



NMB BANK
एनएमबि बैंक



ANNUAL REPORT

2016-2017



2015

Completed Historical Merger with 4 BFIs and became one of the leading commercial banks in Nepal.



2016

Joint Venture Agreement with FMO



2017

Hosted 9th Global Alliance for Banking on Values Annual Meeting.



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CORPORATE INFORMATION

Name of Company
NMB Bank Limited

Legal Form
A listed public company with limited liability incorporated under Banking And Financial Institution Act, 2063 and Companies Act, 2063

Company Registration Number
238

Registered address
Babarmahal, GPO-11543, Kathmandu, Nepal

Official Website
www.nmbbanknepal.com

NMB Bank Limited licensed as "A" class financial institution by Nepal Rastra Bank in May 2008 operating in the Nepalese Financial market for over twenty years and is one of the leading commercial banks in the banking industry.

Share registrar
NMB Capital Limited

Location where copies of this annual report are kept
NMB Bhawan, BabarMahal, Kathmandu

Company Secretary
Pramod Dahal

Name and office address of Statutory auditor for the F.Y. 2016/17
T.R. Upadhya & Co. Chartered Accountants

For any clarification on this report please write to :
Company Secretary, Corporate Office,
Babarmahal, Kathmandu
G.P.O. Box No.: 11543



WHAT THIS REPORT ENTAILS

The report entails overall financial and non-financial performance of the Bank.

The reporting period is between 16 July 2016 to 15 July 2017 and any material events post this end date and up to sign-off date by the Board of Directors have also been included. The Bank has also attempted to report voluntarily on information which it deems useful to the stakeholders.

The report contains all relevant information pertaining to the use of all stakeholders. All data within the narratives of the report are in context of NMB Bank unless it is otherwise indicated.



Reminiscing the journey



NMB Bank has

Net worth NPR 10,627 million

Deposits NPR 73,224 million

Loan & Advances NPR 62,609 million
(Gross)

NMB Bank Limited, established in 1996, is the first commercial Bank in the financial history of Nepal that has been successfully graduated as “A” class commercial Bank from a “C” class Finance Company. The Bank has been in the operation in Nepalese Financial market for over twenty years. On 18 October 2015, the Bank started joint operations by merging four different financial institutions.

FMO, Netherlands became the joint venture partner with the Bank and the single largest share holder of the Bank after raising its stake from 3 % to 20% in November 2016. FMO is the AAA rated Dutch development bank having its investment in private sector in developing countries and emerging markets. The alliance with FMO is a milestone achieved by the Bank to position itself in becoming the market leader in managing environmental & social risks and the leading player in renewable energy and agribusiness. The Bank also has Yong Lian Realty, a Malaysian company as a foreign partner with the stake of 6.16%.

Similarly, Employees Provident Fund Nepal along with reputed business conglomerates in the country are its local partners. With its vision to become the number one Financial Institution in the country, today the Bank stands among top 10 Financial Institutions and is marching closer to its mission to become the leading commercial bank.

Becoming a member of Global Alliances for Banking on Values (GABV), the Bank has stepped forward to lead the Nepalese Banking sector towards implementation of value based banking in the Banking model. With successful hosting of 9th GABV Annual meeting in Nepal, NMB has been able to mark itself as a pioneer bank to adopt the concept of value based banking in Nepal.

Today NMB Bank has capital fund of Rs 11,393 million, deposit of Rs. 73,224 million and credit portfolio of Rs. 62,609 million. It now serves its customers through 110 branch offices, 4 extension counters, 97 ATM kiosks, two subsidiary units and one representative office in Malaysia. Through its continuous endeavor and stable development, the Bank has developed into one of the largest bank in Nepal possessing strong innovation capabilities and market competitiveness and providing comprehensive financial products and services to its customers. The Bank has continued to promote reform, innovation and operation transformation.

Membership in Industry related association

- Nepal Banker’s Association (NBA)
- Foreign Exchange Dealers Association of Nepal (FEDAN)
- Global Alliance for Banking on Values (GABV)

MEMBERSHIP IN INDUSTRY RELATED ASSOCIATION



Subsidiaries



NMB CAPITAL LIMITED

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.



एनएमबि माइक्रोफाइनांस वित्तीय संस्था लिमिटेड

NMB MICROFINANCE BITTIYA SANSTHA LIMITED

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 om NMBMF.

It was established in 2069 B.S. with core mission of inclusive banking. NMBMF currently has 75 branch offices in operation covering 45 districts.



Awards



"Bank of the Year-2017"

-Financial Times London



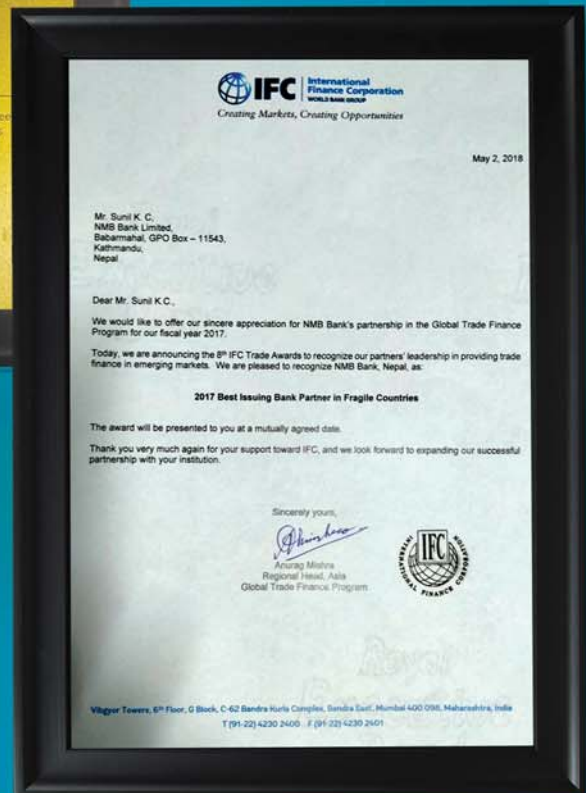
"Certificate of Merit"

- Nepal Business Excellence Award 2017, Frost & Sullivan and Confederation of Nepalese Industries (CNI)



"Certificate of IFC"

Best Issuing Bank Partner in Fragile Countries
- International Finance Corporation 2018,



Value Based Banking-Paradigm shift in the Nepalese Banking Industry

The Global Alliance for Banking on Values (GABV) is a global movement of banking change makers. The Alliance comprises independent banks and banking cooperatives from across the world operating by the Principles of Sustainable Banking and committed to advancing the values-based banking movement as a means of transforming society.

The collective goal is to change the banking system so that it is more transparent, supports economic, social and environmental sustainability and is composed of a diverse range of banking institutions serving the real economy. Founded in 2009, it is a growing network, with banks, banking cooperatives and credit unions, microfinance institutions and community development banks from many parts of the world. The members have a shared mission to use finance to deliver sustainable economic, social and environmental development, with a focus on helping individuals fulfill their potential and build stronger communities. NMB Bank is the first of its kind to become the member of such esteemed alliance in Nepal.

GABV emphasizes on Thinking People, Before Profit which is well engrained in its principles.

NMB as a member along with the other members of GABV hosted the 9th GABV Annual Meeting in Nepal between 7-9th March 2017 with the theme of **“Shifting the Financial Paradigm – Courage to Act Together”**. The meeting was attended by

all top dignitaries in the country including Prime Minister, Ministers, Central Bank Governor, Deputy Governors, Chairmen of Banks and financial institutions, top level bureaucrats and other key stakeholders. The meeting gave an opportunity to meet CEOs and Senior Executives from 40 Banks and financial institutions (who have embraced value based banking) operating in countries across Asia, Africa, Australia, Latin America, North America and Europe. The 8th meeting was held in Amsterdam, the Netherlands and had a gracious presence of the Queen Maxima of the Netherlands. The meeting focused on the self-reliant local communities. All GABV's members disclosed their focus on strengthening the local communities and supporting local entrepreneurs. Over the last two decades, NMB Bank has been focusing its efforts in the area of self-reliance and has been investing in various projects aimed at supporting local communities, complementing “Self-reliant Nepal”. With the meeting, the GABV member banks hoped to show that there are banks that are there for the local communities, who are not just profit driven but sincerely believe in **‘banking on values’**.





NMB Bank brings the world of value based banking to Nepal

NMB Bank for long term economic prosperity

1 A triple bottom line approach of people, planet and prosperity being at the heart of the business model;

2 Being grounded in communities serving the real economy and enabling new business models to meet the needs of both;

3 Transparent and inclusive governance;

5 Long-term relationships with clients and direct understanding of their economic activities and the risks involved;

Client Centred

Triple Bottom Line Approach

Real Economy

CULTURE

All of these principles being embedded in the culture of the bank

Transparency

4 Long Term Resiliency

4 Self-sustaining organisations with a long term outlook, resilient to outside disruptions;



Chairman's Statement

Pawan Kumar Golyan
Chairman

Dear Shareholders,

On behalf of the Board of Directors of the Bank, I take this opportunity to welcome you to the 22nd Annual General Meeting of NMB Bank Limited. I am happy to share that during FY 2016/17, the Bank marked an excellent financial performance and substantial progress towards achieving strategic objectives of the Bank.

After subdued growth over last few years, the global economy is witnessing upswing in investment, trade and industrial production, coupled with stronger business and consumer confidence. During early 2017 the global growth was stronger than expected; now IMF expects World GDP growth to improve to 3.6% in 2017 compared to the moderating growth of 3.1% in 2016. Improved performance in emerging markets and developing countries along with higher domestic demand in China supported growth in FY 2017. However growth momentum slowed down in India primarily impacted by change in tax regime and demonetization initiative.

The Nepalese economy rebounded strongly in FY 2016/17; the GDP growth rate reached record high at 6.9% compared to the growth of 0.01% in 2016. The record high growth from the low base of preceding year was on account of increase in agricultural output by 5.3% which is primarily due to good monsoon and improved power supply which helped to increase the industrial output. The industrial sector saw a growth of 10.9% during FY 2016/17 against a contraction of 6.3% in the preceding year. Inflation remained subdued at 4.5% during the FY 2016/17.

Our economy will continue to grow in FY 2017/18, albeit slower pace than the preceding year. 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 which calls for formation of new provincial and local government.

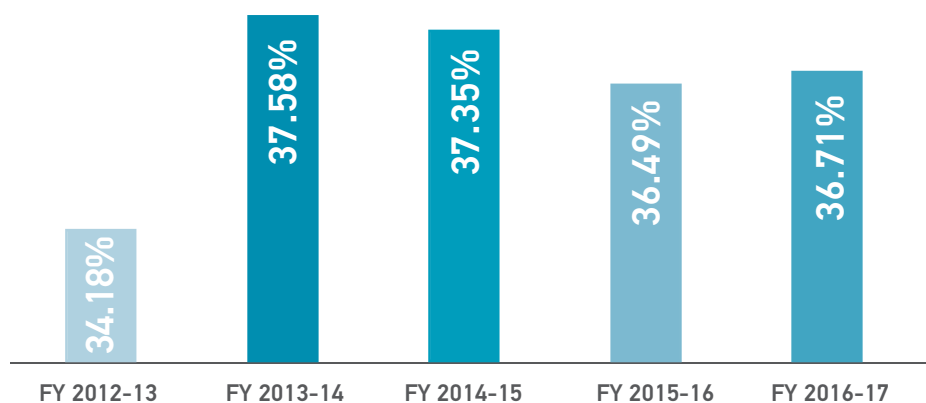
Liquidity management has been a persistent challenge for financial sector for last few years. During FY 2016/17 the financial sector faced acute shortage of loanable funds that resulted in interest rate hike. Increasing credit demand coupled with slow deposit mobilization and slowdown in remittance growth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

Despite challenging business environment, the Bank has managed to scale up its business and profitability during FY 2016/17. 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 country.

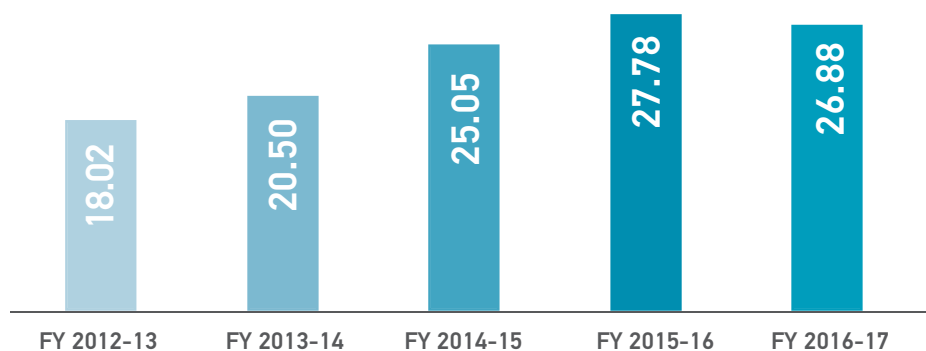
The key highlights of the Bank's performances during FY 2016/17 is as follows:

- Overall Deposit growth was at 13% year-on-year. Deposit volume increased to NPR 73.2 Billion compared to NPR 64.8 billion in the previous year.
- Total Loans and Advances (Net) volume also increased by 15% to NPR 61.2 Billion.

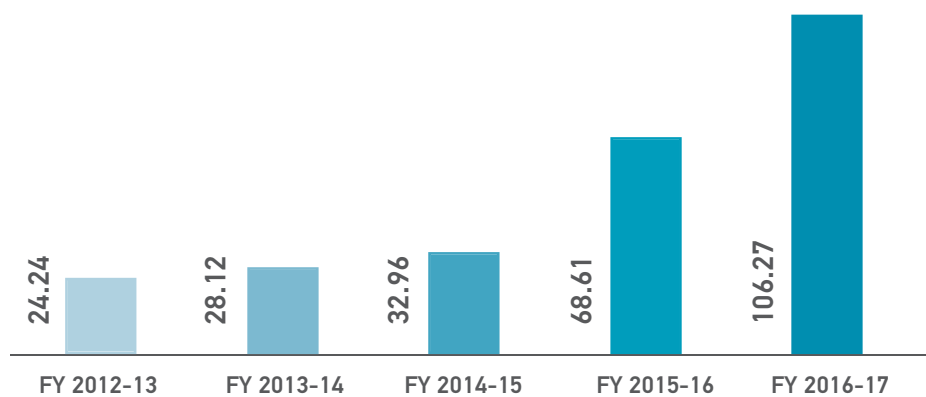
COST TO INCOME RATIO



EARNING PER SHARE (NPR)



CAPITAL AND RESERVE (NPR. in Million)



- Net profit after tax recorded at NPR 1.47 Billion, a growth of 31.59% compared with the previous year.
- Paid up capital increased to NPR 7.60 Billion from NPR 5.51 Billion, an increase by NPR 2.09 Billion.
- Operating Profit of the Bank substantially increased to NPR 1.98 billion; a growth of 59.48%.
- Earnings per share stands at NPR 26.88.
- Non Performing Assets marginally improved to 1.68% from 1.81% in the preceding year.
- The Bank's overall capital base remains strong with Capital Adequacy Ratio of 13.61%.
- The Bank opened 11 additional branches during FY 2016/17, total foot prints reached to 110 branches, 97 ATMs.

Financial sector has gone through various policy level changes during FY 2016/17. Enactment of new Bank and Financial Institutions Act (BAFIA) has amended various provisions related to Banks and Financial Institutions. New legislations of BAFIA will help to promote trust of the general public in the overall banking and financial system and will also help in protecting and promoting rights and interest of various stakeholders. Nepal Rastra Bank policy measures towards consolidation of financial sector have helped in reducing the number of BFIs in the recent years. Introduction of interest rate corridor is expected to control interest rate volatility in the banking system.

The Bank wants to play an important role in the country's development and contribute towards self reliant Nepal. Our focus on small-micro and medium enterprises and promoting profitable and sustainable agriculture related activities will contribute towards employment generation and equitable economic growth in the country. Being a member of Global Alliance for Banking on Values (GABV) – the Bank is pioneer in introducing value based banking in the country and will focus on real economy with a dedication to supporting economic, social and environmental impact. The Bank will continue its focus on strengthening its Current and Saving account (CASA) deposits to contain cost of fund. Moving forward Hydro power, SMEs and Retail will remain key focus areas for the Banks. Strategic priorities will be developed in

Five Year Strategic plan that will help us to calibrate the Bank's portfolio.

NMB Bank always believes that effective Corporate Governance is a key for business excellence. The Board of directors of the Bank has always maintained a strong ethical environment and shall continue to strive towards implementing good governance practices. Our alliance with FMO will further enhance the Bank's corporate governance as we are working together in this area under technical assistance program.

During the year, Mr. Romani Prasad Pathak, Mr. Kamlesh Kumar Agrawal and Mr. Jeevan Man Joshi retired from the Board. I would like to thank them for their valuable contribution to the Board during their tenure. Mr. Pradeep Raj Pandey was welcomed to the Board as a professional director. During FY 2016/17 there has been a change in leadership of the Bank; Mr. Sunil KC has stepped in as Chief Executive officer of the Bank succeeding Mr. Upendra Poudyal, who served the Bank for 17 years. On behalf of the Board of directors, I would like to record appreciation to Mr. Poudyal for his valuable contribution to the Bank. The Board is also convinced that the Bank under the stewardship of Mr. KC will achieve greater height and position itself as a market leader.

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 2017/18 as well.

Thank you

Pawan Kumar Golyan
Chairman

Vision, Mission and the Values

VISION



Our vision

Building communities through responsible banking, preferred by all stakeholders, enabling customers and clients achieve their financial goals thus contributing towards prosperous Nepal.

MISSION



Our mission

- Helping clients and customers 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 the potential of staff.
- Delivering banking products and services to create delightful customer experience



CEO's Message

Sunil KC
Chief Executive Officer

Getting
prestigious

**“BANK
OF
THE
YEAR
2017”**

award is testimony
of our efforts and
hard work put
together by NMBians
in producing
excellent results



Fiscal year 2016/17 has been yet another eventful year for the Bank. Getting prestigious “Bank of the Year 2017” award is a testimony of our efforts and hard work put together by NMBians in producing excellent results. I would like to express my sincere gratitude to all stakeholders for your contribution in winning the “Bank of the year -2017” award.

Following two challenging years, the country's economy rebounded during FY 2016/17 reaching to the highest level since 1994. The inflation has remained subdued at 3.1% after remaining at the highest level for the last past two years primarily induced by trade disruption. Following a promulgation of new constitution and conclusion of federal and provincial election, the country has stepped towards implementation of federal government system. The political environment is likely to be stable hence it is expected to be more conducive for business environment in days ahead.

For the banking sector, liquidity management remained a persistent challenge. Credit growths outpacing deposits, underutilization on government spending and slow growth in remittance are the key factors that have contributed towards shortage of loanable funds in the banking system. With

increased capital base of banks and financial institutions (BFIs), it is likely that liquidity management will continue to remain challenging for the banking sector as BFIs will be more inclined towards increasing their Balance sheet to serve capital despite sluggish deposit growth.

We at NMB are consistently focusing on building our competencies and capitalizing on growth opportunities by taking appropriate steps to address the challenges. I would like to highlight few initiatives undertaken by the Bank. The Bank successfully concluded single largest foreign investment in the Nepalese banking industry by increasing FMO, Netherlands shareholding in NMB Bank to 20%. FMO's partnership will help the Bank in achieving its strategic priorities through technical assistance program and migration of best practices. The Bank has embraced value based banking approach and is a part of Global Alliance for Banking on Values (GABV). The 9th Annual General meeting of GABV was hosted by NMB Bank during March 2017 wherein 120 representatives from 43 international banks representing 28 countries participated in the meeting. The Management in accordance to its strategy has made a focus on management of Environment and Social risk (ENS)



for which various initiatives along with process and procedures have been put in place. The Management understands that a focus on ENS will help to boost better and sustainable Nepal. We established NMB Academy a dedicated training and development center for the staff, a first of its kind in banking sector to enhance staff productivity and to build sustainable human capital. The Bank will continue to invest on staff development and skill enhancement.

NMB is marking its strong market presence through its 2 subsidiaries namely, NMB Capital and NMB Micro Finance. Efforts will be given towards creating synergy by leveraging each other's strength so that NMB Group can cater to full spectrum of customer needs in more effective way. Hydropower, Agriculture, Small and Medium Enterprises (SMEs) will remain the priority business areas of the Bank as those areas will play a catalyst role in shaping economic growth of the country thus keeping true to the Bank's objective of making self reliant Nepal a reality.

The Bank firmly believes in 'Service Excellence'. The Bank intends to strengthen digital banking platform to enhance service and operational excellence. Process re-engineering, automation of the products are going to be few of the focus areas of the

bank going forward. Keeping up with the advancement of the technology, the Management with the approval of the Board has decided to replace current core banking software (CBS) with a new one at a cost of a huge investment. We believe that the new CBS will support the Bank in achieving both the service and operational excellence target to its optimum level.

I would like to take this opportunity to express my sincere gratitude to entire stakeholders including the Board of Directors, the regulators : Ministry of Finance, Nepal Rastra Bank, Securities Board of Nepal and Nepal Stock Exchange for their valuable support. I also like to record our sincere gratitude to Mr. Upendra Poudyal, Ex-Chief Executive Officer who retired from NMB Bank in March 2017 after having served the Bank for 17 years as the CEO for establishing the Bank as one of the best banks of the country.

I am extremely thankful to our valued customers for their patronage & staff for their contribution. I look forward to your continued support in the days ahead.

Thank You.

Sunil KC
Chief Executive Officer

HYDROPOWER, AGRICULTURE, SMALL AND MEDIUM ENTERPRISES (SMES)

will remain the priority business areas of the Bank as those areas will play a catalyst role in shaping economic growth of the country.

Directors Report

Respected Shareholders,

On behalf of the Board of Directors, I welcome you to 22nd Annual General Meeting of NMB Bank Ltd. The Bank is now established as a successful bank in the country for which we are grateful to your continuous support and trust of past 21 years.

The Bank is compliant to Banking and Financial Institutional Acts, Company Act, Nepal Rastra Banks Directives and is committed towards banking growth and giving profits to the shareholders. We also like to inform that the Bank is capable of increasing its paid up capital as prescribed by NRB within the prescribed timeframe.

The Bank trusts that you have received NMB's balance sheet, profit/loss detail, detail of funds annual report. Hence I now would like to present the bank's detail as per Company Act, 2063, clause 109 (4) the bank's financial progress, the summary of the country's economy, the challenges of the banking industry and the achievements of the bank during the fiscal year.

1. Key financial performance for the Fiscal Year 2016/17:

Paid Up Capital : Paid Up capital of the Bank in the fiscal year 2072/73 was NPR 5,518,635,934 which grew by 37.76% to reach NPR 7,602,267,929 during the fiscal year. The general reserve fund grew by 29.12% to reach NPR 1,301,092,903 from NPR 1,007,623,410 in 2072/73. Likewise reserve & fund remained at NPR 3,024,881,488 from NPR 1,342,523,574 in fiscal year 2072/73 – an increment of 125.31%. Paid up capital as on date of preparation of this report stands 8,743,784,229 (Including proposed bonus shares).

Deposit Collection: During the fiscal year, the Bank's deposit grew from NPR 64.78 Billion to NPR 73.22 Billion a total increment of 13.03%. The share of institution deposit remained at 40.38% during the fiscal year. The composition of deposit during the fiscal year remained at 6.71%, 56.26%, 23.18% 10.68% of current deposit, fixed deposit, saving deposit and call deposit respectively. The Bank has managed to retain institution deposit within the prescribed limit of NRB.

Loans & Advances: During the fiscal year, the Bank managed to increase its loans to NPR 61.15 Billion from NPR 53.2 Billion the previous year – an increment of 15.34%. During the period, the composition of loans remained as follows:

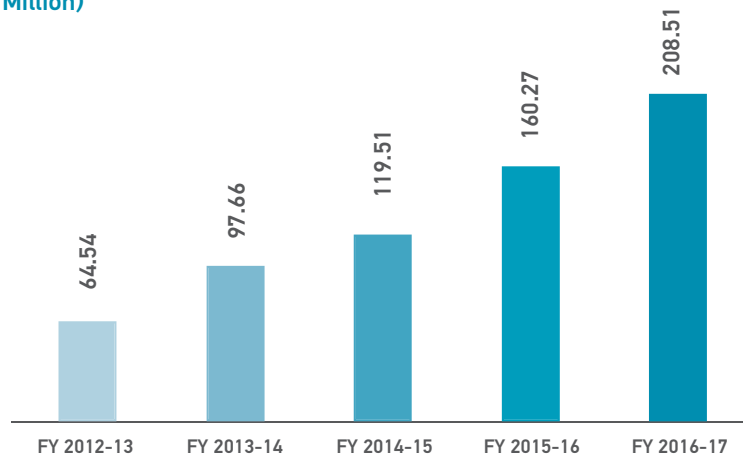
Real Estate	: 6.91%
Home Loans	: 10.95%
Margin Lending	: 1.67%
Awadhic loan	: 17.52%
Adhibikarshan Loan	: 4.75%
Trust Receipt/Import Loan	: 3.19%
Demand Loan	: 20.29%
Hire purchase loan	: 7.06%
Deprived sector loan	: 5.11%
Discounted Bills	: 1.79%
Hydro Power	: 14.55%
Agriculture	: 7.10%
Medium & Small loans	: 2.26%
Other loans	: 20.78%

The Bank has invested 32.58% loans in productive sector. The Bank will continue to invest in productive sector.

