



NMB BANK
एनएमबि बैंक
move beyond

ANNUAL REPORT 2015/16

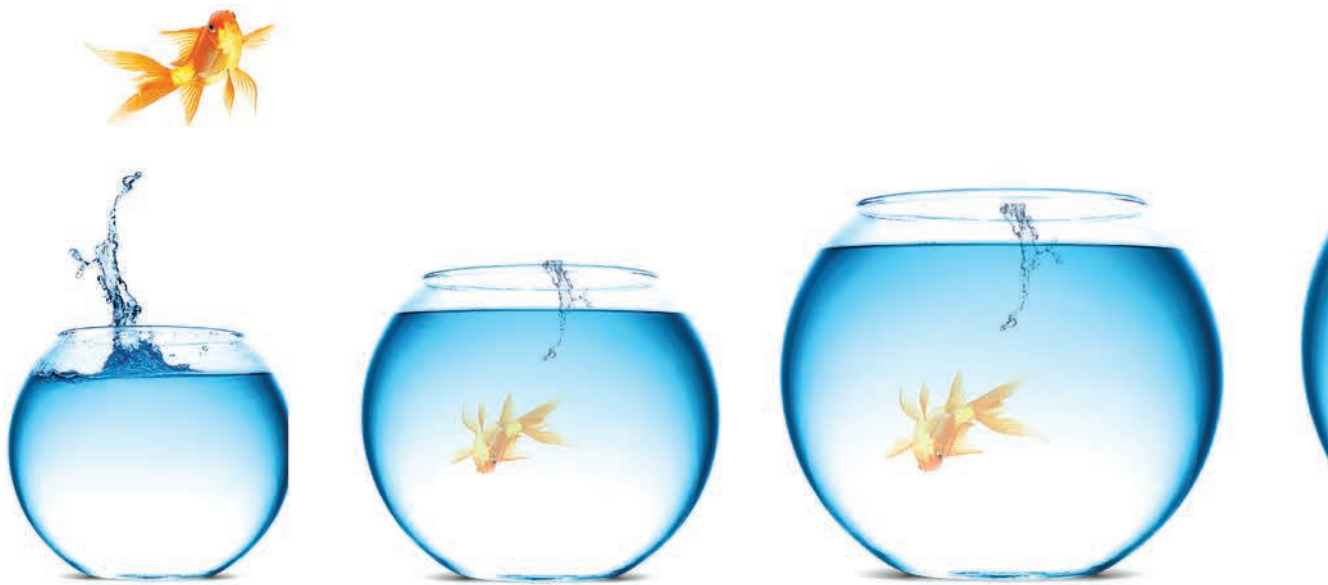
BIGGER & BETTER



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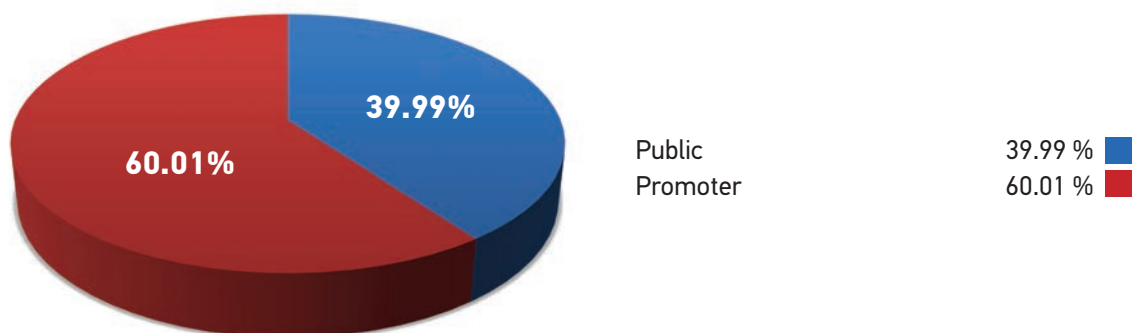
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BIGGER
NOW MUCH
BETTER



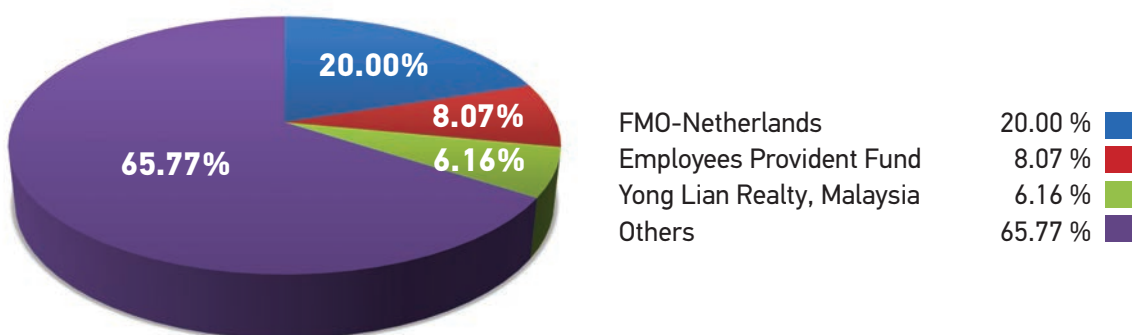


NMB AT A GLANCE

Current Ownership Structure



Current Shareholdings



FY 2015/16 Highlights

CUSTOMER BASE	350 K
NET WORTH	NPR 6.86 BILLION
NET PROFIT	NPR 1.11 BILLION
BALANCE SHEET	NPR 74.61 BILLION
DEPOSITS	NPR 64.78 BILLION
RISK ASSETS	NPR 53.02 BILLION
HYDROPOWER EXPOSURE	NPR 3.52 BILLION
NO. OF BRANCHES	71
NO. OF EXTENSION COUNTERS	7
NO. OF ATMs	57
NO. OF STAFF	755



ABOUT NMB BANK

NMB Bank unfolded a new chapter in the Banking history of Nepal by merging four different Financial Institutions with NMB Bank during the financial year 2015/16. On 18th October 2015, NMB Bank achieved yet another milestone in its 21 years journey by concluding a joint operations from 71 branches spreading across 36 districts with 57 ATM terminals and more than 350 thousand customer base.

The Bank has now two foreign partners viz. FMO, Netherlands and Yong Lian Realty Malaysia. FMO, Netherlands- is the AAA rated Dutch development bank having its investment in private sector in developing countries and emerging markets. Currently FMO, Netherlands and Yong Lian Realty, Malaysia holds 20.00% and 6.16% stake in the Bank. Employees Provident Fund Nepal along with reputed business conglomerates in the country are the local partners of the Bank. 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.

As on July 2016, the Bank is providing services from its 71 branches, 7 extension counters, one offshore office in Kuala Lumpur-Malaysia, 2 Subsidiaries- NMB Capital Limited and NMB Microfinance Bittiya Sanstha Limited, more than 1,200 NMB Sulav Remit Agents, 5 Branchless Banking touch points and more than 100 International correspondent banking relationships.

The Bank understands the changing dynamics in banking and therefore shaping itself by investing in technology, innovation and building human capital so as to deliver best of products and services to its valuable clients.

As on Mid-July 2016, the Bank has a Balance Sheet of NPR 74.61 Billion, Net worth of NPR 6.86 Billion, Deposit base of NPR 64.78 Billion, Risk Assets of NPR 53.02 Billion and Net Profit after tax of NPR 1.11 Billion. In USD terms these financial landmarks are as Balance Sheet of USD 704 Million, Net worth USD 65 Million, Deposits USD 611 Million, Risk Assets USD 500 Million respectively and Net Profit of USD 10.5 Million.

Customers were, are and will always be on top priority of NMB Bank. For a customer centric approach, the Bank has been inculcating culture and values system that helps its human resource to live with it. All the stakeholders are collectively working and aligning their efforts which we believe will shape up the Bank and will help us to lead the Nepalese Banking Industry.

MISSION

To gain supremacy in growth, profit, customer care and social response in banking by way of:

- ✓ Leveraging and integrating the existing strengths of the institution
- ✓ Reaching out and serving wide range of customers within and outside the country
- ✓ Developing a culture of "Giving Extra Care to the Customers"
- ✓ Being innovative in designing and delivering services
- ✓ Adopting prudent investment practices for building up a sound assets base.
- ✓ Developing internal and external efficiencies by prudent use of technology
- ✓ Building operational efficiency through smarter processes and controls
- ✓ Providing exciting and challenging career prospects for the employees
- ✓ Placing high priority on stakeholders' interest and statutory compliance
- ✓ Acting responsibly for making contributions to the society at large

VISION

To establish ourselves as a leader in banking by providing a range of financial services suitable to the needs of the market with high priority on customer care while simultaneously embracing the interests of all stakeholders and value of a good corporate citizen.

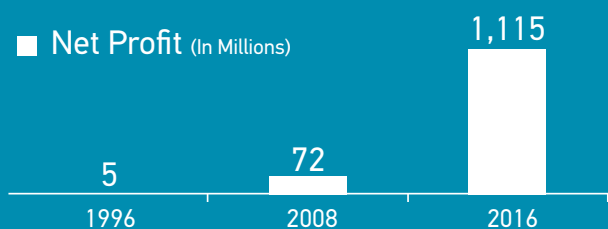
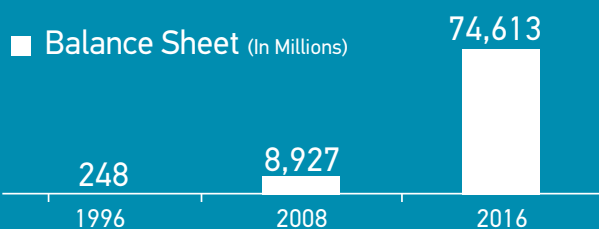
NMB'S JOURNEY SO FAR

NMB Bank's journey started back in 1996 AD when it was established as a 'C' class financial Institution. NMB remained a leader in its domain for 8 years and created history in 2008 by becoming the first financial institution that has been upgraded as class "A" financial Institution from Class "C" in Nepalese Banking Industry. With its vision to be a much better and bigger bank, NMB Bank successfully concluded a historical merger in 2015 by merging with four different Financial Institutions and has positioned itself as a leading financial institution in the country.

It's been an amazing journey starting from a single branch to 71 branches, few thousand customers to close to half a million customer base. These unprecedented events have been possible with

strong commitment, sheer determination of all stakeholders, promoters, shareholders, customers, regulators and employees of the Bank.

Today NMB Bank has got a AAA rating bank as its foreign partner. FMO, Netherlands is the Dutch development bank with 51% of its stake held by Dutch government. FMO has been working in developing countries and emerging markets for more than 46 years. FMO has 20.00% share holdings, Young Lian Realty holds 6.16% and Employees Provident Fund has 8.07% shareholding in the Bank. Partnership with FMO will help the Bank's capacity in terms of offerings and serving its customers in better ways and will create a synergy in the future.



1996 – NEPAL MERCHANT BANKING AND FINANCE “C” CLASS FINANCIAL INSTITUTION





FMO

Entrepreneurial
Development
Bank

FMO is the Dutch development bank founded in 1970 under public-private partnership, with 51% of its shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a AAA rating from Fitch Ratings and a AAA rating from Standard & Poor's.

FMO strongly believes in entrepreneurship, that creates in sustainable economic growth and improves people's quality of life. FMO focuses in those sectors where their contribution can have the largest long-term impact: financial institutions; energy; and agribusiness. FMO's strong profile will allow NMB Bank in building its capacity in terms of exploring new business areas, capitalizing more on its internal resources including products, information system and in achieving operation efficiency.

global alliance for banking on values



Strategic Partnership – Global Alliances for Banking on Values (GABV)

NMB is the member of Global Alliances for Banking on Values

The Global Alliance for Banking on Values (GABV) is a network of banking leaders from around the world committed to advancing positive change in the banking sector. GABV's 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.

GABV is committed to use finance to deliver sustainable economic, social and environmental development. The alliance comprise of 36 member financial institutions operating in countries across Asia, Africa, Australia, Latin America, North America and Europe serving more than 24 million

customers and holding up USD 110 Billion of combined assets under management and powered by the network of more than 42,000 co-workers.

How this strategic partnership helps the Bank and the Country

- The membership has opened up opportunity for the Bank to bring in long term debt in the country from member banks to support large size projects having positive impact to the people, environment and the country as a whole
- GABV members have committed to raise USD 1 Billion in next 10 years for providing growth capital for banks focused on the real economy. NMB Bank is well positioned to route this fund to Nepal to support investment needs
- Migration of Best Practices – Senior Human Resources Managers from member banks meet regularly for peer coaching and to discuss on how human resources can be advanced from value based perspective and translated to larger staff base.
- GABV also organizes Annual CEO meet wherein the leaders from across the world gather at one place to discuss about opportunities/experiences from different GABV member countries

CHAIRMAN'S STATEMENT



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Our attentive approach to market along with dynamic and proactive strategy has helped us to keep balanced approach on both fronts i.e. business growth as well as risk management

Firstly, I would like to welcome all of you to the 21st Annual General Meeting of NMB Bank Limited and extend my warmest regards on behalf of the Board of Directors. FY 2015/16 turned out to be yet another splendid year as NMB Bank has put up an excellent result amid adverse business environment.

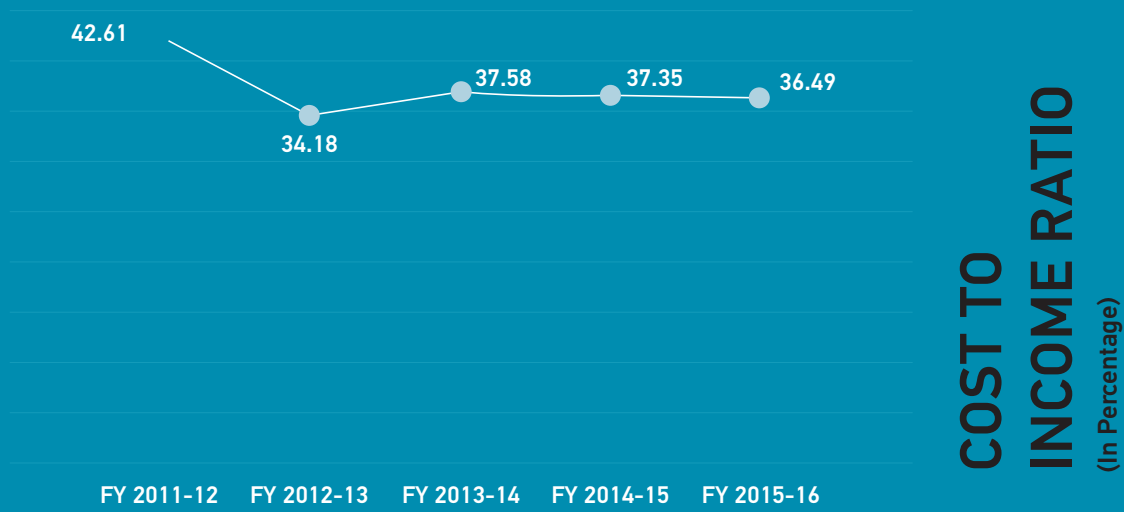
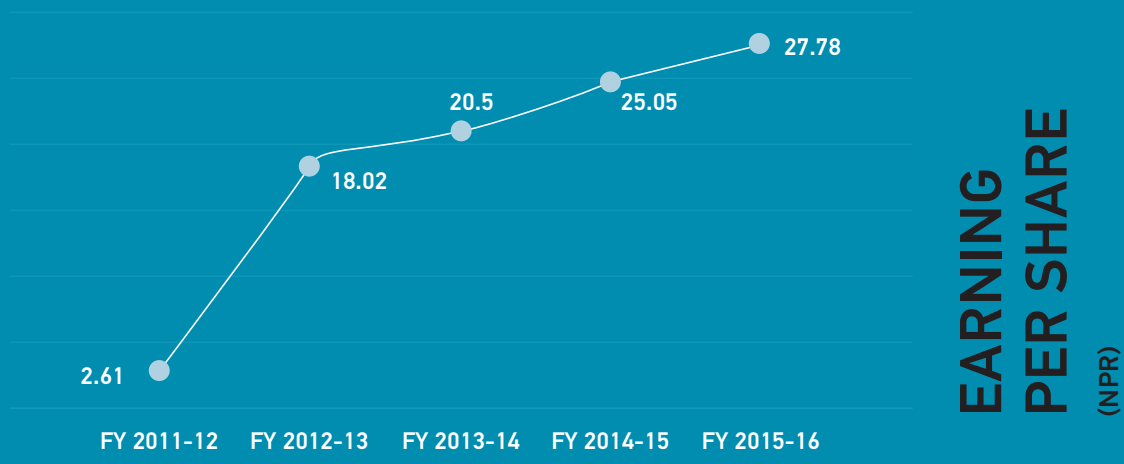
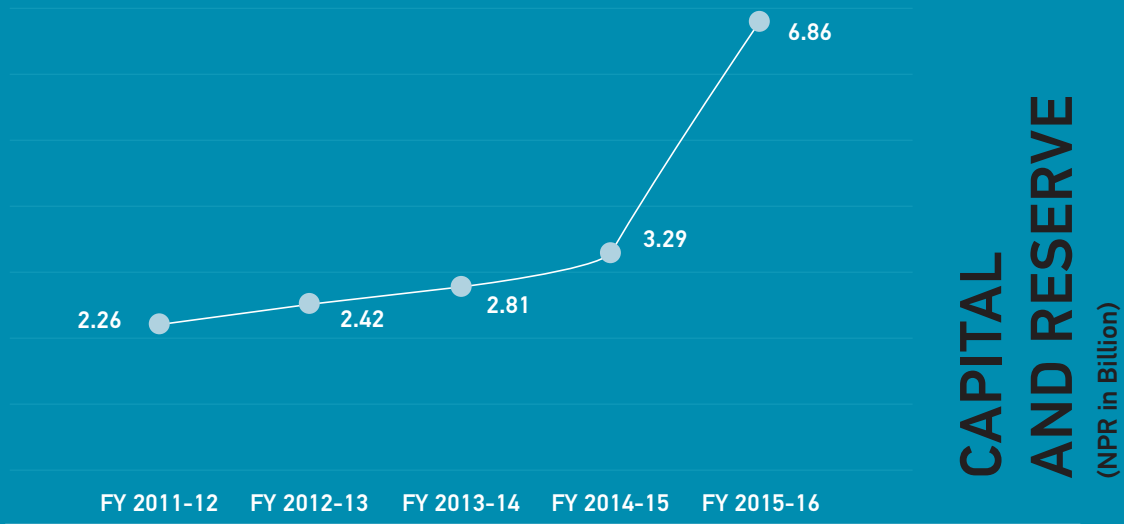
FY 2015/16 proved to be a challenging year due to various factors including low economic growth, sharp decline in trade activities, rising inflation, deceleration in remittance inflows etc. Low growth rate of agriculture sector, impact of devastating earthquake and disruption in supplies due to border blockade attributed to the lowest overall economic growth in the last 14 years.

Our attentive approach to market along with dynamic and proactive strategy has helped us to keep balanced approach on both fronts i.e. business growth as well as risk management. Guided by its

long term sustainable growth strategy, the Bank has been able to rank itself in the first quartile of the commercial Banks in the country.

The Bank adopted combination of organic and inorganic growth strategies which has helped the Bank to take the leap forward in both business and network expansion. After the successful merger, NMB Bank stood third amongst private sector commercial banks in the country in terms of branch network. Currently, there are 71 branches of the Bank across the country with 7 Extension Counters, 1 Offshore Representative Office and 57 ATMs. The Bank has plans to gradually expand its footprints to new strategic locations in days to come.

Now, I would like to present you with the Bank's Annual Report for the Financial Year 2015/16.



Key financial performance for the FY 2015/16 is as follows:

- Overall Deposit volume significantly increased by 76% to NPR 64.7 billion compared to NPR 36.72 billion in the previous year.
- Loans and Advances volume also increased by 94% to NPR 53.02 billion.
- Operating Profit doubled to NPR 1.64 billion compared to NPR 821 million in the previous year.
- Net profit after tax recorded at NPR 1.11 billion, an increase by 123% compared with the last year.
- Paid up capital increased to NPR 5.5 billion from NPR 2.7 billion.
- Earnings per share increased to NPR 27.78 from NPR 25.05
- Cost to Income ratio improved to 36.49% from 37.35%.

It is a matter of pride for all of us to see our bank amongst largest commercial banks in the county. I am sure you will appreciate the achievements of the Bank during the year.

Macro Economic Environment and Outlook:

During FY 2015/16 the world economy remained subdued due to sluggish growth in advanced/developed economies. Increasing geo-political uncertainties, slow progress in monetary policy stimulus in some advanced economies, decelerated export of advanced economies due to weak external demand has slowed down the overall economic growth. Unfavorable demographic trends, low productivity growth, and legacies from the global financial crisis continue to hamper a robust pickup in economic activity. China's growth stability owes much to macroeconomic stimulus measures that slow needed adjustments in both its real economy and financial sector. As per World Economic Outlook published by International Monetary Fund (IMF) in April, 2016, the global growth will experience a marginal growth of 3.2% against 3.1% during 2016. Despite subdued activity in advanced economies and associated spillovers, emerging market and advanced economies as a group recorded a slight pickup in momentum over the first half of 2016. Economies of two giant Asian countries: India and China, which rose by 7.3% and 6.9% respectively in 2015, are projected to grow by 7.5% and 6.5% respectively in 2016.

During the FY 2015/16, Nepal's economic growth plummeted to the lowest level in the last 14 years with a GDP growth at 0.77%. Negative growth rate in Industry, Electricity, Trade, Tourism and low growth in Agriculture which occupies one-third of country's GDP attributed for lowest growth during the period. Deteriorating overall macroeconomic situation in the country, fueled by various other factors have had adverse impact on productive/real sectors.

Amidst the sluggish growth, business environment is expected to recuperate. Improvement in economic activities is expected and growth in coming year will accelerate with the stabilization of political process, rebound of trade activities, post earthquake reconstruction work etc.

Our focus, this year will be on reaching out to unbanked and under banked population, small-micro and medium enterprises and strengthen our deposit structure by emphasizing on retail deposit base. Dedicated SME segment of the Bank will provide their special attention to cater small and medium enterprises. Retail Banking will continue building CASA base through its branch network across the country. We will continue to expand Alternative Delivery Channels such as Branchless Banking, Cards, Mobile Banking, etc, that will help in reaching out rural and unbanked populace. Moving forward, we will continue to improve our asset quality, expand our distribution network, invest in technology and people to maintain a healthy balance between risk and return.

Acknowledgement :

I on behalf of the Board of Directors would like to thank all our respected shareholders for their 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. We reiterate our commitment to ensure high level of Corporate Governance within the Bank. I am also pleased to record my appreciation to the management team and all staff for their relentless work and commitment.

Finally, I take this opportunity to express my gratitude to all our valued customers for their support and patronage.

We look forward to your continued support in days ahead.

Thank you !

Pawan Kumar Golyan
Chairman

CEO'S MESSAGE



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For a self reliant Nepal, we need to develop on our core competencies like hydropower, tourism, service, agriculture and agro-based enterprises. We also need to work for enhancing access to finance to the grass root level population

NMB Bank has always been in the forefront of the industry and made efforts to bring in new initiatives in the industry ever since the establishment of the Bank in 1996. The Board and the Management have always had a broad vision for the Bank, as a result, the Bank made significant leap forward particularly when it became the first institution to have upgraded two steps as a commercial bank. This was then considered as an unprecedented event yet the quest for a bigger bank continued. The Bank always believed that in order to remain strong and stable it had to grow in size and structure. Hence, the Bank explored inorganic growth by way of merger and acquisitions.

In line with this strategy, the Bank decided to merge with four other Banks and Financial Institutions which was completed on 18th October 2015. This was also considered an unparalleled event in the history of Nepali banking to have merged five banking institutions at a time. We have had tremendous support of Nepal Rastra Bank, Securities Board, our promoters, merging partners, Merger Committee, NMB Board, FMO

and its officials in this process. We are grateful for their support, without which it would not have been possible for us to complete the merger. We have always endeavored to make the merger flawless in which we have succeeded to a large extent.

The Bank's performance has been impressive in terms of business and growth in profits wherein the Bank recorded net profit after tax at NPR 1.11 billion, an increase by 123% in comparison to the last fiscal year. During this period the Bank's capital base increased from NPR 2.7 billion to NPR 5.5 billion, which well positions the Bank to meet the NRB capital requirement of NPR 8 billion within the stipulated time. The overall deposit volume of the Bank significantly increased by 76% to NPR 64.7 billion in comparison to NPR 36.72 billion in the previous year.

The merger initiative also entailed increase in holding of FMO in the Bank from 3.2% to 20%, giving us an opportunity to work together with an triple A Rated international bank, based in the Netherlands with holding of 51% by the Netherlands Government. We have now completed

the entire process of the investment by FMO. FDI of this magnitude at this juncture by a European bank is sure to add value to the country's efforts in garnering foreign investments in Nepal.

FMO and NMB both have embraced value based banking wherein we think "people before profit". We will work together with our common objective of promoting value based banking globally and in Nepal. Our bonding now has strengthened further with the substantial increase in investment by FMO. In line with the Joint Venture arrangement, FMO has committed to accord additional focus on our investment in energy including hydropower and agriculture. The investment also underpins FMO's support to NMB in its capacity building in energy and agriculture financing and environment impact assessment as per international norms. NMB is also fully committed to comply with environmental, social and corporate governance requirements as per international norms including, Equator Principles, and Client Protection Principles.

The Bank is also a member of the Global Alliance for Banking on Values (GABV) with a commitment to follow the value based banking with triple bottom-line objective of People, Planet and Prosperity. Hence, our banking philosophy will be based on Sustainability, Social Impact and Profitability. In line with this objective, we have proposed to hold the next GABV conference in Nepal which has been accepted by the Global Alliance. The conference is being held in Kathmandu from 7-9 March 2017.

Our lessons in the past whether it be from the devastating earthquake or the blockade at the border points suggest that Nepal needs to be self reliant. For a self reliant Nepal, we need to develop on our core competencies like hydropower, tourism, service, agriculture and agro-based enterprises. We also need to work for enhancing access to finance to the grass root level. The Bank aims to support the country's absolute need to become self reliant by investing in these areas. Our corporate tag line "Atmanirbhar Nepal Ko Lagi" thus resonates our commitments.

The Bank has been working to establish itself as one of the leading brands in the banking industry. With added focus on Retail and SME portfolio, International Trade, tie-ups with multilateral agencies for various business initiatives including Trade Finance, Micro Finance and access to finance, the association with our foreign partners FMO, Netherlands and Yong Lian Realty, Malaysia will help in improve the Bank's brand . Diversification in Risk Asset, strengthening its productive sector portfolio, expansion of its footprints in strategic locations and continuous focus on understanding customer needs and creating solutions around them shall be the key priorities of the Bank.

