,271,840,041	8,894,967,898	7,176,705,132	4,242,638,454
Investment in equity measured at FVTOCI	584,311,327	340,333,308	219,203,783	553,478,827	304,276,040	195,132,429
Total	9,608,368,211	7,575,288,880	4,491,043,825	9,448,446,725	7,480,981,172	4,437,770,882

4.8.1: Investment securities measured at amortized cost

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Debt securities	14,088,986	13,250,440	13,360,996	-	-	-
Government bonds	5,479,269,098	4,736,764,832	3,550,972,652	5,479,269,098	4,736,764,832	3,550,793,934
Government treasury bills	2,538,022,061	1,227,560,741	691,844,519	2,538,022,061	1,227,560,741	691,844,519
Nepal Rastra Bank bonds	-	-	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-	-	-
Other Investments	992,676,739	1,257,379,559	15,661,874	877,676,739	1,212,379,559	-
Less: specific allowances for impairment	-	-	-	-	-	-
Total	9,024,056,884	7,234,955,572	4,271,840,041	8,894,967,898	7,176,705,132	4,242,638,454

The details of other investment as at 32 Asar 2075 is as follows:

Description	Int Rate	Maturity Date	Face Value (USD)	Investment Amount (USD)	Carrying Amount (NPR.)
1. National Savings Bank	8.88%	18-Sep-18	1,861,000	1,997,597	206,060,107
2. National Savings Bank	8.88%	18-Sep-18	2,782,000	2,982,304	308,816,350
3. Republic Of Srilanka	6.00%	14-Jan-19	1,868,000	1,952,060	209,219,603
4. Syndicate Bank London	3.88%	4-Dec-19	1,400,000	1,407,000	153,580,679
Total					877,676,739

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

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Equity instruments						
Quoted equity securities	556,919,327	312,941,308	204,811,783	539,086,827	289,884,040	180,740,429
Unquoted equity securities	27,392,000	27,392,000	14,392,000	14,392,000	14,392,000	14,392,000
Total	584,311,327	340,333,308	219,203,783	553,478,827	304,276,040	195,132,429

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.8.3: Information relating to investment in equities

Particulars	Group						NMB					
	As at 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073		As at 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity												
United Insurance Co. (Nepal) Limited	211,300	258,600	211,300	315,600	271,300	2,340,000	211,300	258,600	211,300	315,600	271,300	2,340,000
NLG Insurance Company Limited	-	43,710	-	2,400	-	19,700	-	43,710	-	2,400	-	19,700
Prime Life Insurance Company Limited	-	-	-	-	55,410	457,600	-	-	-	-	55,410	457,600
Rastriya Beema Sassthan Limited	-	-	-	-	752,750	7,646,940	-	-	-	-	752,750	7,646,940
Sanima Mai Hydro Power Limited	-	-	-	-	3,259,708	5,525,340	-	-	-	-	3,259,708	5,525,340
Ridi Hydro Power Limited	3,600	5,781	3,600	9,548	9,400	38,419	3,600	5,781	3,600	9,548	9,400	38,419
Soaltee Hotel Limited	-	-	-	-	2,815,461	2,577,000	-	-	-	-	2,815,461	2,577,000
Rural Microfinance Development Center Limited	-	411,390	-	465,000	-	-	-	411,390	-	465,000	-	-
Laxmi Laghubitta Sanstha Limited	-	4,392	-	7,444	-	-	-	4,392	-	7,444	-	-
Nepal Life Insurance Company Limited	-	-	4,961,850	8,413,716	-	-	-	-	2,480,925	4,674,048	-	-
Mero Micro Finance Bittiya Sanstha Ltd.	14,000,000	20,020,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	20,020,000	14,000,000	14,000,000	14,000,000	14,000,000
Butwal Power Company	209,006,679	190,650,803	-	-	-	-	209,006,679	190,650,803	-	-	-	-
NMB Sulav Investment Fund-1	112,500,000	129,937,500	112,500,000	140,625,000	112,500,000	158,625,000	105,000,000	121,275,000	105,000,000	131,250,000	105,000,000	148,050,000
NIBL Samridhhi Fund-1	-	-	-	-	934,170	1,233,104	-	-	-	-	64,720	85,430
NMB Hybrid Fund-1	150,000,000	144,830,000	150,000,000	149,100,000	-	-	140,000,000	135,660,000	140,000,000	139,160,000	-	-
Laxmi Equity Fund (LEMF)	40,947,100	33,167,151	-	-	482,420	582,763	40,947,100	33,167,151	-	-	-	-
NIC Asia Growth Fund (NICGF)	10,000,000	9,190,000	-	-	-	-	10,000,000	9,190,000	-	-	-	-
Sanima Equity Fund (SAEF)	20,000,000	19,120,000	-	-	-	-	20,000,000	19,120,000	-	-	-	-
Citizen Mutual Fund-1	10,000,000	9,280,000	-	-	-	-	10,000,000	9,280,000	-	-	-	-
Century Commercial Bank Ltd.	-	-	-	-	781,300	3,601,793	-	-	-	-	-	-
Nepal Investment Bank Ltd.	-	-	-	-	1,688,810	2,928,020	-	-	-	-	-	-
Saptakoshi Development Bank Ltd.	-	-	-	-	110,000	583,000	-	-	-	-	-	-
Siddhartha Investment Growth Scheme - 1	-	-	-	-	1,500,000	3,900,000	-	-	-	-	-	-
Nabil Balance Fund - 1	-	-	-	-	343,100	753,105	-	-	-	-	-	-
Total	566,668,679	556,919,327	281,676,750	312,938,708	139,503,829	204,811,784	549,168,679	539,086,827	261,695,825	289,884,040	126,228,749	180,740,429

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Current tax assets

4.9

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Current tax assets						
Current year income tax assets	732,387,644	652,849,801	237,853,891	633,132,526	566,731,035	190,022,110
Tax assets of prior periods	130,752,238	152,795,506	276,613,501	130,752,238	152,795,506	276,613,501
Total Current tax Assets	863,139,882	805,645,307	514,467,392	763,884,764	719,526,541	466,635,611
Current tax liabilities						
Current year income tax liabilities	923,191,366	671,446,851	354,253,910	824,302,920	588,244,528	306,938,875
Tax liabilities of prior periods	-	529,775	6,901,230	-	529,775	6,901,230
Total Current tax Liabilities	923,191,366	671,976,626	361,155,139	824,302,920	588,774,303	313,840,105

The movement of Advance tax as of Asar end 2075 is given below:

Particulars	Amount (NPR)
A. Advance Income Tax carried forward from previous year	130,752,238
B. Advance Tax Instalments FY 2074/75	635,000,000
C. Tax Withheld by Withholder FY 2074/75	7,712,762
D. Tax transferred to Tax Deposit for legal cases	9,580,237
E. Provision for Income tax for FY 2074/75	824,302,920
Net Tax Payable (A+B+C-D-E)	(60,418,157)

The tax payable is due to creation of additional tax liability amounting NPR. 72,325,141 on interest suspense balance (including of staf loan) amounting NPR. 241,083,802 as of Asar End 2074. Tax has been calculated as per cash basis of interest income till FY 2073/74 and as per accrual basis in FY 2074/75. The details of interest suspense is given below:

Particulars	NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Interest Suspense - Loans and advances	190,355,152	223,365,265	226,437,454
Interest Suspense - Staff loan	32,324,024	17,718,537	8,468,864
Total Suspense transfer to reserve	222,679,176	241,083,802	234,906,318
Additional Interest Income	(18,404,627)	6,177,485	-

4.10

Investment in subsidiaries

Particulars	NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Investment in quoted subsidiaries	48,552,000	48,552,000	20,400,000
Investment in unquoted subsidiaries	200,000,000	100,000,000	100,000,000
Total investment	248,552,000	148,552,000	120,400,000
Less: Impairment allowances	-	-	-
Net carrying amount	248,552,000	148,552,000	120,400,000

4.10.1: Investment in quoted subsidiaries

Particulars	NMB					
	As at 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
NMB Micro Finance Bittiya Sastha Limited, 718,462 Ordinary shares of Rs 100 each fully paid up	48,552,000	48,552,000	48,552,000	48,552,000	20,400,000	20,400,000
Total	48,552,000	48,552,000	48,552,000	48,552,000	20,400,000	20,400,000

4.10.2: Investment in unquoted subsidiaries

Particulars	NMB					
	As at 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073	
	Cost	Fair Value	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	100,000,000	100,000,000	100,000,000	100,000,000
Total	200,000,000	200,000,000	100,000,000	100,000,000	100,000,000	100,000,000

4.10.3: Information relating to subsidiaries of the Bank

Particulars	NMB		
	Percentage of ownership held by the Bank		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
NMB Capital Limited	100%	100%	100%
NMB Micro Finance Bittiya Sastha Limited	51%	51%	51%

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.10.4: Non controlling interest of the subsidiaries

Particulars	Group	
	As at 32 Asar 2075	As at 31 Asar 2074
Equity interest held by NCI (%)	49%	49%
Profit/(loss) allocated during the year	20,273,815	25,937,999
Accumulated balances of NCI as on year end	131,480,054	54,524,097
Dividend paid to NCI	726,619	296,579

Investment in associates

4.11

Particulars	Group			Bank		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
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 32 Asar 2075	As at 31 Asar 2074	As at 32 Asar 2075	As at 31 Asar 2073
	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 32 Asar 2075		As at 31 Asar 2074		As at 32 Asar 2075		As at 31 Asar 2074	
	Cost	Fair Value	Cost	Fair Value	Fair Value	Cost	Fair Value	
"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		As at 31 Asar 2074		Percentage of ownership held by the Bank		As at 31 Asar 2074	
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	
.....Ltd.	-	-	-	-	-	-	-	
.....Ltd.	-	-	-	-	-	-	-	
.....Ltd.	-	-	-	-	-	-	-	
.....Ltd.	-	-	-	-	-	-	-	
.....	-	-	-	-	-	-	-	

4.11.4: Equity value of associates

Particulars	Group		As at 31 Asar 2073
	As at 32 Asar 2075	As at 31 Asar 2074	
.....Ltd.	-	-	-
.....Ltd.	-	-	-
.....	-	-	-
Total	-	-	-

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Investment properties

4.12

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Investment properties measured at fair value						
Balance as on Sawan 1	77,488,827	69,968,627	57,811,000	77,488,827	69,968,627	57,811,000
Addition/disposal during the year	(17,714,200)	7,520,200	12,157,627	(17,714,200)	7,520,200	12,157,627
Net changes in fair value during the year	-	-	-	-	-	-
Adjustment/transfer	-	-	-	-	-	-
Net amount	59,774,627	77,488,827	69,968,627	59,774,627	77,488,827	69,968,627
Investment properties measured at cost						
Balance as on Sawan 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 & 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; depreciation charge is not raised.

The details of Non-Banking Assets as of Asar end, 2075 are as follows:

Party's Name	Date NBA is assumed	Amount (NPR)
1. Kipu Quality Meat Products Pvt. Ltd.	16-Jul-15	5,354,000
2. Ratna Kumar Gautam	13-Jul-12	1,692,627
3. Kamdhenu Mahila Dugdha Utpadak Ssl	16-Nov-17	785,000
4. Kamal Prasad Chaulagain	29-Nov-17	143,000
5. Ankita Impex	3-Apr-18	13,936,000
6. Jalthal Live Stock Pvt. Ltd.	9-Apr-18	2,200,000
7. Factory Outlet And Clothing Store	18-Jun-18	15,530,000
8. China Hygienic Meat Pro & Sup Pvt.Ltd.	15-Jul-18	20,134,000
Total		59,774,627

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.13

Particulars	Group										Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others				
Cost												
As on Sawan 1, 2073	869,937,410	154,771,541	146,630,571	113,544,244	238,785,733	63,214,127	189,777,153	86,289,116				1,862,949,894
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition	-	7,886,818	43,126,077	39,359,958	82,864,300	11,355,621	89,493,926	18,708,269				292,794,969
Capitalization	-	-	(6,228,582)	(1,263,296)	(36,553,946)	(2,209,494)	(10,091,373)	(3,154,922)				(99,801,613)
Disposal during the year	(40,300,000)	-	-	-	-	-	-	-				-
Adjustment/Revaluation	-	-	-	-	-	-	-	-				-
Balance as on Asar end 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	12,820,321				284,038,771
Disposal during the year	-	-	(1,013,363)	(1,139)	(18,692,296)	(157,410)	(13,282,797)	(88,300)				(33,235,306)
Adjustment/Revaluation	-	-	-	-	-	-	-	-				-
Balance as on Asar end 2075	829,637,410	168,823,988	245,563,185	174,503,381	332,123,741	95,029,465	346,491,060	114,574,484				2,306,746,714
Depreciation and Impairment												
As on Sawan 1, 2073	-	31,456,811	82,631,428	79,087,322	101,236,156	47,102,697	115,754,673	63,777,987				521,047,073
Depreciation charge for the Year	-	2,745,061	17,706,143	14,105,106	42,255,739	5,855,714	26,447,492	8,011,605				117,126,859
Impairment for the year	-	-	-	-	-	-	-	-				-
Disposals	-	-	(4,172,973)	(1,242,096)	(29,324,617)	(1,898,418)	(8,287,121)	(2,387,309)				(47,312,534)
Adjustment	-	-	-	-	-	-	-	-				-
As on Asar end 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
Impairment for the year	-	-	-	-	-	-	-	-				-
Depreciation charge for the Year	-	4,030,658	19,768,722	19,280,860	53,524,107	6,948,581	37,636,030	8,859,286				150,048,244
Disposals	-	-	(818,586)	-	(14,993,148)	(133,851)	(13,220,338)	(81,767)				(29,247,691)
Adjustment	-	-	-	-	-	-	-	-				-
As on Asar end 2075	-	38,232,531	115,114,734	111,231,191	152,698,237	57,874,722	158,330,735	78,179,801				711,661,951
Capital Work in Progress												
Net Book Value												
As on Asar end 2073	869,937,410	123,314,730	63,999,143	34,456,922	137,549,577	16,111,430	74,022,480	22,511,129				1,341,902,821
As on Asar 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 Asar end 2075	829,637,410	130,591,458	130,448,451	63,272,190	179,425,504	37,154,742	188,160,325	36,394,683				1,595,084,763

Particulars	NMB										Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others				
Cost												
As on Sawan 1, 2073	869,937,410	154,771,541	142,864,002	106,535,474	233,153,531	52,886,623	189,777,153	84,384,529				1,834,310,262
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-	7,886,818	38,663,315	36,657,915	73,346,900	5,947,792	89,493,926	18,422,053				270,418,719
Disposal during the year	(40,300,000)	-	(6,228,582)	(1,242,096)	(36,553,946)	(2,148,864)	(10,091,373)	(3,154,475)				(99,719,336)
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on Asar end 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												
Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
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 Asar 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
Depreciation and Impairment												
As on Sawan 1, 2073	-	31,456,811	79,673,171	76,282,671	96,873,175	41,448,395	115,754,673	63,077,333				504,566,228
Depreciation charge for the Year	-	2,745,061	17,149,875	12,525,595	40,772,588	3,781,077	26,447,492	7,715,157				111,136,844
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,172,973)	(1,242,096)	(29,324,617)	(1,898,418)	(8,287,121)	(2,387,309)				(47,312,534)
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As on Asar end 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
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-
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
Disposals	-	-	(818,586)	-	(14,993,148)	(133,851)	(13,220,338)	(81,767)				(29,247,691)
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As on Asar 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
Capital Work in Progress												
Net Book Value												
As on Asar end 2073	869,937,410	123,314,730	63,190,831	30,252,803	136,280,356	11,438,228	74,022,480	21,307,196				1,329,744,034
As on Asar 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 Asar 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

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For the year ended 32 Asar 2075

Goodwill and Intangible Assets

4.14

Particulars	Group					Total
	Goodwill	Software		Other	Developed	
		Purchased				
Cost						
As on Sawan 1, 2073	-	42,554,292	-	-	-	42,554,292
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	4,580,129	-	-	-	4,580,129
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 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 Asar end 2075	-	59,887,619	-	-	-	59,887,619
Amortization and Impairment						
As on Sawan 1, 2073	-	26,167,608	-	-	-	26,167,608
Amortization charge for the Year	-	4,881,906	-	-	-	4,881,906
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2074	-	31,049,514	-	-	-	31,049,514
Amortization charge for the Year	-	-	-	-	-	-
Impairment for the year	-	6,194,294	-	-	-	6,194,294
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2075	-	37,243,808	-	-	-	37,243,808
Capital Work in Progress						
Net Book Value						
As on Asar end 2073	-	16,386,684	-	-	-	16,386,684
As on Asar end 2074	-	16,084,906	-	-	-	16,084,906
As on Asar end 2075	-	22,643,811	-	-	-	22,643,811

Particulars	NMB					Total
	Goodwill	Software		Other	Developed	
		Purchased				
Cost						
As on Sawan 1, 2073	-	41,317,799	-	-	-	41,317,799
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	4,568,829	-	-	-	4,568,829
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 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 Asar end 2075	-	58,097,426	-	-	-	58,097,426
Amortization and Impairment						
As on Sawan 1, 2073	-	25,542,489	-	-	-	25,542,489
Amortization charge for the Year	-	4,646,992	-	-	-	4,646,992
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 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 Asar end 2075	-	36,043,217	-	-	-	36,043,217
Capital Work in Progress						
Net Book Value						
As on Asar end 2073	-	15,775,309	-	-	-	15,775,309
As on Asar end 2074	-	15,697,146	-	-	-	15,697,146
As on Asar end 2075	-	22,054,209	-	-	-	22,054,209

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

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. DTL 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 32 Asar 2075			Year ended 32 Asar 2075		
	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	-
Investment properties	-	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)
Property & equipment	920,390,884	787,367,827	133,023,057	876,980,620	751,986,372	124,994,248
Employees' defined benefit plan	164,991,006	-	164,991,006	151,214,591	-	151,214,591
Lease liabilities	-	-	-	-	-	-
Provisions	5,544,336	584,566	4,959,770	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
Deferred tax on carry forward of unused tax losses			3,389,813	3,389,813	-	3,389,813
Deferred tax due to changes in tax rate			-			-
Net Deferred tax asset/(liabilities) as on 32 Asar 2075			64,066,990			66,869,011
Deferred tax (asset)/liabilities as on 31 Asar 2074			72,033,510			69,197,225
Origination/(Reversal) during the year			(131,090,322)			(136,066,237)
Deferred tax expense/(income) recognised in profit or loss			(116,372,096)			(117,093,734)
Deferred tax expense/(income) recognised in other comprehensive income			(14,718,226)			(18,972,501)
Deferred tax expense/(income) recognised in directly in equity			-			-

Particulars	Group			NMB		
	Year ended 31 Asar 2074			Year ended 31 Asar 2074		
	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	1,452,096,546	1,711,053,403	(258,956,857)	1,452,096,546	1,693,180,348	(241,083,802)
Investment properties	-	77,488,827	(77,488,827)	-	77,488,827	(77,488,827)
Investment securities	-	53,436,736	(53,436,736)	-	50,362,993	(50,362,993)
Property & equipment	670,218,463	651,529,347	18,689,115	639,687,041	622,678,841	17,008,200
Employees' defined benefit plan	115,517,891	-	115,517,891	103,545,921	-	103,545,921
Lease liabilities	-	-	-	-	-	-
Provisions	5,544,336	1,169,132	4,375,204	5,544,336	-	5,544,336
Deferred tax on temporary differences	671,893,758	747,581,192	(75,687,434)	660,262,153	733,113,303	(72,851,150)
Deferred tax on carry forward of unused tax losses			3,653,924	3,653,924	-	3,653,924
Deferred tax due to changes in tax rate				-	-	-
Net Deferred tax asset/(liabilities) as on 31 Asar 2075			(72,033,510)			(69,197,225)
Deferred tax (asset)/liabilities as on 1 Shrawan 2074			59,970,019			60,168,466
Origination/(Reversal) during the year			13,192,957			9,028,759
Deferred tax expense/(income) recognised in profit or loss			28,864,483			26,495,906
Deferred tax expense/(income) recognised in other comprehensive income			(15,671,526)			(17,467,148)
Deferred tax expense/(income) recognised in directly in equity			-			-