Investment: During the fiscal year 2072/73, the bank made an investment of NPR 8.5 Billion which was increased by 24.62% during the review period

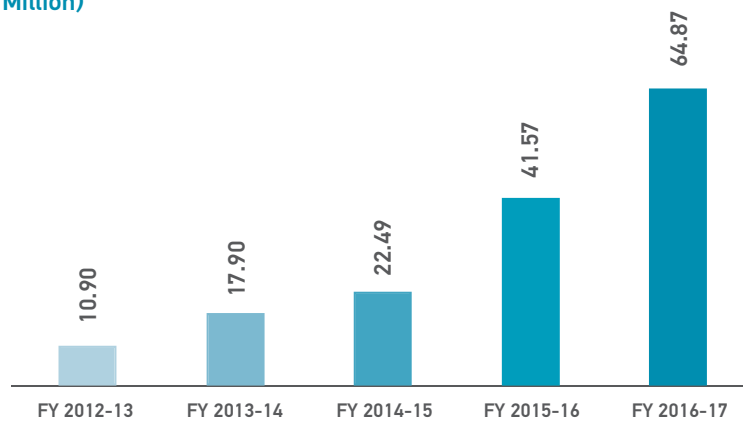
FOREIGN EXCHANGE INCOME

(NPR. in Million)



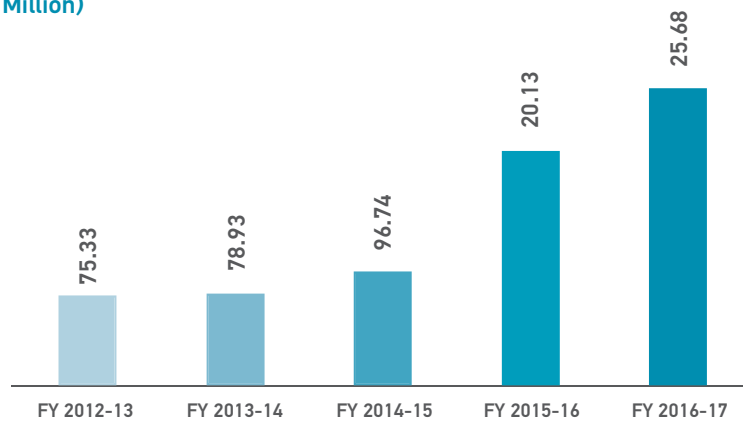
FEEES AND COMMISSION

(NPR. in Million)



NET INTEREST INCOME

(NPR. in Million)



at NPR 10.6 Billion. Out of total investment, the Bank invested NPR 424 Million in organizations' shares, NPR 6.71 Billion in Nepal Government Bonds and Treasury Bills, NPR 930 Million in local banks, NPR 1.3 Billion in foreign banks and NPR 1.22 Billion in Bonds.

Operating Expense: During the fiscal year 2072/73 the operating expense remained at NPR 473.5 Million which increased by 39.18% during the period at NPR 659 Million. The staff expense during the review period increased by 26.98% from NPR 471.3 Million to NPR 598.4 Million in the review period. Although there is an increase in operating expense during the review period it remained within the budget.

Income: The operating income of the Bank increased by 32.29% i.e. from NPR 2.58 billion in the previous fiscal year to NPR 3.42 billion during the review period. During the review period, the net income has increased by 31.59% i.e. from NPR 1.12 billion to NPR 1.46 billion. During the review period, net interest income has increased from NPR 2.01 Billion to NPR 2.56 Billion (27.56%). Likewise, the fees & commission increased by 56.03% at NPR 648.6 Million. Foreign exchange income increased by 30.10% at NPR 208.5 Million. The increase was possible due to the Bank's investment in new sector & services and efficient Management.

Capital, Loan, Deposit,

Capital Adequacy: During the fiscal year the bank's capital adequacy ratio remained at 13.61% against stipulated requirement of NRB at 11%.

The Loan deposit ratio remained at 74.9%. liquidity ratio remained within the prescribed limit at 28.14%. Bank's base rate was at 10.12%.

Non Performing Asset: NPA remained at 1.81% during the fiscal year 2072/73, the same was decreased to 1.68% during the review period.

Mutual Fund: NMB Bank Ltd issued NMB Sulav Investment Fund in September 2014 and NMB

Hybrid Fund L-1 Mutual Fund in September 2017. The progress of the same is satisfactory.

Debentures: The rinpatra issued by the Bank in 2071/72 of NPR 50 CRORE will mature in 2077 Bhadra 5. The Bank sets aside fund each year to pay the rinpatra in rinpatra bhuktani kosh. Till date the fund set aside in this fund is NPR 21 CRORE 85 LAKH.

Further Public Issue:

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

Branch Network: The bank has till date opened 110 branches, 4 extension counters & 97 ATMs

S. N.	Particulars	FY 2072/73	FY 2073/74	Incremental Amount	Incremental %
1	Total Deposit	64,781,464	73,224,063	8,442,599	13.03%
2	Total Loan and Advances	54,459,411	62,609,453	8,150,042	14.97%
3	Total Investment	8,504,126	10,597,554	2,093,428	24.62%
4	Net Interest Income	2,013,282	2,568,174	554,892	27.56%
5	Commission, Discount and Other Operating Income	415,721	648,660	232,939	56.03%
6	Exchange Fluctuation Income	160,269	208,514	48,245	30.10%
7	Total Operating Income	2,589,272	3,425,349	836,077	32.29%
8	Other Operating Expenses	473,549	659,079	185,530	39.18%
9	Operating Profit Before Provision	1,644,411	2,167,810	523,399	31.83%
10	Net Profit/Loss	1,115,065	1,467,347	352,282	31.59%
11	Paid Up Capital	5,518,636	7,602,268	2,083,632	37.76%
12	Capital Adequacy Ration(CAR)	10.98	13.61	2.63	23.95%

across the country. The Bank has 24 branches in State no.1, 17 branches in State no 2, 27 branches in State no 3, 8 branches in State no 4, 24 branches in State no. 5, 3 branches in State no. 6, 7 branches in State no. 7. The Bank with an objective of providing premium services to the prime customers of 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 does not have reach so far.

With an objective of providing 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. The Bank intends to expand its branchless banking facilities in other remote area in future as well. The Bank will not only collect deposit in such areas but will provide loans to the local people as well.

The Bank during the review period has entered into a contract with 2 Banks and remittance companies in India and Malaysia to bring in remittance. The Bank in the past has also entered into several contracts with other foreign companies for inward remittance process. Such agreements can be the basis for increment of foreign currency deposits. The Bank is doing extensive research of other remittance companies to enter into similar agreements.

Representative Office outside Nepal and its progress:

The Representative office opened in Lebuh Pasarbesar Kuala Lumpur Malaysia has been working for the business expansion. This will enhance the business deals between the two countries. It also acts a contact point between the businesses of two countries.

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:

The real gross domestic product (GDP) at basic price is expected to grow at 6.9 percent in 2016/17. This is slightly above the target (6.5 percent) mainly because of the improvement in agriculture, industry and service sector. 14. Agriculture sector witnessed a marked improvement due to favorable monsoon, smooth supply of agricultural inputs and an expansion in forest related output. The non-agricultural sector witnessed a higher growth on account of the improvement in power supply and investment climate. 15. The share of consumption in the gross domestic product of Rs. 2599 billion for 2016/17 is 89.75 percent, while the share of savings is 10.25 percent. The ratio of gross national savings to GDP is estimated at 43.78 percent. The national savings ratio is higher due to the significant inflow of remittance. In the review period, the gross fixed capital formation to GDP ratio is expected to increase to 33.8 percent and gross capital formation to GDP ratio is expected to reach 42.51 percent. 16. The ratio of net exports to GDP is estimated to remain negative at 32.26 percent. Such ratio remained negative at 29.89 percent in previous fiscal year. This implies an increased contribution of domestic demand to the economic growth in 2016/17. 17. Consumer price inflation averaged 4.6 percent in the first eleven months of 2016/17. Such inflation in 2015/16 was 9.9 percent. On y-o-y basis, the consumer inflation remained low at 2.8 percent in June 2017. Average annual inflation remained below the annual target of 7.5 percent for 2016/17 on account of the base price effect and improved supply situation. 18. GoN had announced a total budget of Rs. 1049 billion for

2016/17. Of this, the estimates for capital spending and current spending were Rs. 312 billion and Rs. 617 billion respectively. Capital spending stood at 38.7 percent and current spending at 69.8 percent of annual Monetary Policy for 2017/18 3 estimates on cash basis as of June 2017. Revenue collection of the GoN stood at Rs. 544.76 billion, which is 96.3 percent of the annual target of Rs. 565.9 billion. The cash balance of the Government was Rs. 239.3 billion on 30 June 2017. This resulted in from lower government expenditure compared to resource mobilization. 19. Domestic debt mobilized by the government was Rs. 88.34 billion and the repayment was Rs. 38.78 billion in 2016/17. Consequently, net domestic debt mobilization remained Rs. 49.56 billion. The outstanding net domestic debt of the government is expected to stand at Rs. 283.72 billion by the end of 2016/17. 20. The overall BOP has recorded a surplus of Rs. 74.26 billion in the first eleven months of 2016/17 compared to a surplus of Rs. 171.15 billion in the corresponding period of the previous year. BOP surplus remained low due to higher import growth and deceleration in remittances. 21. Gross foreign exchange reserves increased by 3 percent to Rs. 1070.26 billion in mid-June 2017 from Rs. 1039.21 billion in mid-July 2016. On the basis of imports in the first eleven months of 2016/17, the existing reserve is sufficient to cover the merchandise imports of 13.3 months and merchandise and services imports of 11.5 months. Monetary policy for 2016/17 had targeted the foreign exchange holdings equivalent to at least 8 months of imports of merchandise and services. 22. Nepalese currency vis-à-vis the US dollar appreciated by 3.9 percent in mid-June 2017 compared to the level of mid-July 2016. It had depreciated by 5.5 percent in the corresponding period of the previous year. The buying rate per US dollar stood at Rs. 102.77 in mid-June 2017 compared to Rs. 106.73 in mid-July 2016. (excerpt Monetary Policy '74/'75)

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

The main financial highlights of the Bank during this fiscal year as on end of Oct' 17/18:

Future Plans:

The bank will open branches in the rural area to provide banking services to rural people. The Bank

will continue to work on the campaign 'Ek Ghar Ek Khata' to reach banking access and to encourage people in rural area to open at least one banking account to establish saving habit.

The bank will increase its investment in productive sector.

The bank will continue to improvise its technology. The bank has already commenced the process to change its current core banking software.

To increase foreign transactions the bank will appoint agents in numerous countries. The employees will continuously work with such agents to bring the foreign currency transactions inside the country thus increase the volume of foreign currency deposits.

The Bank will focus on the expansion of Visa debit and credit card business for which the Bank will bring its own SWITCH. Thus the customers can prevail credit card facilities both in and outside the country.

The Bank will also focus on its subsidiary companies. The bank will bring new plans for the continuity of mutual funds.

The Bank will continue to give priority to its corporate social responsibility activities.

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 its banking deals.

5. Changes in the Board of Directors: Mr. Romani Pathak who was elected as a director in 20th AGM gave his resignation from the board due to a personal reason. Mr. Kamlesh Kumar Agrawal being a director in an insurance company could not continue as a director of the bank as per BAFIA 2073, also resigned from the Board. Both the resignations have since been accepted by the Board. The tenure of Mr. Jeevanman Joshi (professional director) ended on Chaitra 2074 hence in his place, Mr. Pradeep Kumar Pandey has been appointed. As per BAFIA2073, the number of directors in the Board has remained 7.

6. Significant issues that will change business: The main risks and challenges that impact the bank is detailed as follows:

- A lack of proper investment avenues vis a vis capital increase may impact income source.

- A lack of proper database and advance technology to prevent money laundering
- Unstable liquidity due to less spending on development expenses has brought about challenges in the management of interest rates in both deposits and loans.
- Possible risk arising from the loans provided by the banks and non funded based services
- 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/export resulting in non payment of loans/interest
- Possible risk arising from the changes in the country's economic, monetary policies

7. Significant observation from the Auditors to the Board: There are no significant audit observations noted during the fiscal year.

8. Dividend payment: In order to increase the paid up capital, the bank has proposed to distribute 15% bonus share and 0.7895% cash dividend (for tax purpose) .

9. Details of shares forfeited by the Bank: No shares were forfeited during the year.

10. Performance of subsidiary companies: The details of company and its subsidiary companies have been incorporated below.

11. Main highlights of the subsidiary companies:

NMB Capital, a fully owned subsidiary of NMB Bank Ltd. also works as a share registrar of the Bank for which it received NPR 900,000/- as a fee. During the end of the fiscal year, NMB Capital maintained NPR 45.5 million deposits with the Bank. The Bank paid NPR 19M as interest to NMB Capital.

An employee of NMB Bank Ltd has been on secondment in NMB Capital in a role of CEO. The Bank has received NPR1.9M as rent and NPR2.4M for management and other services provided to NMB Capital.

During the review period, the Bank as a seed fund invested NPR105M in 'NMB Sulav Investment Fund 1' and NMB Capital has been appointed as mutual fund manager.

The Bank has provided a loan of NPR 300M to its another subsidiary company NMB Micro Finance.

NMB Micro Finance has maintained NPR 99.98M as a deposit in the bank.

12. Information provided by the basic shareholders to the Bank: None

13. Information of purchase of shares by the shareholders and officials during the fiscal year: None

14. Information on the Directors relatives involvement in the Bank's contracts: None

15. If the Bank has purchased its own shares, mention the reason for such purchase, number of purchased shares and amount paid by the Bank: No

16. Internal control system: The Bank has established a very strong risk framework to ensure risk is managed timely. The risk related policies procedures are regularly formulated and implemented on the basis of directives/instructions issued by NRB. The risk departments review/ manage risks independently. The risk department reviews periodically to ensure that the laid down policy/procedures and regulatory requirements are fully complied which in turn supports in good corporate governance. The required policies of various units are approved at the Board meeting after being diligently discussed and reviewed at the board level Credit Risk Management Committee.

In accordance to NRB Directives, the Board has appointed 3 board level committees namely, Audit Committee, Risk Management Committee and Human Resource Service Committee. In these committees, banking risks of all level are discussed and are escalated to the Board. For efficient management, various management level committees have also been formed namely, Management Team Committee, Risk Management Committee, Asset & Liability Committee, HR Recruitment Committee, Information & Technology Steering Committee, Corporate Governance Committee, Operational Risk Committee. These committees actively review risk pertaining to respective working areas. The Bank has also made tremendous effort in efficient monitoring of AML as prescribed by NRB. In order to make internal control more effective, the management provide constant trainings to all staff.

17. Board Level Committees:

Audit Committee: The detail has been provided in clause no. 18.

Risk Management Committee: The committee has been formed with a Non Executive Director as a Coordinator. The Coordinator of Audit Committee is a member of Risk Management Committee. Chief Operating Officer, Chief Compliance & AML officer and Chief Risk Officer are the members and member secretary respectively. The high risk issues identified at the management level are escalated to the Committee for further deliberation. NRB Directives, Monetary Policy and their impact on the banking operations are regularly discussed. The liquidity status, deposit/loan composition of the Bank are also the constant topic of discussion in the meeting. The Committee updates every quarter to the Board on the possible risk exposure vis a vis VAR of the Bank.

HR Service Committee: HR Service Committee has been formed under the coordination of a Non Executive Director. The members are the CEO, Chief Operating Officer, Chief Business Support Officer as a member secretary. The Committee discusses on the HR related Policies/guidelines/ staff' benefits/ Management structure.

18. The detail of members of Audit Committee, the total remuneration received by the members and the work carried out by the Committee:

Mr. Harish Chandra Subedi,
Non Executive Director - Coordinator

Mr. Manoj Goyal,
Non Executive Director - Member

Mr. Ganesh Parajuli,
Head Internal Audit - Member Secretary

Mr. Manoj Goyal replaced Mr. Jeevan M Joshi after his tenure was completed in Chitra 2073.

The Audit Committee functions as per the guidelines set by NRB. Each audit report is discussed in the Committee and the committee provides instructions/guidance for better management of risks. The major audit issues are escalated and discussed at the Board meeting from time to time. The committee often provides suggestions to the Board in regard to the operational issues/challenges arising from the audit reports.

During the review period, the committee had 17 meetings. Each member receive NPR12000/-per meeting as a meeting fee. The member secretary being a staff does not receive a meeting fee.

19. Information of amount yet to be paid to the directors, Chief Executive Officer, basic shareholders or their close relatives and their associated companies: None

20. The detail of remuneration paid to the Directors, Chief Executive Officer and Senior Management Staff: The detail is in Annexure 'Ka'.

21. Information of Undeclared Dividend by the shareholders: Out of the total dividend distributed by the Bank upto FY2073 , NPR34,199,317/- remains unclaimed by the shareholders. A notice to collect the dividends has been published in the newspaper and in the bank's website.

22. Details of Fixed Asset purchase/sale as per the requirement of section 141: During the review period there was no purchase/sale of fixed asset.

23. Business transactions with the related companies as per Company Act 2063 clause 175: The detail explained in clause no.11.

24. Any other information as per Company Act 2063 in Director's report: Required information has been provided in the relevant section of the report.

25. Other important issues:

a) Progress of subsidiary companies-NMB Capital Ltd. : NMB Capital Ltd. was established in with investment of capital NPR100M under 100% ownership of NMB Bank LTD. The fiscal year 2073/74 remain the best year for the company. The company issued IPO of 2 companies, further public offers of 2 companies, IPO of one joint fund , right share issues of 8 companies and sale of un-prescribed right share of 7 companies through auction. The company has already entered into a contract to issue IPO/public shares/right shares of 11 more companies.

The company's net profit during the fiscal year 2073/74 against previous fiscal year increased by 208% at NPR8Crore 24lakh. The company's profit rose by 25% in issuance of shares, portfolio management. Likewise the company's earning through interest increased by 461% . The company gave 21.05% cash dividend in both the fiscal years 2071/72 and 2072/73.

The key achievements of the subsidiary company is 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 works as a fund manager and a depositor for Mutual Funds issued by NMB Bank Ltd namely 'NMB Sulav Fund 1 and NMB Hybrid Fund L -1. After obtaining approval from SEBON, the primary shares of the mutual funds were issued from 1st Ashwin.

NMB Capital Limited Balance Sheet as on Asadh end 2074

Particulars	This Year	Previous Year
Capital & Liabilities		
1. Share Capital	100,000,000	100,000,000
2. Reserve & Surplus	113,481,552	52,435,462
3. Bills Payable	580,848,666	48,958,822
5. Income Tax Liabilities	62,718,414	33,895,844
6. Other Liabilities	19,772,245	6,652,707
Total	876,820,877	241,942,835
Assets		
1. Cash balance	1,100	1,100
2. Balance with Banks/Financial Institutions	637,540,033	118,907,426
3. Investments	128,501,525	60,793,080
4. Fixed Assets	16,440,835	2,983,381
5. Other Assets	94,337,384	59,257,848
Total	876,820,877	241,942,835

NMB Capital Limited Profit and Loss for the period ending Asadh end 2074

Particulars	This Year	Previous Year
Business Income		
Income from issue Management	24,297,203	27,220,745
Income from Share Registrar	4,199,915	4,359,104
Income from Underwriting	50,000	-
Income from Portfolio Mngement	41,186,207	24,180,138
Income from Other sources	3,909,766	2,116,892
Interest Income	42,923,178	7,647,370
Total Business Income	116,566,269	65,524,249
Staff and Administrative Expenses	39,018,511	26,215,975
Staff Expenses	16,851,087	12,801,667
Office and Administrative Expenses	22,167,424	13,414,308
Operating Profit	77,547,758	39,308,274
Non-Operating Income/Expenses	44,590,882	-
Income from Regular Activities	122,138,640	39,308,274
Income/Expenses from Abnormal Transactions	-	-
Profit before Bonus and Taxes	122,138,640	39,308,274
Provision for Staff Bonus	11,103,513	3,573,479
Provision for Income Tax	28,573,481	8,952,022
Net profit	82,461,646	26,782,773

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 NPR11Crore 27Laks out of which NMB Bank has 51% , other promoters have 19% and public has 30% share ownership. The head office of the company is in Pokhara Upamahanagarpalika Ward No 29 Milanchowk, Hemja, Kaski. It has 67 branches in hilly region.

The company until Ashad 2074 has provided services to 59,066 families in 475 villages of remote hilly region by way of giving saving accounts, loans, insurance. Also in partnership with various organizations, it has done many corporate social responsibilities related works in such area. The company as on on Ashwin end had provided loan of NPR1B 838.3M and HAS deposit of NPR 41.64M.

The highlights of NMB MicroFinance during the fiscal year 2073/74 are as follows:

1. The company's Board has approved as per the regulations to issue 25% bonus share of NPR2,81,75,000/-out of the Paid Up Capital NPR11,27,00,0000/- . After the issuance of bonus share the Paid Up Capital will amount to NPR14,08,75,000/- .
2. The subsidiary company opened 29 branches during the fiscal year.
3. Profit earned by the company was 40% of its paid up capital and hence it was capable of paying bonus shares of 25% of its paid up capital and for tax purpose, required amount paid as cash dividend.
4. The subsidiary company has provided remittance services in agreement with several remittance companies.
5. NMB Micro Finance in partnership with Sakchyam-Access to finance and Unnati has reached banking access to unbanked areas of the country.
6. Under the renewable energy program, NMB Micro Finance in partnership with Winrock International has provided trainings to the marginalized people to avail loans to purchase solar light, domestic solar for domestic purpose. To make purchase easier, the company has entered into agreements with several renewable energy manufacturing companies.

NMB Micro Finance Bittyta Sanstha Ltd. Balance Sheet as on Asadh end 2074

Particulars	This Year	Previous Year
Capital & Liabilities		
1. Share Capital	140,875,000	85,652,000
2. Reserve & Surplus	76,230,572	21,549,967
3. Loans Payable	1,485,583,051	860,507,964
4. Deposits	404,171,984	192,734,644
5. Proposed Dividend	1,482,895	605,263
5. Income Tax Liabilities	387,637	120,216
6. Other Liabilities	40,322,945	15,775,687
Total	2,149,054,084	1,176,945,741
Assets		
1. Cash balance	7,350	122,539
2. Balance with NRB	9,730,000	5,230,000
3. Balance with Banks/ Financial Institutions	320,633,634	228,863,669
4. Investments	2,000,000	-
5. Loans Receivable	1,797,137,068	927,748,427
6. Fixed Assets	11,541,759	8,781,047
7. Other Assets	8,004,273	6,200,059
Total	2,149,054,084	1,176,945,741

NMB Micro Finance Bittyta Sanstha Ltd. Profit and Loss for the period ending Asadh end 2074

Particulars	This Year	Previous Year
Interest Income	238,744,516	124,347,043
Interest Expenses	101,108,777	41,274,229
A. Net Interest Income	137,635,739	83,072,814
Fees, Commission and Discount	50,407,953	24,744,019
Other Operating Income	-	-
Foreign Exchange Gain/Loss (Net)	-	-
B.Total Operating Income	188,043,692	107,816,833
Staff Expenses	70,394,610	34,281,479
Other Operating Expenses	31,172,844	17,127,027
C.Operating Profit Before Provision	86,476,237	56,408,327
Provision for Possible Loss	15,380,064	9,541,900
D.Operating Profit	71,096,173	46,866,427
Non-Operating Income/Expenses(Net)	268,100	154,886
Write Back of Provision for Possible Loss	-	-
E. Profit from Regular Activities	71,364,273	47,021,313
Extraordinary Income/Expenses(Net)	-	-
F. Profit before Bonus and Taxes	71,364,273	47,021,313
Provision for Staff Bonus	6,487,661	4,274,665
Provision for tax	19,473,725	12,882,739
Deferred Income Tax Income / Expense	1,010,184	(536,451)
Total Tax for This Year	20,483,909	13,419,190
G. Net Profit/Loss	45,402,887	29,863,909

Corporate Social Responsibility:

As in the past years, the bank continued its focus on preservation of heritage under its corporate social responsibility initiative. The bank organized inter school heritage paintings competitions. The Bank also organized NMB Heritage Walkathon to promote awareness on heritage preservation. The CSR activities are not limited only in Kathmandu but is spread across the country where the bank has its presence.

The Bank organized blood donation program along with free health camp. The Bank through its branches also arranged for temple cleaning activities.

Human Capital:

The bank has given priority to the development of the employee. In today's competitive era, it is important to have efficient and skilled staff to service the customers and to have competitive edge over other banks hence staff's talent development is one of the main focus of the Bank. The Bank organizes internal/external trainings and also send staff for trainings outside the country. During the review period, 122 staff participated in internal trainings, 233 staff attended external trainings and 3 staff were sent abroad for the trainings.

During the review period, the total staff of the bank was 755, out of which 35% & 65% ratio between Women and Men staff have been maintained. Till date 3 staff who have completed 15 years of continuous service with the bank, 21 staff have completed 10 years service.

Management Team:

Mr. Upendra Poudyal served as a CEO for 17 years and retired from the service at end of Chaitra '73. Mr. Poudyal was succeeded by Mr. Sunil KC, who was Deputy CEO of the Bank for more than 8 years. Mr. KC has banking experience of more than 27 years. Under his leadership a Management Team has been formed as follows:

Sunil KC:	<i>Chief Executive Officer</i>
Pradeep Pradhan :	<i>Chief Operating Officer</i>
Shabnam Limbu Joshi:	<i>Chief HR & Business Support Officer</i>
Sharad Tegi Tuladhar:	<i>Chief Risk Officer</i>
Navin Manandhar:	<i>Chief Business Officer</i>
Sudesh Upadhyaya:	<i>Chief Business Officer</i>
Govind Ghimire:	<i>Chief Business Officer</i>
Pramod Dahal:	<i>Company Secretary, Chief Compliance & AML Officer</i>
Roshan Regmi:	<i>Head Operations</i>

Acknowledgement:

On behalf of the Board of Directors, I would like to express my gratitude and sincere thank to all shareholders, stakeholders, customers, the Management team and entire staff for supporting the Bank in getting exemplary financial performance every year.

