

NMB BANK LIMITED

INTERIM FINANCIAL STATEMENTS

As on
Ashwin End 2078 (October 17, 2021)
(Unaudited)



NMB Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended Ashwin 31, 2078 (October 17, 2021)

NPR in Thousand

Particulars	Group		NMB	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and cash equivalent	12,700,816	14,442,664	12,090,597	13,887,371
Due from Nepal Rastra Bank	11,463,187	19,248,506	11,433,187	19,218,506
Placement with Bank and Financial Institutions	635,816	2,717,149	635,816	2,717,149
Derivative financial instruments	13,937,438	17,161,392	13,937,438	17,161,392
Other trading assets	8,260	2,677	8,260	2,660
Loan and advances to B/FIs	4,885,757	5,194,471	5,885,757	5,194,471
Loans and advances to customers	171,042,355	155,112,820	165,573,766	151,014,124
Investment securities	20,790,529	17,756,933	20,551,526	17,453,563
Current tax assets	-	99,226	-	92,746
Investment in subsidiaries	-	-	372,488	372,488
Investment in associates	-	-	-	-
Investment property	164,536	68,113	164,536	97,942
Property and equipment	1,742,503	1,773,075	1,698,698	1,741,915
Goodwill and Intangible assets	116,587	121,066	111,006	112,541
Deferred tax assets	261,680	252,198	250,660	249,010
Other assets	2,993,152	2,273,451	2,732,381	2,230,983
Total Assets	240,742,615	236,223,741	235,446,115	231,546,858
Liabilities				
Due to Bank and Financial Institutions	2,188,804	1,964,516	2,199,430	1,964,516
Due to Nepal Rastra Bank	6,295,738	7,597,982	6,295,738	7,597,982
Derivative financial instruments	13,963,107	17,127,036	13,963,107	17,127,036
Deposits from customers	175,453,447	165,856,478	173,466,602	164,489,286
Borrowing	7,256,580	9,239,426	5,346,760	7,443,810
Current Tax Liabilities	336,077	-	316,756	-
Provisions	14,853	1,703	-	-
Deferred tax liabilities	32,754	14,658	-	-
Other liabilities	3,957,051	4,239,911	3,592,261	3,686,460
Debt securities issued	5,281,102	5,293,994	5,281,102	5,293,994
Subordinated Liabilities	-	-	-	-
Total liabilities	214,779,511	211,335,705	210,461,755	207,603,084
Equity				
Share capital	16,325,961	16,325,961	16,325,961	16,325,961
Share premium	37,216	37,216	-	-
Retained earnings	3,666,430	2,868,079	3,325,428	2,515,343
Reserves	5,443,141	5,190,174	5,332,971	5,102,470
Total equity attributable to equity holders	25,472,748	24,421,430	24,984,360	23,943,774
Non-controlling interest	490,356	466,606	-	-
Total equity	25,963,104	24,888,036	24,984,360	23,943,774
Total liabilities and equity	240,742,615	236,223,741	235,446,115	231,546,858

NMB Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the quarter ended Ashwin 31, 2078 (October 17, 2021)