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Particulars	Group				NMB		
	Year ended 31 Asar 2073				Year ended 31 Asar 2073		
	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	-	241,697,610	(241,697,610)	-	234,906,318	(234,906,318)	
Investment properties	-	69,968,627	(69,968,627)	-	69,968,627	(69,968,627)	
Investment securities	-	65,994,257	(65,994,257)	-	55,197,982	(55,197,982)	
Property & equipment	510,852,745	488,352,095	22,500,649	496,358,761	475,581,934	20,776,827	
Employees' defined benefit plan	73,798,403	1,753,697	72,044,706	68,035,063	-	68,035,063	
Lease liabilities	-	-	-	-	-	-	
Provisions	5,544,336	-	5,544,336	5,544,336	-	5,544,336	
Deferred tax on temporary differences	176,661,923	260,180,717	(83,518,794)	170,981,448	250,696,458	(79,715,010)	
Deferred tax on carry forward of unused tax losses	19,546,544	-	19,546,544	19,546,544	-	19,546,544	
Deferred tax due to changes in tax rate	-	-	-	-	-	-	
Net Deferred tax asset/(liabilities) as on 01 Shrawan, 2073			(63,972,250)			(60,168,466)	
Deferred tax (asset)/liabilities as on 31 Asar, 2073 (Old GAAP)			(66,442,644)			(65,318,853)	
Origination/(Reversal) during the year			(130,642,846)			(125,487,319)	
Deferred tax expense/(income) recognised in profit or loss			-			-	
Deferred tax expense/(income) recognised in other comprehensive income			-			-	
Deferred tax expense/(income) recognised in directly in equity			130,642,846			125,487,319	

Other assets 4.16

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Assets held for sale	-	-	-	-	-	-
Other non banking assets	-	-	-	-	-	-
Bills receivable	-	-	-	-	-	-
Accounts receivable	482,994,085	90,805,037	81,871,891	455,562,087	64,310,812	62,638,715
Accrued income	12,434,921	8,488,967	15,394,621	12,434,921	8,488,967	15,394,621
Prepayments and deposit	43,227,751	90,317,543	52,147,730	42,388,619	89,682,413	47,919,231
Income tax deposit	63,703,616	46,508,379	30,856,379	63,703,616	46,508,379	30,856,379
Deferred employee expenditure	451,037,186	72,641,231	90,261,660	451,037,186	72,641,231	90,261,660
Others:						
Advance Gold and Silver	-	-	268,706,657	-	-	268,706,657
Stock of Stationery	19,736,719	9,726,768	7,862,285	18,771,774	9,057,530	7,244,836
Fuel Stock	34,255	533,976	289,650	34,255	533,976	289,650
Gold Markup	-	-	21,185,217	-	-	21,185,217
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	1,220,655	311,610	817,756	208,124	-	59,403
Total	4,913,860,467	319,333,511	569,393,845	4,883,611,861	291,223,308	544,556,369

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Due to Bank and Financial Institutions

4.17

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Money market deposits	-	-	-	-	-	-
Interbank borrowing	500,000,000	-	-	500,000,000	-	-
Other deposits from BFIs	-	-	-	-	-	-
Settlement and clearing accounts	-	-	-	-	-	-
Other deposits from BFIs	536,268,951	906,395,995	1,328,575,351	536,268,951	906,395,995	1,328,575,351
Total	1,036,268,951	906,395,995	1,328,575,351	1,036,268,951	906,395,995	1,328,575,351

Due to Nepal Rastra Bank

4.18

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Refinance from NRB	660,071,641	1,110,558,800	1,377,300,000	660,071,641	1,110,558,800	1,377,300,000
Standing Liquidity Facility	-	-	-	-	-	-
Lender of last report facility from NRB	-	-	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-	-	-
Other payable to NRB	-	-	-	-	-	-
Total	660,071,641	1,110,558,800	1,377,300,000	660,071,641	1,110,558,800	1,377,300,000

The Bank has an outstanding borrowing of NPR 660,071,641 (Schedule 4.18) from the Central Bank under Refinancing Facility available to Financial Institutions. These facilities have been obtained as an interest rate relief to certain Hydropower, hotel project borrowers of the bank and related to earthquake victims. The said borrowings are measured at amortized cost.

Derivative financial instruments

4.19

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Held for trading						
Interest rate swap	-	-	-	-	-	-
Currency swap	2,164,552,686	1,062,110,615	569,043,333	2,164,552,686	1,062,110,615	569,043,333
Forward exchange contract	5,312,931,206	4,330,920,650	3,074,304,355	5,312,931,206	4,330,920,650	3,074,304,355
Others	-	-	-	-	-	-
Held for risk management						
Interest rate swap	-	-	-	-	-	-
Currency swap	-	-	-	-	-	-
Forward exchange contract	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	7,477,483,892	5,393,031,265	3,643,347,688	7,477,483,892	5,393,031,265	3,643,347,688

Deposits from customers

4.20

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Institutions customers:						
Term deposits	23,581,918,142	21,692,434,635	19,587,194,700	23,671,918,142	21,732,434,635	19,607,194,700
Call deposits	7,573,942,659	6,222,472,812	12,254,973,531	7,641,835,785	6,766,770,339	12,264,441,117
Current deposits	4,605,900,471	4,487,374,224	2,331,590,839	4,605,900,471	4,487,374,224	2,331,590,839
Other	5,626,605,019	2,644,527,485	2,604,399,762	5,626,605,019	2,644,527,485	2,604,399,762
Individual customers:						
Term deposits	22,161,841,630	19,360,155,951	7,367,948,970	22,161,841,630	19,360,155,951	7,367,948,970
Saving deposits	20,557,909,842	17,050,797,113	18,258,281,354	19,861,381,189	16,646,625,129	18,065,546,710
Current deposits	184,616,311	180,439,181	180,849,886	184,616,311	180,439,181	180,849,886
Other	216,768,673	499,339,660	1,030,916,288	216,768,673	499,339,660	1,030,916,288
Total	84,509,502,746	72,137,541,062	63,616,155,330	83,970,867,219	72,317,666,604	63,452,888,272

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.20.1: Currency wise analysis of deposit from customers

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Nepalese rupee	82,092,407,581	69,258,171,035	60,151,878,994	81,553,772,054	69,438,296,577	59,988,611,936
Indian rupee	-	-	-	-	-	-
United State dollar	2,155,435,584	2,821,025,372	3,360,654,840	2,155,435,584	2,821,025,372	3,360,654,840
Great Britain pound	31,385,378	10,787,086	33,688,027	31,385,378	10,787,086	33,688,027
Euro	39,565,485	46,244,379	69,180,789	39,565,485	46,244,379	69,180,789
Japanese yen	-	-	-	-	-	-
Chinese yuan	189,152,396	-	-	189,152,396	-	-
Other	1,556,323	1,313,190	752,680	1,556,323	1,313,190	752,680
Total	84,509,502,746	72,137,541,062	63,616,155,330	83,970,867,219	72,317,666,604	63,452,888,272

Borrowing

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Domestic Borrowing						
Nepal Government	-	-	-	-	-	-
Other Institutions	1,182,081,898	1,185,583,051	660,507,964	-	-	-
Other	-	-	-	-	-	-
Sub total	1,182,081,898	1,185,583,051	660,507,964	-	-	-
Foreign Borrowing						
Foreign Bank and Financial Institutions	-	55,347,308	110,694,615	-	55,347,308	110,694,615
Multilateral Development Banks	-	-	-	-	-	-
Other Institutions	-	-	-	-	-	-
Sub total	-	55,347,308	110,694,615	-	55,347,308	110,694,615
Total	1,182,081,898	1,240,930,359	771,202,579	-	55,347,308	110,694,615

4.21

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Provisions for redundancy	-	-	-	-	-	-
Provision for restructuring	-	-	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-	-	-
Onerous contracts	-	-	-	-	-	-
Other	9,152,000	9,977,608	17,894,559	9,078,444	9,804,595	17,859,204
Total	9,152,000	9,977,608	17,894,559	9,078,444	9,804,595	17,859,204

4.22.1: Movement in provision

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Balance at Sawan 1	9,977,608	17,894,559	3,635,822	9,804,595	17,859,204	3,635,822
Provisions made during the year	-	137,658	14,258,737	-	-	14,223,382
Provisions used during the year	-	-	-	-	-	-
Provisions reversed during the year	(825,608)	(8,054,609)	-	(726,151)	(8,054,609)	-
Unwind of discount	-	-	-	-	-	-
Balance at Asar end	9,152,000	9,977,608	17,894,559	9,078,444	9,804,595	17,859,204

The provision outstanding as of Asar end 2075 of NMB includes IPO receivables of erstwhile Bank of Asia, deposit of capital merchant finance and other provisions for expenses amounting NPR. 5,544,336, NPR. 3,217,297 and NPR. 316,812 respectively.

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Other liabilities

4.23

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Liability for employees defined benefit obligations	72,462,163	83,827,657	60,627,475	60,864,641	75,408,947	56,297,741
Liability for long-service leave	86,044,161	64,790,264	2,619,604	82,605,302	59,908,236	-
Short-term employee benefits	9,540	453,914	197,132	-	-	-
Bills payable	98,397,763	60,022,162	23,862,927	98,397,763	60,022,162	23,862,927
Creditors and accruals	914,528,161	1,046,423,561	420,432,299	515,281,016	463,688,342	388,873,925
Interest payable on deposit	221,604,523	217,383,560	175,018,662	221,604,523	217,383,560	175,018,662
Interest payable on borrowing	6,359,178	13,977,271	2,855,180	6,359,178	13,977,271	2,855,180
Liabilities on deferred grant income	2,925,180	7,417,405	-	-	-	-
Unpaid Dividend	12,317,367	34,199,317	34,013,359	12,317,367	34,199,317	34,013,359
Liabilities under Finance Lease	-	-	-	-	-	-
Employee bonus payable	299,473,585	225,673,368	168,127,098	285,146,674	208,082,194	160,278,953
Others:	-	-	-	-	-	-
TDS Payable	134,366,091	77,494,297	52,012,723	122,304,636	70,058,312	48,124,719
Audit Fee Payable	1,258,075	1,586,359	1,329,700	1,118,700	1,103,850	1,003,500
Others	21,870,778	16,345,204	25,564,910	-	5,500	2,386,032
Total	1,871,616,566	1,849,594,340	966,661,068	1,405,999,800	1,203,837,692	892,714,998

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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Present value of unfunded obligations	93,251,053	68,492,558	59,741,469	83,378,260	59,908,236	56,297,742
Present value of funded obligations	191,683,809	135,805,381	84,808,936	191,683,809	135,805,381	84,808,936
Total present value of obligations	284,934,862	204,297,939	144,550,405	275,062,069	195,713,617	141,106,678
Fair value of plan assets	130,819,168	61,025,096	-	130,819,168	61,025,096	-
Present value of net obligations	144,242,901	134,688,521	141,106,678	144,242,901	134,688,521	141,106,678
Recognised liability for defined benefit obligations	284,934,862	204,297,939	144,550,405	275,062,069	195,713,617	141,106,678

4.23.2: Plan assets

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Plan assets comprise	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Bank deposit	130,819,168	61,025,096	-	130,819,168	61,025,096	-
Other	-	-	-	-	-	-
Total	130,819,168	61,025,096	-	130,819,168	61,025,096	-

4.23.3: Movement in the present value of defined benefit obligations

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Defined benefit obligations at Sawan 1	204,297,939	144,550,404	104,168,062	195,713,617	141,106,677	102,383,992
Actuarial losses	34,005,777	48,811,043	17,537,996	36,237,227	45,531,773	16,873,367
Benefits paid by the plan	(11,993,820)	(35,593,038)	(7,177,332)	(9,706,097)	(35,016,546)	(6,806,747)
Current service costs and interest	58,624,966	46,529,529	30,021,678	52,817,322	44,091,712	28,656,065
Defined benefit obligations at Asar end	284,934,862	204,297,939	144,550,405	275,062,069	195,713,617	141,106,678

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.23.4: Movement in the fair value of plan assets

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Fair value of plan assets at Sawan 1	61,025,096	-	-	61,025,096	-	-
Contributions paid into the plan	74,780,285	84,808,936	-	74,780,285	84,808,936	-
Benefits paid during the year	(4,986,213)	(23,783,840)	-	(4,986,213)	(23,783,840)	-
Actuarial (losses) gains	-	-	-	-	-	-
Expected return on plan assets	-	-	-	-	-	-
Fair value of plan assets at Asar end	130,819,168	61,025,096	-	130,819,168	61,025,096	-

4.23.5: Amount recognised in profit or loss

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Current service costs	40,208,342	30,705,144	1,859,223	37,033,544	26,528,680	-
Interest on obligation	27,617,124	17,229,297	127,902	26,994,156	16,979,904	-
Expected return on plan assets	-	-	-	-	-	-
Total	67,825,466	47,934,441	1,987,125	64,027,700	43,508,584	-

The opening equity pertaining to FY 2072/73 has been restated as per NFRS - 01 and hence corresponding figures of statement of comprehensive income is not disclosed separately

4.23.6: Amount recognised in other comprehensive income

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Actuarial (gain)/loss	(17,325,022)	(23,637,660)	-	(17,480,123)	(22,330,254)	-
Total	(17,325,022)	(23,637,660)	-	(17,480,123)	(22,330,254)	-

The opening equity pertaining to FY 2072/73 has been restated as per NFRS - 01 and hence corresponding figures of statement of other comprehensive income is not disclosed separately.

4.23.7: Actuarial assumptions 4.23.7: Actuarial assumptions

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Discount rate	9.00%	8.50%	6.02%	9.00%	8.50%	6.02%
Expected return on plan asset	-	-	-	-	-	-
Future salary increase	8.00%	8.00%	6.50%	8.00%	8.00%	6.50%
Withdrawal rate	16.00%	16.00%	9.65%	16.00%	16.00%	9.65%

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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Debt securities issued designated as at fair value through profit or loss	-	-	-	-	-	-
Debt securities issued at amortised cost	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945
Total	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945

The Bank 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.

Subordinated Liabilities

4.25

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Redeemable preference shares	-	-	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	-	-	-	-	-

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Share capital

4.26

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Ordinary shares	7,603,290,634	6,461,774,334	4,486,924,066	7,603,290,634	6,461,774,334	4,486,924,066
Convertible preference shares (equity component only)	-	-	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-	-	-
Total	7,603,290,634	6,461,774,334	4,486,924,066	7,603,290,634	6,461,774,334	4,486,924,066

4.26.1: Ordinary shares

Particulars	NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Authorized Capital			
100,000,000 Ordinary share of Rs. 100 each	10,000,000,000	10,000,000,000	8,000,000,000
Issued capital			
76,032,906 Ordinary share of Rs. 100 each	7,603,290,634	6,461,774,334	4,486,924,066
Subscribed and paid up capital			
76,032,906 Ordinary share of Rs. 100 each	7,603,290,634	6,461,774,334	4,486,924,066
Total	7,603,290,634	6,461,774,334	4,486,924,066

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

The 22nd AGM of the bank held on 31 Shrawan 2075 has approved 15% bonus shares (stock dividend) amounting NPR 1,140,493,595. This will raise paid up capital of the bank to NPR 8,743,784,229.

On 18 October 2015, erstwhile Clean Energy Development Bank, Bhrikuti Development Bank, Pathibhara Bikash Bank and Prudential Finance Company had merged with NMB Bank and commenced joint operations as NMB Bank Limited. During adjustment of Swap Ratios, as the ratios were below 100%, the shareholders of merging entities were issued fraction shares. Therefore, out of total of Units of Shares, 34,908.34 Units are fraction shares.

4.26.2: Ordinary share ownership

Particulars	NMB			
	As at 32 Asar 2075		As at 31 Asar 2074	
	Percent	Amount	Percent	Amount
Domestic ownership	77.77	5,913,047,211	73.84	4,771,530,911
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	14.87	1,130,245,465	14.23	919,212,600
Public	62.90	4,782,801,746	59.62	3,852,318,311
Other	-	-	-	-
Foreign ownership	22.23	1,690,243,423	26.16	1,690,243,423
Total	100.00	7,603,290,634	100.00	6,461,774,334

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

The details of shareholders holding shares above 0.5% as of Asar end 2075 are given below:

SHAREHOLDER'S	SHARE UNITS	% holding
1. Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	12,923,547	17.00%
2. Employees Provident Fund	5,216,633	6.86%
3. Yong Lian Realty SDN BHD	3,978,885	5.23%
4. Gayatri Investment and Management P. Ltd.	1,870,693	2.46%
5. Nand Kishore Rathi	1,589,709	2.09%
6. Dhananjaya Prasad Acharya	1,442,134	1.90%
7. Purushotam Lal Sanghai	1,073,513	1.41%
8. Santosh Rathi	938,826	1.23%
9. Pawan Kumar Golyan	871,977	1.15%
10. Santosh Devi Murarka	749,918	0.99%
11. Anant Kumar Golyan	502,932	0.66%
12. Dinbandhu Agrawal	484,762	0.64%
13. Narpat Singh Jain	425,432	0.56%
14. Pashupati Murarka	410,144	0.54%
15. Raj Kumar Goyal	390,559	0.51%

Reserves 4.27

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Statutory general reserve	1,683,991,705	1,309,897,100	1,011,796,513	1,671,851,454	1,301,092,903	1,007,623,410
Exchange equalisation reserve	56,373,878	54,642,254	41,211,115	56,373,878	54,642,254	41,211,115
Corporate social responsibility reserve	31,946,758	14,905,029	-	31,548,400	14,673,475	-
Capital redemption reserve	309,547,489	218,547,986	127,797,116	309,547,489	218,547,986	127,797,116
Regulatory reserve	404,406,612	-	-	404,406,612	-	-
Investment adjustment reserve	10,000,000	16,205,056	14,932,675	10,000,000	16,205,056	14,932,675
Capital reserve	-	-	-	-	-	-
Assets revaluation reserve	-	-	-	-	-	-
Fair value reserve	(6,824,546)	21,883,371	45,715,568	(7,057,296)	19,731,751	38,158,176
Dividend equalisation reserve	-	-	-	-	-	-
Actuarial gain	(48,835,325)	(31,434,303)	(8,437,273)	(48,026,502)	(30,546,380)	(8,216,125)
Special reserve	-	-	-	-	-	-
Other reserves:	-	-	-	-	-	-
- Deferred Tax Reserve	3,169,572	1,486,856	1,237,767	-	-	-
- Capital Adjustment Fund	57,326,449	53,295,483	53,295,483	57,326,449	53,295,483	53,295,483
Staff Skill Development Fund	-	3,037,118	-	-	3,037,118	-
Others	1,828,616	1,661,813	522,727	-	-	-
Total	2,502,931,208	1,664,127,765	1,288,071,691	2,485,970,484	1,650,679,647	1,274,801,849

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 and actuarial gain/losses.

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	Amount (NPR.)
Interest Suspense on loans and advances (including staff)	222,679,176
Provision of Non - Banking Assets (Investment Property)	59,774,627
Deferred Tax Assets	66,869,011
Actuary Losses	48,026,502
Fair value adjustment of Equity Shares	7,057,296
Total	404,406,612

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.28

Contingent liabilities and commitments

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Contingent liabilities	44,101,467,843	32,166,491,741	22,428,043,470	44,101,467,843	32,166,491,741	22,428,043,470
Undrawn and undischursed facilities	12,455,523,364	2,725,546,990	2,789,880,899	12,455,523,364	2,725,546,990	2,789,880,899
Capital commitment	165,645,352	-	-	165,645,352	-	-
Lease Commitment	-	-	-	-	-	-
Litigation	146,099,951	114,516,482	99,848,085	146,099,951	114,516,482	99,848,085
Total	56,868,736,510	35,006,555,213	25,317,772,454	56,868,736,510	35,006,555,213	25,317,772,454

4.28.1: Contingent liabilities

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Acceptance and documentary credit	20,595,601,948	18,408,258,902	14,069,676,977	20,595,601,948	18,408,258,902	14,069,676,977
Bills for collection	6,593,722,925	1,227,623,374	77,974,865	6,593,722,925	1,227,623,374	77,974,865
Forward exchange contracts	-	-	-	-	-	-
Guarantees	16,912,142,969	12,530,609,466	8,280,391,628	16,912,142,969	12,530,609,466	8,280,391,628
Underwriting commitment	-	-	-	-	-	-
Other commitments	-	-	-	-	-	-
Total	44,101,467,843	32,166,491,741	22,428,043,470	44,101,467,843	32,166,491,741	22,428,043,470

4.28.2: Undrawn and undischursed facilities

Particulars	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Undischursed amount of loans	6,653,704,000	-	-	6,653,704,000	-	-
Undrawn limits of overdrafts	3,840,304,766	2,681,971,629	2,759,468,707	3,840,304,766	2,681,971,629	2,759,468,707
Undrawn limits of credit cards	98,274,598	43,575,361	30,412,192	98,274,598	43,575,361	30,412,192
Undrawn limits of letter of credit	1,815,040,000	-	-	1,815,040,000	-	-
Undrawn limits of guarantee	48,200,000	-	-	48,200,000	-	-
Total	12,455,523,364	2,725,546,990	2,789,880,899	12,455,523,364	2,725,546,990	2,789,880,899

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 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
Capital commitments in relation to Property and Equipment						
Approved and contracted for	3,662,852	-	-	3,662,852	-	-
Approved but not contracted for	-	-	-	-	-	-
Sub total	3,662,852	-	-	3,662,852	-	-
Capital commitments in relation to Intangible assets						
Approved and contracted for	161,982,500	-	-	161,982,500	-	-
Approved but not contracted for	-	-	-	-	-	-
Sub total	161,982,500	-	-	161,982,500	-	-
Total	165,645,352	-	-	165,645,352	-	-

4.28.4: Lease commitments

	Group			NMB		
	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073	As at 32 Asar 2075	As at 31 Asar 2074	As at 31 Asar 2073
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 operating lease contract of the bank is cancellable operating lease.