Thank You.

Pawan Golyan
Chairman

5Bs

Our Success

1

Be innovative

with the changing time

2

Be a team player

and deliver results together

3

Be responsible

to our actions

4

Be prudent

for sustainable and consistent growth

5

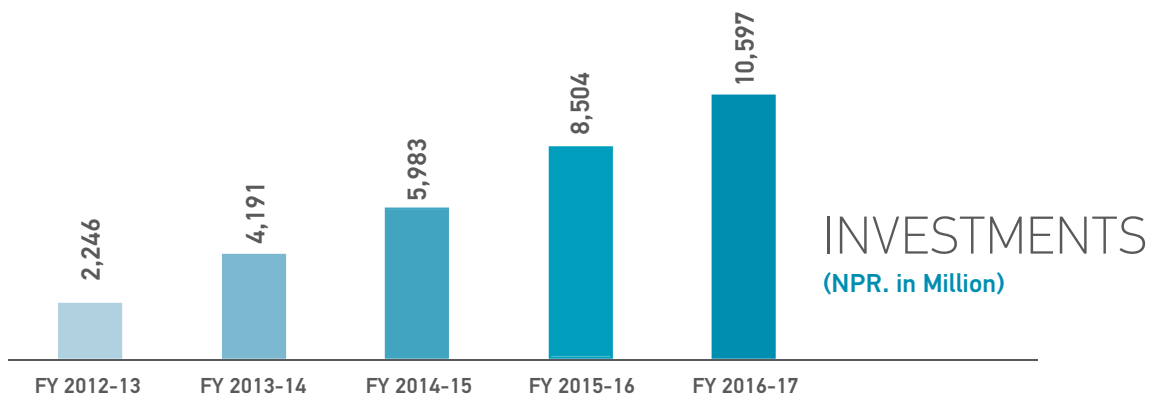
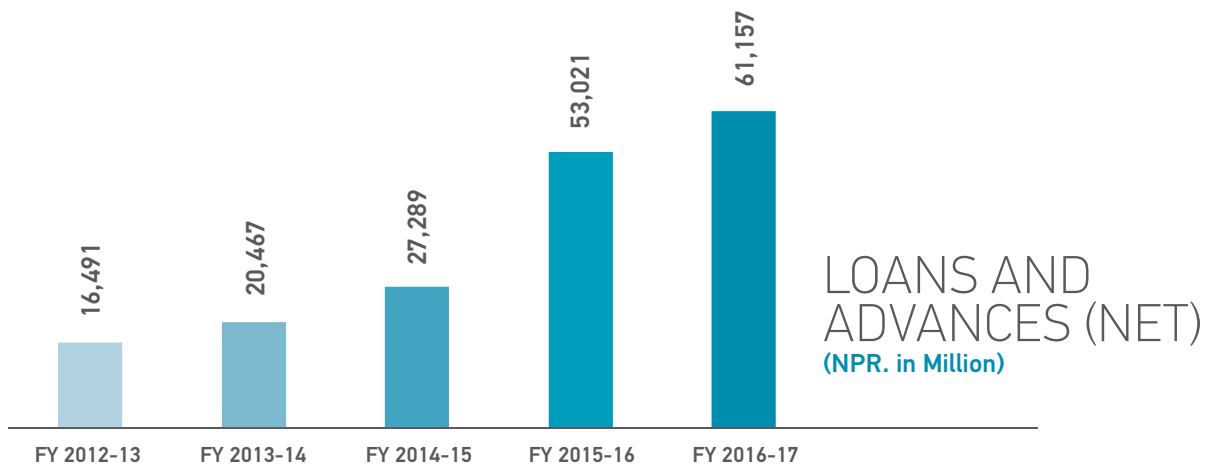
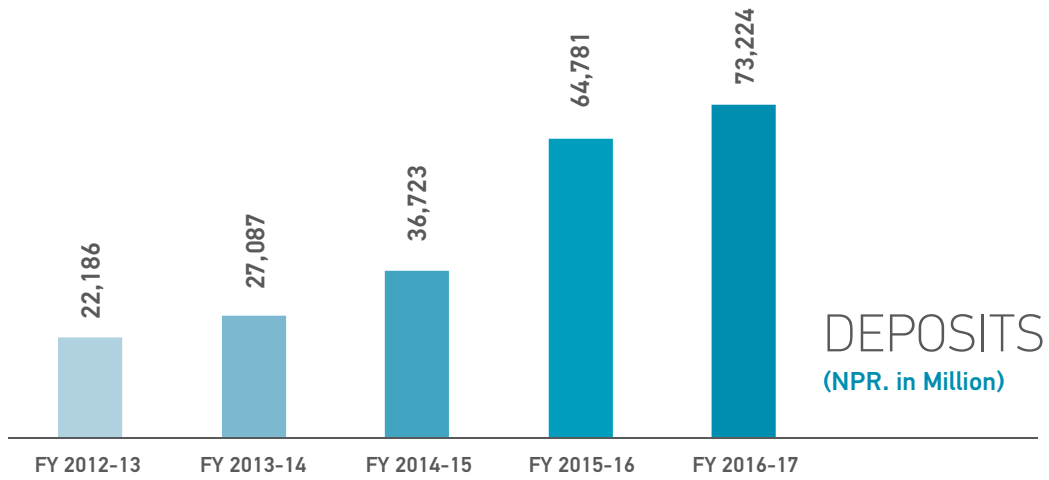
Be committed

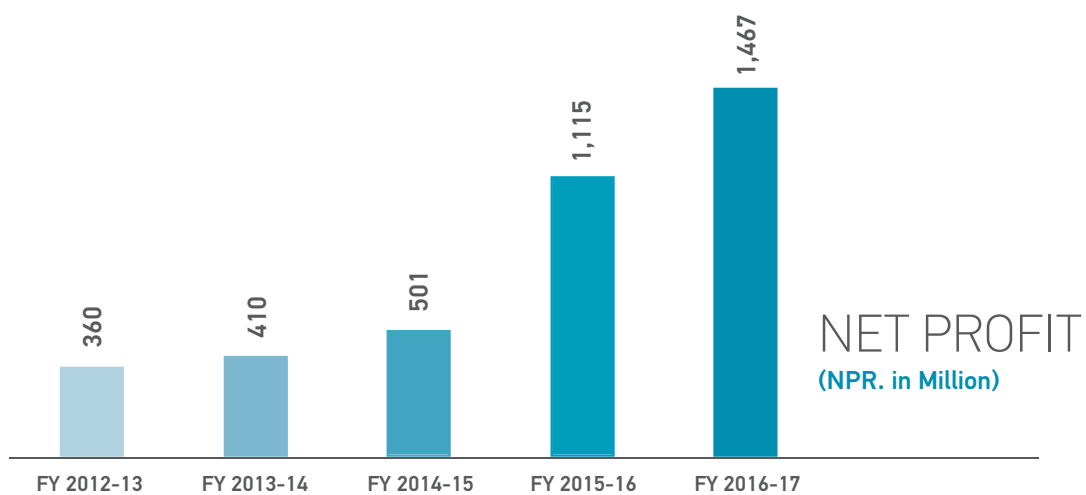
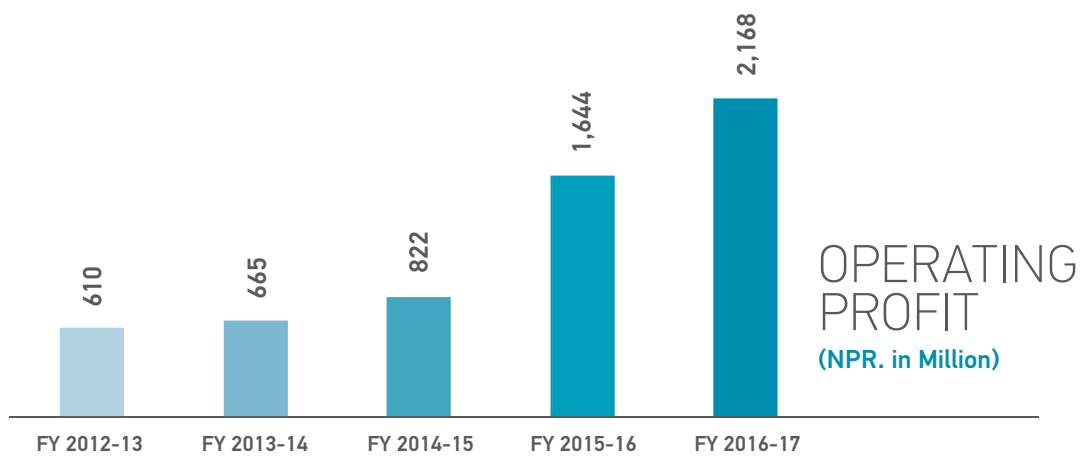
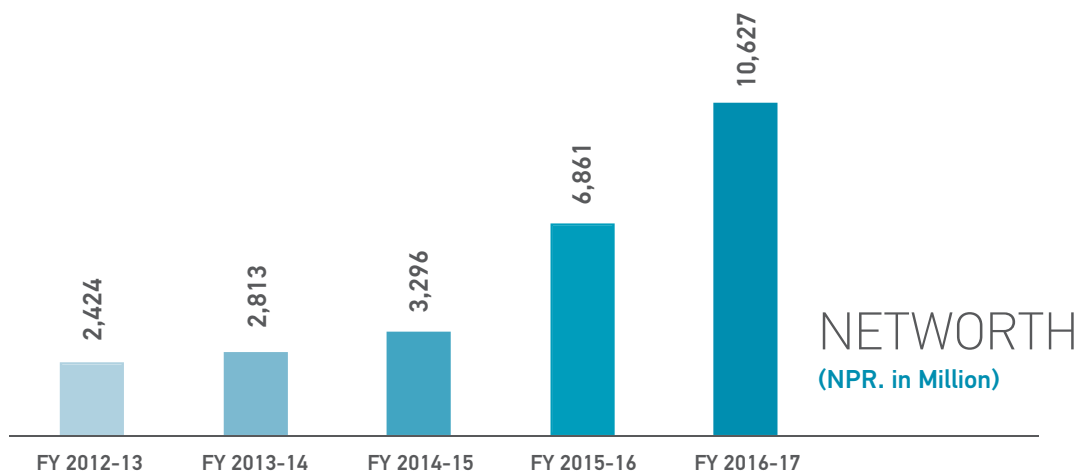
to service excellence

FINANCIAL HIGHLIGHTS

2016/17







NMB Academy

The Bank leaves no stones unturned in the development of each staff. It invests significantly in the training of the staff hence a dedicated Learning & Development unit working solely in the development of staff has been set up. The Bank launched in-house learning centre 'NMB Academy' in FY fiscal year 2017-18 to facilitate 365 days training sessions. The staff are also encouraged to be the training facilitators. The professional trainers from inside/outside the country are also invited to run the training sessions. Although NMB Academy is in place, the staff are sent to the trainings outside the Bank and abroad as well. Frequent trainings are one of the tools to hone the skills of the staff hence the Management firmly believes in investing in the learning & development of its staff.

Corporate Social Responsibility

The Bank gives utmost emphasis to its Corporate Social Responsibility (CSR) which over the years has become an integral part of the Bank's functions. The Bank in coordination with local government has been working towards addressing the issues and concerns that plague the society and country at large. A separate comprehensive CSR Policy has been formulated to monitor and guide the activities of CSR unit. The Bank organizes and conducts events that are at the core of the Bank's values. Healthcare, education, financial literacy programs and most importantly creating awareness on heritage preservation are some of the areas that the Bank has been supporting over the years. The NMB Bank Heritage Walk is conducted annually to spread awareness on heritage preservation. The CSR activities are not only limited inside Kathmandu valley but are widely spread across the country where NMB has its branch.

Social Responsibility Initiatives

- ▶ The Bank organized 4th Inter School Heritage Painting Competition 2017. A total of 86 students from different schools participated in the competition. The competition was organized to raise awareness among students about the national heritages and encourage them to work to conserve our heritage sites.
- ▶ The Bank, in association with Kathmandu Metropolitan City (KMC), organized '6th NMB Bank Heritage Walk 2017' to spread awareness on importance of preservation of heritage on the occasion of World Heritage Day.
- ▶ The Bank presented the Metropolitan Traffic Police Division (MTPD) with a 'Drone', in an effort to strengthen the technical resources of MTPD, in a program organized at the Metropolitan Traffic Police Division headquarters at Singha Durbar.
- ▶ Branch Level community work such as blood donation, health camp, cleaning campaigns are conducted at regular intervals.

Internal Control & Risk Management

The banking business deal with money of public at large therefore it requires proper internal control and governance system in place to ensure that banking transactions are closely monitored and the risks arising out of such transactions are minimized. For this purpose, the internal audit function in a bank largely assists in providing a reasonable assurance that all the control processes are well devised and effectively operated.

The bank has strong in house internal audit department which periodically conducts internal audit of all the functions and units of the bank. Bank has an Audit Committee headed by a non executive director as required by section 164 of Company Act 2063 and Directive 6 issued by the central bank. The duties and responsibilities of the committee are as defined in the said Act, BAFIA, Directives issued by Central Bank and Audit Manual of the Bank. Head Internal Audit works as a member secretary of the committee. The committee meets as and when required.

Internal Audit Department is independent of the management of the bank and reports directly to Audit Committee. Internal Audit reports are presented to Audit Committee and decisions are made based on the issues raised in the report. Statutory Auditors also have direct access to the committee. During F. Y 2016/017, the committee met seventeen times. M/s T. R. Upadhy & Co., Chartered Accountants was the Statutory Auditor the bank for F. Y 2016/017.

Likewise, the bank has a well established compliance department headed by a senior level staff. The department ensures that all the prevailing Acts, Directives of central Bank and internal policies & procedures of the bank are fully complied with. The duties and responsibilities of the department is defined in Terms of Reference of the department. Compliance department reports to CEO also works as a focal point for any correspondence between the bank and central Bank and other Government authorities.

Ethics & Compliance

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with compliance of laws, rules and standards. The Bank has an independent Compliance Department to identify, assess, monitor and manage the compliance risk. The Department covers three areas in which compliance risk is assessed. Institutional Compliance covers issues of governance, internal structure and decision making process, principles of procurement, disclosure policies, sustainability reporting and adherence to internal instructions. Operational compliance covers the assessment of integrity risk and reputation risk in the Bank's transactions, in particular certain principles, such as Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and Know Your Customer (KYC) as well as compliance issues in relation to the development of new products or business practices. Similarly compliance covers risk in terms of conflict of interest, insider trading and other issues related to professional conduct of members of the Bank's governing and supervisory bodies and of bank's staff. Although the Compliance unit is in place, it is made very evident to the staff that compliance to rules/regulations/process/procedures/regulatory requirement is the responsibility of each staff.

Board of Directors



Pawan Kumar Golyan
Chairman (Representative
from Promoter shareholder group)



Nico Pijl
Director



Rajendra Kafle
Director



Harischandra Subedi
Director



Hari Babu Neupane
Director



Predeep Raj Pandey
Independent Director



Nanda Kishor Rathi
Alternate Director

Executive Committee



Sunil KC
CEO



Pradeep Pradhan
Chief Operating Officer



Shabnam Limbu Joshi
Chief HR & Business
Support Officer



Sharad Tegi Tuladhar
Chief Risk Officer



Sudesh Upadhaya
Chief Business Officer



Govind Ghimire
Chief Business Officer



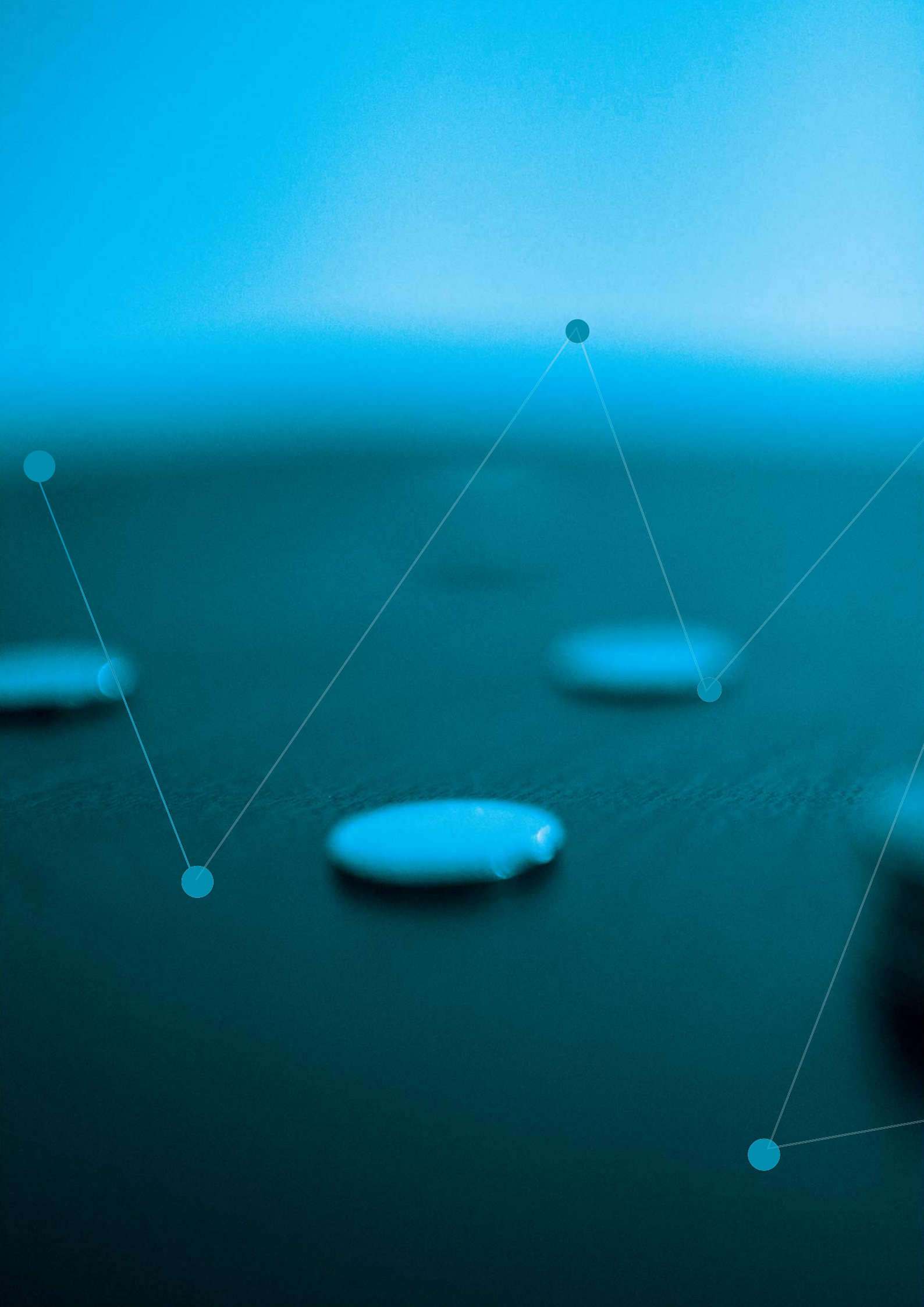
Navin Manandhar
Chief Business Officer



Promod Dahal
Company Secretary & Chief
AML & Compliance Officer



Roshan Regmi
Head-Operations





2016/17
Financial
Statements

INDEPENDENT AUDITOR'S REPORT
The Shareholders of NMB Bank Limited

Report on the Consolidated Financial Statements

We were engaged to audit the accompanying financial statements of NMB Bank Limited (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 15 July 2017, the consolidated profit and loss account, consolidated statements of changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information prepared in accordance with Nepal Financial Reporting Standards.

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. Management has prepared the accompanying consolidated financial statements in accordance with regulatory requirements as stipulated by Nepal Rastra Bank and not in accordance with Nepal Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Nepal Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements not prepared as per Nepal Financial Reporting Standards.

Basis for Disclaimer of Opinion

The applicable financial reporting framework for the Bank was changed to Nepal Financial Reporting Standards from Nepal Accounting Standards (previous Local GAAP) effective from fiscal year starting 17 July 2015. Change in financial reporting framework required transition to Nepal Financial Reporting Standards as at 17 July 2014 and presentation of at least three consolidated statements of financial position, two consolidated statements of comprehensive income, two consolidated separate income statements (if presented), two consolidated statements of cash flows and two consolidated statements of changes in equity and related notes, including comparative information. However, consolidated financial statement has not been prepared based on transitional provision of Nepal Financial Reporting Standards 1 which requires identification, restatement, presentation and disclosure of financial information based on new accounting policies as per Nepal Financial Reporting Standards.

The cumulative effect of not restating, presenting and disclosing consolidated financial information based on transitional provision of Nepal Financial Reporting Standards is uncertain and could be material and pervasive.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence for cumulative effect of not restating financial items and making additional disclosure as required by first time adopter of NFRS to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements which have not been prepared in accordance with Nepal Financial Reporting Standards.



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Report on the Requirements of the Companies Act 2063, Bank and Financial Institution Act 2073

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, consolidated balance sheet, consolidated profit and loss account and consolidated cash flow statement, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of account of the Bank; and proper books of account as required by law have been kept by the Bank. In our opinion the returns received from the branches were adequate for the purpose of the audit though the statements are independently not audited.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

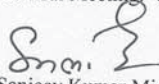
To the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation relating to the accounts or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

As disclosed in Note 6 of the Schedule 4.33, the Bank has not measured the investment made in shares of a listed company categorized as Available for Sale on 'Marked to Market' Basis, which in our opinion, is not in accordance with Nepal Rastra Bank Unified Directives.

Except as noted in the preceding paragraph and our opinion on the consolidated financial statements not prepared in accordance with the applicable financial reporting framework required for the fiscal year, the consolidated financial statements have been prepared, in all material respects, in accordance with reporting framework as per the regulatory requirement of Nepal Rastra Bank.

Emphasis of matter

We draw attention to Note 20 of Schedule 4.33 of the financial statements regarding the bank's plan to meet the regulatory minimum paid up capital requirement of NPR 8 billion through issue of 11,404,936 number of bonus shares proposed by meeting of board of directors dated Ashad 26, 2075 (10 July 2018) and use of NPR 769,819,000, amount subscribed on Further Public Offering till Ashad 25, 2075 (9 July 2018), which subject to ratification by its Annual General Meeting. Our opinion is not modified in respect of this matter.