The Bank will continue its initiatives in undertaking various CSR activities including heritage conservation which is not limited only in the capital but is spread throughout the country where we have our presence.

We believe that the staff are our greatest asset. The Bank will continue to take required initiatives towards further improving working environment and create growth opportunities for the staff. The Bank will also continue to provide opportunities for skill development and training for the staff.

I would like to accord my sincere gratitude to the NMB Bank Board of Directors, Government of Nepal, Ministry of Finance and regulatory authorities including Nepal Rastra Bank, Securities Board and our foreign partners FMO, Netherlands and Yong Lian Realty, Malaysia for their valuable support during the period. I would also like to thank two of our most valuable stakeholders – our customers and employees for their positive attitude and unrelenting commitment and hard work to deliver results together.

Thank you !

Upendra Poudyal
Chief Executive Officer

DIRECTOR'S REPORT

The Board of Directors of NMB Bank Ltd is pleased to present 21st Annual Report including the Balance Sheet, Profit and Loss Account, Cash Flow Statements for the fiscal year ending 2015/16. Apart from the financial statements, summarised in the section are overview of business environment, key milestones, challenges faced and strategies and way forward.

Fiscal year 2015/16 has been very satisfying for the Bank. During the review period, the Bank successfully completed merger with Clean Energy Development Bank, Bhrikutee Development Bank, Pathibhara Development Bank and Prudential Finance and started joint operation from 18th October 2015. With the historic merger, the Bank's capital base has become stronger along with increased branch network. This has further helped Bank to boost its deposit mobilization and loan activities.

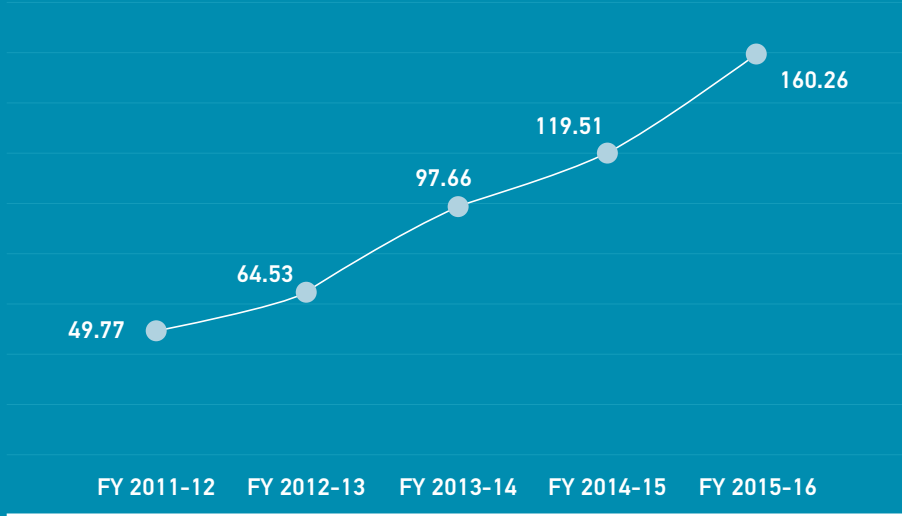
This report is in conformity with the provisions of the Companies Act 2063, Banks and Financial Institutions Act 2063 including Directives and Circulars issued by Nepal Rastra Bank from time to time.

Deposit Mobilization: Bank mobilized deposits of NPR 64.78 Billion in the FY 2015/16 with a growth of 76.41% over the previous FY. Total deposits stood at NPR 36.72 Billion in previous FY 2014/15. Institutional Deposits contributed 49.47% of the total deposits mobilized by Bank in the year 2015/16 remaining within the norms prescribed by NRB. While current deposits contributed 4.12%, 28.74% was maintained as Savings Deposits. Similarly Fixed, Call and Other deposits contributed 41.64%, 22.32% and 3.18% respectively.

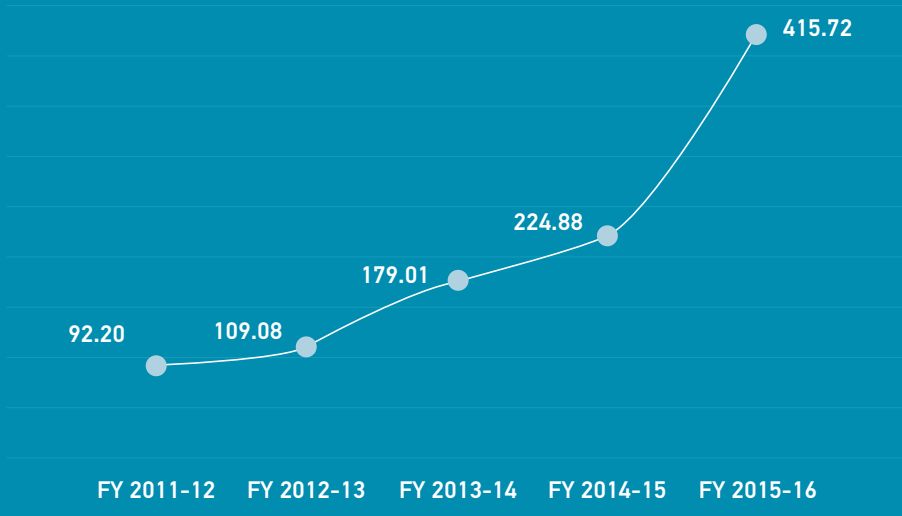
Loans and Advances: Loans and Advances during the fiscal year grew by 94.30% at NPR 53.02 Billion against a figure of NPR 27.28 Billion for 2014/15. Out of the total Loans and Advances of current fiscal year, Real Estate loan constitutes 7.61%; Home Loan 10.38%; Margin Lending 1.56%; Term Loan 18.36%; Overdraft 5.82%; Trust Receipt/Import Loan 3.84%; Demand and other Working Capital Loan 20.17%; Hire Purchase 6.52%; Deprived Sector Lending 5.35%; Bills Purchase 1.63% and other Loans 19.85%. The Bank invested 14.36% in Hydro power; 5.99% in Agriculture; 1.98% in Small and Medium Enterprises. The Bank's investment

FINANCIAL & PERFORMANCE HIGHLIGHTS

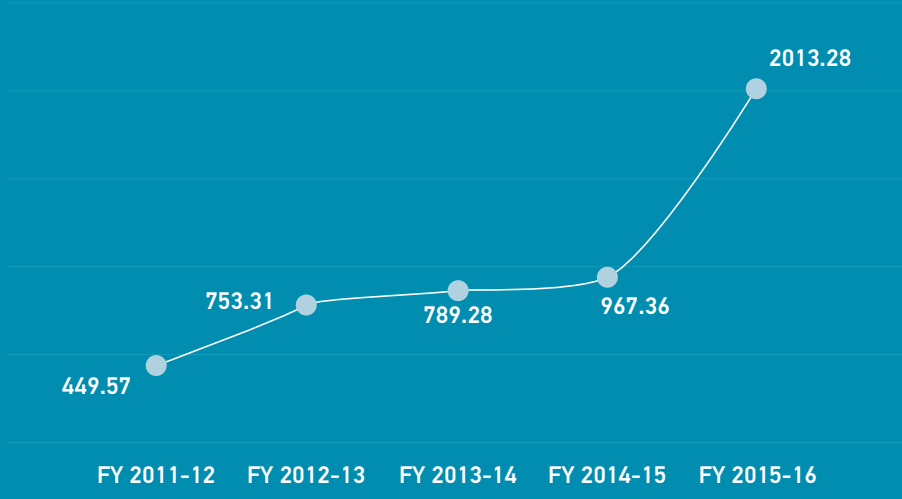
S.No	Particulars	In Thousands			
		FY 2014/15	FY 2015/16	Increment Amount	Increment Percentage
1	Total Deposits	36,722,918	64,781,464	28,058,546	76.41%
2	Total Loans and Advances (Net)	27,288,891	54,459,411	27,170,520	99.57%
3	Total Investments	5,983,872	8,504,126	2,520,254	42.12%
4	Net Interest Income	967,368	2,013,282	1,045,914	108.12%
5	Commission, Discount and Other Operating Income	224,886	415,721	190,835	84.86%
6	Exchange Fluctuation Income	119,514	160,269	40,755	34.10%
7	Total Operating Income	1,311,767	2,589,272	1,277,505	97.39%
8	Other Operating Expenses	288,112	473,549	185,437	64.36%
9	Operating Profit Before Provision for Possible Loss	821,840	1,644,411	822,571	100.09%
10	Net Profit/Loss	500,990	1,115,065	614,075	122.57%
11	Paid Up Capital	2,732,365	5,518,636	2,786,271	101.97%
12	Capital Adequacy Ratio (CAR)	11.13	10.98	-0.15	-1.35%



**FOREIGN
EXCHANGE
INCOME**
(NPR in Million)



**FEES AND
COMMISSION**
(NPR in Million)



**NET INTEREST
INCOME**
(NPR in Million)

in productive sector lending is 34.17%. Bank shall focus on increasing its investment in productive sector.

Investment: Bank has made an investment of NPR 8.50 Billion in current fiscal year with a growth of 42.12% over Investment figures of NPR 5.98 Billion for FY2014/15. Bank's investment in Government Bond & Treasury Bills was at NPR 4.40 Billion. Balances with domestic and foreign banks stood at NPR 3.51 Billion and NPR 320 Million respectively. While Investment in shares of various organizations stood at NPR 260 Million.

Operational Expenses: While Bank's operational expenses was at NPR 473.5 Million fiscal year 2015/16, it stood at NPR 288.1 Million in fiscal year 2014/15. Bank's staff expenses stood at NPR 471.3 Million with a growth of 133.54% over previous year. While there has been an increase in operational expenses of the Bank, it is within the approved budget.

Income: Operating Income of the Bank grew by 97% during the fiscal year at NPR 2.58 Billion against NPR 1.31 Billion of previous year. The net profit of the Bank during the fiscal year remained at NPR 1.11 Billion against NPR 500.9 Million of previous year which is an increase by 122.57%. Interest Income grew by 75% at NPR 4.05 Billion against NPR 2.31 Billion of previous fiscal year. Commission, Fees & other operating income grew by 85% at NPR 415.7 Million. Foreign Exchange Income grew by 34% at NPR 160.2 Million. The Bank invested in new avenues during the fiscal year hence, with the proficient management, the Bank was able to make significant profit during the fiscal year.

Capital Adequacy, Loan to Deposit and Liquidity Ratios: During the fiscal year, the Bank's capital adequacy ratio remained at 10.98% against stipulated requirement of NRB at 10%.

The loan/deposit ratio remained at 78.69%. Liquidity ratio remained within the prescribed limit at 27.45%. Bank's base rate was at 6.68%.

The Bank's non-performing asset remained at 1.81% against 0.42% of previous fiscal year.

Mutual Fund: The Bank issued mutual fund named "NMB Sulav Investment Fund" in September 2014; its performance has been satisfactory till date.

Bank has also obtained approval for and allotted units of another mutual fund named "NMB Hybrid Fund L-1" as of date.

Debenture: The Bank issued NPR 500 Million Debentures at 7% with maturity on 5th Bhadra 2077. Bank has created a separate fund for payment at maturity by setting aside fixed amount. Total amount accumulated in this fund is Rs 127.7 Million.

Branch Expansion:

The Bank has increased its network to 71 branches, 7 extension counters and 59 ATMs till date. The branches network ranges from East to West of the country. The SME Hub of the Bank is located in New Road, Kathmandu focusing on providing services to Small and Medium Enterprises. Retail Hub is located at Naxal with focus on efficient servicing of retail products. Similarly, Priority Banking lounge at Kantipath provides exclusive services to the Bank's priority customers. The Bank continues to increase its reach to wider customer base through increased branches, ATM network and branchless banking.

The customers in rural areas have been able to avail banking services in their own periphery through branchless banking service provided by Bank. The Bank shall extend its branchless banking facilities in other unbanked areas of the country to the possible extent. The Bank has not only mobilized deposits through this service but also provided loan facilities as per customer requirements.

This fiscal year, the Bank has entered into agreement with 3 Banks in Malaysia and India for facilitating inward remittances for convenience of Nepalese working in these countries. The remittance arrangement with companies from Kuwait, Dubai, Korea, Malaysia and other local remittance companies will help bring the remittance through formal channel. The Bank continues to focus on remittance business and will seek new avenues for the same.

Off-shore Representative Office:

The Bank's Representative Office at Kuala Lumpur, Malaysia has been operating as contact point for boosting bank's remittance businesses. The office has been playing an advisory role to the business people of Malaysia for investment opportunities

in Nepal and vice versa. This will certainly help to strengthen the business ties of the two countries.

Influence on the Banks business due to both local and world economic outlook

World Economic Outlook:

International Monetary Fund (IMF) projects the world economy to grow by 3.2% in 2016 and 3.5% in 2017. Advanced economies are projected to expand by 1.9 % in 2016. Emerging and developing economies are projected to grow by 4.1% in 2016 and 4.6% in 2017. The projected growth of India and China for 2016 is 7.5% and 6.5% respectively. Inflation in emerging and developing economies is projected to remain at 4.5% in 2016. This is because of the lower price of commodities including petroleum products and metal. Inflation in India and China is projected to remain at 5.3% and 1.8% respectively in 2016. Central banks in developed countries adopted the unconventional monetary policy (UMP) stance in the aftermath of the global financial crisis of 2008. However, US Federal Reserve has started to normalize its stance. The Federal Reserve, which kept interest rate at a lower bound, increased target range for Fed Fund rate by 0.25% points in December 2015 after the improvement in job market. This has resulted in a depreciation of the Nepalese currency against the US dollar. Central banks in Japan and Switzerland have adopted negative interest rate policy and the European Central Bank has continued its policy of keeping interest rate at lower bound. In recent years, India and China have also moved towards the dovish stance of monetary policy. (Excerpt Monetary Policy 2016/17).

Domestic Economic Outlook:

In 2015/16, gross domestic product (GDP) at basic price is estimated to grow at 0.77%, significantly lower than the targeted growth of 6%. The growth of agricultural sector is estimated to be 1.3% due to the unfavorable weather. Similarly, the growth of non-agriculture sector is estimated to remain at 0.6%. This is because of the effect of earthquake and supply disruptions along with the disturbances in border points. In 2014/15, GDP growth was 2.3%.

The analysis of national income, consumption, savings

and investment has shown the mixed trend. In 2015/16, the share of consumption in GDP is 94.7%. As a result, the ratio of domestic savings to GDP remains 5.3%. National savings is substantial at 42.9% of GDP due to the expansion of remittance inflows. The ratio of gross fixed capital formation to GDP is estimated to be 25%. The level of investment has remained low relative to substantial availability of domestic financial resources for the last few years. This has led to a substantial surplus in current account.

The projected annual average inflation for 2015 /16 were 8.5%. In eleven months of the current fiscal year, average consumer price inflation rose to 9.9% due to supply disruptions and border disturbance. Such inflation was at 7.2% in the previous year. On y-o-y basis, CPI inflation surged up to 11.1% in June 2016. The prices of food and beverages group increased by 11.9% and the non -food and services group by 10.5% in the review period.

Government of Nepal (GoN) had announced total budget of Rs. 819 billion for 2015/16. Of total expenditure, the estimates of capital spending and current spending were Rs. 209 billion and Rs. 484 billion respectively. Capital spending stood at 33.2% of annual estimates and current spending at 65.1% as of 8th July 2016. Revenue collection by the Government stood at Rs. 434.27 billion as on 8th July 2016, which is 91.4% of the annual target of Rs. 475 billion. The cash balance of the Government amounted to Rs. 197.11 billion as a result of low expenditure compared to resource mobilization.

The Government domestic borrowing amounted to Rs. 87.77 billion in 2015/16 and the principal repayment was Rs. 50.40 billion. As a result, net domestic borrowing amounted to Rs. 37.37 billion in 2015/16. Total outstanding domestic debt of the Government reached Rs. 234.15 billion by the end of 2015/16.

Balance of payments (BOP) surplus reached Rs. 171.15 billion in mid-June 2016. The contraction in imports resulted in such a substantial surplus in BOP. As a result of such high BOP surplus, foreign exchange reserves Reached Rs. 1021.74 billion in mid- June 2016. This remains substantially higher than the target of 8 months import capacity of goods and services set in the monetary policy for 2015/16.

The growth of remittance inflow, which remains the major source of BOP surplus, has been

decelerating. In eleven months of 2015/16, remittance in flow in USD terms grew by 1.7%. The decline in numbers of individuals going abroad for employment is likely to affect the remittances going forward. Given the role of remittance inflow in maintaining overall macroeconomic stability, a deceleration in its growth might pose challenge to the economy.

Nepalese currency vis-à-vis the USD depreciated by 5.6% on 13 July 2016 from the level of mid-July 2015. It had depreciated by 5.3% in the corresponding period of the previous year. The exchange rate per USD stood at Rs. 107.13 on 13th July 2016 compared to Rs. 101.14 in mid -July 2015. (Excerpt Monetary Policy 2016/17).

To summarize, the contraction in increase in agricultural and non-agricultural sectors, effects of the devastating Earthquake on April 2015, decline in remittance inflow and development expenses have had an adverse effect on the country's GDP growth rate.

Financial Highlights of Q1 FY 2016/17

		In Thousands
S.No	Particulars	
1	Total Deposits	65,585,352
2	Total Loans and Advances (Net)	56,060,407
3	Total Investments	9,070,726
4	Net Interest Income	633,292
5	Commission, Discount and Other Operating Income	139,194
6	Exchange Fluctuation Income	61,890
7	Total Operating Income	834,376
8	Other Operating Expenses	128,383
9	Operating Profit Before Provision	543,460
10	Net Profit/Loss	353,685
11	Paid Up Capital	5,430,062
12	Reserves and Surplus	4,196,960
13	Capital Adequacy Ratio (CAR)	14.08%

Future Plans:

The Bank has been encouraging unbanked population for inclusion in the financial system and has been providing services through its branches. With a view of inculcating savings habit among the unbanked population, the bank has initiated special campaign named "NMB EK Ghar Ek Khata".

The Bank has a strategy to invest significantly on 'Small & Medium Enterprises' loans along with investment in agricultural sector. The Bank shall also focus in hydro, renewable energy and other productive sectors. With these in mind, the Bank will continue to open branches to facilitate banking services to areas with established economic activities. The Bank firmly believes in keeping up with the modern technology and shall work towards updating its technology from time to time. The Bank will continue to enter into various agreements with the foreign agents and also deploy staff for the convenience of workers working outside Nepal thus increasing its share in the incoming remittance.

The Bank will focus on escalating its Debit and Credit cards business, it intends to operate from its own SWITCH for both Debit and Credit cards. SWITCH operation will definitely give the Bank an edge in facilitating customers with card transactions both nationally and internationally.

The Bank shall also focus on building the business scope of its subsidiaries. New schemes for Mutual Fund shall be floated for increasing the Mutual Fund Business.

The Bank shall also continue its activities under its Corporate Social Responsibilities.

Industrial or Professional Relationship of the Bank:

The Bank maintains professional and transparent relationship with all stakeholders. We are confident that such professional relationship shall support future growth and success of the bank.

Changes in the Board:

Mr. Nanda Kishor Rathi has been appointed as alternate director to Mr. Nico Pijl.

Significant issues that will change business:

- The maintenance of low liquidity due to low level of development budget expenditure, decrease in inward remittance and fluctuation of interest rate management for deposits and loans may bring about severe challenges to the Banks.

- Increasing trend on risk analysis of all loans and non funded facilities is likely to put pressure on the Banks and customers alike.
- Risk associated with fluctuation of foreign exchange may make the Banks cautious on investments.
- Possible risk following the changes in monetary policy, national level policy in the country may bring about changes in the way the commercial banks operate.
- Lack of investment avenues in the country may have negative impact in the economy.

Significant observation from the Auditors to the Board:

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

Dividend payment:

In order to increase the paid up capital, the Bank has proposed to distribute 19% bonus share and 1% of cash dividend (for the tax purpose). Total amount to be distributed as dividend amounts to NPR 1,086,012,494.

Details of Shares forfeited by the Bank:

No shares were forfeited during the year.

Performance of subsidiary companies:

The details of company and its subsidiary companies have been incorporated under clause 1 and 26 (b) respectively.

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 20.94 Million deposits with the bank. The bank paid NPR 3.26 Million as interest to NMB Capital.

The Bank has received NPR 1.44 Million as rent and NPR 2.4 Million for management and other services provided to NMB Capital.

The detail of subsidiary companies viz NMB Capital and NMB Microfinance have been incorporated under clause 26 (b).

Information provided by the basic share holders to the Bank: None

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

Information on the Director's relative's involvement in the Bank's contracts if any: None

If the Bank has purchased its own shares, mention the reason for such purchase, number of purchased shares and the amount paid by the Bank: None

Internal Control System:

The Bank has established a very strong risk management environment to ensure risk is managed timely. There are 2 separate risk committees dedicated to manage credit risk and operational risk. Required policy processes to mitigate various types of risks are periodically prepared and reviewed taking in consideration the changes in regulatory system. Such policies are duly approved by the Board.

As per the regulatory requirement, 3 Board level committees have been formed namely Audit Committee, Risk Management Committee and Human Resources Service Committee. In the management level, there are various risk committees namely Executive Committee, Asset & Liability Committee, HR recruitment Committee, Operational Risk Committee, Governance Committee, Information & Technology Committee to have overview of all kind of risks. These committees discuss various risks so that immediate solutions are provided and also inform the same to the Board. The Bank continuously makes an effort to mitigate risk arising from Money Laundering activities hence various trainings are conducted regularly.

a. Board Level Committees:

i. Audit Committee:

As per NRB Directives, Audit Committee has been formed with the following members; where the coordinator is non executive director:

Mr. Harishchandra Subedi	- Coordinator
Mr. Jeevan Man Joshi	- Member
Mr. Ganesh Parajuli	- Member Secretary

Audit Committee has performed its responsibilities as per the Terms of Reference stated in NRB Directives. Each audit report is discussed at the

Committee and the suggestions/guidelines are followed through. The Board is regularly updated on the audit issues by the Committee Coordinator. During the fiscal year, the Audit Committee had 27 meetings. The members are provided NPR 12,000/- as a meeting allowance for each meeting. Member Secretary being a staff does not accept meeting allowance.

ii. Risk Management Committee:

The coordinator of Audit Committee (Non Executive Director) is also a member of the committee along with Chief Information Officer, Head Compliance & Chief Risk Officer.

The high risk issues identified at the management level are escalated to the Committee for further deliberation. In addition to the above, new NRB Directive/regulatory changes, Monetary Policies, that can have significant impact on the operation of the Bank are discussed. Discussions and decisions of the committee are escalated to the Board for review/information.

iii. HR Service Committee

HR Service Committee has been formed under the coordination of Non Executive Director with its members being CEO, Deputy CEO, CIO & Head HR. The Staff By-Laws, changes in the staff facilities, salary revision, changes in the organization structure, NRB regulation or any other regulatory changes are the main topic of discussion in the Committee.

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

Annual salary, benefits, allowance provided to the Directors, Chief Executive Officer and other Management staff:

As detailed in Notes to Accounts

Information of Unclaimed Dividend by the shareholder

Out of the total dividend distributed by the Bank upto FY 2015/16, NPR 34,013,359 remains unclaimed by the shareholders. A notice to collect the dividends has been published in the newspaper and in the bank's website.

Details of Fixed Assets purchase/sale as per the requirement of section 141

5 Ropanies of land in Kamaladi, Kathmandu was bought by the Bank for the purpose of constructing Corporate Office.

Business transaction with the related companies as per Company Act 2063 clause 175

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

Any other information as per Company Act 2063 in Director's Report:

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

Other important issues:

Increased Capital Investment - FMO

The Bank has entered into an agreement for selling its equity shares to FMO at a price of NPR 250 per share on September 14, 2016; where shares with face value of NPR 100 per share have been agreed to be sold with a premium of NPR 150. Bank has agreed to and sold total of 9,431,384 (Nine Million 431 Thousands and 384) shares.

FMO Netherlands is an International Development Bank with direct investments from the Government of Netherland. It has been rated AAA by agencies like Standard & Poor's and FITCH.

Subsidiary Companies

NMB Capital Ltd.

To focus in the investment banking activities, the Bank established with 100% ownership, NMB Capital Ltd. with a capital of NPR 100 Million. During the fiscal year, NMB Capital made a significant profit. The profit increased by 23% at NPR 26.7 Million. The company increased its income by 20% mainly by doing securities and issue management. The company paid 21.05% dividend which is the same level as in the previous year.

NMB Capital's Achievements for FY 2015/16:

- NMB Capital has continued its services as Share Registrar, Trustee, and IPO management.
- NMB Capital has issued "NMB Sulav Investment Fund 1". It has obtained approval from SEBON and started initial public offering during first week of Ashwin 2073.

NMB Microfinance Bittiya Sanstha Ltd.

NMB Microfinance Bittiya Sanstha Ltd is a subsidiary of the Bank with a shareholding of 51%. Its Share Capital is NPR 40.6 Million with 51% shareholding of NMB Bank, 19% of promoter shareholders and remaining 30% with the general public.

Its Head Office is in Hemja, Pokhara and has 42 branches in various hilly regions. The company managed to serve 24,614 customers with financial services in 217 villages. The company managed to serve 39,483 customers with financial services in 301 villages. The company has provided NPR 1.66 Billion in loans and collected NPR 233 Million deposits till date. Bank has received 15% stock dividend from NMB Microfinance Bittiya Sanstha for FY 2014/15.

NMB Microfinance's Achievements for FY 2015/16:

- The special AGM decided to issue right shares in the ratio 1: 1.2. Microfinance's paid up capital of NPR 46 Million will increase to NPR 101.2 Million; where capital through issuance of right shares would be NPR 55.2 Million.
- NMB Microfinance has opened 7 branches during the FY.
- Profit earned by NMB Microfinance was 65% of its paid up capital and same shall be distributed among its shareholders in form of stock dividend and cash dividend for tax purposes.

Corporate Social Responsibility

The Bank continued to focus on the preservation of heritage sites during the fiscal year. With the objective of preserving the damaged heritage sites during the earthquake, the Bank distributed a large quantity of plastic/tent to cover the damaged heritage sites around Kathmandu city from further ruin. The Bank to raise awareness on the importance of heritage sites organized Heritage Painting Competition in the school level in various parts of the country. NMB Heritage Walkathon has been a major fund raising event for the Bank hence like previous years, this fiscal year also the Bank organized a walkathon and managed to raise funds.

On the event of its 20th Anniversary, the Bank carried out various CSR activities at each place where the bank has presence by various activities like blood donation program, donation at various orphanages, clean up campaign, book donation

etc. Similarly, the Bank has also been distributing books and other educative reading materials collected from its stake holders to children in rural areas, considering the lack of study materials available to them.