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

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 is 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	26,320,508
FY 2064-65	Appealed to Supreme Court on 2071.09.24 for which the final decision is pending	16,503,246
FY 2066-67	Appealed to IRD for Administrative Review on 2071.06.12 for which the final decision is pending	35,634,467
FY 2067-68	Appealed to IRD for Administrative Review on 2071.12.03 for which the final decision is pending	6,615,754
FY 2068-69	Decision from Administrative Review on 2074.01.14. The Bank is in the process of filing appeal against the decision in Revenue Tribunal.	5,891,178
FY 2069-70	Appealed to IRD for Administrative Review on 2074.03.15 for which the final decision is pending	14,974,522
FY 2070-71	Appealed to IRD for Administrative Review on 2075.04.28 for which the final decision is pending	4,982,475
	Total	110,922,149
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	Decision from Administrative Review on 2073.11.12. The Bank is in the process of filing appeal against the decision in Revenue Tribunal.	5,700,050
FY 2068-69	Decision from Administrative Review on 2073.11.12. The Bank is in the process of filing appeal against the decision in Revenue Tribunal.	3,040,090
FY 2069-70	Assessment Order has been received from LTO on 2074.02.30. The Bank is in the process of appealing to IRD for Administrative Review.	4,677,499
	Total	29,518,530
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		146,099,951

Since decisions for these cases are pending, disputed tax amount of NPR 146,099,951 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 2074/75, self-Assessment Returns filed by NMB Bank Ltd. for FY 2071/72 to 2073/74 and by erstwhile Clean Energy Development Bank Ltd. for FY 2070/71 to 2072/73 and by erstwhile Bhrikuti Development Bank Ltd. for FY 2071/72 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

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Cash and cash equivalent	49,654,599	82,677,249	9,590,254	8,167,301
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	42,538,692	37,492,455	42,538,692	37,492,455
Loan and advances to bank and financial institutions	97,534,607	45,425,937	129,463,374	56,340,492
Loans and advances to customers	8,436,853,243	6,031,381,836	8,077,886,340	5,801,086,727
Investment securities	454,384,404	202,710,994	432,825,884	197,373,270
Loan and advances to staff	36,395,287	8,866,581	36,395,287	8,866,581
Other	16,652,026	-	-	-
Total interest income	9,134,012,858	6,408,555,053	8,728,699,831	6,109,326,827

The interest receivable on loans and advances (including staff loan) as at 16 July 2018 has not been netted off with interest suspense and has been included with loans and advances with subsequent restatement of equity as on transition date of 1 Shrawan 2073 (16 July 2016) and there after charge to statement of profit and loss.

Interest expense

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Due to bank and financial institutions	38,307,122	35,869,291	38,307,122	35,869,291
Due to Nepal Rastra Bank	32,550,947	51,217,542	32,550,947	51,217,542
Deposits from customers	5,757,686,601	3,382,207,648	5,716,330,942	3,378,261,807
Borrowing	169,373,719	72,157,037	2,400,853	4,998,641
Debt securities issued	35,095,890	35,000,000	35,095,890	35,000,000
Subordinated liabilities	-	-	-	-
Other	-	1,489,992	-	-
Total interest expense	6,033,014,279	3,577,941,510	5,824,685,753	3,505,347,281

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.31

Fees and Commission Income

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Loan administration fees	-	-	-	-
Service fees	383,727,229	292,245,113	249,416,509	176,169,251
Consortium fees	25,586,494	33,709,192	25,586,494	33,709,192
Commitment fees	-	-	-	-
DD/TT/Swift fees	13,239,368	9,927,138	13,239,368	9,927,138
Credit card/ATM issuance and renewal fees	34,877,234	20,371,571	34,877,234	20,371,571
Prepayment and swap fees	23,986,846	17,886,544	23,986,846	17,886,544
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	6,579,223	1,529,068	-	-
Remittance fees	24,982,254	25,172,922	24,982,254	25,172,922
Commission on letter of credit	70,937,543	63,437,181	70,937,543	63,437,181
Commission on guarantee contracts issued	180,943,955	140,961,758	180,943,955	140,961,758
Commission on share underwriting/issue	-	-	-	-
Locker rental	2,582,665	2,276,450	2,582,665	2,276,450
Other fees and commission income:	-	-	-	-
Bills Purchase and Discount	-	10,097,500	-	10,097,500
Collection Fee	14,568,251	6,398,616	14,568,251	6,398,616
Agency Commission	11,623,876	15,180,889	11,623,876	11,271,123
Others	142,683,371	116,626,304	141,505,074	117,389,957
Total fees and Commission Income	936,318,309	755,820,248	794,250,068	635,069,204

Fees and commission expense 4.32

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
ATM management fees	35,803,750	28,710,150	35,803,750	28,710,150
VISA/Master card fees	7,782,037	6,972,701	7,782,037	6,972,701
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	-	-	-	-
Remittance fees and commission	-	-	-	-
Other fees and commission expense	26,341,052	16,293,864	19,122,240	15,399,197
Total fees and Commission Expense	69,926,838	51,976,714	62,708,027	51,082,047

Net trading income 4.33

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
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	299,605,983	154,789,626	299,605,983	154,789,626
Other	-	-	-	-
Net trading income	299,605,983	154,789,626	299,605,983	154,789,626

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

4.34

Other operating income

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Foreign exchange revaluation gain	6,926,498	53,724,554	6,926,498	53,724,554
Gain/loss on sale of investment securities	3,237,886	1,941,882	920,805	(3,786,737)
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	134,100,160	45,555,613	132,758,055	43,176,660
Gain/loss on sale of property and equipment	6,594,315	8,702,231	6,599,656	8,702,231
Gain/loss on sale of investment property	3,155,000	4,512,675	3,155,000	4,512,675
Operating lease income	-	114,576	2,137,344	2,057,616
Gain/loss on sale of gold and silver	12,464,871	13,591,265	12,464,871	13,591,265
Locker rent	-	-	-	-
Other	491,765	268,100	-	-
Total	166,970,494	128,410,895	164,962,228	121,978,264

4.35

Impairment charge/(reversal) for loan and other losses

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Impairment charge/(reversal) on loan and advances to B/FIs	-	-	-	-
Impairment charge/(reversal) on loan and advances to customer	(191,840,321)	(1,310,176)	(219,443,764)	14,069,888
Impairment charge/(reversal) on financial investment	(207,026)	(500,000)	(207,026)	(500,000)
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	(192,047,347)	(1,810,176)	(219,650,789)	13,569,888

Personnel Expense 4.36

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Salary	381,101,707	269,178,161	332,360,603	233,882,482
Allowances	340,047,178	234,589,907	283,280,022	198,559,165
Gratuity expense	39,578,609	45,495,578	35,893,037	43,508,584
Provident fund	33,725,711	24,063,131	29,935,358	21,264,308
Uniform	12,323	-	12,323	-
Training & development expense	25,090,618	12,705,479	22,604,303	11,102,225
Leave encashment	53,990,977	37,165,534	53,528,551	33,980,718
- Sick Leave Expenses	28,224,874	18,152,576	28,134,664	15,313,660
- Leave Fare Expenses	25,766,104	19,012,958	25,393,888	18,667,058
Medical	-	-	-	-
Insurance	1,125,281	715,206	-	-
Employees incentive	4,932,000	6,721,445	40,000	1,621,445
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	(51,954,699)	52,489,177	(51,954,699)	52,489,177
Other expenses related to staff	31,149,817	23,203,473	30,724,264	22,383,673
- Recruitment and Selection Expenses	201,837	615,468	157,937	232,935
- Staff Welfare Expenses	30,947,980	22,588,005	30,566,327	22,150,738
Subtotal	858,799,521	706,327,090	736,423,762	618,791,776
Employees bonus	299,140,340	225,673,368	285,146,674	208,082,194
Grand total	1,157,939,861	932,000,458	1,021,570,435	826,873,970

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Other operating expense 4.37

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Directors' fee	1,400,850	1,919,000	1,218,000	1,919,000
Directors' expense	1,687,465	1,738,248	1,116,084	1,490,059
Auditors' remuneration	1,431,710	1,118,700	1,118,700	1,118,700
Other audit related expense	537,811	1,645,460	343,969	777,392
Professional and legal expense	5,486,234	7,211,941	5,486,234	2,375,380
Office administration expense:	312,537,044	275,148,514	290,836,003	256,264,125
a. Electricity and Water	29,601,084	24,704,623	28,122,434	23,289,133
b. Insurance	14,535,454	12,475,384	14,303,564	12,142,301
c. Postage, Telex, Telephone, Fax	49,498,136	37,661,393	46,448,634	35,714,585
e. Office Equipment, Furniture and Repair	4,764,485	8,533,145	3,976,433	7,780,792
f. Travelling Allowances and Expenses	27,872,469	13,981,538	18,931,292	8,536,175
g. Stationery and Printing	30,731,834	36,527,469	27,328,599	31,236,726
h. Periodicals and Books	695,894	526,079	575,569	450,139
i. Office Expenses	32,093,240	27,853,399	31,440,073	27,503,821
j. Vehicle fuel	21,777,922	17,802,219	21,646,349	17,802,219
k. Outsource Staff Expenses	17,824,378	29,313,475	16,244,341	27,227,192
l. Security Expenses	72,666,519	57,892,173	72,252,107	57,506,998
m. Repair and Maintenance	10,475,628	7,877,618	9,566,608	7,074,044
Operating lease expense	125,893,649	95,369,165	113,096,710	86,455,507
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	1,767,532	100,186	1,663,002	-
Onerous lease provisions	-	-	-	-
Others:	194,118,371	147,707,582	174,515,496	141,813,343
Annual General Meeting Expenses	336,775	1,470,364	-	1,197,213
Entertainment/Business Promotion	22,294,793	13,792,177	22,294,793	13,791,183
Advertisements	85,590,263	59,228,204	84,901,483	58,365,255
Donations	85,670	45,802	45,000	15,000
Membership Fee	7,109,050	5,669,534	6,384,050	5,304,534
Card Transaction Charges	-	9,869,753	-	9,869,753
Bank Charges and Commission	530,800	767,700	530,800	767,700
Rates and Taxes	7,296,717	6,616,223	7,024,459	6,488,726
Deposit Guarantee Expenses	20,344,993	18,722,329	20,344,993	18,722,329
IS Audit-Compliance Expenses	113,000	339,000	113,000	339,000
Dematerialization Expenses	-	167,202	-	167,202
Issue And Surveillance Expenses	14,878,057	11,521,435	10,776,212	11,521,435
Others	35,538,253	19,497,858	22,100,706	15,264,013
Total	644,860,666	531,958,797	589,394,199	492,213,506

Depreciation & Amortisation 4.38

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Depreciation on property and equipment	149,793,266	116,869,209	141,841,503	111,136,844
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	6,194,294	4,881,907	5,853,735	4,646,993
Total	155,987,560	121,751,116	147,695,238	115,783,837

Non operating income 4.39

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Recovery of loan written off	20,395,746	128,641,274	20,395,746	128,641,274
Other income	22,744,447	7,708,340	22,744,447	7,708,340
Total	43,140,193	136,349,614	43,140,193	136,349,614

Non operating expense 4.40

Particulars	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Loan written off	37,935,379	48,225,932	37,935,379	48,225,932
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	-	-	-
Total	37,935,379	48,225,932	37,935,379	48,225,932

Notes to Consolidated Financial Statements

For the year ended 32 Asar 2075

Income tax expense	4.41			
	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Particulars				
Current tax expense	865,791,637	638,610,557	829,621,042	589,304,078
Current year	860,473,515	638,080,782	824,302,920	588,774,303
Adjustments for prior years	5,318,122	529,775	5,318,122	529,775
Deferred tax expense	(119,498,087)	28,903,662	(117,093,734)	26,495,906
Origination and reversal of temporary differences	(119,498,087)	28,903,662	(117,093,734)	26,495,906
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	746,293,550	667,514,219	712,527,308	615,799,984

4.41.1: Reconciliation of tax expense and accounting profit

Particulars	4.41			
	Group		NMB	
	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 32 Asar 2075	Year ended 31 Asar 2074
Profit before tax	2,701,608,171	2,464,815,868	2,566,320,061	2,288,904,129
Tax amount at tax rate of 30 %/25%	878,585,397	733,893,004	842,221,159	686,671,239
Add: Tax effect of expenses that are not deductible for tax purpose	246,603,042	50,585,189	246,603,042	41,278,975
Less: Tax effect on exempt income	33,195,838	7,247,736	33,195,838	6,652,998
Add/less: Tax effect on other items	231,519,086	139,149,675	231,325,443	132,522,913
Less: Tax effect of expenses/Income that are not allowed for tax purpose	228,129,273	135,495,751	227,935,630	128,868,989
Less: Tax effect of carried forward losses	3,389,813	3,653,924	3,389,813	3,653,924
Total income tax expense	860,473,515	638,080,782	824,302,919	588,774,303
Effective tax rate	31.85%	25.89%	32.12%	25.72%

The Tax amount has been taken inclusive of tax on Interest Suspense transferred to regulatory reserve as described in Note 4.9

Comparison Unaudited and Audited Financial Statements as of FY 2017-2018 (FY 2074/75)

(Amount in NPR)

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	6,361,455	5,183,938	(1,177,517)	-18.51%	Due to re-classification to Investment securities and placement with BFI's.
Due from NRB and placements with BFIs	6,728,981	7,116,918	387,937	5.77%	Due to re-classification from cash and cash equivalents
Loan and advances	75,857,098	75,209,340	(647,758)	-0.85%	Due to ICAN Carve out for change in provision and inclusion of staff loan except pre-paid benefit.
Investments Securities	8,996,230	9,770,167	773,937	8.60%	Due to re-classifications from cash and cash equivalents
Investment in subsidiaries and associates	248,552	248,552	-	-	
Goodwill and intangible assets	22,054	22,054	-	-	
Other assets	7,407,870	7,362,977	(44,893)	-0.61%	Due to change in deferred tax from the pronouncement of ICAN carve out.
Total Assets	105,622,241	104,913,946	(708,294)	-0.67%	
Capital and Liabilities					
Paid up Capital	7,603,291	7,603,291	-	-	
Reserves and surplus	9,194,542	8,886,519	(308,023)	-3.35%	Due to change in Current tax, deferred tax & ICAN carve out
Deposits	84,728,741	84,507,136	(221,605)	-0.26%	Due to re-classification of AIP
Borrowings	1,166,431	1,160,072	(6,359)	-0.55%	Due to re-classification of AIP
Bond and Debenture	517,548	517,548	-	-	
Other liabilities and provisions	2,411,689	2,239,381	(172,307)	-7.14%	Due to re-classification of AIP, current tax and re-classification of other asset provisions.
Total Capital and Liabilities	105,622,241	104,913,946	(708,294)	-0.67%	
Statement of Profit or Loss					
Interest income	8,717,934	8,728,700	10,766	0.12%	Due to addition of staff interest loan
Interest expense	5,824,686	5,824,686	-	-	
Net interest income	2,893,248	2,904,014	10,766	0.37%	
Fee and commission income	419,928	794,250	374,322	89.14%	Due to reclassification of operating income as per NRB format
Fee and commission expense	62,708	62,708	0	0.00%	
Net fee and commission income	357,220	731,542	374,322	104.79%	
Other operating income	718,786	464,568	(254,218)	-35.37%	Due to reclassification of operating income.
Total operating income	3,969,255	4,100,124	130,870	3.30%	
Impairment charge/(reversal) for loans and other losses	(314,554)	(219,651)	94,904	-30.17%	Due to ICAN carve out & permanent diminution of equity instruments transfer to OCI
Net operating income	4,283,809	4,319,775	35,966	0.84%	
Personnel expenses	1,025,374	1,021,570	(3,803)	-0.37%	Due to change in Bonus and reclassification of actuary loss of leave from OCI
Other operating expenses	727,249	737,089	9,840	1.35%	Tax effect on issue of FPO expenses deducted from Share Premium
Operating profit	2,531,186	2,561,115	29,929	1.18%	
Non operating income/expense	120,311	5,205	(115,106)	-95.67%	Due to reclassification of Non- operating income.
Profit before tax	2,651,497	2,566,320	(85,176)	-3.21%	
Income tax	630,560	712,527	81,967	13.00%	Due to change in Profit and deferred tax adjustments
Profit / (loss) for the period	2,020,937	1,853,793	(167,144)	-8.27%	
Other comprehensive income	2,149	(44,269)	(46,418)	-2159.79%	Due to inclusion of permanent diminution of equity instruments also in OCI, actuary adjustment of leave transferred to SoPL and transfer of cumulative actuary loss of gratuity to OCI
Total comprehensive income	2,023,086	1,809,524	(213,562)	-10.56%	
Distributable Profit					
Net profit/(loss) as per profit or loss	2,020,937	1,853,793	(167,144)	-8.27%	Due to above adjustments
Add/Less: Regulatory adjustment as per NRB Directive	(207,971)	(886,434)	(678,463)	326.23%	Due to change in profit and appropriation of profit to various statutory reserves.
Free profit/(loss) after regulatory adjustments	1,812,966	967,359	(845,607)	-46.64%	

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2017-18 (FY 2074/2075)

Rs. in '000'

Statement of Financial Position	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Quarter Ending
Assets			
Cash and cash equivalent	6,361,455	6,426,057	3,039,759
Due from NRB and placements with BFIs	6,728,981	5,130,608	11,884,752
Loan and advances	75,857,098	73,763,836	61,508,690
Investments Securities	8,996,230	12,316,463	8,279,110
Investment in subsidiaries and associates	248,552	248,552	148,552
Goodwill and intangible assets	22,054	15,755	15,697
Other assets	7,407,870	4,008,509	2,334,955
Total Assets	105,622,241	101,909,780	87,211,514
Capital and Liabilities			
Paid up Capital	7,603,291	6,461,774	6,461,774
Reserves and surplus	9,194,542	6,115,289	4,492,996
Deposits	84,728,741	85,520,587	73,441,446
Borrowings	1,166,431	1,243,299	1,179,883
Bond and Debenture	517,548	508,534	517,548
Other liabilities and provisions	2,411,689	2,060,297	1,117,867
Total Capital and Liabilities	105,622,241	101,909,780	87,211,514
Statement of Profit or Loss	Up to this Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Interest income	8,717,934	6,202,087	6,100,077
Interest expense	5,824,686	4,180,772	3,505,347
Net interest income	2,893,248	2,021,315	2,594,730
Fee and commission income	419,928	323,528	360,631
Fee and commission expense	62,708	39,312	51,082
Net fee and commission income	357,220	284,215	309,549
Other operating income	718,786	528,971	632,893
Total operating income	3,969,255	2,834,501	3,537,172
Impairment charge/(reversal) for loans and other losses	(314,554)	(376,598)	33,697
Net operating income	4,283,809	3,211,100	3,570,870

Personnel expenses	1,025,374	762,180	830,116
Other operating expenses	727,249	473,744	656,223
Operating profit	2,531,186	1,975,176	2,084,531
Non operating income/expense	120,311	109,847	54,663
Profit before tax	2,651,497	2,085,023	2,139,194
Income tax	630,560	479,774	(652,438)
Profit / (loss) for the period	2,020,937	1,605,250	1,486,756
Other comprehensive income	2,149	17,042	(37,899)
Total comprehensive income	2,023,086	1,622,292	1,448,856
Distributable Profit			
Net profit/(loss) as per profit or loss	2,020,937	1,605,250	1,486,756
Add/Less: Regulatory adjustment as per NRB Directive	(207,971)	(195,234)	(19,408)
Free profit/(loss) after regulatory adjustments	1,812,966	1,410,016	1,467,347
Ratios			
Capital fund to RWA	15.88%	12.93%	13.61%
Non performing loan (NPL) to total loan (As per NRB Directive)	0.88%	1.10%	1.68%
Total loan loss provision to Total NPL (As per NRB Directive)	183.99%	158.29%	138.11%
Cost of Funds	7.46%	7.41%	5.06%
Credit to Deposit Ratio (As per NRB Directive)	77.72%	75.33%	74.90%
Base Rate	10.70%	10.92%	10.12%
Basic Earning Per Share	31.26	33.12	27.24
Diluted Earning Per Share	31.26	33.12	27.24

Significant Accounting Policies to Consolidated Financial Statements

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Asar 2075)

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 three 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, 2018

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 2018 have been authorized by the Board of Directors in accordance with its resolution dated 21 November 2018 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 historical cost convention with some exceptions described in the policies below.

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 certain carve outs which are briefly described in Notes to Accounts.

2.2 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 (SOI) 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.

2.3 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

2.4 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.

2.5 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.

2.6 Basis for classification and measurement

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.

- 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.