Sanjeev Kumar Mishra
Partner



T R Upadhy & Co.
Chartered Accountants

Kathmandu
12 July 2018

Consolidated Balance Sheet

As at Ashad 31, 2074 (July 15, 2017)

Capital & Liabilities	Current Year Rs.	Previous Year Rs.
1 Share Capital	7,602,267,929	5,518,635,934
2 Reserve and Funds	3,200,534,882	1,415,183,202
3 Non Controlling Interest	106,381,730	39,031,063
4 Debentures and Bonds	500,000,000	500,000,000
5 Borrowings	2,351,489,159	2,148,502,579
6 Deposits	73,043,937,056	64,944,730,681
7 Bills Payables	-	48,958,822
8 Proposed Dividend	61,508,874	54,300,625
9 Income Tax Liabilities	387,637	34,016,060
10 Other Liabilities	1,943,501,236	978,989,908
Total Liabilities	88,810,008,503	75,682,348,874
Assets		
1 Cash Balance	1,703,504,852	1,491,275,494
2 Balance with Nepal Rastra Bank	9,252,184,991	6,395,815,135
3 Balance with Banks/Financial Institutions	1,750,138,477	2,637,105,481
4 Money at Call and Short Notice	407,884,770	557,822,817
5 Investments	10,539,504,024	8,424,518,637
6 Loans, Advances and Bills Purchased	62,654,493,892	53,749,132,753
7 Fixed Assets	1,480,298,845	1,357,283,772
8 Non-Banking Assets	-	-
9 Other Assets	1,021,998,653	1,069,394,785
Total Assets	88,810,008,503	75,682,348,874

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Profit and Loss Account

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Interest Income	6,325,184,398	4,143,146,162
2 Interest Expenses	3,577,941,510	2,055,161,286
Net Interest Income	2,747,242,888	2,087,984,876
3 Commission and Discount	411,038,199	197,615,501
4 Other Operating Income	354,463,547	290,257,632
5 Exchange Fluctuation Income	208,514,180	160,268,673
Total Operating Income	3,721,258,814	2,736,126,682
6 Staff Expenses	685,705,290	509,111,123
7 Other Operating Expenses	705,686,626	495,694,943
8 Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	2,329,866,898	1,731,320,616
9 Provision for Possible Losses	203,578,724	584,941,411
Operating Profit	2,126,288,173	1,146,379,205
10 Non-operating Income/Loss	36,897,271	56,673,267
11 Loss Provision Written-Back	166,507,033	650,079,224
Profit from Regular Operations	2,329,692,478	1,853,131,696
12 Profit/Loss from extra-ordinary activities	132,714,564	(10,942,028)
Net Profit after considering all activities	2,462,407,042	1,842,189,668
13 Staff Bonus Provision	225,673,368	167,471,787
14 Provision for Income Tax	661,521,673	507,593,734
Current Year	637,831,692	334,674,245
Previous Year	529,775	6,901,230
Current Year Deferred Tax Income/(Loss)	23,160,206	166,018,259
Net Profit/Loss	1,575,212,000	1,167,124,147
Profit attributable to equity holders of parent	1,552,964,586	154,738,452
Profit attributable to Non Controlling Interest	22,247,415	12,385,607
Net Profit/Loss	1,575,212,000	1,167,124,147

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Profit and Loss Appropriation Account

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars		Current Year Rs.		Previous Year Rs.
		Non Controlling Interest	NMB	NMB
Income				
1	Accumulated profit up to the last year		87,742,491	56,228,499
2	Current Year's Profit	22,247,415	1,552,964,586	1,154,738,542
3	Capital Reserve (NMB MF) Gain on bargain purchase		-	7,333,025
4	Deferred Tax Reserve		21,673,350	-
5	Dividend Tax Adjustment as per Section 54(3) of ITA, 2002		822,421	-
6	Investment Adjustment Reserve		-	19,992,000
7	Swap surplus from Merger		-	651,180,180
8	Share Premium Transfer		1,154,862,845	-
	Total	22,247,415	2,818,065,694	1,889,472,246
Expenses				
1	Accumulated Loss up to the last year		-	-
2	Accumulated Loss of merging entities		-	490,983,319
3	Current Year's Loss		-	-
4	General Reserve		302,550,070	228,985,707
5	Contingent Reserve		-	-
6	Institutional Development Fund		-	-
7	Dividend Equalization Fund		-	-
8	Staff Related Reserve Fund		-	-
9	Proposed Dividend		62,114,137	75,353,256
10	Proposed issue of Bonus Shares		1,140,493,595	1,031,711,869
11	Special Reserve Fund		-	-
12	Exchange Equalization Fund		13,431,139	10,417,464
13	Capital Redemption Reserve Fund		-	-
14	Capital Adjustment Fund		-	40,925,498
15	Staff Skill Development Fund		3,037,118	-
16	Corporate Social Responsibility Fund		15,127,504	-
17	Others		95,672,310	(76,647,358)
	a) Deferred Tax Reserve		-	(166,869,592)
	b) Investment Adjustment Reserve		1,272,381	(1,553,591)
	c) Debenture Redemption Reserve		90,750,870	90,750,870
	d) Customer Protection Fund		2,233,503	1,024,955
	e) Dividend Distribution FY 2072/73 - NMB Capital Ltd (Tax Purpose)		1,052,632	-
	f) Prior Period Expenses-NMB Capital Ltd.		362,925	-
	Total		1,632,425,873	1,801,729,755
18	Accumulated Profit/(Loss)	22,247,415	118,56,39,820	87,742,491

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Changes in Equity

As at Ashad 31, 2074 (July 15, 2017)

(Amount in Rs.)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Proposed Bonus Share	Share Premium	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Debt Redemption Reserve	Capital Adjustment Reserve	Staff Skill Development Fund	Corporate Social Responsibility Fund	Customer Protection Fund	Attributable to Equity Holders	Total Controlling Interest	Non Controlling Interest	Total Amount
Opening Balance	4,486,924,066	87,742,491	1,013,596,192	1,031,711,869	10,150,347	41,211,115	65,432,829	14,932,675	127,797,116	53,295,483	-	-	1,024,955	6,933,819,137	39,031,063	-	6,972,850,200
Bonus Share Capitalized	1,031,711,869	-	-	(1,031,711,869)	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Dividend for Tax Purpose	-	(3,503,714)	-	-	-	-	-	-	-	-	-	-	-	(3,503,714)	-	-	(3,503,714)
Dividend Tax Adjustment as per Section 54(3) of Income Tax Act, 2002	-	822,421	-	-	-	-	-	-	-	-	-	-	-	822,421	-	-	822,421
Balance	5,518,635,934	85,061,198	1,013,596,192	-	10,150,347	41,211,115	65,432,829	14,932,675	127,797,116	53,295,483	-	-	1,024,955	6,931,137,844	39,031,063	-	6,970,168,907
Adjustments																	
NCI (NMBMF)-49%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,048,000	-	27,048,000
Add: FMO Additional Investment (9,431,384 Units)	943,138,400	-	-	-	-	-	-	-	-	-	-	-	-	943,138,400	-	-	943,138,400
Share Premium on Additional Investment	-	-	-	-	1,434,564,762	-	-	-	-	-	-	-	-	1,434,564,762	19,078,450	-	1,453,643,212
Share Premium Transfer to Accumulated Profit	-	1,154,862,845	-	-	(1,154,862,845)	-	-	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	1,552,964,586	-	-	-	-	-	-	-	-	-	-	-	1,552,964,586	22,247,415	-	1,575,212,001
General Reserve	-	(302,550,070)	302,550,070	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(13,431,139)	-	-	-	13,431,139	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	21,673,350	-	-	-	-	(21,673,350)	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	(1,272,381)	-	-	-	-	-	1,272,381	-	-	-	-	-	-	-	-	-
Staff Skill Development Fund	-	(3,037,118)	-	-	-	-	-	-	3,037,118	-	-	-	-	-	-	-	-
Corporate Social Responsibility Fund	-	(15,127,504)	-	-	-	-	-	-	-	-	-	15,127,504	-	(60,025,979)	-	-	(60,025,979)
Proposed Cash Dividend (Bonus Shares)	-	(1,140,493,595)	-	1,140,493,595	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Stock Dividend (Bonus Shares)	-	(2,233,503)	-	-	-	-	-	-	-	-	-	-	2,233,503	-	-	-	-
Customer Protection Fund -NMBMF	-	(90,750,870)	-	-	-	-	-	-	90,750,870	-	-	-	-	-	-	-	-
Debt Redemption Reserve	-	6,461,774,334	1,185,639,820	1,316,146,262	1,140,493,595	289,852,264	43,759,479	16,205,056	218,547,986	53,295,483	3,037,118	15,127,504	3,258,457	10,801,779,613	107,404,928	-	10,909,184,541
Closing Balance	6,461,774,334	1,185,639,820	1,316,146,262	1,140,493,595	289,852,264	54,642,254	43,759,479	16,205,056	218,547,986	53,295,483	3,037,118	15,127,504	3,258,457	10,801,779,613	107,404,928	-	10,909,184,541

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Cash Flow Statement

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	1,022,296,598	(3,510,579,089)
1 Cash Received	7,217,157,923	4,657,404,530
1.1 Interest Income	6,133,969,670	4,018,540,666
1.2 Commission and Discount Income	482,407,011	244,118,646
1.3 Income from foreign exchange transaction	154,789,626	118,598,818
1.4 Recovery of Loan written off	136,349,614	3,578,003
1.5 Other Income	309,642,001	272,568,397
2 Cash Payment	5,504,694,423	3,229,545,799
2.1 Interest Expenses	3,522,964,528	1,953,989,920
2.2 Staff Expenses	777,811,685	574,224,655
2.3 Office Operating Expenses	585,047,496	390,495,677
2.4 Income Tax Paid	618,870,714	310,835,547
2.5 Other Expenses	-	-
Cash Flow before changes in Working Capital	1,712,463,500	1,427,858,731
Increase/(Decrease) of Current Assets	(9,383,927,801)	(10,534,121,741)
1 (Increase)/Decrease in Money at Call and Short Notice	149,938,047	2,976,491,524
2 (Increase)/Decrease in Short-term Investment	(478,868,080)	(783,315,654)
3 (Increase)/Decrease in Loan and Bills Purchase	(9,097,744,546)	(12,580,416,131)
4 (Increase)/Decrease in Other Assets	42,746,778	(146,881,480)
Increase/(Decrease) of Current Liabilities	8,693,760,899	5,595,683,921
1 Increase/(Decrease) in Deposits	8,069,738,791	10,837,747,150
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(55,347,308)	(236,593,378)
4 Increase/(Decrease) in Other Liabilities	679,369,416	(5,005,469,851)
(b) Cash flow from Investment Activities	(1,633,231,682)	1,333,481,517
1 (Increase)/Decrease in Long-term Investment	(1,642,928,964)	(1,070,390,057)
2 (Increase)/Decrease in Fixed Assets	(236,146,235)	(750,957,895)
3 Interest income from Long-term Investment	210,966,857	104,131,698
4 Dividend Income	23,176,660	560,517
5 Others	11,700,000	3,050,137,254
(c) Cash flow from Financing Activities	2,729,375,154	1,175,657,487
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	625,075,087	209,673,178
2 Increase/(Decrease) in Share Capital	970,186,400	28,152,000
3 Increase/(Decrease) in Other Liabilities (Last year Dividend Payment)	(52,788,346)	(1,467,692)
4 Increase/(Decrease) in Refinance/facilities received from NRB	(266,741,200)	939,300,000
5 Increase/(Decrease) in Share Premium	1,453,643,213	-
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	53,724,554	41,669,855
(e) Current Year's Cash Flow from All Activities	2,172,164,624	(959,770,230)
(f) Opening Balance of Cash and Bank Balances	10,533,663,696	11,483,966,341
(g) Closing Balance of Cash and Bank Balances	12,705,828,320	10,524,196,110

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

INDEPENDENT AUDITOR'S REPORT

The Shareholders of NMB Bank Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of NMB Bank Limited (the "Bank"), which comprise the balance sheet as at 15 July 2017, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared in accordance with Nepal Financial Reporting Standards.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has prepared the accompanying financial statements in accordance with regulatory requirements as stipulated by Nepal Rastra Bank and not in accordance with Nepal Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Nepal Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion on the financial statements not prepared as per Nepal Financial Reporting Standards.

Basis for Disclaimer of Opinion

The applicable financial reporting framework for the Bank was changed to Nepal Financial Reporting Standards from Nepal Accounting Standards (previous Local GAAP) effective from fiscal year starting 17 July 2015. Change in financial reporting framework required transition to Nepal Financial Reporting Standards as at 17 July 2014 and presentation of at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information. However, financial statements has not been prepared based on transitional provision of Nepal Financial Reporting Standards 1 which requires identification, restatement, presentation and disclosure of financial information based on new accounting policies as per Nepal Financial Reporting Standards.

The cumulative effect of not restating, presenting and disclosing financial information based on transitional provision of NFRS is uncertain and could be material and pervasive.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence for cumulative effect of not restating financial items and making additional disclosure as required by first time adopter of Nepal Financial Reporting Standards to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements which have not been prepared in accordance with Nepal Financial Reporting Standards.



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Report on the Requirements of the Companies Act 2063, Bank and Financial Institution Act 2073

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the balance sheet, the profit and loss account and the cash flow statement, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of account of the Bank; and proper books of account as required by law have been kept by the Bank. In our opinion the returns received from the branches were adequate for the purpose of the audit though the statements are independently not audited.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.


To the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation relating to the accounts or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

As disclosed in Note 6 of the Schedule 4.33, the Bank has not measured the investment made in shares of a listed company categorized as Available for Sale on 'Marked to Market' basis, which in our opinion, is not in accordance with Nepal Rastra Bank Unified Directives.

Except as noted in the preceding paragraph and our opinion on the financial statements not prepared in accordance with the applicable financial reporting framework required for the fiscal year, the financial statements have been prepared, in all material respects, in accordance with reporting framework as per the regulatory requirement of Nepal Rastra Bank.

Emphasis of matter

We draw attention to Note 20 of Schedule 4.33 of the financial statements regarding the bank's plan to meet the regulatory minimum paid up capital requirement of NPR 8 billion through issue of 11,404,936 number of bonus shares proposed by meeting of board of directors dated Ashad 26, 2075 (10 July 2018) and use of NPR 769,819,000, amount subscribed on Further Public Offering till Ashad 25, 2075 (9 July 2018) subject to ratification by its Annual General Meeting. Our opinion is not modified in respect of this matter.



Sanjeev Kumar Mishra
Partner



T R Upadhyaya & Co.
Chartered Accountants

Kathmandu
12 July 2018

Balance Sheet

As at Ashad 31, 2074 (July 15, 2017)

Capital & Liabilities		Schedule	Current Year Rs.	Previous Year Rs.
1	Share Capital	4.1	7,602,267,929	5,518,635,934
2	Reserve and Funds	4.2	3,024,881,488	1,342,523,574
3	Debentures and Bonds	4.3	500,000,000	500,000,000
4	Borrowings	4.4	1,165,906,108	1,487,994,615
5	Deposits	4.5	73,224,062,599	64,781,463,622
6	Bills Payables	4.6	-	-
7	Proposed Dividend		60,025,979	54,300,625
8	Income Tax Liabilities		-	-
9	Other Liabilities	4.7	1,239,838,966	928,409,514
Total Liabilities			86,816,983,069	74,613,327,884
Assets		Schedule	Current Year Rs.	Previous Year Rs.
1	Cash Balance	4.8	1,703,496,402	1,491,151,855
2	Balance with Nepal Rastra Bank	4.9	9,242,454,991	6,390,585,135
3	Balance with Banks/Financial Institutions	4.10	1,336,262,337	2,298,801,972
4	Money at Call and Short Notice	4.11	407,884,770	557,822,817
5	Investments	4.12	10,597,554,499	8,504,125,557
6	Loans, Advances and Bills Purchased	4.13	61,157,356,824	53,021,384,326
7	Fixed Assets	4.14	1,452,316,251	1,345,519,344
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	919,656,995	1,003,936,878
Total Assets			86,816,983,069	74,613,327,884

Contingent Liabilities	Schedule	4.17
Declaration of Directors	Schedule	4.29
Statement of Capital Fund	Schedule	4.30 (A1)
Statement of Credit Risk	Schedule	4.30 (B)
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Schedules 4.1 to 4.17 and 4.32, 4.33 form integral part of the Balance Sheet.

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Profit and Loss Account

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
1 Interest Income	4.18	6,073,521,244	4,053,340,661
2 Interest Expenses	4.19	3,505,347,281	2,040,059,139
Net Interest Income		2,568,173,963	2,013,281,522
3 Commission and Discount	4.20	360,630,246	197,615,501
4 Other Operating Income	4.21	288,030,222	218,105,846
5 Exchange Fluctuation Income	4.22	208,514,180	160,268,673
Total Operating Income		3,425,348,611	2,589,271,542
6 Staff Expenses	4.23	598,459,592	471,311,447
7 Other Operating Expenses	4.24	659,079,390	473,549,140
8 Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		2,167,809,629	1,644,410,955
9 Provision for Possible Losses	4.25	188,198,660	403,105,769
Operating Profit		1,979,610,969	1,241,305,186
10 Non-operating Income/Loss	4.26	54,662,445	55,843,672
11 Loss Provision Written-Back	4.27	166,507,033	476,861,653
Profit from Regular Operations		2,200,780,447	1,774,010,511
12 Profit/Loss from extra-ordinary activities	4.28	88,123,682	(10,942,028)
Net Profit after considering all activities		2,288,904,129	1,763,068,483
13 Staff Bonus Provision		208,082,194	160,278,953
14 Provision for Income Tax		613,474,468	487,724,902
Current Year's		588,774,303	313,840,105
Previous Years'		529,775	6,901,230
Current Year Deferred Tax (Income)/Expenses		24,170,390	166,983,568
Net Profit/Loss		1,467,347,467	1,115,064,628

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

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

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Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Profit and Loss Appropriation Account

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
Income			
1 Accumulated profit up to the last year		22,194,575	9,523,179
2 Current Year's Profit		1,467,347,467	1,115,064,627
3 Deferred Tax Reserve		24,170,390	166,983,568
4 Investment Adjustment Reserve		-	21,545,591
5 Share Premium transfer to Accumulated Profit		1,140,493,595	
6 Dividend Tax Adjustment as per Section 54(3) of ITA, 2002		822,421	-
7 Swap surplus from Merger		-	651,180,180
Total		2,655,028,448	1,964,297,145
Expenses			
1 Accumulated Loss up to the last year		-	-
2 Accumulated Loss of Merging Entities		-	490,983,319
3 Current Year's Loss		-	-
4 General Reserve		293,469,493	223,012,925
5 Contingent Reserve		-	-
6 Institutional Development Fund		-	-
7 Dividend Equalization Fund		-	-
8 Staff Related Reserve Fund		-	-
9 Proposed Dividend		60,025,979	54,300,625
10 Proposed Issue of Bonus Shares		1,140,493,595	1,031,711,869
11 Special Reserve Fund		-	-
12 Exchange Equalization Fund		13,431,139	10,417,464
13 Capital Redemption Reserve Fund		-	-
14 Capital Adjustment Fund		-	40,925,498
15 Staff Skill Development Fund		3,037,118	-
16 Corporate Social Responsibility Fund		14,673,475	-
17 Others		92,023,252	90,750,870
a) Deferred Tax Reserve		-	-
b) Investment Adjustment Reserve		1,272,381	-
c) Debenture Redemption Reserve		90,750,870	90,750,870
Total		1,617,154,051	1,942,102,570
15 Accumulated Profit/(Loss)		1,037,874,397	22,194,575

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

Rajendra Kafle
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Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Statement of Changes in Equity

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Share Capital	Proposed Bonus Share	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund (Share Premium)	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Debenture Redemption Reserve	Capital Adjustment Fund	Staff Skill Development Fund	Corporate Social Responsibility Fund	(Amount in NPR)	
													Total Amount	Total Amount
Opening Balance	4,486,924,066	1,031,711,869	22,194,575	1,007,623,410	10,150,347	41,211,115	65,318,853	14,932,675	127,797,116	53,295,483	-	-	-	6,861,159,508
Bonus Share Capitalized	1,031,711,869	(1,031,711,869)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Tax Adjustment as per Section 54(3) of Income Tax Act, 2002	-	-	822,421	-	-	-	-	-	-	-	-	-	-	822,421
Restated Balance	5,518,635,934	-	23,016,996	1,007,623,410	10,150,347	41,211,115	65,318,853	14,932,675	127,797,116	53,295,483	-	-	-	6,861,981,929
Add: FMO Additional Investment (9,431,384 Units)	943,138,400	-	-	-	-	-	-	-	-	-	-	-	-	943,138,400
Share Premium on FMO Additional Investment	-	-	-	-	1,414,707,600	-	-	-	-	-	-	-	-	1,414,707,600
Current Year's Net Profit	-	-	1,467,347,467	-	-	-	-	-	-	-	-	-	-	1,467,347,467
General Reserve	-	-	(293,469,493)	293,469,493	-	-	-	-	-	-	-	-	-	-
Exchange Equalization Fund	-	-	(13,431,139)	-	-	13,431,139	-	-	-	-	-	-	-	-
Proposed Cash Dividend	-	-	(60,025,979)	-	-	-	-	-	-	-	-	-	-	(60,025,979)
Share Premium transfer to Accumulated Profit	-	-	1,140,493,595	-	(1,140,493,595)	-	-	-	-	-	-	-	-	-
Proposed Stock Dividend (Bonus Shares)	-	1,140,493,595	(1,140,493,595)	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	24,170,390	-	-	-	(24,170,390)	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	(1,272,381)	-	-	-	-	1,272,381	-	-	-	-	-	-
Debenture Redemption Reserve	-	-	(90,750,870)	-	-	-	-	-	90,750,870	-	-	-	-	-
Capital Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Staff Skill Development Fund	-	-	(3,037,118)	-	-	-	-	-	-	-	3,037,118	-	-	-
Corporate Social Responsibility Fund	-	-	(14,673,475)	-	-	-	-	-	-	-	-	14,673,475	-	-
Closing Balance	6,461,774,334	1,140,493,395	10,378,874,397	1,301,092,903	284,364,352	54,642,254	41,148,463	16,205,056	218,547,986	53,295,483	3,037,118	14,673,475	14,673,475	10,627,149,418

Pradeep Pradhan *Acting CEO* Pawan Kumar Golyan *Chairman* Nanda Kishore Rathi *Alternate Director* Sanjeev Kumar Mishra *Partner, TR Upadhyaya & Co. Chartered Accountants*

Rajendra Kafle *Director* Harischandra Subedi *Director* Hari Babu Neupane *Director* Pradeep Raj Pandey *Independent Director*

Mridul Parajuli *Head-Finance and Planning*

Date: Tuesday, July 10, 2018, Place: NMB Bhawan, Babarmahal, Kathmandu

Cash Flow Statement

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	1,595,652,660	1,570,903,192
1 Cash Received	6,809,935,354	4,494,936,026
1.1 Interest Income	5,845,823,206	z 3,928,845,121
1.2 Commission and Discount Income	382,385,070	224,109,461
1.3 Income from foreign exchange transaction	154,789,626	118,598,818
1.4 Recovery of Loan written off	136,349,614	3,578,003
1.5 Other Income	290,587,838	219,804,623
2 Cash Payment	5,241,778,778	3,132,807,170
2.1 Interest Expenses	3,451,860,291	1,938,887,773
2.2 Staff Expenses	679,462,474	533,184,686
2.3 Office Operating Expenses	543,195,203	372,775,190
2.4 Income Tax Paid	567,260,810	287,959,521
2.5 Other Expenses	-	-
Cash Flow before changes in Working Capital	1,568,156,576	1,362,128,856
Increase/(Decrease) of Current Assets	(8,476,305,678)	(10,604,246,846)
1 (Increase)/Decrease in Money at Call and Short Notice	149,938,047	2,712,528,934
2 (Increase)/Decrease in Short-term Investment	(461,159,635)	(783,315,654)
3 (Increase)/Decrease in Loan and Bills Purchase	(8,212,975,841)	(12,394,005,894)
4 (Increase)/Decrease in Other Assets	47,891,751	(139,454,232)
Increase/(Decrease) of Current Liabilities	8,503,801,762	10,813,021,182
1 Increase/(Decrease) in Deposits	8,442,598,977	10,783,393,592
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(55,347,308)	(27,673,654)
4 Increase/(Decrease) in Other Liabilities	116,550,093	57,301,244
(b) Cash flow from Investment Activities	(1,584,692,579)	1,323,538,850
1 (Increase)/Decrease in Long-term Investment	(1,636,657,583)	(1,096,370,547)
2 (Increase)/Decrease in Fixed Assets	(213,878,513)	(746,869,712)
3 Interest Income from Long-term Investment	210,966,857	104,131,698
4 Dividend Income	43,176,660	20,560,517
5 Others	11,700,000	3,042,086,894
(c) Cash flow from Financing Activities	2,036,990,133	938,884,940
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-	-
2 Increase/(Decrease) in Share Capital	943,138,400	-
3 Increase/(Decrease) in Other Liabilities	(54,114,667)	(415,060)
4 Increase/(Decrease) in Refinance/facilities received from NRB	(266,741,200)	939,300,000
5 Increase/(Decrease) in Share Premium	1,414,707,600	-
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	53,724,554	41,669,855
(e) Current Year's Cash Flow from All Activities	2,101,674,768	3,874,996,837
(f) Opening Balance of Cash and Bank Balances	10,180,538,962	6,305,542,128
(g) Closing Balance of Cash and Bank Balances	12,282,213,730	10,180,538,962

As per our attached report of even date

Pradeep Pradhan
Acting CEO

Pawan Kumar Golyan
Chairman

Nanda Kishore Rathi
Alternate Director

Sanjeev Kumar Mishra
Partner, TR Upadhyaya & Co. Chartered Accountants

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Director

Pradeep Raj Pandey
Independent Director

Mridul Parajuli
Head-Finance and Planning

Date : Tuesday, July 10, 2018, Place : NMB Bhawan, Babarmahal, Kathmandu

Share Capital and Ownership

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorized Capital		
a) 100,000,000 Ordinary Shares of Rs.100 each	10,000,000,000	8,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs.each		
1.2 Issued Capital		
a) 64,617,743 Ordinary Shares of Rs.100 each	6,461,774,334	4,486,924,066
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.3 Paid up Capital		
a) 64,617,743 Ordinary Shares of Rs.100 each	6,461,774,334	4,486,924,066
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.4 Proposed Bonus Share	1,140,493,595	1,031,711,869
1.5 Calls in Arrears	-	-
1.6 Calls in Advance	-	-
1.7 Total (1.3+1.4+1.5+1.6)	7,602,267,929	5,518,635,934

Share Ownership

As at Ashad 31, 2074 (July 15, 2017)

Share Ownership	Current Year Rs.		Previous Year Rs.	
	%	Share Capital	%	Share Capital
1 Local Ownership	73.84	4,771,531,134	89.36	4,009,689,794
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	14.23	919,212,600	17.38	779,979,765
1.5 Individual	59.62	3,852,318,534	71.98	3,229,710,030
1.6 Others	-	-	-	-
2 Foreign Ownership	26.16	1,690,243,200	10.64	477,234,272
Total	100.00	6,461,774,334	100.00	4,486,924,066

List of Shareholders holding more than 0.5% of Share Capital

S No	Name of the Shareholders	Current Year Amount (Rs)	% Total
1	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO), Netherlands	1,292,354,700	20.00%
2	Employees Provident Fund	521,663,300	8.07%
3	Yong Lian Realty Sdn Bhd, Malaysia	397,888,500	6.16%
4	Gayatri Investment And Management Pvt. Ltd.	187,069,300	2.90%
5	Nanda Kishore Rathi	158,970,900	2.46%
6	Dhananjaya Prasad Acharya	144,213,400	2.23%
7	Vishal Agrawal	119,262,900	1.85%
8	Purushotam Lal Sanghai	107,701,300	1.67%
9	Santosh Rathi	93,882,600	1.45%
10	Pawan Kumar Golyan	87,197,700	1.35%
11	Santosh Devi Murarka	74,991,800	1.16%
12	Balaram Neupane	49,850,200	0.77%
13	Anant Kumar Golyan	48,549,300	0.75%
14	Dinbhandhu Agrawal	48,226,100	0.75%
15	Narpat Singh Jain	42,543,200	0.66%
16	Pashupati Murarka	41,014,400	0.63%
17	Raj Kumar Goyal	39,055,900	0.60%
18	Ashok Kumar Murarka	35,637,900	0.55%

Schedule 4.2

Reserve And Funds

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 General Reserve Fund	1,301,092,903	1,007,623,410
2 Capital Reserve Fund	284,364,352	10,150,347
3 Capital Redemption Reserve	-	-
4 Capital Adjustment Fund	53,295,483	53,295,483
5 Other Reserve Fund	293,612,099	208,048,644
5.1. Contingent Reserve	-	-
5.2. Institution Development Fund	-	-
5.3. Dividend Equalization Fund	-	-
5.4. Special Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Deferred Tax Reserve	41,148,463	65,318,853
5.7. Other Free Reserves	-	-
5.8. Investment Adjustment Reserve	16,205,056	14,932,675
5.9. Debenture Redemption Reserve	218,547,986	127,797,116
5.10. Staff Skill Development Fund	3,037,118	-
5.11. Corporate Social Responsibility Fund	14,673,475	-
5.12. Other Reserves	-	-
6 Accumulated Profit/Loss	1,037,874,397	22,194,575
7 Exchange Equalization Fund	54,642,254	41,211,115
Total	3,024,881,488	1,342,523,574

Debentures and Bonds

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 7% Debentures of Rs. 1,000 each Issued on 6 Falgun 2071 and Maturing on 5 Bhadra 2077 (Outstanding balance of Redemption Reserve Rs. 218,547,986)	500,000,000	500,000,000
2 Percent Bond/Debentures of Rs. each Issued on and Maturing on (Outstanding balance of Redemption Reserve Rs.)	-	-
3	-	-
Total (1+2+3)	500,000,000	500,000,000

Schedule 4.4

Borrowings

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
A. Local		
1 Government of Nepal	-	-
2 Nepal Rastra Bank	1,110,558,800	1,377,300,000
3 Repo Obligation	-	-
4 Inter-Bank and Financial Institutions	-	-
5 Other Organized Institutions	-	-
6 Others	-	-
Total	1,110,558,800	1,377,300,000
B. Foreign		
1 Banks	55,347,308	110,694,615
2 Others	-	-
Total	55,347,308	110,694,615
Total (A+B)	1,165,906,108	1,487,994,615

Notes:

1. Re-finance facilities from Nepal Rastra Bank has been disclosed as Borrowings from Nepal Rastra Bank in the above schedule. The principle amount outstanding as at 15 July 2017 is NPR 1,110,558,800
2. Borrowings from FMO has been disclosed as Borrowings from Foreign Banks in the above schedule. The principle amount outstanding as at 15 July 2017 is NPR 55,347,308.