Human Resources:

The Bank has always given importance to its employees as it clearly understands that for the Bank to be successful in its mission and vision, the support of the staff is essential. In a competitive environment, effective management of human resources play a large part, without which it is almost impossible for the bank to move ahead. The Bank gives utmost importance in the development of each staff hence invests significantly in the training of the staff. Trainings are conducted both in-house and outside the Bank.

Total staff strength of the Bank was 755 at the end of the fiscal year out of which 263 were female.

Management Team:

Chief Executive Officer, Mr. Upendra Poudyal is the head of Management Team with 28 long years of banking experience. He is supported in the management by the following team:

Sunil KC	Deputy Chief Executive Officer
Pradeep Pradhan	Chief Information Officer
Bijay Giri	Head Learning & Development
Shabnam Limbu Joshi	Head HR & General Admin
Sharad Tegi Tuladhar	Chief Risk Officer
Pramod Kumar Dahal	Head Compliance & Company Secretary

Acknowledgement:

On behalf of the Board of Directors I would like to express my gratitude to all shareholders, customers for banking with NMB Bank Ltd. My sincere thanks to the Management Team and all staff for delivering resounding performance each year.

Thank you !

Pawan Kumar Golyan
Chairman

Date: 08 January, 2017

BOARD OF DIRECTORS



Pawan Kumar Golyan
Chairman



Nico Pijl
Director



Rajendra Kafle
Director



Manoj Kumar Goyal
Director



Romani Prasad Pathak
Director



Harischandra Subedi
Director



Kamlesh Kumar Agrawal
Director



Hari Babu Neupane
Director



Jeevan Man Joshi
Director



Nanda Kishor Rathi
Alternate Director



Pramod Kumar Dahal
Company Secretary

MANAGEMENT TEAM



Uendra Poudyal
Chief Executive Officer



Sunil KC
Deputy CEO



Pradeep Pradhan
Chief Information Officer



Bijay Giri
Head- Learning, Development
& Service Excellence



Shabnam Limbu Joshi
Head- Human
Resources & General
Administration



Sharad Tegi Tuladhar
Chief Risk Officer



Pramod Kumar Dahal
Head- Compliance &
Company Secretary



Product placement in different regions



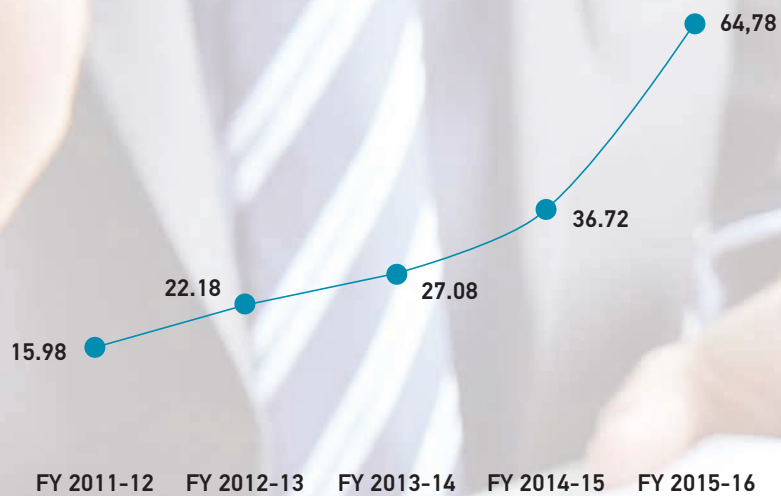
Business activity of subdivisions of main company



**FINANCIAL
HIGHLIGHTS**
2015/16

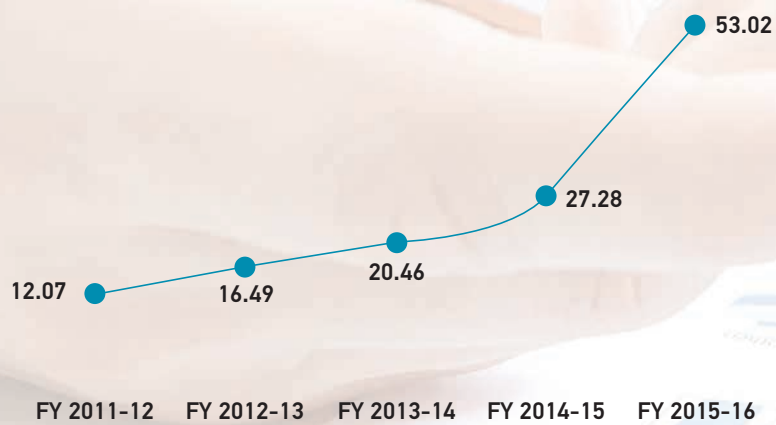
DEPOSITS

(NPR. in Billion)



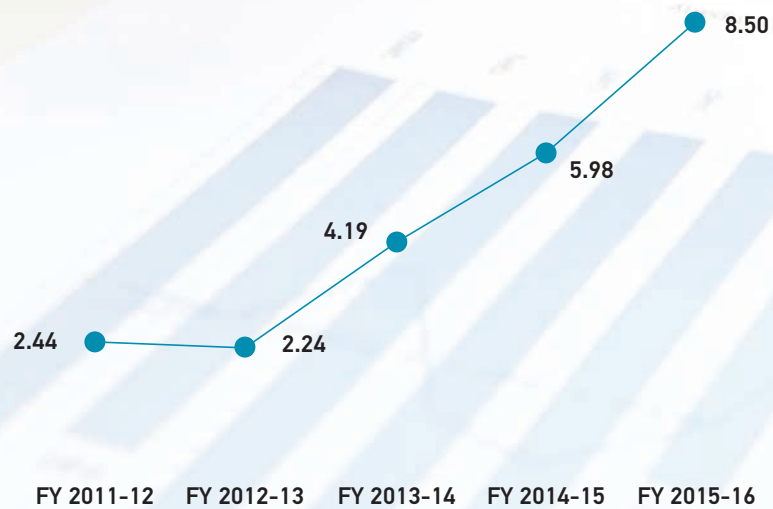
LOANS AND ADVANCES

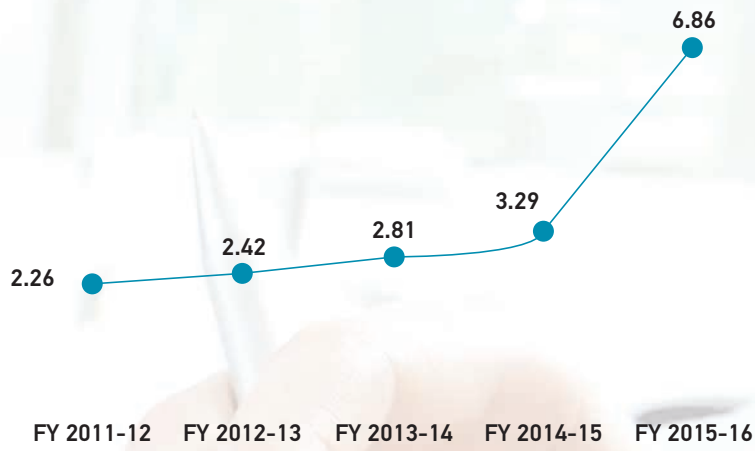
(NPR. in Billion)



INVESTMENTS

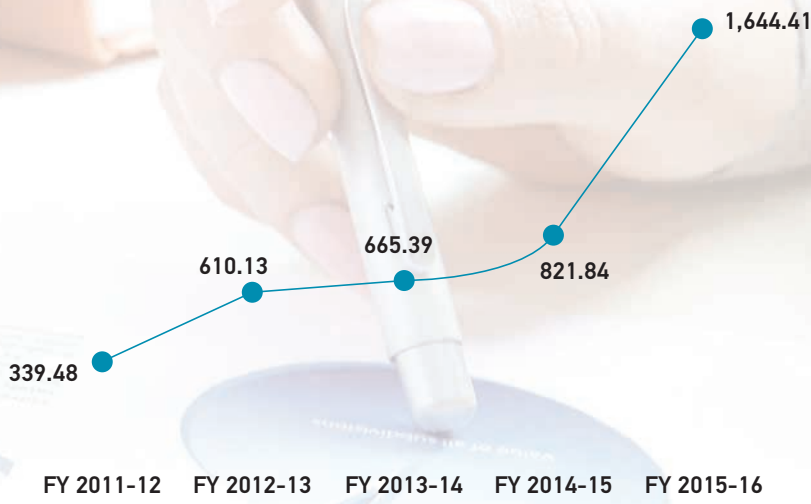
(NPR. in Billion)





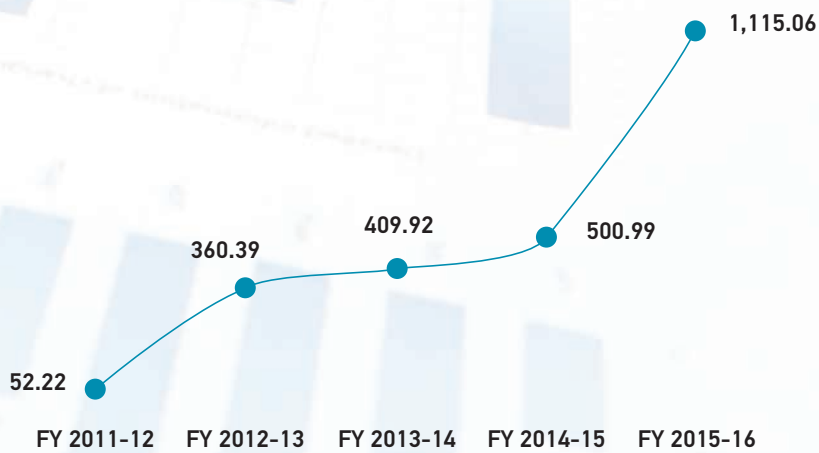
NET WORTH

(NPR. in Billion)



OPERATING PROFIT

(NPR. in Million)



NET PROFIT

(NPR. in Million)

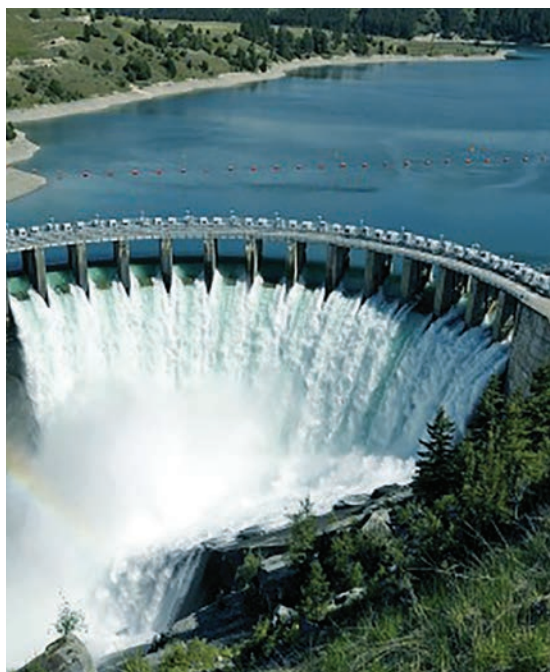
CORPORATE BANKING

The Corporate Bank Unit is an integral unit of the Bank. The unit has been continuously exploring, identifying, corporate customers all over the country through maintaining close ties with them and converting their new business plans into reality. The unit has evolved from offering traditional credit products to providing a holistic financial management solution to address any financial requirement of the customers. The unit's services are available throughout the country from our wide spread branches and a balanced workforce which are its core competencies.

During the FY 2015/16, the Corporate Bank unit continued to grow despite the market adversities caused due to external factors such as the after effect from the earthquake and the economic blockade.

Following the historical merger credit appetite of the bank has grown significantly enabling it to bag large scale projects and has emerged as preferred bank of blue chip companies in the country. Almost all the leading corporate houses of the country have been banking with NMB Bank. During the fiscal year, the unit grew hand in hand with its customer base and managed to bag big projects such as 'Hotel Marriott' one of the landmark deals in the banking industry.

With the services and products offered by the unit it has been continuously winning the faith and gratification of its valued customers.



LARGE HYDRO

NMB Bank, with its vision to establish itself as the leader in banking sector by providing a range of financial services, has always prioritized financing in sectors/projects of national interest. With this vision, it has established a separate unit, Large Hydro under the Corporate Credit Department, to cater to the needs of financing requirements of hydropower projects in Nepal.

Taking into consideration the impact of hydroelectricity on the overall economic development of the country, NMB Bank Ltd., now backed by its large capital base, has the capability to finance hydropower projects and participate in areas of national interest, either solely or under a consortium arrangement.

According to the latest data published by the Nepal Electricity Authority (NEA), a total of 806.912 MW of power is generated from hydropower projects set up across the country, (NEA's year in review report FY 2015/16). Out of this 802.376 MW of electricity has been connected to the National Grid, while the remaining is distributed at local levels. Similarly, the capacity of thermal electric plants is 53.41 MW and the capacity of solar energy centers is 100 KW. Together, the total amount of electricity generated in Nepal stands at 860.422 MW.

Until the review time there are a total of 28 hydropower projects (which have secured financial closure), under the hydro portfolio of NMB Bank Ltd, which are either commissioned or under various stages of construction. Out of the total portfolio, 10 projects have been successfully commissioned, 7 projects are in line to be commissioned within the FY 2016/17 and remaining 11 are under various stages of construction. The total capacity of all projects where the Bank has made investments (which have secured financial closure) is 187.98 MW, whereas taking the commissioned projects into consideration, the Bank's contribution to the Integrated Nepal Power System (capacity wise), stands at 7%.

The Bank has an additional 14 hydro projects with a total capacity of 332.23 MW electricity in the pipeline. Once completed the total contribution to the Integrated Nepal Power System will be 15%. So far the Bank has approved the loan totaling to NPR 6.17 billion for 28 projects, out of which NPR 3.52 billion has already been disbursed. To meet the demands and to capture the immense resources spread across the country, the Bank has been financing the hydropower projects throughout Nepal, from Eastern to the Far Western region.

2008 – NMB BANK LIMITED
“A” CLASS FINANCIAL INSTITUTION



2016 – MERGED WITH 4 DIFFERENT FINANCIAL INSTITUTIONS



MERGER



HUMAN RESOURCES



NMB Bank always believes that its employees are the most valuable asset. The Bank encourages a fair work culture, fosters relationship with every employee at each level and supports their views and ideas to bring about improvements in the organization, work towards the achievement of the common goal specified in the Vision and Mission statements of the Bank.

Our employees take pride in their work as they are given due respect by being empathetic and sensitive to each other's needs.



The Bank continues to focus on the development of its employees through both on-the-job and external training on continuous basis. The Bank asserts that continuous enhancement of knowledge and skills in this fast moving environment will not only keep employees up to date but also help to bring new ideas, innovation and creativity to help the organization perform better. As a part of the strategic decision to achieve organizational objectives; 4 different financial institutions namely Clean Energy Development Bank, Bhrikutee Development Bank, Pathibhara Bikas Bank and Prudential Finance were merged with NMB on 18th October, 2015. The Bank has leveraged the experience, expertise and diversity of a dynamic and stronger employee base to become one of the largest commercial bank in Nepal. With the current merger with four other BFIs, the total staff stands at 808.

To ensure the productivity of the employees, the bank has taken following initiatives:

- Formation of a separate 'Learning and Development' department to foster a learning environment and to ensure that productivity of employee is not affected due to differences in orientation, knowledge and work practices.

The Bank recognizes that accelerating the learning process, within the organization is crucial to enhancing competitiveness. The acquisition of knowledge and its appropriate application to structure value-added solutions at the point of interface with customers is critical. During the FY 2015/16, customized functional in-house training programs on various banking fields were conducted.

Staff members are nominated to attend external programs. The Bank makes extensive use of external training resources of reputed training institutions in Nepal and abroad for the training of its employees.

- Clear communication mechanism is in place to discourage the probability of stress which might affect perceptions, judgement and interpersonal relationships.
- Frequent branch/department visits from senior executives to increase the comfort level of staff is carried out. The Bank believes in 'Open door' policy so that staff can escalate work related issues to the concerned authority for timely address. Active intervention is initiated to improve productivity and reduce turnover of people.

HR Department is constantly working towards achieving the bank's objectives of making the bank the employee's most preferred place to work.

INTERNATIONAL BANKING



Institutional Trade Sales: The Bank is facilitating international as well as domestic clients who deal with foreign parties for issuance of letter of credit (LC) and guarantees. The major focus of the Bank is on facilitating international trade transaction of multinational corporations, government and semi government organizations by issuing LC on their behalf and issuing guarantee on behalf of international clients backed by counter guarantees from an acceptable applicant's bank. The Bank capitalizes on its wide range correspondent banking relationship for this business.

Cards: The Bank is currently providing EMV Chip based VISA debit and credit card facility that enables wider access to more than 400,000 ATMs and 2.5 million Point of Sales Terminals (POS) in India and Nepal. The Bank is also offering International Card (USD Card) for customers that is accepted at all VISA Merchant outlets and 24 hour VISA ATMs worldwide. NMB Bank VISA International Card can be issued to a foreign currency account holder and person traveling abroad using their traveling facility. Currently the Bank has 45 ATM terminals across the country.

Mobile and Internet Banking: The Bank is providing mobile banking facility for the customers that can be availed through smart phone application and also through SMS syntax. Further the Bank also provides internet banking system for individual having enhanced security with two factor authentication and also for corporate customer having Complex Signature Matrix requirements for Transaction Authorization. The Bank has its presence in 12 locations in most rural areas of country through branchless banking system. The bank aims to provide mobile and internet banking services to all of its account holders. The Bank also offer Corporate Internet Banking system built with state of the art security feature and can be utilized for one-stop monitoring and making business transaction with complex signature matrix as required by corporate customers.

Outward Remittances: We provide Funds transfer facility across the country through ABBS within all branches of the Bank along with drafts facility that can be drawn on the Bank's Branches. Similarly, the Bank has arrangement for demand draft drawing with correspond banks in different

currencies such as US Dollar, Pound Sterling, Euro, Japanese Yen, Indian Rupee, Australian Dollar. The Bank also provides Online Payment Service for fee payment of various preliminary tests such as TOEFL, SAT, GRE, GMAT, SEVIS, ACCA, etc. Further fund transfer service is also offered through SWIFT/Wire transfers across the globe. The Bank also offers electronic clearing service and Cheque and Drafts collections within the country/across the globe at reasonable charges.

Bancassurance: The Bank has partnership with many Life Insurance and Non-Life Insurance companies to provide all categories of insurance services to our valued clients. We also offer instant coverage for physical asset through 14 Non-Life insurance companies of Nepal. With the increase in the Bank's coverage across the country we expect to book more insurance clients from this year.

Workers' Remittances: The Bank has its own proprietary remittance service- NMB Sulav Remit, through which currently the Bank is routing remittance transaction from Dubai, Malaysia, Qatar. Further the fund is being distributed to beneficiary in Nepal through a network of 1000 agents. The Bank has also tied up with Indian Banks to facilitate workers remittance from India to Nepal. Such tie up for remittance from India to Nepal is relatively new in the industry. Thus, it expects to tap large remittance flow from the Nepali Diaspora in India. We understand there are over 6 million Nepali population in India.

The Bank is also an authorized pay-out agent of national and international remittance companies which enables our customers to receive money from different countries like UK, USA, Malaysia, Gulf Countries and many other countries around the world. With its wide network, the remittance received from various companies are being distributed across Nepal.

Channel Financing: The Bank is offering channel financing facility to the distributors of large corporate to meet their working capital requirement. Distributors are now able to leverage their relationship with reputed companies in sourcing low cost funds with support from their counterparts. This innovative product will help the Bank to increase its SME customer base and enhance relationship with large corporate.

LEARNING & DEVELOPMENT



Learning & Development helps staffs in their career progression, leadership, management skills development and their capacity building so they are prepared for better and more challenging roles in the future



The Learning & Development (L&D) department is functioning at full throttle and a culture of continuous learning is being developed through uninterrupted flow of trainings in the form of in-house, external and special trainings.

The year saw an even busier calendar of 244 different learning & development programs made available to over a total of 2236 participants. During the year, 69 in-house, 160 external & 26 special trainings were conducted in which 1329, 459 & 448 staffs had participated respectively. Another significant milestone in business training was the Banking Sales training for Credit Staff which proved to be beneficial which was received with a lot of enthusiasm by the sales/credit staffs.

"Kramik Parivartan" training in Eastern & Western region of Nepal focused on the change management of staff dynamics post merger. It helped to build a feeling of unison amongst the staff of merged entities and inculcated a common NMB culture. Our training & development function is aligned with the Vision and Mission of the Bank. All training programmes are conducted on a need assessment basis to enhance the competency levels of the entire workforce. A total of NPR 92 lacs was spent for this purpose.

During the FY 2015/16, the Bank conducted 26 soft skills development programmes for over 210 staff members. The areas covered were Positive Thinking, Customer Care, Art of Selling, Communication Skills, Leadership, Team Building, Motivation, Stress & Conflict Management, Attitude Development and Change Management. In addition, 218 technical skills development programmes were held for 2026 staff members, which covered areas such as Information Technology, Credit management, Corporate Lending, SME lending, Debt recovery, Trade, Treasury, Audit, AML, Taxation, Induction, MS-excel, Operations and Comprehensive Banking Course.

In addition, 11 staff members participated in 9 foreign training programmes to acquire external expertise.

The Bank has also developed a Learning & Development Policy to create more skilled, self-confident and professional individuals to provide an excellent service to the valued customers. L&D initiatives are helping staffs in their career progression, leadership, management skills development and their capacity building so that they are prepared for better and more challenging roles. This endeavor is not only strengthening the capacity building, but is also helping in succession planning. L&D training calendar & training plan are prepared, which will as serve as a guide to the department to steer the training in the right direction for the bank. It is devised with an objective to give every individual ample opportunities to improve his/her skills and professional competencies.

For AML/KYC/CFT, 10 external and 4 in-house trainings were conducted, where 10 & 172 staffs had participated respectively.

L&D Bees Info club and E-tutorials are developed and placed in the Bank's intranet. Bees info club gives a chance to all employees to share any story or knowledgeable contents with their colleagues. Staff are encouraged to write and read through Bees Club. New E-learning portal is in the test phase and is expected to go live very soon. Through this portal, staff will be able to learn about various banking topics and take an assessment test as well. Upon successful completion of the test, the staff are entitled to be awarded with a certificate. Adoption of technology based learning system will help self-learning.

Bank sponsored 12 staff to get Junior Associates of National Banking Institute (JANBI) certification offered by National Banking Institute, which, is in line with the global trend of banking industries. This course will provide an edge to the staff in their banking career.

RISK MANAGEMENT

Risk Management in Nepalese Banks has been the newer challenge. In times of volatility and fluctuations in the market, NMB Bank needs to prove its determination by withstanding the market variations and achieve sustainability in terms of growth and as well as to have a stable share value. Hence, an essential component of enhanced risk management framework would be to mitigate all the risks and rewards of the products and service offered by the bank.

NMB Bank is undergoing a monumental change after the merger with Bhrikutee Development Bank, Pathivara Bikas Bank, Clean Energy Development Bank and Prudential Finance Company Ltd. Along with that, excessive/shortfall of liquidity in the local market, recession in the world have triggered the need to enhance the existing Risk Management System. The various aspects of increasing competition in the local market, increasing regulations, introduction of innovative products, and financial instruments as well as enhancement and innovation in delivery channels have highlighted the need to be prepared in terms of risk management.

NMB Bank has always been thinking of advancement in terms of technology, quality, as well as stability with strategic leap towards expanding and diversifying itself at a rapid rate. However, such expansion brings the bank to face risk. For NMB Bank, risk plays a major part in the earnings. The higher the risk, the higher the return, hence, it is essential to maintain a parity between risk and return. Therefore, management of risk incorporating a set systematic and professional methods especially those defined by Basel II becomes an essential requirement for us.

In the course of operations, the bank is invariably faced with different types of risks that may have a potentially

OPERATIONAL



MARKET



CREDIT



negative effect on the business. For that, NMB Bank's risk management includes risk identification, measurement and assessment, and the objective to minimize negative risk effects on the financial result and capital of the bank.

The major risks to which the bank is particularly exposed are: liquidity risk, credit risk, market risks (interest rate risk, foreign exchange risk), risks relating to the country of origin of the entity to which a bank is exposed and operational risk

Liquidity risk is the risk of negative effects on the financial result and capital of the bank caused by the bank's inability to meet all its due obligations. For this the bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balances. Management of liquidity and funding is carried out efficiently by Treasury Dept under approved policies and guidelines. The Treasury Front Office is supported by Treasury Back Office. The bank has Treasury Middle Office to identify, measure and manage all Treasury Specific Risks. The liquidity management is monitored by Asset & Liability Committee (ALCO) on regular basis.

Credit risk is the risk of negative effects on the financial result and capital of the bank caused by borrower's default on its obligations to the bank.

Business Banking, Credit Retail Banking, Corporate Banking, Energy-Large Hydro, Renewable Energy & Microfinance and SME Departments have been formed separately for credit businesses. These departments are entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities etc.

Moreover, Credit Risk Analysis, Credit Approval, Credit Administration, Monitoring and Recovery Function are segregated and are functioned independently.

Credit Risk Dept is entrusted with the duties of maintaining assets quality, assessing risk, sanctioning credit, formulating policy/guidelines for lending operation.

NMB bank has always put forefront the compliance with Nepal Rastra Bank's directives and instructions and are always strictly followed. Internal Audit is conducted at periodical intervals to ensure compliance with bank's policies and guidelines along with regulatory directives.

Market risk includes interest rate and foreign exchange risk.

Interest rate risk is the risk of negative effects on the financial result and capital of the bank caused by changes in interest rates.

The bank's products are mostly based on floating interest rate. Only fixed deposits are with fixed interest rate. In Nepalese local market, short term movement in interest rate is negligible or nil. Asset & Liability Committee (ALCO) monitors the interest rate movement on regular basis.

Foreign exchange risk is the risk of negative effects on the financial result and capital of the bank caused by changes in exchange rates.

The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying remittances and trade transactions.

Risks relating to the country of origin of the entity to which the bank is exposed (country risk) is the risk of negative effects on the financial result and capital of the bank due to bank's inability to collect claims from such entity for reasons arising from political, economic or social conditions in such entity's country of origin. Country risk includes political and economic risk, and transfer risk.

While establishing business relation with such entities, NMB Bank has been proactively involved to determine underlying country risk. For that, in need basis, bank has been visiting such entities abroad to analyze potential country risk. Apart from that, International Credit Rating Agencies' forecast/ ratings are reviewed on timely basis.

Operational risk is the risk of negative effects on the financial result and capital of the bank caused by omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems, and unforeseeable external events.

NMB Bank has independent department to look after operational risk and has Operational Risk Committee to meet on monthly basis to discuss and plan the way forward to mitigate potential operational risk identified.