The Bank classifies its financial assets into the following categories: those measured at amortised cost, and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

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.

Significant Accounting Policies to Consolidated Financial Statements

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Asar 2075)

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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

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).

2.11 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 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.

2.12 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.

2.13 Deposits from customers and BFIs and Debt Securities

These are classified as financial liabilities measured at amortized cost.

2.14 Revenue recognition

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.

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.

2.15 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.

2.16 Discounting

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

2.17 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.

2.18 First Time Adoption reconciliations and disclosures

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

Significant Accounting Policies to Consolidated Financial Statements

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Asar 2075)

The Bank has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2073 (16 July 2016) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

2.19 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.

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

- Property, plant and equipment and Intangible assets (software) are stated at cost less accumulated depreciation (Cost Model)
- 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	As per the certain/estimated useful life of the asset	

- Leasehold improvements are capitalised at cost and amortised over period of lease.
- Intangible assets (software) are capitalised and amortised over the life of assets determinable or best estimated.
- 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.

- Software costs are amortized over their estimated useful lives from the period of purchase.
- Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.21 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 & 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.

2.22 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.

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

2.23 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”, inclusive of the alternative treatment prescribed in cave-out to NFRS, in the accounting for leases. Assets held under operating leases are classified as operating leases and are not recognised

2.24 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.

2.25 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

Significant Accounting Policies to Consolidated Financial Statements

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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, actual 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.

2.26 Stationery

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

2.27 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.

Liabilities on account of derivative contracts are reported under Derivative financial instruments in statement of financial position as per NFRS.

2.28 Events after the Balance Sheet Date

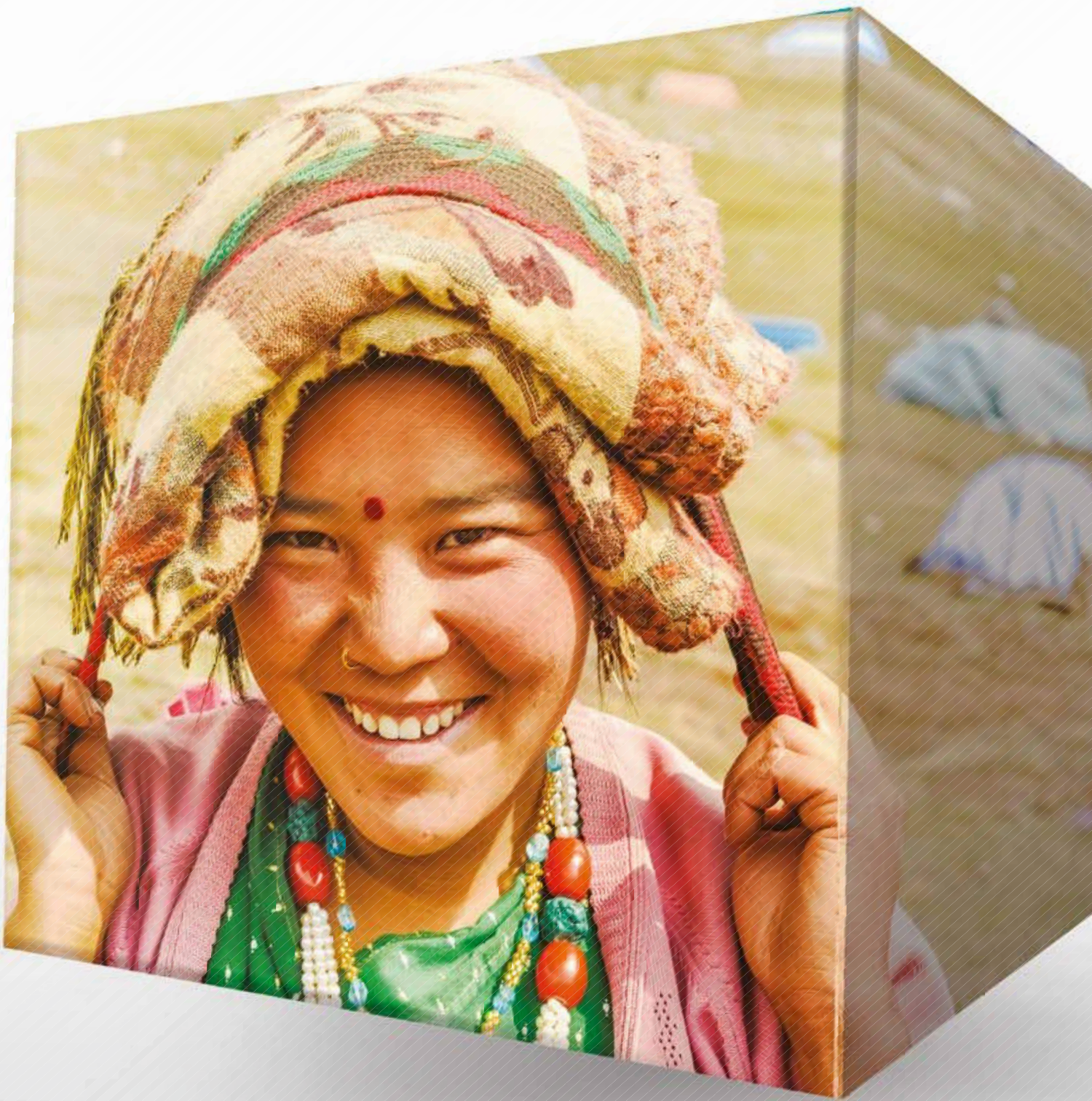
Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue.

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



Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

1. Provision for Bonus

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

2. Staff Housing Fund

As "Employee terms of Service" by-law of the Bank has a provision for extending housing loans to eligible staff, a separate housing fund till FY 2073/74 has not been created as prescribed by the Labour Act, 2048.

3. General Reserve

As per section 44 of the Banks and Financial Institutions Act 2073, 20% of the current year's net profit amounting NPR 370,758,551 has been transferred to General Reserve.

4. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act, 2073 25% of the revaluation gain amounting to NPR 1,731,624 has been transferred to Exchange Fluctuation Reserve.

5. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 306,532,481 out of which a gain of NPR 153.69 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.

6. 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

7. Debenture Redemption Reserve

As required by prospectus of "7% NMB Debenture 2077", an amount equal to NPR 90,999,503 has been appropriated to Debenture Redemption Reserve during the year. Total balance in Debenture Redemption Reserve as at 16 July 2018 is NPR 309,547,489.

Debenture Amount	500,000,000
Days till maturity	2,011
Redemption Reserve/Day	248,633
Issued Date	18-Feb-15
Previous Fiscal Year End Date	15-Jul-17
Current Fiscal Year End Date	16-Jul-18
Maturity Date	21-Aug-20
Accrued days this year	366
Debenture Redemption Reserve for FY 2074/75 (2017-18)	90,999,503
Debenture Redemption Reserve for FY 2073/74 (2016-17)	90,750,870
Debenture Redemption Reserve for FY 2072/73 (2015-16)	90,750,870
Debenture Redemption Reserve for FY 2071/72 (2014-15)	37,046,246
Total Debenture Redemption Reserve	309,547,489

Additional Disclosures

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8. Corporate Social Responsibility (CSR) Fund

The bank has apportioned NPR 18,537,928/- 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	Amount (NPR)
A. Net profit for FY 2074/75	1,853,792,753
B. 1% of net profit appropriated to CSR fund	18,537,928
C. Opening CSR fund	14,673,475
D. CSR expense incurred for FY 2074/75	1,663,002
E. Closing CSR Reserve FY 2074/75 (B+C-D)	31,548,400
F. Net Movement (E-C)	16,874,926

9. Staff Skill Development (SSD) Fund

The bank has expensed NPR. 22,604,303 under staff training for the FY 2074/75 which is more than the 3% of the total employee cost of the previous FY 2073/74. Hence, NPR. 3,037,118 has been apportioned to Retained Earnings from "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 2073/74	598,459,592
B. 3% of the above to be expensed in FY 2074/75	17,953,788
C. Training Expenses for FY 2074/75	22,604,303
D. Excess/(Shortfall) (C-B)	4,650,515
E. Opening SSDF Reserve	3,037,118
F. Transfer of SSD Fund to Retained earning	3,037,118

10. Proposed Dividend

The Board of Directors in its meeting dated 21 November 2018 has proposed the issue of **10% bonus share** and **20% cash dividend** (including for tax purpose) for each share held. This is to be approved at the forthcoming Annual General Meeting of the Bank.

11. Unpaid Dividend

As on the balance sheet date, unpaid dividends of over five years amount to NPR 12,317,367 and total unpaid dividends also amounts to NPR 12,317,367. Subsequently the Bank deposits the unclaimed amounts in Investor's Protection Fund as required by the Companies Act.

12. Earnings per Share

Basic earnings per equity share are computed in accordance with NAS 33 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. The following table sets forth, for the periods indicated, the computation of earnings per share.

Particulars	YE Ashad 2075	YE Ashad 2074
Weighted average no. of equity shares outstanding	64,648,932	54,580,410
Net profit	1,853,792,753	1,488,617,090
Basic earnings per share	28.67	27.27
Nominal value per share	100	100

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

13. Principal Indicators

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

Particulars		Indicators	FY 2070/71	FY 2071/72	FY 2072/73	FY 2073/74	FY 2074/75
1	Percent of Net Profit/Gross Income	Percent	16.34	18.42	20.90	20.52	18.09
2	Earnings Per Share	Rs.	20.50	25.05	27.78	26.88	28.67
3	Market Value Per Share	Rs.	515	507	810	545	358
4	Price Earnings Ratio	Ratio	25.13	20.24	29.15	20.27	12.48
5	Dividend (including bonus) on Share Capital	Percent	21.05	8.42	20.00	15.79	30.00
6	Cash Dividend on Share Capital	Percent	1.05	0.42	1.00	0.79	20.00
7	Interest Income/Loan & Advances	Percent	9.10	7.86	7.16	9.26	10.78
8	Staff Expenses/Total Operating Expenses	Percent	45.23	48.66	57.15	55.03	58.09
9	Interest Expenses on Total Deposit and Borrowing	Percent	4.49	3.63	3.08	4.71	6.76
10	Exchange Gain/Total Assets	Percent	0.32	0.29	0.21	0.24	0.27
11	Staff Bonus/Total Staff Expenses	Percent	39.12	35.32	34.01	34.77	38.72
12	Net Profit/Loan and Advances	Percent	1.97	1.81	2.05	2.34	2.43
13	Net Profit/Total Assets	Ratio	1.36	1.21	1.49	1.69	1.65
14	Total Credit/Deposit	Percent	76.73	75.32	84.07	85.50	90.46
15	Total Operating Expenses/Total Assets	Percent	1.52	1.36	1.48	1.69	1.56
16	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	Percent	9.91	8.84	9.34	12.39	14.78
	b) Supplementary Capital	Percent	0.84	2.29	1.64	1.22	0.97
	c) Total Capital Fund	Percent	10.75	11.13	10.98	13.61	15.75
17	Liquidity (CRR)	Ratio	13.72	13.32	10.81	7.72	6.68
18	Non-performing credit/Total credit	Percent	0.55	0.42	1.81	1.68	0.88
19	Base Rate	Percent	8.12	7.89	6.68	10.12	10.70
20	Weighted Average Interest Rate Spread	Percent	4.11	4.19	4.31	3.89	3.45
21	Book Net-worth	Rs. in '000	2,812,950	3,296,447	6,861,160	10,627,149	16,489,809
22	Total Shares	Nos. in '000	20,000	24,000	44,869	64,618	76,033
23	Total Staff	Number	322	357	755	918	1,080
24	No of Branches	Number	29	29	69	80	110
25	No of ATMs	Number	33	37	49	66	96

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

14. Loans and Advances Written Off

The Bank has written off loans and advances amounting to NPR 37,935,379, the details of which is as follows:

S.No.	Name of Clients	Facility	Written off Date	Amount (NPR)
1	Hotel Mountain Pvt Ltd.	Hire Purchase	13/04/18	48,806
2	Krishna Nidhi Tiwari	Hire Purchase	13/04/18	456,770
3	Shree Mahila Jan Uthan D.U.C..Ltd	Term Loan	13/04/18	1,788,882
4	Bishnu Bhakta Kaju	Hire Purchase	13/04/18	1,725,361
5	Tara Bhandari	Hire Purchase	13/04/18	2,029,328
6	Visheswari Maleku	Hire Purchase	13/04/18	1,514,450
7	Mrpi Holdings Pvt. Ltd	Hire Purchase	13/04/18	500,828
8	New Pashupati Emporium	Overdraft Loan	13/04/18	15,204,344
9	Ankit Impex	Overdraft Loan	16/07/18	2,559,277
10	Jalthal Live Stock Farm Pvt Ltd	Overdraft Loan	16/07/18	4,261,659
11	Kamdhenu Maheela Dugdha U.S.S.Ltd	Term Loan	16/07/18	741,029
12	Kamal Prasad Chaulagain	Overdraft Loan	16/07/18	463,068
13	Factory Outlet Clothing Store P.Ltd	Overdraft Loan	16/07/18	6,553,193
14	Ujeli Devi Kapali	Credit Card	16/07/18	88,385
		Total		37,935,379

15. Other Assets Written Off

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

16. 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 2075	FY End 2074	Increase/ (Decrease)
Term deposits	45,833,759,771	41,092,590,586	4,741,169,185
Call deposits	7,641,835,785	6,766,770,339	875,065,446
Current deposits	4,790,516,782	4,667,813,405	122,703,377
Saving deposits	19,861,381,189	16,646,625,129	3,214,756,060
Other	5,843,373,692	3,143,867,145	2,699,506,547
Total	83,970,867,219	72,317,666,604	11,653,200,615

17. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	10.91
Average deposit/borrowing interest rate	7.46
Net Average Spread	3.45

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

18. Agency Account

Amount in NPR

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	240,686,152	42,211	5,544	240,733,907
Inter branch	-	-	-	-

19. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 77,142,342 from capitalization of interest during moratorium period of six separate projects. These capitalizations have been approved/mandated by the NRB.

20. Dividend Income

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

Particulars	Amount (NPR)
NMB Sulav Investment Fund - FY 2073/74	22,105,262
Nepal Clearing House Limited - FY 2073/74	755,640
NMB Capital Ltd - FY 2073/74	100,000,000
Mero Microfinance Bittiya Sanstha Limited. - FY 2073/74	1,540,000
Butwal Power Company Limited. - FY 2073/74	8,343,780
Laxmi Laghubitta Bittiya Sanstha Limited -FY 2073/74	60
Rural Microfinance Laghubitta Bittiya Sanstha Limited- FY 2072/73 & FY 2073/74	13,313
Total Dividend Income	132,758,055

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

21. 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	2,410					2,410
2	Balance with Banks & FIs	6,196					6,196
3	Investment in Foreign Banks	1,285		211		154	1,650
4	Call Money						
5	Government Securities	3,201	385	1,348	167	5,234	10,335
6	Nepal Rastra Bank Bonds						
7	Inter Bank & FI Lending	826					826
8	Loans & Advances	19,483	13,232	4,798	4,052	34,081	75,646
9	Interest Receivable	117					117
10	Reverse Repo						
11	Receivables from other Institutions under Commitment						
12	Payment to be made for facilities under s.no 20,21 & 22						
13	Others						
	Total Assets (A)	33,518	13,617	6,357	4,219	39,468	97,180
Liabilities							
14	Current Deposits	7,144					7,144
15	Saving Deposits	9,785	504	504	504	17,127	28,424
16	Fixed Deposits	10,636	9,871	8,901	8,659	7,817	45,884
17	Debentures					500	500
18	Borrowings:	1,072	22	26	40		1,160
	(a) Call/Short Notice						
	(b) Inter-bank/Financial Institutions	500					500
	(c) Refinance	572	22	26	40		660
	(d) Others						
19	Other Liabilities and Provisions	444	61	92	92	2,863	3,552
	(a) Sundry Creditors	25					25
	(b) Bills Payable	97					97
	(c) Interest Payable	222					222
	(d) Provisions	9				143	152
	(e) Others	92	61	92	92	2,720	3,057
20	Payable to other institutions under Commitment	1,758	39	6			1,803
21	Unutilized Approved Facilities	3,829					3,829
22	Letter of Credit/Guarantee (Net of Margin)	21,897	7,347	1,501	2,942	8,613	42,299
23	Repo						
24	Payment to be made for facilities under S.No 11						
25	Others						
	Total Liabilities (B)	56,565	17,843	11,030	12,236	36,920	134,594
	Net Financial Assets (A-B)	(23,047)	(4,226)	(4,672)	(8,017)	2,549	(37,414)
	Cumulative Net Financial Assets	(23,047)	(27,273)	(31,945)	(39,962)	(37,414)	

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

22. Summary of concentration of Exposures

Amount in NPR

Particulars	Loans, and Advance	Deposit	Contingent
Total amount as at 16 July 2018	75,645,917,154	84,507,136,171	44,101,467,843
Highest exposure to single unit	2,069,896,367	5,129,495,587	5,169,210,595
Highest % of exposure to single unit	2.74%	6.07%	11.72%

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

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

24. 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 balance sheet date is Nil and has been reflected under "Gold Mark-Up (Gold Consignment)" in Schedule 4.16. Transaction of gold and silver are carried out as per the NRB Directives.

The Group does not have outstanding advance on balance sheet date for gold trading. This has been reflected under "Advance for Gold Trading" in Schedule 4.16.

25. Capital Construction

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

26. 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 32 Asar 2075	Year ended 31 Asar 2074	Year ended 31 Asar 2073
a. Individual Impairment	896,307,701	1,285,846,467	1,321,584,907
b. Collective Impairment	74,395,715	38,282,508	36,343,131
Total	970,703,416	1,324,128,975	1,357,928,039

The Loss given default status (LGD) for impairment calculation purpose is given below

Particulars	Year ended 32 Asar 2075	Year ended 31 Asar 2074	Year ended 31 Asar 2073
OD Loan	21%	17%	10%
Term Loan	5%	21%	10%
Retail EMI	22%	12%	16%
Working Capital Loan	28%	26%	48%

Additional Disclosures

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27. 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 also 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 17 – “Leases”

The Group has the option to carve out from the requirement to recognize lease payments under operating lease as an expense on a straight-line basis over the lease term as specified in para 33 of NAS 17 unless either another systematic basis is more representative of the time pattern of the user’s benefit even if the payments to the lessors are not on that basis or the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor’s expected inflationary cost increases.

The Group has recognized the full amount of periodical rent payments as rent expense in the statement of profit or loss. This treatment fairly presents the amount of the lease expense by not recognizing appropriation of future period’s inflationary escalation in current period’s accounts.

c. NAS 34 – “Interim Financial Reporting”

The Group has the option to carve out from certain disclosure requirements in the publication of interim quarterly financial statements as specified in para 2 of NAS 34. Hence, the reporting entity shall not be required to restate its corresponding previous interim period’s balances if it is impracticable to restate.

The Group has adopted this alternative treatment and has prepared interim financial reports for the fourth quarter of the reporting period in an abridged format prescribed by the Nepal Rastra Bank.

d. 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 32 Asar 2075	Year ended 31 Asar 2074	Year ended 31 Asar 2073
a. Impairment on Loan as per Para 63	970,703,416	1,324,128,975	1,357,928,039
b. Loan Loss Provision as per NRB	1,232,652,783	1,452,096,546	1,438,026,658
Higher of a and b	1,232,652,783	1,452,096,546	1,438,026,658

The Group has recognized impairment loss on other financial assets measured at amortized cost in accordance with para 63 of NAS 39.

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

e. 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.

28. Financial Periods

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

Relevant Financial Statement	Nepalese Calendar	English Calendar
Opening NFRS SFP date	1 Shrawan 2073	16 July 2016
Comparative SFP Date	31 Ashad 2073 and 31 Ashad 2074	16 July 2015 and 15 July 2016
Comparative reporting period	1 Shrawan 2073- 31 Ashad 2074	16 July 2016 -15 July 2017
First NFRS SFP Date	32 Ashad 2075	16 July 2018
First NFRS reporting period	1 Shrawan 2074- 32 Ashad 2075	16 July 2017- 16 July 2018

29. Disclosure effect of transition from previous GAAP to NFRSs

NFRS 1 (First-time Adoption of Nepal Financials Reporting Standards) provides a suitable starting point for accounting in accordance with NFRS and is required to be mandatorily followed by first-time adopters.

The Bank has prepared the opening Statement of Financial Position as per NFRS as of 1st Shrawan, 2073 (16 July 2016) (the transition date) by:

- recognizing all assets and liabilities whose recognition is required by NFRS,
- not recognizing items of assets or liabilities which are not permitted by NFRS,
- reclassifying items from previous Generally Accepted Accounting Principles (GAAP) to NFRS as required under NFRS, and
- applying NFRS in measurement of recognized assets and liabilities.