Deposits

As at Ashad 31, 2074 (July 15, 2017)

Particulars	This Year Rs.	Previous Year Rs.
1 Non-Interest Bearing Accounts		
A. Current Deposits	4,911,254,694	2,669,761,217
1. Local Currency	4,751,322,344	2,261,186,607
1.1 Government of Nepal	553,565,353	532,078,147
1.2 "A" Class Licensed Institutions	10,409,812	7,669,844
1.3 Other Licensed Institutions	233,031,477	149,585,371
1.4 Other Organized Institutions	3,683,943,473	1,369,475,215
1.5 Individuals	180,434,026	180,635,186
1.6 Others	89,938,204	21,742,845
2. Foreign Currency	159,932,350	408,574,610
2.1 Government of Nepal		
2.2 "A" Class Licensed Institutions		
2.3 Other Licensed Institutions		
2.4 Other Organized Institutions	159,927,195	408,359,910
2.5 Individuals	5,155	214,700
2.6 Others	-	-
B. Margin Deposits	2,326,084,740	2,060,313,078
1 Employees Guarantee		
2 Guarantee Margin	279,564,622	131,786,550
3 Letters of Credit Margin	2,046,520,118	1,928,526,528
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions		
1.2 Other Organized Institutions		
1.3 Individuals		
2. Foreign Currency	-	-
2.1 Financial Institutions		
2.2 Other Organized Institutions		
2.3 Individuals		
Total of Non-Interest Bearing Accounts	7,237,339,434	4,730,074,295
2 Interest Bearing Accounts		
A. Saving Deposits	16,972,893,195	18,618,725,873
1. Local Currency	16,803,703,765	18,454,836,349
1.1 Organized Institutions	265,409,176	488,634,369
1.2 Individuals	16,532,946,726	17,951,422,159
1.3 Others	5,347,863	14,779,821
2. Foreign Currency	169,189,430	163,889,524
2.1 Organized Institutions	55,511,028	49,764,973
2.2 Individuals	113,678,403	114,124,551
2.3 Others		

B. Fixed Deposits	41,192,590,586	26,975,143,670
1. Local Currency	39,932,683,454	26,070,583,045
1.1 Organized Institutions	20,498,815,829	18,699,018,950
1.2 Individuals	19,310,152,451	7,364,424,095
1.3 Others	123,715,174	7,140,000
2. Foreign Currency	1,259,907,132	904,560,625
2.1 Organized Institutions	1,209,903,632	901,035,750
2.2 Individuals	50,003,500	3,524,875
2.3 Others		
C. Call Deposit	7,821,239,384	14,457,519,784
1. Local Currency	7,550,873,584	13,200,719,140
1.1 "A" Class Licensed Institutions		-
1.2 Other Licensed Financial Institutions	562,932,756	1,171,232,004
1.3 Other Organized Institutions	6,201,429,323	10,948,408,708
1.4 Individuals	491,513,796	1,021,823,809
1.5 Others	294,997,709	59,254,619
2. Foreign Currency	270,365,800	1,256,800,644
2.1 "A" Class Licensed Institutions		
2.2 Other Licensed Financial Institutions	202,984	587,947
2.3 Other Organized Institutions	270,162,816	1,256,212,697
2.4 Individuals		
2.5 Others		
D. Certificate of Deposit	-	-
1. Organized Institutions		
2. Individuals		
3. Others		
Total of Interest Bearing Accounts	65,986,723,165	60,051,389,327
Total Deposit (1+2)	73,224,062,599	64,781,463,622

Schedule 4.6

Bills Payable

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Local Currency	-	-
2 Foreign Currency	-	-
Total		

Other Liabilities

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Pension/Gratuity Fund	75,408,947	-
2 Employees Provident Fund	-	-
3 Employees Welfare Fund	-	-
4 Provision for Staff Bonus	208,082,194	160,278,953
5 Interest Payable on Deposits	217,383,560	175,018,662
6 Interest Payable on Borrowings	13,977,271	2,855,180
7 Unearned Discount and Commission	79,353,231	64,504,061
8 Sundry Creditors	402,053,651	332,838,729
9 Branch Account	-	-
10 Deferred Tax Liabilities	-	-
11 Dividend Payable	34,199,317	34,013,359
12 Others	209,380,795	158,900,571
a) Managers Cheque Payable	56,496,693	23,862,927
b) Audit fee payable	1,103,850	1,003,500
c) Employees Accumulated Sick Leave	59,908,236	56,041,112
d) Interest Payable on Debenture	17,547,945	17,547,945
e) Others	74,324,071	60,445,087
Total	1,239,838,966	928,409,514

Schedule 4.8

Cash Balance

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency (including coin)	1,677,089,622	1,467,872,732
2. Foreign Currency	26,406,780	23,279,123
Total	1,703,496,402	1,491,151,855

Schedule 4.9

Balance with Nepal Rastra Bank

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Current Year Grand Total Rs.	Previous Year Rs.
		INR	Convertible	Total		
1 Nepal Rastra Bank					9,242,454,991	6,390,585,135
a) Current Account	8,851,442,470	-	391,012,521	391,012,521	9,242,454,991	6,390,585,135
b) Other Account	-	-	-	-	-	-

Note: Balance with Nepal Rastra Bank as per confirmation is NPR 9,296,727,640, the differences of which are duly reconciled.

Balance with Banks/Financial Institutions

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Local	Foreign Currency		Current Year Grand Total Rs.	Previous Year Rs.
	Currency Rs.	INR	Convertible		
1 Local Licensed Institutions					
a) Current Account	360,340,356	368,571,255	607,350,726	1,336,262,337	2,298,801,972
b) Other Account	-	-	-	-	-
2 Foreign Banks					
a) Current Account	-	-	-	-	-
b) Other Account	-	-	-	-	-
Total				1,336,262,337	2,298,801,972

Note : a) Total Balance for which the confirmations are received from respective licensed institutions is NPR 1,388,587,160, the differences of which are duly reconciled.

Money at Call and Short Notice

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	407,884,770	557,822,817
Total	407,884,770	557,822,817

Note: Money at Call and Short Notice as per confirmation is NPR 619,314,781, the differences of which are duly reconciled.

Investments

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Purpose		Current Year Rs.	Previous Year Rs.
	Trading	Other		
1 Government of Nepal Treasury Bills	-	1,727,409,085	1,727,409,085	880,232,165
2 Government of Nepal Savings Bond	298,280,000	-	298,280,000	200,000
3 Government of Nepal Other Securities	-	4,692,259,414	4,692,259,414	3,521,087,644
4 Nepal Rastra Bank Bonds	-	-	-	-
5 Foreign Securities	-	-	-	-
6 Local Licensed Institutions	-	930,791,758	930,791,758	3,519,778,460
7 Foreign Banks	-	1,301,424,374	1,301,424,374	322,050,000
8 Corporate Shares	-	424,639,825	424,639,825	261,020,749
9 Corporate Bonds and Debentures	-	1,223,595,043	1,223,595,043	-
10 Other Investment	-	-	-	-
Total Investment			10,598,399,499	8,504,369,018
Provision			845,000	243,461
Net Investment			10,597,554,499	8,504,125,557

Investment in Shares, Debentures and Bonds

As at Ashad 31, 2074 (July 15, 2017)

	Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	Current Year Amount Rs.	Previous Year Rs.
1	Investment in Shares	424,639,825	333,361,040	845,000	424,639,825	261,020,749
1.1	Nepal Stock Exchange Ltd. 50 Ordinary shares of Rs 100 each fully paid up	5,000	-	5,000	5,000	5,000
1.2	United Insurance Co. (Nepal) Ltd. 1,440 Promoter shares of Rs 100 each fully paid up 120 Ordinary shares of Rs 100 each fully paid up	211,300	315,600 144,000 171,600	-	211,300	271,300
1.3	NLG Insurance Company Limited 24 Units Promoter Shares (Bonus Shares)	-	2,400	-	-	-
1.4	Prime Life Insurances Company Ltd. 208 shares of Rs 100 each fully paid up	-	-	-	-	55,410
1.5	Rastriya Beema Sasthan Ltd. 490 shares of Rs 100 each fully paid up	-	-	-	-	752,750
1.6	Nepal clearing House Ltd. 41,980 Equity shares of Rs 100 each	4,198,000	-	-	4,198,000	4,198,000
1.7	Credit Information Bureau Ltd. 5,600 Ordinary shares of Rs 100 each fully paid up	189,000	-	-	189,000	189,000
1.8	NMB Capital Ltd. 1,000,000 Ordinary shares of Rs 100 each fully paid up	100,000,000	-	-	100,000,000	100,000,000
1.9	Mero Micro Finance Bittiya Sanstha Ltd. 140,000 Promoter shares of Rs 100 each fully paid up, Bonus Shares -14,000 Units (Total Shares -1,54,000 Units)	14,000,000	-	-	14,000,000	14,000,000
1.10	NMB Sulav Investment Fund-1 10,500,000 Ordinary shares of Rs 10 each fully paid up	105,000,000	131,250,000	-	105,000,000	105,000,000
1.11	NIBL Samridhi Fund-1 6,472 Ordinary shares of Rs 10 each fully paid up	-	-	-	-	64,720
1.12	NMB Hybrid Fund-1 14,000,000 Ordinary Share of Rs. 10 paid up	140,000,000	139,160,000	840,000	140,000,000	-
1.13	Sanima Mai Hydro Power Ltd. 5,417 Ordinary shares of Rs 100 each fully paid up	-	-	-	-	3,259,708
1.14	Ridi Hydro Power Ltd. 36 Ordinary shares @ Rs. 100 each, Bonus Shares -8 Units	3,600	9,548	-	3,600	9,400
1.15	Soaltee Hotel Ltd. 6,872 Ordinary shares of Rs 10 each fully paid up	-	-	-	-	2,815,461
1.16	CEDB Hydro Fund Ltd. 100,000 Promoter shares of Rs 100 each fully paid up, Bonus Shares -8,993 Units	10,000,000	-	-	10,000,000	10,000,000
1.17	NMB Micro Finance Bittiya Sanstha Ltd. 204,000 Promoter Shares of Rs 100 each fully paid up, 281,520 Right Shares @ Rs.100, Bonus Shares (30,600+58,650) (Total Shares -574,770 Units)	48,552,000	57,477,000	-	48,552,000	20,400,000
1.18	Rural Microfinance Development Center Ltd. 600 Units Bonus Shares	-	465,000	-	-	-
1.19	Laxmi Laghubitta Sanstha Limited 4 Units Bonus Shares	-	7,444	-	-	-
1.20	Nepal Life Insurance Company Ltd. 1,741 Ordinary shares @ Rs 1,425 each fully paid up, Bonus Shares -435 Units	2,480,925	4,674,048	-	2,480,925	-
2	Investment in Debentures and Bonds	-	-	-	-	-
2.1					
2.2					
2.3					
	Total Investment	424,639,825	333,361,040	845,000	424,639,825	261,020,749
3	Provision for Loss					
3.1	Up to previous year				243,461	5,000
3.2	Adjustments this year increased/(decreased)				601,539	238,461
	Total Provision				845,000	243,461
	Net Investment				423,794,825	260,777,288

Note:

1) The following Company has not declared and distributed dividend for the last three years:

a) Nepal Stock Exchange Ltd.

Investments (Held for Trading)

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Profit/ (Loss) Rs. (B-A)	Previous Year Profit/ (Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	
2 Government of Nepal Savings Bond	298,280,000	-	-	-	-	
3 Government of Nepal Other Securities	-	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	-	-	-	-	-	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	
9 Placement in Foreign Banks	-	-	-	-	-	
10 Inter Bank Lending	-	-	-	-	-	
11 Other Investment	-	-	-	-	-	
Total Investment	298,280,000	-	-	-	-	

Investments (Held to Maturity)

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Cost Price Rs. (A)	Accumulated Loss as on date (B)	Current Year Loss (C)	Current Year Profit/(Loss) Rs. (A-B-C)	Previous Year Profit/ (Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	1,727,409,085	-	-	-	-	
2 Government of Nepal Savings Bond	-	-	-	-	-	
3 Government of Nepal Other Securities	4,692,259,414	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	-	-	-	-	-	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Corporate Bonds and Debentures	1,223,595,043	-	-	-	-	
9 Foreign Banks	1,301,424,374	-	-	-	-	
10 Other Investment (Local Licensed Institutions)	930,791,758	-	-	-	-	
11 Other Investment	-	-	-	-	-	
Total Investment	9,875,479,674	-	-	-	-	

Note: Accrued interest receivable of T-Bill amounting NPR 11,633,075 has been capitalized under Government of Nepal Treasury Bills

Investments (Available for Sale)

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Adjustment Fund Rs. (B-A)	Previous Year Profit/ (Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	
2 Government of Nepal Savings Bond	-	-	-	-	-	
3 Government of Nepal Other Securities	-	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	424,639,825	1,003,140,429	333,361,040	-	-	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	
9 Placement in Foreign Banks	-	-	-	-	-	
10 Other Investment	-	-	-	-	-	
Total Investment	424,639,825	1,003,140,429	333,361,040	-	-	

Classification of Loans, Advances and Bills Purchased and Provisioning

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Advances						Bills Purchased & Discounted			This Year Rs.	Previous Year Rs.
	Domestic			Foreign	Total	Domestic	Foreign	Total			
	Insured	Deprived	Other								
		Uninsured									
1 Performing Loan											
1.1 Pass Loan	-	3,142,634,594	57,165,338,331	109,729,377	60,437,702,302	1,120,381,845	-	1,120,381,845	61,558,084,147	53,475,244,873	
1.2 Watch List	-	3,147,633,134	56,288,154,526	109,729,377	59,545,517,038	1,120,381,845	-	1,120,381,845	60,665,898,882	52,285,431,241	
2 Non-Performing Loan											
2.1 Restructured	-	35,206,380	1,016,162,842	-	1,051,369,222	-	-	-	1,051,369,222	984,166,111	
2.2 Substandard	-	-	1,685,378	-	1,685,378	-	-	-	1,685,378	4,659,002	
2.3 Doubtful	-	7,039,385	170,008,530	-	177,047,915	-	-	-	177,047,915	204,029,271	
2.4 Loss	-	6,451,030	373,474,323	-	379,925,353	-	-	-	379,925,353	202,232,436	
(A) Total Loan	-	3,197,840,974	58,181,501,173	109,729,377	61,489,071,524	1,120,381,845	-	1,120,381,845	62,609,453,369	54,459,410,985	
3 Loan Loss Provision											
3.1 Pass	-	31,476,331	562,881,545	1,097,294	595,455,170	11,203,818	-	11,203,818	606,658,989	522,854,312	
3.2 Watch List	-	750,073	43,859,190	-	44,609,263	-	-	-	44,609,263	47,592,545	
3.3 Restructured	-	-	301,427	-	301,427	-	-	-	301,427	1,828,626	
3.4 Substandard	-	1,759,846	42,502,133	-	44,261,979	-	-	-	44,261,979	51,007,318	
3.5 Doubtful	-	3,225,515	186,737,162	-	189,962,677	-	-	-	189,962,677	101,116,218	
3.6 Loss	-	21,715,965	470,994,610	-	492,710,576	-	-	-	492,710,576	573,245,402	
3.7 Additional	-	-	73,591,637	-	73,591,637	-	-	-	73,591,637	140,382,237	
(B) Total Provisioning	-	58,927,731	1,380,867,703	1,097,294	1,440,892,728	11,203,818	-	11,203,818	1,452,096,546	1,438,026,658	
4 Provisioning up to Previous Year											
4.1 Pass		23,068,385	490,157,451	506,281	513,732,117	9,122,195	-	9,122,195	522,854,312	390,416,089	
4.2 Watch List		284,473	47,308,072	-	47,592,545	-	-	-	47,592,545	49,228,031	
4.3 Restructured		1,119,725	708,901	-	1,828,626	-	-	-	1,828,626	2,222,994	
4.4 Substandard		212,857	50,794,461	-	51,007,318	-	-	-	51,007,318	91,007,847	
4.5 Doubtful		360,015	100,756,204	-	101,116,218	-	-	-	101,116,218	71,752,584	
4.6 Loss		6,851,462	566,393,940	-	573,245,402	-	-	-	573,245,402	331,941,490	
4.7 Additional		-	140,382,237	-	140,382,237	-	-	-	140,382,237	528,555,187	
(C) Total Previous Year's provision		31,896,918	1,396,501,265	506,281	1,428,904,464	9,122,195	-	9,122,195	1,438,026,659	1,465,124,223	
(D) Written Back from Last year provision											
(E) Additional Provision This Year											
Changes in this year	-	27,030,813	142,947,685	591,013	170,569,511	2,081,623	-	2,081,623	172,651,134	576,323,340	
	-	27,030,813	(15,633,562)	-	11,988,264	2,081,623	-	2,081,623	14,069,887	(27,097,566)	
Net Loan (A-B)	-	3,138,913,243	56,800,633,470	108,632,084	60,048,178,797	1,109,178,027	-	1,109,178,027	61,157,356,824	53,021,384,326	

Loans, Advances and Bills Purchased Security Wise

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Secured	62,601,654,399	54,459,410,985
1 Movable/Immovable Assets	61,191,992,109	53,793,039,892
2 Guarantee of Local Licensed Institutions	391,975,603	353,727,124
3 Government Guarantee	80,016,336	123,053,553
4 Internationally Rated Bank Guarantee		
5 Export Documents		
6 Fixed Deposit Receipts		
a) Own FDR	936,859,914	183,311,201
b) FDR of other Licensed Institutions	-	-
7 Government Bonds	810,436	-
8 Counter Guarantee	-	-
9 Personal Guarantee	-	-
10 Other Securities	-	-
(B) Unsecured	7,798,970	6,279,214
Total	62,609,453,369	54,459,410,985

Fixed Assets

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Assets					Current Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others		
1 At Cost							
a. Previous Year Balance	154,771,541	233,153,531	-	190,920,003	282,354,620	861,199,694	487,435,149
b. Addition this year	7,886,818	73,346,900	-	55,079,968	101,637,501	237,951,186	425,916,621
c. Revaluation/written back this year	-	-	-	-	-	-	-
d. This year sold	-	(36,553,946)	-	(4,368,851)	(11,719,661)	(52,642,458)	(17,009,878)
e. This year written off	-	-	-	(27,720)	(520,576)	(548,296)	(1,538,057)
Total Cost (a+b+c+d+e)	162,658,358	269,946,485	-	241,603,400	371,751,884	1,045,960,126	894,803,835
2 Depreciation							
a. Up to Previous Year	31,456,811	96,873,175	-	139,360,004	181,293,382	448,983,371	235,746,012
b. For This Year	2,745,061	40,772,588	-	20,240,752	36,327,736	100,086,137	262,143,099
c. Depreciation on revaluation/written back	-	-	-	-	-	-	-
d. Depreciation adjustment/written back	-	(29,324,617)	-	(3,629,405)	(10,185,539)	(43,139,561)	(15,476,378)
Total Depreciation	34,201,872	108,321,146	-	155,971,350	207,435,579	505,929,947	482,412,733
3 Book Value (SLM*) (1-2)	128,456,486	161,625,339	-	85,632,050	164,316,305	540,030,179	412,391,102
4 Land	829,637,410	-	-	-	-	829,637,410	869,937,410
5 Capital Construction (pending capitalization)	-	-	-	-	-	-	-
6 Leasehold assets (net of depreciation)	82,648,662	-	-	-	-	82,648,662	63,190,832
Total (3+4+5+6)	1,040,742,558	161,625,339	-	85,632,050	164,316,305	1,452,316,251	1,345,519,344

Non-Banking Assets

As at Ashad 31, 2074 (July 15, 2017)

Name & Address of Borrower or Party	Date of assuming Non-Banking Assets	Total Amount of Non-Banking Assets	Loss Provision		This Year Net Non Banking Assets Rs.	Last Year Net Non Banking Assets Rs.
			In Percentage	Amount (NPR)		
Sangam Institute Pvt. Ltd. , Gyaneshwor-33, Kathmandu	1/11/2013	36,311,000	100%	36,311,000	-	-
Ventech Medical Nepal International, Dhapkhet VDC-8, Lalitpur	1/11/2013	21,500,000	100%	21,500,000	-	-
Kipu Quality Meat Products P. Ltd., Marudhoka-19, Kathmandu	7/16/2015	5,354,000	100%	5,354,000	-	-
Ratna Kumar Gautam, Hetauda-4, Makawanpur	7/13/2012	1,692,627	100%	1,692,627	-	-
Sita Ram Pantha/Lila Devi Adhikari, Pipara VDC-7, Simra/Belwa-7, Parsa	8/3/2016	141,200	100%	141,200	-	-
Sunaula Khimti construction P. ltd, Thamel-29, Kathmandu	8/24/2016	11,400,000	100%	11,400,000	-	-
Hari Sharan Adhikari, Jhor VDC-4, Kathmandu	9/28/2016	1,090,000	100%	1,090,000	-	-
Grand Total		77,488,827		77,488,827	-	-

Other Assets

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Stock of Stationery	9,057,530	7,244,836
2 Income Receivable on Investments	57,660,275	40,929,094
3 Accrued Interest on Loan	223,365,265	-
Less : Interest Suspense Amount	(223,365,265)	-
4 Commission Receivable	8,488,967	15,394,621
5 Sundry Debtors	96,913,767	85,890,903
6 Staff Loan and Advances	432,154,268	266,994,771
7 Prepayments	89,682,413	47,919,231
8 Cash in Transit	-	-
9 Other Transit items (including cheques)	-	-
10 Drafts Paid without Notice	-	-
11 Expenses Not Written off	-	-
12 Branch Account	-	-
13 Deferred Tax Assets	41,148,463	65,318,853
14 Others	184,551,312	474,244,569
a) Advance Income Tax (Net of Provisions)	130,752,239	152,795,506
b) Deposit for Tax Cases	46,508,379	30,856,379
c) Gold Mark Up (Gold Consignment)	-	21,185,217
d) Fuel Stock	533,976	289,650
e) Advance for Gold Trading	-	268,706,657
f) Others	12,301,054	411,160
Less : Provision on Others under Other Assets	(5,544,336)	-
Total	919,656,995	1,003,936,878

Schedule 4.16 (A)

Other Assets (Additional Statement)

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.			Total	Previous Year Rs.
	Up to 1 Year	1 to 3 Years	Above 3 Years		
1 Accrued Interest on Loan	195,987,571	22,741,567	4,636,127	223,365,265	226,437,454
2 Drafts Paid without Notice					
3 Branch Account					
4 Local and Foreign Agency A/C's					

Contingent Liabilities

As at Ashad 31, 2074 (July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Claims on institution but not accepted by the Institution	-	-
2 Letters of credit (full amount)	17,076,338,910	13,428,871,251
a) Less than 6 months maturity	5,049,030,916	3,956,359,921
b) More than 6 months maturity	12,027,307,993	9,472,511,330
3 Rediscounted Bills	-	-
4 Unmatured Guarantees/Bonds	3,219,608,518	2,500,086,063
a) Bid Bonds	518,901,011	662,568,016
b) Performance Bonds	2,700,707,507	1,837,518,047
c) Other Guarantee/Bonds	-	-
5 Unpaid Shares in Investment	-	-
6 Forward Exchange Contract Liabilities	5,392,843,000	3,643,345,461
7 Bills under Collection	1,227,623,374	77,974,865
8 Acceptance and Endorsements	1,331,919,992	640,805,726
9 Underwriting Commitments	-	-
10 Irrevocable Loan Commitments	7,884,275,479	5,539,842,808
11 Counter Guarantee of Internationally Rated Banks	7,422,104,960	4,716,579,161
12 Advance Payment Guarantee	1,887,845,988	1,052,776,403
13 Financial Guarantee	1,050,000	10,950,000
14 Contingent Liabilities on Income Tax	114,516,482	99,848,085
15	-	-
16	-	-
17	-	-