Potential risks identified are seriously discussed in ALCO (risk related to Liquidity and Market) and in Operation Risk Committee to put appropriate checks and controls in place. Risk related to Credit and potential risks discussed in ALCO/ Operation Risk Committee are escalated to Risk Committee and ultimately to the Board.

RETAIL BANKING

Retail banking business encompasses a wide array of product and services across deposits, loans and payment solutions; which are delivered through multiple channels to the banks customers. We cater to the end to end requirements of retail customers through various customized products from savings, fixed, recurring and call deposits to home, auto, personal loans along with transaction solutions through cards, mobile and internet banking platforms.

The bank offers a range of deposit products customized for each customer segment and regularly introduces various schemes and value offers within those products, to make the offerings appealing for the general mass. Retail lending is a one window banking designed to extend easy financing to fulfill social requirements of a larger population, such as those requiring to purchase a house or a vehicle and those requiring funds for abroad studies or for immediate social obligations.

Through alternate delivery channel products like VISA cards, Mobile Banking and Internet Banking, our customers have easy access to their funds in their accounts at any point of time ensuring hassle free banking experience.

Through the Retail banking unit, we ensure that our individual customers get the best in areas whether its deposits or loans through competitive interest rates, best service offers and standardized processing.



शुभलाभ
बचत खाता

एनएमबी बैंक
अलकापुरी बचत

NMB BANK
SAFE DEPOSIT
LOCKER

SME

NMB Bank has established a separate specialized department to look after overall financing requirement of small business units as SME banking business unit. With process and policies re-engineered to tailor individual requirements the bank is one step ahead of conventional lending practices. SME banking business means adopting novel approaches to overcome unexpected challenges.

SME banking business remains a priority strategy for bank due to the clear strategy of large market size, lower price-sensitivity, strong customer loyalty, lucrative relationships and high growth potential. With this we are able to create a mix of 17.5% of the total portfolio.

NMB bank believes in definition that SME market as they are valued customers, not just an economic demographic..."

AUDIT & COMPLIANCE



The banking business is very special because it involves dealing with money of public at large. The nature of the banking business, therefore, 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 a 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 of the directive 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 FY 2014/015, the committee met 23 times. M/S.T. R Upadhyaya & Co., Chartered Accountants was the Statutory Auditor of the bank for FY 2014/015.

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 as defined in Terms of Reference of the department. Head Compliance department reports to CEO of the bank and is also a member of Executive committee of the bank. Compliance department also works as a focal point for any correspondence between the bank and central Bank and other Government organizations.

NMB CAPITAL LIMITED



NMB CAPITAL
LIMITED

Bank's Fully Owned Subsidiary

NMB Capital Limited

NMB Capital Limited (NMBCL) commenced its operations as a fully owned subsidiary of NMB Bank from 2010. Its businesses encompass wide range of merchant/investment banking services- Management of Initial Public Offers (IPO)/Further Public Offers/Right Issuance, Underwriting, Trusteeship, Registrar to Securities (RTS), Depository Participant (DP), Advisory Services, Valuation, Fund Manager & Depository .

The Directors of the Company are eminent personalities from reputed business houses and experienced commercial bankers. The team is led by an experienced banker having knowledge on investment banking and general management. It has a strong team of qualified personnel with expertise in various fields of merchant banking and general banking affairs. NMBCL has created prominent space in the investment banking industry of Nepal and is gradually growing with new products on offer.

Financial Performance

The financial performance for the year has been average. Income from Issue Management and Portfolio Management has contributed to 41.54% and 36.90% respectively of the overall income. While the business income has increased by 9.44% as compared to last year, the Interest income has declined by 64.5% which is due to the decline in interest rate as a result of surplus liquidity in the review period. For the review year 2072/73, the net profit of the company hence had declined by 8.06%. The company has maintained Earnings per Share (EPS) of NPR 26.78. The decline in earnings is due to increase in expenses (52.91%) as compared to increase in income, mainly suppressed treasury earnings. The company has distributed 21.05% cash dividend to NMB Bank in the fiscal year 2072/73.

NMB Capital Limited - Balance Sheet

As on July 15, 2016

(in '000)

Particulars	2015/16	2014/15	2013/14	2012/13
Capital & Liabilities				
1. Share Capital	100,000	100,000	100,000	100,000
2. Reserve and Funds	52,435	46,705	17,575	2,253
3. Bills Payable	48,958	5,123,874	1,169,734	230,252
4. Proposed Dividend	-	-	8,418	5,263
5. Income Tax Liabilities	33,895	-	-	-
6. Other Liabilities	6,652	30,834,486	18,959	8,049
Total	241,942	5,301,413	1,314,686	345,817
Assets				
1. Cash Balance	1	1	1	-
2. Balance with Banks/Financial Institutions	118,907	5,178,423	1,228,271	231,731
3. Investments	60,793	66,773	57,922	91,854
4. Fixed Assets	2,983	4,430	5,569	7,235
5. Other Assets	59,257	51,785	22,924	14,997
Total	241,942	5,301,413	1,314,686	345,817

NMB Capital Limited – Profit & Loss Account

For the period from 17 July 2015 to July 15, 2016

(in '000)

Particulars	2015/16	2014/15	2013/14	2012/13
Business Income				
Income from Issue Management	27,220	20,238	16,845	6,735
Income from Share Registrar	4,359	5,193	5,104	3,773
Income from Underwriting	-	837	451	884
Income from Portfolio Management	24,180	11,797	-	-
Income from other sources	2,116	235	184	10
Interest Income	7,647	21,565	22,199	11,662
Total Business Income	65,524	59,869	44,782	23,065
Staff and Administrative Expenses				
Staff Expenses	12,801	6,572	5,774	4,693
Office and Administrative Expenses	13,414	10,571	10,392	9,344
Total Staff and Administrative Expenses	26,215	17,144	16,166	14,037
Operating Profit	39,308	42,724	28,616	9,027
Pre-Operating Expenses	-	-	-	-
Non-Operating Income/Expenses	-	-	-	-
Income From Regular activities	39,308	42,724	28,616	9,027
Income/Expenses from Abnormal Transactions	-	-	6,183	11
Profit before Bonus and Taxes	39,308	42,724	34,799	9,039
Provision for Staff Bonus	3,573	3,884	3,164	822
Provision for Income Tax	8,952	9,710	7,896	2,169
Net Profit	26,782	29,130	23,740	6,048

The benchmark NEPSE index, increased by 78.74% from 961.23 to 1718.15 points in the fiscal year 2072-73 compared to 7.23% increase in the previous year. The NEPSE sensitive index stood at 369.07 point in 2072-73, as against 204.67 in FY 2071-72. In the first 3 months of the fiscal year, the NEPSE index increased to its all-time 1205 points. The political unrest in the Terai region which brought the entire country to a standstill, the NEPSE index fell to 1022.27. With end of political disruption and prolonged period of low interest rates, NEPSE index surged to 1718.15 at the end of the fiscal year.

In the review year 2072/73, NMBCL submitted application for new mutual fund scheme named “NMB HYBRID Fund L-1” with initial size NPR 800 million. With approval received, NMBCL issued public offering of the units of the scheme at the beginning of this fiscal year 2073/74. The scheme received overwhelming response from the institutional investors and public at large with over subscription of more than 4.75 times. Due to the over subscription, the total corpus was increased to NPR 1,000 M (increase of 25% of the initial corpus as per securities regulations). The units of the scheme have been allotted and are in the process of listing for trading in Nepal Stock Exchange.

In the review period NMB Sulav Investment Fund –I, mutual fund managed by the NMBCL has shown impressive growth of 88.0% beating the benchmark index by 9.26% points. At the end of the year, NAV of NMBSF1 stood at NPR 15.38 as compared to NPR 10.24 at the end of previous

fiscal year. The scheme had distributed 20% cash dividend to the unit holders from the profit of 2072/73.

In the review period NMBCL was one of the co-issue manager of the largest Initial Public Offering in the history of Nepal worth NPR 2 Billion. The company established as a public investment company, whose 80% equity belongs to Government of Nepal and 20% had been set aside for general public for the issuance through Initial Public Offering (IPO). NMBCL had also managed Right Share Offering for 8 companies worth NPR 1.16 Billion.

NMBCL is also a Depository Participant for Central Depository System and Clearing Limited (CDSCL) for automating of shares trading, database management and other associated activities for shares traded on the Nepal Stock Exchange. The new role has been in full operation with daily settlement and clearing of more than 30,000 accounts opened at NMBCL being done for facilitating the automated trading system.

In addition to providing traditional merchant banking functions it is venturing into financial advisory and financial consulting areas. As a financial consultant NMBCL ensures that the clients have access to capital market services, instruments and get optimum benefit for their financial requirements. NMBCL provides clients with financial advice for - valuation of securities, information with regards to the feasibility of various mergers/acquisitions and assist them in restructuring, divestments, acquisitions, mergers, de-mergers, takeover etc.

NMB MICROFINANCE BITTIYA SANSTHA LIMITED



एनएमबि माइक्रोफाइनान्स
वित्तीय संस्था लिमिटेड

NMB MICROFINANCE BITTIYA SANSTHA LIMITED

NMB Microfinance Bittiya Sanstha Ltd. (NMBMF) is a “D” class financial Institution licensed by Nepal Rastra Bank as per Bank and Financial Institutions Act 2003. It is a subsidiary company of NMB Bank Ltd. It was established in 2069 B.S. with core mission of inclusive banking to increase access to finance of the poor and deprived population of the country. NMB Bank has 51% shareholding in NMB Microfinance Bittiya Sanstha Ltd., individual promoters hold 19% and remaining 30% with the general public. Its Head Office is in Hemja, Kaski and has 34 branches in various hilly and mountainous regions.

The Board of Directors of NMBMF comprises of experienced intellectuals and personalities including representatives of NMB Bank with adept commercial banking knowledge. The Management Team is led by Mr. Tirtha Ratna Konajo (CEO) comprising of a strong management team of qualified personnel with expertise in banking and microfinance sector.

NMBMF currently has area coverage of 25 hilly and mountainous districts including Mustang, Manang, Kaski, Dhading, Tanahun, Myagdi, Parbat, Lamjung, Gorkha, Nuwakot, Rasuwa, Sindhupalchowk, Dolakha, Ramechhap, Solukhumbu, Sankhuwasabha, Taplejung, Bhojpur, Khotang, Okhaldhunga, Illam, Panchthar, Dhankuta, Terhathum and Rukum.

Currently NMBMF is providing microfinance services to more than 38,000 deprived household from Hilly and Mountainous regions of Nepal with prime focus on low-income households, assetless, self-employed in the informal sector to uplift their livelihood increasing involvement in economic activities and income generating activities ultimately creating self-employment opportunities. Besides all these financial services, it also focuses on their social development, cultural promotion, educational development, skill development & many more through its fully operated 34 branches with well-trained human resources.

NMBMF’s balance sheet size has been experiencing nearly two-fold growth in recent years. During FY 2015/16, Share Capital stands at NRs. 85.6 M. Deposit has increased from previous year’s NRs. 84.806 M to NRs. 192.735 M; growth rate of 127%. Similarly, Loans and Advances, which stands at NRs 927.748 M grew significantly at the rate of 109.21%. NMBMF, subsequently, has increased its borrowing to NRs. 860,508 M. As a result of growth in all areas, Net profit growth of 178% was achieved as compared to previous year. NMBMF’s performance during FY 2015/16 can be regarded as their excellent performance since their commencement of operation about 3 years ago.



CORPORATE SOCIAL RESPONSIBILITY

NMB Bank gives utmost emphasis to its Corporate Social Responsibility which over the years has become an integral part of the Bank's functions. The Bank in coordination with local and government partners has been working towards addressing the issues and concerns that plague the society and country at large.

The Bank's CSR is implemented through NMB Social Initiative (NSI), a non-profit organization formed by the Bank's staff. The organization plans and conducts events and causes 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 event supported by stakeholders, business partners and the general public has been able to successfully mobilize the proceeds from the event to renovate and maintain Gorakhnath Temple, Thapathali and maintenance of Luchhu Bhuju Ajima Mandir, Keltole in the past. The Bank rendered support to the Department of Archaeology in preservation of monuments that were damaged by the devastating earthquake of 2015 and continues to look for alliances to contribute to the renovation process. Clean Up programs of heritage sites and monuments are conducted on a regular basis by the Bank's branches across the country.

CSR programs are organized by branches across the country to mark the Bank's anniversary wherein undertakings from providing educational kits to orphanages, clothes and essential utilities to old age homes and Braille to the visually impaired are provided.

Inculcating the importance of being financially literate at the grass roots of the society is imperative for the Bank. With this perspective in mind the Bank has launched NMB Bank Ek Ghar Ek Khata campaign, which focuses on bringing the unbanked population to the main stream banking industry, thus enhancing access to finance and uplifting the economic status of the general mass across the country.

With the Bank growing in stature, it intends to widen its scope of CSR programs so as to address a broader range of areas and causes that scourge the society.



RENEWABLE ENERGY & MICRO FINANCE

Renewable Energy

A lot of talk has been reserved for the immense natural resources that our country possesses and the potential overflow of these resources through our ongoing development projects that can shoot up the growth of our country beyond our imagination. NMB, however, does not want to rest on these laurels and has established a separate Renewable Energy (RE) unit to harness any potential use of unexplored natural energy resources that can readily ease the burden of energy requirement of consumers. NMB works in close collaboration with GoN's Alternative Energy Promotion Center (AEPCC) with the goal of providing an alternative mode of energy to clients in both rural and urban areas.

NMB's RE unit has been actively involved in providing financing and services to companies and also directly to end users related to Renewable Energy Sector. The RE unit is adept at providing alternative source of energy through solutions such as solar, biogas, mini-hydro, micro-hydro, and improved water mill (IWM) loans. In addition, popular mode of transport, Safa Tempo, and also personal electric vehicles (REVi car) financing can be easily availed at NMB. Further, our new and exciting "Sourya Urja Loan," can be availed from majority of our branches

Micro Finance

Usually, micro-finance is a program that serves a large number of clients with reference

to women/deprived people and works at a grassroots level with financial sustainability. The main objective of micro-finance is to provide quality service to the largest number of the deprived populace. The other objective of the department is to achieve the target set by the Nepal Rastra Bank under deprived sector lending i.e. currently 5% of loan portfolio to be maintained under deprived sector from the total loan portfolio of the bank.

Besides, the department is also focusing on increasing energy portfolio of the bank by focusing on renewable energy technology financing which will ultimately help bank to achieve its target under productive sector lending.

The bank has been partnering with different microfinance institutions such as 'D' class financial institutions, saving and credit cooperatives, dairy cooperative, agriculture cooperatives, financial intermediary non-governmental organization, wholesale microfinance institutions to channelize wholesale funding to on-lend it in deprived sector. Besides, we have offering group based micro lending, micro enterprise financing etc. directly through the branch network of the bank in order to meet the 2% direct lending requirement set by Nepal Rastra Bank under deprived sector lending .



5BsOurSuccess

Be innovative with the changing time

Be a team player and deliver results together

Be responsible to our actions

Be prudent for sustainable and consistent growth

Be committed to deliver what we promise



FINANCIAL
STATEMENTS
2015/16

T.R. Upadhy & Co.
Chartered Accountants

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Kathmandu, Nepal

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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 Ltd (the "Bank") and its consolidated subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 15 July 2016, the consolidated profit and loss account, statements of changes in equity and cash flow for the period 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 consolidated financial statements in accordance with Nepal Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has prepared consolidated financial statements in accordance with regulatory provision of 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 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 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.



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

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 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 Notes 6 of the Schedule 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 financial reporting framework as per the regulatory requirement of Nepal Rastra Bank.



Sanjeev Kumar Mishra
Partner



T R Upadhy & Co.
Chartered Accountants

Kathmandu
24 October 2016

Consolidated Balance Sheet

As at Ashad 31, 2073 (July 15, 2016)

Capital & Liabilities		Current Year Rs.	Previous Year Rs.
1	Share Capital	5,518,635,934	2,732,364,746
2	Reserve and Funds	1,415,183,202	610,787,542
3	Non Controlling Interest	39,031,063	-
4	Debentures and Bonds	500,000,000	500,000,000
5	Borrowings	2,148,502,579	438,000,000
6	Deposits	64,944,730,681	35,361,443,165
7	Bills Payables	48,958,822	5,145,591,224
8	Proposed Dividend	54,300,625	17,492,881
9	Income Tax Liabilities	34,016,060	-
10	Other Liabilities	978,989,908	371,653,023
Total Liabilities		75,682,348,874	45,177,332,581
Assets		Current Year Rs.	Previous Year Rs.
1	Cash Balance	1,491,275,494	817,586,158
2	Balance with Nepal Rastra Bank	6,395,815,135	3,391,244,786
3	Balance with Banks/Financial Institutions	2,637,105,481	5,933,660,908
4	Money at Call and Short Notice	557,822,817	722,607,414
5	Investments	8,424,518,637	5,930,645,854
6	Loans, Advances and Bills Purchased	53,749,132,753	27,288,891,489
7	Fixed Assets	1,357,283,772	378,683,968
8	Non-Banking Assets	-	-
9	Other Assets	1,069,394,785	714,012,004
Total Assets		75,682,348,874	45,177,332,581

Upendra Poudyal
Chief Executive Officer

Manoj Kumar Goyal
Director

Harischandra Subedi
Director

Pradeep Pradhan
Chief Information Officer

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Kamlesh Kumar Agrawal
Director

Mridul Parajuli
Head-Finance and Planning

Rajendra Kafle
Director

Romani Prasad Pathak
Director

Hari Babu Neupane
Director

Sanjeev Kumar Mishra
Partner
T R Upadhya & Co.
Chartered Accountants

Jeevan Man Joshi
Director

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Profit and Loss Account

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Interest Income	4,143,146,162	2,329,898,781
2 Interest Expenses	2,055,161,286	1,340,965,337
Net Interest Income	2,087,984,876	988,933,444
3 Commission and Discount	197,615,501	112,615,711
4 Other Operating Income	290,257,632	147,587,765
5 Exchange Fluctuation Income	160,268,673	119,513,544
Total Operating Income	2,736,126,682	1,368,650,464
6 Staff Expenses	509,111,123	208,388,115
7 Other Operating Expenses	495,694,943	294,050,856
8 Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	1,731,320,616	866,211,493
9 Provision for Possible Losses	584,941,411	97,073,735
Operating Profit	1,146,379,205	769,137,758
10 Non-operating Income/Loss	56,673,267	15,705,328
11 Loss Provision Written-Back	650,079,224	41,973,510
Profit from Regular Operations	1,853,131,696	826,816,596
12 Profit/Loss from extra-ordinary activities	(10,942,028)	-
Net Profit after considering all activities	1,842,189,668	826,816,596
13 Staff Bonus Provision	167,471,787	75,165,145
14 Provision for Income Tax	507,593,734	221,531,619
Current Year	334,674,245	217,429,869
Previous Year	6,901,230	-
Current Year Deferred Tax Income/(Loss)	166,018,259	4,101,750
Net Profit/Loss	1,167,124,147	530,119,832
Profit attributable to equity holders of parent	1,154,738,542	530,119,832
Profit attributable to Non Controlling Interest	12,385,607	-
Net Profit/Loss	1,167,124,147	530,119,832

Upendra Poudyal
Chief Executive Officer

Manoj Kumar Goyal
Director

Harischandra Subedi
Director

Pradeep Pradhan
Chief Information Officer

Pawan Kumar Golyan
Chairman

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Director

Hari Babu Neupane
Director

Sanjeev Kumar Mishra
Partner
T R Upadhyaya & Co.
Chartered Accountants

Jeevan Man Joshi
Director

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Profit and Loss Appropriation Account

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.		Previous Year Rs.
	Non Controlling Interest	NMB	NMB
Income			
1 Accumulated profit up to the last year		56,228,499	18,559,630
2 Current Year's Profit	12,385,607	1,154,738,542	530,119,833
3 Exchange Equalization Fund		-	
4 Capital Reserve (NMB MF) Gain on bargain purchase		7,333,025	
5 Investment Adjustment Reserve		19,992,000	-
6 Swap surplus from Merger		651,180,180	
Total	12,385,607	1,889,472,246	548,679,463
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		228,985,707	100,197,922
5 Contingent Reserve		-	-
6 Institutional Development Fund		-	-
7 Dividend Equalization Fund		-	-
8 Staff Related Reserve Fund		-	-
9 Proposed Dividend		75,353,256	17,492,881
10 Proposed issue of Bonus Shares		1,031,711,869	332,364,746
11 Special Reserve Fund		-	-
12 Exchange Equalization Fund		10,417,464	7,469,597
13 Capital Redemption Reserve Fund		-	-
14 Capital Adjustment Fund		40,925,498	-
15 Others		(76,647,358)	34,925,818
a) Deferred Tax Reserve		(166,869,592)	(4,429,984)
b) Investment Adjustment Reserve		(1,553,591)	2,309,556
c) Debenture Redemption Reserve		90,750,870	37,046,246
d) Customer Protection Reserve		1,024,955	
Total	-	1,801,729,755	492,450,964
16 Accumulated Profit/(Loss)	12,385,607	87,742,491	56,228,499

Upendra Poudyal
Chief Executive Officer

Manoj Kumar Goyal
Director

Harischandra Subedi
Director

Pradeep Pradhan
Chief Information Officer

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Kamlesh Kumar Agrawal
Director

Mridul Parajuli
Head-Finance and Planning

Rajendra Kafle
Director

Romani Prasad Pathak
Director

Hari Babu Neupane
Director

Sanjeev Kumar Mishra
Partner
T R Upadhy & Co.
Chartered Accountants

Jeevan Man Joshi
Director

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Changes in Equity

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Proposed Bonus Share	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Debt Redemption Reserve	Capital Adjustment Reserve	Customer Protection Reserve	Total Attributable to Equity Holders	Non Controlling Interest	Total Amount
Opening Balance	2,400,000,000	56,228,499	450,765,878	332,364,746	-	10,077,915	28,379,220	23,836,862	4,452,922	37,046,246	-	-	3,343,152,288	-	3,343,152,288
Add: Shares issued to shareholders of merging entities	1,754,559,320	-	-	-	-	-	-	-	-	-	-	-	1,754,559,320	-	1,754,559,320
Add: Brought into books from books of Merging entities	-	(490,983,319)	333,844,607	-	-	72,432	2,414,431	208,465,559	32,025,344	-	12,369,984	-	98,209,037	-	98,209,037
Bonus Share Capitalized	332,364,746	-	-	(332,364,746)	-	-	-	-	-	-	-	-	-	-	-
Swap Surplus from Merger	-	-	-	-	-	-	-	-	-	-	-	651,180,180	651,180,180	-	651,180,180
Balance	4,486,924,066	(434,754,820)	784,610,485	-	-	10,150,347	30,793,651	232,302,421	36,478,266	37,046,246	12,369,984	651,180,180	5,847,100,825	-	5,847,100,825
Adjustments															
Non Controlling Interest (NMB MF)- 49%-17/10/2015	-	-	-	-	-	-	-	-	-	-	-	-	-	26,645,456	26,645,456
Right Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Auction of Right Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	1,154,738,542	-	-	-	-	-	-	-	-	-	-	1,154,738,542	12,385,607	1,167,124,149
General Reserve	-	(228,985,707)	228,985,707	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(10,417,464)	-	-	-	-	10,417,464	-	-	-	-	-	-	-	-
Transfer of Swap Surplus to Accumulated Profit	-	651,180,180	-	-	-	-	-	-	-	-	(651,180,180)	-	-	-	-
Proposed Bonus Share	-	(1,031,711,869)	-	1,031,711,869	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	166,869,592	-	-	-	-	-	(166,869,592)	-	-	-	-	-	-	-
Proposed Dividend	-	(75,353,256)	-	-	-	-	-	-	-	-	-	-	(75,353,256)	-	(75,353,256)
Investment Adjustment Reserve	-	21,545,591	-	-	-	-	-	-	(21,545,591)	-	-	-	-	-	-
Debt Redemption Reserve	-	(90,750,870)	-	-	-	-	-	-	90,750,870	-	-	-	0	-	0
Capital Adjustment Fund	-	(40,925,498)	-	-	-	-	-	-	-	40,925,498	-	-	(0)	-	(0)
Customer Protection Reserve	-	(1,024,955)	-	-	-	-	-	-	-	-	1,024,955	-	(0)	-	(0)
Capital Reserve (Gain on bargain purchase) NMBMF	-	7,333,025	-	-	-	-	-	-	-	-	-	-	7,333,025	-	7,333,025
Closing 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	6,933,819,136	39,031,063	6,972,850,200

Uendra Poudyal
Chief Executive Officer

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Chairman

Rajendra Kafle
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Partner
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Manoj Kumar Goyal
Director

Romani Prasad Pathak
Director

Jeevan Man Joshi
Director

Harischandra Subedi
Director

Hari Babu Neupane
Director

Pradeep Pradhan
Chief Information Officer

Mridul Parajuli
Head-Finance and Planning

Date : 24 October, 2016
Place : NMB Bhawan, Babarmahal, Kathmandu

Consolidated Cash Flow Statement

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	(3,510,579,089)	4,019,603,753
1 Cash Received	4,657,404,530	2,612,622,104
1.1 Interest Income	4,018,540,666	2,253,838,295
1.2 Commission and Discount Income	244,118,646	121,276,287
1.3 Income from foreign exchange transaction	118,598,818	89,635,158
1.4 Recovery of Loan written off	3,578,003	-
1.5 Other Income	272,568,397	147,872,364
2 Cash Payment	3,229,545,799	2,066,337,405
2.1 Interest Expenses	1,953,989,920	1,297,781,361
2.2 Staff Expenses	574,224,655	254,901,231
2.3 Office Operating Expenses	390,495,677	224,023,694
2.4 Income Tax Paid	310,835,547	289,631,119
2.5 Other Expenses	-	-
Cash Flow before changes in Working Capital	1,427,858,731	546,284,699
Increase/(Decrease) of Current Assets	(10,534,121,741)	(8,759,732,117)
1 (Increase)/Decrease in Money at Call and Short Notice	2,976,491,524	(660,976,816)
2 (Increase)/Decrease in Short-term Investment	(783,315,654)	(1,130,507,476)
3 (Increase)/Decrease in Loan and Bills Purchase	(12,580,416,131)	(6,876,950,928)
4 (Increase)/Decrease in Other Assets	(146,881,480)	(91,296,897)
Increase/(Decrease) of Current Liabilities	5,595,683,921	12,233,051,171
1 Increase/(Decrease) in Deposits	10,837,747,150	8,274,185,129
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(236,593,378)	-
4 Increase/(Decrease) in Other Liabilities	(5,005,469,851)	3,958,866,041
(b) Cash flow from Investment Activities	1,333,481,517	(619,309,178)
1 (Increase)/Decrease in Long-term Investment	(1,070,390,057)	(650,947,235)
2 (Increase)/Decrease in Fixed Assets	(750,957,895)	(52,342,576)
3 Interest income from Long-term Investment	104,131,698	83,927,234
4 Dividend Income	560,517	53,398
5 Others	3,050,137,254	-
(c) Cash flow from Financing Activities	1,175,657,487	915,310,740
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	209,673,178	500,000,000
2 Increase/(Decrease) in Share Capital	28,152,000	-
3 Increase/(Decrease) in Other Liabilities (Last year Dividend Payment)	(1,467,692)	(22,689,260)
4 Increase/(Decrease) in Refinance/facilities received from NRB	939,300,000	438,000,000
5 Increase/(Decrease) in Share Premium	-	-
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	41,669,855	29,878,386
(e) Current Year's Cash Flow from All Activities	(959,770,230)	4,345,483,701
(f) Opening Balance of Cash and Bank Balances	11,483,966,341	5,797,008,151
(g) Closing Balance of Cash and Bank Balances	10,524,196,110	10,142,491,852

Upendra Poudyal
Chief Executive Officer

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Kamlesh Kumar Agrawal
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Hari Babu Neupane
Director

Jeevan Man Joshi
Director

Pradeep Pradhan
Chief Information Officer

Mridul Parajuli
Head-Finance and Planning

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

T.R. Upadhy & Co.
Chartered Accountants

124 Lal Colony Marg
Lal Durbar
Post Box No. 4414
Kathmandu, Nepal

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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 Ltd (the "Bank"), which comprise the balance sheet as at 15 July 2016, 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has prepared financial statements in accordance with regulatory provision of 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.



