

19TH ANNUAL REPORT

2016/17



Machhapuchchhre Bank Limited

माछापुच्छ्रे बैंक लिमिटेड

सबल, उत्कृष्ट एवं विस्तारित

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BANK'S OVERVIEW

Machhapuchchhre Bank Limited (MBL) is a full-fledged national level commercial bank operating in Nepal for the past 17 years. Registered in 1998 at the majestically beautiful city of Nepal, Pokhara, MBL started out in the Western Region, but currently stands as one of the most prominent commercial banks, marking its strong presence through its wide and extensive network of 62 branches, 4 extension counters and 86 ATMs across the country, in all 7 provinces, 5 development regions, 13 zones and 32 districts.

With a strong and dedicated team over 820 staff, the Bank is committed to its credo of "becoming not just a brick and mortar financial institution, but a service-driven financial enabler, looking to develop well-nurtured long term relationships with our valued and esteemed customer".

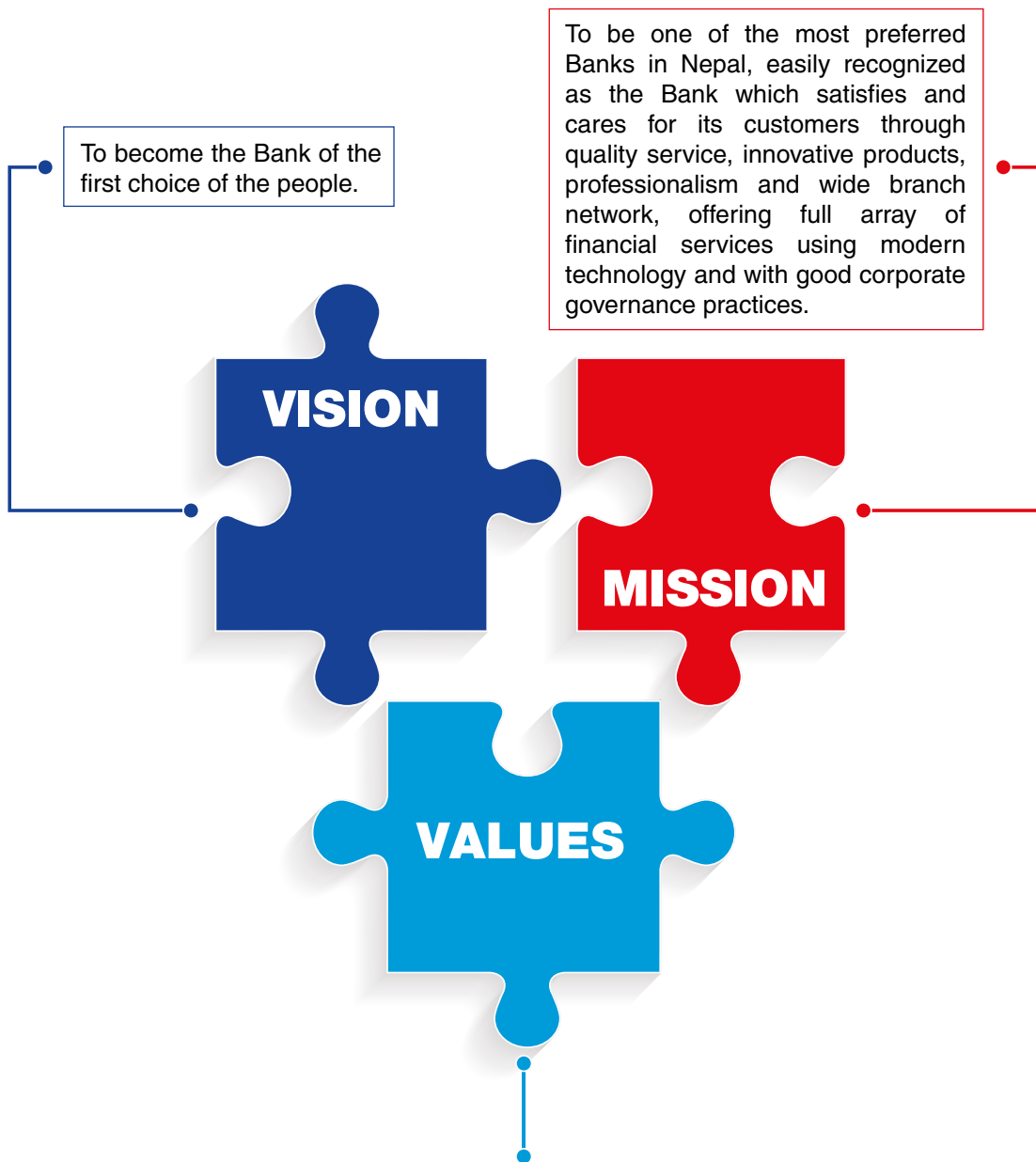
With its comprehensive line of business segments developed over the years, the Bank offers a wide range of both conventional as well as digitally driven products and services, all catered towards providing an unmatched customer experience & professionalism for our over 550 thousand customers.

The Bank is equipped with a robust infrastructure and state of the art technology that is dedicated to providing the best banking experience to our customers.

The Bank is powered by a highly robust & stringent risk management system, comprehensive control & monitoring system and a strong policy focus with zero tolerance when it comes in complying with policies and manuals, guidelines, directives and functions with substantial ethics.



VISION, MISSION & VALUES



With the objective of supporting the transition from rule based to attitude based behavior, the Bank is functioning with the following five core values:

Integrity:

Highest level of integrity / absolute honesty in all the business conduct and dealings with customers, staff, regulators, and other stakeholders.

Accessibility:

Easy accessibility through traditional as well as modern means of communication.

Value Creation:

For shareholders, customers, employees and the nation.

Quality Service:

Through unmatched professionalism and excellent customer care.

Stewardship of Resources:

With the feeling of ownership and accountability.



CHAIRMAN'S STATEMENT

Across the globe

The world is continuously evolving from socio-economic, political and technological fronts. Significant events have rattled the globe this year. Donald Trump becoming the president of USA, the Brexit, Rohingya crisis, the fall of Mosul and North Korean defying the world certainly grabbed the world's attention. However, there has been silver lining in the economic front. Ten years after the Great Recession started, global economic growth have accelerated and stock markets around the world are hitting record highs. The IMF predicts that global economic growth will average 3.6 in 2017. That's a half percentage point higher than in 2016.

Nepal

Nepal has also embarked on a period of stabilization out of an elongated post-conflict transition by successfully conducting peaceful, orderly, and broadly supported provincial assembly and parliamentary elections. However to usher into a new era of political stability, the implementation of the constitution through elections, federalization, and the strengthening of Governmental institutions is a must.

Banking sector

Banking industry in Nepal still faces uncertainty because of the fluctuations in the liquidity. The inflow of remittance dropped by 1.4 percent in the first four months of the current fiscal year, raising fears of the country facing shortage of foreign currencies in the coming days to finance imports. Until a new Government is formed, all the capital expenditure of the Government is halted. Amidst all these challenges, MBL continuously thrive to excel in this industry by adapting to the changes and adopting all necessary measures to safeguard the interest of our shareholders and provide best Banking experience to our valued customers.

Last but not the least, I would like to express my sincere gratitude towards our esteemed customers who have continuously trusted us to embark into this journey together. We value our customers' active involvement in supporting our business which is why we are always looking to provide excellent service to our customers in the days to come. We are determined to fulfill the responsibilities entrusted to us by our valued shareholders for the overall development of the Bank with utmost dignity and expect your continued support and motivation.

Roshan K.C.
Chairman



CEO'S STATEMENT

Despite these challenges, the Bank's pro-active strategies coupled with our strong balance sheet growth management helped us tide over the ever-strong liquidity pressures, which was quite visible in the later part of the fiscal year as the Bank's financials registered strong growth across all parameters.

Dear Shareholders,

The fiscal year of 2016-17 was a momentous year for the Bank, as we managed to proudly join the “Billion Club” in the industry, by posting a net profit of Rs. 1.3 billion, despite the fact that FY 2016-17 was also one of the most challenging years the Banking industry has seen since the liquidity crunch in 2011.

What started out as early as September, 2017 as an apparent short-term shortage of loanable funds for a few Banks, soon engulfed the entire Banking industry and ran its full course throughout the fiscal year. The rapid credit growth followed by a slower deposit growth from the beginning of 2017, created a visible imbalance, which steadily dried up loanable funds in the industry. A direct effect of this was seen in the Credit to Capital cum Deposit (CCD) ratio of the Banks which dangerously lingered around the regulatory limit of 80% for most commercial Banks. This shot up the interest rates reaching as high as 13%, as Banks engaged in a cut throat competition to attract deposits to ease their CCDs.

Despite these challenges, the Bank’s pro-active strategies coupled with our strong balance sheet growth management helped us tide over the ever-strong liquidity pressures, which was quite visible in the later part of the fiscal year as the Bank’s financials registered strong growth across all parameters. Our continued focus on our core operating metrics helped us achieve a 45% growth in our net profits on a year-on-year basis, by posting Rs. 1.30 billion net profits after tax, thus entering the billion club in the industry. Our net interest income was up by 25% as well crossing the Rs. 2 billion mark reaching at Rs. 2.33 billion.

We achieved a robust growth in our business which grew by Rs. 13.97 billion from Rs. 96.5 billion to Rs. 110.5 billion (a 14.5% growth on a year-on-year basis). Our deposit portfolio registered a 12.12% growth over the previous year standing at Rs. 58.63 billion with our customer base exceeding 550 thousand customers. Our loan and advances also managed to transcend the Rs. 50 billion mark reaching Rs. 51.78 billion (a 17.25% growth over the previous year).

Our share capital improved by 65.36% reaching Rs. 7.17 billion while our net worth also improved by 53.76% reaching Rs. 8.21 billion over the previous year. With the capital plan to increase the paid up capital to Rs. 8 billion in its final stages, our capital adequacy ratio stood comfortable at 16.82%, which is well above the mandated level of 11% as per the new capital adequacy framework of Nepal Rastra Bank, thus indicating a strong capital position.

On our asset quality management front, we continue to be one of the front runners in the industry with our robust and stringent asset quality management and recovery system. Our Non-Performing Assets (NPA) ratio, one of the top lowest in the industry, proudly stood at 0.38% (a decline by 31% over the previous fiscal year NPA of 0.55%).

Our primary focus during the FY 2016-17 in line with our long term strategic business plan, was to expand our customer base throughout the country, by embracing unmatched and best customer experience as the core element of our business model. To do this, we put into action strategies to expand our reach both in terms of existing network (branch and ATM network) as well as exploring new networks

to reach our customers. Consequently, we managed to expand our network to 62 branches, 86 ATMs, 4 extension counters as well as 14 Branchless Banking Units, which became fully operational starting the current fiscal year 2017-18. Thus, in line with our financial inclusion agenda as well, we have been actively involved in supporting the Government’s plans in terms of providing financial services each and every part of the country.

The year 2016-17 also marked an accelerated improvement of our existing line of digital Banking products and services. By recognizing the need for an omni-channel Banking experience of our customers, we upgraded our internet Banking service offering a whole spectrum of new and nifty features and Banking services. We also introduced the branch-less Banking technology to our customers, which enables our customers in rural parts of the country to easily enjoy key Banking services without even stepping a foot into an actual physical Bank.

We have also been prompt in identifying new avenues for both growth as well as customer convenience in the review year. With the aim to provide a “one-stop-solution” to both our existing customers as well as new customers, we introduced a new segment – the Bancassurance Business segment – which offers insurance based products and services. With this new segment, our customers can now enjoy a “one-stop financial supermarket” kind of experience in our Bank, which again lines up with our mission statement and long term strategic goals.

The Bank has openly advocated its indomitable focus and approach in terms of its Risk Management Framework and Corporate Governance system. And the review year was especially a milestone year in the consolidation and strengthening of the same. We are extremely proud of the significant achievements that we made in our internal control processes and systems, which will serve as a bedrock for us to strive for business excellence in the future.

On the other hand, we continued to play an active role as a responsible corporate citizen by making important initiatives in our Corporate Social Responsibility (CSR) front, thus sharing our success with the community as a whole.

Thus, I am glad to report that the FY 2016-17 has been a very satisfactory year for all of us. Despite extreme challenges in the market, our underlying strengths enabled us to not only surpass the ordeal but to bounce back with visible highs in all our operating metrics. Our strategy to explore new business avenues & markets, diversify our business and income mix has helped us achieve a healthy and balanced growth in multiple parameters including business, earnings, technology, innovation and responsible Banking even at toughest times.

I wish to take this opportunity to express my deep sense of gratitude to all our shareholders, past and present, for your continuous support and guidance. I would like to especially thank our Chairman and the board of directors for your continued guidance, expertise, patronage and support.

Lastly, I look forward to yet another year with the support of all our stakeholders and seek your continued support and patronage to take our Bank to new heights in the upcoming years as well.

Niraj K. Shrestha
Chief Executive Officer



BOARD OF DIRECTORS

(From Left to Right)

Mr. Ram Man Shrestha, Director (Public)

Mr. Jaya Mukunda Khanal, Professional Director

Mr. Roshan K.C., Chairman

Mr. Gopikrishna Neupane, Director

Mr. Bishow Prakash Gautam, Director (Public)

Mr. Omesh Lal Shrestha, Director (Public)



CENTRAL MANAGEMENT COMMITTEE

(From Left to Right)

Mr. Narayan Prakash Bhujju, Chief Technology Officer

Mr. Sarju Kumar Thapa, Chief Business Officer

Mr. Arjun Thapa, Deputy General Manager - Operation

Mr. Niraj Kumar Shrestha, Chief Executive Officer

Mr. Santosh Koirala, Deputy General Manager - Business

Mr. Bishwambhar Neupane, Chief Risk Officer

Mr. Prabin Basnet, Chief Operating Officer



HEAD OF DEPARTMENT

(Standing from Left to Right)

Mr. Madhav Subedi, Head - Compliance & Operation Risk

Mr. Suvash Jamarkattel, Head - Finance & Planning

Mr. Ujjwal Uprety, Head - Treasury

Mr. Indu Shekhar Devkota, Head - Reconciliation

Mr. Ishwar Bahadur Rawal, Head - General Administration and Procurement

Mr. Sudan Bhandari, Head - Central Remittance

Mr. Amod Shrestha, Incharge - Deprived Sector Lending

Mr. Ujjwal Pandey, Head - Central Trade

Mr. Kumar Gnawali, Head - Internal Audit

Mr. Suraj Shrestha, Head - NPA / Recovery

Mr. Amar Rajbhandari, Head - E-Payment and Solution

Mr. Vijay Shrestha, Head - Bancassurance

Mr. Ganesh Thapa, Head - Credit Legal and Documentation

Mr. Sunil Khatiwada, Head - Business Development

(Sitting from Left to Right)

Ms. Chhanu Shrestha, Head - Clearing

Mr. Dilli Ram Giri, Head - Retail Credit

Mr. Tika Bhattarai, Head - Law and Company Secretary

Mr. Bharat Kumar Lamsal, Head - Corporate Credit

Ms. Richa Pandey, Incharge - Human Resource

Mr. Upendra Malakar, Head - SME and Mid-sized Credit

Mr. Bhuvan Singh Khatri, Head - Credit Risk Management

Ms. Indra Thapa, Head - Credit Administration

INTERNATIONAL SCENARIO

The global economy started to take pickup from the second half of 2016 gained further momentum in the first half of 2017. Further, World Economic Forum projects that the growth rate shall rise over the years in the emerging market and developing economies, supported by improved external factors—a benign global financial environment and a recovery in advanced economies. During the review period, it was observed that the growth in China and other parts of emerging Asia remained strong. Moreover, advanced economies saw the notable economic growth in the year 2017 due to stronger economic activity in the United States and Canada, the Euro area, and Japan.

Country's Economic Condition

Nepalese economy saw highest real gross domestic product growth of 7.50% on year-on-year basis in the past 15 years. Favorable monsoon, regular supply of electricity, low number of political strikes and improvement in post-earthquake

reconstruction activities was among various factors for better GDP growth.

During the review period, the agricultural sector and the Service recorded the growth of 5.29% and 6.90% respectively, the highest growth since FY 2008. The industrial sector also recorded a robust growth in the year 2016/17, hitting a 15-year high of 10.89% (year on year basis) from 6.34% contraction in the year 2015/16. Similarly, Government revenue recorded the highest growth of 51.90% (year on year basis) for the first eight months of FY 2016/17. Similar to the first eight months of the last four fiscal years, value added tax and income tax accounted for almost 50% of the revenue mobilization in the same time of FY2016/17.

Moreover, Government expenditure, on cash basis, expanded by 57.47% in the first eight months of 2016/17, sharply higher than 6.50% in the same time of FY 2016/17. Both capital and recurrent expenditure recorded the steep growth of 162.22% and 53.49%

respectively.

Government of Nepal ran Budget Surplus of NPR 42.45 billion (1.63% of GDP) in the first eight months of the Year 2016/17 supported by items other than revenue and foreign grants (reconstruction fund, non-budgetary receipts, and local authorities account).

Balance of payments (BOP) surplus reached NPR. 50.06 billion in the first eight month of the Fiscal Year 2017, substantially down from the NPR 188.95 billion (7.04% of GDP) during the same period in the Last Fiscal Year . The sharp increase in trade deficit and the slowdown in remittances growth contributed to the slowdown in balance of payment surplus.

Likewise, trade deficit during the review period widened by the five year high of 47.95% to NPR 556. 18 billion. Considerably, up from a deceleration of 12.06% in the same time previous year.

FINANCIAL HIGHLIGHTS OF FY 2016-17

Amt. in NPR million

Particulars	Mid July 2016	Mid July 2017	Growth (%)
Share Capital *	4,666.43	7,716.61	65.36%
Net Worth	5,340.20	8,211.00	53.76%
Deposit	52,291.88	58,629.08	12.12%
Investment	6,019.14	6,142.97	2.06%
Loans and Advances	44,234.23	51,866.77	17.25%
Interest Income	3,495.30	5,118.03	46.43%
Interest Expense	1,638.00	2,791.04	70.39%
Net Interest Income	1,857.30	2,326.99	25.29%
Other Income	434.10	559.30	28.84%
Staff Expenses	466.60	495.32	6.15%
Operating Expenses	429.30	472.47	10.06%
Operating Income	1,258.55	1,776.96	41.11%
Net Profit after tax	898.22	1,302.48	45.01%
Loan Loss Provision	39.89	100.86	152.63%
Non-Performing Loan (%)	0.55%	0.38%	(30.91%)
Total Assets	59,455.50	68,925.74	15.93%
Capital Adequacy Ratio (%)	12.36%	16.82%	36.08%
Net worth per share	1,381.80	1,244.40	(9.94%)
Market Value per share	680	360	(47.06%)
No of branches (incl. extension counters)	57	57	0.00%
No of ATMs	72	74	2.78%
No of staff	663	742	11.92%

* Including Proposed Bonus Shares and Calls in Advance

The fiscal year 2016-17 summed up to be a satisfactory year for Machhapuchchhre Bank with a year-on-year profit growth by 45.01%. The Bank managed to earn a net profit after tax growth of Rs. 404.26 million over the last fiscal year profit of Rs. 898.2 million by earning a net profit of Rs. 1,302.5 million. The Operating Income alone increased by Rs. 518.41 million (i.e. 41.11%).

The total portfolio of the Bank increased by 14.47% reaching to Rs. 110.50 billion. The deposit portfolio of the Bank marked a growth of Rs. 6.34 billion (growth by 12.12% over the last fiscal year) reaching Rs. 58.63 billion. Likewise, the loan portfolio

recorded a 17.25% growth i.e. Rs. 7.63 billion growth reaching Rs. 51.87 billion.

Similarly, the total balance sheet size/assets of the Bank grew by Rs. 9.47 billion i.e. 15.93% settling at Rs. 68.93 billion.

During the year, the net worth of the Bank rose by 53.76% by jumping from Rs. 5.34 billion last fiscal year to Rs. 8.21 billion this fiscal year. The investment of the Bank increased by Rs. 123.83 million from Rs. 6.09 billion to Rs. 6.14 billion this year.