Interest Income

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	5,798,760,558	3,899,098,905
1 Loan and Advances	4,222,089,941	2,732,651,802
2 Overdraft	1,576,670,617	1,166,447,103
B. On Investment	227,698,038	124,495,540
1 Government of Nepal Securities	190,205,583	110,931,361
a. Treasury Bills	32,104,537	18,970,162
b. Development Bonds	148,965,729	91,632,730
c. National Savings Certificates	9,135,317	328,469
2 Foreign Securities	-	-
a.	-	-
b.	-	-
3 Nepal Rastra Bank Bonds	-	-
4 Debenture and Bonds	-	-
5 Interest on Inter-bank Investment	37,492,455	13,564,179
a. Bank/Financial Institutions	37,492,455	13,564,179
b. Other Organizations	-	-
C. On Agency Balances	-	-
1 Local Banks	-	-
2 Foreign Banks	-	-
D. On Money at Call and Short Notice	8,167,301	5,834,297
1 Local Banks/Financial Institutions	4,060,144	2,139,049
2 Foreign Banks	4,107,157	3,695,248
E. On Others	38,895,347	23,911,919
1 Certificate of Deposits	-	-
2 Inter-Bank Loan	-	-
3 Others	38,895,347	23,911,919
Total	6,073,521,244	4,053,340,661

Interest Expenses

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	3,410,190,265	1,987,323,736
1 Fixed Deposits	2,478,419,838	1,235,463,098
1.1 Local Currency	2,456,108,285	1,228,868,252
1.2 Foreign Currency	22,311,553	6,594,846
2 Saving Deposits	414,117,154	389,846,844
2.1 Local Currency	412,994,852	387,884,918
2.2 Foreign Currency	1,122,302	1,961,926
3 Call Deposits	517,653,273	362,013,794
3.1 Local Currency	512,318,492	343,302,032
3.2 Foreign Currency	5,334,781	18,711,762
4 Certificate of Deposits	-	-
B. On Borrowings	95,157,016	52,735,403
1 Debentures and Bonds	35,000,000	35,000,000
2 Loan from Nepal Rastra Bank	51,217,542	1,509,370
3 Inter Bank/Financial Institutions Borrowing	8,939,474	16,226,033
4 Other Corporate Body	-	-
5 Other Loans	-	-
C. On Others	-	-
1	-	-
2	-	-
Total	3,505,347,281	2,040,059,139

Schedule 4.20

Commission and Discount Income

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
A. Bills Purchase and Discount	10,097,500	6,151,872
1 Local	-	-
2 Foreign	10,097,500	6,151,872
B. Commission	247,312,295	131,072,635
1 Letters of Credit	63,437,181	35,386,766
2 Guarantee	140,961,758	64,492,563
3 Collection Fee	6,398,616	2,932,418
4 Remittance Fee	25,172,922	15,961,476
5 Credit Cards	-	-
6 Share Underwriting/Issues	-	-
7 Government Transactions	-	-
8 Agency Commission	11,271,123	12,258,575
9 Exchange Fee	70,695	40,837
C. Others	103,220,451	60,390,994
1 Income from trading in Gold and Silver	13,591,265	7,142,743
2 Others	89,629,186	53,248,251
Total	360,630,246	197,615,501

Other Operating Income

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Safe Deposit Lockers Rental	2,276,450	1,795,350
2 Issue and Renewals of Credit Cards	-	-
3 Issue and Renewals of ATM Cards	19,000,112	12,200,899
4 Telex/T.T.	9,927,138	6,986,065
5 Service Charges	227,764,987	190,240,583
6 Renewal Fees	-	-
7 Others	29,061,535	6,882,949
Total	288,030,222	218,105,846

Schedule 4.22

Exchange Gain/Loss

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Revaluation Gain	53,724,554	41,669,855
(B) Trading Gain (except Exchange Fee)	154,789,626	118,598,818
Total Income (Loss)	208,514,180	160,268,673

Schedule 4.23

Staff Expenses

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Salary	233,882,482	161,764,760
2 Allowances	198,559,165	164,550,673
3 Contribution to Provident Fund	21,264,308	14,806,376
4 Training Expenses	11,102,225	8,928,103
5 Uniform	-	-
6 Medical	-	-
7 Insurance	-	-
8 Pension and Gratuity Provision	75,408,947	42,669,434
9 Others	58,242,465	78,592,101
a) Leave Fare Expenses	18,667,058	12,314,943
b) Staff Welfare Expenses	22,150,738	12,214,914
c) Sick Leave Expenses	15,570,289	32,823,932
d) Incentives	1,621,445	21,150,778
e) Recruitment and Selection Expenses	232,935	87,534
Total	598,459,592	471,311,447

Other Operating Expenses

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 House Rent	86,455,507	65,565,800
2 Electricity and Water	23,289,133	17,100,640
3 Repair and Maintenance	7,074,044	4,199,599
(a) Building	1,307,034	745,867
(b) Vehicles	3,790,854	2,337,488
(c) Others	1,976,156	1,116,244
4 Insurance	12,142,301	10,349,319
5 Postage, Telex, Telephone, Fax	39,617,326	31,096,319
6 Office Equipment, Furniture and Repair	7,780,792	5,476,595
7 Travelling Allowances and Expenses	8,536,175	8,602,825
8 Stationery and Printing	46,261,251	31,793,330
9 Periodicals and Books	450,139	348,488
10 Advertisements	58,365,255	30,059,783
11 Legal Expenses	2,375,380	4,714,713
(a) Legal Fees	269,705	260,728
(b) Professional Fees	2,105,675	4,453,985
12 Donations	15,000	30,000
13 Expenses Relating to Board of Directors	3,409,059	4,102,025
(a) Meeting Fees	1,919,000	1,994,000
(b) Other Expenses	1,490,059	2,108,025
14 Annual General Meeting Expenses	1,197,213	1,893,090
15 Expenses Relating to Audit	1,896,092	1,446,091
(a) Audit Fees	1,118,700	1,017,000
(b) Other Expenses	777,392	429,091
16 Commission on Remittances	-	-
17 Depreciation on Fixed Assets	115,783,837	99,985,150
18 Amortization of Preliminary Expenses	-	-
19 Share Issue Expenses	-	-
20 Technical Services Fee	-	-
21 Entertainment/Business Promotion	13,791,183	4,672,911
22 Written Off Expenses	-	-
23 Security Expenses	57,506,998	38,788,758
24 Credit Guarantee Premium	-	-
25 Commission and Discount	-	-
26 Others	173,132,705	113,323,704
(a) Office Expenses	27,503,821	16,235,981
(b) Vehicle fuel	17,802,219	11,332,813
(c) Membership Fee	14,508,954	9,842,279
(d) Outsource Staff Expenses	27,227,192	16,979,468
(e) Card Transaction Charges	22,965,454	17,352,921
(f) Bank Charges and Commission	3,395,793	5,062,564
(g) Rates and Taxes	6,488,726	4,801,275
(h) Deposit Guarantee Expenses	18,722,329	10,513,180
(i) Merger Expense	-	4,065,972
(j) IS Audit-Compliance Expenses	339,000	-
(k) Dematerialization Expenses	167,202	5,992
(l) Issue And Surveillance Expenses	11,521,435	2,502,221
(m) Others	22,490,580	14,629,038
Total	659,079,390	473,549,140

Schedule 4.25

Provision for Possible Losses

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Increase in Loan Loss Provision	172,651,135	403,105,769
2 Increase in Provision for Loss on Investment	840,000	-
3 Provision Against Non-Banking Assets	14,707,525	-
4 Provision Against Other Assets	-	-
Total	188,198,660	403,105,769

Schedule 4.26

Non-Operating Income/(Loss)

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Profit (Loss) on Sale of Investment	(3,786,737)	44,218,453
2 Profit (Loss) on Sale of Assets	8,702,231	(2,820,074)
3 Dividend	43,176,660	20,560,517
4 Subsidies Received from Nepal Ratra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5 Others	6,570,291	(6,115,224)
(a) Rent Income	2,057,616	1,560,983
(b) Insurance Claim Income	-	137,794
(c) Profit on Sale of NBA	4,512,675	(7,814,000)
Total Non-Operating Income (Loss)	54,662,445	55,843,672

Schedule 4.27

Loss Provision Written Back

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Loan Loss Provision Written Back	158,581,247	476,861,653
2 Provision against Non-Banking Assets Written Back	7,187,325	-
3 Investment Provision Written Back	238,461	-
4 Provision against Other Assets Written back	500,000	-
Total	166,507,033	476,861,653

Schedule 4.28

Profit/(Loss) from Extra-ordinary Activities

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

Particulars	Current Year Rs.	Previous Year Rs.
1 Recovery of write off Loan	128,641,274	3,533,532
2 Voluntary Retirement Scheme Expenses	-	-
3 Loan Write-Offs (4.28) (a)	(48,225,932)	(14,520,031)
4 Other Expenses/Income	7,708,340	44,471
5 Other Assets Write Off	-	-
Total	88,123,682	(10,942,028)

Statement of Loans Written-Off

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

S.N.	Types of Loan	Written Off Amount	Type of Security & Amount	Basis of Valuation of Collateral	Loan Approved by Name/ Designation	Initiation made for recovery	Remarks
1	OD/Demand Loan	38,433,549	Land	Valuation of Land	Board/CEO	Follow up. Letter issued, 35 days	
2	Working Capital Loan	5,771,787	Land	Valuation of Land		Notice Published, Auction	
3	Hire Purchase	4,020,596	Vehicle	Valuation of Vehicle		Notice Published, Legal case filed at DRT and District Court, Blacklisting of Borrower, Directors and Personal Guarators	
	Total	48,225,932					

Statement of Loans and Advances Extended to Directors/Chief Executive/Promoter/Employee and Shareholders

As at Ashad 31, 2074 (July 15, 2017)

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

	Name of Promoter/Director/Chief Executive	Last Year's Balance		Current Year Recovery		This Year Additions	Balance as of Ashad End 2074	
		Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors								
1								
2								
(B) Chief Executive								
1								
2								
(C) Promoters								
1.	Ms. Shanti Devi Pandey (New Environment Academy Pvt.Ltd.)	31,125,743	566	3,301,690	3,197,460	-	27,824,053	164
2.	Ms. Bhawana Rana (Bhavana Rana-Sawhney/Mr. Sajag S. J. Rana)	990,490	-	990,490	49,967	-	-	-
3.	Mr. Sugam Acharya (Sanvi Energy Pvt Ltd.)	429,626,262	-	429,626,262	22,585,426	-	-	-
4.	Mr. Sonam Gyatso(D.M.S. Boot Industries Pvt.Ltd./Fit Well Shoes Pvt.Ltd./Ajanta Enterprises Pvt.Ltd)	8,130,780	10,358	640,179	738,532	-	7,490,600	14,189
5.	Brihaspati Vidhyalaya Beywesthapan Pvt. Ltd.	4,912,390	28,391	4,912,390	208,310	-	-	-
6.	Mr. Bimal Aahuja (B.K. Overseas Concern Pvt. Ltd.)	2,355,256	-	2,355,256	1,890	-	-	-
7.	Mr. Pashupati Ghimire	2,078,118	19,130	477,325	246,663	-	1,600,793	18,420
8.	Ms. Kamala Poudel (Min Prasad Poudel)	7,493,434	6,511	1,493,434	477,566	-	6,000,000	5,713
(D) Employees								
1								
2								
(E) Shareholders								
1								
2								
Total		486,712,473	64,956	443,797,027	27,505,812	-	42,915,446	38,486

Note: Loans and Advances extended to employees have been disclosed under schedule 4.16

Capital Adequacy Table

2074 Ashad

Amount in thousands

1.1 Risk Weighted Exposures	2074 Ashad End	Previous FY
a Risk Weighted Exposure for Credit Risk	75,272,958	65,468,564
b Risk Weighted Exposure for Operational Risk	3,354,220	2,904,790
c Risk Weighted Exposure for Market Risk	1,091,220	737,320
Total Risk Weighted Exposures (a+b+c)	79,718,398	69,110,674
Adjustments under Pillar II		
Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	777,806	460,895
Add : 2% of the the total RWE due to Supervisory add up	1,594,368	1,382,213
Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	1,594,368	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	83,684,940	70,953,782
1.2 Capital		
Tier 1 Capital (Core Capital) (CET1 +AT1)	10,371,570	6,629,696
a Paid up Equity Share Capital	6,461,774	4,486,924
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	2,844,364	10,150
d Proposed Bonus Equity Shares	1,140,494	1,031,712
e Statutory General Reserves	1,301,093	1,007,623
f Retained Earnings	1,037,874	22,195
g Un-audited current year cumulative profit/(Loss)	-	-
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	53,295	53,295
j Dividend Equalization Reserves	-	-
k Less: Deferred Tax Assets	(41,148)	(65,319)
l Other Free Reserve	41,148	65,319
m Debenture Redemption Reserve	218,548	127,797
n Less: Goodwill	-	-
o Less: Intangible Assets	(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	(110,000)	(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)	1,022,115	1,160,818
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	300,000	400,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	651,268	704,674
e	Exchange Equalization Reserve	54,642	41,211
f	Investment Adjustment Reserve	16,205	14,933
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
	Total Capital Fund (Tier I and Tier II)	11,393,685	7,790,514
	1.3 Capital Adequacy Ratios		
	Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	12.39	9.34
	Tier 1 Capital to Total Risk Weighted Exposures	12.39	9.34
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	13.61	10.98

Credit Risk Exposures Schedule 4.30 (B)

Credit Risk Exposures

2074 Ashad

Amount in thousands

Assets	2074 Ashad End				Previous FY			
	Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value	Risk Weighted Exposures
Balance Sheet Exposures								
Cash Balance	1,703,496	-	-	1,703,496	0%	-	1,491,152	-
Balance With Nepal Rastra Bank	9,242,455	-	-	9,242,455	0%	-	6,390,585	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	6,717,948	-	-	6,717,948	0%	-	880,432	-
All Claims on Government of Nepal	845,001	-	-	845,001	0%	-	580,492	-
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 on Multilateral Development Banks (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	1,503,403	-	-	1,503,403	20%	300,681	2,540,898	508,180
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-	85,988	85,988
Claims on foreign bank (ECA Rating 0-1)	2,001,125	-	-	2,001,125	20%	400,225	3,483,940	696,788
Claims on foreign bank (ECA Rating 2)	103,264	-	-	103,264	50%	51,632	107,350	53,675
Claims on foreign bank (ECA Rating 3-6)	368,571	-	-	368,571	100%	368,571	480,277	480,277
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SMARC region operating with a buffer of 1% above regulatory capital requirement	1,223,595	-	-	1,223,595	20%	244,719	-	-
Claims on Domestic Corporates	41,017,156	-	-	41,017,156	100%	41,017,156	32,338,312	32,338,312
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	268,707	134,353
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	5,751,198	-	-	5,751,198	75%	4,313,398	5,250,834	3,938,126
Claims fulfilling all criterion of regulatory retail except granularity	189,011	-	-	189,011	100%	189,011	166,843	166,843

Claims secured by residential properties	7,120,858	-	-	7,120,858	60%	4,272,515	6,015,810	3,609,486
Claims not fully secured by residential properties	1,483,582	-	-	1,483,582	150%	2,225,372	2,031,512	3,047,268
Claims secured by residential properties (Overdue)	56,398	13,912	-	42,486	100%	42,486	39,566	39,566
Claims secured by Commercial real estate	728,447	-	-	728,447	100%	728,447	2,482,472	2,482,472
Past due claims (except for claim secured by residential properties)	1,284,786	704,987	-	579,800	150%	869,699	762,356	1,143,534
High Risk claims	4,898,001	-	938,590	3,959,410	150%	5,939,115	4,372,042	6,558,063
Investments in equity and other capital instruments of institutions listed in the stock exchange	310,248	-	-	310,248	100%	310,248	132,629	132,629
Investments in equity and other capital instruments of institutions not listed in the stock exchange	4,392	845	-	3,547	150%	5,321	18,149	27,223
Staff loan secured by residential property	280,622	-	-	280,622	60%	168,373	179,878	107,927
Interest Receivable/Claim on government securities	44,535	-	-	44,535	0%	-	35,232	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets (as per attachment)	1,812,535	-	-	1,812,535	100%	1,812,535	1,777,043	1,777,043
TOTAL	88,690,629	719,744	938,590	87,032,294		63,259,505	71,912,498	57,327,752
Off Balance Sheet Exposures								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	1,227,623	-	-	1,227,623	0%	-	77,975	-
Forward Exchange Contract Liabilities	5,392,843	-	-	5,392,843	10%	539,284	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	5,049,031	-	147,246	4,901,785	20%	980,357	3,523,879	704,776
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	12,027,308	-	5,864,356	6,162,952	50%	3,081,476	4,809,069	2,404,534
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	3,219,609	-	157,218	3,062,391	50%	1,531,195	2,421,522	1,210,761
Foreign counterparty (ECA Rating 0-1)	1,948,024	-	1,558,419	389,605	20%	77,921	133,506	26,701
Foreign counterparty (ECA Rating 2)	4,259,904	-	2,129,952	2,129,952	50%	1,064,976	1,507,073	753,537
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	1,887,846	-	366,780	1,521,066	100%	1,521,066	1,000,786	1,000,786
Financial Guarantee	1,050	-	268	783	100%	783	9,718	9,718
Acceptances and Endorsements	1,331,920	-	49,732	1,282,188	100%	1,282,188	615,202	615,202
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	7,884,275	-	-	7,884,275	20%	1,576,855	5,539,843	1,107,969
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	1,214,178	-	-	1,214,178	20%	242,836	1,034,904	206,981
Other Contingent Liabilities	114,516	-	-	114,516	100%	114,516	99,848	99,848
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
TOTAL	45,558,127	-	10,273,970	35,284,156		12,013,453	20,773,324	8,140,812
Total RWE for credit Risk	134,248,755	719,744	11,212,561	122,316,451		75,272,958	92,685,822	65,468,564
Adjustments under Pillar II								
Add : 1.0% 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)								

Eligible Credit Risk Mitigants

2074 Ashad

	Amount in thousands									
	Deposits with Bank (a)	Deposits with other Banks/Fl (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Govt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	
Credit exposures										
Balance Sheet Exposures										
1	-	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	-	-	-	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-	-
24	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-
26	-	-	-	-	-	-	-	-	-	-
27	-	-	-	-	-	-	-	-	-	-
28	-	-	-	-	-	-	-	-	-	-
29	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-
31	-	-	-	-	-	-	-	-	-	-
32	-	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-	-

Operation Risk Exposures

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Particulars	Years before			Amount in thousands
	FY 2070/71	FY 2071/72	FY 2072/73	
Net Interest Income	1,498,197	1,800,536	2,013,282	2,568,174
Commission and Discount Income	109,909	138,797	197,616	360,630
Other Operating Income	191,110	200,299	218,106	288,030
Exchange Fluctuation Income	99,617	120,366	160,269	208,514
Addition/Deduction in Interest Suspense during the period	(87,553)	44,477	3,412	(3,072)
Gross income (a)	1,811,280	2,304,474	2,592,685	3,422,276
Alfa (b)	15%	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	271,692	345,671	388,903	513,341
Capital Requirement for operational risk (d) (average of c)			335,422	
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	
Equivalent Risk Weight Exposure [f=(d×e)]			3,354,220	
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)				

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Market Risk Exposures

Amount in thousands

S.No.	Currency	2074 Ashad End			2073 Ashad End
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Relevant Open Position
1	INR	(1,344,943)	(2,152,918)	2,152,918	1,455,605
2	USD	(95)	(9,845)	9,845	4,377
3	GBP	(6)	(754)	754	585
4	CHF	(8)	(862)	862	186
5	EUR	(34)	(4,017)	4,017	1,260
6	JPY	815	747	747	1,275
7	SEK	(0)	(0)	0	196
8	DKK	(2)	(25)	25	-
9	HKD	(24)	(316)	316	49
10	AUD	(30)	(2,436)	2,436	2,442
11	SGD	(23)	(1,722)	1,722	1,582
12	KRW	(2,248)	(205)	205	59
13	AED	(16)	(451)	451	385
14	MYR	(89)	(2,148)	2,148	2,074
15	THB	(25)	(75)	75	9
16	QAR	(40)	(1,121)	1,121	1,910
17	CNY	(20)	(310)	310	224
18	CAD	(28)	(2,306)	2,306	180
19	SAR	(68)	(1,869)	1,869	2,053
20	KWD	(1)	(286)	286	182
21	BHD	(0)	(27)	27	-
Total Open Position (a)				2,182,441	1,474,633
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				109,122	73,732
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				1,091,220	737,320

Principal Indicators

For Last Five Years

Particulars	Indicators	FY 2069/70	FY 2070/71	FY 2071/72	FY 2072/73	FY 2073/74
1	Percent of Net Profit/Gross Income	17.40	16.34	18.42	20.90	20.52
2	Earning Per Share	Rs. 18.02	Rs. 20.50	Rs. 25.05	Rs. 27.78	Rs. 26.88
3	Market Value Per Share	Rs. 252.00	Rs. 515.00	Rs. 507.00	Rs. 810.00	Rs. 545
4	Price Earning Ratio	13.98	25.13	20.24	29.15	20.27
5	Dividend (including bonus) on Share Capital	Percent -	Percent 21.05	Percent 8.42	Percent 20.00	Percent 15.79
6	Cash Dividend on Share Capital	Percent 10.00	Percent 1.05	Percent 0.42	Percent 1.00	Percent 0.79
7	Interest Income/Loan & Advances	Percent 10.25	Percent 9.10	Percent 7.86	Percent 7.16	Percent 9.26
8	Staff Expenses/Total Operating Expenses	Percent 48.29	Percent 45.23	Percent 48.66	Percent 57.15	Percent 55.03
9	Interest Expenses on Total Deposit and Borrowing	Percent 4.86	Percent 4.49	Percent 3.63	Percent 3.08	Percent 4.71
10	Exchange Gain/Total Assets	Percent 0.26	Percent 0.32	Percent 0.29	Percent 0.21	Percent 0.24
11	Staff Bonus/Total Staff Expenses	Percent 38.94	Percent 39.12	Percent 35.32	Percent 34.01	Percent 34.77
12	Net Profit/Loan and Advances	Percent 2.13	Percent 1.97	Percent 1.81	Percent 2.05	Percent 2.34
13	Net Profit/Total Assets	Ratio 1.43	Ratio 1.36	Ratio 1.21	Ratio 1.49	Ratio 1.69
14	Total Credit/Deposit	Percent 76.20	Percent 76.73	Percent 75.32	Percent 84.07	Percent 85.50
15	Total Operating Expenses/Total Assets	Percent 1.46	Percent 1.52	Percent 1.36	Percent 1.48	Percent 1.69
16	Adequacy of Capital Fund on Risk Weighted Assets					
	a) Core Capital	Percent 10.42	Percent 9.91	Percent 8.84	Percent 9.34	Percent 12.39
	b) Supplementary Capital	Percent 1.32	Percent 0.84	Percent 2.29	Percent 1.64	Percent 1.22
	c) Total Capital Fund	Percent 11.74	Percent 10.75	Percent 11.13	Percent 10.98	Percent 13.61
17	Liquidity (CRR)	Ratio 23.35	Ratio 13.72	Ratio 13.32	Ratio 10.81	Ratio 7.72
18	Non-performing credit/Total credit	Percent 1.80	Percent 0.55	Percent 0.42	Percent 1.81	Percent 1.68
19	Base Rate	Percent 9.55	Percent 8.12	Percent 7.89	Percent 6.68	Percent 10.12
20	Weighted Average Interest Rate Spread	Percent 4.21	Percent 4.11	Percent 4.19	Percent 4.31	Percent 3.89
21	Book Net-worth	Rs. in '000 2,424,080	Rs. in '000 2,812,950	Rs. in '000 3,296,447	Rs. in '000 6,861,160	Rs. in '000 10,627,149
22	Total Shares	Nos. in '000 20,000	Nos. in '000 20,000	Nos. in '000 24,000	Nos. in '000 55,185	Nos. in '000 64,618
23	Total Staff	Number 269	Number 322	Number 357	Number 755	Number 918
24	No of Branches	Number 21	Number 29	Number 29	Number 69	Number 80
25	No of ATMs	Number 25	Number 33	Number 37	Number 49	Number 66

Schedule 4.32: Significant Accounting Policies

Financial Year 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

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 years.

In November 2016, the Bank signed a Joint Venture agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), Dutch development bank following which FMO became the single largest share holder of the Bank.

1.2 Subsidiaries:

- 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 NMBMF. The financial year of both the subsidiaries is the same as that of the Bank.

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

1.4 Approval of Financial Statements:

The Financial Statements including Consolidated Financial Statements for the year ended 15 July 2017 have been authorized by the Board of Directors in accordance with its resolution dated 10 July 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 Statement of Compliance

The Consolidated Financial Statements of the Group and standalone Financial Statements of the Bank have been prepared in accordance with the Nepal Accounting Standards (NAS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated, the provisions of Bank and Financial Institution Act, 2063 (BAFIA), the requirements of NRB Directives/circulars, the Companies Act 2063 and as per Nepal Financial Reporting Standards 10 “Consolidated Financial Statements”. The format of the Financial Statements is as prescribed by Nepal Rastra Bank, the Central Bank of Nepal.