Significant changes from the policies adopted in the past

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

1. Reconciliation of Equity

Particulars	Explanatory Notes	As at 31 Asar 2074	As at 1 Shrawan 2073
Total equity (shareholders’ funds) under previous GAAP		10,627,149,417	6,861,159,508
Impairment on Loans and Advances	a	-	-
Measurement of investment securities at fair value	b	(1,598,026)	39,087,939
Recognition of investment property	c	77,488,827	69,968,627
Deferred tax	d	(114,980,528)	(112,655,012)
Defined benefit obligation of the employees	e	13,091,306	3,264,567
Interest Income on Loans and Advances to Customers	f	241,083,802	234,906,318
Others:			
Dividend Payable	g	60,025,979	54,300,625
Total adjustment to equity		275,111,360	288,873,063
Total Equity under NFRS		10,902,260,779	7,150,032,571

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- a) Under previous GAAP, Loan Loss Provision was provided as per the previous directive of Nepal Rastra Bank. Under NFRS, the Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Thus, Loan loss provision as per previous GAAP is reversed and impairment is provided on the basis of NFRS. However as per Carve-out No. 5 issued by Institute of Chartered Accountants of Nepal (ICAN), Bank and Financial Institutions shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39. The impact on equity has been explained below:

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
Total Impairment as per NFRS	1,324,128,975	1,357,928,039
Loan loss provision as per NRB directive	1,452,096,546	1,438,026,658
Loan loss provision as per ICAN Crave-out No. 5	1,452,096,546	1,438,026,658
Net Increase in Equity	-	-

- b) Under previous GAAP, investments were measured at cost less diminution in value. Under NFRS, these financial assets have been measured as Fair Value through other comprehensive income (FVTOCI). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. The changes in fair value have been recognized under Other Comprehensive Income (OCI).

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
1. Increase in carrying amount due to fair value	29,028,216	54,511,680
2. Deferred tax impact on the increased amount	8,456,465	16,353,504
3. Reversal of NRB provision pertaining to Nepal Clearing House	845,000	243,461
Net increment in total equity (A) (1-2+3)	20,576,751	38,401,637

Under previous GAAP, held to Maturity Investments (HTM) was carried at cost price less any impairment. Under NFRS, these are carried at amortized cost and Premiums paid on development Bonds are considered for the EIR calculation and the balance outstanding have been measured accordingly. Consequently, the tax effect of the same has also been recognized.

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
Adjustment of premium paid on HTM Investments (B)	(22,174,777)	686,302
Net increment in total equity (A)+(B)	(1,598,026)	39,087,939

- c) Under previous GAAP, Non-Banking Assets (NBA) was recognized as per Directives of Nepal Rastra Bank and 100% provision was made. Under NFRS, these NBA have been classified as investment property and measured at lower of their carrying amount and fair value. On the date of transition to NFRS, provision as per the Directives of NRB had been reversed, resulting in an increase in the carrying amount as explained in the table below. These changes affect profit before tax for the year.

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
Increase in carrying amount due to reversal of provision on NBA	77,488,827	69,968,627
Net increment in total equity	77,488,827	69,968,627

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- d) The difference of DTA/DTL as per NFRS and previous GAAP is charged to statement of comprehensive income. The calculations are separately shown under schedule 4.15

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
A. DTA as per old GAAP	41,148,463	65,318,853
B. DTA created as per NFRS	(73,832,065)	(47,336,159)
Deferred tax Impact (B-A)	(114,980,528)	(112,655,012)

- e) Under NFRS, the actuarial gains and losses of gratuity form part of re-measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Consequently, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS instead of profit or loss. There is re-measurement of gratuity and Sick leave Liability as per the actuarial valuation report

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
(Increase)/Decrease in Gratuity Liability due to Actuarial Valuation	-	-
(Increase)/Decrease in Sick Leave Liability to Actuarial Valuation	-	(256,629)
Net Increase/(Decrease) in Retirement Benefit Obligations (A)	-	256,629
Actuarial Gains/loss in Gratuity	43,637,685	11,737,322
Deferred tax Impact on Actuarial Gain/Loss (B)	13,091,306	3,521,197
Net Increment in Total Equity (B)-(A)	13,091,306	3,264,567

- f) Under previous GAAP, Interest income on Loans and Advances was recognized on cash basis. Under NFRS, Interest income is recognized on accrual basis.

Particulars	As at 31 Asar 2074	As at 1 Shrawan 2073
Interest suspense required by NFRS	-	-
Interest suspense recognized under previous GAAP reversed (including of staff loan)	241,083,802	234,906,318
Net Increase in Equity	241,083,802	234,906,318

- g) Under previous GAAP, cash dividends on equity shares recommended by the board of directors after the end of the reporting period but before the financial statements were approved for issue were recognized in the financial statements as a liability. Under NFRS, such cash dividends are recognized when declared by the members in a general meeting. The effect of this change is an increase in total equity, but this does not affect profit before tax and total profit for the respective years.

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

2. Reconciliation of Profit of Loss

Particulars	Explanatory Notes	For the year ended 31 Asar 2074
		(the latest period presented under previous GAAP)
		Profit/(Loss) for the year
Previous GAAP		1,467,347,467
Adjustments under NFRSs:		
Interest income	a	35,805,583
Impairment of loan and advances	b	-
Employees benefit amortization under staff loan	c	(52,489,177)
Defined benefit obligation of employee	d	32,156,992
Deferred Tax	e	(2,325,516)
Non-Banking Assets (Investment Property)	f	7,520,200
Investment Securities	g	601,539
Total Adjustment to profit or loss		21,269,623
Profit or loss under NFRSs		1,488,617,090
Other Comprehensive Income	h	(40,756,679)
Total Comprehensive income under NFRSs		1,447,860,411

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Effect of NFRSs adoption for statement of profit or loss and other comprehensive income:

Particulars	Explanatory Notes	For the period ended 31.03.2074 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRS	Amount as per NFRS
Interest income	a.	6,073,521,244	35,805,583	6,109,326,827
Interest expense		3,505,347,281		3,505,347,281
Net interest income		2,568,173,963	35,805,583	2,603,979,546
Fee and commission income		635,069,204		635,069,204
Fee and commission expense		51,082,047		51,082,047
Net fee and commission income		583,987,157	-	583,987,157
Net interest, fee and commission income		3,152,161,120	35,805,583	3,187,966,703
Net trading income		154,789,626		154,789,626
Other operating income		121,978,264		121,978,264
Total operating income		3,428,929,010	35,805,583	3,464,734,593
Impairment charge/(reversal) for loans and other losses	f & g	21,691,627	(8,121,739)	13,569,888
Net operating income		3,407,237,383	43,927,322	3,451,164,705
Operating expense				
Personnel expenses	c & d	806,541,786	20,332,184	826,873,970
Other operating expenses		492,213,506		492,213,506
Depreciation & Amortization		115,783,837		115,783,837
Operating Profit		1,992,698,254	23,595,138	2,016,293,392
Non-operating income		136,349,614		136,349,614
Non-operating expense		48,225,932		48,225,932
Profit before income tax		2,080,821,935	23,595,138	2,104,417,074
Income tax expense				
Current Tax		589,304,078		589,304,078
Deferred Tax expense/(Income)	e	24,170,390	(2,325,516)	26,495,906
Profit for the period		1,467,347,467	25,920,653	1,488,617,090
Other Comprehensive Income	h	-	(40,756,679)	(40,756,679)
Total Comprehensive Income		1,467,347,467	(14,836,026)	1,447,860,411

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- a. Under previous GAAP, interest income was charged as per cash basis whereas under NFRS Interest income is charged as per accrual basis in loans and advances to customers. Besides Staff Loans are fair valued using the market rates, the difference of previous year's day 1 difference and current year's day 1 difference are amortized staff benefit expenses which are recognized as Interest cost on FV of Loans.

Particulars	For the year ended 31 Asar 2074
Accrued Interest on loans and advances to customer as at 31 Asar 2073	234,906,318
Accrued Interest on loans and advances to customer as at 31 Asar 2074	241,083,802
Impact in profit/(loss) due to accrued interest (A)	6,177,485
Difference of Bond Value as per previous GAAP and NFRS as at 31 Asar 2073	686,302
Difference of Bond Value as per previous GAAP and NFRS as at 31 Asar 2074	(22,174,776)
Impact in profit/(loss) due to bond amortization as per EIR method (B)	(22,861,078)
Interest Income due to staff loan amortization (C)	52,489,177
Charge to profit/(loss) due to application of NFRS (A+B+C)	35,805,583

- b. Under previous GAAP, Loan Loss Provision was provided as per the previous directive of Nepal Rastra Bank. Under NFRS, the Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Thus, Loan loss provision as per previous GAAP is reversed and impairment is provided on the basis of NFRS. The impact on profit/(loss) has been explained below:

Particulars	For the year ended 31 Asar 2074
Impairment loss/(reversal) as per NFRS	(33,799,063)
Loan loss provision charge/(reversal) as per previous GAAP	14,069,888
Loan loss provision charge/(reversal) as per ICAN Crave-out No. 5	14,069,888
Adjustment due application of NFRS	-

- c. Staff Loans are fair valued using the market rates, the difference of previous year's day 1 difference and current year's day 1 difference are amortized staff benefit expenses which are recognized as Interest cost on FV of Loans. The amortization amount is NPR. (52,489,177) due to increase in market interest rate from 6% to 8.75%.
- d. Under NFRS, the actuarial gains and losses form part of re-measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Consequently, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS instead of profit or loss.

Particulars	For the year ended 31 Asar 2074
Actuarial loss as per actuary report for the year ended 31 Asar 2073 (For Gratuity)	11,737,322
Actuarial loss as per actuary report for the year ended 31 Asar 2074 (For Gratuity)	43,637,685
Difference actuary loss transfer to OCI (A)	31,900,363
Difference in defined benefit obligation as per previous GAAP and Actuary Report as 31 Asar 2073	(256,629)
Difference in defined benefit obligation as per previous GAAP and Actuary Report as 31 Asar 2074	-
Reversal of Difference as at 31 Asar 2073 and 31 Asar 2074 (B)	256,629
Adjustment due application of NFRS in FY 2074 (A) + (B)	32,156,992

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- e. Under NFRS, Deferred tax liability (DTL) is created mainly Interest Accrual and Investment property. The calculations are separately shown under schedule 4.15

Particulars	For the year ended 31 Asar 2074
Deferred Tax Liability other than OCI as at 31 Asar 2073	47,336,159
Deferred Tax Liability other than OCI as at 31 Asar 2074	73,832,065
Deferred Tax expense as per NFRS (A)	26,495,906
Deferred tax expense as per previous GAAP (B)	24,170,390
Adjustment due application of NFRS (B) - (A)	(2,325,516)

- f. Under previous GAAP, investment property was recognized and 100% provision was made. Under NFRS, it has been classified as investment property and measured at lower of their carrying amount and fair value.

Particulars	For the year ended 31 Asar 2074
Investment property as at 31 Asar 2073 (A)	69,968,627
Investment property as at 31 Asar 2074 (B)	77,488,827
Adjustment due application of NFRS (B) - (A)	7,520,200

- g. Under previous GAAP, the unrealized loss of equity instrument was charged to profit/loss while under NFRS the same is part of statement of other comprehensive income. Hence the loss of NPR. 601,539 is transferred to Other Comprehensive Income.
- h. Due to increase in actuary loss and decrease in fair value of equity instruments, other comprehensive income is negative as shown in following table:

Particulars	For the year ended 31 Asar 2074
Decrease in fair value of equity investments	(26,323,464)
Increase in actuary loss in gratuity	(31,900,363)
Total	(58,223,827)
Tax effect	17,467,148
Other Comprehensive Income	(40,756,679)

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

3. Reconciliation of statement of Financial Position

Particulars	Explanatory Notes	As at 01.04.2073 (Date of Transition)			As at 31.03.2074 (End of last period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Opening NFRSs statement of Financial Position	Previous GAAP	Cumulative effect of transition to NFRSs	Amount as per NFRS
Assets							
Cash and cash equivalent		6,757,540,896	-	6,757,540,896	5,499,968,622	-	5,499,968,622
Due from Nepal Rastra Bank		6,390,585,135	-	6,390,585,135	9,242,454,991	-	9,242,454,991
Placements with Bank and Financial Institutions		1,632,360,961	-	1,632,360,961	681,934,928	-	681,934,928
Derivative financial instruments		3,666,599,873	-	3,666,599,873	5,425,634,220	-	5,425,634,220
Other trading assets		200,000	-	200,000	298,280,000	-	298,280,000
Loan and advances to B/Fls		1,425,995,187	-	1,425,995,187	1,869,100,231	-	1,869,100,231
Loans & Advances to Customers	a	51,771,930,013	234,906,318	52,006,836,331	59,645,877,616	241,083,802	59,886,961,418
Investment securities	b	4,382,329,439	55,441,443	4,437,770,882	7,474,122,734	6,858,438	7,480,981,172
Current tax assets		466,635,611	-	466,635,611	719,526,541	-	719,526,541
Investment in subsidiaries		120,400,000	-	120,400,000	148,552,000	-	148,552,000
Investment in associates		-	-	-	-	-	-
Investment property	c	-	69,968,627	69,968,627	-	77,488,827	77,488,827
Property and equipment		1,329,744,034	-	1,329,744,034	1,436,619,106	-	1,436,619,106
Goodwill and Intangible assets		15,775,309	-	15,775,309	15,697,146	-	15,697,146
Deferred tax assets	d	65,318,853	(65,318,853)	-	41,148,463	(41,148,463)	-
Other assets		544,556,369	-	544,556,369	291,223,308	-	291,223,308
Total Assets		78,569,971,680	294,997,534	78,864,969,215	92,790,139,905	284,282,606	93,074,422,511
Liabilities							
Due to Bank and Financial Institutions		1,328,575,351	-	1,328,575,351	906,395,995	-	906,395,995
Due to Nepal Rastra Bank		1,377,300,000	-	1,377,300,000	1,110,558,800	-	1,110,558,800
Derivative financial instrument		3,643,347,688	-	3,643,347,688	5,393,031,265	-	5,393,031,265
Deposits from customers		63,452,888,272	-	63,452,888,272	72,317,666,604	-	72,317,666,604
Borrowing		110,694,615	-	110,694,615	55,347,308	-	55,347,308
Current Tax Liabilities		313,840,105	-	313,840,105	588,774,303	-	588,774,303
Provisions		17,859,204	-	17,859,204	9,804,595	-	9,804,595
Deferred tax liabilities	d	-	60,168,466	60,168,466	-	69,197,225	69,197,225
Other liabilities	e	946,758,993	(54,043,995)	892,714,998	1,263,863,671	(60,025,979)	1,203,837,692
Debt securities issued		517,547,945	-	517,547,945	517,547,945	-	517,547,945
Subordinated Liabilities		-	-	-	-	-	-
Total liabilities		71,708,812,173	6,124,471	71,714,936,644	82,162,990,486	9,171,247	82,172,161,732
Equity							
Share capital	f	5,518,635,935	(1,031,711,869)	4,486,924,066	7,602,267,929	(1,140,493,595)	6,461,774,334
Share premium	f	10,150,347	-	10,150,347	284,364,352	1,140,493,595	1,424,857,947
Retained earnings	g	22,194,575	1,290,642,881	1,378,156,309	1,037,874,400	285,925,988	1,364,948,851
Reserves	h	1,310,178,652	29,942,050	1,274,801,849	1,702,642,739	(10,814,629)	1,650,679,647
Total equity attributable to equity holders		6,861,159,508	288,873,063	7,150,032,571	10,627,149,420	275,111,360	10,902,260,779
Non-controlling interest							
Total equity		6,861,159,508	288,873,063	7,150,032,571	10,627,149,420	275,111,360	10,902,260,779
Total liabilities and equity		78,569,971,681	294,997,534	78,864,969,215	92,790,139,905	284,282,606	93,074,422,511

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- a. Under previous GAAP, Loan Loss Provision was provided as per the previous directive of Nepal Rastra Bank. Under NFRS, the Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Thus, Loan loss provision as per previous GAAP is reversed and impairment is provided on the basis of NFRS. However as per Crave-out No. 5 issued by Institute of Chartered Accountants of Nepal (ICAN), Bank and Financial Institutions shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39. Under previous GAAP, Interest income on Loans and Advances was recognized on cash basis. Under NFRS, Interest income is recognised on accrual basis.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Loan Loss provision as per previous GAAP	1,452,096,546	1,438,026,658
Impairment loss as per NFRS	1,324,128,975	1,357,928,039
Loan loss provision as per ICAN Crave-out No. 5	1,452,096,546	1,438,026,658
Accrued Interest Income on loans and advances to customers	241,083,802	234,906,318
Total NFRS Adjustments	241,083,802	234,906,318

- b. Under previous GAAP, investments were measured at cost less diminution in value. Under NFRS, these financial assets have been classified as Available for sale Investments (AFS). On the date of transition to NFRS, these financial assets have been measured at their fair value which is higher than the cost as per previous GAAP, resulting in an increase in the carrying amount as explained in the table below. The changes in fair value have been recognised under Other Comprehensive Income (OCI). The bond has been valued as per EIR method.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
AFS Gain on quoted equity and mutual fund	28,188,216	54,511,680
Adjustment of Premium on HTM Bond	(22,174,777)	686,302
Reversal of NRB Provision	845,000	243,461
Total NFRS Adjustments (Sum of above)	6,858,438	55,441,443

- c. Under previous GAAP, Non-Banking Assets (NBA) was recognised as per previous Directives of Nepal Rastra Bank and 100% provision was made. Under NFRS, these NBA have been classified as investment property and measured at fair value.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Investment Property	77,488,827	69,968,627

- d. DTA/DTL including for OCI items has been recognized as per NFRS. The calculations are separately shown under schedule 4.15

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Reversal of Deferred Tax Assets as per previous GAAP	(41,148,463)	(65,318,853)
Recognize Deferred Tax Liability as per NFRS	69,197,225	60,168,466

- e. Under previous GAAP, proposed dividend is shown as separate liability while as per NFRS, dividend is payable upon approval from AGM only.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Adjustment to defined benefit obligation	-	256,629
Transfer of proposed dividend to retained earning	60,025,979	(54,300,625)
Total NFRS Adjustments	(60,025,979)	(54,043,995)

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

- f. Under previous GAAP, proposed bonus is shown under share capital while as per NFRS, proposed bonus is payable upon approval from AGM only.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Transfer of proposed bonus share to retained earnings/ Share Premium	(1,140,493,595)	(1,031,711,869)
Total NFRS Adjustments	(1,140,493,595)	(1,031,711,869)

- g. Regulatory Reserve has been created in the fiscal year 2074/75 only. The following adjustments of previous fiscal years has been done to retained earnings.

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Transfer of proposed dividend to retained earning	60,025,979	54,300,625
Transfer of proposed bonus share to retained earning	-	1,031,711,869
Accrued Interest Income on loans and advances to customers	241,083,802	234,906,318
Adjustment of Premium on HTM Bond	(22,174,777)	686,302
Investment Property	77,488,827	69,968,627
Deferred tax adjustments - except OCI items-Disclosure 29 (1) (d)	(114,980,528)	(112,655,012)
Adjustment to defined benefit obligation	-	(256,629)
Actuary loss transferred to OCI	43,637,685	11,737,322
Reversal of provision on Investment separately recognized in Fair Value Reserve	845,000	243,461
Total NFRS Adjustments (Sum of above)	285,925,988	1,290,642,881

- h. The investment has been valued at fair value through OCI and actuary loss of gratuity has been transferred to OCI reserve. The details are as follows:

Particulars	As at 31 Asar 2074	As at 31 Asar 2073
Fair value of the investment (net of tax)	19,731,751	38,158,176
Actuary loss transferred to OCI reserve(net of tax)	(30,546,380)	(8,216,125)
Total Adjustments to other reserve (Sum of above)	(10,814,629)	29,942,050

4. Reconciliation of Cash Flow

Particulars	Explanatory Notes	For the year ended 31.03.2074 (the latest period presented under previous GAAP)		
		Previous GAAP	Effect of Transition to NFRSs	Amount as per NFRSs
Effect of NFRSs adoption for statement of cash flows				
Net cash flows from operating activities	a	1,649,377,214	(2,122,148,267)	(472,771,053)
Net cash flows from investing activities	b	(1,584,692,579)	(1,503,839,976)	(3,088,532,555)
Net cash flows from financing activities	c	2,036,990,133	266,741,200	2,303,731,333
Net increase/(decrease) in cash and cash equivalent		2,101,674,768	(3,359,247,042)	(1,257,572,274)
Cash and cash equivalent at the beginning of the period	d	10,180,538,962	(3,422,998,066)	6,757,540,896
Cash and cash equivalent at the end of the period		12,282,213,730	(6,782,245,108)	5,499,968,622

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- a. Under NFRS, the net cash flows from operating activities includes the movement of Dues to/from Nepal Rastra Bank, placements with BFI's and money at call and short notice. Dues from Nepal Rastra Bank were previously included in cash and cash equivalents whereas money at call and short notice is included in cash and cash equivalent as of now. The movement of short term investment shown under previous GAAP includes that of T-Bills and Bonds. Now the same has been included in investment activities except that having maturity period 3 months or less which is included in cash and cash equivalent.
- b. Under NFRS, the investing activities also include the movement of foreign bonds which was previously included in (Increase)/ Decrease in Short-term Investment in net cash flows from operating activities.
- c. Under NFRS, the financing activities do not include movement in Refinance/facilities received from NRB which was previously included there and the same has now been shown under dues to Nepal Rastra Bank under net cash flow from operating activities.
- d. IAS 7 defines cash equivalents as 'short-term' highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value'. Under NFRS Inter-bank lending, Treasury bills and short-term government bonds with a maturity date of three months or less is shown as cash and cash equivalents. Under previous GAAP, the cash and cash equivalent included Balance at Nepal Rastra Bank however the same has been shown under dues from Nepal Rastra Bank under NFRS.