The non-performing ratio declined significantly from 0.55% last fiscal year to 0.38% this year owing to the

robust and stringent asset quality management practices and highly efficient recovery process of the Bank. However, increment from Rs 39.89 million to Rs. 100.86 million was observed in the loan loss provision this year.

The interest income increased by 46.43% whereas interest expenses also increased by 70.39%, thus leading to a 25.29% increment in net interest income. Similarly, a growth by 28.84% was seen in the Other Income.

Furthermore, minor growth were seen in staff expenses (by 6.15%) and other operating expenses (10.06%) during the period.

BANKS STRATEGIES FOR FORTHCOMING YEAR

The Bank is ever more committed to its vision of becoming the “Bank of the first choice of the people” having continuously strived to provide the best banking experience to our customers by enriching and deepening its relationships and by offering a comprehensive range of both conventional as well as technology driven products and services.

In this an effort to underpin this vision, we have yet again lined up a gamut of well-thought out strategies and

actions for the forthcoming fiscal year 2016-17, that will enable us to fructify our bank into a service-centric and customer oriented commercial bank.

One of our key strategies for the upcoming years is to strategically respond to the evolving needs of our more technology-savvy and new generation customers. The Bank is particularly conscious of the growing demand of our customers for an Omni-channel based seamless banking experience, tailored to meet the digital needs of each of

our customer segments. For this, the Bank plans to introduce a new channel – “Branchless Banking (BLB)” units especially to cater to the banking needs of rural population in remote regions of Nepal, which is also a part of our “responsible banking through financial inclusion” strategy. Moreover, we shall also be expanding our network of Point of Sale (POS) inside and outside Kathmandu valley thus offering additional payment solutions to our customers for their retail transactions.



Opening Ceremony of Machhapuchchhre Bank's Damak Branch



Opening Ceremony of Machhapuchchhre Bank's Majhgaun Branch-less Banking Unit

Just last year, we introduced a new upgraded version of our internet banking service, offering a whole array of new, improved and secured features. And in the forthcoming year, we plan to launch a new version of our mobile banking application as well, with many new, nifty, useful and unique features thus enabling a more comprehensive banking services for our customers. Thus, MBL shall be driving accelerated adoption of technologies in the upcoming years and FY 2016-17 shall mark the beginning of this drive to achieve digital banking leadership.

MBL has always believed in the credo that "Bank means presence!" And the most visible presence essentially comes down to branches and also ATMs. The Bank has currently providing services through our extensive network of 62 branches, 86 ATMs and 4 extension counter. And we plan to expand this network by

opening more branches, extension counters and also branch-less banking units in parts of the country with our limited presence as well as limited presence of banking units in general. Out of the planned branches, we plan to open six branches and three extension counters shall be opened in the very first month of the fiscal year.

In addition to this, we also plan to expand both our domestic as well as international remittance network through meaningful collaborations, to enable millions of Nepalese working in countries like South Korea, Australia, Bahrain, Kuwait, Malaysia, Portugal, Qatar, Saudi Arabia, Seychelles, Turkey, United Arab Emirates, United Kingdom, etc. to easily send money back home. Furthermore, we also plan to use advanced technologies and sophisticated financial tools to offer more convenient remittance solutions and services in the forthcoming year.

With the introduction of the new business unit "Bancassurance" last year, the Bank is now able to serve as the one-stop solution for all kinds of financial needs of both our existing customers as well as potential customers. FY 2016-17 shall mark as a crucial year, as we plan to cater to the numerous life as well as non-life insurance based needs of our customer through our strategic alliances with the best insurance companies in the industry.

Finally, continuing the strategies in the previous years, we shall be doing our part as a responsible corporate citizen by developing CSR as a mainstay activity of the Bank in the upcoming fiscal year too. For this, we shall be actively conducting and launching numerous CSR initiatives and activities throughout the country to help the weaker and less privileged sections of the community.

CORPORATE SOCIAL RESPONSIBILITY

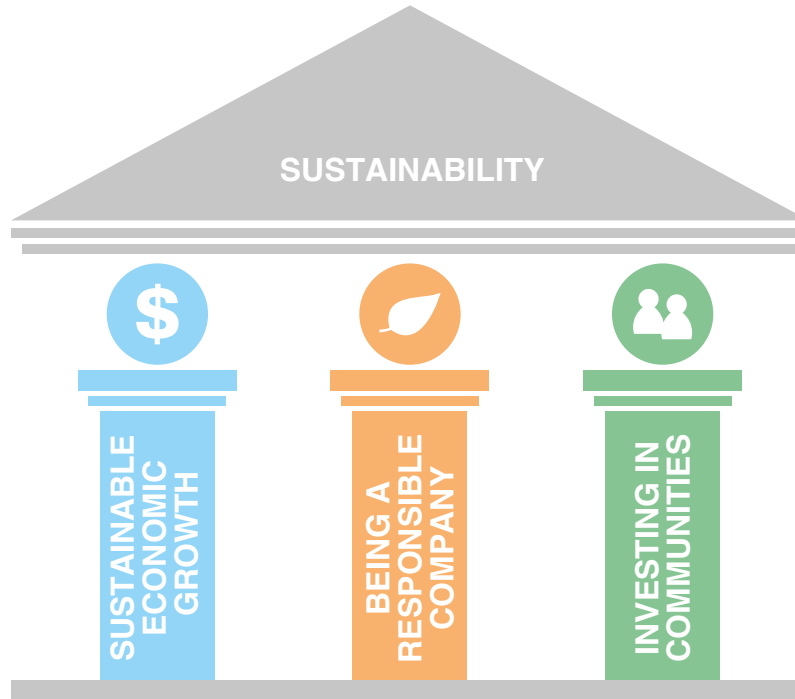
MBL is committed in promoting a vision of business accountability to a wide range of stakeholders: shareholders, employees, customers, regulators, investors, business partners and public at large.

Here at MBL, our key areas of concern is not only doing better business

but also enriching the lives of our customers and ensuring the well-being of our employees and society. Thus, we have made it sure that our business approach contributes to sustainable development by delivering economic and social benefits for all stakeholders. Our

approach to business continues to focus on three key priorities:

- i. Contribution to sustainable economic growth
- ii. Being a responsible company
- iii. Investing in communities



Sustainable Economic Growth

We have driven our business forward by building strong foundations for both deposit and loan products and services so as to make sure that we contribute to sustainable economic growth. As a part of our core strategy to ensure sustainable economic growth, we are focusing to widen access to finance for individuals all over the country.

One of the major achievements of this Fiscal Year has been our Branchless banking (BLB) services that has contributed towards sustainable economic growth. At present, we are currently providing various financial services to people through BLBs located at nine remote places of the country. And we are determined to improve access to finance for all individuals for which we have targeted to operate twenty-four BLBs by the end of Fiscal Year 2074-75.

In the seventeen years of our existence, we have been catering various creditproducts to our

customers. In fact, our project financing has been one of the successful products in helping many entrepreneurs to start up their own ventures. By making sure that we provide all of our credit facilities to individuals and businesses in responsible and efficient manner, we are making sure that our contribution towards economic growth of the country is not only positive but also sustainable.

Being a Responsible Company

At MBL, we believe that it is necessary to assess and take responsibility for

any financial decision that can impact environmental and social well-being. For this, we have been striving to be a good corporate citizen in order to promote positive social and environmental change.

In this Fiscal Year itself, we partnered with International Centre for Integrated Mountain Development (ICIMOD) to promote sustainable green technologies and biodiversity conservation. In addition to that, the Bank conducted as well as participated in various cleaning campaigns throughout the year.



Celebration of World Environment Day at Godawari

As a responsible member of the society, the Bank has been showing its distinct presence in the field of education, health, environment, sports, cultural and social events over the years. Also, we as a good corporate citizen obey the Laws of the Land and Directives of the Central Bank; pay applicable taxes to concerned Local Bodies and Central Government; and offer jobs

to aspiring candidates without any discrimination in terms of gender, caste, social status etc.

Investing in Communities

We partner with our stakeholders to build sustainable programs that can make a real impact in our local communities. For this, each of our Branches has been organizing several CSR programs throughout the year.

CSR activities include donation of education materials in various local schools; health camps and eye check-ups; charities of food and clothes to old age homes, orphanages; donations for construction of hospitals, old age homes, temples; donation to Prime Minister Relief Fund to aid flood victims etc.



Financial Contribution to Prime Minister Relief Fund to aid Flood Victims



Stationery Distribution Program



Cleaning Campaign



Distribution of Relief Materials to Flood Victims



Handover of Shoe Rack to Bageshwori Mandir



Free Health Camp

TECHNOLOGIES

EASY AND SECURED BANKING ANYTIME ANYWHERE

Rapid advancement in the Technology has re-defined the way people do banking throughout the world. Likewise, MBL has been constantly committed to provide banking experience to our valued customers through alternative digitalized banking channels using state of the art technologies.

MBL MOBILE MONEY M3

Machhapuchchhre Bank offers complete centralized control of your bank account at the tip of your finger with our advanced Mobile Banking app – M3. MBL Mobile Money (M3) is an application-based mobile banking solution that enables customers to securely enjoy a variety of banking services simply from their mobile phones.

With this application, customers can conveniently make balance enquiries, transfer funds to any other account in the Bank, pay credit card bills of various banks, pay utility bills, top-up your phone credit, transfer fund to any e-sewa account, get an immediate alerts of all your transactions, get a mini-statement of account, etc.

INTERNET BANKING

MBL Internet Banking is a web-based online banking service that also provides a one-stop platform to access majority of banking services from any part of the world 24x7. By using our online-banking service, customers can safely enjoy a host of services including access to your account information, loan account details, detailed statement of accounts, complete track of your transactions, fund transfer to any account in the Bank, utility bill payments, MBL credit card bill payments, activity log, personal updates, etc. The internet banking service is enabled with a two-tier authentication system using verification of a One-Time Password (OTP). Hence, customers can safely transfer funds across accounts using this enhanced security features,

which executes each transaction only after two levels of authentication is verified.

MBL VISA CREDIT CARD

MBL has been providing MBL Visa Credit Card to the customers to help them enjoy the ultimate shopping experience. With our EMV Chip enabled credit cards, customers can now make payments for goods and services purchased through Point-of-Sales terminals and can also use in ATM terminals for cash withdrawals and balance enquiry purpose. Even customers who do not have an account with MBL can enjoy the service of MBL Visa Credit Card.

MBL DOLLAR PREPAID CARD

MBL Dollar Prepaid Card to offer an easy and hassle free payment option to our customers traveling abroad. With our Dollar Prepaid Cards, customers can now easily access funds without ever having to go through the hassle of carrying cash or traveler's cheque. Our Dollar Prepaid Cards are widely accepted in all ATMs and POS machines connected to the VISA network, so you can use it for purchase or cash withdrawal anywhere in the world, except Nepal and India. Moreover, it can also be used to make purchases online through e-commercial sites.

VISA DEBIT CARD



MBL continues to offer its Visa Debit Card. The card can be used in all VISA ATMs as well as be used in Visa POS enabled merchants to make payment of purchases.

ATM

Machhapuchchhre Bank has a vast and extensive network of 86 ATMs

inside and outside the Kathmandu Valley that provide service 24 hours, 7 days a week. Customers can walk into any one of these ATMs and enjoy a wide assortment of services including Cash Withdrawal, Fast Cash, Balance Enquiry etc. MBL ATMs accept debit cards, credit cards as well as pre-paid cards of all VISA networks. Furthermore, the Bank plans to add several ATMs at various locations in the upcoming fiscal year, so our valued customers can have an easier access to your money at all times.

POS TERMINALS

MBL has been providing POS terminals across different hotels, restaurants, shopping malls etc to enable customer hassle free payment option via their VISA card.

BRANCHLESS BANKING

In-order to cater to the banking need of customers residing in remote parts of Nepal, MBL has been providing Branchless Banking Service via its broad agent network. Through Branchless Banking Units, MBL has been providing various facilities such as:

- Account opening
- Accepting Deposit/Withdrawals
- Payment of Utility Bills
- Remittance Service
- ASBA Service etc.

HUMAN RESOURCES

We at MBL believe that the management of human capital strength is a crucial factor for effective implementation of business strategies to achieve our corporate goals. For this, all supervisors provide proper guidance and careful attention to all of the subordinates. All senior staff members ensure that strong ethical practices are put in place while conducting Bank's businesses by nurturing talent and sharing knowledge.

Human Resource Department of the Bank monitors and ensures that Bank's HR policies are interpreted consistently across the Bank. MBL's integrated Vision and Values framework which advocates principles of ethical work culture, open communication, objective career development, and transparency in remuneration and pay performance correlation support HR practices employed within the Bank.

HR DETAILS

As at 19th December, 2017, the Bank has a total of 845 employees in its

employment. The workforce had a gender mix of 2:3 female to male ratio. The increasing HR strength has been smoothly incorporated into the organizational structure which has enabled the Bank to maintain the good practices that has been adopted consistently over time.

The Bank has always ensured that all of the employees are treated fairly. Individual differences and learning aptitudes are respected. Discrimination on any grounds be it social, religious, hierarchical or gender is not allowed.

HR DEVELOPMENT

The Bank is committed towards enrichment of knowledge and skills of its human assets. We at MBL understand the importance of training and development programs for our employees and have thus signed Memorandum of Understanding (MOU) with Nepal Banking Institute. With the recently signed MOU, Bank is determined to provide numerous trainings to the employees of all level. Apart from external training

programs, Bank has conducted Town Hall Meetings in last Fiscal Year and has been conducting numerous In-house trainings which include AML/CFT, Overall Reconciliation Function and its Associated Risk, SME Lending, Deposit Marketing, Credit Risk Management etc.

Besides training and development activities, placement, transfer, job rotation, job enrichment, job enlargement, succession planning and cross functional teams are some of the tools we have been employing for the employee development.

INDUSTRIAL RELATIONS

We have a recognized Staffs' Union Association in the Bank. The management and the Union execute a collective bargaining exercise once every two years. Collective bargaining exercises have been harmonious throughout and has never resulted disruption in normal banking operations and customer service.



MALE 59%



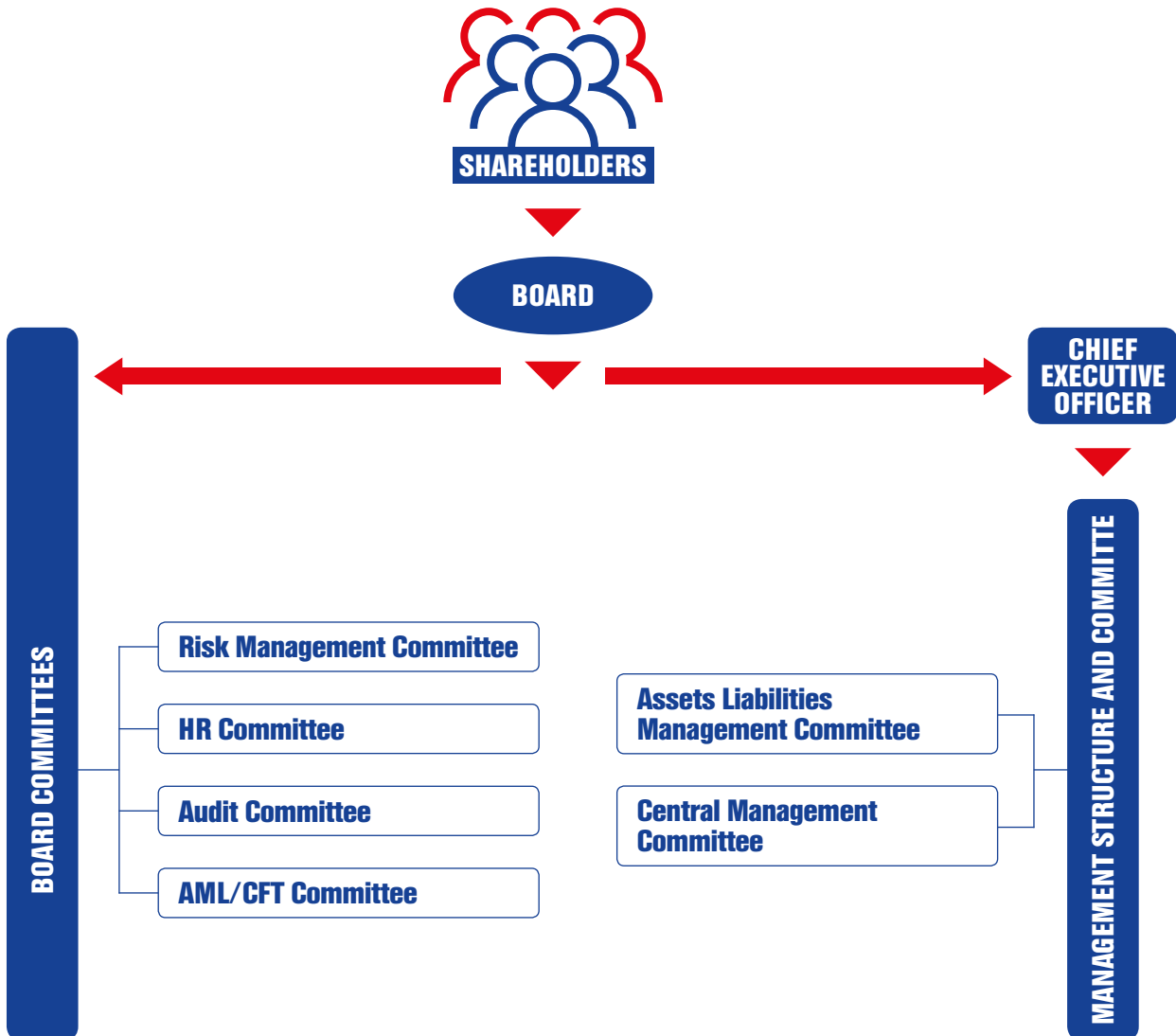
FEMALE 41%

CORPORATE GOVERNANCE

MBL, since its inception is committed to adopting the highest standards of Corporate Governance through its commitment to values and ethical business conduct. MBL strongly believes that sound Corporate Governance is an essential component for corporate success and sustainable business growth. MBL through its stringent adherence to compliances aims to enhance and retain investor trust and social acceptability.