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

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 or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardise the interest and security of the Bank, its depositors and investors.

As disclosed in Notes 6 of the Schedule 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 financial reporting framework as per the regulatory requirement of Nepal Rastra Bank.



Sanjeev Kumar Mishra
Partner



T R Upadhyaya & Co.
Chartered Accountants

Kathmandu
24 October 2016

Balance Sheet

As at Ashad 31, 2073 (July 15, 2016)

Capital & Liabilities		Schedule	Current Year Rs.	Previous Year Rs.
1	Share Capital	4.1	5,518,635,934	2,732,364,746
2	Reserve and Funds	4.2	1,342,523,574	564,082,222
3	Debentures and Bonds	4.3	500,000,000	500,000,000
4	Borrowings	4.4	1,487,994,615	438,000,000
5	Deposits	4.5	64,781,463,622	36,722,917,654
6	Bills Payables	4.6	-	21,717,138
7	Proposed Dividend		54,300,625	17,492,881
8	Income Tax Liabilities		-	-
9	Other Liabilities	4.7	928,409,514	340,888,475
Total Liabilities			74,613,327,884	41,337,463,116
Assets		Schedule	Current Year Rs.	Previous Year Rs.
1	Cash Balance	4.8	1,491,151,855	817,585,058
2	Balance with Nepal Rastra Bank	4.9	6,390,585,135	3,391,244,786
3	Balance with Banks/Financial Institutions	4.10	2,298,801,972	2,096,712,284
4	Money at Call and Short Notice	4.11	557,822,817	722,607,414
5	Investments	4.12	8,504,125,557	5,983,872,284
6	Loans, Advances and Bills Purchased	4.13	53,021,384,326	27,288,891,489
7	Fixed Assets	4.14	1,345,519,344	374,253,130
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	1,003,936,878	662,296,671
Total Assets			74,613,327,884	41,337,463,116

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)
Statement of Credit Risk Mitigation	Schedule	4.30 (C)
Statement of Operation Risk	Schedule	4.30 (D)
Statement of Market Risk	Schedule	4.30 (E)
Principal Indicators	Schedule	4.31
Principal Accounting Policies	Schedule	4.32
Notes to Accounts	Schedule	4.33
Statement of Promoter's Loan	Schedule	4.34
Comparative Report of Unaudited and Audited Financial Result	Schedule	4.35
Unaudited Financial Results	Schedule	4.36

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

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Rajendra Kafle
Director

Sanjeev Kumar Mishra
Partner
T R Upadhy & Co.
Chartered Accountants

Manoj Kumar Goyal
Director

Nico Pijl
Director

Romani Prasad Pathak
Director

Harischandra Subedi
Director

Kamlesh Kumar Agrawal
Director

Hari Babu Neupane
Director

Jeevan Man Joshi
Director

Pradeep Pradhan
Chief Information Officer

Mridul Parajuli
Head-Finance and Planning

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Profit and Loss Account

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
1 Interest Income	4.18	4,053,340,661	2,315,441,198
2 Interest Expenses	4.19	2,040,059,139	1,348,073,632
Net Interest Income		2,013,281,522	967,367,566
3 Commission and Discount	4.20	197,615,501	112,615,711
4 Other Operating Income	4.21	218,105,846	112,270,220
5 Exchange Fluctuation Income	4.22	160,268,673	119,513,544
Total Operating Income		2,589,271,542	1,311,767,041
6 Staff Expenses	4.23	471,311,447	201,815,190
7 Other Operating Expenses	4.24	473,549,140	288,111,738
8 Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		1,644,410,955	821,840,113
9 Provision for Possible Losses	4.25	576,323,341	97,073,735
Operating Profit		1,068,087,614	724,766,378
10 Non-operating Income/Loss	4.26	55,843,672	17,352,379
11 Loss Provision Written-Back	4.27	650,079,224	41,973,510
Profit from Regular Operations		1,774,010,510	784,092,267
12 Profit/Loss from extra-ordinary activities	4.28	(10,942,028)	-
Net Profit after considering all activities		1,763,068,482	784,092,267
13 Staff Bonus Provision		160,278,953	71,281,115
14 Provision for Income Tax		487,724,902	211,821,544
Current Year's		313,840,105	207,391,560
Previous Years'		6,901,230	-
Current Year Deferred Tax (Income)/Expenses		166,983,568	4,429,984
Net Profit/Loss		1,115,064,627	500,989,608

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

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Rajendra Kafle
Director

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Jeevan Man Joshi
Director

Pradeep Pradhan
Chief Information Officer

Mridul Parajuli
Head-Finance and Planning

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Profit and Loss Appropriation Account

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
Income			
1 Accumulated profit up to the last year		9,523,179	984,535
2 Current Year's Profit		1,115,064,627	500,989,608
3 Exchange Equalization Fund		-	-
4 Investment Adjustment Reserve		19,992,000	-
5 Swap surplus from Merger		651,180,180	-
Total		1,795,759,986	501,974,143
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		223,012,925	100,197,922
5 Contingent Reserve		-	-
6 Institutional Development Fund		-	-
7 Dividend Equalization Fund		-	-
8 Staff Related Reserve Fund		-	-
9 Proposed Dividend		54,300,625	17,492,881
10 Proposed Issue of Bonus Shares		1,031,711,869	332,364,746
11 Special Reserve Fund		-	-
12 Exchange Equalization Fund		10,417,464	7,469,597
13 Capital Redemption Reserve Fund		-	-
14 Capital Adjustment Fund		40,925,498	-
15 Others		(77,786,289)	34,925,818
a) Deferred Tax Reserve		(166,983,568)	(4,429,984)
b) Investment Adjustment Reserve		(1,553,591)	2,309,556
c) Debenture Redemption Reserve		90,750,870	37,046,246
Total		1,773,565,411	492,450,964
15 Accumulated Profit/(Loss)		22,194,575	9,523,179

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Manoj Kumar Goyal
Director

Harischandra Subedi
Director

Pradeep Pradhan
Chief Information Officer

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Partner
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Chartered Accountants

Jeevan Man Joshi
Director

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Statement of Changes in Equity

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Proposed Bonus Share	Capital Reserve Fund (Share Premium)	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Debt Redemption Reserve	Capital Adjustment Fund (Swap Surplus)	Capital Adjustment Fund	Total Amount	(Amount in NPR)	
Opening Balance	2,400,000,000	9,523,179	450,765,878	332,364,746	10,077,915	28,379,220	23,836,862	4,452,922	37,046,246	-	-	-	-	3,296,446,968
Add: Shares issued to share holders of merging entities	1,754,559,320	-	-	-	-	-	-	-	-	-	-	-	-	1,754,559,320
Add: Brought int o books from books of Merging entities	-	(490,983,319)	333,844,607	-	72,432	2,414,431	208,465,559	32,025,344	-	-	12,369,984	98,209,037	-	-
Bonus Share Capitalized	332,364,746	-	-	(332,364,746)	-	-	-	-	-	-	-	-	-	-
Swap Surplus from Merger	4,486,924,066	(481,460,140)	784,610,485	-	10,150,347	30,793,651	232,302,421	36,478,266	37,046,246	651,180,180	12,369,984	5,800,395,505	-	-
Balance														
Adjustments														
Right Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Auction of Right Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	1,115,064,627	-	-	-	-	-	-	-	-	-	-	-	1,115,064,627
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Reserve	-	(223,012,925)	223,012,925	-	-	-	-	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(10,417,464)	-	-	-	10,417,464	-	-	-	-	-	-	-	-
Transfer of Swap Surplus to Accumulated Profit	-	651,180,180	-	-	-	-	-	-	-	(651,180,180)	-	-	-	-
Proposed Cash Dividend	-	(54,300,625)	-	-	-	-	-	-	-	-	-	-	-	(54,300,625)
Proposed Stock Dividend (Bonus Shares)	-	(1,031,711,869)	-	1,031,711,869	-	-	(166,983,568)	-	-	-	-	-	-	-
Deferred Tax Reserve	-	166,983,568	-	-	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	21,545,591	-	-	-	-	-	(21,545,591)	-	-	-	-	-	-
Debt Redemption Reserve	-	(90,750,870)	-	-	-	-	-	-	90,750,870	-	-	-	-	-
Capital Adjustment Reserve	-	(40,925,498)	-	-	-	-	-	-	-	-	40,925,498	-	-	-
Closing Balance	4,486,924,066	22,194,575	1,007,623,410	1,031,711,869	10,150,347	41,211,115	65,318,853	14,932,675	127,797,116	(651,180,180)	53,295,483	6,861,159,508	-	-

Upendra Poudyal
Chief Executive Officer

Manoj Kumar Goyal
Director

Harischandra Subedi
Director

Pradeep Pradhan
Chief Information Officer

Pawan Kumar Golyan
Chairman

Nico Piji
Director

Kamlesh Kumar Agrawal
Director

Mridul Parajuli
Head-Finance and Planning

Rajendra Kafle
Director

Romani Prasad Pathak
Director

Hari Babu Neupane
Director

Sanjeev Kumar Mishra
Partner

T R Upadhyaya & Co.
Chartered Accountants

Jeevan Man Joshi
Director

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Cash Flow Statement

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	1,570,903,189	1,412,933,200
1 Cash Received	4,494,936,026	2,563,786,728
1.1 Interest Income	3,928,845,121	2,238,673,413
1.2 Commission and Discount Income	224,109,461	121,276,287
1.3 Income from foreign exchange transaction	118,598,818	89,635,158
1.4 Recovery of Loan written off	3,578,003	-
1.5 Other Income	219,804,623	114,201,870
2 Cash Payment	3,132,807,170	2,056,615,862
2.1 Interest Expenses	1,938,887,773	1,304,889,656
2.2 Staff Expenses	533,184,686	250,165,570
2.3 Office Operating Expenses	372,775,190	219,945,198
2.4 Income Tax Paid	287,959,521	281,615,438
2.5 Other Expenses	-	-
Cash Flow before changes in Working Capital	1,362,128,856	507,170,866
Increase/(Decrease) of Current Assets	(10,604,246,849)	(8,728,538,773)
1 (Increase)/Decrease in Money at Call and Short Notice	2,712,528,934	(660,976,816)
2 (Increase)/Decrease in Short-term Investment	(783,315,654)	(1,130,507,476)
3 (Increase)/Decrease in Loan and Bills Purchase	(12,394,005,894)	(6,876,950,928)
4 (Increase)/Decrease in Other Assets	(139,454,235)	(60,103,553)
Increase/(Decrease) of Current Liabilities	10,813,021,182	9,634,301,107
1 Increase/(Decrease) in Deposits	10,783,393,592	9,635,659,618
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(27,673,654)	-
4 Increase/(Decrease) in Other Liabilities	57,301,244	(1,358,511)
(b) Cash flow from Investment Activities	1,323,538,850	(621,734,371)
1 (Increase)/Decrease in Long-term Investment	(1,096,370,547)	(662,095,365)
2 (Increase)/Decrease in Fixed Assets	(746,869,712)	(51,619,638)
3 Interest Income from Long-term Investment	104,131,698	83,927,234
4 Dividend Income	20,560,517	8,053,398
5 Others	3,042,086,894	-
(c) Cash flow from Financing Activities	938,884,940	915,728,773
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-	500,000,000
2 Increase/(Decrease) in Share Capital	-	-
3 Increase/(Decrease) in Other Liabilities	(415,060)	(22,271,227)
4 Increase/(Decrease) in Refinance/facilities received from NRB	939,300,000	438,000,000
5 Increase/(Decrease) in Share Premium	-	-
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	41,669,855	29,878,386
(e) Current Year's Cash Flow from All Activities	3,874,996,834	1,736,805,988
(f) Opening Balance of Cash and Bank Balances	6,305,542,128	4,568,736,140
(g) Closing Balance of Cash and Bank Balances	10,180,538,962	6,305,542,128

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Rajendra Kafle
Director

Sanjeev Kumar Mishra
Partner
T R Upadhya & Co.
Chartered Accountants

Manoj Kumar Goyal
Director

Nico Pijl
Director

Romani Prasad Pathak
Director

Harischandra Subedi
Director

Kamlesh Kumar Agrawal
Director

Hari Babu Neupane
Director

Jeevan Man Joshi
Director

Pradeep Pradhan
Chief Information Officer

Mridul Parajuli
Head-Finance and Planning

Date : 24 October, 2016

Place : NMB Bhawan, Babarmahal, Kathmandu

Share Capital and Ownership

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1.Share Capital		
1.1 Authorized Capital		
a) 80,000,000 Ordinary Shares of Rs.100 each	8,000,000,000	5,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs.each		
1.2 Issued Capital		
a) 44,869,241 Ordinary Shares of Rs.100 each	4,486,924,066	2,400,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.3 Paid up Capital		
a) 44,869,241 Ordinary Shares of Rs.100 each	4,486,924,066	2,400,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.4 Proposed Bonus Share	1,031,711,869	332,364,746
1.5 Calls in Arrears	-	-
1.6 Calls in Advance	-	-
1.7 Total (1.3+1.4+1.5+1.6)	5,518,635,934	2,732,364,746

Share Ownership

As at Ashad 31, 2073 (July 15, 2016)

Share Ownership	Current Year Rs.		Previous Year Rs.	
	%	Share Capital	%	Share Capital
1 Local Ownership	89.36	4,009,689,794	87.10	2,090,407,228
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	17.38	779,979,765	17.57	421,666,748
1.5 Individual	71.98	3,229,710,030	69.53	1,668,740,480
1.6 Others	-	-	-	-
2 Foreign Ownership	10.64	477,234,272	12.90	309,592,772
Total	100.00	4,486,924,066	100.00	2,400,000,000

List of Shareholders holding more than 0.5% of Share Capital

S No	Name of the Shareholders	Current Year	
		Amount (Rs)	% of Total
1	Employees Provident Fund	438,372,500	9.77%
2	Yong Lian Realty Sdn Bhd	334,360,100	7.45%
3	Gayatri Investment And Management Pvt.Ltd	157,200,900	3.50%
4	Nederlandse Financierings-Maatschappij	142,874,000	3.18%
5	Nanda Kishor Rathi	133,589,100	2.98%
6	Dhananjaya Prasad Acharya	121,187,800	2.70%
7	Vishal Agrawal	103,916,900	2.32%
8	Purushotam Lal Sanghai	92,505,200	2.06%
9	Santosh Rathi	79,692,800	1.78%
10	Pawan Kumar Golyan	73,275,400	1.63%
11	Santosh Devi Murarka	63,018,300	1.40%
12	Anant Kumar Golyan	40,797,700	0.91%
13	Raj Kumar Goyal	40,722,600	0.91%
14	Dinbandhu Agrawal	40,278,400	0.90%
15	Balaram Neupane	38,786,600	0.86%
16	Narpat Singh Jain	35,750,700	0.80%
17	Pashupati Murarka	33,966,000	0.76%
18	Ashok Kumar Murarka	29,947,800	0.67%
19	Yugal Kishor Rathi	24,832,900	0.55%
20	Pradip Kumar Murarka	24,797,000	0.55%
21	Rajesh Agrawal	23,806,700	0.53%
22	Gaurav Investment Pvt.Ltd	22,521,200	0.50%

Schedule 4.2

Reserve And Funds

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 General Reserve Fund	1,007,623,410	450,765,878
2 Capital Reserve Fund	10,150,347	10,077,915
3 Capital Redemption Reserve	-	-
4 Capital Adjustment Fund	53,295,483	-
5 Capital Adjustment Fund (Swap Surplus)	-	-
6 Other Reserve Fund	208,048,644	65,336,030
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	65,318,853	23,836,862
5.7. Other Free Reserves	-	-
5.8. Investment Adjustment Reserve	14,932,675	4,452,922
5.9. Debenture Redemption Reserve	127,797,116	37,046,246
5.10. Other Reserves	-	-
7 Accumulated Profit/Loss	22,194,575	9,523,179
8 Exchange Equalization Fund	41,211,115	28,379,220
Total	1,342,523,574	564,082,222

Debentures and Bonds

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 7% Bond/Debentures of Rs. 1,000 each Issued on 6 Falgun 2071 and Maturing on 5 Bhadra 2077 (Outstanding balance of Redemption Reserve Rs. 127,797,116)	500,000,000	500,000,000
2% 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

Borrowings

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
A. Local		
1 Government of Nepal	-	-
2 Nepal Rastra Bank	1,377,300,000	438,000,000
3 Repo Obligation	-	-
4 Inter-Bank and Financial Institutions	-	-
5 Other Organized Institutions	-	-
6 Others	-	-
Total	1,377,300,000	438,000,000
B. Foreign		
1 Banks	110,694,615	-
2 Others	-	-
Total	110,694,615	-
Total (A+B)	1,487,994,615	438,000,000

Deposits

As at Ashad 31, 2073 (July 15, 2016)

Particulars	This Year Rs.	Previous Year Rs.
1 Non-Interest Bearing Accounts		
A. Current Deposits	2,669,761,217	1,457,615,709
1. Local Currency	2,261,186,607	1,339,798,420
1.1 Government of Nepal	532,078,147	288,987,307
1.2 "A" Class Licensed Institutions	7,669,844	8,600,914
1.3 Other Licensed Institutions	149,585,371	180,199,844
1.4 Other Organized Institutions	1,369,475,215	797,787,077
1.5 Individuals	180,635,186	64,223,279
1.6 Others	21,742,845	-
2. Foreign Currency	408,574,610	117,817,289
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Institutions	-	-
2.4 Other Organized Institutions	408,359,910	116,285,857
2.5 Individuals	214,700	1,531,432
2.6 Others	-	-
B. Margin Deposits	2,060,313,078	1,886,537,540
1 Employees Guarantee	-	-
2 Guarantee Margin	131,786,550	53,302,835
3 Letters of Credit Margin	1,928,526,528	1,833,234,705
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	4,730,074,295	3,344,153,249
2 Interest Bearing Accounts		
A. Saving Deposits	18,618,725,873	7,827,779,637
1. Local Currency	18,454,836,349	7,720,234,874
1.1 Organized Institutions	488,634,369	488,787,943
1.2 Individuals	17,951,422,159	7,231,446,930
1.3 Others	14,779,821	-
2. Foreign Currency	163,889,524	107,544,763
2.1 Organized Institutions	49,764,973	44,440,863
2.2 Individuals	114,124,551	63,103,900

2.3	Others		-
B.	Fixed Deposits	26,975,143,670	11,196,230,671
1.	Local Currency	26,070,583,045	10,927,057,424
1.1	Organized Institutions	18,699,018,950	7,535,979,534
1.2	Individuals	7,364,424,095	3,391,077,890
1.3	Others	7,140,000	-
2.	Foreign Currency	904,560,625	269,173,247
2.1	Organized Institutions	901,035,750	265,797,397
2.2	Individuals	3,524,875	3,375,850
2.3	Others		-
C.	Call Deposit	14,457,519,784	14,354,754,097
1.	Local Currency	13,200,719,140	12,971,538,248
1.1	"A" Class Licensed Institutions	-	-
1.2	Other Licensed Financial Institutions	1,171,232,004	3,700,234,815
1.3	Other Organized Institutions	10,948,408,708	7,162,004,360
1.4	Individuals	1,021,823,809	2,109,299,073
1.5	Others	59,254,619	-
2.	Foreign Currency	1,256,800,644	1,383,215,849
2.1	"A" Class Licensed Institutions		-
2.2	Other Licensed Financial Institutions	587,947	33,890,765
2.3	Other Organized Institutions	1,256,212,697	1,349,325,084
2.4	Individuals		-
2.5	Others		-
D.	Certificate of Deposit	-	-
1.	Organized Institutions		-
2.	Individuals		-
3.	Others		-
	Total of Interest Bearing Accounts	60,051,389,327	33,378,764,405
	Total Deposit (1+2)	64,781,463,622	36,722,917,654

Schedule 4.6

Bills Payable

As at Ashad 31, 2073 (July 15, 2016)

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

Other Liabilities

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Pension/Gratuity Fund	-	29,147,743
2 Employees Provident Fund	-	-
3 Employees Welfare Fund	-	-
4 Provision for Staff Bonus	160,278,953	71,281,115
5 Interest Payable on Deposits	175,018,662	78,138,743
6 Interest Payable on Borrowings	2,855,180	1,824,007
7 Unearned Discount and Commission	64,504,061	22,615,480
8 Sundry Creditors	332,838,729	46,375,813
9 Branch Account	-	-
10 Deferred Tax Liabilities	-	-
11 Dividend Payable	34,013,359	16,903,516
12 Others	158,900,571	96,319,196
a) Managers Cheque Payable	23,862,927	21,717,138
b) Audit fee payable	1,003,500	214,700
c) Employees Accumulated Sick Leave	56,041,112	17,485,493
d) Interest Payable on Debenture	17,547,945	14,287,671
e) Others	60,445,087	42,614,194
Total	928,409,514	362,605,613

Schedule 4.8

Cash Balance

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency (including coin)	1,467,872,732	790,730,099
2. Foreign Currency	23,279,123	26,854,959
Total	1,491,151,855	817,585,058

Schedule 4.9

Balance with Nepal Rastra Bank

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Current Year Grand Total Rs.	Previous Year Rs.
		INR	Convertible	Total		
1. Nepal Rastra Bank					6,390,585,135	3,391,244,786
a) Current Account	5,976,667,305	-	413,917,830	413,917,830	6,390,585,135	3,391,244,786
b) Other Account	-	-	-	-	-	-

Note: Balance with Nepal Rastra Bank as per confirmation is NPR 6,415,938,607, the differences of which are duly reconciled.

Balance with Banks/Financial Institutions

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Local Currency Rs.	Foreign Currency		Current Year Grand Total Rs.	Previous Year Rs.
		INR	Convertible		
1 Local Licensed Institutions				2,298,801,972	379,809,462
a) Current Account	1,105,151,251	480,276,919	713,373,802	2,298,801,972	379,809,462
b) Other Account				-	-
2 Foreign Banks				-	1,716,902,822
a) Current Account				-	1,716,902,822
b) Other Account				-	-
Total				2,298,801,972	2,096,712,284

Note : a) Total Balance for which the confirmations are received from respective licensed institutions is NPR 2,373,585,830, the differences of which are duly reconciled.

Money at Call and Short Notice

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	557,822,817	722,607,414
Total	557,822,817	722,607,414

Note: Money at Call and Short Notice as per confirmation is NPR 620,968,493, the differences of which are duly reconciled.

Investments

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Purpose		Current Year Rs.	Previous Year Rs.
	Trading	Other		
1 Government of Nepal Treasury Bills	-	880,232,165	880,232,165	2,852,219,404
2 Government of Nepal Savings Bond	200,000	-	200,000	-
3 Government of Nepal Other Securities	-	3,521,087,644	3,521,087,644	1,616,889,093
4 Nepal Rastra Bank Bonds	-	-	-	-
5 Foreign Securities	-	-	-	-
6 Local Licensed Institutions	-	3,519,778,460	3,519,778,460	300,000,000
7 Foreign Banks	-	322,050,000	322,050,000	786,525,567
8 Corporate Shares	-	261,020,749	261,020,749	225,043,220
9 Corporate Bonds and Debentures	-	-	-	-
10 Other Investment	-	-	-	203,200,000
Total Investment			8,504,369,018	5,983,877,284
Provision			243,461	5,000
Net Investment			8,504,125,557	5,983,872,284

Investment in Shares, Debentures and Bonds

As at Ashad 31, 2073 (July 15, 2016)

	Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	Current Year Amount Rs.	Previous Year Rs.
1	Investment in Shares	261,020,749	1,003,140,429	243,461	261,020,749	225,043,220
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. 1800 shares of Rs 100 each fully paid up	271,300	2,340,000	-	271,300	163,300
1.3	NLG Insurance Company Limited (10 kitta bonus share) 1800 shares of Rs 100 each fully paid up	-	19,700	-	-	-
1.4	Prime Life Insurance Company Limited 208 shares of Rs 100 each fully paid up	55,410	457,600	-	55,410	-
1.5	Rastriya Beema Sasthan 490 shares of Rs 100 each fully paid up	752,750	7,646,940	-	752,750	-
1.6	Nepal clearing House 41980 Equity shares of Rs 100 each	4,198,000	-	-	4,198,000	2,302,600
1.7	Credit Information Bureau Ltd. 5600 Ordinary shares of Rs 100 each fully paid up	189,000	-	-	189,000	94,500
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 ordinary shares of Rs 100 each fully paid up	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	148,050,000	-	105,000,000	105,000,000
1.11	NIBL Samridhi Fund-1 6472 Ordinary shares of Rs 10 each fully paid up	64,720	85,430	-	64,720	3,477,820
1.12	Sanima Mai Hydro Power 5417 Ordinary shares of Rs 100 each fully paid up	3,259,708	5,525,340	-	3,259,708	-
1.13	Ridi Hydro Power 103 Ordinary shares of Rs 100 each fully paid up	9,400	38,419	-	9,400	-
1.14	Soaltee Hotel Ltd. 6872 Ordinary shares of Rs 100 each fully paid up	2,815,461	2,577,000	238,461	2,815,461	-
1.15	CEDB Hydro Fund 100,000 Ordinary shares of Rs 100 each fully paid up	10,000,000	-	-	10,000,000	-
1.16	NMB Micro Finance Bittiya Sanstha Limited 204,000 Ordinary shares of Rs 100 each fully paid up	20,400,000	836,400,000	-	20,400,000	-
2	Investment in Debentures and Bonds	-	-	-	-	-
2.1	-	-	-	-	-
2.2	-	-	-	-	-
2.3	-	-	-	-	-
	Total Investment	261,020,749	1,003,140,429	243,461	261,020,749	225,043,220
3	Provision for Loss					
3.1	Up to previous year				5,000	5,000
3.2	Adjustments this year increased/(decreased)*				238,461	-
	Total Provision				243,461	5,000
	Net Investment				260,777,288	225,038,220

Note: * Adjustments in previous year provision was mainly due to disposal of investments carried forward from Merging Entities on which such provision was created.