30. 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 & Audit committee; Management Level Asset & Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee, E&S (Environmental & Social) Committee, Credit Recovery Committee and Corporate Governance Committee. In this structure, new/revised policies & 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 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, & MIS, adequate infrastructure & 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 fulfill their needs and build stronger communities.

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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 II 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 & 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.

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Other Risk

Management of other risk such as Reputational, Legal & Compliance, Human Resource (HR) etc is equally pertinent as the bank grows. The bank has separate department to oversee Legal & 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

31. 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 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073	
		Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
FVTPL							
Other trading assets	3	321,720,000	321,720,000	298,280,000	298,280,000	200,000	200,000
Subtotal		321,720,000	321,720,000	298,280,000	298,280,000	200,000	200,000
FVTOCI							
Quoted Equities	1	549,168,679	539,086,827	261,695,825	289,884,040	126,228,749	180,740,429
Unquoted Equities	3	14,392,000	14,392,000	14,392,000	14,392,000	14,392,000	14,392,000
Subtotal		563,560,679	553,478,827	276,087,825	304,276,040	140,620,749	195,132,429
Grand-Total		885,280,679	875,198,827	574,367,825	602,556,040	140,820,749	195,332,429
Amortized cost							
Cash and cash equivalent	3	5,183,938,214	5,183,938,214	5,499,968,622	5,499,968,622	6,757,540,896	6,757,540,896
Due from Nepal Rastra Bank	3	6,840,510,937	6,840,510,937	9,242,454,991	9,242,454,991	6,390,585,135	6,390,585,135
Placement with BFI's	3	276,407,171	276,407,171	681,934,928	681,934,928	1,632,360,961	1,632,360,961

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Particulars	Fair value Hierarchy (Level)	As at 32 Asar 2075		As at 31 Asar 2074		As at 31 Asar 2073	
		Carrying Value	Fair value	Carrying Value	Fair value	Carrying Value	Fair value
Loan and advances to B/FIs	3	2,497,567,769	2,497,567,769	1,869,100,231	1,869,100,231	1,425,995,187	1,425,995,187
Loans and advances to customers	3	72,711,771,766	72,711,771,766	59,886,961,418	59,886,961,418	52,006,836,331	52,006,836,331
Investment securities (except equity instruments)	3	8,894,967,898	8,894,967,898	7,176,705,132	7,176,705,132	4,242,638,454	4,242,638,454
Subtotal		96,405,163,755	96,405,163,755	84,357,125,322	84,357,125,322	72,455,956,964	72,455,956,964
Total of Financial Assets		97,290,444,433	97,280,362,582	84,931,493,146	84,959,681,362	72,596,777,713	72,651,289,393
FVTPL/FVTOCI							
Liability for employees DBO	3	60,864,641	60,864,641	75,408,947	75,408,947	56,297,741	56,297,741
Subtotal		60,864,641	60,864,641	75,408,947	75,408,947	56,297,741	56,297,741
Amortized cost							
Due to Bank and Financial Institutions	3	1,036,268,951	1,036,268,951	906,395,995	906,395,995	1,328,575,351	1,328,575,351
Due to Nepal Rastra Bank	3	660,071,641	660,071,641	1,110,558,800	1,110,558,800	1,377,300,000	1,377,300,000
Deposits from customers	3	83,970,867,219	83,970,867,219	72,317,666,604	72,317,666,604	63,452,888,272	63,452,888,272
Borrowing	3	-	-	55,347,308	55,347,308	110,694,615	110,694,615
Other liabilities	3	1,140,225,221	1,140,225,221	998,456,697	998,456,697	785,906,506	785,906,506
Debt securities issued	3	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945	517,547,945
Subtotal		87,324,980,977	87,324,980,977	75,905,973,349	75,905,973,349	67,572,912,689	67,572,912,689
Total of Financial Liabilities		87,385,845,618	87,385,845,618	75,981,382,296	75,981,382,296	67,629,210,430	67,629,210,430

The details of equity instruments with fair valuation hierarchy are as follows:

Particulars	NMB				Fair Value Hierarchy Level
	As at 32 Asar 2075		As at 31 Asar 2074		
	Cost	Fair Value	Cost	Fair Value	
1. Investment in quoted equity shares					
1.1 United Insurance Co. (Nepal) Limited	211,300	258,600	211,300	315,600	Level 1
1,440 Promoter Shares of Rs. 100 each fully paid up					
120 Ordinary Bonus of Rs 100 each fully paid up					
1.2 NLG Insurance Company Limited	-	43,710	-	2,400	Level 1
47 Ordinary Bonus Shares of Rs 100 each fully paid up					
1.3 Nepal Life Insurance Company Limited	-	-	2,480,925	4,674,048	Level 1
1,741 Ordinary Shares @ Rs. 1,425 each fully paid up, Bonus Share-435 Units					
1.4 Ridi Hydro Power Limited	3,600	5,781	3,600	9,548	Level 1
36 Ordinary Shares @ Rs 100 each fully paid up, Bonus Share-11 Units					
1.5 Butwal Power Company Limited	209,006,679	190,650,803	-	-	Level 1
417,179 Ordinary Shares @ Rs 100 each fully paid up					
1.6 Rural Micro Finance Development Center Limited	-	411,390	-	465,000	Level 1
630 Units Bonus Shares @ Rs 100 each fully paid up					
1.7 Laxmi Laghubitta Sanstha Limited	-	4,392	-	7,444	Level 1
4 Units Ordinary Bonus Shares @ Rs 100 each fully paid up					
1.8 Mero Micro Finance Bittiya Sanstha Limited	14,000,000	20,020,000	14,000,000	14,000,000	Level 1
140,000 Promoter Shares of Rs. 100 each fully paid up, Bonus Share-60,200 Units (Total Share-202,000 Units)					
Sub-Total	223,221,579	211,394,676	16,695,825	19,474,040	

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Particulars	NMB				Fair Value Hierarchy
	As at 32 Asar 2075		As at 31 Asar 2074		
	Cost	Fair Value	Cost	Fair Value	Level
2. Investment in quoted Mutual Fund:					
2.1 NMB Sulav Investment Fund-1	105,000,000	121,275,000	105,000,000	131,250,000	Level 1
10,500,000 Ordinary Shares of Rs. 10 each fully paid up					
2.2 NMB Hybrid Fund-1	140,000,000	135,660,000	140,000,000	139,160,000	Level 1
14,000,000 Ordinary Shares of Rs. 10 each fully paid up					
2.3 Laxmi Equity Fund (LEMF)	40,947,100	33,167,151	-	-	Level 1
4,094,710 Ordinary Shares of Rs. 10 each fully paid up					
2.4 NIC Asia Growth Fund (NICGF)	10,000,000	9,190,000	-	-	Level 1
1 Million Units Ordinary Shares of Rs. 10 each fully paid up					
2.5 Sanima Equity Fund (SAEF)	20,000,000	19,120,000	-	-	Level 1
2 Million Units Ordinary Shares of Rs. 10 each fully paid up					
2.6 Citizen Mutual Fund-1	10,000,000	9,280,000	-	-	Level 1
1 Million Units Ordinary Shares of Rs. 10 each fully paid up					
Sub-Total	325,947,100	327,692,151	245,000,000	270,410,000	
Total Investment in Quoted Equity Instruments					
3. Investment in Unquoted equity					
3.1 Nepal Stock Exchange Limited	5,000	5,000	5,000	5,000	Level 3
50 Ordinary Shares of Rs. 100 each fully paid up					
3.2 Nepal Clearing House Limited	4,198,000	4,198,000	4,198,000	4,198,000	Level 3
41,980 Equity Shares of Rs. 100 each and Bonus Units-8,396 (Total Units-50,736)					
3.3 Credit Information Bureau Limited	189,000	189,000	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	10,000,000	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)					
Sub Total	14,392,000	14,392,000	14,392,000	14,392,000	
Grand Total	563,560,679	553,478,827	276,087,825	304,276,040	

32. Capital Adequacy

The capital adequacy status as of 16 July 2018 is given below:

Capital Adequacy Table

2075 Ashad End (16 July 2018)

Amount in thousands

1.1 Risk Weighted Exposures		2075 Ashad End	2074 Ashad End
a	Risk Weighted Exposure for Credit Risk	95,709,597	75,272,958
b	Risk Weighted Exposure for Operational Risk	4,159,720	3,354,220
c	Risk Weighted Exposure for Market Risk	1,994,290	1,091,220
Total Risk Weighted Exposures (a+b+c)		101,863,607	79,718,398
Adjustments under Pillar II			
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,026,683	777,806
	Add : 2% of the the total RWE due to Supervisory add up	2,037,272	1,594,368
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	2,037,272	1,594,368
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		106,964,834	83,684,940

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Amount in thousands

1.2 Capital		2075 Ashad End	2074 Ashad End
Tier 1 Capital (Core Capital) (CET1 +AT1)		15,810,510	10,371,570
a	Paid up Equity Share Capital	7,603,291	6,461,774
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	2,920,873	284,364
d	Proposed Bonus Equity Shares	1,140,494	1,140,494
e	Statutory General Reserves	1,671,851	1,301,093
f	Retained Earnings	2,339,182	1,037,874
g	Un-audited current year cumulative profit/(Loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	57,326	53,295
j	Dividend Equalization Reserves	-	-
k	Less: Deferred Tax Assets	-	(41,148)
l	Other Free Reserve	-	41,148
m	Debenture Redemption Reserve	309,547	218,548
n	Less: Goodwill	-	-
o	Less: Intangible Assets	(22,054)	(15,872)
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)	(110,000)
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)		1,040,744	1,022,115
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	200,000	300,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	774,370	651,268
e	Exchange Equalization Reserve	56,374	54,642
f	Investment Adjustment Reserve	10,000	16,205
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)		16,851,254	11,393,685
1.3 Capital Adequacy Ratios			
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		14.78	12.39
	Tier 1 Capital to Total Risk Weighted Exposures	14.78	12.39
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	15.75	13.61

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Credit Risk Exposures

2075 Ashad End (16 July 2018)

Amount in thousands

Assets	2075 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Balance Sheet Exposures								
Balance With Nepal Rastra Bank	5,136,354	-	-	5,136,354	0%	-	9,242,455	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	10,334,628	-	-	10,334,628	0%	-	6,717,948	-
All Claims on Government of Nepal	910,588	-	-	910,588	0%	-	845,001	-
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	1,023,920	-	-	1,023,920	20%	204,784	1,503,403	300,681
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	-	-
Claims on foreign bank (ECA Rating 0-1)	1,414,075	-	-	1,414,075	20%	282,815	2,001,125	400,225
Claims on foreign bank (ECA Rating 2)	182,350	-	-	182,350	50%	91,175	103,264	51,632
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	368,571	368,571
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	915,614	-	-	915,614	20%	183,123	1,223,595	244,719

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Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Amount in thousands

Assets	2075 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Claims on Domestic Corporates	54,199,076	-	-	54,199,076	100%	54,199,076	41,017,156	41,017,156
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	0	-	-	0	50%	0	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	7,102,986	-	-	7,102,986	75%	5,327,240	5,751,198	4,313,398
Claims fulfilling all criterion of regularity retail except granularity	86,026	-	-	86,026	100%	86,026	189,011	189,011
Claims secured by residential properties	9,140,904	-	-	9,140,904	60%	5,484,542	7,120,858	4,272,515
Claims not fully secured by residential properties	-	-	-	-	150%	-	1,483,582	2,225,372
Claims secured by residential properties (Overdue)	58,270	9,212	-	49,058	100%	49,058	42,486	42,486
Claims secured by Commercial real estate	350,053	-	-	350,053	100%	350,053	728,447	728,447
Past due claims (except for claims secured by residential properties)	992,549	449,066	-	543,483	150%	815,224	579,800	869,699
High Risk claims	3,633,055	-	497,189	3,135,866	150%	4,703,799	3,959,410	5,939,115
Investments in equity and other capital instruments of institutions listed in stock exchange	597,721	32,886	-	564,835	100%	564,835	310,248	310,248
Investments in equity and other capital instruments of institutions not listed in the stock exchange	4,392	5	-	4,387	150%	6,581	3,547	5,321
Staff loan secured by residential property	771,042	-	-	771,042	60%	462,625	280,622	168,373
Interest Receivable/claim on government securities	103,824	-	-	103,824	0%	-	44,535	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets (as per attachment)	7,195,902	940,498	-	6,255,404	100%	6,255,404	1,812,535	1,812,535
TOTAL	106,563,045	1,431,667	497,189	104,634,189		79,066,359	87,032,294	63,259,505

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Amount in thousands

Assets	2075 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Off Balance Sheet Exposures								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	6,593,723	-	-	6,593,723	0%	-	1,227,623	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	5,392,843	539,284
LC Commitments With Original Maturity Upto 6 months domestic counterparty	4,344,771	-	383,024	3,961,747	20%	792,349	4,901,785	980,357
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	14,448,186	-	2,978,194	11,469,992	50%	5,734,996	6,162,952	3,081,476
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	4,302,410	-	254,061	4,048,349	50%	2,024,174	3,062,391	1,531,195
Foreign counterparty (ECA Rating 0-1)	1,813,959	-	1,451,167	362,792	20%	72,558	389,605	77,921
Foreign counterparty (ECA Rating 2)	6,598,961	-	3,299,480	3,299,480	50%	1,649,740	2,129,952	1,064,976
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	2,643,780	-	543,318	2,100,462	100%	2,100,462	1,521,066	1,521,066
Financial Guarantee	2,200	-	883	1,318	100%	1,318	783	783
Acceptances and Endorsements	1,802,645	-	73,874	1,728,771	100%	1,728,771	1,282,188	1,282,188
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	10,731,972	-	-	10,731,972	20%	2,146,394	7,884,275	1,576,855
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
" Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement"	1,231,875	-	-	1,231,875	20%	246,375	1,214,178	242,836
Other Contingent Liabilities	146,100	-	-	146,100	100%	146,100	114,516	114,516
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
TOTAL	54,660,582	-	8,984,001	45,676,581		16,643,238	35,284,156	12,013,453
Total RWE for credit Risk	161,223,627	1,431,667	9,481,189	150,310,770		95,709,597	122,316,451	75,272,958
Adjustments under Pillar II								
Add : 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3)								
Add : 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)								
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)								

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Eligible Credit Risk Mitigants

2075 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)	-	-	-	-	-	-	-	-	-	-
22	Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
23	Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
24	Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
25	Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
26	Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-
27	Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
28	Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
29	Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
30	Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
31	Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-
32	Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
33	Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
34	Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
35	Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
36	Claims secured by Commercial real estate	-	-	-	-	-	-	-	-	-	-
37	Past due claims (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
38	High Risk claims	496,289	-	-	900	-	-	-	-	-	497,189
39	Investments in equity and other capital instruments of institutions listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
40	Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
41	Other Assets (as per attachment)	-	-	-	-	-	-	-	-	-	-
	Total	496,289	-	-	900	-	-	-	-	-	497,189

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

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)	
Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	134,832	-	-	-	-	-	-	248,192	-	383,024
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	1,212,186	-	-	-	-	-	-	1,766,007	-	2,978,194
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	254,061	-	-	-	-	-	-	-	-	254,061
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	1,451,167	1,451,167
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	3,299,480	3,299,480
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	543,318	-	-	-	-	-	-	-	-	543,318
Financial Guarantee	883	-	-	-	-	-	-	-	-	883
Acceptances and Endorsements	73,874	-	-	-	-	-	-	-	-	73,874
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments(Short Term)	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments(Long Term)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total	2,219,154	-	-	-	-	-	-	2,014,199	4,750,647	8,984,001
Total Credit Risk Exposure	2,715,443	-	-	900	-	-	-	2,014,199	4,750,647	9,481,189

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Operation Risk Exposures

2075 Ashad

Amount in thousands

Particulars	Years before 2074 Ashar End			2075 Ashad End
	2071/072	2072/073	2073/074	
Net Interest Income	1,800,536	2,013,282	2,568,174	2,568,174
Commission and Discount Income	138,797	197,616	360,630	360,630
Other Operating Income	200,299	218,106	288,030	288,030
Exchange Fluctuation Income	120,366	160,269	208,514	208,514
Addition/Deduction in Interest Suspense during the period	44,477	3,412	(3,072)	(3,072)
Gross income (a)	2,304,474	2,592,685	3,422,276	3,422,276
Alfa (b)	15%	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	345,671	388,903	513,341	513,341
Capital Requirement for operational risk (d) (average of c)			415,972	
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	
Equivalent Risk Weight Exposure [f=(d×e)]			4,159,720	
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)				

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Market Risk Exposures

2075 Ashad

Amount in thousands

S.No.	Currency	2075 Ashad End			2074 Ashad End Relevant Open Position
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	
1	INR	(2,444,548)	(3,913,111)	3,913,111	2,152,918
2	USD	(216.0)	(23,693)	23,693	9,845
3	GBP	(12.0)	(1,744)	1,744	754
4	CHF	(0.4)	(47)	47	862
5	EUR	(11.1)	(1,422)	1,422	4,017
6	JPY	1,416.3	13,827	13,827	747
7	SEK	(0.0)	(0)	0	0
8	DKK	(9.0)	(155)	155	25
9	HKD	(8.0)	(112)	112	316
10	AUD	14.3	1,166	1,166	2,436
11	SGD	(17.1)	(1,379)	1,379	1,722
12	KRW	(1,810.0)	(17,630)	17,630	205
13	AED	(9.7)	(291)	291	451
14	MYR	(108.6)	(2,947)	2,947	2,148
15	THB	(58.1)	(191)	191	75
16	QAR	(70.6)	(2,126)	2,126	1,121
17	CNY	(196.9)	(3,235)	3,235	310
18	CAD	(4.4)	(368)	368	2,306
19	SAR	(172.8)	(5,056)	5,056	1,869
20	KWD	(0.2)	(81)	81	286
21	BHD	(0.0)	(2)	2	27
Total Open Position (a)				3,988,583	2,182,441
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				199,429	109,122
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				1,994,290	1,091,220

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

33. 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 & 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

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

c) Information about profit or loss, assets and liabilities

	Particulars	Province 1	Province 2	Province 3	Province 4	Province 5	Province 6	Province 7	Total
a	Revenues from external customers	1,866,852,562	679,421,357	20,904,210,019	220,778,262	1,639,245,171	352,984,535	286,169,711	25,949,661,618
b	Intersegment revenues	540,987,598	95,814,019	14,075,885,007	67,407,688	789,069,342	100,193,819	67,930,433	15,737,287,905
c	Net Revenue	1,325,864,964	583,607,339	6,828,325,012	153,370,574	850,175,829	252,790,717	218,239,278	10,212,373,713
d	Interest Revenue	1,737,518,429	653,009,769	19,669,856,780	207,530,635	1,577,161,710	349,304,341	271,606,072	24,465,987,736
e	Interest Expense	1,380,034,907	595,612,535	17,823,431,548	168,344,156	1,088,070,615	280,933,312	225,546,585	21,561,973,658
f	Net Interest Revenue (b)	357,483,522	57,397,234	1,846,425,232	39,186,478	489,091,095	68,371,029	46,059,487	2,904,014,078
g	Depreciation and amortization	19,907,563	7,075,542	90,488,155	4,700,492	15,395,459	4,909,906	5,218,120	147,695,238
h	Segment profit/(loss)	282,683,939	22,558,143	1,849,568,908	6,615,263	359,729,002	26,924,151	18,240,653	2,566,320,061
i	Entity's interest in the profit or loss of associates accounted for using equity method - Not Applicable								
j	Other material items	-	-	-	-	-	-	-	-
	Loans and advances								
	-Corporate and Mid-Corporate Loan	3,021,629,298	3,839,454,106	23,209,468,702	113,689,470	560,850,558	544,748,076	298,411,544	31,588,251,754
	-SME/MSME Loans	4,796,641,308	1,383,578,472	9,044,453,116	579,042,396	3,590,376,465	1,272,867,513	1,060,650,726	21,727,609,997
	-Energy Loans	24,432,000	392,572	4,811,407,367	8,700,067	2,364,983	-	-	4,847,296,989
	-Microfinance Loans	702,903,567	165,557,209	2,252,124,353	54,744,617	428,713,998	84,755,021	66,181,335	3,754,980,101
	-Other Loans	2,290,370,710	514,161,967	7,623,941,827	462,525,315	2,154,978,173	385,344,730	300,290,175	13,731,612,896
	Deposits								
	Retail Deposits	5,127,169,552	1,088,083,464	29,099,517,311	756,111,396	7,095,533,993	1,103,815,148	735,483,261	45,005,714,124
	Institutional Deposits	523,928,499	96,781,091	27,438,423,958	125,489,143	749,162,538	235,565,714	105,364,548	29,274,715,490
	Others Deposit	529,062,358	89,969,044	9,220,861,948	49,717,453	206,029,746	78,908,268	52,157,739	10,226,706,556
k	Impairment of assets	(49,808,037)	1,376,003	(169,153,479)	(421,044)	(1,853,651)	642,436	(433,017)	(219,650,789)
l	Segment assets	11,663,748,364	6,084,121,441	62,340,355,977	1,441,766,772	7,576,723,744	2,459,763,443	1,913,308,875	93,479,788,616
m	Segment liabilities	6,438,032,800	1,377,616,338	76,917,290,143	952,412,916	8,161,384,998	1,461,144,492	924,637,903	96,232,519,590
n	Un-allocable Assets								18,891,058,711
o	Un-allocable Liabilities and Equity								16,138,327,738

d) Measurement of operating segment profit or loss, assets and liabilities

i. Basis of accounting for any transactions between reportable segments:

The interest income and expenses is allocated to the segments based upon the FTP rate prescribed by the management for the particular period. The bank has identified its segments on the basis of geographical location as per provinces of the country. All the transactions has been done at the arm's length prices between the segments with intra segment revenue and cost being eliminated at the Head Office. The Interest income and foreign exchange gains/losses generated while conducting businesses under different segments are reported under the respective segment. The equity and tax expense are not allocated to the individual segments.