DRIVERS TO GOVERNANCE INITIATIVES

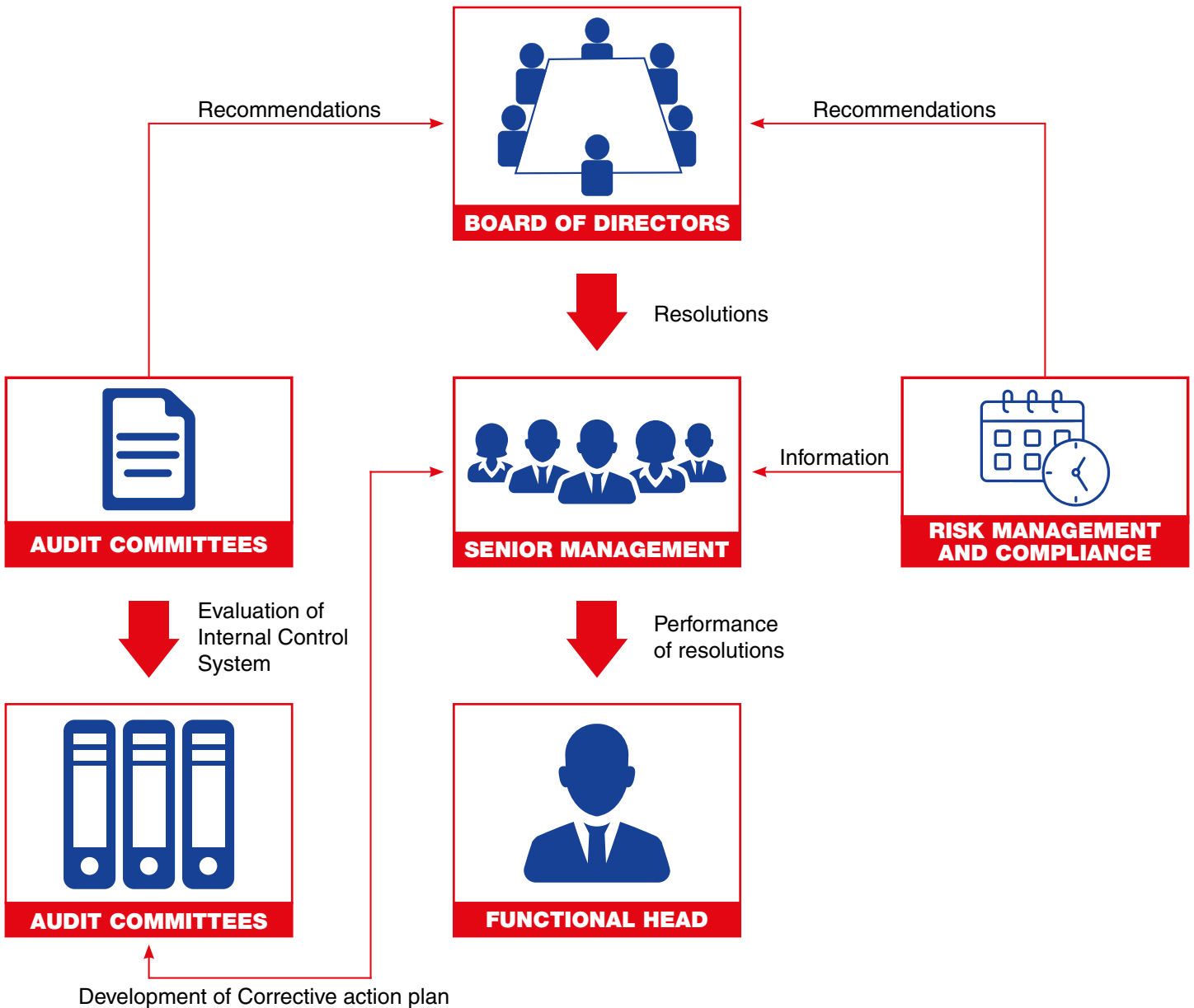
- B** Build customer trust with prudent risk management for long term profitability.
- E** Enhance the system by addressing the suggestions raised by Audit and NRB in their inspection.
- S** Serve Shareholders expectations.
- T** Transparency and Honesty towards its entire stake holders.



INTERNAL CONTROL SYSTEM

The Bank has established standard internal control system which is designed to provide reasonable assurance regarding the achievement in the following areas:

- Efficient and Effective operations
- Compliance with applicable regulatory laws and regulations, internal documents of the bank
- Reliability of financial and other reporting.
- Risk minimization by introducing and maintaining an adequate risk management system.



Board of Directors and Senior Management create control environment which is to demonstrate importance of internal control and observance of ethical norms to the staff.

The Board of Directors is responsible for establishment of internal control system. The Board of Directors takes measures to improve internal control system and regularly monitors its efficiency. The Board of Directors applies risk-informed approach for internal control efficiency and its assessment.

Senior Management is responsible for implementation of the Policy on internal control system as approved by the Board of Directors, improvement of internal control processes and procedures, reliable functioning of internal control system and monitoring of internal control system.

Heads of functions subject to their functions are responsible for development, documentation, maintenance, monitoring and improvement of internal control procedures.

CUSTOMER SERVICE EXCELLENCY

Bank and financial institutions have grown rapidly over years and their services have outreached millions of people. While the products and services offered by the banks are almost homogenous, the only way to stand out among the crowd is through exemplary customer service. In today's time, customers are always on the go and want prompt services. They evaluate the banking and financial institutions not only on

the basis of their market position, but also the quality of services rendered to them. Therefore, banks have now started becoming customer-centric. Quality and prompt services delivered efficiently would not only delight the customers but also help retain them.

Customer service excellence is achieving excellence in service provided to the customers by means of quality and efficiency. Service

excellence is achieved only when the customers are treated fairly and with dignity and respect. A service excellence unit is therefore set up in Business Development Department to address all the concerns and grievances of the customers and to proactively involve in strengthening quality service delivery by streamlining MBL's process, system and resources.

CUSTOMER LOYALTY

The customers using MBL's product and services have soared over 5 hundred thousand. This figure is expected to grow over time. We have continued our customer loyalty programs on Father's Day, Mother's

Day and International Women's Day and felicitated our loyal customers with 'Khaadas' and goodies for always believing and trusting us. We conduct such loyalty programs thrice every year and our strategy is to

felicitate at least one customer from each branch. Customer satisfaction and retention has always remained as one of our key agenda.

Some Glimpses of Customer Loyalty Program organized across MBL Branches



Banepa Branch



Pokhara Branch



Bagar Branch



Butwal Branch



DEPOSIT PRODUCTS

Machhapuchchhre Bank Limited is committed to provide complete range of banking products and services to the customers from diverse background. Some of the products and services offered are:

SAVING DEPOSIT

Saving deposit, targeted towards the individual small scale depositors, of MBL includes comprehensive range of products targeted towards senior citizens, youths, children, women and customer at large. These products are interest bearing saving account that yields nominal interest rate yet provides flexibility in withdrawals. Total saving deposit portfolio of MBL lies at 31%.

CURRENT DEPOSIT

Current Deposit Account of MBL is a non-interest bearing account targeted to companies, institutions, NGO's and INGO's. This account provides flexibility of unlimited withdrawal without any hesitation. MBL's total current deposit portfolio lies at 4.40%.

FIXED DEPOSIT

Fixed deposit provides above average rate of return to the holders of this account for predefined period of time. This account purports to fulfill the saving as well as investment need of the customer. MBL's total fixed deposit portfolio lies at 56.08%. These products are tailored to specific saving/investment need of Individual as well as Institutional depositors.

CALL ACCOUNTS

Call Accounts is a deposit scheme that provides the flexibility of current account while inheriting interest benefit from saving account. Widely popular among high net-worth individual and corporate customer, this account accounts for 7% of total deposit MBL.



CREDIT PRODUCTS

Machhapuchchhre Bank Limited is committed to provide complete range of banking products and services to the customers. The bank offers a wide range of tailor customized funded and non-funded credit facilities to suit funding requirement of individual and institutional customers.

RETAIL / CONSUMER LENDING

MBL provides different type of retail loan products such as Home Loan, Mortgage Loan, Hire Purchase Loan, Education Loan, and Loan against share and government securities to individual customers.

Furthermore, the bank is also directed towards providing credit facilities to small and medium enterprises.

DEPRIVED SECTOR LENDING (DSL)

MBL has various flexible tailor made financial products in Deprived Sector Lending. MBL has streamlined its various financial products to provide credit facilities to those persons who are engaged in agriculture (farmers), agro based business, cooperatives / individuals running small sized agro industries and intermediaries engaged in agro products trading. The major products associated with DSL are Mahila-Uddhyami Loan, Small Farmers Individual Loan and Yuba Tatha Sana Byabasayi Krishi Karja.

CORPORATE CREDIT / PROJECT FINANCING

MBL provides different type of project financing, consortium financing, working capital financing, fixed term loan, and various trade finance service to corporate customers.

The bank extends long term financing of infrastructure and industrial projects based upon the projected cash flow of the project rather than the balance sheet of its sponsor. The bank has been financing various industries, hydropower projects of different scales, mega hotels backed by project assets and repaid entirely by project cash flow rather than from the general assets or creditworthiness of the project sponsors. MBL acts either as a Lead Bank or a participating Bank in the consortium of banks formed to finance projects.

SME FINANCING

Small & Medium Enterprise (SME) Financing provides reliable financial solutions on easy terms for small and medium sized business entrepreneurs for start-up and expansion. It incorporates following:

1. Financing for small and medium businesses
2. Working capital as well as capital expenditure financing
3. Financing for trade related facilities like LC/TR and non-funded facilities like bank guarantee etc.

REMITTANCE

MBL Remit, a remittance product of MBL is a state-of-art web enabled money transfer system that performs remittance business in a real-time platform. MBL Remit is providing remittance.

BALANCE SHEET

As on 15th July 2017

Amt. in NPR

CAPITAL AND LIABILITIES	Schedule	This Year	Last Year
1. Share Capital	4.1	7,716,605,100	4,666,430,000
2. Reserves and Surplus	4.2	947,156,910	673,772,751
3. Debenture and Bonds	4.3	-	-
4. Borrowings	4.4	160,703,263	1,234,291,000
5. Deposit Liabilities	4.5	58,629,076,680	52,291,877,270
6. Bills Payables	4.6	2,952,180	616,036
7. Proposed Dividend		443,432,640	42,204,737
8. Income Tax Liabilities		-	-
9. Other Liabilities	4.7	1,025,810,912	546,276,035
Total Liabilities		68,925,737,686	59,455,467,829

ASSETS	Schedule	This Year	Last Year
1. Cash Balance	4.8	1,962,957,137	2,107,171,464
2. Balance with Nepal Rastra Bank	4.9	5,461,439,334	3,808,028,939
3. Balance with Banks & Financial Institutions	4.10	2,251,670,730	2,082,153,045
4. Money at Call & Short Notice	4.11	-	-
5. Investment	4.12	6,142,972,440	6,019,143,621
6. Loans, Advances & Bills Purchased	4.13	51,167,860,081	43,636,186,147
7. Fixed Assets	4.14	697,389,677	714,584,559
8. Non- Banking Assets	4.15	-	-
9. Other Assets	4.16	1,241,448,287	1,088,200,055
Total Assets		68,925,737,686	59,455,467,829

Contingent Liabilities	Schedule 4.17
Declaration of Directors	Schedule 4.29
Table of Capital Fund	Schedule 4.30
Statement of Risk Weighted Assets	Schedule 4.30 (A)
Principal Indicators	Schedule 4.31
Significant Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33
Statement of Promoter's Loan	Schedule 4.34
Comparison of Unaudited and Audited Financial Statements	Schedule 4.35

Schedules 4.1 to 4.17 form integral parts of the Balance Sheet.

Suvash Jamarkattel
Head - Finance and Planning

Niraj K. Shrestha
Chief Executive Officer

Roshan K C
Chairman

Gopi Krishna Neupane
Director

Jaya Mukunda Khanal
Director

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

As per our report of even date

Date: 19 October 2017
Place: Kathmandu, Nepal

Shashi Satyal
Managing Partner
T R Upadhy & Co.
Chartered Accountants

PROFIT & LOSS ACCOUNT

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	Schedule	This Year	Last Year
1. Interest Income	4.18	5,118,027,561	3,495,300,235
2. Interest Expenses	4.19	2,791,035,277	1,637,979,809
Net Interest Income		2,326,992,285	1,857,320,426
3. Commission & Discount	4.20	124,789,921	91,419,588
4. Other Operating Income	4.21	301,238,553	226,157,619
5. Exchange Fluctuation Gain	4.22	133,252,778	118,526,409
Total Operating Income		2,886,273,536	2,293,424,042
6. Staff Expenses	4.23	495,321,753	466,636,218
7. Other Operating Expenses	4.24	472,474,573	429,327,851
8. Exchange Fluctuation Loss	4.22	-	2,015,550
Operating Profit Before Provision for Possible Loan Loss		1,918,477,210	1,395,444,422
9. Provisions for Possible Losses	4.25	142,515,010	136,890,810
Operating Profit		1,775,962,201	1,258,553,612
10. Non- Operating Income/(Expenses)	4.26	120,139,023	32,284,621
11. Possible Loss Provision Written Back	4.27	134,169,758	126,101,292
Profit from Regular Activities		2,030,270,981	1,416,939,525
12. Income/(Expenses) from Extraordinary Activities	4.28	16,114,246	5,850,134
Net Profit after Extraordinary Items		2,046,385,228	1,422,789,658
13. Provision for Staff Bonus		186,035,021	129,344,514
14. Provision for Income Tax (a+b+c)		557,866,778	395,222,462
a. This Year's Tax Provision		527,545,251	371,535,063
b. Upto Last Year's Tax Provision		5,310,137	14,395,123
c. Deferred Tax (Income)/Loss		25,011,391	9,292,276
Net Profit/ (Loss)		1,302,483,429	898,222,681

Schedules 4.18 to 4.28 form integral parts of this profit & loss account.

Suvash Jamarkattel
Head - Finance and Planning

Niraj K. Shrestha
Chief Executive Officer

Roshan K C
Chairman

Gopi Krishna Neupane
Director

Jaya Mukunda Khanal
Director

Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

As per our report of even date

Date: 19 October 2017
Place: Kathmandu, Nepal

Shashi Satyal
Managing Partner
T R Upadhyaya & Co.
Chartered Accountants

PROFIT & LOSS APPROPRIATION ACCOUNT

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	Schedule	This Year	Last Year
Income			
1. Accumulated Profit upto Previous Year		2,547,684	3,585,453
2. Transfer from Share Premium		79,482,370	112,792,334
3. This Year's Profit		1,302,483,429	898,222,681
4. Deferred Tax Reserve		25,011,391	9,292,276
5. Exchange Fluctuation Fund		-	2,015,550
6. Investment Adjustment Reserve		-	378,664
Total		1,409,524,874	1,026,286,958
Expenditures			
1. Accumulated Loss upto Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		260,496,686	179,644,537
4. Contingent Reserves		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Employees Related Reserve Fund		-	-
8. Proposed Cash Dividend		443,432,640	42,204,737
9. Proposed Bonus Share		665,149,000	801,890,000
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		486,990	-
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Fund		-	-
16. Employee Skill Enhancement Fund (Training Fund)		7,247,716	-
15. Corporate Social Responsibility Fund		13,024,834	-
16. Investment Adjustment Reserve		1,857,642	-
Total		1,391,695,509	1,023,739,274
Accumulated Profit/ (Loss)		17,829,364	2,547,684

Suvash Jamarkattel
Head - Finance and Planning

Niraj K. Shrestha
Chief Executive Officer

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Ram Man Shrestha
Director

Bishow Prakash Gautam
Director

Omesh Lal Shrestha
Director

As per our report of even date

Date: 19 October 2017
Place: Kathmandu, Nepal

Shashi Satyal
Managing Partner
T R Upadhy & Co.
Chartered Accountants

CASH FLOW STATEMENT

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. Cash Flows From Operating Activities	504,033,039	(538,819,819)
1. Cash Receipts	5,757,880,527	4,073,002,963
1.1 Interest Income	5,063,059,715	3,473,681,867
1.2 Commission & Discount Income	134,222,757	91,419,588
1.3 Exchange Fluctuation Gain	131,304,816	118,526,409
1.4 Recovery of Loans Written Off	17,932,501	5,850,134
1.5 Other Income	411,360,738	383,524,966
2. Cash Payments	3,981,547,944	3,206,351,528
2.1 Interest Expenses	2,550,965,262	1,665,127,769
2.2 Staff Expenses	487,776,590	470,097,776
2.3 Office Operating Expenses	386,386,375	425,866,293
2.4 Income Tax Paid	556,419,717	645,259,689
2.5 Other Expenses	-	-
Cash Flows before Changes in Working Capital	1,776,332,583	866,651,436
(Increase)/Decrease in Current Assets	(7,533,131,032)	(9,535,016,801)
1. (Increase)/Decrease in Money at Call and Short notice	-	-
2. (Increase)/Decrease in Short-term Investments	-	-
3. (Increase)/Decrease in Loan and Bills Purchased	(7,432,627,278)	(9,374,883,305)
4. (Increase)/Decrease in Other Assets	(100,503,754)	(160,133,496)
Increase/(Decrease) in Current Liabilities	6,260,831,488	8,129,545,546
1. Increase/(Decrease) in Deposits	6,337,199,410	8,086,240,018
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short-term Borrowings	(14,291,000)	14,291,000
4. Increase/(Decrease) in Other Liabilities	(62,076,922)	29,014,528
B. Cash Flows From Investing Activities	(190,274,244)	(1,533,509,693)
1. (Increase)/Decrease in Long-term Investments	(122,890,094)	(1,531,770,622)
2. (Increase)/Decrease in Fixed Assets	(68,859,020)	(2,757,636)
3. Interest Income from Long term Investments	-	-
4. Dividend Income	1,474,870	1,018,566
5. Others	-	-
C. Cash Flows from Financing Activities	1,363,006,996	1,685,154,401
1. Increase/(Decrease) in Long-term Borrowings	-	-
2. Increase/(Decrease) in Share Capital	2,464,508,470	493,209,138
3. Increase/(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Refinance/facilities received from NRB	(1,059,296,737)	1,220,000,000
5. Dividend Paid	(42,204,737)	(28,054,737)
D. Effects of exchange rate changes on Cash and Bank Balances	1,947,962	(2,015,549)
E. Net Cash Flow For The Year (A+B+C+D)	1,678,713,753	(389,190,660)
F. Opening Cash and Bank Balance	7,997,353,448	8,386,544,108
G. Closing Cash and Bank Balance	9,676,067,201	7,997,353,448

Suvash Jamarkattel
Head - Finance and Planning

Gopi Krishna Neupane
Director

Bishow Prakash Gautam
Director

Date: 19 October 2017
Place: Kathmandu, Nepal

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Chief Executive Officer

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Director

Omesh Lal Shrestha
Director

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Ram Man Shrestha
Director

As per our report of even date

Shashi Satyal
Managing Partner
T R Upadhy & Co.
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

For the period from 16th July 2016 to 15th July 2017

Armt. in NPR

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Proposed Bonus Shares	Exchange Fluctuation Fund	Deferred Tax Reserve	Capital Adjustment Reserve	Share Premium	Employee Skill Enhancement Fund	Corporate Social Responsibility Fund	Investment Adjustment Reserve	Other Reserves & Fund	Total Amount
Opening Balance as at 16 July 2016	3,864,540,000	2,547,684	603,689,331	801,890,000	8,793,320	43,645,633	-	-	-	-	15,096,783	-	5,340,202,752
Adjustments													
Bonus Shares issued	801,890,000			(801,890,000)									-
Restated Balance as at 16 July 2016	4,666,430,000	2,547,684	603,689,331	-	8,793,320	43,645,633	-	-	-	-	15,096,783	-	5,340,202,752
Adjustments													
Net Profit for the Period		1,302,483,429											1,302,483,429
Transfer to General Reserve		(260,496,686)	260,496,686										-
Proposed Cash Dividend		(443,432,640)											(443,432,640)
Proposed issue of Bonus Share		(665,149,000)		665,149,000									-
Calls in Advance		-											-
Issue of Right Share (Subscribed)	1,895,087,100	-											1,895,087,100
Auction of Unsubscribed Right Share	37,182,900	-						79,482,370					116,665,270
Share Premium (Auction of Right Shares)		79,482,370						(79,482,370)					-
Exchange Fluctuation Fund		(486,990)			486,990								-
Deferred Tax Reserve		25,011,391				(25,011,391)							-
Capital Adjustment Fund													-
Employee Skill Enhancement Fund(Training Fund)		(7,247,716)							7,247,716				-
Corporate Social Responsibility Fund		(13,024,834)								13,024,834			-
Investment Adjustment Reserve		(1,857,642)									1,857,642		-
Balance at 15 July 2017	6,598,700,000	17,829,364	864,186,017	665,149,000	9,280,311	18,634,242	-	-	7,247,716	13,024,834	16,954,425	-	8,211,005,911

SHARE CAPITAL & OWNERSHIP

As on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Share Capital	-	-
1.1 Authorized Capital	10,000,000,000	10,000,000,000
a. 100,000,000 Ordinary shares of Rs. 100 each share	10,000,000,000	10,000,000,000
b. Non-redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.2 Issued Capital	7,390,544,000	5,796,810,000
a. 73,905,440 Ordinary shares of Rs.100 each share (Previous year 57,968,100 ordinary shares of Rs 100 each share)	7,390,544,000	5,796,810,000
b. Non-redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.3 Paid up Capital	6,598,700,000	3,864,540,000
a. 65,987,000 Ordinary shares of Rs.100 each (Previous year 38,645,400 ordinary shares of Rs 100 each share)	6,598,700,000	3,864,540,000
b. Non-redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.4 Proposed issue of Bonus Shares	665,149,000	801,890,000
1.5 Calls in Advance (4,527,561 shares)	452,756,100	-
1.6 Total Amount	7,716,605,100	4,666,430,000