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) Balance Sheet including Consolidated Balance Sheet stating the financial position of the Bank and the Group as on July 15, 2017;
- (b) Profit and Loss Account including Consolidated Profit and Loss Account stating the financial performance of the Bank and the Group for the period ended July 15, 2017
- (c) Cash flow Statement including Consolidated Cash Flow Statement stating the ability of Bank and the Group to generate Cash and Cash Equivalent.
- (d) Statement of Change In Equity including Consolidated Statement of Changes in Equity stating all the changes in Equity of the Bank and the Group
- (e) Notes to the Financial Statements comprising

summary of Principal Accounting Policies and explanatory notes that are of significant importance to the users of Financial Statements.

2.3 Basis of Preparation

The Board of Directors is responsible for the preparation and fair presentation of the financial statements. The consolidated and the standalone financial statements of the Bank are presented in functional currency i.e. Nepalese Rupees (NPR.) and are prepared on the historical cost basis except for translated foreign currency value. The preparation of the financial statements is in conformity with NAS and requires use of certain critical accounting estimates. It also requires the management to exercise judgement in the process of applying the Bank's accounting policies.

The management believes that the estimates and judgement used in the preparation of the financial statements are prudent and reasonable. A reconciliation report between these Financial Statements and the NFRS compliant Financial Statements has been presented in Notes to Accounts.

2.4 Basis of Consolidation

In preparing the Consolidated Financial Statement, the financial statements of the Bank and the Subsidiary are combined line by line by adding together Assets, Liabilities, Equity, Income and Expenses. The consolidated financial statements have been prepared in accordance with Nepal Financial Reporting Standards 10 "Consolidated Financial Statements". The Consolidated Financial Statements of the Bank for the period ended on July 15, 2017 comprise accounts of the Bank and the subsidiaries.

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

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

2.5 Interest Income

Interest income on Loans and Advances has been recognized on cash basis as per Unified Directive 4 of the Nepal Rastra Bank (NRB), although this practice is inconsistent with NAS 7 (Revenue Accounting), which prescribes that the revenue should be recognized on accrual basis. With the prior approval of the NRB, interest capitalized during moratorium period on certain project Loans and Advances under National Priority Sector has been recognized as interest

income. Interest income on Investments is recognized on accrual basis.

2.6 Commission Income

All the commission incomes are accounted for on accrual basis except for commission income less than NPR 1 lakh or generated out of a transaction with tenure less than 12 months. These are accounted for on cash basis. Locker and ATM charges are also accounted for on cash basis.

Service charges on loans and advances are recognized as income when it becomes due on approval of loans.

2.7 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.

2.8 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 4.22. 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account 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 "Trading Gains" under "Exchange Gain" in Schedule 4.22

2.9 Interest Expense

Interest on deposit liabilities and borrowing from other banks are accounted for on accrual basis.

2.10 Loans and Advances, Overdrafts and Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to the customers such as bank overdrafts, term loans, working capital loan, consumers' loans given to deprived sector, etc. All loans are subject to regular review. They are graded according to the level of credit risk and classified as per Nepal Rastra Bank's Directives. Loans and advances, overdrafts and bills purchased are shown net of provision for possible losses.

2.11 Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme and interest accrued thereon are reflected under "Other Assets" as per the Directives of Nepal Rastra Bank.

2.12 Interest Receivables

Interest receivable constitutes of interest accrued on loans and investments and are recognised on daily basis based on the outstanding balance at the end of the day.

Interest receivables on loans (except project loans) are stated at full value and are disclosed net of interest suspense as per the requirement of NRB Directives. Interest accrued on project loans from the beginning of construction period until the date of its commercial operation is capitalised in the loan as per the covenant with borrower.

Interest receivables on investments are stated at full value.

2.13 Loan Loss Provision

Provision is made for possible losses on loans and advances & overdrafts at 1% to 100% on the basis of classification of loans and advances and overdrafts in accordance with the directives of Nepal Rastra Bank. Provisions in addition to the minimum requirement as per the directive of Nepal Rastra Bank have been made by the management on prudence basis.

2.14 Loans and Advances Write off

Unrecoverable loans and advances are written off in accordance with the by-laws of the Bank approved by the Nepal Rastra Bank.

2.15 Investments

Investments are classified as held for trading, held to maturity and available for sale.

a. Held for Trading:

Investments that are made for the purpose of generating profit from short term fluctuations in price are classified under this category. These investments are marked to market and differences reflected in the profit and loss account.

b. Held to Maturity:

The investments made with positive intent and ability of the bank to hold till maturity is classified as held to maturity investments. The held to maturity investments are valued at amortized cost i.e. the cost price less any impairments (if applicable). The impairments are included in the profit and loss

accounts for the period. Premiums paid and discounts received during the acquisition of Treasury Bills/Bonds are recognized as the part of initial cost and subsequently adjusted with the interest income after amortization.

c. Available for Sale:

All other investments that are neither "held for trading" nor "held to maturity" are classified under this category.

Investment Adjustment Reserve of 2% of available for sale portfolio is created which qualifies for Supplementary Capital. All Investments are subject to regular review as required by Nepal Rastra Bank Directives.

2.16 Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation
- Land is not depreciated. Depreciation of other fixed assets is charged to Profit and Loss Account on Straight Line method over the useful life of fixed 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	5 Years	20%

- Leasehold improvements are capitalised at cost and amortised over period of lease.
- Intangible assets are capitalised and amortised over the life of assets determinable or best estimated.
- Depreciation on fixed assets 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. These costs are shown under "Others" in the fixed assets schedule 4.14.
- Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.17 Retirement Benefits

The Bank offers retirement benefits to its confirmed employee, mainly provident fund, gratuity and

accumulated sick leave, all payable at the time of separation from service.

a. Provident fund

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

b. Gratuity

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

c. Accumulated sick leave

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

2.18 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.

Deferred tax assets and liabilities are netted off and presented under 'Other Assets' or 'Other Liabilities'. The Profit arising out of the deferred tax assets is stated under earmarked 'Deferred Tax Reserve' as per Directive 4 of Unified Directive

2.19 Stationery

Stationery purchased are stated at cost and charged to revenue at the time of consumption on FIFO basis and inventory as at the end of reporting period are measured at the lower of cost or net realizable value.

2.20 Non-Banking Assets

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

2.21 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 Contingent liabilities under subheading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements.

2.22 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.

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.

Schedule 4.33: Notes to Accounts

Financial Year 16 July 2016 to 15 July 2017 (1 Shrawan 2073 to 31 Ashad 2074)

1. Interest Income and Interest Suspense

The interest receivable on loans and advances as at 15 July 2017 has been netted off with interest suspense as per NRB Directives and disclosed in Schedule 4.16 – “Other Assets”.

2. Provision for Bonus

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

3. 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 has not been created as prescribed by the Labour Act, 2048.

4. General Reserve

As per section 44 of the Banks and Financial Institutions Act 2063, 20% of the current year's net profit amounting NPR 293,469,493 has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act, 2063, 25% of the revaluation gain amounting to NPR 13,431,139 has been transferred to Exchange Fluctuation Reserve through the Profit and Loss Appropriation.

6. Investment Adjustment Reserve

2% of investment amount (except for Nepal Clearing House Ltd., Credit Information Bureau Ltd. and NMB Capital Ltd.) and 100% of investment amount for CEDB Hydro Fund under ‘Available for Sale’ category totalling to NPR 16,205,056 has been set aside as Investment Adjustment Reserve.

Particulars	Investment Amount	IAR%	IAR Amount
IAR not required to be created	104,387,000	0%	-
100% IAR required	10,000,000	100%	10,000,000
2% IAR required	310,252,825	2%	6,205,056
Total	424,639,825		16,205,056

Available for sale (AFS) investments should be marked to market on a regular basis and the difference to be adjusted through reserves as required under NRB Directives 4 and 8. The Bank has deviated from this measurement method and continues to recognize AFS portfolio at historical cost net of impairment loss resulting in the investments to be understated by NPR 26.39 million and correspondingly the Reserve.

7. Deferred Tax Reserve

As per the requirement of NRB Directives, the amount of Deferred Tax expense for the fiscal year has been transferred from Deferred Tax Reserve to Accumulated Profit. The amount transferred this year is NPR 24,170,390.

8. Debenture Redemption Reserve

As required by prospectus of "7% NMB Debenture 2077", an amount equal to NPR 90,750,870 has been appropriated to Debenture Redemption Reserve during the year. Total balance in Debenture Redemption Reserve as at 15 July 2017 is NPR 218,547,986.

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-16
Current Fiscal Year End Date	15-Jul-17
Maturity Date	21-Aug-20

Accrued days this year	365
Debenture Redemption Reserve for FY 2016/17	90,750,870
Debenture Redemption Reserve for FY 2015/16	90,750,870
Debenture Redemption Reserve for FY 2014/15	37,046,246
Total Debenture Redemption Reserve	218,547,986

9. Corporate Social Responsibility (CSR) Fund

The bank has apportioned NPR 14,673,475 as CSR fund which is equivalent to 1% of Net Profit of the year as per 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 policy.

10. Staff Skill Development Fund

The bank has expensed NPR. 11,102,225 under staff training for the FY 2073/74 which is less than the 3% of the total employee cost of the previous fiscal year 2072/73. Hence, NPR. 3,037,118 has been apportioned under "Staff Skill Development Fund" as per NRB Circular Bai.Bi.Ni.Bi./Niti/Paripatra/KaKhaGa/10/073/74 dated 2073/09/26.

11. Proposed Dividend

The Board of Directors in its meeting dated 26 Ashad 2075 (10th July 2018) has proposed the issue of bonus shares to the existing Shareholders after the allotment of shares from FPO at the rate of 15% and Cash dividend of 0.7895% (for tax purpose) for each share held. This is to be approved at the forthcoming Annual General Meeting of the Bank.

12. Income Tax

a. Income Tax/TDS Litigations

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 summary of tax litigations is mentioned in the table below.

Fiscal Year	Status	Disputed Tax Amount
FY 2063-64	Appealed to Supreme Court on 2070.11.15 for which the final decision is pending	18,191,784
FY 2064-65	Appealed to Supreme Court on 2071.09.24 for which the final decision is pending	16,202,412
FY 2066-67	Appealed to IRD for Administrative Review on 2071.06.12 for which the final decision is pending	22,613,221
FY 2067-68	Appealed to IRD for Administrative Review on 2071.12.03 for which the final decision is pending	6,449,185
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.	11,753,998
Total		81,101,778

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.	2,914,399
Total		27,755,430

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		114,516,482

Since decisions for these cases are pending, disputed tax amount of NPR 114,516,482 mentioned above has been disclosed as contingent liability on Income Tax under Schedule 4.17 and no provision for additional liability has been made.

b. Tax Assessments

Self-Assessment Returns filed by NMB Bank Ltd. and 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.

13. Advance Income Tax

Advance income tax paid by the Bank during the year and outstanding from previous years has been set-off with provisions for income tax liability and presented in Schedule 4.16 –“Other Assets”.

Particulars	Amount (NPR)
Advance Income Tax carried forward from previous year	152,795,506
Advance Tax Instalments FY 2073.74	560,000,000
Tax Withheld by Withholder FY 2073.74	6,731,035
Less: Income Tax Liability of FY 2073.74	(588,774,303)
Advance Income Tax presented in Schedule 4.16	130,752,239

14. Legal Case

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.

15. Retirement Benefit Obligations

The Bank operates a defined contribution plan as provident fund contribution of its employees and defined benefit plan for the Gratuity payment requirement under its staff rules. For defined contribution plan, the Bank pays contributions to an independently administered retirement fund on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid. For funded defined benefit plans, the liability recognised in the 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.

Amount in Thousand

Particulars	2073-74		2072-73	
	Gratuity (Funded)	Leave	Gratuity (Funded)	Leave
Expenses Recognized In Income Statement				
Current service cost	26,529	9,897	11,205	11,489
Interest cost	4,614	3,053	3,650	2,312
Expected Return on Plan Assets	-	-	-	-
Actuarial (Gain)/ Loss	43,638	1,894	11,737	5,136
Past Service Cost	-	-	-	-
Expenses recognized in the Profit & Loss A/c	74,780	14,843	26,592	18,937
Change in Present Value Obligations				
PV of Obligation at beginning of the year	84,809	56,298	62,977	39,407
Interest cost	4,614	3,053	3,650	2,312
Current Service Cost	26,529	9,897	11,205	11,489
Benefit paid	(23,784)	(11,233)	(4,760)	(2,047)
Actuarial (Gain)/ Loss	43,638	1,894	11,737	5,136
Liability at the end of the year	135,805	59,908	84,809	56,298
Actuarial Assumptions				
Discount rate	9%	9%	6%	6%
Salary escalation rate	8%	8%	7%	7%
Retirement age	58	58	58	58
Mortality	NAM (2009)	NAM (2009)	NAM (2009)	NAM (2009)
No of employees	889	889	710	710

16. Provision for Gratuity

The Bank carried out actuarial valuation of gratuity for the current fiscal year and based on the report received from the Actuary, the Bank has charged NPR 75,408,947 in P/L for FY 2073/74 on account of staff gratuity liability. The Bank has deposited remaining gratuity liabilities amounting to NPR 75,408,947 in Citizen Investment Trust (Approved Gratuity Fund).

17. Provision for Sick Leave

During the year, the Bank has made cash payment of NPR 11,703,165 on account of sick leave to eligible resigned staff.

The Bank had carried out actuarial valuation of sick leave for the current fiscal year and based on the report received from the Actuary, the Bank has charged NPR 15,570,289 in P/L for FY 2073/74 on account of sick leave. Outstanding sick leave liabilities as on year end amounting to NPR 59,908,236 has been disclosed under "Other Liabilities" under Schedule 4.7 of the Balance Sheet.

18. Unpaid Dividend

As on the balance sheet date, unpaid dividends of over five years amount to NPR 34,181,031 and total unpaid dividends amount to NPR 34,199,317. Subsequently the Bank has deposited the unclaimed amounts in Investor's Protection Fund as required by the Companies Act.

19. Paid up Share Capital

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

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 64,617,743.34 Units of Shares, 64,582,835 Units are with full face value whereas 34,908.34 Units are fraction shares.

20. Regulatory Minimum Paid Up Capital Requirement

Through Circular No. Bai.Bi.Ni.Bi/Niti/Paripatra/KaKhaGa/2/072/73 dated 2072/04/21 (6 August 2015), Nepal Rastra Bank (NRB) requires all 'Class A' Financial Institution to increase the Paid-Up Capital to NPR 8 billion by the end of the FY 2016/17. The Bank, for compliance with the above Directive, has offered to the public through a further public offering (FPO), 11,415,163 ordinary shares of NPR 100 each with a premium of NPR 233 per share on Jestha 30, 2075 (13 June 2018) and then additionally to the institutional investors from Ashad 4, 2075 (18 June 2018) till Ashad 28, 2075 (12 July 2018).

The FPO has not been fully subscribed and as of 25 Ashad 2075 (9 July 2018) only 7,698,190 shares have been subscribed as per confirmation received from the Issue Manager, Citizen Investment Trust (CIT), through its letter no 716 (Na.La.Kosh-074/75) dated 26 Ashad 2075 (10 July 2018). However, as the FPO has been fully underwritten by CIT and other Merchant Bankers, the unsubscribed shares, if any, shall be issued to the underwriters after the FPO close out date of Ashad 28, 2075 (12 July 2018).

The Board of Directors in its meeting dated 26 Ashad 2075 (10 July 2018) has proposed the issue of bonus shares to the existing shareholders after the allotment of shares from FPO at the rate of 15% (excluding cash dividend of 0.7895% for tax purpose) ordinary shares for each share held, which will increase the capital by NPR 1,140,493,595 after ratification by the Annual General Meeting.

The Bank shall meet minimum requirement of NPR 8 Billion Paid-Up Capital through proposed Bonus Shares of NPR 1,140,493,595 and then taking into account FPO shares subscribed up to 25 Ashad 2075.

S.No	Particulars	Amount (NPR)
1	Paid Up Capital as at 15 July 2017	6,461,774,334
2	Bonus Shares (To be approved by AGM)	1,140,493,595
3	FPO Share Amount subscribed up to 25 Ashad 2075	769,819,000
4	Paid Up Capital (Considering FPO subscribed up to 25 Ashad 2075)	8,372,086,929

Note: Of the total shares subscribed till 25 Ashad 2075 (9 July 2018) of NPR 769,819,000 and after proposing the bonus shares of NPR 1,140,493,595 the bank will comfortably meet the minimum capital requirement of NPR 8 billion even considering the FPO share amount of NPR 39,7732,071.

21. Earnings per Share

Basic earnings per equity share are computed in accordance with NAS 26 Earnings per Share. Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The following table sets forth, for the periods indicated, the computation of earnings per share.

Particulars	Year Ended Ashad 2074	Year Ended Ashad 2073
Weighted average no. of equity shares outstanding	54,580,410	40,131,930
Net profit	1,467,347,467	1,115,064,628
Basic earnings per share	26.88	27.78
Nominal value per share	100	100

22. Debenture

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.

23. Deferred Tax

Carrying amount of Assets and Liabilities where temporary differences arise as on Ashad 31, 2074 (15.07.2017) are as follows:

Particulars	Carrying Value	Tax Base	DTL/DTA	Difference
Fixed Assets	622,678,842	639,687,041	DTA	17,008,199
Sick leave provision	59,908,236	-	DTA	59,908,236
Provision on investment	845,000	-	DTA	845,000
Other Assets Provision	5,544,336	-	DTA	5,544,336
Carried Forward Loss of Merging Entities	-	53,855,769	DTA	53,855,769
Net temporary differences				137,161,540
Deferred Tax Asset (30%) as on 15 July 2017				41,148,463
Opening Deferred Tax Assets				65,318,853
Net movement this year-Increase (Decrease)				(24,170,390)
Charged to Profit and Loss Account as expense				24,170,390

Deferred tax (assets)/liabilities have been recognised as per the provision of Nepal Accounting Standard (NAS -09).

24. Details of Leasehold Assets

Cost	Amount (NPR)
Previous Year Balance	142,864,002
Addition this year	38,663,315
This year sold	(5,706,308)
This year written off	(522,274)
Total Cost	175,298,735
Depreciation	
Up to Previous Year	79,673,171
For This Year	17,149,875
Depreciation adjustment/written back/write off	(4,172,973)
Total Depreciation	92,650,073
Book Value of Leasehold Assets	82,648,662

25. Loans and Advances Written Off

The Bank has written off loans and advances amounting to NPR 48,225,932, the details of which has been disclosed in Schedule 4.28 (A).

26. Other Assets Written Off

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

27. Reconciliation Status

The position of agency and inter-branch reconciliation accounts are given below:

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	-	-	-	-

28. Loan Disbursed, recovered, written off and outstanding during the year.

The loan disbursed, recovered and outstanding during the year is given below:

Amount in NPR

Opening Balance	Disbursed	Recovered	Written off	Closing balance
54,459,410,985	198,341,511,018	190,143,242,704	48,225,932	62,609,453,369

29. Summary of Changes in deposit during the year

The financial growth of the deposits during the year is given below:

Amount in NPR

Particulars	FY 2073/2074	FY 2072/2073	Increase/(Decrease)
Savings Deposits	16,972,893,195	18,618,725,873	(1,645,832,678)
Fixed Deposits	41,192,590,586	26,975,143,670	14,217,446,916
Call Deposits	7,821,239,384	14,457,519,784	(6,636,280,400)
Current Deposits	4,911,254,694	2,669,761,217	2,241,493,477
Margin Deposits	2,326,084,740	2,060,313,078	265,771,662
Total	73,224,062,599	64,781,463,622	8,442,598,977

30. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	8.95
Average deposit/borrowing interest rate	5.06
Net Average Spread	3.89

31. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 44,940,260 from capitalization of interest during moratorium period of five separate project. These capitalizations have been approved/mandated by the NRB.

32. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 208,514,180 out of which a gain of NPR 91,629,065 was generated through NDF contracts transactions.

33. Investment in Subsidiary Companies

The Bank fully owns a subsidiary company, NMB Capital Limited, with an investment of NPR 100 million. The subsidiary company received operating license from the Securities Board and started its commercial operation from September 17, 2010. The investment has been classified under "Available for sale" category.

The Bank also owns 51% stake in another subsidiary company, NMB Microfinance Bittiya Sanstha Limited, with an investment of NPR 48.55 million. The subsidiary company received operating license from Nepal Rastra Bank as a "D" class microfinance institution and started its commercial operation from March 14, 2013 from Hemja, Kaski, Nepal. This investment has also been classified under "Available for sale" category.

34. Investment in Mutual Funds managed by Subsidiary

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

35. Investment on Bonds

The Bank has total investment of NPR 1,223,595,043 on Corporate Bonds as disclosed in schedule 4.12. The details are as under:

Particulars	Amount NPR
Bank Of Ceylon	508,909,823
National Savings Bank	513,427,834
Republic Of Srilanka	201,257,386
Total	1,223,595,043

36. Dividend Income

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

Particulars	Amount (NPR)
NMB Sulav Investment Fund -FY 2072/73	21,000,000
NCHL -FY 2073/73	797,620
NMB Capital Ltd -FY 2072/73	20,000,000
Mero Microfinance Bittiya Sanstha Ltd. -FY 2072/73	1,260,000
Karja Suchana Kendra Ltd. -FY 2072/73	119,000
Laxmi Laghubitta Bittiya Sanstha Ltd. FY -2072/73	40
Total Dividend Income	43,176,660

37. Interest Suspense on Loans and Advances

Interest accrued on Loans and Advances but not realized in cash as on balance sheet date has been transferred to Interest Suspense and disclosed under Schedule 4.16. NRB Directive and Circular allows Banks and Financial Institutions to recognize accrued interest during the year as interest income if recovered in cash within 15 days after the year end. The Bank did not recognize such interest suspense as interest income.

38. Classification of Assets and Liabilities based on Maturity

Amount in NPR Million

Particulars	1-90 Days	91-180 Days	181-270 Days	271-1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	1,703.50	-	-	-	-	1,703.50
2. Balance with Banks	10,986.60	-	-	-	-	10,986.60
3. Investment in Foreign Banks	878.71	-	-	931.62	714.69	2,525.02
4. Call Money	-	-	-	-	-	-
5. NG Securities	1,045.00	735.24	98.04	135.77	4,692.26	6,706.32
6. Nepal Rastra Bank Bonds	-	-	-	-	-	-
7. Inter Bank Lending	930.79	-	-	-	-	930.79
8. Loans, Advances & Bills Purchased	17,866.58	9,901.86	3,992.46	2,908.52	27,940.03	62,609.45
9. Accrued Interest Receivable	69.28	-	-	-	-	69.28
10. Reverse Repo	-	-	-	-	-	-
11. Receivable for Guarantee provided to other Institutions	-	-	-	-	-	-
12. Payment for facilities provided under S. N. 20,21,22	-	-	-	-	-	-
13. Others-Fixed Deposit Placement	-	-	-	-	-	-
Total Assets	33,480.47	10,637.09	4,090.51	3,975.92	33,346.98	85,530.96
b) Liabilities						
14. Current Deposits	7,237.34	-	-	-	-	7,237.34

15. Saving Deposits (including call deposits)	9,094.21	424.32	424.32	424.32	14,426.96	24,794.13
16. Fixed Deposit	9,126.14	6,996.74	3,125.16	8,214.32	13,730.23	41,192.59
17. Debentures	-	-	-	-	500.00	500.00
18. Borrowings:	598.50	505.00	2.00	60.41	-	1,165.91
- Money at call short notice	-	-	-	-	-	-
- Inter Bank	-	-	-	55.35	-	55.35
- Refinance	598.50	505.00	2.00	5.06	-	1,110.56
-Others	-	-	-	-	-	-
19. Other liabilities and Provisions:	337.20	-	-	-	103.56	440.75
-Sundry Creditors	20.88	-	-	-	-	20.88
-Bills Payable	56.50	-	-	-	-	56.50
-Interest Payable	248.91	-	-	-	-	248.91
-Provisions	10.92	-	-	-	103.56	114.47
-Others	-	-	-	-	-	-
20. Payable for Guarantees	343.31	-	-	-	988.61	1,331.92
21. Unlisted approved credit limits	2,677.88	-	-	-	-	2,677.88
22. Letter of Credit/Guarantees	9,020.44	8,636.85	3,145.11	2,684.24	6,120.31	29,606.95
23. Repo	-	-	-	-	-	-
24. Payment to be made for facilities under S.N. 11	-	-	-	-	-	-
25. Others	-	-	-	-	-	-
Total Liabilities	38,435.01	16,562.92	6,696.59	11,383.29	35,869.67	108,947.48
Net Financial Assets	(4,954.55)	(5,925.82)	(2,606.08)	(7,407.38)	(2,522.69)	(23,416.51)
Cumulative Net Financial Assets/Liabilities	(4,954.55)	(10,880.37)	(13,486.45)	(20,893.82)	(23,416.51)	

39. Summary of concentration of Exposures

Amount in NPR

Particulars	Loans, and Advance	Deposit	Contingent
Total amount as at 15 July 2017	62,609,453,369	73,224,062,599	32,166,491,741
Highest exposure to single unit	1,179,959,328	4,520,753,957	4,762,468,868
Highest % of exposure to single unit	1.88%	6.17%	14.81%

40. Borrowing from Nepal Rastra Bank

The Bank has an outstanding borrowing of NPR 1,110,558,800 (Schedule 4.4) from the Central Bank under Refinancing Facility available to Financial Institutions. These facilities have been obtained as an interest rate relief to certain Hydropower and Hotel Project Borrowers of the Bank.

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

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

42. Non-Banking Assets

Particulars	Amount (NPR)
Opening Non-Banking Assets	69,968,627
Additions during the year	14,707,525
Sold during the year	(7,187,325)
Closing Balance of Non-Banking Assets	77,488,827

The details of Non-Banking Assets have been disclosed under Schedule 4.15.