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,

Previously, the bank had segmental division based upon the business segment and geographical segment. The same has now been changed to geographical segment based upon the provincial classifications done by Government of Nepal.

IV. Nature and effect of any asymmetrical allocations to reportable segments

None

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

e) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

a Revenue		
	Particulars	Amount
	Total Revenues for reportable segments	25,944,456,803
	Other Revenues	5,204,814
	Elimination of intersegment revenues	15,737,287,905
	Entity's Revenues	10,212,373,713
b Profit or Loss		
	Particulars	Amount
	Total profit or loss for reportable segments	2,851,466,734
	Other profit or loss	-
	Elimination of intersegment profits	-
	Unallocated amounts:	
	Staff Bonus	285,146,674
	Profit before income tax	2,566,320,061
	Note: No profit is recorded on intersegment	
c Assets		
	Particulars	Amount
	Total assets for reportable segments	75,649,751,736
	Other assets	17,830,036,880
	Unallocated amounts	18,891,058,711
	Entity's assets	112,370,847,327
d Liabilities		
	Particulars	Amount
	Total liabilities for reportable segments	84,507,136,171
	Other liabilities	11,725,383,419
	Unallocated amounts	16,138,327,738
	Entity's liabilities	112,370,847,327

f) Information about products and services

Particulars	Amount (Fees Income)
Retail Banking	241,236,267
Corporate, SME & Institutional	535,102,696
Treasury	318,997,352
Trade Finance	13,536,674
Others	26,479,692
Total	1,135,352,681

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

g) Information about geographical areas

Particulars	Revenue (Amount)
Domestic	25,944,456,803
- Province 1	1,868,790,907
- Province 2	679,421,357
- Province 3	20,883,232,796
- Province 4	220,044,374
- Province 5	1,639,124,335
- Province 6	368,188,879
- Province 7	285,654,156
Foreign	-
Total (a+b)	25,944,456,803

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

34. 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.

35. Merger and acquisition

The Group has not entered into any merger and acquisition activities in the reporting period and in the comparative previous period.

36. 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.

37. 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.

38. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 1,218,000 during the fiscal year. There were 19 Board Meeting conducted during the fiscal year.

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.

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

Meeting fees paid to four Board Level Committees are as follows:

Board Level Committees	No of Meetings	Meeting Allowance (NPR)
Audit Committee	12	288,000
Risk Management Committee	15	372,000
Human Resource Service Committee	14	324,000
Assets Laundering Prevention Committee	2	48,000

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. The total amount paid as monthly allowances to the board members during the fiscal year 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. Hari Babu Neupane Member (Represents Group – Public Shareholder)
- vi) Mr. Pradeep Raj Pandey Independent Director
- vii) Mr. Nand Kishor Rathi Alternate Director to Mr. Nico Pijl

(b) Loans and Advances extended to Promoters

Loans and Advances extended to Promoters are listed as follows:

Name	Facility	Outstanding Amount (Asar end 2075)
Sonam Gyatso	Housing Loan-1	3,716,970
	Housing Loan-2	3,773,630
Total		7,490,600
Min Prasad Paudel	Housing Loan	5,000,000
Grand Total		12,490,600

These Loans and Advances pertain to facilities previously extended from one of the merging entities to individuals/companies that have post-merger been categorized as Promoter of NMB Bank Limited. The Central Bank has required the Bank to settle these loans within three years from the date of Joint Operation i.e. by Mid-October 2018. As of current status, these loans are settled.

(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	40,484,486
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	40,484,486

Additional Disclosures

Financial Year 16 July 2017 to 16 July 2018 (1 Shrawan 2074 to 32 Ashad 2075)

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	4,348,083	231,912	16,322,395
Total	5,904,000	590,400	5,248,000	4,348,083	231,912	16,322,395

Key management personnel are also provided with the following benefits:

- Benefits as per the Employee Terms of Service By-laws,
- Bonus to staff as per the Bonus Act,
- Vehicle Fuel Expenses as per the Bank's Staff Vehicle Scheme.

Existing members of Executive Committee includes:

Mr. Sunil KC	Chief Executive Officer
Mr. Pradeep Pradhan	Chief Operating Officer
Ms. Shabnam Limbu Joshi	Chief HR & Business Support Officer
Mr. Sharad Tegi Tuladhar	Chief Risk Officer
Mr. Sudesh Upadhyaya	Chief Business Officer
Mr. Govind Ghimire	Chief Business Officer
Mr. Navin Manandhar	Chief Business Officer
Mr. Pramod Dahal	Company Secretary and Chief AML & Compliance Officer
Mr. Roshan Regmi	Head Operations

(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.	153,299	99,984
3	Borrowing from NMB Bank Ltd.	-	500,000
4	Interest Payment by NMB Bank Ltd.	3,116	-
5	Interest Payment to NMB Bank Ltd.	-	31,929
6	Rent Payment to NMB Bank Ltd.	2,137	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Share Registrar Fee payment by NMB Bank	900	-
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 2072.73	100,000	-

The intra-group related figures have been excluded for presentation of the financial statement of the Group.

(e) Borrowings from FMO

The bank has incurred interest cost of NPR 2,400,853 on its borrowings from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO) during the fiscal year ended Ashad End 2075. The outstanding borrowing from FMO as at the year-end is Nil.

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2075

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 2018.

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	7,603,291
2.	Share Premium	2,920,873
3.	Proposed Bonus Equity Shares	1,140,494
4.	Statutory General Reserves	1,671,851
5.	Retained Earnings	2,339,182
6.	Capital Adjustment Reserve	57,326
7.	Deferred Tax Reserves	-
8.	Deferred Tax Assets	-
9.	Debenture Redemption Reserve	309,547
10.	Less: Investment in equity of institutions with financial interest	(210,000)
11.	Less: Intangible Assets	(22,054)
Total Core Capital		15,810,510

2.2. Tier 2 Capital and a breakdown of its Components:

S.No	Details	Amount
1.	Subordinated Term Debt	200,000
2.	General Loan Loss Provision	774,370
3.	Exchange Equalization Reserve	56,374
4.	Investment Adjustment Reserve	10,000
5.	Other Reserve	
Total Supplementary Capital		1,040,744

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 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 200 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.

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2075

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, as per the requirement of NRB Directive, the entire amount of Deferred Tax Assets should be netted off with equal amount of Deferred Tax Reserve. However, there is no deferred tax assets created during the fiscal year 2074/75 has been transferred to regulatory reserve for NRB Directives.

Intangible asset has also been deducted as per NRB Directive by NPR 22,054,209.

2.5. Total Qualifying Capital:

S.No	Details	Amount
1.	Core Capital (Tier 1)	15,810,510
2.	Supplementary Capital (Tier 2)	1,040,744
Total Capital Fund		16,851,254

2.6. Capital Adequacy Ratio:

S.No	Details	Percentage
1.	Tier 1 Capital to Total Risk Weighted Exposure	14.78
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	15.75

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	95,709,597
b.	Risk Weighted Exposure for Operational Risk	4,159,720
c.	Risk Weighted Exposure for Market Risk	1,994,290
Total Risk Weighted Exposures (a+b+c)		101,863,607
Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.		1,026,683
Add : 2% of the total RWE due to Supervisory add up		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)		106,964,834

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2075

3.2. Risk Weighted Exposures under each of categories of Credit Risk:

S.No	Particulars	Amount
1.	Claims on government and Central Bank	-
2.	Claims on other Official Entities	-
3.	Claims on Bank	761,897
4.	Claims on Domestic Corporate and Securities Firms	54,199,076
5.	Claims on Foreign Corporate	-
6.	Claims on Regulatory Retail Portfolio	5,327,240
7.	Claims fulfilling all criterion of regulatory retail except granularity	86,026
8.	Claims secured by Residential Properties	5,484,542
9.	Claims not fully secured by residential properties	-
10.	Claims secured by Residential Properties (Overdue)	49,058
11.	Claims secured by Commercial Real Estate	350,053
12.	Past Due Claims	815,224
13.	High Risk Claims	4,703,799
14.	Investments	571,415
14.	Other Assets	6,718,029
15.	Off Balance sheet items	16,643,238
	Total	95,709,597

3.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	Amount
a.	Risk Weighted Exposure for Credit Risk	95,709,597
b.	Risk Weighted Exposure for Operational Risk	4,159,720
c.	Risk Weighted Exposure for Market Risk	1,994,290
1.	Total Risk Weighted Exposure	101,863,607
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,026,683
	Add : 2% of the total RWE due to Supervisory add up	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)	106,964,834
2.	Total Core Capital Fund (Tier 1)	15,810,510
3.	Total Capital Fund (Tier 1 & Tier 2)	16,851,254
4.	Total Core Capital to Total Risk Weighted Exposures (%)	14.78
5.	Total Capital to Total Risk Weighted Exposures (%)	15.75

3.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	1,361	188.87	1,172
2.	Substandard	172,303	43,076	129,228
3.	Doubtful	255,984	127,992	127,992
4.	Loss	239,663	239,663	-
	Total	669,311	410,920	258,392

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2075

3.5. NPA Ratio

Gross NPA to Gross Advances: 0.88%

Net NPA to Net Advances: 0.35%

3.6 Movement of Non-Performing Assets

S.No	Particulars	Asar End 2074	Asarh End 2075	Movement
1.	Restructure/Reschedule Loan	1,685	1,361	(324)
2.	Substandard	177,048	172,303	(4,744)
3.	Doubtful	379,925	255,984	(123,942)
4.	Loss	492,711	239,663	(253,048)
	Total Non-Performing Loan	1,051,369	669,311	(382,058)

3.7. Movement of Loan Loss Provision & Interest Suspense on loans & advances

S.No	Category	Asar End 2074	Asar End 2075	Movement
1.	Pass	679,847	778,735	98,889
2.	Watch List	45,013	42,998	(2,015)
3.	Restructured	301	189	(113)
4.	Substandard	44,262	43,076	(1,186)
5.	Doubtful	189,963	127,992	(61,971)
6.	Loss	492,711	239,663	(253,048)
	Total Loan Provision	1,452,097	1,232,653	(219,444)
	Interest Suspense	223,365	190,355	(33,010)

3.8 Interest Suspense

As per NRB Directives, all interest accruals on loans and advances, irrespective of loan category, are transferred to interest suspense account until the interest accrued and due is realized in cash. The interest suspense has then been transferred to regulatory reserve as per NRB Directive. Details of Interest Suspense movement (except on staff loan) are as follows:

S.No	Particulars	Asar End 2074	Asar End 2075	Movement
1	Interest Suspense	223,365	190,355	(33,010)

3.9. Details of Additional Loan Loss Provision

S.No	Category	Asar End 2075
1.	Pass	37,511
2.	Watch List	289
3.	Restructured	-
4.	Substandard	-
5.	Doubtful	-
6.	Loss	-
	Total Additional Loan Loss Provision	37,800

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2075

3.10 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 9,481,189 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%	12.78%
Capital Conversation Buffer	2.00%	2.00%
Minimum common equity plus capital conservation buffer	6.50%	14.78%
Minimum Tier 1 Capital (Excluding conservation buffer)	6.00%	14.78%
Minimum Total Capital Excluding conservation buffer)	9.00%	14.78%
Minimum Total Capital (including conservation buffer)	11.00%	15.75%
Leverage Ratio	4.00%	9.99%

5. Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities:

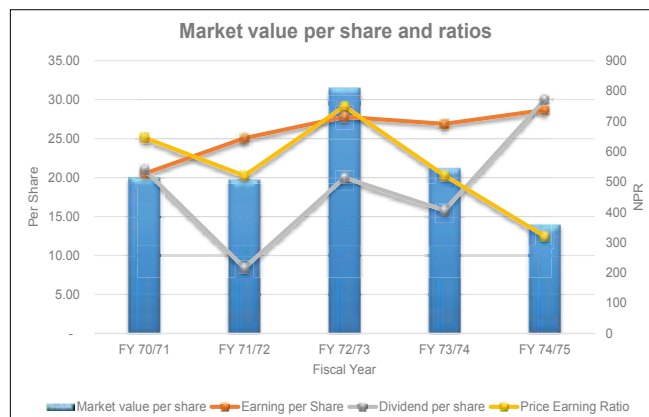
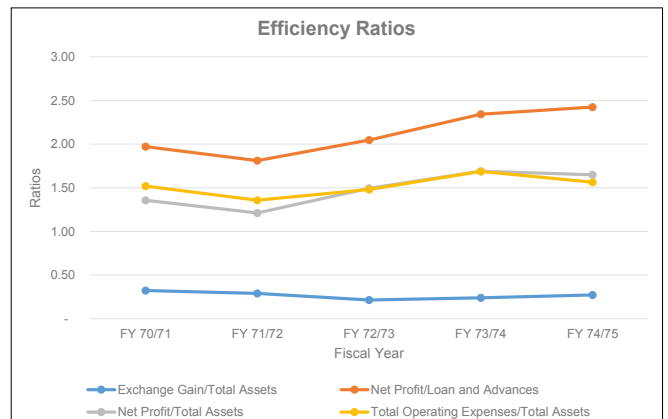
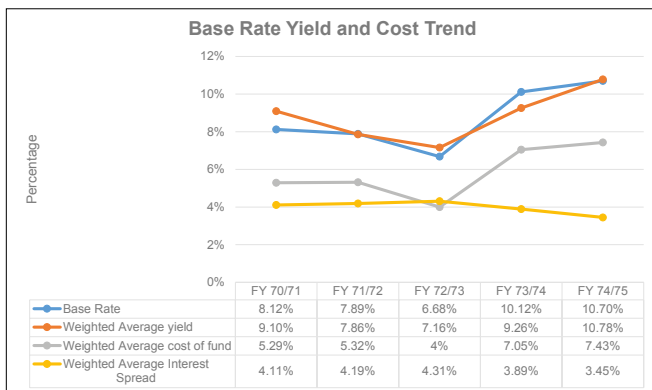
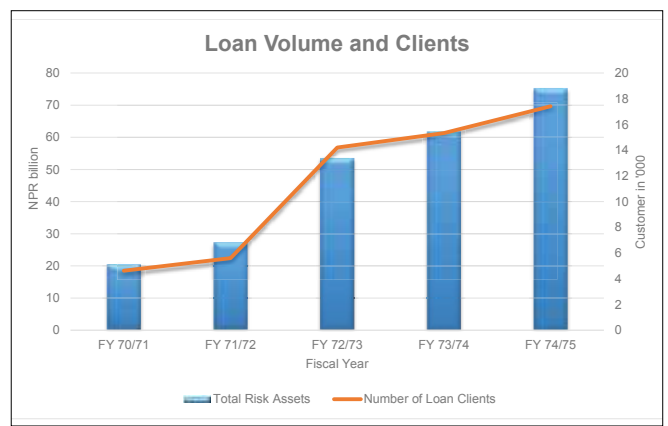
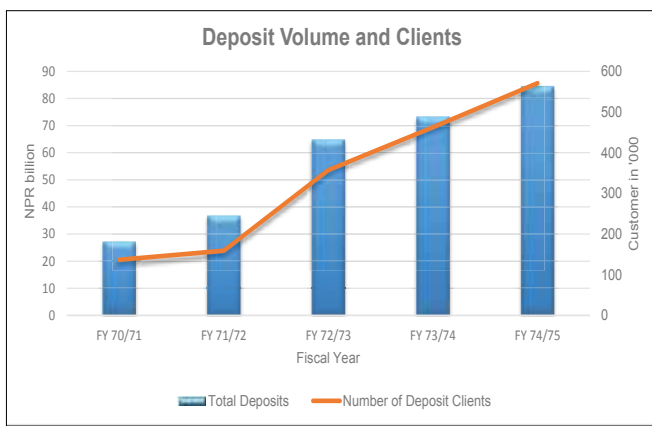
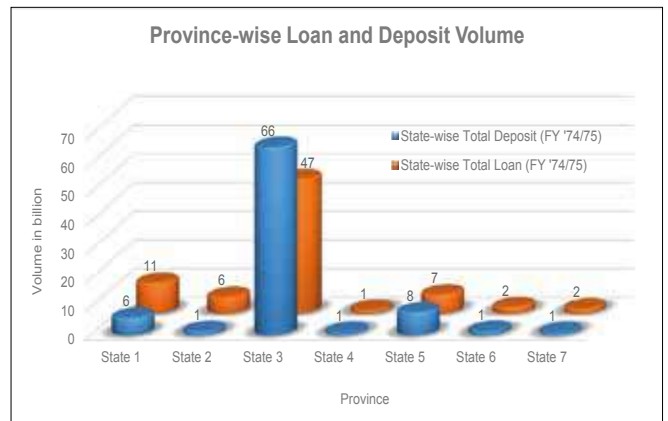
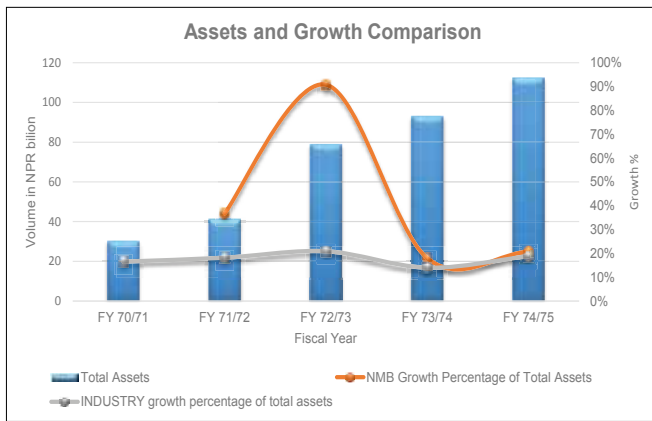
The bank follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business.