Particulars	This Year		Last Year	
	%	Share Capital	%	Share Capital
1. Local Ownership	100.00	6,598,700,000	100.00	3,864,540,000
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	10.46	690,263,100	11.64	449,920,380
1.5 Individuals	89.54	5,908,436,900	88.36	3,414,619,620
1.6 Others	-	-	-	-
2. Foreign Ownership	-	-	-	-
Total	100.00	6,598,700,000	100.00	3,864,540,000

SHARE CAPITAL AND OWNERSHIP

Details of shareholders holding 0.5% or more of the Total Shares

Amt. in NPR

S.N.	Particulars	FY 2016/17			FY 2015/16		
		Number	Amount (Rs.)	%	Number	Amount (Rs.)	%
1	DR. SURENDRA MAHATO	9,438,235	943,823,500	14.30	5,527,514	552,751,400	14.30
2	DR. UPENDRA MAHATO	6,029,169	602,916,900	9.14	3,530,989	353,098,900	9.14
3	P K R INVESTMENT COMPANY	4,335,883	433,588,300	6.57	2,539,318	253,931,800	6.57
4	PREM KUMARI K.C.	5,778,059	577,805,900	8.76	3,383,928	338,392,800	8.76
5	RAM ASHISHA SAHU SUDI	2,794,623	279,462,300	4.24	1,636,676	163,667,600	4.24
6	KRISHNA GOPAL SHRESTHA	1,399,988	139,998,800	2.12	847,767	84,776,700	2.19
7	BAIDHYANATH SHARMA	1,362,092	136,209,200	2.06	797,712	79,771,200	2.06
8	DR. DHARMA RAJ SHRESTHA	1,339,805	133,980,500	2.03	784,659	78,465,900	2.03
9	DINESH LAL SHRESTHA	354,050	35,405,000	0.54	297,123	29,712,300	0.77
10	PRAKASH K.C.	1,113,603	111,360,300	1.69	652,185	65,218,500	1.69
11	HIRANYA PRAKASH DHAR	884,025	88,402,500	1.34	559,248	55,924,800	1.45
12	KIRAN K.C.	978,966	97,896,600	1.48	573,333	57,333,300	1.48
13	EVITA INVESTMENT PVT. LTD	336,364	33,636,400	0.51	357,512	35,751,200	0.93
14	ROSHAN K.C.	978,953	97,895,300	1.48	573,326	57,332,600	1.48
15	GANESH BAHADUR SHRESTHA	783,177	78,317,700	1.19	458,670	45,867,000	1.19
16	PRANESWAR POKHAREL	639,913	63,991,300	0.97	392,179	39,217,900	1.01
17	KARAN MOTOR COMPANY P. LTD.	529,157	52,915,700	0.80	309,389	30,938,900	0.80
18	SHREE HIMALAYAN ENTERPRISES P. LTD.	526,917	52,691,700	0.80	309,389	30,938,900	0.80
19	NIRAJ GOVINDA SHRESTHA	-	-	-	220,806	22,080,600	0.57
20	AJAD SHRESTHA	420,357	42,035,700	0.64	254,183	25,418,300	0.66
21	ASIAN LIFE INSURANCE CO. LTD	-	-	-	250,430	25,043,008	0.65
22	HARI BHAKTA SIGDEL	345,432	34,543,200	0.52	202,303	20,230,300	0.52
23	RAJAN LAL SHRESTHA	379,318	37,931,800	0.57	201,490	20,149,000	0.52
Total		40,748,086	4,074,808,600		24,660,129	2,466,012,908	

RESERVES AND SURPLUSAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. General Reserve Fund	864,186,017	603,689,331
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserves and Fund	55,861,218	58,742,416
a. Contingent Reserve	-	-
b. Institution Development Fund	-	-
c. Dividend Equalization Fund	-	-
d. Specific Reserve Fund	-	-
e. Assets Revaluation Reserve	-	-
f. Deferred Tax Reserve	18,634,242	43,645,633
g. Other Reserve	-	-
h. Employee Skill Enhancement Fund (Training Fund)	7,247,716	-
i. Corporate Social Responsibility Fund	13,024,834	-
j. Investment Adjustment Reserve	16,954,425	15,096,783
6. Accumulated Profit/(Loss)	17,829,364	2,547,684
7. Exchange Fluctuation Fund	9,280,311	8,793,320
8. Total	947,156,910	673,772,751

DEBENTURES AND BONDSAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1.% of Debentures of Rs. each Issued on and to be redeemed on (Outstanding balance of Redemption Reserve Rs.....)	-	-
2.% of Bond/Debentures of Rs.....each Issued on.....and to be redemeed on (Outstanding balance of Redemption Reserve Rs.....)	-	-
3.	-	-
Total (1+2+3)	-	-

BORROWINGSAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	160,703,263	1,220,000,000
3. Repo - Liabilities	-	-
4. Inter Bank & Financial Institution	-	-
5. Other Organized Institutions	-	-
6. Others	-	-
Total	160,703,263	1,220,000,000
B. Foreign		
1. Banks	-	14,291,000
2. Others	-	-
Total	-	14,291,000
Total (A + B)	160,703,263	1,234,291,000

DEPOSITS LIABILITIESAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Non-Interest Bearing Deposit		
A. Current Deposits	2,146,611,195	2,069,527,625
1. Local Currency	2,090,418,861	2,031,628,030
1.1 Government of Nepal	114,368,991	138,314,843
1.2 "A" Class Licensed Institutions	864,462	11,904,815
1.3 Other Licensed Financial Institutions	132,089,094	186,862,476
1.4 Other Organized Institutions	1,823,077,304	1,668,953,136
1.5 Individuals	20,019,010	25,592,760
1.6 Others	-	-
2. Foreign Currency	56,192,335	37,899,596
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Financial Institutions	-	-
2.4 Other Organized Institutions	55,986,599	37,686,435
2.5 Individuals	205,736	213,161
2.6 Others	-	-
B. Margin Deposits	431,165,376	376,582,036
1. Employees Guarantee	-	-
2. Guarantee Margin	102,489,035	70,009,650
3. Letter of Credit Margin	328,676,341	306,572,386
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	2,577,776,572	2,446,109,661

...CONTINUED

DEPOSITS LIABILITIESAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
2. Interest Bearing Deposit		
A. Savings Deposits	19,296,983,301	21,208,578,027
1. Local Currency	19,254,188,439	21,170,972,281
1.1 Organized Institutions	-	-
1.2 Individuals	19,254,188,439	21,170,972,281
1.3 Others	-	-
2. Foreign Currency	42,794,862	37,605,746
2.1 Organized Institutions	-	-
2.2 Individuals	42,794,862	37,605,746
2.3 Others	-	-
B. Fixed Deposits	31,629,049,285	17,413,519,545
1. Local Currency	30,868,848,785	17,412,447,545
1.1 Organized Institutions	25,703,155,705	10,158,889,130
1.2 Individuals	5,165,693,080	7,253,558,415
1.3 Others	-	-
2. Foreign Currency	760,200,500	1,072,000
2.1 Organized Institutions	760,200,500	1,072,000
2.2 Individuals	-	-
2.3 Others	-	-
C. Call Deposit	5,125,267,522	11,223,670,037
1. Local Currency	4,627,885,938	9,638,599,634
1.1 "A" Class Licensed Institutions	-	-
1.2 Other Licensed Financial Institutions	1,631,743,643	5,109,946,589
1.3 Other Organized Institutions	1,404,955,357	3,344,048,681
1.4 Individuals	1,591,186,938	1,184,604,364
1.5 Others	-	-
2. Foreign Currency	497,381,585	1,585,070,403
2.1 "A" Class Licensed Institutions	433,036	108,801
2.2 Other Licensed Financial Institutions	-	-
2.3 Other Organizations	496,948,548	1,584,961,603
2.4 Individuals	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	56,051,300,109	49,845,767,609
(1 + 2) Total Deposits	58,629,076,680	52,291,877,270

BILLS PAYABLESAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Local currency	2,952,180	616,036
2. Foreign currency	-	-
Total	2,952,180	616,036

OTHER LIABILITIESAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Gratuity Fund	-	-
2. Employees Provident Fund	-	28,944
3. Employees Welfare Fund	100,202	150,202
4. Provision for Staff Bonus	186,035,021	129,344,514
5. Interest Payable on Deposits	365,895,442	125,680,713
6. Interest Payable on Borrowings	1,187,888	1,332,603
7. Unearned Discount & Commission	36,963,374	27,530,538
8. Sundry Creditors	65,426,867	63,794,100
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	395,636	424,441
12. Others	369,806,483	197,989,979
a) Provision for Leave Encashment	110,567,254	103,022,091
b) Matured Fixed Deposits payable	134,805,693	6,754,617
c) Others	124,433,536	88,213,271
Total	1,025,810,912	546,276,035

CASH BALANCEAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Local Currency (Including Coins)	1,943,953,379	2,086,410,591
2. Foreign Currency	19,003,758	20,760,873
Total	1,962,957,137	2,107,171,464

BALANCE WITH NEPAL RASTRA BANKAs on 15th July 2017

Amt. in NPR

Particulars	Local Currency	Foreign Currency			This Year	Previous Year
		INR	Convertible FCY	Total		
1. Nepal Rastra Bank						
a. Current Account	5,417,749,386	-	43,689,948	43,689,948	5,461,439,334	3,808,028,939
b. Other Accounts	-	-	-	-	-	-
Total	5,417,749,386	-	43,689,948	43,689,948	5,461,439,334	3,808,028,939

Note: Balance as per confirmation statements is Rs.5,497,140,443 and difference thereon has subsequently been reconciled.

BALANCE WITH BANKS & FINANCIAL INSTITUTIONSAs on 15th July 2017

Amt. in NPR

Particulars	Local Currency	Foreign Currency			This Year	Previous Year
		INR	Convertible FCY	Total		
1. Local Licensed Institutions						
a. Current Account	429,741,867	-	7,436,776	7,436,776	437,178,643	520,628,753
b. Other Accounts	-	-	-	-	-	-
2. Foreign Banks						
a. Current Account	-	172,698,941	1,641,793,146	1,814,492,087	1,814,492,087	1,561,524,291
b. Other Accounts	-	-	-	-	-	-
Total	429,741,867	172,698,941	1,649,229,922	1,821,928,862	2,251,670,730	2,082,153,045

Note: Balance as per confirmation statements is Rs 2,295,518,307 and difference thereon has subsequently been reconciled.

MONEY AT CALL AND SHORT NOTICEAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Local Currency	-	-
2. Foreign Currency	-	-
Total	-	-

INVESTMENTSAs on 15th July 2017

Amt. in NPR

Particulars	Purpose		This Year	Last Year
	Trading	Others		
1. Govt. of Nepal Treasury Bills	-	942,919,746	942,919,746	1,460,713,966
2. Govt. of Nepal Saving Bonds	-	-	-	-
3. Govt. of Nepal Other Securities	-	3,671,900,000	3,671,900,000	2,971,900,000
4. Nepal Rastra Bank Bonds	-	-	-	200,000,000
5. Foreign Securities	-	207,584,098	207,584,098	217,467,466
6. Local Licensed Institutions	-	69,577,357	69,577,357	72,309,187
7. Foreign Banks	-	1,134,650,000	1,134,650,000	1,072,000,000
8. Corporate's Shares	-	27,350,082	27,350,082	24,869,157
9. Corporate's Bonds and Debentures	-	-	-	-
10. Other Investments (Mutual Fund)	-	90,401,170	90,401,170	-
Total Investment	-	6,144,382,453	6,144,382,453	6,019,259,776
Provision	-	-	1,410,013	116,155
Net Investment	-	6,144,382,453	6,142,972,440	6,019,143,621

INVESTMENT IN SHARES, DEBENTURES & BONDS

As on 15th July 2017

Amt. in NPR

S.N.	Particulars	Cost Price	Market Price	Provision Amount	This Year	Last Year
1	Investment in Shares					
1.1	Credit Information Bureau Ltd 13,300 Ordinary Shares of Rs. 100 paid up including 26,099 Bonus Shares	1,330,000		-	1,330,000	1,330,000
1.2	National Banking Institute Ltd 12,000 Ordinary Shares of Rs. 100 paid up	1,200,000		-	1,200,000	1,200,000
1.3	Nepal Clearing House Ltd 25,000 Ordinary Shares of Rs. 100 paid up	2,500,000		-	2,500,000	2,500,000
1.4	Nepal Life Insurance Company Ltd 1741 Ordinary Share of Rs.100 paid up 435 bonus shares	2,480,925	4,674,048	-	2,480,925	-
1.5	Butwal Power Company Ltd 4,733 Ordinary Share of Rs.100 paid up 920 Bonus Shares	4,839,157	3,504,860	1,334,297	4,839,157	4,839,157
1.6	Nepal Electronic Payment Systems Ltd 150,000 Promoter Share of Rs. 100 paid up	15,000,000		-	15,000,000	15,000,000
	Total investment in shares	27,350,082			27,350,082	24,869,157
2	Investment in Mutual Fund					
2.1	NMB Hybrid Fund 12,61,921 Unit of Rs. 10 each	12,619,210	12,543,495	75,715	12,619,210	-
2.2	Nabil Equity Fund 9,01,202 Unit of Rs. 10 each	9,012,020	9,012,020	-	9,012,020	-
2.3	NIBL Pragati Fund 10,27,407 Unit of Rs. 10 each	10,274,070	10,274,070	-	10,274,070	-
2.4	Laxmi Equity Fund 58,49,587 Unit of Rs. 10 each	58,495,870	58,495,870	-	58,495,870	-
	Total investment in mutual fund	90,401,170			90,401,170	
3	Others Investment					
4	Investment in Debentures and Bond					
4.1	Foreign Bonds (Bank of Ceylon)	207,584,098	210,147,495	-	207,584,098	217,467,466
	Total Investment	325,335,350		1,410,012	325,335,350	242,336,623
5	Provision for Loss					
5.1	Up to Previous Year	116,155			116,155	1,579,546
5.2	Additions/Deductions of this year	1,293,857			1,293,857	(1,463,391)
	Total Provision	1,410,012			1,410,012	116,155
	Net Investment	323,925,338			323,925,338	242,220,468

Note: Nepal Electronic Payment Systems Ltd has not declared dividend for last three years.

HELD FOR TRADINGAs on 15th July 2017

Amt. in NPR

Particulars	Cost Price	Previous Market Price (a)	Current Market Price (b)	This Year Amount of profit/(Loss) (b-a)	Remarks	Last Year Gain/(Loss)
1. Govt. of Nepal Treasury Bills	-	-	-	-		-
2. Govt. of Nepal Saving Bonds	-	-	-	-		-
3. Govt. of Nepal Other Bonds	-	-	-	-		-
4. Nepal Rastra Bank Bonds	-	-	-	-		-
5. Foreign Bonds	-	-	-	-		-
6. Local Licensed Institutions Shares	-	-	-	-		-
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-		-
8. Local Corporate's Shares, Debenture & Bonds	-	-	-	-		-
9. Investment /Placement in Foreign Banks	-	-	-	-		-
10. Interbank Lending	-	-	-	-		-
11. Other Investment	-	-	-	-		-
Total Investment	-	-	-	-		-

HELD TO MATURITYAs on 15th July 2017

Amt. in NPR

Particulars	Cost Price (a)	Impairment Amount Till		This Year Gain/(Loss) (b-a)	Last Year Gain/(Loss)	Remarks
		15-July, 2017 (a)	16-July, 2016 (b)			
1. Govt. of Nepal Treasury Bills	942,919,746	-	-	-		-
2. Govt. of Nepal Saving Bonds	-	-	-	-		-
3. Govt. of Nepal Other Bonds	3,671,900,000	-	-	-		-
4. Nepal Rastra Bank Bonds	-	-	-	-		-
5. Foreign Bonds	207,584,098	-	-	-		-
6. Local Licensed Institutions Shares	-	-	-	-		-
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-		-
8. Local Corporate's Shares, Debenture & Bonds	-	-	-	-		-
9. Investment/ Placement in Foreign Banks	1,134,650,000	-	-	-		-
10. Other Investment	69,577,357	-	-	-		-
Total Investment	6,026,631,201	-	-	-		-

AVAILABLE FOR SALEAs on 15th July 2017

Amt. in NPR

Particulars	Cost Price	Previous Market Price (a)	Current Market Price (b)	This Year Amount of Fund Adjustment	Last Year Gain/(Loss)	Remarks
1. Govt. of Nepal Treasury Bills	-	-	-	-	-	-
2. Govt. of Nepal Saving Bonds	-	-	-	-	-	-
3. Govt. of Nepal Other Bonds	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Local Licensed Institutions Shares	-	-	-	-	-	-
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-	-	-
8. Local Corporate's Shares, Debenture & Bonds	27,350,082	-	-	-	-	-
9. Investment/Placement in Foreign Banks	-	-	-	-	-	-
10. Other Investment (Mutual Funds)	90,401,170	-	-	-	-	-
Total Investment	117,751,252	-	-	-	-	-

CLASSIFICATION OF LOANS, ADVANCES AND BILLS PURCHASED AND PROVISIONING

As on 15th July 2017

Amt. in NPR

Particulars	Loan and Advances						Bills Purchased and Discounted			This Year	Last Year
	Domestic			Foreign	Total	Domestic	Foreign	Total			
	Deprived Sector		Others								
	Insured	Uninsured									
1. Performing Loans	-	2,585,322,212	48,071,507,416	-	50,656,829,627	-	1,014,106,316	1,014,106,316	51,670,935,943	43,992,735,116	
1.1 Pass Loan	-	2,584,906,168	47,329,092,763	-	49,913,998,932	-	1,014,106,316	1,014,106,316	50,928,105,247	43,422,108,098	
1.1 Watchlist Loan	-	416,044	742,414,652	-	742,830,696	-	-	-	742,830,696	570,627,018	
2. Non Performing Loan	-	36,548,660	159,285,885	-	195,834,545	-	-	-	195,834,545	241,496,528	
2.1 Restructured loan	-	-	3,689,087	-	3,689,087	-	-	-	3,689,087	1,469,656	
2.2 Sub standard	-	143,332	36,965,185	-	37,108,517	-	-	-	37,108,517	122,189,983	
2.3 Doubtful	-	182,931	29,914,728	-	30,097,659	-	-	-	30,097,659	15,137,512	
2.4 Loss	-	36,222,397	88,716,884	-	124,939,281	-	-	-	124,939,281	102,699,377	
(A) Total Loans (1+2)	-	2,621,870,872	48,230,793,301	-	50,852,664,173	-	1,014,106,316	1,014,106,316	51,866,770,489	44,234,231,644	
3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	-	
3.1 Pass	-	25,849,062	476,052,372	-	501,901,433	-	10,141,063	10,141,063	512,042,497	434,221,081	
3.2 Watchlist	-	20,802	37,120,733	-	37,141,535	-	-	-	37,141,535	22,825,081	
3.3 Restructured	-	-	461,136	-	461,136	-	-	-	461,136	183,707	
3.4 Sub standard	-	35,833	9,241,296	-	9,277,129	-	-	-	9,277,129	30,547,496	
3.5 Doubtful	-	91,466	14,957,364	-	15,048,830	-	-	-	15,048,830	7,568,756	
3.6 Loss	-	36,222,397	88,716,884	-	124,939,281	-	-	-	124,939,281	102,699,377	
(B) Total Loan Loss Provision	-	62,219,559	626,549,785	-	688,769,344	-	10,141,063	10,141,063	698,910,407	598,045,497	
4. Provision upto Previous Year	-	-	-	-	-	-	-	-	-	-	
4.1 Pass	-	19,744,634	409,978,762	-	429,723,397	-	4,497,684	4,497,684	434,221,081	325,705,916	
4.2 Watchlist	-	10,594	22,814,486	-	22,825,081	-	-	-	22,825,081	40,655,631	
4.3 Restructured	-	-	183,707	-	183,707	-	-	-	183,707	-	
4.4 Sub standard	-	183,258	30,364,238	-	30,547,496	-	-	-	30,547,496	9,342,047	
4.5 Doubtful	-	97,941	7,470,815	-	7,568,756	-	-	-	7,568,756	13,975,930	
4.6 Loss	-	36,231,544	66,467,833	-	102,699,377	-	-	-	102,699,377	168,469,927	
4.7 Additional Loan Loss Provision	-	-	-	-	-	-	-	-	-	-	
(C) Total Previous Year Provision	-	56,267,971	537,279,842	-	593,547,813	-	4,497,684	4,497,684	598,045,497	558,149,452	
(D) Written Back from Previous Year's Provision	-	-	39,521,037	-	39,521,037	-	-	-	39,521,037	96,994,765	
(E) Additional Provision for This Year	-	5,951,588	128,790,979	-	134,742,568	-	5,643,379	5,643,379	140,385,947	136,890,810	
Changes This Year	-	5,951,588	89,269,943	-	95,221,531	-	5,643,379	5,643,379	100,864,910	39,896,046	
Net Loan (A-B)	-	2,559,651,312	47,604,243,516	-	50,163,894,829	-	1,003,965,253	1,003,965,253	51,167,860,081	43,636,166,147	