Investments (Held for Trading)

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Cost PriceRs.	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	200,000	-	-	-	-	
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	200,000	-	-	-	-	

Investments (Held to Maturity)

As at Ashad 31, 2073 (July 15, 2016)

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	880,232,165	-	-	-	-	
2 Government of Nepal Savings Bond	-	-	-	-	-	
3 Government of Nepal Other Securities	3,521,087,644	-	-	3,521,087,644	-	
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	322,050,000	-	-	322,050,000	-	
10 Other Investment	3,519,778,460	-	-	-	-	
Total Investment	8,243,148,269	-	-	3,843,137,644	-	

Investments (Available for Sale)

As at Ashad 31, 2073 (July 15, 2016)

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	261,020,749	108,794,838	1,003,140,429	894,345,591	108,128,838	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	
9 Placement in Foreign Banks	-	-	-	-	-	
10 Other Investment	-	-	-	-	-	
Total Investment	261,020,749	108,794,838	1,003,140,429	894,345,591	108,128,838	

Classification of Loans, Advances and Bills Purchased and Provisioning

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Advances				Bills Purchased & Discounted				This Year Rs.	Previous YearRs.
	Domestic		Foreign		Domestic		Foreign			
	Insured	Uninsured	Deprived	Other	Total	Foreign	Total	Foreign		
1 Performing Loan	-	2,313,950,359	50,198,446,939	50,628,083	52,563,025,381	912,219,492	-	912,219,492	53,475,244,873	27,542,850,211
1.1 Pass Loan	-	2,306,838,522	49,015,745,144	50,628,083	51,373,211,749	912,219,492	-	912,219,492	52,285,431,241	26,423,319,263
1.2 Watch List	-	7,111,837	1,182,701,795	-	1,189,813,632	-	-	-	1,189,813,632	1,119,530,949
2 Non-Performing Loan	-	9,542,645	974,623,467	-	984,166,111	-	-	-	984,166,111	117,432,279
2.1 Restructured	-	1,119,725	3,539,277	-	4,659,002	-	-	-	4,659,002	2,868,457
2.2 Substandard	-	851,428	203,177,843	-	204,029,271	-	-	-	204,029,271	33,230,641
2.3 Doubtful	-	720,029	201,512,407	-	202,232,436	-	-	-	202,232,436	13,457,718
2.4 Loss	-	6,851,462	566,393,940	-	573,245,402	-	-	-	573,245,402	67,875,463
(A) Total Loan	-	2,323,493,004	51,173,070,406	50,628,083	53,547,191,493	912,219,492	-	912,219,492	54,459,410,985	27,660,282,490
3 Loan Loss Provision										
3.1 Pass	-	23,068,385	490,157,451	506,281	513,732,117	9,122,195	-	9,122,195	522,854,312	264,233,192
3.2 Watch List	-	284,473	47,308,072	-	47,592,545	-	-	-	47,592,545	22,390,619
3.3 Restructured	-	1,119,725	708,901	-	1,828,626	-	-	-	1,828,626	1,855,209
3.4 Substandard	-	212,857	50,794,461	-	51,007,318	-	-	-	51,007,318	8,307,660
3.5 Doubtful	-	360,015	100,756,204	-	101,116,218	-	-	-	101,116,218	6,728,859
3.6 Loss	-	6,851,462	566,393,940	-	573,245,402	-	-	-	573,245,402	67,875,463
3.7 Additional	-	-	140,382,237	-	140,382,237	-	-	-	140,382,237	-
(B) Total Provisioning	-	31,896,918	1,396,501,265	506,281	1,428,904,463	9,122,195	-	9,122,195	1,438,026,658	371,391,002
4 Provisioning up to Previous Year										
4.1 Pass	-	17,521,269	365,861,818	343,370	383,726,457	6,689,632	-	6,689,632	390,416,089	209,373,540
4.2 Watch List	-	621,332	45,163,709	-	45,785,041	3,442,990	-	3,442,990	49,228,031	-
4.3 Restructured	-	1,251,492	971,502	-	2,222,994	-	-	-	2,222,994	2,132,215
4.4 Substandard	-	1,506,038	89,501,809	-	91,007,847	-	-	-	91,007,847	826,344
4.5 Doubtful	-	5,361,625	66,390,960	-	71,752,584	-	-	-	71,752,584	2,775,207
4.6 Loss	-	5,612,696	326,328,794	-	331,941,490	-	-	-	331,941,490	101,183,472
4.7 Additional	-	254,905	528,300,283	-	528,555,187	-	-	-	528,555,187	-
(C) Total Previous Year's provision	-	32,129,356	1,422,518,874	343,370	1,454,991,600	10,132,623	-	10,132,623	1,465,124,223	316,290,777
(D) Written Back from Last year provision										
(E) Additional Provision This Year										
Changes in this year	-	(232,438)	577,403,297	162,911	577,333,769	(1,010,428)	-	(1,010,428)	576,323,340	41,973,510
Net Loan (A-B)	-	(232,438)	(26,017,609)	-	(26,087,137)	(1,010,428)	-	(1,010,428)	(27,097,566)	55,100,225
Net Loan (A-B)	-	2,291,596,086	49,776,569,141	50,121,802	52,118,287,029	903,097,297	-	903,097,297	53,021,384,326	27,288,891,489

Note: Previous year provision includes loan loss provision of NMB Bank Limited as of 16 July 2015 and loan loss provision of erstwhile Clean Energy Development Bank Limited, Bhrikuti Development Bank Limited, Pathibhara Bikash Bank Limited and Prudential Finance Company Limited as of 17 October 2015.

Loans, Advances and Bills Purchased Security Wise

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Secured	54,459,410,985	27,660,282,490
1 Movable/Immovable Assets	53,799,319,107	27,496,009,829
2 Guarantee of Local Licensed Institutions	353,727,124	48,963,226
3 Government Guarantee	123,053,553	52,811,088
4 Internationally Rated Bank Guarantee		-
5 Export Documents		-
6 Fixed Deposit Receipts		60,952,644
a) Own FDR	183,311,201	56,350,749
b) FDR of other Licensed Institutions	-	4,601,895
7 Government Bonds	-	1,545,702
8 Counter Guarantee		-
9 Personal Guarantee		-
10 Other Securities		-
(B) Unsecured		-
Total	54,459,410,985	27,660,282,490

Fixed Assets

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Assets					Current Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others		
1 At Cost							
a. Previous Year Balance	96,996,814	125,819,532	-	127,616,383	137,002,420	487,435,149	448,362,541
b. Addition this year	44,701,976	97,313,244	-	35,591,244	72,326,894	249,933,359	63,920,353
c. Revaluation/written back this year	-	-	-	-	-	-	-
d. This year sold	-	(15,752,700)	-	(858,687)	(398,491)	(17,009,878)	(24,718,163)
e. This year written off	-	-	-	(358,193)	(1,179,863)	(1,538,057)	(129,583)
Total Cost (a+b+c+d+e)	141,698,791	207,380,076	-	161,990,747	207,750,961	718,820,573	487,435,149
2 Depreciation							
a. Up to Previous Year	15,031,860	54,142,362	-	91,867,520	74,704,271	235,746,012	195,154,553
b. For This Year	3,352,201	30,423,404	-	19,417,096	32,967,136	86,159,837	57,157,211
c. Depreciation on revaluation/written back	-	-	-	-	-	-	-
d. Depreciation adjustment/written back	-	(13,466,046)	-	(853,869)	(1,156,463)	(15,476,378)	(16,565,752)
Total Depreciation	18,384,061	71,099,720	-	110,430,747	106,514,943	306,429,471	235,746,012
3 Book Value (SLM*) (1-2)	123,314,730	136,280,356	-	51,560,000	101,236,018	412,391,102	251,689,137
4 Land	869,937,410	-	-	-	-	869,937,410	65,326,505
5 Capital Construction (pending capitalization)	-	-	-	-	-	-	-
6 Leasehold assets (net of amortization)	63,190,832	-	-	-	-	63,190,832	57,237,486
Total (3+4+5+6)	1,056,442,972	136,280,356	-	51,560,000	101,236,018	1,345,519,344	374,253,129

Notes:

- a) During the second quarter, the Bank purchased land with an area of 80 Aanas (2,543 sq meters) for NPR 590 Million in Kamaladi with an intention of constructing Corporate Building.
b) The book value of land brought forward from Merging Entities is NPR 191 Million.

Non-Banking Assets

As at Ashad 31, 2073 (July 15, 2016)

Name and Address of Borrower or Party	Date of assuming Non-Banking Assets	Total Amount of Non-Banking Assets	Loss Provision		Current Year Net Non Banking Assets Rs.	Previous Year Net Non Banking Assets Rs.
			\In Percentage	In Amount		
Sangam Institute Pvt. Ltd.	11/1/2013	36,311,000	100%	36,311,000	-	-
Vendtech Medical Nepal International	11/1/2013	21,500,000	100%	21,500,000	-	-
Kipu Quality Meat Products P. Ltd.	16/7/2015	5,354,000	100%	5,354,000	-	-
Sita Kharel, Battispatali, Kathmandu	15/7/2012	5,111,000	100%	5,111,000	-	-
Ratna Kumar Gautam	13/7/2012	1,692,627	100%	1,692,627	-	-
Grand Total		69,968,627		69,968,627	-	-

Other Assets

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Stock of Stationery	7,244,836	5,100,220
2 Income Receivable on Investments	40,929,094	20,565,252
3 Accrued Interest on Loan	226,437,454	
Less : Interest Suspense Amount	(226,437,454)	-
4 Commission Receivable	15,394,621	-
5 Sundry Debtors	85,890,903	32,150,965
6 Staff Loan and Advances	266,994,771	141,466,156
7 Prepayments	47,919,231	15,590,221
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	65,318,853	23,836,862
14 Others	474,244,569	423,586,995
a) Advance Income Tax (Net of Provisions)	152,795,506	140,968,348
b) Security Deposits	30,856,379	7,535,533
c) Gold Mark Up (Gold Consignment)	21,185,217	24,160,166
d) Fuel Stock	289,650	-
e) Advance for Gold Trading	268,706,657	192,437,219
f) Others	5,955,496	411,160
Less : Provision on Others under Other Assets	(5,544,336)	58,485,729
Total	1,003,936,878	662,296,671

Schedule 4.16 (A)

Other Assets (Additional Statement)

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.				Previous Year Rs.
	Up to 1 Year	1 to 3 Years	Above 3 Years	Total	
1 Accrued Interest on Loan	213,904,948	6,151,167	6,381,339	226,437,454	78,688,523
2 Drafts Paid without Notice					
3 Branch Account					
4 Local and Foreign Agency A/C's					

Contingent Liabilities

As at Ashad 31, 2073 (July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Claims on institution but not accepted by the Institution	-	-
2 Letters of credit (full amount)	13,428,871,251	6,864,414,474
a) Less than 6 months maturity	3,956,359,921	1,735,400,068
b) More than 6 months maturity	9,472,511,330	5,129,014,405
3 Rediscounted Bills	-	-
4 Unmatured Guarantees/Bonds	2,500,086,063	663,604,402
a) Bid Bonds	662,568,016	67,186,786
b) Performance Bonds	1,837,518,047	596,417,616
c) Other Guarantee/Bonds	-	-
5 Unpaid Shares in Investment	-	-
6 Forward Exchange Contract Liabilities	-	-
7 Bills under Collection	77,974,865	41,276,901
8 Acceptance and Endorsements	640,805,726	752,693,870
9 Underwriting Commitments	-	-
10 Irrevocable Loan Commitments	5,539,842,808	2,467,832,493
11 Counter Guarantee of Internationally Rated Banks	4,716,579,161	2,457,187,473
12 Advance Payment Guarantee	1,052,776,403	253,126,332
13 Financial Guarantee	10,950,000	850,000
14 Contingent Liabilities on Income Tax	99,848,085	69,679,994
15	-	-
16	-	-
17	-	-

Interest Income

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	3,899,098,905	2,174,789,450
1 Loan and Advances	2,732,651,802	1,615,358,169
2 Overdraft	1,166,447,103	559,431,281
B. On Investment	124,495,540	76,767,785
1 Government of Nepal Securities	110,931,361	59,349,947
a. Treasury Bills	18,970,162	5,214,171
b. Development Bonds	91,632,730	54,067,900
c. National Savings Certificates	328,469	67,876
2 Foreign Securities	-	-
a	-	-
b	-	-
3 Nepal Rastra Bank Bonds	-	-
4 Debenture and Bonds	-	-
5 Interest on Inter-bank Investment	13,564,179	17,417,838
a. Bank/Financial Institutions	13,564,179	17,417,838
b. Other Organizations	-	-
C. On Agency Balances	-	-
1 Local Banks	-	-
2 Foreign Banks	-	-
D. On Money at Call and Short Notice	5,834,297	2,900,800
1 Local Banks/Financial Institutions	2,139,049	208,357
2 Foreign Banks	3,695,248	2,692,443
E. On Others	23,911,919	60,983,163
1 Certificate of Deposits	-	-
2 Inter-Bank Loan	-	-
3 Others	23,911,919	60,983,163
Total	4,053,340,661	2,315,441,198

Interest Expenses

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	1,987,323,736	1,330,518,721
1 Fixed Deposits	1,235,463,098	591,512,353
1.1 Local Currency	1,228,868,252	576,709,891
1.2 Foreign Currency	6,594,846	14,802,462
2 Saving Deposits	389,846,844	245,030,672
2.1 Local Currency	387,884,918	244,167,004
2.2 Foreign Currency	1,961,926	863,668
3 Call Deposits	362,013,794	493,975,696
3.1 Local Currency	343,302,032	475,409,405
3.2 Foreign Currency	18,711,762	18,566,291
4 Certificate of Deposits	-	-
B. On Borrowings	52,735,403	17,554,911
1 Debentures and Bonds	35,000,000	14,287,671
2 Loan from Nepal Rastra Bank	1,509,370	1,824,000
3 Inter Bank/Financial Institutions Borrowing	16,226,033	1,443,240
4 Other Corporate Body	-	-
5 Other Loans	-	-
C. On Others	-	-
1	-	-
2	-	-
Total	2,040,059,139	1,348,073,632

Schedule 4.20

Commission and Discount Income

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
A. Bills Purchase and Discount	6,151,872	1,698,469
1 Local	-	-
2 Foreign	6,151,872	1,698,469
B. Commission	131,072,635	83,058,875
1 Letters of Credit	35,386,766	35,608,044
2 Guarantee	64,492,563	29,840,121
3 Collection Fee	2,932,418	857,588
4 Remittance Fee	15,961,476	6,202,987
5 Credit Cards	-	-
6 Share Underwriting/Issues	-	-
7 Government Transactions	-	-
8 Agency Commission	12,258,575	10,549,747
9 Exchange Fee	40,837	388
C. Others	60,390,994	27,858,367
1 Income from trading in Gold and Silver	7,142,743	706,843
2 Others	53,248,251	27,151,524
Total	197,615,501	112,615,711

Other Operating Income

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Safe Deposit Lockers Rental	1,795,350	888,413
2 Issue and Renewals of Credit Cards	-	-
3 Issue and Renewals of ATM Cards	12,200,899	5,950,649
4 Telex/T.T.	6,986,065	4,729,688
5 Service Charges	190,240,583	95,093,239
6 Renewal Fees	-	-
7 Others	6,882,949	5,608,231
Total	218,105,846	112,270,220

Schedule 4.22

Exchange Gain/Loss

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Revaluation Gain	41,669,855	29,878,386
(B) Trading Gain (except Exchange Fee)	118,598,818	89,635,158
Total Income (Loss)	160,268,673	119,513,544

Schedule 4.23

Staff Expenses

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Salary	161,764,760	89,876,534
2 Allowances	164,550,673	70,408,437
3 Contribution to Provident Fund	14,806,376	8,596,256
4 Training Expenses	8,928,103	3,913,673
5 Uniform	-	-
6 Medical	-	-
7 Insurance	-	-
8 Pension and Gratuity Provision	42,669,434	9,379,969
9 Others	78,592,101	19,640,321
a) Leave Fare	12,314,943	7,304,198
b) Staff Welfare	12,214,914	7,694,345
c) Accumulated Sick Leave	32,823,932	4,641,778
d) Incentives	21,150,778	-
e) Recruitment and Selection Expenses	87,534	-
Total	471,311,447	201,815,190

Other Operating Expenses

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 House Rent	65,565,800	40,101,444
2 Electricity and Water	17,100,640	12,716,623
3 Repair and Maintenance	4,199,599	5,071,092
(a) Building	745,867	272,417
(b) Vehicles	2,337,488	1,717,730
(c) Others	1,116,244	3,080,945
4 Insurance	10,349,319	5,935,664
5 Postage, Telex, Telephone, Fax	31,096,319	19,067,797
6 Office Equipment, Furniture and Repair	5,476,595	1,090,680
7 Travelling Allowances and Expenses	8,602,825	2,130,808
8 Stationery and Printing	31,793,330	16,925,073
9 Periodicals and Books	348,488	223,397
10 Advertisements	30,059,783	12,767,990
11 Legal Expenses	4,714,713	3,182,221
(a) Legal Fees	260,728	240,000
(b) Professional Fees	4,453,985	2,942,221
12 Donations	30,000	581,453
13 Expenses Relating to Board of Directors	4,102,025	2,764,084
(a) Meeting Fees	1,994,000	1,215,000
(b) Other Expenses	2,108,025	1,549,084
14 Annual General Meeting Expenses	1,893,090	575,243
15 Expenses Relating to Audit	1,446,091	609,490
(a) Audit Fees	1,017,000	214,700
(b) Other Expenses	429,091	394,790
16 Commission on Remittances	-	-
17 Depreciation on Fixed Assets	99,985,150	68,161,596
18 Amortization of Preliminary Expenses	-	-
19 Share Issue Expenses	-	-
20 Technical Services Fee	-	-
21 Entertainment/Business Promotion	4,672,911	2,259,069
22 Written Off Expenses	-	-
23 Security Expenses	38,788,758	22,770,658
24 Credit Guarantee Premium	-	-
25 Commission and Discount	-	-
26 Others	113,323,704	71,177,356
(a) Office Expenses	16,241,973	9,976,987
(b) Vehicle fuel	11,332,813	8,492,212
(c) Membership Fee	9,842,279	9,180,395
(d) Outsource Staff Expenses	16,979,468	11,067,551
(e) Card Transaction Charges	17,352,921	8,966,462
(f) Bank Charges and Commission	5,062,564	2,126,853
(g) Rates and Taxes	4,801,275	3,306,418
(h) Deposit Guarantee Expenses	10,513,180	4,664,724
(i) Merger Expense	4,065,972	-
(j) Others	17,131,259	13,395,754
Total	473,549,140	288,111,738

Schedule 4.25

Provision for Possible Losses

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Increase in Loan Loss Provision	576,323,341	97,073,735
2 Increase in Provision for Loss on Investment	-	-
3 Provision Against Non-Banking Assets	-	-
4 Provision Against Other Assets	-	-
Total	576,323,341	97,073,735

Schedule 4.26

Non-Operating Income/(Loss)

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Profit (Loss) on Sale of Investment	44,218,453	-
2 Profit (Loss) on Sale of Assets	(2,820,074)	7,367,331
3 Dividend	20,560,517	8,053,398
4 Subsidies Received from Nepal Ratra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5 Others	(6,115,224)	1,931,650
(a) Rent Income	1,560,983	1,882,650
(b) Insurance Claim Income	137,794	49,000
(c) Loss on Sale of NBA	(7,814,000)	-
Total Non-Operating Income (Loss)	55,843,672	17,352,379

Loss Provision Written Back

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Loan Loss Provision Written Back	603,420,906	41,973,510
2 Provision against Non-Banking Assets Written Back	44,814,000	-
3 Investment Provision Written Back	1,844,318	-
4 Provision against Other Assets Written back	-	-
Total	650,079,224	41,973,510

Note: Investment provision write back is on account of disposal of investments carried forward from Merging Entities on which such provision was created.

Profit/(Loss) from Extra-ordinary Activities

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

Particulars	Current Year Rs.	Previous Year Rs.
1 Recovery of write off Loan	3,533,532	-
2 Voluntary Retirement Scheme Expenses	-	-
3 Loan Write-Offs (4.28) (a)	(14,520,031)	-
4 Other Expenses/Income	44,471	-
5 Other Assets Write Off	-	-
Total	(10,942,028)	-

Statement of Loans Written-Off

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

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	Working Capital Loan	10,724,489	Hypothecation of Stocks	Stock valuation	CEO		
2	Auto Loan	1,323,469	Vehicle	Invoice	CEO	Follow up. Letter issued, 35 days Notice Published, Auction Notice	
3	Auto Loan	1,026,455	Vehicle	Invoice	Head-Business and Retail Banking	Published, Legal case filed at DRT, Blacklisting of Borrower, Directors and Personal Guarators	
4	Auto Loan	1,445,618	Vehicle	Invoice	Head-Business and Retail Banking		
	Total Loan	14,520,031					

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

As at Ashad 31, 2073 (July 15, 2016)

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	
		Principal	Interest	Principal	Interest		Principal	Interest
(A)	Directors							
	1							
	2							
(B)	Chief Executive							
	1							
	2							
(C)	Promoters							
	1							
	2							
(D)	Employees							
	1							
	2							
(E)	Shareholders							
	1							
	2							
	Total	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Capital Adequacy Table

2073 Ashad

Amount in thousands

1.1 Risk Weighted Exposures		2073 Ashad End	Previous FY
a	Risk Weighted Exposure for Credit Risk	65,468,564	33,007,256
b	Risk Weighted Exposure for Operational Risk	2,904,790	1,316,540
c	Risk Weighted Exposure for Market Risk	737,320	543,280
Total Risk Weighted Exposures (a+b+c)		69,110,674	34,867,076
Adjustments under Pillar II			
Add : .. of the total RWE due to non-compliance to Disclosure Requirement (6.4 a 10)			
	Add : RWE equivalent to reciprocal of capital charge of 2% of gross income.	460,895	213,874
	Add : 2% of the total RWE due to Supervisory add up	1,382,213	697,342
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		70,953,782	35,778,292
1.2 Capital			
Core Capital (Tier 1)		6,629,696	3,163,615
a	Paid up Equity Share Capital	4,486,924	2,400,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	10,150	10,078
d	Proposed Bonus Equity Shares	1,031,712	332,365
e	Statutory General Reserves	1,007,623	450,766
f	Retained Earnings	22,195	9,523
g	Unaudited current year cumulative profit/(Loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	53,295	-
j	Dividend Equalization Reserves	-	-
k	Less: Deferred Tax Assets	(65,319)	23,837
l	Other Free Reserve	65,319	-

m	Debenture Redemption Reserve	127,797	37,046
n	Less: Goodwill	-	-
o	Less: Fictitious Assets	-	-
p	Less: Investment in equity in licensed Financial Institutions	-	-
q	Less: Investment in equity of institutions with financial interests	(110,000)	(100,000)
r	Less: Investment in equity of institutions in excess of limits	-	-
s	Less: Investments arising out of underwriting commitments	-	-
t	Less: Reciprocal cross holdings	-	-
u	Less: Purchase of land & building in excess of limit and unutilized	-	-
v	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 2)	1,160,818	819,258
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	400,000	500,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	704,674	286,426
e	Exchange Equalization Reserve	41,211	28,379
f	Investment Adjustment Reserve	14,933	4,453
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
	Total Capital Fund (Tier I and Tier II)	7,790,514	3,982,873
	1.3 Capital Adequacy Ratios		
	Tier 1 Capital to Total Risk Weighted Exposures	9.34	8.84
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	10.98	11.13

Credit Risk Exposures

2073 Ashad

Assets	2073 Ashad End					Previous FY		
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Balance Sheet Exposures								
Cash Balance	1,491,152	-	-	1,491,152	0%	-	817,585	-
Balance With Nepal Rastra Bank	6,390,585	-	-	6,390,585	0%	-	3,391,245	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	880,432	-	-	880,432	0%	-	4,469,108	-
All Claims on Government of Nepal	580,492	-	-	580,492	0%	-	212,337	-
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	2,540,898	-	-	2,540,898	20%	508,180	824,682	164,936
Claims on domestic banks that do not meet capital adequacy requirements	85,988	-	-	85,988	100%	85,988	364,455	364,455
Claims on foreign bank (ECA Rating 0-1)	3,483,940	-	-	3,483,940	20%	696,788	2,086,029	417,206
Claims on foreign bank (ECA Rating 2)	107,350	-	-	107,350	50%	53,675	88,392	44,196
Claims on foreign bank (ECA Rating 3-6)	480,277	-	-	480,277	100%	480,277	237,488	237,488
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above regulatory capital requirement	-	-	-	-	20%	-	304,800	60,960
Claims on Domestic Corporates	32,338,312	-	-	32,338,312	100%	32,338,312	21,433,386	21,433,386
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	203,200	40,640
Claims on Foreign Corporates (ECA 2)	268,707	-	-	268,707	50%	134,353	192,437	96,219
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	5,250,834	-	-	5,250,834	75%	3,938,126	1,045,510	784,133
Claims fulfilling all criterion of regulatory retail except granularity	166,843	-	-	166,843	100%	166,843	116,219	116,219
Claims secured by residential properties	6,015,810	-	-	6,015,810	60%	3,609,486	3,092,767	1,855,660
Claims not fully secured by residential properties	2,031,512	-	-	2,031,512	150%	3,047,268	-	-
Claims secured by residential properties (Overdue)	69,084	29,519	-	39,566	100%	39,566	11,893	11,893