43. Transactions in Bullion

The Bank 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 Bank 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.

44. Capital Construction

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

45. 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.

46. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors have been paid meeting fees of NPR 1,919,000 during the fiscal year. There were 23 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.

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

Board Level Committees	No of Meetings	Meeting Allowance (NPR)
Audit Committee	17	408,000
Risk Management Committee	19	456,000
Human Resource Service Committee	6	72,000

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 816,000.

Existing members of the Board are:

Mr. Pawan Kumar Golyan	Chairman (Represents Group- Promoter Shareholder)
Mr. Nico Klass Geradus Pijl	Member (Representative from FMO)
Mr. Rajendra Kafle	Member (Representative from Employees Provident Fund)
Mr. Harishchandra Subedi	Member (Represents Group- Public Shareholder)
Mr. Haribabu Neupane	Member (Represents Group- Public Shareholder)
Mr. Pradeep Raj Pandey	Independent Director
Mr. Nanda Kishore Rathi	Alternate Director to Mr. Nico Pijl

(b) Loans and Advances extended to Promoters

Loans and Advances extended to Promoters has been listed in Schedule 4.29. 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.

(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	66,878,136
B	Post-Employment Benefits	Nil
C	Other Long Term Benefits	Nil
D	Termination Benefits (Gratuity and Sick Leave Encashment)	22,305,797
E	Share Based Payment	Nil
	Total of Key Management Personnel Compensation	89,183,933

The Salary & benefits paid to CEO is as follow:

Particulars	Basic Salary	Provident Fund	Allowance	Bonus & Welfare	Other rquisites	Total Income
Former CEO (Upendra Poudyal)	3,936,000	121,360	3,936,000	5,039,893	19,680	13,052,933
Incumbent CEO (Sunil K.C.)	1,968,000	196,800	1,312,000	-	9,840	3,486,640
Total	5,904,000	318,160	5,248,000	5,039,893	29,520	16,539,573

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 Finance and Operating Officer
Ms. Shabnam Limbu Joshi	Chief 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.	100,000	48,552
2	Deposits in NMB Bank Ltd.	484,314	99,984
3	Borrowing from NMB Bank Ltd.	-	300,000
4	Interest Payment by NMB Bank Ltd.	19,090	43
5	Interest Payment to NMB Bank Ltd.	-	10,871
6	Rent Payment to NMB Bank Ltd.	1,943	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Investment by NMB Bank Ltd. in NMB Sulav Investment Fund-1 as Seed Capital	105,000	-
9	Investment by NMB Bank Ltd in NMB Hybrid Fund-1 as Seed Capital	140,000	-
10	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank Ltd.	20,000	-
11	Dividend Distribution of NMB Capital Ltd. to NMB Bank Ltd. for FY 2072.73	20,000	-

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 4,998,641 on its borrowings from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V (FMO) during the fiscal year ended Ashad End 2074. The outstanding borrowing from FMO as at the year-end is NPR 55,347,308 and shall mature on 15 May 2018.

Details of loans availed by Promoters/ Institutional Promoters by pledging shares of NMB Bank Ltd with other Banks & Financial Institutions

For the period from 1 Shrawan 2073 to 31 Ashad 2074 (July 16, 2016 to July 15, 2017)

S. N.	Name of the Promoter/ Institutional Promoter	Total no of shares held by the promoter		Loan Details			Remarks
		No of shares	Percentage of Paid up Share Capital	Name of Bank/ Financial Institution where loan is availed	Loan Amount (NPR)	No of shares mortgaged	
1	Anand Kumar Rungata	3,656	0.01%	Nepal SBI Bank Limited	79,527,000	2,845	The credit facility has been sanctioned to M/S Anand Trade Concern and the shares have been held as additional security for the loan.
2	Jhuma Vaidya	10,306	0.02%	Siddhartha Bank Limited	1,561,860	10,306	Shares pledged as a security against loan availed.
3	Rajesh Kumar Agrawal	204,305	0.32%	Siddhartha Bank Limited,	16,172,937	147,473	Shares pledged as a security against loan availed.
4	Balram Neupane	341,550	0.53%	Siddhartha Bank Limited	14,706,897	341,550	Shares pledged as a security against loan availed.
5	Gobinda Prasad Sapkota	10,061	0.02%	Global IME Bank Limited	550,000	9,435	Shares pledged as a security against loan availed.
6	Ram Prasad Kharel	35,677	0.06%	Himalayan Bank Limited	3,310,000	27,760	Shares pledged as a security against loan availed.
7	Bhrispati Vidyalaya Vyavasthapan P. Ltd	119,681	0.19%	Civil Bank Limited	33,712,081	110,816	Shares pledged as a security against loan availed.
8	Sharad Goel	224,448	0.35%	Century Commercial Bank Limited	13,500,000	209,990	Shares pledged as a security against loan availed.
9	Keshab Prasad Satyal	10,307	0.02%	Janata Bank Nepal Limited	22,784,003	8,020	Shares pledged as a security against loan availed.
10	Anant Kumar Golyan	273,808	0.42%	Janata Bank Nepal Limited	75,000,000	168,368	The credit facility has been availed to Mr. Shakti Kumar Golyan as personal guarantee.
11	Captive Investment Company Pvt. Ltd.	136,485	0.21%	Laxmi Bank Limited	30,000,000	135,478	Shares pledged as a security against loan availed.
12	Sonam Gyasto	86,546	0.13%	Nabil Bank Limited	80,000,000	67,341	Shares pledged as a security against loan availed to M/S Jai Ganesh Investment Co. Ltd.
13	Vishal Agrawal	1,125,207	1.74%	Sunrise Bank Limited	25,710,000	291,550	Shares pledged as a security against loan availed.
14	Manoj Prasad Dhital	63,881	0.10%	ICFC Finance Limited	5,368,200	63,881	Shares pledged as a security against loan availed.
15	Prabha Koirala	19,164	0.03%	ICFC Finance Limited	2,587,140	19,164	Shares pledged as a security against loan availed.
16	Sonam Gyasto	86,546	0.13%	ICFC Finance Limited	2,400,625	19,205	Shares pledged as a security against loan availed.
17	Govinda Prasad Sapkota	10,061	0.02%	ICFC Finance Limited	157,674	119	Shares pledged as a security against loan availed.
18	Kishor Prasad Shrestha	20,318	0.03%	Kailash Bikash Bank Limited	2,000,000	20,318	Shares pledged as a security against loan availed.
19	Neitra Prasad Panthi	24,884	0.04%	Kumari Bank Limited	5,664,660	23,040	Shares pledged as a security against loan availed.
20	Raj Kumar Goyal	253,577	0.39%	Bank of Kathmandu	281,425,587	77,500	Shares pledged as a security against loan availed to Global Exim Solutions
21	Vishal Agrawal	1,125,207	1.74%	Citizen Bank International Limited	76,720,000	267,750	Shares pledged as a security against loan availed.
22	Yugal Kishor Rathi	182,315	0.28%	Laxmi Bank Limited	5,301,000	182,315	Shares pledged as a security against loan availed.
23	Jeevan Nepal	13,091	0.02%	Srijana Finance limited	1,600,000	13,091	Shares pledged as a security against loan availed.

Comparison of Unaudited and Audited Financial Statements

as of FY 2073/74

Rs in '000

S.No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for variance
				In Amount	In %	
1	Total Capital and Liabilities(1.1 to 1.7)	86,866,536	86,816,983			
1.1	Paid Up Capital	6,461,774	7,602,268	1,140,494	17.65%	
1.2	Reserve and Surplus	4,269,440	3,084,907	(1,184,532)	-27.74%	Declaration of Bonus Shares and Adjustment of Loss Provision
1.3	Debtenture and Bond	500,000	500,000	-	0.00%	
1.4	Borrowings	1,165,906	1,165,906	-	0.00%	
1.5	Deposits(a+b)	73,224,063	73,224,063	-	0.00%	
	a. Domestic Currency	70,344,693	70,344,693	-	0.00%	
	b. Foreign Currency	2,879,370	2,879,370	-	0.00%	
1.6	Income Tax Liability	-	-	-	0.00%	
1.7	Other Liabilities	1,245,353	1,239,839	(5,514)	-0.44%	
2	Total Assets (2.1 to 2.7)	86,866,536	86,816,983			
2.1	Cash and Bank Balance	12,282,214	12,282,214	-	0.00%	
2.2	Money at Call and Short Notice	407,885	407,885	-	0.00%	
2.3	Investment	10,585,921	10,597,554	11,633	0.11%	
	Loans and Advances (Net)	61,219,060	61,157,357	(61,704)	-0.10%	AIR of T-Bill Capitalized
a. Real Estate Loan		4,252,085	4,252,085	-	0.00%	Adjustment of Loss Provision
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	1,494,268	1,494,268	-	0.00%	
	2. Business Complex & Residential Apartment Construction Loan	212,683	212,683	-	0.00%	
	3. Income generating Commercial Complex Loan	8,733	8,733	-	0.00%	
	4. Other Real Estate Loan(including Land purchase & plotting)	2,536,401	2,536,401	-	0.00%	
b. Personal Home Loan of Rs. 80 Lacs or Less		6,773,594	6,773,577	(17)	0.00%	
	c. Margin Type Loan	1,032,508	1,032,508	-	0.00%	
	d. Term Loan	10,618,683	10,618,593	(90)	0.00%	
	e. Overdraft Loan/ TR Loan/ WC Loan	17,189,976	17,187,583	(2,393)	-0.01%	
	f. Others	21,352,214	21,349,137	(3,077)	-0.01%	

2.5	Fixed Assets (Net)	1,452,316	1,452,316	-	0.00%	
2.6	Non-banking Assets (Net)	-	-	-	0.00%	
2.7	Other Assets	919,139	919,657	518	0.06%	Due to adjustments of items in PL
3	Profit and Loss Account					
3.1	Interest Income	6,073,521	6,073,521	-	0.00%	
3.2	Interest Expenses	3,505,347	3,505,347	-	0.00%	
	A. Net Interest Income (3.1-3.2)	2,568,174	2,568,174			
3.3	Fees, Commission and Discount	360,630	360,630	-	0.00%	
3.4	Other Operating Income	288,030	288,030	-	0.00%	
3.5	Foreign Exchange Gain/Loss (Net)	208,514	208,514	-	0.00%	
	B.Total Operating Income(A+3.3+3.4+3.5)	3,425,349	3,425,349			
3.6	Staff Expenses	598,460	598,460	-	0.00%	
3.7	Other Operating Expenses	659,079	659,079	-	0.00%	
	C.Operating Profit Before Provision (B.-3.6-3.7)	2,167,810	2,167,810			
3.8	Provision for Possible Losses	183,553	188,199	4,646	2.53%	Adjustment of Loss Provision
	D.Operating Profit (C.-3.8)	1,984,257	1,979,611			
3.9	Non-Operating Income/Expenses(Net)	53,612	54,662	1,050	1.96%	Adjustment of Advance Tax
3.10	Write Back of Provision for Possible Loss	223,565	166,507	(57,058)	-25.52%	Adjustment of Loss Provision
	E. Profit from Regular Activities(D-3.9+3.10)	2,261,434	2,200,780			
3.11	Extraordinary Income/Expenses(Net)	88,124	88,124	-	0.00%	
	F. Profit before Bonus and Taxes(E.+3.11)	2,349,558	2,288,904			
3.12	Provision for Staff Bonus	213,596	208,082	(5,514)	-2.58%	Due to above adjustments
3.13	Provision for tax	624,575	613,474	(11,101)	-1.78%	Due to above adjustments
	G. Net Profit/Loss(F.-3.12-3.13)	1,511,386	1,467,347	(44,039)	-2.91%	

Unaudited Financial Results (Quarterly)

As at end of the 4th Quarter (31/03/2074) of the Fiscal Year 2073/74 (2016/2017)

Rs in '000

S. No.	Particulars	This Quarter Ending Ashad 31, 2074 July 15, 2017	Previous Quarter Ending Chaitra 31, 2073 April 13, 2017	Corresponding Quarter Ending Ashad 31, 2073 July 15, 2016
1	Total Capital and Liabilities (1.1 to 1.7)	86,866,536	84,478,606	74,613,328
1.1	Paid Up Capital	6,461,774	6,461,774	4,486,924
1.2	Reserve and Surplus	4,269,440	3,955,121	2,428,536
1.3	Debenture and Bond	500,000	500,000	500,000
1.4	Borrowings	1,165,906	1,316,671	1,487,995
1.5	Deposits (a+b)	73,224,063	71,150,992	64,781,464
	a. Domestic Currency	70,344,693	67,016,643	61,317,187
	b. Foreign Currency	2,879,370	4,134,349	3,464,276
1.6	Income Tax Liabilities	-	-	-
1.7	Other Liabilities	1,245,353	1,094,048	928,410
2	Total Assets (2.1 to 2.7)	86,866,536	84,478,606	74,613,328
2.1	Cash and Bank Balance	12,282,214	10,507,095	10,180,539
2.2	Money at Call and Short Notice	407,885	1,321,086	557,823
2.3	Investments	10,585,921	9,900,387	8,504,126
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	61,219,060	60,242,198	53,021,384
	a. Real Estate Loan	4,252,085	4,134,084	4,017,028
	1. Residential Real Estate Loan (Except personal Home Loan up to Rs 10 Million)	1,494,268	1,188,655	1,266,418
	2. Business Complex & Residential Apartment Construction Loan	212,683	257,461	389,768
	3. Income generating Commercial Complex Loan	8,733	11,529	19,269
	4. Other Real Estate Loan(including Land purchase & plotting)	2,536,401	2,676,439	2,341,573
	b. Personal Home Loan of Rs. 10 Million or Less	6,773,594	6,610,424	5,589,700
	c. Margin Type Loan	1,032,508	1,198,548	815,449
	d. Term Loan	10,618,683	9,978,661	9,634,649
	e. Overdraft Loan/ TR Loan/ WC Loan	17,189,976	18,060,432	15,780,279
	f. Others	21,352,214	20,260,048	17,184,279
2.5	Fixed Assets	1,452,316	1,415,356	1,345,519
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	919,139	1,092,484	1,003,937
3	Profit and Loss Account	This Quarter Ending Ashad 31, 2074 July 15, 2017	Previous Quarter Ending Chaitra 31, 2073 April 13, 2017	Corresponding Previous Year Quarter Ending Ashad 31, 2073 July 15, 2016
3.1	Interest Income	6,073,521	4,206,200	4,053,341
3.2	Interest Expenses	3,505,347	2,349,482	2,040,059
	A. Net Interest Income (3.1-3.2)	2,568,174	1,856,718	2,013,282
3.3	Fees, Commission and Discount	360,630	230,458	197,616
3.4	Other Operating Income	288,030	236,332	218,106
3.5	Foreign Exchange Gain/Loss (Net)	208,514	160,434	160,269
	B. Total Operating Income (A+3.3+3.4+3.5)	3,425,349	2,483,942	2,589,272
3.6	Staff Expenses	598,460	418,696	471,311
3.7	Other Operating Expenses	659,079	457,939	473,549
	C. Operating Profit Before Provision (B.-3.6-3.7)	2,167,810	1,607,306	1,644,411
3.8	Provision for Possible Loss	183,553	437,783	403,106
	D. Operating Profit (C.-3.8)	1,984,257	1,169,523	1,241,305
3.9	Non-Operating Income/Expenses(Net)	53,612	49,411	55,844
3.10	Write Back of Provision for Possible Loss	223,565	499,846	476,862
	E. Profit from Regular Activities (D+3.9+3.10)	2,261,434	1,718,781	1,774,011
3.11	Extraordinary Income/Expenses(Net)	88,124	78,287	(10,942)
	F. Profit before Bonus and Taxes(E+3.11)	2,349,558	1,797,068	1,763,068
3.12	Provision for Staff Bonus	213,596	163,370	160,279
3.13	Provision for tax	624,575	490,109	487,725
	G. Net Profit/Loss (F-3.12-3.13)	1,511,386	1,143,589	1,115,065

Disclosure under New Capital Adequacy Framework for the Year Ended Ashad 2074

Amounts in NPR Thousands

1. Capital Structure and Capital Adequacy:

1.1. Tier 1 Capital and a breakdown of its Components:

S.No	Details	Amount
1.	Paid up Equity Share Capital	6,461,774
2.	Share Premium	284,364
3.	Proposed Bonus Equity Shares	1,140,494
4.	Statutory General Reserves	1,301,093
5.	Retained Earnings	1,037,874
6.	Capital Adjustment Reserve	53,295
7.	Deferred Tax Reserves	41,148
8.	Deferred Tax Assets	(41,148)
9.	Debenture Redemption Reserve	218,548
10.	Less: Investment in equity of institutions with financial interest	(110,000)
11.	Less: Intangible Assets	(15,872)
	Total Core Capital	10,371,570

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

S.No	Details	Amount
1.	Subordinated Term Debt	300,000
2.	General Loan Loss Provision	651,268
3.	Exchange Equalization Reserve	54,642
4.	Investment Adjustment Reserve	16,205
5.	Other Reserve	
	Total Supplementary Capital	1,022,115

1.3. 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 300 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.

1.4. Deductions from Capital:

Investment in equity shares of fully owned subsidiary company NMB Capital Ltd amounting to NPR 100,000,000 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 (NPR 41,148,463) has been netted off with equal amount of Deferred Tax Reserve.

Intangible asset has also been deducted as per NRB Directive by NPR 15,871,925.

1.5. Total Qualifying Capital:

S.No	Details	Amount
1.	Core Capital (Tier 1)	10,371,570
2.	Supplementary Capital (Tier 2)	1,022,115
	Total Capital Fund	11,393,685

1.6. Capital Adequacy Ratio:

S.No	Details	Amount
1.	Tier 1 Capital to Total Risk Weighted Exposure	12.39
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	13.61

1.7. 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 1.3 above.

2. Risk Exposures:

2.1. Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk:

S.No	Risk Weighted Exposure	Amount
a.	Risk Weighted Exposure for Credit Risk	75,272,958
b.	Risk Weighted Exposure for Operational Risk	3,354,220
c.	Risk Weighted Exposure for Market Risk	1,091,220
	Total Risk Weighted Exposures (a+b+c)	79,718,398
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	777,806
	Add : 2% of the total RWE due to Supervisory add up	1,594,368
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	1,594,368
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	83,684,940

2.2. 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	1,365,828
4.	Claims on Domestic Corporate and Securities Firms	41,017,156
5.	Claims on Foreign Corporates	-
6.	Claims on Regulatory Retail Portfolio	4,313,398
7.	Claims fulfilling all criterion of regulatory retail except granularity	189,011
8.	Claims secured by Residential Properties	4,272,515
9.	Claims not fully secured by residential properties	2,225,372
10.	Claims secured by Residential Properties (Overdue)	42,486
11.	Claims secured by Commercial Real Estate	728,447
12.	Past Due Claims	869,699
13.	High Risk Claims	5,939,115
14.	Investments	315,568
14.	Other Assets	1,980,909
15.	Off Balance sheet items	12,013,453
	Total	75,272,958

2.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	Amount
a.	Risk Weighted Exposure for Credit Risk	75,272,958
b.	Risk Weighted Exposure for Operational Risk	3,354,220
c.	Risk Weighted Exposure for Market Risk	1,091,220
1.	Total Risk Weighted Exposure	79,718,398
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	777,806
	Add : 2% of the total RWE due to Supervisory add up	1,594,368
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	1,594,368
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	83,684,940
2.	Total Core Capital Fund (Tier 1)	10,371,570
3.	Total Capital Fund (Tier 1 & Tier 2)	11,393,685
4.	Total Core Capital to Total Risk Weighted Exposures (%)	12.39
5.	Total Capital to Total Risk Weighted Exposures (%)	13.61

2.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	1,685	301	1,384
2.	Substandard	177,048	44,262	132,786
3.	Doubtful	379,925	189,963	189,962
4.	Loss	492,711	492,711	-
	Total	1,051,369	727,237	256,969

2.5. NPA Ratio

Gross NPA to Gross Advances: 1.68% Net NPA to Net Advances: 0.46%

2.6 Movement of Non-Performing Assets

S.No	Particulars	Ashad End 2073	Ashad End 2074	Movement
1.	Restructure/Reschedule Loan	4,659	1,685	(2,974)
2.	Substandard	204,029	177,048	(26,981)
3.	Doubtful	202,232	379,925	177,693
4.	Loss	573,245	492,711	(80,534)
	Total Non-Performing Loan	984,165	984,166	866,734

2.7. Movement of Loan Loss Provision & Interest Suspense

S.No	Category	Ashad End 2073	Ashad End 2074	Movement
1.	Pass	522,854	606,659	83,805
2.	Watch List	47,593	44,609	(2,984)
3.	Restructured	1,829	301	(1,528)
4.	Substandard	51,007	44,262	(6,745)
5.	Doubtful	101,116	189,963	88,847
6.	Loss	573,245	492,711	(80,534)
	Total Loan Provision	1,297,644	1,378,505	80,861
	Interest Suspense	226,437	223,365	(3,072)

2.8 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. Details of Interest Suspense movement are as follows:

Particulars	Ashad End 2073	Ashad End 2074	Movement
Interest Suspense	226,437	223,365	(3,072)

2.9. Details of Additional Loan Loss Provision

S.No	Category	Amount
1.	Pass	73,188
2.	Watch List	404
3.	Restructured	-
4.	Substandard	-
5.	Doubtful	-
6.	Loss	-
	Total Additional Loan Loss Provision	10,598,399

2.10. Segregation of Investment Portfolio

S.No	Particulars	Amount
1.	Held for Trading	298,280
2.	Held for Maturity	9,875,480
3.	Available for Sale	424,640
	Total Investment Portfolio	10,598,399

Note: Investment under held for trading category includes NSB Bonds held by the Bank, bought and sold daily as market maker of the same. The accrued interest receivable of T-Bill has been capitalized to T-Bill.

2.11 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 11,212,561 thousands for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

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

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.



NMB BANK BRANCH NETWORK

INSIDE VALLEY

- | | |
|---------------------|-----------------------|
| 1 Babarmahal Branch | 11 Pulchowk Branch |
| 2 Basundhara Branch | 12 Putalisadak Branch |
| 3 Bhaktapur Branch | 13 Sitapaila Branch |
| 4 Chabahil Branch | 14 Teenkune Branch |
| 5 Kalanki Branch | 15 Teku Branch |
| 6 Kantipath Branch | 16 Thaiba Branch |
| 7 Kumaripati Branch | 17 Thamel Branch |
| 8 Lubhu Branch | 18 Thapathali Branch |
| 9 Naxal Branch | 19 Kapan Branch |
| 10 New Road Branch | |

OUTSIDE VALLEY

- | | | |
|--|----------------------------|-------------------------------------|
| 20 Aryabhanjyang Branch | 49 Dharan Branch | 82 Mayadevi (Pakadi) Branch |
| 21 Aurahhi Branch | 50 Dhunche Branch | 83 Murgiya Branch |
| 22 Banepa Branch | 51 Doti Branch | 84 Narayanghat Branch |
| 23 Bangai Branch | 52 Drivertole Branch | 85 Naumule Branch |
| 24 Bardibas Branch | 53 Dudhe Branch | 86 Nawarajpur Branch |
| 25 Bateshwar Branch | 54 Gaighat Branch | 87 Nepalgunj Branch |
| 26 Belbari Branch | 55 Galchhi Branch | 88 Nijgadhi Branch |
| 27 Beldandi Branch | 56 Golbazar Branch | 89 Pachrauta Branch |
| 28 Beni Branch | 57 Gorkha Branch | 90 Palpa Branch |
| 29 Bhairahawa Branch | 58 Gorusinghe Branch | 91 Pathari Branch |
| 30 Bhalwari Branch | 59 Hanshapur Branch | 92 Pharsatikar Branch |
| 31 Bhojpur Branch | 60 Hetauda Branch | 93 Phidim Branch |
| 32 Biratnagar Branch
(Kanchanbari) | 61 Illam Branch | 94 Pokhara Branch |
| 33 Biratnagar Branch
(Rangeli Road) | 62 Itahari Branch | 95 Sakhuwan Branch |
| 34 Birgunj Branch | 63 Janakpur Branch | 96 Salleri Branch |
| 35 Birtamod Branch | 64 Jeetpur Branch | 97 Sonma Branch |
| 36 Bishrampur Branch | 65 K.I. Singh, Doti Branch | 98 Sunawal Branch |
| 37 Burtibang Branch | 66 Katari Branch | 99 Surkhet Branch |
| 38 Butwal Branch
(Traffic Chowk) | 67 Kawasoti Branch | 100 Surunga Branch |
| 39 Butwal Main Branch
(Milan Chowk) | 68 Kerabari Branch | 101 Tamghas Branch |
| 40 Chaar Number Branch | 69 Kerkha Branch | 102 Taplejung Branch |
| 41 Chandragadhi Branch | 70 Kirme Branch | 103 Tarahara Branch |
| 42 Chandrauta Branch | 71 Kohalpur Branch | 104 Thutipipal Branch |
| 43 Chulachuli Branch | 72 Kudiya Branch | 105 Timure Branch |
| 44 Chutrabesi Branch | 73 Lahan Branch | 106 Tulsipur Branch |
| 45 Dailekh Branch | 74 Lamki Branch | 107 Urlabari Branch |
| 46 Damak Branch | 75 Letang Branch | 108 Waling Branch |
| 47 Damauli Branch | 76 Madhumalla Branch | 109 Koltadi Sardibagaicha
Branch |
| 48 Dhangadhi Branch | 77 Mahendranagar Branch | 110 Tilathi Branch |
| | 78 Mahottari Branch | |
| | 79 Manigram Branch | |
| | 80 Manthali Branch | |
| | 81 Masuriya Branch | |



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