SECURITYWISE LOANS, ADVANCES & BILLS PURCHASED

As on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. Secured	51,856,382,781	44,234,231,644
1. Collateral of Movable/Immovable Assets	48,118,676,940	41,710,878,380
2. Guarantee of Local Licensed institutions	-	1,610,762,226
3. Govt. Guarantee	129,844,594	129,844,594
4. Internationally Rated Bank Guarantee	-	-
5. Collateral of Export Documents	1,014,106,316	451,168,427
6. Fixed Deposit Receipts	113,995,279	87,988,553
(a) Own FDR	113,995,279	45,386,553
(b) FDR of Other Licensed Institutions	-	42,602,000
7. Government Bonds	-	-
8. Counter Guarantee	-	-
9. Personal Guarantee	-	1,500,000
10. Other Securities	2,479,759,654	242,089,465
B. Unsecured (Credit Card)	10,387,707	-
Total	51,866,770,489	44,234,231,644

FIXED ASSETS

As on 15th July 2017

Amt. in NPR

Particulars	Assets						This Year	Last Year
	Building	Vehicles	Plant and Machinery	Office Equipments, Furniture and Fixture	Others			
1. At Cost								
(a) Previous Year's Balance	214,298,253	162,171,888	-	517,863,188	2,386,860		896,720,189	842,764,602
(b) Addition This Year	-	2,838,500	-	49,511,912	389,652		52,740,064	77,186,533
(c) Revaluation/Write Back This Year	-	-	-	-	-		-	-
(d) This Year Sold	-	(14,029,817)	-	(313,984)	-		(14,343,801)	(23,230,946)
(e) This Year written off	-	-	-	-	-		-	-
Total Cost (a+b+c+d+e)	214,298,253	150,980,571	-	567,061,116	2,776,512		935,116,452	896,720,189
2. Depreciation								
(a) Upto Previous Year	29,416,085	61,139,764	-	355,915,948	1,540,666		448,012,463	402,532,246
(b) For This Year	4,285,965	19,753,448	-	40,308,673	163,136		64,511,223	63,101,002
(c) Depreciation on Revaluation/ Write back	-	-	-	-	-		-	-
(d) Depreciation Adjustment/Written Back	-	(6,850,605)	-	(188,186)	-		(7,038,791)	(17,620,785)
Total Depreciation(a+b+c+d)	33,702,050	74,042,607	-	396,036,435	1,703,802		505,484,895	448,012,463
3. Book Value (WDV) (1-2)	180,596,203	76,937,964	-	171,024,681	1,072,710		429,631,558	448,707,726
4. Land	-	-	-	-	-		-	198,510,473
5. Capital Work in Progress	-	-	-	-	-		-	-
6. Leashold Assets	-	-	-	-	-		69,247,647	67,366,359
Total (3+4+5+6)	180,596,203	76,937,964	-	171,024,681	1,072,710		697,389,677	714,584,559

NON-BANKING ASSETS

As on 15th July 2017

Amt. in NPR

Name & Address of Borrower/Party	Date of Assuming of Non-Banking Assets	Total Non-Banking Assets	Loss Provision		Net Non-Banking Assets	Last Year Non-Banking Assets
			Percent	Amount		
Manakamana Enterprises Kalanki-13, Kathmandu	5-May-03	285,824	100%	285,824	-	285,824
Keshav Prasad Rijal Ward no 16, Balaju	10-Feb-11	375,000	100%	375,000	-	375,000
Cosmic Automobile Chundevi 4 Maharajgunj	3-Sep-12	24,210,000	100%	24,210,000	-	24,210,000
Basu Bhakta Shrestha	3-Sep-12	-	-	-	-	89,438,313
Sanjay Kakshapati	11-Apr-13	-	-	-	-	5,210,408
Total		24,870,824		24,870,824	-	119,519,545
Provision for Non-Banking Assets						119,519,545
Net Non-Banking Assets					-	-

OTHER ASSETS

As on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Stationery at Stock	13,147,635	8,205,363
2. Income Receivable on Investments	35,152,339	26,790,642
3. Accrued Interest on Loan	220,357,642	27,547,384
Less: Interest Suspense amount	(192,810,258)	
4. Commission Receivable	-	-
5. Sundry Debtors	28,732,866	28,179,100
6. Staff Loans and Advances	467,797,234	436,578,454
7. Prepayments	52,233,704	46,361,004
8. Cash in Transit	244,915	-
9. Other Transit Items (including cheques)	-	-
10. Draft Paid Without Notice	-	-
11. Expenses Not Written-off	43,591,779	44,368,100
12. Branch Adjustment Account	2,303,862	3,128,409
13. Deferred Tax Assets	18,634,241	43,645,632
14 Others	552,062,329	446,514,690
(a) Advance Income Tax (net of provision)	260,661,182	237,096,838
(b) Others	291,401,147	209,417,851
Total	1,241,448,287	1,088,200,055

OTHER ASSETS (ADDITIONAL STATEMENT)As on 15th July 2017

Amt. in NPR

Name & Address of Borrower/Party	This Year				Last Year
	Upto 1 Year	1 to 3 Years	Above 3 Years	Total	
1. Accrued Interest on Loans	144,631,180	51,561,663	24,164,799	220,357,642	168,331,541
2. Drafts Paid without notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	-
4. Nostro Reconciliation Account	-	-	-	-	-
Total	144,631,180	51,561,663	24,164,799	220,357,642	168,331,541

SCHEDULE - 4.17

CONTINGENT LIABILITIESAs on 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Claims on bank but not accepted by the Bank	-	-
2. Letters of Credit (Full Amount)	1,902,912,423	1,559,997,061
(a) Less than 6 months maturity	1,230,987,158	1,348,615,323
(b) More than 6 months maturity	671,925,265	211,381,738
3. Rediscounted bills	-	-
4. Unmatured Guarantees/Bonds	1,673,512,024	1,268,056,466
(a) Bid Bonds	318,899,305	138,390,857
(b) Performance Bonds	1,354,612,719	1,129,665,609
(c) Other Guarantees/ Bonds	-	-
5. Unpaid Shares in Investment	-	-
6. Forward Exchange Contract Liabilities	402,866,592	203,614,015
7. Bills Under Collection	3,841,083	8,045,789
8. Acceptance & Endorsements	-	-
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	3,376,004,670	3,648,661,101
11. Counter guarantees against the guarantees of Internationally Rated Bank	769,708,077	796,500,992
12. Advance Payment Guarantee	392,669,206	500,009,927
13. Financial Guarantee	2,150,000	-
14. Contingent Liabilities on Income Tax (Disputed)	47,392,759	16,814,787
15. Others	-	-
Total	8,571,056,833	8,001,700,138

INTEREST INCOME

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. On Loan, Advances and Overdraft	4,905,756,767	3,381,400,816
1. Loan and Advances	3,543,220,566	2,417,031,477
2. Overdraft	1,362,536,201	964,369,338
B. On Investment	182,273,339	82,895,027
1. Govt. Securities	157,307,985	70,794,368
a) Treasury Bills	27,136,596	16,821,162
b) Development Bonds	130,171,389	53,973,205
c) National Saving Bonds	-	-
2. Foreign Securities	9,644,199	983,113
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lendings	15,321,156	11,117,545
a) Banks/ Financial Institutions	13,825,516	11,117,545
b) Other Institutions	1,495,640	-
C. On Agency Balances	-	-
1. Local Banks/ Financial Institution	-	-
2. Foreign Banks	-	-
D. On Money at Call and Short Notice	-	-
1. Local Banks/ Financial Institutions	-	-
2. Foreign Banks	-	-
E. On Others	29,997,455	31,004,392
1. Certificate of Deposits (NRB Term Deposit)	-	4,026,748
2. Inter Bank/ Financial Institution Loan	-	-
3. Others (Staff Loan)	29,997,455	26,977,645
Total	5,118,027,561	3,495,300,235

INTEREST EXPENSES

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. On Deposit Liabilities	2,746,302,701	1,631,570,549
1. Fixed Deposits	1,795,443,284	817,888,221
1.1 Local Currency	1,787,114,417	817,365,848
1.2 Foreign Currency	8,328,867	522,372
2. Saving Deposits	611,318,322	504,126,506
2.1 Local Currency	610,742,037	503,581,695
2.2 Foreign currency	576,285	544,811
3. Call Deposits	339,541,096	309,555,822
3.1 Local Currency	333,078,485	291,077,201
3.2 Foreign Currency	6,462,611	18,478,620
4. Certificate of Deposits	-	-
B. On Borrowings	44,732,575	6,409,260
1. Debenture & Bonds	-	-
2. Loan from NRB	39,873,554	1,198,904
3. Inter Bank/Financial Institutions Loan	4,859,021	5,210,356
4. Other Corporate Body	-	-
5. Other Loans	-	-
C. On Others	-	-
Total	2,791,035,277	1,637,979,809

COMMISSION & DISCOUNT

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
A. Bills Purchased & Discounted	22,180,072	14,570,594
1. Local	8,783,095	1,090,478
2. Foreign	13,396,978	13,480,116
B. Commission	73,540,335	53,938,943
1. Letters of Credit	29,230,602	19,771,311
2. Guarantees	30,187,957	24,129,145
3. Collection Fee	345,239	298,073
4. Remittance Fee	11,694,941	7,752,949
5. Credit Cards	954,100	-
6. Share Underwriting/Issues Market maker	-	-
7. Government Transactions	-	-
8. Agency Commission	1,127,495	1,987,464
9. Exchange Fee	-	-
C. Others	29,069,513	22,910,052
Total	124,789,921	91,419,588

OTHER OPERATING INCOME

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Safe Deposit Lockers Rental	4,352,880	3,129,580
2. Issue & Renewals of Credit Cards	438,132	-
3. Issue & Renewals of ATM Cards	49,257,305	56,181,692
4. Telex/T.T	7,136,788	5,406,621
5. Service Fee	179,837,555	123,120,975
6. Renewal Fees	-	-
7. Others	60,215,893	38,318,751
Total	301,238,553	226,157,619

SCHEDULE - 4.22

EXCHANGE FLUCTUATION GAIN/LOSS

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Revaluation Gain / (Loss)	1,947,962	(2,015,550)
2. Trading Gain (Except Exchange Income)	131,304,816	118,526,409
Total Gain/(Loss)	133,252,778	116,510,859

SCHEDULE - 4.23

STAFF EXPENSES

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Salary	210,574,228	189,379,081
2. Allowances	129,674,590	95,648,795
3. Contribution to Provident Fund	21,051,947	18,935,504
4. Training Expenses	6,751,370	1,598,341
5. Uniform	10,692,280	9,461,650
6. Medical	-	-
7. Insurance	3,097,429	2,136,409
8. Pension and Gratuity Provision	26,197,661	48,687,150
9. Others	87,282,248	100,789,288
a) Dashain	24,799,469	21,821,423
b) Leave Encashment	50,737,225	64,157,840
c) Others	11,745,554	14,810,025
Total	495,321,753	466,636,218

OTHER OPERATING EXPENSES

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. House Rent	59,369,749	55,337,182
2. Light, Electricity & Water	15,734,703	12,353,500
3. Repairs and Maintenance	7,110,205	8,208,735
a) Building	737,692	597,027
b) Vehicles	1,796,405	1,162,488
c) Others	4,576,109	6,449,220
4. Insurance	28,508,500	25,589,794
5. Postage, Telex, Telephone, Fax, SWIFT	35,220,806	33,636,510
6. Office Equipment, Furniture & Repairs	14,504,771	11,719,644
7. Traveling Allowances and Expenses	7,441,025	7,494,513
8. Stationery and Printing	21,272,785	18,208,642
9. Periodicals and Books	604,937	18,589
10. Advertisements	20,093,333	11,812,491
11. Legal Expenses	2,532,806	3,088,810
12. Donations	1,169,437	322,055
13. Expenses relating to Board of Directors	3,318,177	2,700,722
a) Meeting Fees	2,106,800	1,162,800
b) Other Expenses	1,211,377	1,537,922
14. Annual General Meeting Expenses	1,491,802	641,174
15. Expenses relating to Audit	1,582,000	1,469,000
a) Audit Fees	1,582,000	1,469,000
b) Other Expenses	-	-
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	64,511,208	63,101,001
18. Amortization of Preliminary Expenses	-	-
19. Share Issue Expenses	14,102,441	-
20. Technical/Consultancy Services Fee	18,223,717	15,490,033
21. Entertainment Expenses	328,699	819,259
22. Amortization of Leasehold Assets and Deferred Exp.	21,576,990	22,955,990
23. Security Expenses	47,870,049	44,698,257
24. Credit Guarantee Premium	-	-
25. Commission and Discount	26,455,020	25,131,729
26. Other Expenses	59,451,411	64,530,222
a) Fuel Expenses	10,069,504	14,680,938
b) Other Committee Meeting Fee	744,000	364,000
c) Other Committee Meeting Expenses	28,581	3,895
d) Anniversary Expenses	4,906,389	3,415,338
e) Business Promotion Expenses	3,971,775	1,240,183
f) Rate and Taxes	8,673,725	5,231,797
g) Membership fees	1,932,059	3,357,645
h) Office Cleaning Expenses	6,954,225	5,649,210
i) Office Amenities Expense	3,854,530	3,461,558
j) Branch Expansion Expense	577,430	153,261
k) Debit Card Expenses	13,362,047	19,535,801
l) Outsource Staff Expenses	2,026,531	3,193,856
m) Miscellaneous Expenses	2,350,616	4,242,741
Total	472,474,573	429,327,851

PROVISION FOR POSSIBLE LOSSES

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Loans and Advances	140,385,947	136,890,810
2. Investments	1,293,858	-
3. Non- Banking Assets	-	-
4. Other Assets	835,205	-
Total	142,515,010	136,890,810

NON-OPERATING INCOME/(LOSS)

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Profit (Loss) on sale of Investment	938,725	15,008,820
2. Profit (Loss) on sale of assets	(742,010)	(3,225,346)
3. Dividend	1,474,870	1,018,566
4. Subsidies Received from Nepal Rastra Bank		
a) Reimbursement of losses of specified branches	-	-
b) Interest Subsidy	-	-
c) Exchange Counter	-	-
5. Others		
a) Gain on Sale of NBA	93,651,279	2,905,091
b) Others	24,816,159	16,577,490
Total Non-Operating Income/(Loss)	120,139,023	32,284,621

POSSIBLE LOSS PROVISION WRITTEN BACK

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Loan Loss Provision Written Back	39,521,037	96,994,765
2. Provision against Non- Banking Assets' Written Back	94,648,721	27,541,410
3. Provision on Investment Written Back	-	1,463,391
4. Provision against Other Assets Written Back		101,726
Total	134,169,758	126,101,292

SCHEDULE- 4.28

INCOME/(EXPENSES) FROM EXTRAORDINARY ACTIVITIES

For the period from 16th July 2016 to 15th July 2017

Amt. in NPR

Particulars	This Year	Last Year
1. Recovery of Written off Loan	17,932,501	9,850,010
2. Voluntary Retirement Scheme Expenses	-	-
3. Irrecoverable Loans Written Off (4.28 a)	(1,818,254)	(3,999,876)
4. Other (Expenses)/Income	-	-
Total	16,114,246	5,850,134

SCHEDULE - 4.28(A)

STATEMENT OF LOANS WRITTEN OFF

Fiscal Year 2016/17

Amt. in NPR

S.N.	Loan Category	Written off Amount	Types of Security and Amount	Basis of Security Valuation	Loan Sanctioning Official/ Rank	Efforts made for Recovery	Remarks
1	Working Capital Loan	-				1) loan call back	-
2	Real Estate	-	Vehicle(Eicher	As per Performa		letters (21/15/7 days)	-
3	Hire Purchase	1,818,254	Truck) Security	Invoice of Cube	Ashok K Khadka	2) 35 days public notice	-
4	Personal Loan	-	Value: 29,65,000	International	(DGM - SFL)	3) Auction of vehicle	-
5	Other Loans(STL)	-				4) Case file at DRT	-
	Total Loans	1,818,254	-	-	-	-	-

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF EXECUTIVE/PROMOTERS/ EMPLOYEE AND SHAREHOLDERS

For the period from 16th July 2016 to 15th July 2017

The Statement of loans 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		This Year's Recovery		This Year Additions	Balance as of 15th July 2017	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1.....							
2.....							
(B) Chief Executive							
1.....							
2.....							
(C) Promoters (Family)							
1.....							
2.....							
(D) Employees							
1.....							
2.....							
(E) Shareholders							
1.....							
2.....							
Total							

Note: Loan and advances extended to Staffs are disclosed in Schedule 16 "Other Assets".