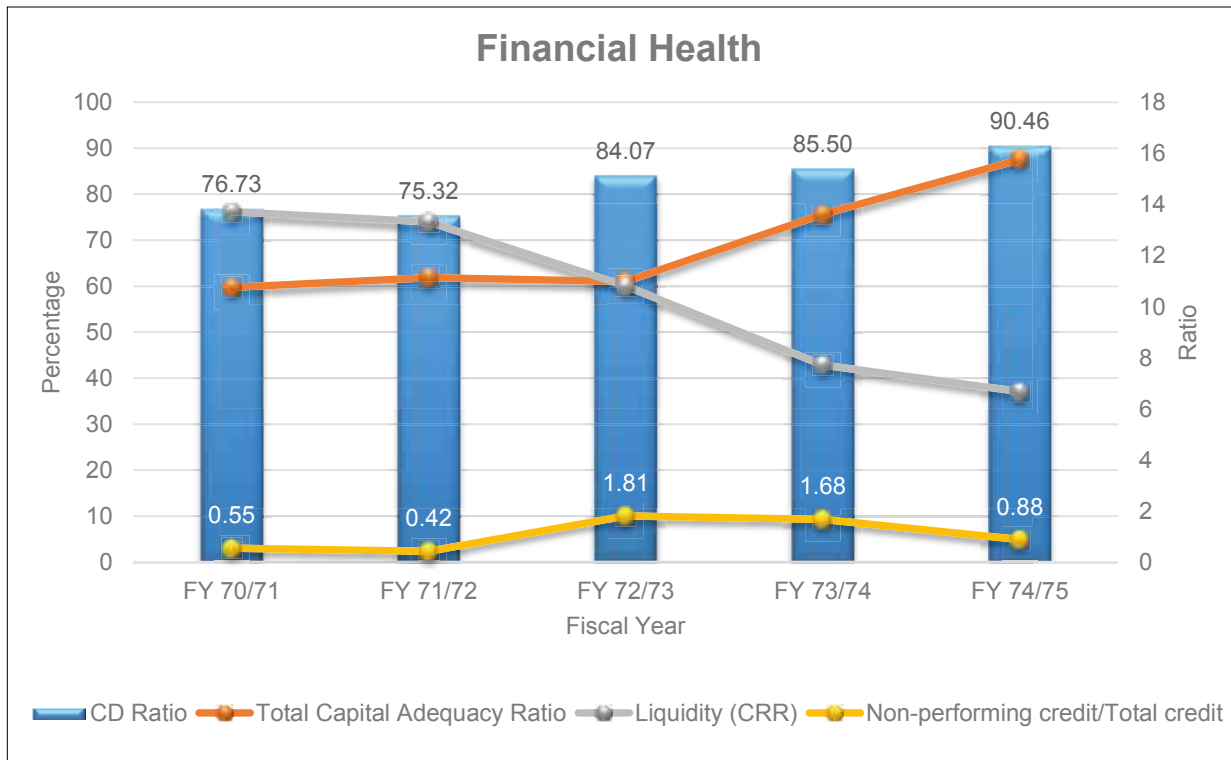
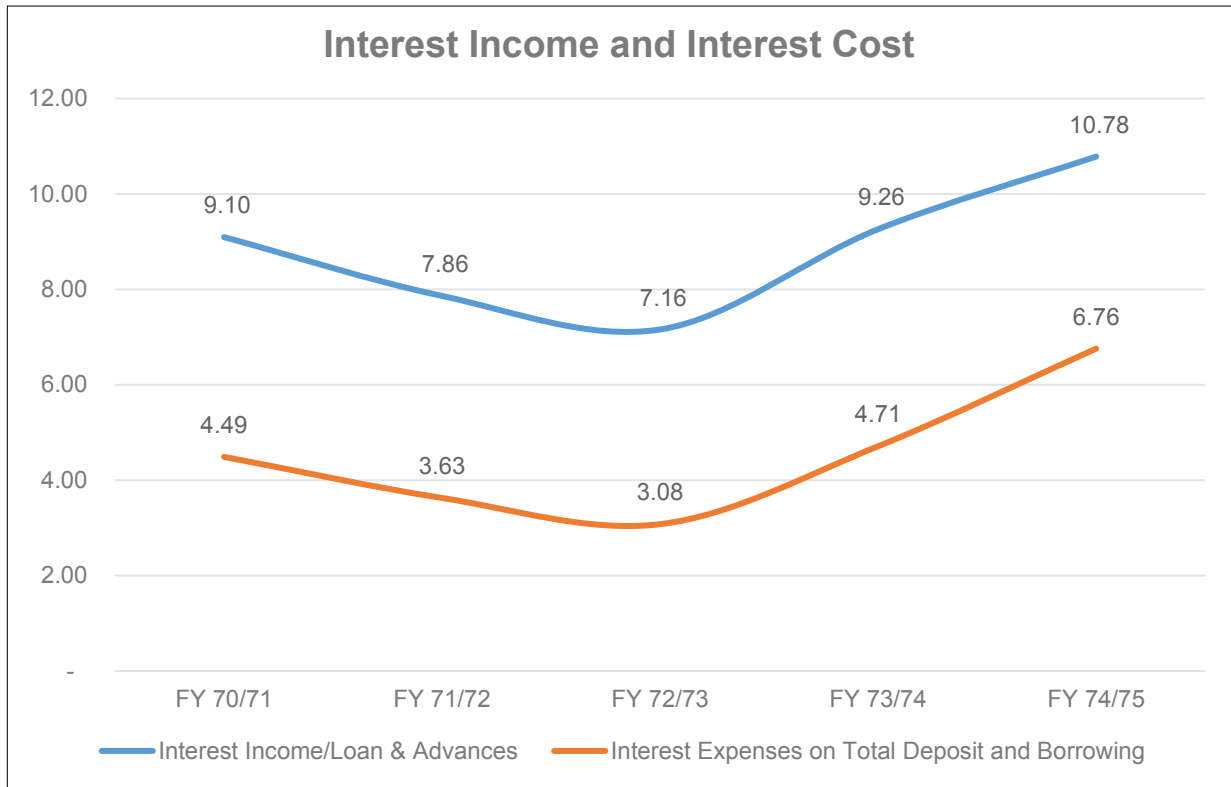
Risk management is essential for well-being of the overall banking business. Credit, Market and Operational Risk are managed independently at NMB Bank. Credit Risk Department reviews risk related to credit prior to disbursement of all loans, it is independent of a loan approver. Credit Risk Management 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, & 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.

Graphical Presentation-Trend Analysis

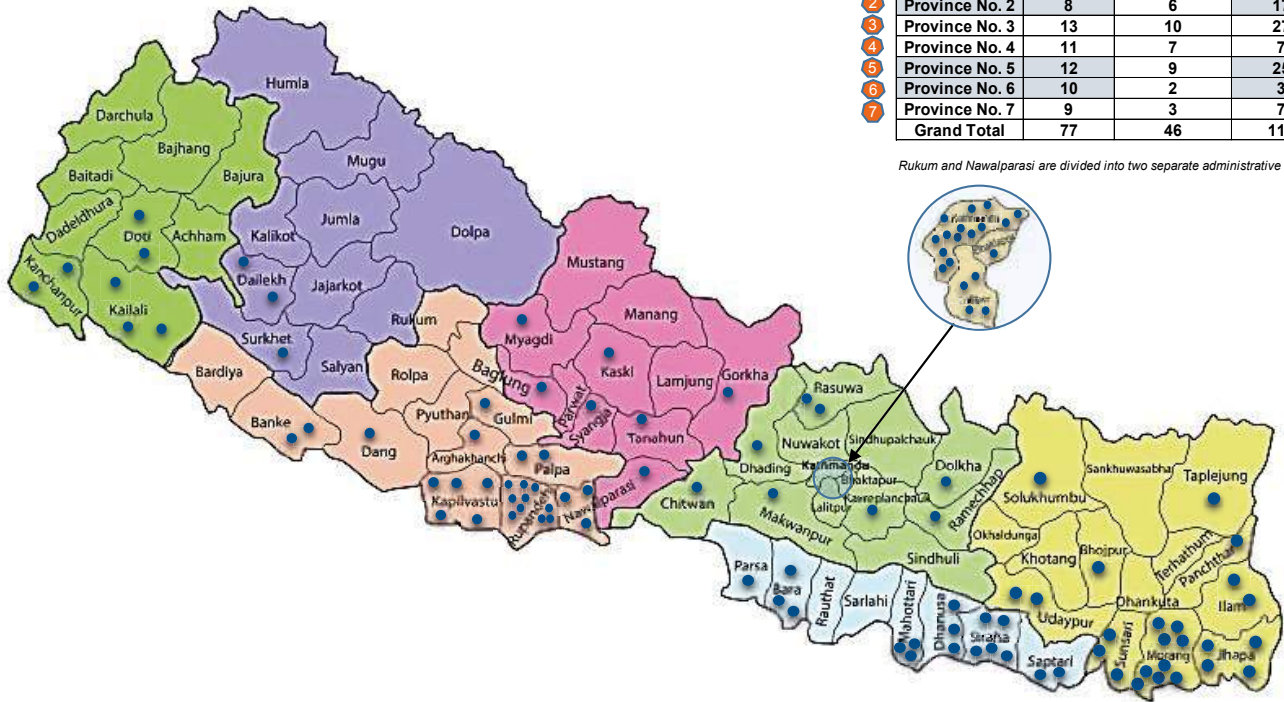




Branch Network

Province	Total Districts	Districts covered	Number of branches
1	14	9	24
2	8	6	17
3	13	10	27
4	11	7	7
5	12	9	25
6	10	2	3
7	9	3	7
Grand Total	77	46	110

Rukum and Nawalparasi are divided into two separate administrative divisions.



Inside Valley

- Babarmahal Branch
- Basundhara Branch
- Bhaktapur Branch
- Chabahil Branch
- Kalanki Branch
- Kantipath Branch
- Kumaripati Branch
- Lubhu Branch
- Naxal Branch
- New Road Branch
- Pulchowk Branch
- Putalisadak Branch
- Sitapaila Branch
- Teenkune Branch
- Teku Branch
- Thaiba Branch
- Thamel Branch
- Thapathali Branch
- Kapan Branch

Outside Valley

- Aryabhanjyang Branch
- Aurahi Branch
- Banepa Branch
- Bangai Branch
- Bardibas Branch
- Bateshwar Branch
- Belbari Branch
- Beldandi Branch
- Beni Branch
- Bhairahawa Branch
- Bhalwari Branch
- Bhojpur Branch
- Biratnagar Branch (Kanchanbari)
- Biratnagar Branch (Rangeli Road)
- Birgunj Branch
- Birtamod Branch
- Bishrampur Branch
- Burtibang Branch
- Butwal Branch (Traffic Chowk)
- Butwal Main Branch (Milan Chowk)
- Chaar Number Branch
- Chandragadhi Branch
- Chandrauta Branch
- Chulachuli Branch
- Chutrabesi Branch
- Dailekh Branch
- Damak Branch
- Damauli Branch
- Dhangadhi Branch
- Dharan Branch
- Dhunche Branch
- Doti Branch
- Drivertole Branch
- Dudhe Branch
- Gaighat Branch
- Galchhi Branch
- Golbazar Branch
- Gorkha Branch
- Gorusinghe Branch
- Hanshapur Branch
- Hetauda Branch
- Ilam Branch
- Itahari Branch
- Janakpur Branch
- Jeetpur Branch
- K.I. Singh, Doti Branch
- Katari Branch
- Kawasoti Branch
- Kerabari Branch
- Kerkha Branch
- Kirne Branch
- Kohalpur Branch
- Kudiya Branch
- Lahan Branch
- Lamki Branch
- Letang Branch
- Madhumalla Branch
- Mahendranagar Branch
- Mahottari Branch
- Manigram Branch
- Manthali Branch
- Masuriya Branch
- Mayadevi (Pakadi) Branch
- Murgiya Branch
- Narayanghat Branch
- Naumule Branch
- Nawarajpur Branch
- Nepalgunj Branch
- Nijgadhi Branch
- Pachrauta Branch
- Palpa Branch
- Pathari Branch
- Pharsatikar Branch
- Phidim Branch
- Pokhara Branch
- Sakhuwan Branch
- Salleri Branch
- Sonma Branch
- Sunawal Branch
- Surkhet Branch
- Surunga Branch
- Tamghas Branch
- Taplejung Branch
- Tarahara Branch
- Thutipipal Branch
- Timure Branch
- Tulsipur Branch
- Urlabari Branch
- Waling Branch
- Sardibagaicha Branch
- Tilathi Branch

ATM Network

Inside Valley

1. Babarmahal ATM – ATM Lounge, NMB Bhawan, Babarmahal, Ktm
2. Basundhara ATM – Basundhara Branch, Basundhara Chowk
3. Bhaktapur ATM – Bhaktapur Branch Premises
4. Boudha ATM- Boudha Branch Premises
5. Chabahil ATM- Chabahil Branch Premises
6. District Court ATM- District Court Premises, Babarmahal, Ktm
7. Durbarmarg ATM- Annapurna ATM Lounge, Kathmandu
8. Golfutar ATM- Golfutar, Opposite to Big Mart
9. Jain Bhawan- Jain Bhawan, Kamalpokhari, Kathmandu
10. Kalanki ATM- Near Samsung Showroom, Kalanki
11. Kamalpokhari ATM- Jain Bhawan, Kamalpokhari, Kathmandu
12. Kantipath ATM- Kantipath Branch Premises
13. Kapan ATM- Kapan Branch Premises, Milan Chowk
14. Kuleshwor ATM- Kuleshwor, Kathmandu
15. Kumaripati ATM- ATM Lounge, Near UFO, Kumaripati
16. Lubhu ATM- Lubhu Branch Premises, Lalitpur
17. Maharajgunj ATM- Saleways Department Store, Kathmandu
18. Mangal Bazar ATM- Mahapal, Lalitpur
19. Naxal ATM- Naxal Branch Premises, Naxal, Kathmandu
20. New Baneshwor ATM- ATM Lounge, New Baneshwor, Kathmandu
21. New Road ATM- Joshi Plaza, New Road, Kathmandu
22. Newroad (Civil Mall) ATM- Civil Mall ATM Lounge, Sundhara, Ktm
23. Pulchowk ATM- Opp. Pulchowk Engineering Campus, Lalitpur
24. Sitapaila ATM- Sitapaila Chowk Engineering Campus, Lalitpur
25. Teku ATM- Teku Branch Premises, Kathmandu
26. Thaiba ATM- Thaiba Branch Premises, Lalitpur
27. Thamel ATM- ATM Lounge, Tridevi Marga
28. Thamel Garuda- New Jatra Restaurant, JP Marg
29. Thamel Jatra- Near Jatra Restaurant, Chasnibari Thamel, JP Marg
30. Thapathali ATM- Singha Mahal, Kathmandu, Nepal
31. Thimi ATM- Thimi, Sankhadhar Chowk
32. Tinkune ATM- Tinkune Branch Premises Kathmandu
33. Tripureshwor ATM- Beside Mayaram Bholaram Petrol Pump
34. Putalisadak ATM- Putalisadak
35. Annapurna Hotel ATM- Annapurna Hotel
36. Traffic Chowk ATM- Traffic Chowk
37. Joshi Complex ATM- Newroad Kathmandu
38. Babarmahal 2- Babarmahal 2
39. Babarmahal 3- Babarmahal 3
40. Mid Baneshwor ATM- Mid Baneshwor, Katmandu

Outside Valley

1. Belbari ATM- Belbari Chowk, Morang Bus Stand (West)
2. Beni ATM- Beni Branch Premises
3. Bhairahawa ATM- Nayasadak-7, Siddharthanagar
4. Bhojpur- Branch Premises
5. Biratnagar ATM- Rangeli Road, Morang
6. Birgunj ATM- Adarshanagar, Birgunj
7. Birtamod ATM- Anarmani, Bhadrapur Road, Birtamod
8. BP Counter ATM- Dharan Mahendra Path
9. Burtibang ATM- Branch Premises
10. Butwal ATM- Traffic Chowk, Butwal
11. Chandragadhi ATM- Chandragadhi
12. Chandrauta ATM- Shivaraj Municipality, Kapilvastu
13. Dailekh ATM- Narayan Bazar- Dailekh
14. Damak ATM- Damak 10, Jhapa
15. Damauli ATM- Branch Premises
16. Dhangadhi ATM- Buspark Road, Kailali
17. Dhunche ATM- Branch Premises, Dhunche Bazar
18. Doti ATM- Silgadhi, Doti
19. Dudhe ATM- Branch Premises
20. Galchhi ATM- Branch Premises
21. Gorkha ATM- Kalimati, Gorkha Municipality
22. Gorusinghe ATM- Jaynagar, Kapilvastu
23. Hetauda ATM- Branch Premises
24. Ilam ATM- Branch Premises
25. Itahari ATM- Hatiya Line
26. Janakpur ATM- Bhanu Chowk, Janakpur
27. Jeetpur ATM- Branch Premises, Kapilvastu
28. Kanchanbari ATM- Branch Premises, Biratnagar
29. Katari ATM- Branch Premises
30. Kawasoti ATM- Branch Premises
31. Kohalpur ATM- Branch Premises
32. Lahan ATM- Branch Premises
33. Lamki ATM- Branch Premises
34. Letang ATM- Branch Premises
35. Mahendranagar ATM- Branch Premises
36. Manigram ATM- Tilottama, Rupandehi
37. Manthali ATM- Manthali Bazar, Ramechhap
38. Masuriya ATM- Branch Premises
39. Murgiya ATM- Sainamaina Municipality
40. Nepalgunj ATM- Nepalgunj Medical College Entrance
41. Palpa ATM- Silkhan Tole
42. Pathari ATM- Pathari Bazar, Morang
43. Pharshatika ATM- Branch Premises
44. Phidim ATM- Main Gate, Panchthar
45. Pokhara Saleways- Branch Premises
46. Pokhara Centerpoint- Lakeside Pokhara
47. Pokhara ATM- Busy Bee, Lakeside
48. Pokhara Chipledhunga- ATM Lounge
49. Surkhet ATM- Branch Premises
50. Tamghas ATM- Branch Premises
51. Tarahara ATM- Branch Premises
52. Tulsipur ATM- Branch Premises
53. Urlabari ATM- Urlabari, Morang
54. Waling ATM- Branch Premises
55. Banepa ATM- Banepa
56. Narayangadh ATM- Narayangadh
57. Sandhikharka ATM- Sandikharka
58. Narsing Chowk ATM- Narsing Chowk
59. Sauraha ATM- Sauraha
60. Thutipipal ATM- Thutipipal

Notice about 23rd Annual General Meeting of NMB Bank Limited.

The 372nd Board Meeting of the Bank held on December 16, 2018 has decided to conduct the Annual General Meeting in the following date, venue and time to discuss and decide upon the following agenda. In compliance with the Clause 67 of Company Act 2006, I would like to kindly inform and request all the esteemed shareholders to make yourselves available to attend the Annual General Meeting.

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

Date : Thursday, January 10, 2019
Venue : Army Officers' Club, Bhadrakali, Kathmandu
Time : 11:00 am

2. Agenda of the Meeting

A. General Agenda

1. To discuss and approve the Report of Board of Directors presented in the 23rd Annual General Meeting.
2. To discuss and approve the Auditor's report for FY 2017/18 which includes Balance Sheet, Profit & Loss Statement and Cash Flow Statement and other annual financial reports (including consolidated financials of subsidiary companies) for the same period.
3. To appoint and decide upon the remuneration of the Auditor for fiscal year 2018/19 in compliance with Clause 111 of Company Act 2006 and clause 63 of Bank and Financial Institution Act 2016. (Existing Auditor M/s S.A.R. Associates, Chartered Accountants is eligible for re-appointment).
4. To approve the proposal of the Board of Directors for distribution of 20 percent cash dividend (including for tax purpose) of the existing paid up capital.

B. Special Agenda

1. To approve the increment in the issued capital from NPR 8,743,784,229.06 (In words eight billion seven hundred forty three million seven hundred eighty four thousand two hundred twenty nine and 06/100 only) to NPR 9,618,162,651.96 (In words Nine billion six hundred eighteen million one hundred sixty two thousand six hundred fifty one and 96/100 only).
2. To approve the distribution of 10 percent bonus share of existing paid up capital amounting to NPR 874,378,422.90 (in words Eight hundred seventy four million, three hundred seventy eight thousand four hundred twenty two and 90/100 only) to the effect of increment of issued capital. To amend the clause 6 (kha and ga) of the Memorandum of Association of the Bank with respect to the increment of the issued and paid up capital of the Bank.
3. To amend the clause 32 (gha) of Article of Association of the Bank (provision related to facility of the Director).
4. 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

By Order
Company Secretary

Additional Information about the Annual General Meeting (AGM)

1. Share Register shall remain closed from 2075/09/10 B.S. (25/12/2018 A.D.) to 2075/09/26 B.S. (10/01/2019 A.D.) for the purpose of this AGM.
2. Annual Report which includes the Notice of AGM shall be sent to all the shareholders in their addresses mentioned in Shareholder Register. If any shareholder has not received the notice due to any reason, he/she may treat this as formal notice of AGM and carry original share certificate while attending the AGM.
3. Shareholders willing to attend AGM are requested to carry share certificate or any other valid identity card.
4. Shareholders are required to sign attendance register at the venue of AGM. Shareholders attendance register shall be made available from 9:30 am onwards.
5. Shareholder willing to nominate proxy to attend the AGM, shall register proxy form at the Bank's head office Babarmahal, at least 48 hours before the AGM commences.
6. While nominating proxy, the proxy should be existing shareholder of the company. If the shareholder attends the meeting himself even after nominating proxy, the proxy becomes automatically invalid.
7. In case of minor and differently-abled shareholders, only their guardian mentioned in the share register book shall attend the AGM or nominate proxy. In case of joint shareholdings, only the unanimously selected representative or the person whose name is written in the share register book can attend the AGM.
8. Any issues or queries raised in the AGM shall be responded by Chairman or any other dignitaries as permitted by the Chairman.
9. If any shareholder has any issues or queries 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 will 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 luggages while attending the AGM.

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



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NMB BANK
एनएमबि बैंक

समृद्ध नेपालको लागि

A JOINT VENTURE WITH
FMO
Entrepreneurial
Development
Bank
The Netherlands

Member of
global alliance
for banking
on values