Amount in thousands

Claims secured by Commercial real estate	2,482,472	-	-	2,482,472	100%	2,482,472	255,786	255,786
Past due claims (except for claim secured by residential properties)	1,466,190	703,834	-	762,356	150%	1,143,534	34,505	51,758
High Risk claims	4,555,353	-	183,311	4,372,042	150%	6,558,063	1,470,861	2,206,292
Investments in equity and other capital instruments of institutions listed in the stock exchange	132,629	-	-	132,629	100%	132,629	108,641	108,641
Investments in equity and other capital instruments of institutions not listed in the stock exchange	18,392	243	-	18,149	150%	27,223	16,397	24,596
Staff loan secured by residential property	179,878	-	-	179,878	60%	107,927	97,289	58,373
Interest Receivable/claim on government securities	35,232	-	-	35,232	0%	-	6,602	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets (as per attachment)	1,777,043	-	-	1,777,043	100%	1,777,043	587,329	587,329
TOTAL	72,829,406	733,596	183,311	71,912,498		57,327,752	41,468,943	28,920,164
Off Balance Sheet Exposures								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	77,975	-	-	77,975	0%	-	41,277	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,956,360	-	432,481	3,523,879	20%	704,776	1,657,420	331,484
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	9,472,511	-	4,663,443	4,809,069	50%	2,404,534	2,765,697	1,382,849
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	2,500,086	-	78,564	2,421,522	50%	1,210,761	619,009	309,505
Foreign counterparty (ECA Rating 0-1)	667,529	-	534,023	133,506	20%	26,701	43,643	8,729
Foreign counterparty (ECA Rating 2)	3,014,146	-	1,507,073	1,507,073	50%	753,537	647,961	323,981
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	1,052,776	-	51,990	1,000,786	100%	1,000,786	244,650	244,650
Financial Guarantee	10,950	-	1,233	9,718	100%	9,718	617	617
Acceptances and Endorsements	640,806	-	25,603	615,202	100%	615,202	733,422	733,422
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	5,539,843	-	-	5,539,843	20%	1,107,969	2,467,832	493,566
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	1,034,904	-	-	1,034,904	20%	206,981	943,047	188,609
Other Contingent Liabilities	99,848	-	-	99,848	100%	99,848	69,680	69,680
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
TOTAL	28,067,734	-	7,294,410	20,773,324		8,140,812	10,234,256	4,087,091
Total RWE for credit Risk	100,897,140	733,596	7,477,722	92,685,822		65,468,564	51,703,199	33,007,256
Adjustments under Pillar II								

Add : 10% of the loan and facilities in excess of Single Obligor Limits 6.4.a.3)

Add : 1% of the contract (sale) value in case of the sale of credit with recourse (6.4.a.4)

Total RWE for Credit Risk (After Bank's adjustments of Pillar II)

Eligible Credit Risk Mitigants

2073 Ashad

Credit exposures	Amount in thousands									
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
	Deposits with Bank	Deposits with other Banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	
Balance Sheet Exposures										
1 Cash Balance	-	-	-	-	-	-	-	-	-	-
2 Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
3 Gold	-	-	-	-	-	-	-	-	-	-
4 Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
5 All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
6 Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
7 All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
8 Claims on Foreign government and Central Bank (ECA -1)	-	-	-	-	-	-	-	-	-	-
9 Claims on Foreign government and Central Bank (ECA -2)	-	-	-	-	-	-	-	-	-	-
10 Claims on Foreign government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
11 Claims on Foreign government and Central Bank (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
12 Claims on Foreign government and Central Bank (ECA -7)	-	-	-	-	-	-	-	-	-	-
13 Claims on BIS, IMF, ECB, EC And Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
14 Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
15 Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
16 Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
17 Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
18 Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
19 Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
20 Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
21 Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
22 Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
23 Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
24 Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
25 Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
26 Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-
27 Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
28 Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
29 Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
30 Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
31 Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-

Operation Risk Exposures

2073 Ashad

Particulars	Years before 2072 Ashar End				Amount in thousands
	FY 2069/70	FY 2070/71	FY 2071/72	2073 Ashad End	
Net Interest Income	1,317,668	1,498,197	1,800,536	2,013,282	
Commission and Discount Income	76,127	109,909	138,797	197,616	
Other Operating Income	178,190	191,110	200,299	218,106	
Exchange Fluctuation Income	65,779	99,617	120,366	160,269	
Addition/Deduction in Interest Suspense during the period	56,071	(87,553)	44,477	3,412	
Gross income (a)	1,693,834	1,811,280	2,304,474	2,592,685	
Alfa (b)	15%	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	254,075	271,692	345,671	388,903	
Capital Requirement for operational risk (d) (average of c)			290,479		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10		
Equivalent Risk Weight Exposure [f=(d×e)]			2,904,790		
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)					

2073 Ashad

Market Risk Exposures

Amount in thousands

S.No.	Currency	2073 Ashad End			2072 Ashad End
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Relevant Open Position
1	INR	(909,327)	(1,455,605)	1,455,605	1,030,494
2	USD	(41)	(4,377)	4,377	42,997
3	GBP	(4)	(585)	585	692
4	CHF	(2)	(186)	186	584
5	EUR	11	1,260	1,260	143
6	JPY	(1,260)	(1,275)	1,275	530
7	SEK	(15)	(196)	196	250
8	DKK	-	-	-	-
9	HDK	(4)	(49)	49	57
10	AUD	(30)	(2,442)	2,442	997
11	SGD	(20)	(1,582)	1,582	467
12	KRW	(626)	(59)	59	94
13	AED	(13)	(385)	385	602
14	MYR	(76)	(2,074)	2,074	3,953
15	THB	(3)	(9)	9	212
16	QAR	(65)	(1,910)	1,910	1,057
17	CNY	(14)	(224)	224	518
18	CAD	2	180	180	173
19	SAR	(72)	(2,053)	2,053	2,685
20	KWD	1	182	182	43
21	BHD	-	-	-	17
Total Open Position (a)				1,474,633	1,086,565
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				73,732	54,328
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				737,320	543,280

Principal Indicators

For Last Five Years

Particulars	Indicators	FY 2068/69	FY 2069/70	FY 2070/71	FY 2071/72	FY 2072/73
1	Percent of Net Profit/Gross Income	2.79	17.40	16.34	18.42	20.90
2	Earning Per Share	2.61	18.02	20.50	25.05	27.78
3	Market Value Per Share	180.00	252.00	515.00	507.00	810.00
4	Price Earning Ratio	68.93	13.98	25.13	20.24	29.15
5	Dividend (including bonus) on Share Capital	-	-	21.05	8.42	20.00
6	Cash Dividend on Share Capital	-	10.00	1.05	0.42	1.00
7	Interest Income/Loan & Advances	12.72	10.25	9.10	7.86	7.16
8	Staff Expenses/Total Operating Expenses	38.59	48.29	45.23	48.66	57.15
9	Interest Expenses on Total Deposit and Borrowing	7.86	4.86	4.49	3.63	3.08
10	Exchange Gain/Total Assets	0.27	0.26	0.32	0.29	0.21
11	Staff Bonus/Total Staff Expenses	8.53	38.94	39.12	35.32	34.01
12	Net Profit/Loan and Advances	0.42	2.13	1.97	1.81	2.05
13	Net Profit/Total Assets	0.28	1.43	1.36	1.21	1.49
14	Total Credit/Deposit	78.01	76.20	76.73	75.32	84.07
15	Total Operating Expenses/Total Assets	1.41	1.46	1.52	1.36	1.48
16	Adequacy of Capital Fund on Risk Weighted Assets					
	a)Core Capital	13.95	10.42	9.91	8.84	9.34
	b)Supplementary Capital	0.91	1.32	0.84	2.29	1.64
	c)Total Capital Fund	14.84	11.74	10.75	11.13	10.98
17	Liquidity (CRR)	18.91	23.35	13.72	13.32	10.81
18	Non-performing credit/Total credit	2.45	1.80	0.55	0.42	1.81
19	Base Rate	-	9.55	8.12	7.89	6.68
20	Weighted Average Interest Rate Spread	3.56	4.21	4.11	4.19	4.31
21	Book Net-worth	2,266,860	2,424,080	2,812,950	3,296,447	6,861,160
22	Total Shares	20,000	20,000	20,000	24,000	55,185
23	Total Staff	218	269	322	357	755
24	Others	-	-	-	-	-

Schedule 4.32: Significant Accounting Policies

Financial Year 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

1. General Information

NMB Bank Limited (the "Bank") is a limited liability company domiciled in Nepal. The registered office of the Bank is G.P.O. Box 11543, Babarmahal, Kathmandu, Nepal. The Bank has a primary listing in the Nepal Stock Exchange Limited.

The Bank carries out commercial banking activities in Nepal under license from Nepal Rastra Bank as Class A licensed financial institution.

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.

The Financial Statements for the year ended 15 July 2016 have been authorized by the Board of Directors in accordance with its resolution dated 24 October 2016 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 financial statements 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 and in compliance with the Companies Act 2063.

2.2 Responsibility for Financial Statements

As stated in NAS 01 "Presentation of Financial Statements", the Board of Directors is responsible for the preparation of financial statements of the Bank. The Board of Directors acknowledges this responsibility.

2.3 Basis of Preparation

The Board of Directors is responsible for the preparation and fair presentation of the financial statements. The financial statements are prepared

on the historical cost basis. 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 judgment in the process of applying the Bank's accounting policies. The management believes that the estimates and judgment used in the preparation of the financial statements are prudent and reasonable.

2.4 Interest Income

Interest income on Loans and Advances has been recognized on cash basis as per Directive 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.

2.5 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.

2.6 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.

2.7 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

2.8 Interest Expense

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

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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. These investments are marked to market on a regular basis and the difference adjusted through provision for investments.

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.

2.15 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	Over the life of assets determinable or estimated	

- 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.

- f. 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.
- g. Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.16 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.

2.17 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'. Profit arising out of the deferred tax assets are stated under earmarked 'Deferred Tax Reserve' as per NRB guidelines.

2.18 Stationery

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

2.19 Non-Banking Assets

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

2.20 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.

2.21 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. Previous year's figures include only the audited figures of NMB Bank of FY 2072.73 and not of other merging entities.

Schedule 4.33: Notes to Accounts

Financial Year 17 July 2015 to 15 July 2016 (1 Shrawan 2072 to 31 Ashad 2073)

1. Interest Income and Interest Suspense

The interest receivable on loans and advances as at 15 July 2016 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 making adjustments for loan loss provision and 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 required under the Banks and Financial Institutions Act 2063, 20% of the current year's net profit has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

25% of the revaluation gain amounting to NPR 10,417,464 has been transferred to Exchange Fluctuation Reserve through the Profit and Loss Appropriation as per NRB Directives.

6. Investment Adjustment Reserve

2% of investment amount (except for Nepal Clearing House and Credit Information Bureau) and 100% of investment amount for CEDB Hydro Fund under ‘Available for Sale’ category totalling to NPR 14,932,675 has been set aside as Investment Adjustment Reserve.

Particulars	Investment Amount	IAR%	IAR Amount
IAR not required to be created	4,387,000	0%	-
100% IAR required	10,000,000	100%	10,000,000
2% IAR required	246,633,749	2%	4,932,675
Total	261,020,749		14,932,675

Available for sale 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 54 million and correspondingly the Reserve.

7. Deferred Tax Reserve

Deferred tax reserve brought into books from merging entities' books of account is NPR 208,465,559. 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 Retained Earning. The amount transferred this year is NPR 166,983,568.

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 2016 is NPR 127,797,116.

9. Proposed Dividend

The Board of Directors have recommended payment of dividend at the rate of 20% (19% Bonus Shares and 1% Cash Dividend for tax purpose) for the year ended 15 July 2016. This will be approved at the forthcoming Annual General Meeting of the Bank.

10. Income Tax

a. Tax Litigation

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 litigation is mentioned in the table below.

NMB Bank Limited (Prior Merger)		
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 Revenue Tribunal on 2069.08.12 for which the final decision is pending	16,202,412
FY 2066-67	Appealed to IRD for Administrative Review on 2070.06.12 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	Appealed to IRD for Administrative Review on 2073.01.30 for which the final decision is pending	5,891,178
Total		69,347,780
Erstwhile Clean Energy Development Bank Limited		
FY 2065-66	Appealed to IRD for Administrative Review on 2070.06.08 for which the final decision is pending	1,505,630
FY 2066-67	Appealed to IRD for Administrative Review on 2071.08.23 for which the final decision is pending	14,595,261
FY 2067-68	Appealed to IRD for Administrative Review on 2072.05.09 for which the final decision is pending	5,700,050
FY 2068-69	Appealed to IRD for Administrative Review on 2073.01.09 for which the final decision is pending	3,040,090
Total		24,841,031
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		99,848,085

Since decisions for these cases are pending, disputed tax amount of NPR 99,848,085 mentioned above has been disclosed as contingent liability on Income Tax under Schedule 4.17.

b. Tax Assessment

Tax assessments for financial year 2069-70 and beyond are yet to be commenced by the Large Taxpayers Office.

11. 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	140,968,348
Advance Income Tax carried forward from erstwhile Clean Energy Development Bank Limited	38,823,965
Advance Income Tax carried forward from erstwhile Bhrikuti Development Bank Limited	4,390,545
Advance Income Tax carried forward from erstwhile Pathibhara Bikash Bank Limited	542,637
Advance Income Tax carried forward from erstwhile Prudential Finance Company Limited	5,305,300
Advance Tax Instalments FY 2072.73	270,000,000
Tax Withheld by Withholder FY 2072.73	6,604,816
Less: Income Tax Liability of FY 2072.73	(313,840,105)
Advance Income Tax presented in Schedule 4.16	152,795,506

12. Provision for Gratuity

The Bank carried out actuarial valuation of gratuity during the current fiscal year and based on the report received from the Actuary, the Bank has charged NPR 42,669,434 in P/L on account of gratuity. The Bank has deposited remaining gratuity liabilities as on year end amounting to NPR 46,205,928 in Citizen Investment Trust (Approved Gratuity Fund).

13. Provision for Sick Leave

During the year, the Bank has made cash payment of NPR 4,275,295.95 on account of sick leave to the eligible resigned staff.

The Bank had carried out actuarial valuation of sick leave during the current fiscal year and based on the report received from the Actuary, the Bank has created additional provision of NPR 32,823,932 on account of sick leave. Remaining sick leave liabilities as on year end amounting to NPR 56,041,112 has been disclosed under “Other Liabilities” under Schedule 4.7 of the Balance Sheet.

14. Unpaid Dividend

As on the balance sheet date, unpaid dividends of over five years amount to NPR 33,965,609 and total unpaid dividends amount to NPR 34,013,359.

Entire dividend payable of NMB Bank Limited (prior merger) of FY 2069-70 was transferred to the account of the Bank’s registrar to share, NMB Capital Limited during the year. As on balance sheet date, the total unpaid dividend of FY 2069-70 amounts to NPR 8,490,872.

15. 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

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. The status of share capital of all the Financial Institutions pre and post-merger has been explained in the table below.

Name of Bank/FI	Share Capital Pre-Merger	Swap Ratio	Share Capital Post-Merger
NMB Bank	2,400,000,000	100%	2,400,000,000
Bhrikuti Development Bank	521,248,500	87%	453,486,195
Pathibhara Bikash Bank	141,450,000	81%	114,574,500
Clean Energy Development Bank	1,259,912,500	75%	944,934,375
Prudential Finance Company	483,128,500	50%	241,564,250
Total	4,805,739,500		4,154,559,320

The difference of NPR 651,180,180 (NPR 4,805,739,500 less NPR 4,154,559,320) after adjustment of Swap Ratio had been recognized as reserve and disclosed as Capital Adjustment Fund (Swap Surplus) under Schedule 4.2.

16. 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.

17. Deferred Tax

Carrying amount of Assets and Liabilities where temporary differences arise as on Ashad 31, 2073 (15.07 2016) are as follows:

Particulars	Carrying Value	Tax Base	DTL/DTA	Difference
Fixed Assets	475,581,934	496,358,761	DTA	20,776,827
Sick leave provision	56,041,112	-	DTA	56,041,112
Provision on investment	243,461	-	DTA	243,461
Provision on Non-Banking Assets	69,968,627	-	DTA	69,968,627
Other Assets Provision	5,544,336	-	DTA	5,544,336
Carried Forward Loss of Merging Entities	-	65,155,145	DTA	65,155,145
Net temporary differences			DTA	217,729,508
Deferred Tax Asset (30%) as on 15 July 2016				65,318,853
Opening Deferred Tax Assets (Including Merging Entities' Deferred Tax Assets as of Ashwin end 2072)				232,302,421
Net movement this year-Increase (Decrease)				(166,983,568)
Charged to Profit and Loss Account as expense				(166,983,568)

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

18. Details of Leasehold Assets

	Amount (NPR)
Cost	
Previous Year Balance	98,574,153
Brought into books from merged entities	47,673,175
Addition this year (Including merged entities' leasehold assets)	10,231,640
This year sold	-
This year written off	(13,614,966)
Total Cost	142,864,002
Depreciation	
Up to Previous Year	41,397,135
Brought into books from merged entities	31,977,187
For This Year	13,825,313
Depreciation adjustment/written back/write off	(7,549,406)
Total Depreciation	79,673,170
Book Value of Leasehold Assets	63,190,832

19. Loans and Advances Written Off

The Bank has written off loans and advances amounting to NPR 14,520,031, the details of which has been disclosed in Schedule 4.28 (A).

20. Other Assets Written Off

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

21. Compensation Details for Key Management Personnel

S. No	Particulars	Amount (NPR)
A	Short Term Employee Benefits	45,812,872
B	Post-Employment Benefits	Nil
C	Other Long Term Benefits	Nil
D	Termination Benefits	Nil
E	Share Based Payment	Nil
	Total of Key Management Personnel Compensation	45,812,872

Additional information:

Key Management Personnel includes members of Executive Committee of the Bank. Key management personnel are also provided with the following benefits:

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

Existing members of Executive Committee includes:

Mr. Upendra Poudyal	Chief Executive Officer
Mr. Sunil KC	Deputy Chief Executive Officer
Mr. Pradeep Pradhan	Chief Information Officer
Mr. Sharad Tegi Tuladhar	Chief Risk Officer
Mr. Bijay Giri	Head Learning, Development & Service Excellence
Ms. Shabnam Limbu (Joshi)	Head Human Resources & General Administration
Mr. Pramod Dahal	Company Secretary & Head Compliance

The Board of Directors have been paid meeting fees of NPR 1,994,000. 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 824,000.

22. 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	258,016,406	34,690,763	8,204,058	300,911,227
Inter branch	-	-	-	-

23. 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
27,660,282,490	224,068,063,268	197,254,414,742	14,520,031	54,459,410,985

24. 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 2072/2073	FY 2071/2072	Increase/(Decrease)
Savings Deposits	18,618,725,873	7,827,779,637	10,790,946,236
Fixed Deposits	26,975,143,670	11,196,230,671	15,778,912,999
Call Deposits	14,457,519,784	14,354,754,097	102,765,687
Current Deposits	2,669,761,217	1,457,615,709	1,212,145,508
Margin Deposits	2,060,313,078	1,886,537,540	173,775,538
Total	64,781,463,622	36,722,917,654	28,058,545,968

25. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	8.30
Average deposit/borrowing interest rate	3.99
Net Spread	4.31

26. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 158,602,928 from capitalization of interest during moratorium period of eleven separate projects. These capitalizations have been approved/mandated by the NRB

Out of the total interest capitalized, NPR 40,925,498 pertains to customers on whose accounts interests were capitalized as per the circular of the NRB dated 2072.09.30 as a relief for earthquake and blockade victims. Based on the requirement of the same circular, the entire amount has been transferred to Capital Adjustment Fund through appropriation of current year's profit.

S No	Particulars	Interest Capitalized Amount
1	Total Interest Capitalization for FY 2072.73	158,602,928
2	Interest Capitalized for Earthquake/Blockade Victims	40,925,498
3	Transferred to Capital Adjustment Fund	40,925,498

27. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 160,268,673 out of which a gain of NPR 78,259,600 was generated through NDF contracts transactions.

28. Investment in Subsidiary Company

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 as per the direction of the NRB.

The Bank also owns 51% stake in another subsidiary company, NMB Microfinance Bittiya Sanstha Limited, with an investment of NPR 20.40 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 as per the direction of the NRB.

29. 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 3 months after the year end. The Bank did not recognize such interest suspense as interest income.

30. 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	1,491.15	-	-	-	-	1,491.15
2. Balance with Banks	9,247.21	-	-	-	-	9,247.21
3. Investment in Foreign Banks	1,074.20	430.07	53.68	982.25	-	2,540.20
4. Call Money	-	-	-	-	-	-
5. NG Securities	534.38	198.09	147.77	-	3,521.29	4,401.52
6. Nepal Rastra Bank Bonds	-	-	-	-	-	-
7. Inter Bank Lending	1,301.63	-	-	-	-	1,301.63
8. Loans, Advances & Bills Purchased	15,017.40	8,611.47	5,017.23	2,133.58	23,679.74	54,459.41
9. Accrued Interest Receivable	40.93	-	-	-	-	40.93
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	28,706.89	9,239.63	5,218.67	3,115.83	27,201.03	73,482.05
b) Liabilities						
14. Current Deposits	4,730.07	-	-	-	-	4,730.07
15. Saving Deposits(including call deposits)	15,620.78	465.47	698.62	5.47	15,825.92	33,076.25
16. Fixed Deposit	7,356.60	3,438.69	3,265.99	10,518.49	2,395.37	26,975.14
17. Debentures	-	-	-	-	500.00	500.00
18. Borrowings:	-	1,377.30	-	-	110.69	1,487.99
Money at call short notice	-	-	-	-	-	-
Inter Bank	-	-	-	-	110.69	110.69
Refinance	-	1,377.30	-	-	-	1,377.30
Others	-	-	-	-	-	-
19. Other liabilities and Provisions:	252.03	-	-	-	58.11	310.14
Sundry Creditors	13.98	-	-	-	-	13.98
Bills Payable	23.86	-	-	-	-	23.86
-Interest Payable	195.42	-	-	-	-	195.42
-Provisions	18.77	-	-	-	58.11	76.87
Others	-	-	-	-	-	-
20. Payable for Guarantees	603.43	37.38	-	-	-	640.81
21. Unlisted approved credit limits	2,760.26	-	-	-	-	2,760.26
22. Letter of Credit/Guarantees	10,843.46	2,793.20	472.90	1,914.03	5,685.67	21,709.26
23. Repo	-	-	-	-	-	-
24. Payment to be made for facilities under S.N. 11	-	-	-	-	-	-
25. Others	-	-	-	-	-	-
Total Liabilities	42,166.64	8,112.04	4,437.50	12,897.98	24,575.76	92,189.92
Net Financial Assets	(13,459.74)	1,127.59	781.16	(9,782.16)	2,625.27	(18,707.87)
Cumulative Net Financial Assets/Liabilities	(13,459.74)	(12,332.15)	(11,550.99)	(21,333.14)	(18,707.87)	-

31. Summary of concentration of Exposure

Amount in NPR

Particulars	Loans, Advance and Bills Purchased	Deposit	Contingent
Total amount as at 15 July 2016	54,459,410,985	64,781,463,622	22,428,043,470
Highest exposure to single unit	913,028,549	4,624,271,993	4,274,469,930
Highest% of exposure to single unit	1.68%	7.14%	19.06%

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

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

33. Non-Banking Assets

This Year (Gross)	Previous Year (Gross)
69,968,627	57,811,000

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

34. 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 NPR 21,185,217 and has been presented under "Gold Mark-Up (Gold Consignment)" in Schedule 4.16. Transaction of gold and silver are carried out as per the NRB Directives.

An advance of NPR 268,706,657 provided for gold trading is outstanding as on balance sheet date. This has been presented under "Advance for Gold Trading" in Schedule 4.16.

35. Capital Construction

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

36. 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.

37. Related Party Disclosure

(a) Transaction with subsidiary company NMB Capital Limited (NMBCL) and NMB Microfinance Bittiya Sanstha Limited (NMBMF)

Total outstanding balances with NMBCL and NMBMF as on Ashad end 2073 are as follows:

Particulars	NPR in Million
Call, Current and Fixed Deposits of NMBCL	29.47
Call, Current and Fixed Deposits of NMBMF	3.24
Borrowings by NMBMF from NMB Bank	200.00

Total payments made and receipts obtained from NMBCL and NMBMF during the year are as follows:

NPR in Million

Nature of Services	Particulars	NMBCL		NMBMF	
		Income to the Bank	Expense to the Bank	Income to the Bank	Expense to the Bank
Service fees	Service agreement with NMBCL	2.40	-	-	-
Office space rental	Space leased to NMBCL	1.44	-	-	-
Call, Current and Fixed Deposit	Interest expense on Call, Current and Fixed Deposits	-	3.26	-	-
Loans and Advances	Interest income Loan to NMBMF	-	-	5.92	-
Share Registrar	Share Registrar of the Bank	-	1.06	-	-
Dividend Income	Dividend paid for FY 2071.72	21.05	-	-	-

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

(b) Key Management Personnel Compensation

Transactions	Nature	Amount (NPR)	
		2015-16	2014-15
Chief Executive Officer	Short Term Employee Benefits	14,623,945	13,904,946
Chief Executive Officer	Share Based Payments (Dividend)	-	-
Other Key Management Personnel	Short Term Employee Benefits	31,188,927	26,179,940
Other Key Management Personnel	Share Based Payments (Dividend)	-	-
Other Key Management Personnel	Termination Benefits	-	1,783,519
Total		45,812,872	41,868,404

(c) Key Management Personnel : Tax Withholdings and Net Payment

Transactions	Nature	Amount (NPR)	
		2015-16	2014-15
Chief Executive Officer	Gross Income	14,623,945	13,904,946
	Tax Withholdings	(4,681,381)	(4,429,731)
	Net Payment	9,942,564	9,475,215
Other Key Management Personnel	Gross Income	31,188,927	27,963,459
	Tax Withholdings	(8,210,480)	(6,800,901)
	Net Payment	22,978,447	27,963,459

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

For the period from 1 Shrawan 2072 to 31 Ashad 2073 (July 17, 2015 to July 15, 2016)

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 Rungta	2,845	0.01	Nepal SBI Bank Limited	75,078,000	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	Ashok Kumar Muraka	160,075	0.36	Siddhartha Bank Limited, BRT	8,000,000	160,075	Shares pledged as a security against loan availed.	
3	Rajesh Kumar Agrawal	158,968	0.35	Siddhartha Bank Limited	11,844,829	158,968	Mortgage for loan availed to Mr Lakshman Prasad Agrawal and Rajesh Kumar Agrawal himself.	
4	Balram Neupane	222,354	0.50	Siddhartha Bank Limited	16,183,092	189,066	Shares pledged as a security against loan availed.	
5	Gobinda Prasad Sapkota	8,455	0.02	Reliable Development Bank	550,000	7,829	Shares pledged as a security against loan availed.	
6	Ram Prasad Kharel	27,760	0.06	Himalayan Bank Limited	3,500,000	27,760	Shares pledged as a security against loan availed.	
7	Bimala Pandey	35,113	0.08	Vibor Bikas Bank Limited	3,963,411	35,113	Shares pledged as a security against loan availed.	
8	Sharad Goyal	145,830	0.33	Century Commercial Bank Limited	94,275,414	112,524	Shares pledged as a security against loan availed.	
9	Shyam Raj Upadhaya	27,760	0.06	Janata Bank Nepal Limited	2,998,949	27,760	Shares pledged as a security against loan availed.	
10	Bhrispati Vidyalyaya Vyavasthapan P. Ltd	100,572	0.22	Civil Bank Limited	15,508,689	93,123	Shares pledged as a security against loan availed.	
11	Goma Devi Neupane	165,333	0.37	Siddhartha Bank Limited	20,000,000	153,087	Shares pledged as a security against loan availed. The credit facility has been availed to Mr. Shakti Kumar Golyan as personal guarantee.	
12	Anant Kumar Golyan	223,839	0.50	Janata Bank Nepal Limited	70,000,000	168,368	Shares pledged as a security against loan availed.	
13	Jivan Nepal	47,534	0.11	Srijana Finance Limited	2,000,000	47,534	Shares pledged as a security against loan availed.	
14	Captive Investment Company	109,396	0.24	Laxmi Bank Limited	30,000,000	106,198	Shares pledged as a security against loan availed.	
15	Sonam Gyasto	72,728	0.16	Nabil Bank Limited	74,841,790	67,341	Shares pledged as a security against loan availed.	
16	Vishal Agrawal	945,551	2.11	Citizens Bank International	30,000,000	225,000	Shares pledged as a security against loan availed.	
17	Kishor Prasad Shrestha	20,318	0.05	NIC Asia Bank Limited	1,344,603	18,813	Shares pledged as a security against loan availed.	