ANNEXURE: REPORTING FORMS

FORM NO.1 CAPITAL ADEQUACY TABLE

As on 15th July 2017

Rs. (000)

1.1 RISK WEIGHTED EXPOSURES		This Year	Previous Year
a	Risk Weighted Exposure for Credit Risk	49,628,573	42,751,878
b	Risk Weighted Exposure for Operational Risk	2,721,705	2,214,019
c	Risk Weighted Exposure for Market Risk	83,808	26,896
Total Risk Weighted Exposures (Before adjustments of Pillar II)		52,434,086	44,992,792
Adjustments under Pillar II			-
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	46,297	-
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,573,023	1,349,784
Total Risk Weighted Exposures (a+b+c)		54,053,406	46,342,576
1.2 CAPITAL		This Year	Previous Year
(A) Core Capital (Tier 1)		8,530,759	5,245,117
a	Paid up Equity Share Capital	7,051,456	3,864,540
b	Share Premium	-	-
c	Proposed Bonus Equity Share	665,149	801,890
d	Statutory General Reserve	864,186	603,689
e	Retained Earnings	17,829	2,548
f	Un-audited current year cumulative profit/ loss	-	-
g	Capital Redemption Reserve	-	-
h	Capital Adjustment Reserve	-	-
i	Dividend Equalization Reserve	-	-
j	Other Free Reserve	18,634	43,646
k	Less : Goodwill	-	-
l	Less: Miscellaneous Expenditure not written off	47,985	7,673
m	Less: Deferred Tax Assets	18,634	43,646
n	Less : Investment in equity in licensed Financial Institutions	-	-
o	Less : Investment in equity of institutions with Financial interests	15,000	15,000
p	Less : Investment in equity of institutions in excess of limits	-	-
q	Less : Investments arising out of underwriting commitments	-	-
r	Less : Reciprocal crossholdings	-	-
s	Less: Purchase of Land& Building in excess of limit and unutilized	4,877	4,877
t	Less : Other Deductions	-	-
Adjustment Under Pillar II			
SRP 6.4.a (1)	Less : Shortfall in provision (6.4 a1)		
SRP 6.4.a (2)	Less : Loans and facilities extended to related parties and restricted lending (6.4 a 2)		
(B) Supplementary Capital (Tier 2)		560,419	480,936
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	General Loan Loss Provision	549,184	457,046
e	Exchange Equalization Reserve	9,280	8,793
f	Investment Adjustment Reserve	1,954	15,097
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier 1 and Tier 2)		9,091,177	5,726,053
1.3 CAPITAL ADEQUACY RATIOS		This Year	Previous Year
a	Tier 1 Capital to Total Risk Weighted Exposures	15.78	11.32
b	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	16.82	12.36

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Rs. (000)

S.N.	Particulars	Current Year						Previous Year		
		Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
	A. Balance Sheet Exposure									
1	Cash Balance	1,962,957			1,962,957	0%	-	-	0%	-
2	Balance With Nepal Rastra Bank	5,461,439			5,461,439	0%	-	3,808,029	0%	-
3	Gold				-	0%	-	-	0%	-
4	Investment in Nepalese Government Securities	3,671,900			3,671,900	0%	-	2,971,900	0%	-
5	All other Claims on Government of Nepal	162,505			162,505	0%	-	133,723	0%	-
6	Investment in Nepal Rastra Bank Securities	942,920			942,920	0%	-	1,652,483	0%	-
7	All other Claims on Nepal Rastra Bank	10,585			10,585	0%	-	32,949	0%	-
8	Claims on Foreign Government and Central Bank (ECA 0-1)	-			-	0%	-	-	0%	-
9	Claims on Foreign Government and Central Bank (ECA 2)	-			-	20%	-	-	20%	-
10	Claims on Foreign Government and Central Bank (ECA 3)	-			-	50%	-	-	50%	-
11	Claims on Foreign Government and Central Bank (ECA 4-6)	-			-	100%	-	-	100%	-
12	Claims on Foreign Government and Central Bank (ECA 7)	-			-	150%	-	-	150%	-
13	Claims On BIS, IMF, ECB, EC and On Multilateral Development Banks (MDB's) Recognised by the framework	-			-	0%	-	-	0%	-
14	Claims on Other Multilateral Development Banks	-			-	100%	-	-	100%	-
15	Claims on Public Sector Entity (ECA 0-1)	-			-	20%	-	-	20%	-
16	Claims on Public Sector Entity (ECA 2)	-			-	50%	-	-	50%	-
17	Claims on Public Sector Entity (ECA 3-6)	-			-	100%	-	-	100%	-
18	Claims on Public Sector Entity (ECA 7)	-			-	150%	-	-	150%	-
19	Claims on domestic banks that meet capital adequacy requirements	3,810,594			3,810,594	20%	762,119	1,536,708	20%	307,342
20	Claims on domestic banks that do not meet capital adequacy requirements	-			-	100%	-	209,831	100%	209,831
21	Claims on Foreign bank (ECA Rating 0-1)	1,564,848			1,564,848	20%	312,970	1,525,620	20%	305,124
22	Claims on Foreign bank (ECA Rating 2)	1,059,420			1,059,420	50%	529,710	697,756	50%	348,878
23	Claims on Foreign bank (ECA Rating 3-6)	-			-	100%	-	-	100%	-
24	Claims on Foreign bank (ECA Rating 7)	-			-	150%	-	-	150%	-

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FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Rs. (000)

S.N.	Particulars	Current Year						Previous Year		
		Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
25	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement	532,458			532,458	20%	106,492	410,148	20%	82,030
26	Claims on Domestic Corporates	25,375,876			25,375,876	100%	25,375,876	23,068,439	100%	23,068,439
27	Claims on Foreign Corporates (ECA 0-1)	-			-	20%	-	-	20%	-
28	Claims on Foreign Corporates (ECA 2)	-			-	50%	-	-	50%	-
29	Claims on Foreign Corporates (ECA 3-6)	-			-	100%	-	-	100%	-
30	Claims on Foreign Corporates (ECA 7)	-			-	150%	-	-	150%	-
31	Regulatory Retail Portfolio (Not Overdue)	15,020,749		113,995	14,906,753	75%	11,180,065	11,999,552	75%	8,999,664
32	Claim fulfilling criterion of Regulatory Retail except granularity				-	100%	-	-	100%	-
33	Claims secured by residential properties	6,848,393			6,848,393	60%	4,109,036	5,838,730	60%	3,503,238
34	Claims not fully secured by residential properties				-	150%	-	-	150%	-
35	Claims secured by residential properties (Overdue)	11,112	6,125		4,987	100%	4,987	847	100%	847
36	Claims secured by Commercial real estate	812,529			812,529	100%	812,529	577,155	100%	577,155
37	Past due claims (except for claim secured by residential properties)	193,537	145,452		48,085	150%	72,127	70,056	150%	105,083
38	High Risk claims	963,841			963,841	150%	1,445,762	610,684	150%	916,026
39	Investment in equity and other capital instrument of institutions listed in the stock exchange	97,721			97,721	100%	97,721	4,839	100%	4,839
40	Investment in equity and other capital instrument of institutions not listed in the stock	5,030			5,030	150%	7,545	20,030	150%	30,045
41	Staff Loan Secured by Residential Property	386,866			386,866	60%	232,120	361,451	60%	216,871
42	Interest Receivable/Claim on Government Securities	-			-	0%	-	-	0%	-
43	Cash in transit and other cash items in the process of collection	1,014,106			1,014,106	20%	202,821	465,757	20%	93,151
44	Other Assets (as per attachment)	1,519,312			1,519,312	100%	1,519,312	1,400,626	100%	1,400,626
	TOTAL	71,428,698	151,577	113,995	71,163,126		46,771,191	59,504,486		40,169,188

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FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Rs. (000)

S.N.	Particulars	Current Year						Previous Year		
		Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
	B. Off Balance Sheet Exposures									
1	Revocable Commitments				-	0%	-	0%	-	-
2	Bills Under Collection	3,841			3,841	0%	-	8,046	0%	-
3	Forward Exchange Contract Liabilities	402,867			402,867	10%	40,287	203,614	10%	20,361
4	LC Commitments with original maturity upto 6 months	1,230,987		247,504	983,483	20%	196,697	1,081,912	20%	216,382
5	Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
6	Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
7	Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
8	Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
9	LC Commitments with original maturity over 6 months (domestic Counterparty	671,925		1,020	670,905	50%	335,452	211,152	50%	105,576
10	Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
11	Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
12	Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
13	Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
14	Bid Bond, Performance Bond and Counter Guarantee	2,443,220		96,825	2,346,395	50%	1,173,198	2,001,470	50%	1,000,735
15	Foreign Counterparty (ECA 0 -1)				-	20%	-	-	20%	-
16	Foreign Counterparty (ECA 2)				-	50%	-	-	50%	-
17	Foreign Counterparty (ECA 3 -6)				-	100%	-	-	100%	-
18	Foreign Counterparty (ECA 7)				-	150%	-	-	150%	-
19	Underwriting Commitments				-	50%	-	-	50%	-
20	Lending of Bank's Securities or Posting of Securities as collateral				-	100%	-	-	100%	-
21	Repurchase Agreements, Assets sale with recourse				-	100%	-	-	100%	-
22	Advance Payment Guarantee	392,669		4,759	387,910	100%	387,910	493,992	100%	493,992
23	Financial Guarantee	2,150		905	1,245	100%	1,245	-905	100%	-905
24	Acceptances and Endorsements				-	100%	-	-	100%	-

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FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

Rs. (000)

S.N.	Particulars	Current Year						Previous Year	
		Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)	Net Value (d=a-b-c)	Risk Weight (e)
25	Unpaid portion of Partly paid shares and securities				-	100%	-	100%	-
26	Irrevocable Credit commitments(Short term)	3,376,005			3,376,005	20%	675,201	20%	729,732
27	Irrevocable Credit commitments(Long term)				-	50%	-	50%	-
28	Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-	20%	-
29	Other Contingent Liabilities	47,393			47,393	100%	47,393	100%	16,815
30	Unpaid Guarantee claims				-	200%	-	200%	-
	TOTAL	8,571,057		351,014	8,220,043		2,857,382		2,582,690
	Total RWE for Credit Risk Before adjustment (A) + (B)	79,999,755	151,577	465,009	79,383,169		49,628,573		42,751,878
	Adjustment under pillar II								
	Add: 10% of the loan and facilities in excess of Single obligor Limits (6.4 a 3)								
	Add: 1% of 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)	79,999,755	151,577	465,009	79,383,169		49,628,573		42,751,878

FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS (CRM)

Rs. (000)

Particulars	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Balance Sheet Exposures										-
Claims on Foreign Government and Central Bank (ECA 2)										-
Claims on Foreign Government and Central Bank (ECA 3)										-
Claims on Foreign Government and Central Bank (ECA 4-6)										-
Claims on Foreign Government and Central Bank (ECA 7)										-
Claims on Other Multilateral Development Banks										-
Claims on Public Sector Entity (ECA 0-1)										-
Claims on Public Sector Entity (ECA 2)										-
Claims on Public Sector Entity (ECA 3-6)										-
Claims on Public Sector Entity (ECA 7)										-
Claims on domestic banks that meet capital adequacy requirements										-
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC Region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates										-
Claims on Foreign Corporates ECA Rating 0-1)										-
Claims on Foreign Corporates (ECA Rating 2)										-
Claims on Foreign Corporates (ECA Rating 3-6)										-
Claims on Foreign Corporates (ECA Rating 7)										-
Regulatory Retail Portfolio (Not Overdue)	113,995									113,995
Claim fulfilling all criterion of Regulatory Retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial real estate										-
Past due claims (except for claim secured by residential properties)										-
High Risk claims										-
Investment in equity and other capital instrument of institutions listed in the stock exchange										-
Investment in equity and other capital instrument of institutions not listed in the stock exchange										-
Other Assets (as per attachment)										-

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FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS (CRM)

Rs. (000)

Particulars	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Off Balance Sheet Exposures										113,995
Forward Exchange Contract										-
LC Commitments with original maturity upto 6 months	247,504									247,504
Domestic Counterparty										-
Foreign Counterparty (ECA 0 -1)										-
Foreign Counterparty (ECA 2)										-
Foreign Counterparty (ECA 3 -6)										-
Foreign Counterparty (ECA 7)										-
LC Commitments with original maturity over 6 months (domestic)	1,020									1,020
Domestic Counterparty										-
Foreign Counterparty (ECA 0 -1)										-
Foreign Counterparty (ECA 2)										-
Foreign Counterparty (ECA 3 -6)										-
Foreign Counterparty (ECA 7)										-
Bid Bond, Performance Bond and Counter Guarantee	96,825									96,825
Domestic Counterparty										-
Foreign Counterparty (ECA 0 -1)										-
Foreign Counterparty (ECA 2)										-
Foreign Counterparty (ECA 3 -6)										-
Foreign Counterparty (ECA 7)										-
Underwriting Commitments										-
Lending of Bank's Securities or Posting of Securities as collateral										-
Repurchase Agreements, Assets sale with recourse										-
Advance Payment Guarantee	4,759									4,759
Financial Guarantee	905									905
Acceptances and Endorsements										-
Unpaid portion of Party paid shares and securities										-
Irrevocable Credit commitments										-
Other Contingent Liabilities										-
Total	351,014									351,014

AVAILABLE FOR SALEAs on 15th July 2017

Rs. (In 000)

S.N.	Particulars	Fiscal Year			Previous Year
		2013/14	2014/15	2015/16	
1	Net Interest Income	1,115,997	1,355,922	1,857,320	
2	Commission and Discount Income	61,255	91,625	91,420	
3	Other Operating Income	181,018	179,189	226,158	
4	Exchange Fluctuation Income	45,798	79,345	116,511	
5	Addition/Deduction in Interest Suspense during the period	4,170	14,234	23,448	
6	Gross income (a)	1,408,238	1,720,315	2,314,856	
7	Alfa (b)	15%	15%	15%	
8	Fixed Percentage of Gross Income [c=(a×b)]	211,236	258,047	347,228	
9	Capital Requirement for operational risk (d) (average of c)	272,170			221,402
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			10
11	Equivalent Risk Weight Exposure [f=(d×e)]	2,721,705			2,214,019

SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)

1	Total Credit and Investment (net of Specific Provision) of related month	-			-
2	Capital Requirement for Operational Risk (5% of net credit and investment)	-			-
3	Risk Weight (reciprocal of capital requirement of 10%) in times	10			10
4	Equivalent Risk Weight Exposure (g)	-			-
5	Equivalent Risk Weight Exposure [h=f+g]	2,721,705			2,214,019

RISK WEIGHTED EXPOSURE FOR MARKET RISK

As on 15th July 2017

Rs. (In full figure)

S.N.	Currency	Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Previous Year Relevant Open Position
1	INR	81,679,988	130,687,981	130,687,981	29,265,699
2	USD	68,742	7,090,737	7,090,737	11,455,007
3	GBP	1,800	239,634	239,634	807,326
4	EUR	(37)	(4,337)	4,337	3,757,373
5	THB	24,300	73,508	73,508	35,101
6	CHF	2,270	241,528	241,528	286,090
7	AUD	2,054	162,954	162,954	189,802
8	CAD	2,595	209,948	209,948	155,596
9	SGD	1,092	81,829	81,829	250,772
10	JPY	(827,211)	(7,498,668)	7,498,668	2,042,667
11	HKD	9,060	119,456	119,456	333,089
12	DKK	1,200	18,948	18,948	18,331
13	SEK	50	617	617	25,853
14	SAR	28,077	767,737	767,737	1,074,456
15	QAR	11,017	302,031	302,031	653,234
16	AED	44,034	1,229,429	1,229,429	1,429,925
17	MYR	14,996	358,284	358,284	1,509,776
18	KRW	2,063,000	18,267,865	18,267,865	14,736
19	CNY	15,393	232,850	232,850	129,530
20	KWD	35	11,815	11,815	356,570
21	BHD	61	16,593	16,593	140
(a) Total Open Position			152,610,740	167,616,750	53,791,073
(b) Fixed Percentage				5%	5%
(c) Capital Charge for Market Risk (=a×b)				8,380,837	2,689,554
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10	10
(e) Equivalent Risk Weight Exposure (=c×d)				83,808,375	26,895,537

PRINCIPAL INDICATORS

Particulars	Indicators	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2012/13	2013/14	2014/15	2015/16	2016/17
1. Net Profit/Gross Income	%	5.54%	13.66%	16.65%	21.96%	21.96%
2. Earnings Per Share	Rs.	5.98	18.34	22.20	25.04	24.00
3. Market Value per Share	Rs.	203.00	576.00	564.00	680.00	360.00
4. Price Earning Ratio	Ratio	33.96	31.40	25.40	27.15	15.00
5. Dividend (including bonus) on share capital	%	0.00%	12.63%	16.84%	21.84%	15.00%
6. Cash Dividend on share Capital	%	0.00%	0.63%	0.84%	1.09%	6.00%
7. Interest Income/Loans & Advances	%	11.29%	9.60%	8.93%	7.90%	9.87%
8. Employee Expenses/Total Operating Exps	%	11.18%	11.75%	13.90%	18.54%	13.18%
9. Interest Exps on Total Deposit and Borrowings	%	5.46%	4.63%	3.97%	3.13%	4.76%
10. Exchange Fluctuation Gain/Total Income	%	1.32%	1.62%	2.23%	2.99%	2.30%
11. Staff Bonus/ Total Employee Expenses	%	9.30%	23.01%	25.91%	27.51%	37.56%
12. Net Profit/Loans & Advances	%	0.68%	1.54%	1.77%	2.03%	2.51%
13. Net Profit/ Total Assets	%	0.49%	1.12%	1.26%	1.51%	1.89%
14. Total Credit/Deposit	%	79.79%	79.56%	78.77%	84.59%	88.47%
15. Total Operating Expenses/Total Assets	%	1.98%	1.64%	1.56%	4.27%	5.45%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	11.59%	9.69%	11.14%	11.32%	15.78%
b. Supplementary Capital	%	0.95%	0.94%	1.10%	1.04%	1.04%
c. Total Capital Fund	%	12.54%	10.63%	12.24%	12.36%	16.82%
17. Liquidity	%	27.19%	26.28%	27.63%	24.52%	26.29%
18. Non Performing Loans/Total Loans	%	2.84%	1.78%	0.64%	0.55%	0.38%
19. Base Rate	%	10%	8.25%	7.69%	6.18%	10.29%
20. Weighted Average Interest Rate Spread *	%	4.63%	4.97%	4.65%	4.59%	4.27%
21. Book Net worth	Rs.	2,796,260,797	3,235,708,172	3,816,142,380	5,340,202,752	8,211,005,911
22. Total Shares	Number	24,787,946	24,787,946	27,762,499	38,645,400	65,987,000
23. Total Employees	Number	562	614	597	663	742
24. Productivity per Staff	Rs.'000	263.67	740.53	1,032.45	1354.79	1755.37
25. Book Value Per Share	Rs.	112.81	130.54	137.46	138.18	124.43
26. Number of branches(including extension counter)	Number	55	56	56	57	57
27. Number of ATM	Number	64	69	70	72	74

* Weighted Average Interest Rate spread is presented as per the calculation of NRB Directive (Thus Rate represent Ashad month spread).

SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year 16th July 2016 to 15th July 2017 (1st Shrawan 2073 to 31st Ashad 2074)

1. GENERAL INFORMATION

Machhapuchchhre Bank Limited (MBL or the Bank) is a limited liability company domiciled in Nepal. The registered office of the Bank is at Pokhara, Western Nepal and corporate office is in Kathmandu. The Bank is listed with Nepal Stock Exchange Limited.

The Bank carries out commercial banking activities in Nepal under license from Nepal Rastra Bank (Central Bank of Nepal) as Class "A" licensed institution.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanied financial statements have been adopted by the Board of Directors on its meeting held on 19th October 2017 (2nd Kartik 2074) and recommended for its approval by the Annual General Meeting of the shareholders.

3. BASIS OF PREPARATION AND USE OF ESTIMATE

The financial statements are prepared under historical cost convention following accrual basis of accounting except for interest income on loans and advance which is accounted for on cash basis. The preparation of financial statements has been made in conformity with GAAP and in the format prescribed by NRB Directive no. 4. It also requires management to exercise judgment in process of developing and applying the Bank's accounting policies. The Management believes that estimates and policies so applied are reasonable in the circumstances of the cases. All the formats of the financial statements are in accordance with the NRB Directives.

4. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the format prescribed by Nepal Rastra Bank Directives No. 4; the requirements of Bank and Financial Institutions Act (BAFIA) 2073 and the Companies

Act 2063. Financial Statements are prepared on accrual basis of accounting, unless otherwise stated.

These financial statements have not been prepared as per Nepal Financial Reporting Standards (NFRS).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied by the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

5.1 INTEREST INCOME

Interest income on Loans and Advances is recognized on cash basis as per the Directives of Nepal Rastra Bank. Interest income on Investment, including earning from staff loan is recognized on accrual basis. Interest income on Treasury Bills are capitalised in the bid value.

5.2 COMMISSION INCOME

Commission received for various transactions are accounted on accrual basis. Commission income of more than NPR 100,000 earned from Bank Guarantees (B/Gs) and Letter of Credits (L/Cs) issued for more than 1 year, are recognized on pro-rate basis depending upon the tenure. Commission income of NPR 100,000 and less are recognized at the time of transaction.

5.3 DIVIDEND INCOME

Dividend on equity shares is recognized as income when the right to receive the same is established. Cash dividends declared by resident companies are recorded at net of final withholding tax.

5.4 FOREIGN EXCHANGE TRANSACTIONS

Gains/Losses on foreign exchange transactions are bifurcated into trading and revaluation gains/ losses and presented separately.

Foreign currency assets and liabilities existing at the balance sheet date are

converted into Nepalese Rupees at the prevailing mid exchange rate (i.e. the average of buying and selling rate) as at the balance sheet date.

As per Nepal Rastra Bank Directives, 25% of revaluation gain from foreign currency exchange rate differences is transferred to Exchange Fluctuation Reserve and revaluation loss is charged to profit and loss account. Premium/Discount on forward contract is charged to profit and loss account over the period of contract.

5.5 INTEREST EXPENSES

Interest on deposits and borrowing from other banks is accounted on accrual basis.

5.6 LOANS & ADVANCES AND BILLS PURCHASED

Loans and advances provided to customers are accounted under this head. These include short-term loans, long-term loans, consumer loans and loans given to priority and deprived sectors which are classified as per Nepal Rastra Bank's Directives. Above stated loans & advances, overdraft and bills purchase are shown net of loan loss provision in the balance sheet.

5.7 RECOVERY POLICY OF PRINCIPAL AND INTEREST OF LOAN AND ADVANCES

Recoveries from borrowers are first applied to the interest portion of the loan and advances and subsequently to the principal amount.

5.8 STAFF LOANS

Loans and advances granted to the employees under Employees By Laws 2069 of the Bank are shown under the head 'Other Assets'.

5.9 LOAN LOSS PROVISION

In order to mitigate the risk inherent in the Bank's risk asset portfolio, provision for possible losses is provided. As per the Directives of Nepal Rastra Bank, the Bank has made provisions ranging from 1% to 100% on its loans, advances, overdrafts and bills purchase.

5.10 LOAN WRITE OFF POLICY

Unrecoverable Loans and Advances are written off in accordance with the loan write off policy of the Bank approved by Nepal Rastra Bank.

Amounts recovered against written off loans are recognised as income in the year of such recovery.

5.11 BORROWINGS

Borrowings comprise of foreign currencies inter-bank and refinance borrowing from Nepal Rastra Bank. Borrowings are recorded at the full value and recognised on the effective dates mentioned in the deed or contract. Borrowings are derecognised at the time of its disposal / settlement.

5.12 DEPOSITS FROM CUSTOMERS

Deposits of the Bank comprise of local and foreign currency deposits held in customer accounts viz. current, savings, call, time, margin and other accounts.

Deposits are stated at full value and recognised on the date of deposition. Deposits are derecognised at the time of its withdrawal / maturity.

5.13 INVESTMENT POLICY

The Investments made by the Bank are classified under three categories:

a) INVESTMENT HELD FOR TRADING:

These are marketable investments and held with the primary intention of resale over a short period time. These investments are initially measured at cost and subsequently marked to market and differences reflected in the profit and loss account.

b) INVESTMENT AVAILABLE FOR SALE:

These are investments held with the primary intention to recover value of investments through sale rather than continuing to hold. Investment adjustment reserve for these investments is created as a cushion for adverse price movements in Bank's investments.

Investment Adjustment Reserve of 2% of available for sale portfolio is created which qualifies for Supplementary Capital.

c) INVESTMENT HELD TILL MATURITY (HTM):

These investments are primarily intended to be held till maturity and are valued at cost less impairment (if applicable) and carried at these values in the Balance Sheet till maturity. Any impairment losses arising in such investment are provided for and charged to the income statement. Premiums paid while acquiring HTM Investments are recognised as the part of initial cost and subsequently amortised on proportionate basis till maturity.

Investments in shares of unlisted companies are initially stated at cost and carried at these values in the Balance Sheet. Any impairment loss arising in such investments are provided for and charged to the Profit and Loss Account.

5.14 FIXED ASSETS, DEPRECIATION AND AMORTIZATION

a) Fixed assets are stated at cost less accumulated depreciation.

b) Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

S.N.	Assets Types	Expected useful life (Years)
1	Building	50
2	Vehicle	7
3	Furniture Wooden	8
4	Furniture Metal	10
5	Office Equipment	10
6	Computers	5
7	Generators and Others	10

c) The depreciation on the assets purchased and capitalized during the current year has been accounted from the next month of purchase. In case of assets being sold and written off, the depreciation is charged upto the previous month of disposal and gain or loss on the sales transaction is accounted for.

d) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.

e) Assets with a unit value of NPR 5,000 or less are expensed-off during the year of purchase irrespective of its useful life.

f) Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

5.15 EMPLOYEE BENEFITS

5.15.1 GRATUITY PROVISION

As per the approved "Employees By Laws 2069" which is in line with Labour Rules 2050, the Bank has made provision for gratuity for employees who have worked for more than 3 years in the organization. The Bank has maintained gratuity fund with Citizen Investment Trust, an approved retirement fund.

5.15.2 PROVIDENT FUND

All permanent employees of the Bank are entitled to receive benefits to the provident fund, a defined contribution plan in which both the employee and the Bank contribute at 10% of basic salary plus grades.

5.15.3 LEAVE ENCASHMENT

Employee Leave comprise of annual leave, sick leave, casual leave, maternity leave, paternity leave, substitute leave and bereavement leave. Unused leave is compensated as per Employee Bylaws of the Bank.

Annual leave and sick leave are allowed to be accumulated to the extent of 90 days each and can be carried forward for use in future. Leave balance in excess of 90 days in each case is paid in cash every year. Leave earned and accrued is recognized as a liability as at the balance sheet date duly reduced by the leave availed by the employees.

5.16 EMPLOYEES BONUS EXPENSES

Provision for bonus is calculated and provided at 10% of net profit, after making adjustment of bonus.

5.17 STATIONERY STOCK

Stock of Stationery purchased is accounted for at cost on a 'First In First Out' (FIFO) basis and shown under "Other Assets".

5.18 INCOME TAX

5.18.1 CURRENT INCOME TAX

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

5.18.2 DEFERRED INCOME TAX

Deferred taxes are accounted using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements' carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted by the reporting date. Deferred tax assets arising from temporary difference and unused tax losses are recognized to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized.

5.19 NON-BANKING ASSET (NBA)

Non-Banking Assets are the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked

at fair market value or total amount due from the borrower, whichever is lower. In accordance with NRB Directives, NBAs are shown in the Balance Sheet after netting off their Loss Provision.

5.20 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 authorized for issue.

5.21 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Bank creates a provision when there is a present obligation of the entity arising from past events, the settlements of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation.

A disclosure for contingent liability is made when there is a present obligation that may or may not, require an outflow of resources.

When there is a possible obligation or present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made in the financial statement. Contingent liabilities are shown in Schedule 17.

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

5.22 OPERATING LEASE COMMITMENT

The Bank has taken various properties on cancellable long term lease. Since the Bank possesses the right to terminate the said lease before its maturity by giving a notice of specified period, the future liability the Bank is limited to lease payable for notice period only.

The expenses under operating leases are booked under 'Leasehold Assets' and written off in five years or term of lease, whichever is less.

5.23 COMPARITIVES

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.

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

1. PAID-UP EQUITY CAPITAL

Paid up share capital of the Bank has increased from year to year as follows:

Financial Year	Paid up Share Capital (NPR)	Remarks
2061/62	550,000,000	Opening Share Capital
2062/63	715,000,000	Issue of 30% right shares
2063/64	821,651,300	14.92% Bonus shares included
2064/65	901,339,300	NPR 79,688,000 calls in advance included
2065/66	1,479,269,600	Issue of right shares 10:6 and 12.5% of bonus shares included
2066/67	1,627,196,560	10% Bonus shares included
2067/68	1,627,196,560	
2068/69	2,478,794,560	NPR 851,598,000 paid capital of Standard Finance Limited Merged
2069/70	2,478,794,560	
2070/71	2,776,249,907	12% Bonus shares included
2071/72	3,484,123,196	NPR 174,833,289 calls in advance and NPR 533,040,000 proposed bonus share included
2072/73	4,666,430,000	Issue of right shares NPR 5,55,250,093 and NPR 801,890,000 proposed bonus share included
2073/74	7,716,605,100	Calls in advance of NPR 452,756,100 of 12% right shares and NPR 665,149,000 proposed bonus share included.

Nepal Rastra Bank (NRB) has directed the commercial banks to raise their paid-up capital to NPR 8 billion by mid-July 2017 (up to the date of Annual General Meeting).

At the end of the financial year, the total Paid up capital is NPR 6,598,700,000. Now as on balance sheet signed date i.e. (19/10/2017) bank's paid-up capital is NPR 7,374,469,736 after the capitalization of the 12% right shares, except the auction portioned of NPR 16,074,264, after which total paid up capital will reach to NPR 7,390,544,000. Further, after capitalization of proposed bonus shares of NPR 665,149,000 for FY 2073-74, paid up capital of Bank will reach NPR 8,055,693,000 and thereby meet the capital requirement as stipulated by NRB.

2. GENERAL RESERVE

Section 44 of Bank and Financial Institutions Act 2073 requires the Bank to allocate at least 20% of the net profits of every year to General Reserve until it is twice the paid-up capital. The Bank has appropriated NPR 260,496,686 of the net profits to General Reserve in the current year.

3. EXCHANGE FLUCTUATION FUND

25% of Revaluation profit of foreign currency accounts during the current period amounting NPR 486,990 been transferred to exchange fluctuation fund maintained by the Bank.

4. EMPLOYEES SKILL ENHANCEMENT FUND

NRB Circular 10/073/74 requires BFIs to incur expenses towards employee training and development equivalent to at least 3% of the preceding year's total staff expenses which amounts NPR 13,999,087. Amount expensed towards employee training and development is NPR 6,751,370, the

shortfall of NPR 7,247,716 has been appropriated from Profit and Loss Appropriation account and shown as Employment Skill Enhancement Fund in Statement of Changes in Equity.

5. CORPORATE SOCIAL RESPONSIBILITY FUND

NRB Circular 11/073/74 requires BFIs to create Corporate Social Responsibility Fund and appropriate an amount equivalent to 1% of net profit annually into this fund for covering expenditure related to CSR activities in the subsequent year. Accordingly, the Bank appropriated NPR 13,024,834 from Profit and Loss Appropriation account and shown as Corporate Social Responsibility Fund in Statement of Changes in Equity.

6. PROPOSED DIVIDEND

The board of directors has proposed 6% of cash dividend and 9% Bonus Shares on banks paid up capital from the profit and share premium of the Bank, subject to approval from Nepal Rastra Bank and Annual General

Meeting.

7. STAFF HOUSING FUND

Staff Housing Reserve required under the Labor Act, 2048 has not been created as the Bank provides housing loan to its staff as per the Employee By Rules.

8. GRATUITY AND ACCUMULATED LEAVE PROVISION

The Bank has made an additional provision of NPR 26,197,661 for gratuity liability in the current year and same has been transferred to Citizen Investment Trust. The Bank has recognized an additional provision of NPR 7,545,163 for accumulated leave liability in the current year. Moreover, leave encashment paid in excess of accumulated leave exceeding 90 days each of sick and annual leave of NPR 10,768,320 is also charged in profit and loss account. Actuarial valuation of gratuity & leave liability is not made.

Particulars	Amount (NPR)
Gratuity Provision as on 31.3.2073	-
Add : Additional gratuity liability for the FY 2073/74	26,197,661
Less : Amount transferred to CIT	26,197,661
Gratuity Provision as on 31.3.2074	-

Particulars	Details (NPR)	Amount (NPR)
Leave Provision as on 31.3.2073		103,022,091
Add : Additional leave liability booked for the FY 2073/74	18,313,483	
Less: Leave encashment during the year	10,768,320	
Net Additional Liability during 2073/74		7,545,163
Leave Provision as on 31.3.2074		110,567,254

9. STATEMENT RELATED TO NON-BANKING ASSETS

Particulars	NPR (In million)
Opening balance	119.52
Addition this year	-
Less : Sale/disposal this Year	94.65
Less : Total Provision	24.87
Net Non-Banking Asset (NBA)	-

10. CONTINGENT INCOME TAX LIABILITY

Disputed tax liabilities related to Own Your Vehicle Scheme (OYVS) and Loan Loss Provision from FY 2065-66 to FY 2069-70 is under Administrative Review of Inland Revenue Department (IRD) which is shown as contingent liability in schedule 4.17.

11. STATEMENT OF DEFERRED TAX

The details of the deferred tax assets /liabilities calculated as per the NAS -12 are as follows.

Balance Sheet Items	Carrying Amount	Tax Base	Temporary differences	NPR (In '000)
Depreciable Fixed Assets	542,471	453,290	(89,180)	
Provision for Investment	1,410	-	1,410	
Provision for Non-Banking Assets	24,871	-	24,871	
Premium on Bonds amortized up to current year	1,864	-	1,864	
Provision for other receivable	835	-	835	
Carry forward loss	11,648	-	11,648	
Leave provision/ Welfare Fund	110,667	-	110,667	
Net temporary differences				62,114
Tax Rate				30%
Deferred Tax Assets				18,634
Deferred Tax Reserve up to previous year				43,646
Addition/(Reversal) for this year				(25,011)

12. INVESTMENT ADJUSTMENT RESERVE (IAR)

The Bank has maintained adequate reserve in compliance with NRB Directives 04/2073 and 08/2073 for investments categorized as 'Available for Sale'

Had the shares of the above company been accounted based on NRB Directives 4 & 8 on 'Marked to Market' basis the investment would be valued at NPR 98,504,363 and accordingly Reserve would have increased by NPR 783,111 and Investment Adjustment Reserve would have increased by NPR 15,662 (2% of increased investment).

IAR for the year is presented below:

Particulars	Net Investment	Required Reserve
Listed Securities @2%	97,721,252	1,954,425
Unlisted Securities @100%	15,000,000	15,000,000
Exempted Securities	5,030,000	-
Closing balance	117,751,252	16,954,425

13. UNPAID DIVIDEND

As on balance sheet date, total dividend payable amounts to NPR 395,635 (PY NPR 424,441.4). Details have been presented as under:

Dividend Payable of FY	Current Year (NPR)	Previous Year (NPR)
2066/67	312,222	3,33,310
2062/63	70,221	77,940
2061/62	13,191	13,191
Total	395,635	424,441

14. EARNINGS PER SHARE, SHARE PRICE AND SHARE TRANSACTION

Earnings Per Share (EPS) is calculated and disclosed as follows:

Particulars	Basic EPS	Diluted EPS
Net profit attributable to equity shareholders (NPR)	1,302,483,429	1,302,483,429
Total Number of shares (No.)	65,987,000	65,987,000
Weighted Average No. of Share	54,264,072	54,264,072
Earnings Per Share (NPR)	24.00	24.00

Compared to last year, the EPS decrease by NPR 1.04 (Previous Year by NPR 2.84). The Bank has not issued preference share and debentures/bonds, thus, basic earnings per share and diluted earnings per share are same. The closing market price of the share is NPR 360 (Previous Year NPR 680) as on balance sheet date.

15. INTEREST RECEIVABLE ON HOUSING LOAN

An endowment life insurance policy is purchased by Bank for insured sum equivalent to the principal of housing loan. The policy is purchased for a period of 20 years or remaining service period of the employee, whichever is earlier. The employees pay insurance premium in respect of policy on monthly basis. Upon maturity of the endowment policy, the proceeds/bonus are accounted towards settlement of interest and principal loan amount in a single installment.

The Bank has recognized an additional interest receivable of NPR 23,508,444 in the current year profit & loss account. 6% average interest rate has been used to calculate the accrued interest receivable by the Bank.

16. MOVEMENT IN LOANS AND ADVANCES

Particulars	Last Year	This Year	Change	Change %
Opening Balance	34,819	44,234	9,415	27%
Credit Disbursement	44,110	49,787	5,678	13%
Credit Recovery	34,691	42,155	7,464	22%
Principal written off	4	-	(4)	-100%
Interest - written off	12	-	(12)	-100%
Closing Balance	44,234	51,867	7,633	

NPR (In million)

17. MOVEMENT IN DEPOSIT LIABILITIES

The change in deposit liabilities during the year is as follows:

Particulars	NPR (In million)			
	Last Year	This Year	Change	Change %
Current	2,070	2,147	77	4%
Saving	21,209	19,297	(1,912)	-9%
Fixed	17,414	31,629	14,216	82%
Margin	377	431	55	14%
Money at Call	11,224	5,125	(6,098)	-54%
Others	-	-	-	-
Total	52,292	58,629	8,172	

18. WEIGHTED AVERAGE INTEREST RATE SPREAD

The weighted average interest rate spread between Loan and Investment and Deposit Liabilities are shown as below.

Particulars	Annual Average %
Average Interest Rate of Loan and Investment	9.24%
Average Interest Rate of Deposit and Borrowing	4.82%
Average Interest Rate Spread	4.42%

19. PARTICULARS OF AMORTIZED EXPENSES YET TO BE EXPENSED OFF

Preliminary expenses, pre-operating expenses, computer software and leasehold properties, where useful life can be ascertained are amortized on the basis of useful life and in case where useful life cannot be ascertained the Bank has the policy to amortize the cost in five years. The details of the amortization expenses yet to be written off are as follows:

Particulars	NPR (In million)						
	Cost Price	Purchase cost	Amortized upto last year	Amortized during the year	Transfer	Total amortized amount	Ashad end 2074
Software expense	86.87	4.58	42.50	5.35	-	47.85	43.59
Leasehold expense	187.17	18.1	119.81	16.22	-	136.04	69.25
Total	274.04	22.68	162.31	21.58	-	183.88	112.84

20. INTEREST INCOME

a. Capitalization of the Interest on national priority projects was made with due approval from Nepal Rastra Bank. NPR 16,838,382.57 is capitalized during FY 2073-74.

b. Interest receivable as at Ashad End 2074 but realized till 15th Shrawan of FY 2074-75 has been recognized as income as per provisions of Nepal Rastra Bank Directive No. 4/2073. Interest amounting NPR 27,547,384 is recognized as income during FY 2073-74.

21. SUMMARY OF CONCENTRATION EXPOSURE

Funded and non-funded facilities and sector wise loans are within the limits prescribed by NRB Directives. The details of the maximum concentration to a unit are presented below:

Particulars	NPR (In million)	
	Loans, Advances and Bills Purchased	Deposits & Borrowings
Balance as on Ashad 31, 2074	51,866.77	58,789.78
Maximum Exposure on one unit	1,009.94	2,287.72
Maximum on one unit	1.95%	3.89%

22. SAKCHHYAM PROJECT

Sakchhyam Project is the project funded by DFID for operating Access to Rural Banking Sakchhyam Access to Finance Program provides grant of 50% of total expense reported which is recognized as income of the Bank. The bank has received NPR 7,951,559 till 2073/74 from the project which has been parked to Sakchhyam Fund Account. The total amount expended & income recognized during the FY 2073-74 from the fund is:

Total Expenses(NPR)	Income Recognized (NPR)
3,614,511	1,807,255

23. LIQUIDITY RISK

As per the NRB Directives, payment period of the Bank's Asset and Liabilities has been classified to mitigate liquidity related risks and they are as follows:

Classification of asset and liabilities on the basis of their payment period:

NPR (In million)

S.N.	Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
Assets							
1	Cash Balance	1,963	-	-	-	-	1,963
2	Balance with Banks & FIs	7,713	-	-	-	-	7,713
3	Investment in Foreign Banks	1,135	-	-	208	-	1,342
4	Call Money	-	-	-	-	-	-
5	Government Securities	354	344	197	48	3,672	4,615
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	-	-	-	70	-	70
8	Loans & Advances	13,274	5,479	5,060	4,598	23,456	51,867
9	Interest Receivable	63	-	-	-	-	63
10	Reverse Repo	-	-	-	-	-	-
11	Receivables from other Institutions under Commitment	-	-	-	-	-	-
12	Payment to be made for facilities under S.No. 20,21 & 22	7,023	956	327	470	1,111	9,887
13	Others	268	16	9	2	2,618	2,913
	Total Assets (A)	31,792	6,795	5,593	5,395	30,857	80,432
Liabilities							
14	Current Deposits	374	-	-	-	1,773	2,147
15	Saving Deposits	2,986	-	-	-	21,436	24,422
16	Fixed Deposits	12,048	4,002	3,260	10,260	2,059	31,629
17	Debentures	-	-	-	-	-	-
18	Borrowings:	3	156	-	2	-	161
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/Financial Institutions	-	-	-	-	-	-
	(c) Refinance	3	156	-	2	-	161
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	434	2	-	2	-	438
	(a) Sundry Creditors	65	-	-	-	-	65
	(b) Bills Payable	3	-	-	-	-	3
	(c) Interest Payable	366	2	-	2	-	370
	(d) Provisions	-	-	-	-	-	-
	(e) Others	-	-	-	-	-	-
20	Payable to other institutions under Commitment	1,234	182	-	-	-	1,416
21	Unutilized Approved Facilities	3,376	-	-	-	-	3,376
22	Letter of Credit/Guarantee (Net of Margin)	2,325	774	327	470	1,111	5,007
23	Repo	-	-	-	-	-	-
24	Payment to be made for facilities under S.No. 11	-	-	-	-	-	-
25	Others	2,518	-	-	-	37	2,555
	Total Liabilities (B)	25,298	5,116	3,587	10,734	26,416	71,151
	Net Financial Assets(A-B)	6,494	1,679	2,006	(5,339)	4,441	9,281
	Cumulative Net Financial Assets	6,494	8,173	10,179	4,840	9,281	

24. Bank has obtained refinancing during the FY 2073/74 from NRB with outstanding amounting NPR 160,703,263 as on Ashad End 2074 by taking assets of the borrower primarily financed by us as collateral.