Comparison of Unaudited and Audited Financial Statements

as of FY 2072/73

Rs in '000

S.No.	Particulars	As per		Variance		Reasons for variance
		Unaudited Financial Statement	Audited Financial Statement	In Amount	In%	
1	Total Capital and Liabilities(1.1 to 1.7)	74,659,592	74,613,328			
1.1	Paid Up Capital	4,486,924	5,518,636	(1,031,712)	-22.99%	Proposed bonus shares and adjustments of items mentioned below in PL.
1.2	Reserve and Surplus	2,463,784	1,396,824	1,066,960	43.31%	
1.3	Debenture and Bond	500,000	500,000	-	0.00%	
1.4	Borrowings	1,487,995	1,487,995	-	0.00%	
1.5	Deposits(a+b)	64,781,464	64,781,464	-	0.00%	
	a.Domestic Currency	61,317,187	61,317,187	-	0.00%	
	b.Foreign Currency	3,464,276	3,464,276	-	0.00%	
1.6	Income Tax Liability	-	-	-	0.00%	
1.7	Other Liabilities	939,426	928,410	11,016	1.17%	Adjustments of items mentioned below in PL.
2	Total Assets (2.1 to 2.7)	74,659,592	74,674,351			
2.1	Cash and Bank Balance	10,180,539	10,180,539	-	0.00%	
2.2	Money at Call and Short Notice	557,823	557,823	-	0.00%	
2.3	Investment	8,504,126	8,504,126	-	0.00%	
	Loans and Advances (Net)	53,082,408	53,082,408	-	0.00%	
	a.Real Estate Loan	4,017,028	4,017,028	-	0.00%	
	1. Residential Real Estate Loan(Exceptpersonal Home Loan upto Rs. 10 Million)	1,266,418	1,266,418	-	0.00%	
	2. Business Complex & Residential Apartment Construction Loan	389,768	389,768	-	0.00%	

	3. Income generating Commercial Complex Loan	19,269	19,269	-	0.00%	
	4. Other Real Estate Loan(including Land purchase & plotting)	2,341,573	2,341,573	-	0.00%	
	b. Personal Home Loan of Rs. 80 Lacs or Less	5,589,700	5,589,700	-	0.00%	
	c. Margin Type Loan	815,449	815,449	-	0.00%	
	d. Term Loan	9,634,649	9,634,649	-	0.00%	
	e. Overdraft Loan/ TR Loan/ WC Loan	15,780,279	15,780,279	-	0.00%	
	f. Others	17,245,302	17,245,302	-	0.00%	
2.5	Fixed Assets (Net)	1,345,519	1,345,519	-	0.00%	
2.6	Non-banking Assets (Net)	-	-	-	0.00%	
2.7	Other Assets	989,177	1,003,937	(14,760)	-1.49%	Adjustments of items mentioned below in PL.
3	Profit and Loss Account					
3.1	Interest Income	4,053,341	4,053,341	-	0.00%	
3.2	Interest Expenses	2,040,059	2,040,059	-	0.00%	
	A. Net Interest Income (3.1-3.2)	2,013,282	2,013,282			
3.3	Fees, Commission and Discount	191,466	197,616	(6,150)	-3.21%	Reclassification of certain income head
3.4	Other Operating Income	224,256	218,106	6,150	2.74%	Reclassification of certain income head
3.5	Foreign Exchange Gain/Loss (Net)	160,269	160,269	-	0.00%	
	B.Total Operating Income(A+3.3+3.4+3.5)	2,589,272	2,589,272			
3.6	Staff Expenses	494,306	471,311	22,995	4.65%	Reclassification of Outsourced Cost
3.7	Other Operating Expenses	456,570	473,549	(16,979)	-3.72%	Reclassification of Outsourced Cost
	C.Operating Profit Before Provision (B.-3.6-3.7)	1,638,395	1,644,411			
3.8	Provision for Possible Losses	515,300	576,323	(61,023)	-11.84%	Additional provisions on loans and advances
	D.Operating Profit (C.-3.8)	1,123,095	1,068,088			
3.9	Non-Operating Income/Expenses(Net)	55,844	55,844	-	0.00%	
3.10	Write Back of Provision for Possible Loss	635,559	650,079	(14,520)	-2.28%	Write off of certain loan accounts
	E. Profit from Regular Activities(D+3.9+3.10)	1,814,498	1,774,011			
3.11	Extraordinary Income/Expenses(Net)	3,578	(10,942)	14,520	405.81%	Write off of certain loan accounts
	F. Profit before Bonus and Taxes(E.+3.11)	1,818,076	1,763,068			
3.12	Provision for Staff Bonus	165,280	160,279	5,001	3.03%	Impact of above adjustments
3.13	Provision for tax	502,484	487,725	14,759	2.94%	Deferred Tax adjustments and above impact
	G. Net Profit/Loss(F.-3.12-3.13)	1,150,312	1,115,065		-	

Unaudited Financial Results (Quarterly)

As at 4th Quarter (15/07/2016) of the Fiscal Year 2072/73

Rs in '000

S.No.	Particulars	This Quarter Ending Ashad 31, 2073 July 15, 2016	Previous Quarter Ending Chaitra 30, 2072 April 12, 2016	Corresponding Previous Year Quarter Ending Asadh 31, 2072 July 16, 2015
1	Total Capital and Liabilities (1.1 to 1.7)	74,659,592	65,558,093	41,340,277
1.1	Paid Up Capital	4,486,924	4,154,559	2,400,000
1.2	Reserve and Surplus	2,463,784	2,372,091	916,754
1.3	Debenture and Bond	500,000	500,000	500,000
1.4	Borrowings	1,487,995	138,368	438,000
1.5	Deposits (a+b)	64,781,464	57,453,860	36,722,918
	a. Domestic Currency	61,317,187	54,973,398	34,007,510
	b. Foreign Currency	3,464,276	2,480,462	2,715,407
1.6	Income Tax Liabilities	-	-	-
1.7	Other Liabilities	939,426	939,214	362,606
2	Total Assets (2.1 to 2.7)	74,659,592	65,558,093	41,340,277
2.1	Cash and Bank Balance	10,180,539	6,740,317	6,305,542
2.2	Money at Call and Short Notice	557,823	592,259	722,607
2.3	Investments	8,504,126	7,617,323	5,983,872
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	53,082,408	48,454,522	27,288,891
	a. Real Estate Loan	4,017,028	3,354,156	1,549,017
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	1,266,418	962,451	871,726
	2. Business Complex & Residential Apartment Construction Loan	389,768	396,989	114,571
	3. Income generating Commercial Complex Loan	19,269	22,105	-
	4. Other Real Estate Loan(including Land purchase & plotting)	2,341,573	1,972,612	562,720
	b. Personal Home Loan of Rs. 10 Million or Less	5,589,700	4,739,355	2,900,901
	c. Margin Type Loan	815,449	639,530	240,078
	d. Term Loan	9,634,649	9,231,327	4,956,712
	e. Overdraft Loan/ TR Loan/ WC Loan	15,780,279	14,365,505	9,640,585
	f. Others	17,245,302	16,124,650	8,001,598
2.5	Fixed Assets	1,345,519	1,289,484	374,253
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	989,177	864,188	665,111
3	Profit and Loss Account	Upto this Quarter	Upto previous Quarter	Upto corresponding Previous Year Quarter
3.1	Interest Income	4,053,341	2,821,678	2,315,441
3.2	Interest Expenses	2,040,059	1,447,387	1,348,074
	A. Net Interest Income (3.1-3.2)	2,013,282	1,374,291	967,368
3.3	Fees, Commission and Discount	191,466	131,794	112,616
3.4	Other Operating Income	224,256	132,419	112,270
3.5	Foreign Exchange Gain/Loss (Net)	160,269	125,853	119,514
	B. Total Operating Income (A+3.3+3.4+3.5)	2,589,272	1,764,357	1,311,768
3.6	Staff Expenses	494,306	294,768	201,815
3.7	Other Operating Expenses	456,570	302,608	288,112
	C. Operating Profit Before Provision (B.-3.6-3.7)	1,638,395	1,166,981	821,841
3.8	Provision for Possible Loss	515,300	299,719	97,074
	D. Operating Profit (C.-3.8)	1,123,095	867,262	724,767
3.9	Non-Operating Income/Expenses(Net)	55,844	29,131	17,352
3.10	Write Back of Provision for Possible Loss	635,559	312,151	41,974
	E. Profit from Regular Activities (D+3.9+3.10)	1,814,498	1,208,543	784,093
3.11	Extraordinary Income/Expenses(Net)	3,578	3,331	-
	F. Profit before Bonus and Taxes(E+3.11)	1,818,076	1,211,874	784,093
3.12	Provision for Staff Bonus	165,280	110,170	71,281
3.13	Provision for tax	502,484	330,511	209,008
	G. Net Profit/Loss (F-3.12-3.13)	1,150,312	771,192	503,804

Disclosure under New Capital Adequacy Framework for the Year Ended 15 July, 2016

Amounts in NPR Thousands

1. Capital Structure and Capital Adequacy:

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

S.No	Details	
1.	Paid up Equity Share Capital	4,486,924
2.	Share Premium	10,150
3.	Proposed Bonus Equity Shares	1,031,712
4.	Statutory General Reserves	1,007,623
5.	Retained Earnings	22,964
	Capital Adjustment Reserve	53,295
6.	Deferred Tax Reserves	65,315
	Deferred Tax Assets	(65,315)
7.	Debenture Redemption Reserve	127,797
8.	Less: Investment in equity of institutions with financial interest	(110,000)
	Total Core Capital	6,629,696

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

S.No	Details	
1.	Subordinated Term Debt	400,000
1.	General Loan Loss Provision	704,674
2.	Exchange Equalization Reserve	41,211
3.	Investment Adjustment Reserve	14,933
	Total Supplementary Capital	1,160,818

1.3. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised 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 400 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 65,319,853) has been netted off with equal amount of Deferred Tax Reserve.

1.5. Total Qualifying Capital:

S.No	Details	
1.	Core Capital (Tier 1)	6,629,696
2.	Supplementary Capital (Tier 2)	1,160,818
	Total Capital Fund	7,790,514

1.6. Capital Adequacy Ratio:

S.No	Details	Percentage
1.	Tier 1 Capital to Total Risk Weighted Exposure	9.34
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	10.98

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	
a.	Risk Weighted Exposure for Credit Risk	65,468,564
b.	Risk Weighted Exposure for Operational Risk	2,904,790
c.	Risk Weighted Exposure for Market Risk	737,320
	Total Risk Weighted Exposures (a+b+c)	69,110,674
	Add: RWE equivalent to reciprocal of capital charge of 2% of gross income.	460,895
	Add : 2% of the total RWE due to Supervisory add up	1,382,213
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	70,953,782

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

S.No	Particulars	
1.	Claims on government and Central Bank	-
2.	Claims on other Official Entities	-
3.	Claims on Bank	1,824,908
4.	Claims on Domestic Corporate and Securities Firms	32,338,312
5.	Claims on Foreign Corporates	134,353
6.	Claims on Regulatory Retail Portfolio	3,938,126
7.	Claims fulfilling all criterion of regulatory retail except granularity	166,843
8.	Claims secured by Residential Properties	3,609,486
9.	Claims not fully secured by residential properties	3,047,268
10.	Claims secured by Residential Properties (Overdue)	39,566
11.	Claims secured by Commercial Real Estate	2,482,472
12.	Past Due Claims	1,143,534
13.	High Risk Claims	6,558,063
14.	Other Assets	2,044,821
15.	Off Balance sheet items	8,140,812
	Total	65,468,564

2.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	
a.	Risk Weighted Exposure for Credit Risk	65,468,564
b.	Risk Weighted Exposure for Operational Risk	2,904,790
c.	Risk Weighted Exposure for Market Risk	737,320
1.	Total Risk Weighted Exposure	69,110,674
	Add: RWE equivalent to reciprocal of capital charge of 2% of gross income.	460,895
	Add : 2% of the total RWE due to Supervisory add up	1,382,213
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	70,953,782
2.	Total Core Capital Fund (Tier 1)	6,629,696
3.	Total Capital Fund (Tier 1 & Tier 2)	7,790,514
4.	Total Core Capital to Total Risk Weighted Exposures	9.34
5.	Total Capital to Total Risk Weighted Exposures	10.98

2.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	4,659	1,829	2,830
2.	Substandard	204,029	51,007	153,022
3.	Doubtful	202,232	101,116	101,116
4.	Loss	573,245	573,245	(0)
	Total	984,166	727,198	256,969

2.5. NPA Ratio

Gross NPA to Gross Advances: 1.81% Net NPA to Net Advances: 0.48%

2.6. Movement of Non-Performing Assets

S.No	Particulars	Ashad End 2072	Ashad End 2073	Movement
1.	Restructure/Reschedule Loan	2,868	4,659	1,791
2.	Substandard	33,231	204,029	170,799
3.	Doubtful	13,458	202,232	188,775
4.	Loss	67,875	573,245	505,370
	Total Non-Performing Loan	117,432	984,166	866,734

2.7. Movement of Loan Loss Provision & Interest Suspense

S.No	Category	Ashad End 2072	Ashad End 2073	Movement
1.	Pass	264,233	522,854	258,621
2.	Watch List	22,391	47,593	25,202
3.	Restructured	1,855	1,829	(27)
4.	Substandard	8,308	51,007	42,700
5.	Doubtful	6,729	101,116	94,387
6.	Loss	67,875	573,245	505,370
	Total Loan Provision	371,391	1,297,644	926,253
	Interest Suspense	78,689	229,370	150,682

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 2072	Ashad End 2073	Movement
Interest Suspense	78,689	226,437	147,748

2.9. Details of Additional Loan Loss Provision

S.No	Category	
1.	Pass	140,382
2.	Watch List	-
3.	Restructured	-
4.	Substandard	-
5.	Doubtful	-
6.	Loss	-
Total Additional Loan Loss Provision		140,382

2.10. Segregation of Investment Portfolio

S.No	Particulars	
1.	Held for Trading	200
2.	Held for Maturity	8,243,148
3.	Available for Sale	261,021
Total Investment Portfolio		8,504,369

Note: Investment under held for trading category includes NSB Bonds held by the Bank, bought and sold daily as market maker of the same.

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 7,477,722 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 by 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.

MANAGEMENT TEAM

Upendra Poudyal
Chief Executive Officer

Sunil KC
Deputy Chief Executive Officer

Pradeep Pradhan
Chief Information Officer

Bijay Giri
Head- Learning,
Development & Service
Excellence

Shabnam Limbu Joshi
Head- Human Resources
& General Administration

Sharad Tegi Tuladhar
Chief Risk Officer

Pramod Kumar Dahal
Head- Compliance
& Company Secretary

UNIT HEADS

Sudesh Upadhyaya
Head - International
Banking

Sanju Shrestha
Head- Development
Organization
& Priority Banking

Govind Ghimire
Head- Business
Banking & Recovery

Navin Manandhar
Head- Corporate
Banking

Roshan Regmi
Head- Operations

Alok Shrestha
Head- Strategic Sourcing

Sushama Sharma
Head- Retail Banking

Ganesh Parajuli
Head- Internal Audit

Puspa Aryal
Head- Trade Finance

Mahesh Bajracharya
Head- Operational &
Market Risk

Suresh Dhakal
Head- Credit
Administration

Pranisha Shrestha
Head- SME

Mridul Parajuli
Head- Finance & Planning

**Vishnu Prasad
Manandhar**
Head- Cards & Alternate
Delivery Channel

Dinesh Dulal
Head- Renewable Energy
& Micro Finance

Dhruba Prasad Adhikari
Head- Legal

Dinesh Chand
Head- Business Strategy

Shivaraj Upadhyaya
Information Security
Officer

Suseel Kumar Bhujel
Manager- Treasury

Deepa Shrestha
Manager- IT

Lok Raj Paneru
Chief Manager-
Business West

Utsab Ghimire
Chief Manager-
Business East

ATM LOCATION

INSIDE VALLEY

1	Basundhara ATM	Basundhara Chowk, Near Ishan Hospital, Basundhara, Kathmandu
2	Bhaktapur ATM	Surya Binayak, Bhaktapur
3	Bouddha ATM	Opposite To Bouddha Stupa, Kathmandu
4	Chabahil ATM	Chabahil, Kathmandu
5	District Court ATM	District Court Premises, Babar Mahal, Kathmandu
6	Durbarmarg ATM	Annapurna ATM Lounge, Kathmandu
7	Head Office ATM	ATM Lounge, NMB Bhawan, Babarmahal, Kathmandu
8	Kalanki ATM	Near Samsung showroom, Kalanki
9	Kamalpokhari ATM	Jain Bhawan, Kamalpokhari, Kathmandu
10	Kantipath ATM	Opposite Jyoti Bhawan, Kantipath, Kathmandu
11	Kuleshwar ATM	Kuleshwar, Kathmandu
12	Kumaripati ATM	ATM Lounge, Near UFO, Kumaripati
13	Lubhoo ATM	Lubhoo Branch Premises, Lalitpur
14	Maharajgunj ATM	Saleways Department Store, Kathmandu
15	Mangal Bazaar ATM	Mahapal, Lalitpur
16	Naxal ATM	Naxal Branch Premises, Naxal, Kathmandu
17	New Baneshwor ATM	ATM Lounge, New Baneshwor, Kathmandu
18	New Road ATM	Joshi Plaza, New Road, Kathmandu
19	Putalisadak ATM	Putalisadak Branch, beside Honda Show Room
20	Sitapaila ATM	Sitapaila Chowk, Ringroad, Kathmandu
21	Sundhara ATM	Civil Mall ATM Lounge, Sundhara, Kathmandu
22	Thaiba ATM	Thaiba Branch Premises, Lalitpur
23	Thamel ATM	ATM Lounge, Tridevi Marga, Thamel, Kathmandu
24	Thapathali ATM	Singha Mahal, Kathmandu
25	Tripureshwar ATM	Beside Mayaram Bholaram Petrol Pump, Tripureshwar Chowk, Kathmandu

OUTSIDE VALLEY

1	Banepa ATM	Tindobato, Kavrepalanchok
2	Belbari ATM	Belbari Chowk, Belbari-3, Morang
3	Bhairahawa ATM	Naya Sadak-7, Siddharthnagar, Rupandehi
4	Biratnagar ATM	Rangeli Road, Morang
5	Birgunj ATM	Adarsha Nagar, Birgunj
6	Birtamod ATM	Anarmani 4, Bhadrapur Road, Birtamod
7	Butwal ATM	Traffic Chowk, Butwal, Rupandehi
8	Chandrauta ATM	Shivaraj Municipality-6, Chandrauta, Kapilvastu
9	Dailekh ATM	Narayan Bazar, Dailekh
10	Damak ATM	Damak-10 Jhapa, Nepal
11	Dhangadhi ATM	Bus Park Road, Kailali
12	Dharan ATM	Dharan, Mahindra Path (Koshi Rajmarga)
13	Doti ATM	Silgadi, Doti
14	Gorkha ATM	Gorkha Nagarpalika, Kalimati, Gorkha, Gandaki
15	Itahari ATM	Itahari-1, Hattiyaline, Near to Samudhaik Dental Hospital
16	Janakpur ATM	Infront of Nagarpalika Building, Bhanu Chowk, Janakpur
17	Jeetpur ATM	Jeetpur Branch Premises, Jeetpur, Kapilvastu
18	Lahan ATM	Lahan Branch Premises, Siraha
19	Manigram ATM	Tilottama, Manigram, Rupandehi
20	Manthali ATM	Manthali Bazar, Ramechhap
21	Murgiya ATM	Sainamaina Municipality, Murgiya
22	Narayanghat ATM	Shaheed Chowk, Ward No-4, Narayanghat, Chitwan
23	Nepalgunj ATM	Nepalgunj Medical College's Entrance, Nepalgunj
24	Palpa ATM	Tansen-4, Silkhan Tole, Palpa
25	Pathari ATM	Pathari Bazaar, Pathari-1, Morang
26	Pharsatkar ATM	Pharsatkar, Rupandehi
27	Phidim ATM	Main Gate, Phidim 1, Panchthar
28	Pokhara ATM	Pokhara
29	Pokhara ATM	Pokhara, Lake Side
30	Urlabari ATM	Urlabari, Morang

EXTENSION COUNTER

Inside Valley

- Kathmandu District Court, Babarmahal
- District Administrative Office, Babarmahal, Kathmandu

Outside Valley

Timure Extension Counter

Timure, Dhunche
Tel: +977-10-543026

Silgadi Extension Counter

Silasthan, Silgadi, Doti
Tel: +977-94-420488

Sandhikharka Extension Counter

Sandhikharka-6, Arghakhanchi
Tel/Fax: +977-77-420792

Ramnagar Extension Counter

Ramnagar, Rupandehi
Tel/Fax: +977-71-541858

Bangain Extension Counter

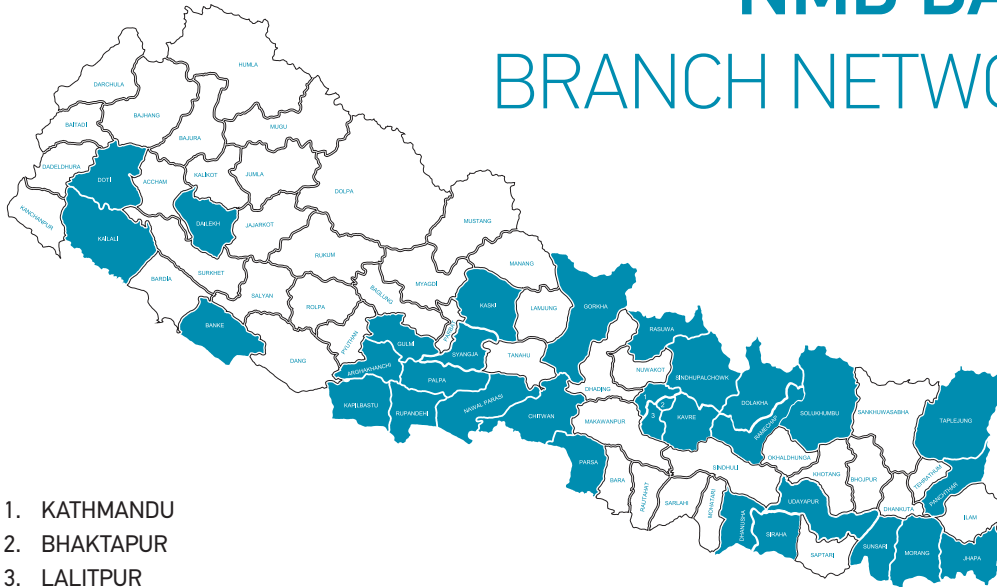
Motipur-3, Bangain Kapilvastu
Tel/Fax: +977-76-411021

MALAYSIA REPRESENTATIVE OFFICE

NMB Bank Limited

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Fax: +60-326-023-158

NMB BANK BRANCH NETWORK



1. KATHMANDU
2. BHAKTAPUR
3. LALITPUR

INSIDE VALLEY

1. Babarmahal Branch
2. Baneshwor Branch
3. Basundhara Branch
4. Bhaktapur Branch
5. Chabahil Branch
6. Durbar marg Branch
7. Kalanki Branch
8. Kamalpokhari Branch
9. Kantipath Branch
10. Kumari pati Branch
11. Lubhu Branch
12. Naxal Branch
13. New Road Branch
14. Putalisadak Branch
15. Sitapaila Branch
16. Thaiba Branch
17. Thamel Branch
18. Thapathali Branch

OUTSIDE VALLEY

- | | | |
|-----------------------------------|-----------------------|------------------------|
| 1. Aryabhanjyang Branch | 18. Dhangadhi Branch | 36. Manigram Branch |
| 2. Banepa Branch | 19. Dharan Branch | 37. Manthali Branch |
| 3. Belbari Branch | 20. Dhunche Branch | 38. Murgiya Branch |
| 4. Bhairahawa Branch | 21. Doti Branch | 39. Narayanghat Branch |
| 5. Bhatwari Branch | 22. Drivertole Branch | 40. Nepalgunj Branch |
| 6. Biratnagar | 23. Dudhe Branch | 41. Palpa Branch |
| (Golchha Chowk) Branch | 24. Gorkha Branch | 42. Pathari Branch |
| 7. Biratnagar Branch | 25. Gorkinghe Branch | 43. Pharsatikar Branch |
| 8. Birgunj Branch | 26. Itahari Branch | 44. Phidim Branch |
| 9. Birtamod Branch | 27. Janakpur Branch | 45. Pokhara Branch |
| 10. Butwal Branch (Traffic chowk) | 28. Jeetpur Branch | 46. Salleri Branch |
| 11. Butwal Main Branch | 29. Katari Branch | 47. Sunawal Branch |
| 12. Chaar Number Branch | 30. Kerabari Branch | 48. Tamghas Branch |
| 13. Chandragadhi Branch | 31. Kerkha Branch | 49. Taplejung Branch |
| 14. Chandrauta Branch | 32. Kirne Branch | 50. Tarahara Branch |
| 15. Chutrabesi Branch | 33. Lahan Branch | 51. Thutipipal Branch |
| 16. Dailekh Branch | 34. Letang Branch | 52. Uralabari Branch |
| 17. Damak Branch | 35. Madhumalla Branch | 53. Waling Branch |



NMB BANK
एनएमबि बैंक

move beyond

A Joint Venture with **FMO** Netherlands

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