25. STATUS OF AGENCY RECONCILIATION

Following are the statement of deposited and withdrawn amount of Bank and corresponding agency account pending:

NPR (In '000)

Currency	Bank A/C pending		Agency A/C pending	
	Debit Amount	Credit Amount	Debit Amount	Credit Amount
USD				
Upto 1 Yr	-	16.52	3.65	11.43
More than 1 yr upto 3 Yrs	0.29	0.58	-	0.67
3 Yrs & above	-	-	-	-
GBP				
Upto 1 Yr	0.95	12.00	0.01	1.64
More than 1 yr upto 3 Yrs	-	-	-	-
3 Yrs & above	-	-	-	-
EURO				
Upto 1 Yr	-	2.98	1.43	2.54
More than 1 yr upto 3 Yrs	-	0.03	-	-
3 Yrs & above	-	-	-	-
AUD				
Upto 1 Yr	-	-	-	-
More than 1 yr upto 3 Yrs	-	-	-	-
3 Yrs & above	-	-	-	-
JPY				
Upto 1 Yr	1,700.00	2,311.02	3.00	-
More than 1 yr upto 3 Yrs	-	-	-	-
3 Yrs & above	-	-	-	-
INR				
Upto 1 Yr	-	4,526.29	224.80	3,798.04
More than 1 yr upto 3 Yrs	-	204.38	-	-
3 Yrs & above	-	-	-	-
NPR				
Upto 1 Yr	0.03	9,629.44	14,991.27	15,315.09
More than 1 yr upto 3 Yrs	72.00	52.05	-	-
3 Yrs & above	-	-	-	-

26. RELATED PARTIES

The Bank has entered into financial transactions with the following related parties where banks have financial interest.

NPR

Related Party	Nature of Relationship	Nature of transaction	Current Year
Nepal Electronic Payment System (NEPS)	Common Directors	Investment in Shares	15,000,000

Bank has transactions relating to ATM and POS management along with monitoring, settlement reconciliation.

27. TOTAL OF KEY MANAGEMENT PERSONNEL COMPENSATION (DISCLOSURE AS PER NAS-24)

NPR

Details of Key Management	Chief Executive Officer	Other key Management Personnel (AM- DCEO)	Remarks
Short Term Employee Benefits* (FY 072/73)	9,851,292	100,236,875	Other Key Management Personnel Include Deputy Chief Executive officer and other management team of assistant manager level & above
Post-Employment Benefits (Pay against Leave & Gratuity)	2,797,807	14,089,780	
Termination Benefits	NIL	NIL	
Share Based Payments	NIL	NIL	
Other Long Term Benefits	NIL	NIL	

Short term employment benefit excludes medical insurance, income considered under vehicle facility, differential interest income and prize money.

Key management personnel are also eligible for the following benefits:

- Benefits as per Employee Service Regulation of the Bank.
- Bonus out of profit as per Bonus Act.
- Housing loans and advances as per Housing Loan Scheme of the Bank.
- Vehicle facility.

Total no of Key Management Personnel as on Ashad End 2074 (including CEO): 59

28. COMPENSATION TO BOARD OF DIRECTORS (BODs)

All members of the Board are non-executive directors. Compensation to BODs and other related expenses are detailed below:

Particulars	Current Year (NPR)	Previous Year (NPR)
Meeting Fees	2,850,800	1,526,800
For Board Members	2,106,800	1,162,800
For Other Board Level Committed Meetings	744,000	364,000
Other Expenses	1,239,958	1,541,817

Directors are eligible for allowance of NPR 10,000 per month or on actual bill whichever is less, for covering newspaper, telephone, internet and other communication expenses. Directors are paid NPR 8,000 per meeting while Chairman is paid NPR 10,000 per meeting. Other expenses include reimbursement of travelling and hotel expenses for branches visit and above-mentioned allowances.

DISCLOSURE UNDER BASEL III

Nepal Rastra Bank has issued guidelines for implementation of New Capital Adequacy Framework under Basel III requirement in July 2015. NRB directed all Banks to adopt this framework and according to which Banks are to maintain Capital for Credit, Operational and Market Risk. Accordingly, the following disclosure is made:

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

NPR (In '000)

1.2 CAPITAL		Mid-July 2017
(A) Core Capital (Tier 1)		8,530,759
A	Paid up Equity Share Capital	7,051,456
B	Irredeemable non-cumulative preference shares	-
C	Share Premium	-
D	Proposed Bonus Equity Share	665,149
E	Statutory General Reserve	864,186
F	Retained Earnings	17,829
G	Un-audited current year cumulative profit	-
H	Capital Redemption Reserve	-
I	Capital Adjustment Reserve	-
J	Dividend Equalization Reserve	-
K	Other Free Reserve	18,634
L	Less : Goodwill	-
M	Less: Miscellaneous Expenditure not written off	47,985
N	Less : Deferred Tax Assets	18,634
O	Less : Investment in equity in licensed Financial Institutions	-
P	Less : Investment in equity of institutions with Financial interests	15,000
Q	Less : Investment in equity of institutions in excess of limits	-
R	Less : Investments arising out of underwriting commitments	-
S	Less : Reciprocal crossholdings	-
T	Less: Purchase of Land & Building in excess of limit and unutilized	4,877
U	Less : Other Deductions	-
(B) Supplementary Capital (Tier 2)		560,419
A	Cumulative and/or Redeemable Preference Shares	-
B	Subordinated Term Debt	-
C	Hybrid Capital Instruments	-
D	General Loan Loss Provision	549,184
E	Exchange Equalization Reserve	9,280
F	Investment Adjustment Reserve	1,954
G	Assets Revaluation Reserve	-
H	Other Reserves	-
Total Capital Fund (Tier 1 and Tier 2)		9,091,177

Detailed information about the subordinated term debts with information on the outstanding amount, maturity amount, raised during the year and amount eligible to be reckoned as capital funds: Nil

Deductions from Capital

Particulars	NPR (in '000)
Miscellaneous Expenditure not written off	47,985
Deferred Tax Assets	18,634
Leasehold Expenses	-
Investment in equity of institutions with Financial interests	15,000
Purchase of Land & Building in excess of limit and unutilized	4,877

Total Qualifying Capital: NPR 9,091,177 (In '000)

Capital Adequacy Ratio: 16.82%

2. RISK EXPOSURES

Risk weighted exposures for credit risk, market risk and operational risk as on Ashad End 2074 are as follows:

Particulars	NPR in '000
Risk Weighted Exposure for Credit Risk	49,628,531
Risk Weighted Exposure for Operational Risk	2,721,705
Risk Weighted Exposure for Market Risk	83,808
Add: RWE equivalent to reciprocal of capital charge of 2 % of gross income.	46,297
Add: 3% of RWE for Overall risk management policies and procedures are not satisfactory.	1,573,023
Total	54,053,406

Risk weighted exposures under each of 11 categories of Credit Risk

Particulars	NPR in '000
1. Claims on Government and Central Bank	-
2. Claims on Other Official Entities	-
3. Claims on Banks	1,711,289
4. Claims on Corporate and Securities Firms	25,375,876
5. Claims on Regulatory Retail Portfolio	11,180,065
6. Claims Secured by Residential Properties	4,346,142
7. Claims Secured by Commercial Real Estate	812,529
8. Past Due Claims	72,127
9. High Risk Claims	1,445,762
10. Other Assets	1,827,399
11. Off Balance Sheet items	2,857,382
Total	49,628,572
Adjustment under Pillar II	
Less: Shortfall in provision (6.4 a1)	
Less: Loans and facilities extended to related parties and restricted lending (6.4 a 2)	-
Total	49,628,530

Total Risk Weighted Calculation Table

Please refer schedule 30(b), 30 (c), 30 (d) and 30 (e)

Amount of NPAs

Category	Gross	Provision	Net	NPR (In '000)
Restructured	3,689	461	3,228	
Substandard	37,108	9,277	27,831	
Doubtful	30,098	15,049	15,049	
Loss	124,939	124,939	-	

NPA Ratio

Gross NPA to Gross Loans and Advances: 0.38%

Net NPA to Net Loan and Advances: 0.09%

Movement of NPA

Particulars	Opening Balance	Closing Balance	Movement	NPR (In '000)
Non-Performing Loan	241,497	195,834	(45,663)	
Restructured Loan	1,469	3,689	2,220	
Substandard	122,189	37,108	(85,081)	
Doubtful	15,138	30,098	14,960	
Loss	102,699	124,939	22,240	

Write off of Loans and Interest Suspense:

Write off of Loans – 1,818 (In '000)

Write off of Interest Suspense – 2,448 (In '000)

Movement of Loan Loss Provision and Interest Suspense:

Loan Loss Provision

NPR (In '000)

Particulars	Opening Balance	Closing Balance	Movement
Total Loan Loss provision	598,045	698,910	100,865
a) Pass	434,221	512,042	77,821
b) Watch List	22,825	37,142	14,317
c) Restructured	184	461	277
d) Substandard	30,547	9,277	(21,270)
e) Doubtful	7,569	15,049	7,480
f) Loss	102,699	124,939	22,240

Interest Suspense:

NPR (In '000)

Particulars	Opening Balance	Closing Balance	Movement
Interest Suspense	168,311	192,810	24,499

3. SEGREGATION OF INVESTMENT PORTFOLIO INTO HELD FOR TRADING, HELD TO MATURITY AND AVAILABLE FOR SALE CATEGORY:

Held for trading	NIL
Held to Maturity	NPR 6,026,631,201
Available for sale	NPR 117,751,252

4. RISK MANAGEMENT FUNCTION

The Bank follows NRB definition of default for classifying and accounting for income recognition, assets classification and provisioning norm.

The Bank is exposed to uncertainties and due to various economic or environmental factors some of them are inherent to the banking business and others which are unforeseen and unexpected. Risk Management is a comprehensive process adopted by a bank to minimize adverse effects of such risks and uncertainties.

Credit Risk:

In order to manage credit risk, the Bank has established a sound credit appraisal system. The Bank has credit Policies Guidelines and other product papers approved by The Board of

Directors which are strictly followed during credit approval/disbursement. The bank performs market/customer analysis to minimize the credit risk.

Market Risk:

For the management of Market/ Liquidity risk, the Bank has a very effective ALM Policy which defines procedures and authority including setting up various risk limits. Under the ALM policy, the Bank has effective Assets Liabilities Committee (ALCO) which meets periodically and reviews interest rates, liquidity position, liquidity gap, FCY open position, investment portfolio, maturity limit for investment and takes necessary decision as well as circulates various guidelines to concerned departments for effective management of market risk.

Operational Risk:

The Bank has a strong internal control system so that material fraud and errors can be easily traced. Further, the Bank follows a scientific process for segregation of duty so that internal check be maintained. The Bank follows the operational manual approved by Board of Directors. The Bank has an effective Internal Audit Department which functions to carry out review of internal control system of the bank and ensure that the approved policies, procedures and manuals are strictly followed. The report of the Internal Audit Department is directly submitted to Audit committee headed by a non-executive director.

STATEMENTS OF LOANS AVAILED BY PROMOTERS/SHAREHOLDERS CLASSIFIED UNDER PROMOTER'S GROUP FROM OTHER BANKS AND FINANCIAL INSTITUTIONS BY PLEDGING SHARES UNDER THEIR OWNERSHIP

S.N.	Particulars	Promoter's Share Ownership		Loan Details			Remarks
		Total No. of Shares	% of Total Paid up Capital	Name of the Bank & Financial Institutions	Loan Amount	Total no. of Pledged Shares	
1	Ganesh Bahadur Shrestha	600,126	0.91	Sumrise Bank Ltd / Prime Commercial Bank Ltd	83,408,307	342,260	
2	Indra Bahadur Manandhar	36,377	0.06	NIC Asia Bank Ltd	7,160,000	16,653	
3	Jagat Mohan Gauchan	44,330	0.07	Prime Commercial Bank Ltd.		23,169	
4	Kiran K.C.	750,153	1.14	Century Commercial Bank Ltd	38,490,299	375,076	
5	Rustam Baniya	60,519	0.09	IME Co-operative Service	4,000,000	42,796	
6	Shanker Man Dongol	32,353	0.05	Ime Multipurpose		14,000	
7	Ajad Shrestha	332,573	0.50	NIC Asia Bank Ltd	57,496,000	155,356	
				Nabil Bank Ltd			
8	Dr. Upendra Mahato	4,619,975	7.00	Citizen Bank International Ltd.	423,253,775	2,083,561	
9	Santa Bahadur Gurung	102,675	0.16	Kaski Finance Ltd		45,355	
10	Dr. Surendra Mahato	7,226,148	10.95	NMB Bank Ltd	600,000,000	2,395,419	
11	Hiranya Prakash Dhar	678,296	1.03	Clean Energy Development		164,521	
12	Ajun Bandhu Regmi	75,509	0.11	Nepal Bangladesh Bank Ltd	10,889,899	75,509	
				Prime Commercial Bank Ltd			
13	Bandana Karki	210,449	0.32	Prime Commercial Bank Ltd.	38,000,000	139,525	
14	Praneshwor Pokharel	513,129	0.78	Sunrise Bank Ltd	12,000,000	48,300	
15	Prem Kumari K.C.	4,427,557	6.71	Prime Commercial Bank Ltd.	500,000,000	2,213,778	
16	Ram Ashish Sahu Sudi	2,141,438	3.25	Dev Bikash Bank Ltd	170,000,000	792,068	
17	Rajeeva Singh Bhandari (Shah)	102,673	0.16	ICFC Finance Ltd	9,646,779	102,671	
18	Capitive Investment Company	46,869	0.07	Kasthamandap Development Bank Ltd	4,796,000	46,870	
				Shriyam Saving & Credit Cooperative			
19	Sarad Kumar Nepal	45,452	0.07	Goodwill Finance Ltd	8,078,450	45,452	
				Ime Multipurpose Co-operative Ltd			
				Synergy Finance Ltd			
20	Deepak Raj Dalee	33,873	0.05	Ace Development Bank Ltd	3,967,600	23,954	
Total		22,080,474	33.46		1,971,187,110	9,146,293	-

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT

As on 15th July 2017

S.N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				in Amount	in %	
1	Total Capital and Liabilities (1.1 to 1.7)	69,591,180,633	69,624,648,093	33,467,461	0.05	
1.1	Paid Up Capital	6,598,700,000	7,716,605,100	1,117,905,100	16.94	Due to calls in advance regrouping & proposed bonus share
1.2	Reserve and Surplus	2,516,723,981	947,156,910	(1,569,567,071)	(62.37)	Due to calls in advance regrouping, additional provision, proposed bonus & cash dividend and tax calculation as per income tax act
1.3	Debtenture and Bond	-	-	-	-	
1.4	Borrowings	160,703,263	160,703,263	-	-	
1.5	Deposits (a+b)	58,629,076,680	58,629,076,680	-	-	
	a. Domestic Currency	57,214,539,553	57,272,507,399	57,967,846	0.10	Due to regrouping
	b. Foreign Currency	1,414,537,128	1,356,569,281	(57,967,846)	(4.10)	Due to regrouping
1.6	Income Tax Liability	-	-	-	-	
1.7	Other Liabilities	1,685,976,708	2,171,106,140	485,129,432	28.77	Due to excess calls in amount and 15 days interest recovery adjustment
2	Total Assets (2.1 to 2.7)	69,591,180,633	69,624,648,093	33,467,461	0.05	
2.1	Cash and Bank Balance	9,676,312,115	9,676,067,201	(244,915)	(0.00)	
2.2	Money at Call and Short Notice	-	-	-	-	
2.3	Investments	6,132,981,459	6,142,972,440	9,990,981	0.16	Due to provision for investment, regrouping of premium paid on bond & accrued discount of Treasury Bills
2.4	Loans and Advances	51,866,770,488	51,866,770,489	0	0.00	
	a. Real Estate Loan	3,480,229,341	3,480,229,341	-	-	
	1. Residential Real Estate Loan (Except personal home loan upto 10 Millions)	699,563,531	699,563,531	-	-	
	2. Business Complex & Residential Apartment Construction Loan	261,467,196	261,467,196	-	-	
	3. Income Generating Commercial Complex Loan	354,001,076	354,001,076	-	-	
	4. Other Real Estate Loan (including Land purchase & Plotting)	2,165,197,538	2,165,197,538	-	-	
	b. Personal home loan of Rs. 10 Millions less	6,170,923,632	6,170,923,632	-	-	
	c. Margin Type Loan	121,132,389	121,132,389	-	-	
	d. Term Loan	6,091,862,077	6,091,862,077	-	-	
	e. Overdraft Loan/TR Loan/WC Loan	13,441,987,510	13,441,987,510	-	-	
	f. Others	22,560,635,539	22,560,635,539	-	-	
2.5	Fixed Assets	628,142,027	697,389,677	69,247,650	11.02	Due to regrouping of leasehold assets
2.6	Non- Banking Assets	-	-	-	-	
2.7	Other Assets	1,286,974,543	1,241,448,287	(45,526,256)	(3.54)	Due to regrouping of leasehold assets, accrued discount income of Treasury Bills & 15 days interest recovery adjustment.

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COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT

As on 15th July 2017

S.N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				in Amount	in %	
3	Profit and Loss Account					
3.1	Interest Income	5,116,209,307	5,118,027,561	-	-	
3.2	Interest Expenses	2,791,035,277	2,791,035,277	1,818,254	0.04	Regrouped as written off loan
	A. Net Interest Income (3.1 -3.2)	2,325,174,031	2,326,992,285	1,818,254	0.08	
3.3	Fees, Commission and Discount	122,741,629	124,789,921	2,048,291	1.67	
3.4	Other Operating Income	309,054,585	301,238,553	(7,816,032)	(2.53)	Due to CIC charge net off
3.5	Foreign Exchange Gain/Loss (Net)	133,252,778	133,252,778	-	-	
	B. Total Operating Income (A.+3.3+3.4+3.5)	2,890,223,023	2,886,273,536	(3,949,486)	(0.14)	
3.6	Staff Expenses	499,067,007	495,321,753	(3,745,254)	(0.75)	Due to regrouping of office amenities
3.7	Other Operating Expenses	475,031,647	472,474,573	(2,557,074)	(0.54)	Due to regrouping of office amenities & CIC charge net off
	C. Operating Profit Before Provision (B.-3.6-3.7)	1,916,124,369	1,918,477,210	2,352,842	0.12	
3.8	Provision for Possible Losses	136,028,769	142,515,010	6,486,240	4.77	Due to regrouping of write back provision
	D. Operating Profit (C.-3.8)	1,780,095,599	1,775,962,201	(4,133,398)	(0.23)	
3.9	Non- Operating Income/Expenses (Net)	120,139,023	120,139,023	-	-	
3.10	Write Back of Provision for Possible Loss	134,655,460	134,169,758	(485,703)	(0.36)	Due to regrouping of write back provision
	E. Profit from Regular Activities (D.+3.9+3.10)	2,034,890,082	2,030,270,981	(4,619,101)	(0.23)	
3.11	Extraordinary Income/Expenses (Net)	17,931,482	16,114,246	(1,817,235)	(10.13)	Due to regrouping of written off loan
	F. Profit Before Bonus and Taxes (E+3.11)	2,052,821,564	2,046,385,228	(6,436,336)	(0.31)	
3.12	Provision for Staff Bonus	186,620,142	186,035,021	(585,121)	(0.31)	
3.13	Provision for Taxes	565,170,563	557,866,778	(7,303,785)	(1.29)	Due to tax calculation as per income tax
	G. Net Profit/Loss (F.- 3.12-3.13)	1,301,030,858	1,302,483,429	1,452,570	0.11	

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