NPR in Thousand

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	4,135,640	4,135,640	3,651,656	3,651,656	3,929,062	3,929,062	3,510,893	3,510,893
Interest expense	2,569,813	2,569,813	2,191,480	2,191,480	2,507,006	2,507,006	2,153,733	2,153,733
Net interest income	1,565,827	1,565,827	1,460,176	1,460,176	1,422,055	1,422,055	1,357,160	1,357,160
Fees and Commission Income	644,762	644,762	406,737	406,737	580,373	580,373	357,627	357,627
Fees and commission expense	46,068	46,068	25,114	25,114	46,068	46,068	25,114	25,114
Net fee and commission income	598,694	598,694	381,623	381,623	534,305	534,305	332,513	332,513
Net interest, fee and commission income	2,164,521	2,164,521	1,841,798	1,841,798	1,956,361	1,956,361	1,689,673	1,689,673
Net trading income	96,836	96,836	77,705	77,705	96,836	96,836	77,705	77,705
Other operating income	234,668	234,668	59,628	59,628	232,638	232,638	57,664	57,664
Total operating income	2,496,024	2,496,024	1,979,131	1,979,131	2,285,835	2,285,835	1,825,042	1,825,042
Impairment charge/(reversal) for loans and other losses	(180,780)	(180,780)	16,738	16,738	(190,918)	(190,918)	15,317	15,317
Net operating income	2,676,805	2,676,805	1,962,393	1,962,393	2,476,752	2,476,752	1,809,725	1,809,725
Operating expense								
Personnel expenses	796,653	796,653	556,714	556,714	726,936	726,936	496,376	496,376
Other operating expenses	247,480	247,480	213,657	213,657	218,308	218,308	195,058	195,058
Depreciation & Amortisation	63,977	63,977	66,531	66,531	61,440	61,440	64,281	64,281
Operating Profit	1,568,695	1,568,695	1,125,490	1,125,490	1,470,068	1,470,068	1,054,010	1,054,010
Non operating income	155	155	216	216	-	-	-	-
Non operating expense	-	-	6,910	6,910	-	-	6,910	6,910
Profit before income tax	1,568,850	1,568,850	1,118,796	1,118,796	1,470,068	1,470,068	1,047,101	1,047,101
Income tax expense								
Current Tax	455,265	455,265	332,323	332,323	425,630	425,630	314,130	314,130
Deferred Tax expense/(Income)	-	-	-	-	-	-	-	-
Profit for the period	1,113,585	1,113,585	786,473	786,473	1,044,437	1,044,437	732,970	732,970

NMB Bank Limited
Consolidated Statement of Other Comprehensive Income
For the quarter ended Ashwin 31, 2078 (October 17, 2021)

NPR in Thousand

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the period	1,113,585	1,113,585	786,473	786,473	1,044,437	1,044,437	732,970	732,970
Other comprehensive income								
a) Items that will not be reclassified to profit or loss								
- Gains/(losses) from investments in equity instruments measured at fair value	(12,950)	(12,950)	20,347	20,347	(5,503)	(5,503)	21,670	21,670
- Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
- Income tax relating to above items	3,885	3,885	(6,104)	(6,104)	1,651	1,651	(6,501)	(6,501)
Net other comprehensive income that will not be reclassified to profit or loss	(9,065)	(9,065)	14,243	14,243	(3,852)	(3,852)	15,169	15,169
b) Items that are or may be reclassified to profit or loss								
- Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-
- Income tax relating to above items	-	-	-	-	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of income tax	(9,065)	(9,065)	14,243	14,243	(3,852)	(3,852)	15,169	15,169
Total comprehensive income for the period	1,104,520	1,104,520	800,716	800,716	1,040,585	1,040,585	748,139	748,139
Total comprehensive income attributable to:								
Equity holders of the Bank	1,082,446	1,082,446	779,990	779,990	1,040,585	1,040,585	748,139	748,139
Non-controlling interest	22,074	22,074	20,727	20,727	-	-	-	-
Total	1,104,520	1,104,520	800,716	800,716	1,040,585	1,040,585	748,139	748,139
Earnings per share								
Basic earnings per share		6.69		5.38		6.40		5.15
Annualized Basic earnings per share		26.74		21.50		25.59		20.58
Diluted earnings per share		26.74		21.50		25.59		20.58

NMB Bank Limited
Condensed Consolidated Statement of cash flows
For the period (Shrawan 1, 2078 to Ashwin 31, 2078) ended Ashwin 31, 2078

NPR in Thousand

Particulars	Group		NMB	
	Upto This Quarter	Corresponding Previous Year Upto This Quarter	Upto This Quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	3,653,145	3,579,862	3,462,781	3,427,349
Fees and other income received	585,851	395,121	521,208	348,691
Dividend received	-	-	-	-
Receipts from other operating activities	105,135	80,962	102,482	78,351
Interest paid	(2,438,644)	(2,277,263)	(2,362,548)	(2,216,713)
Commission and fees paid	(46,068)	(25,114)	(46,068)	(25,114)
Cash payment to employees	(778,008)	(732,116)	(732,990)	(687,926)
Other expense paid	(239,670)	(216,606)	(210,552)	(195,058)
Operating cash flows before changes in operating assets and liabilities	841,741	804,845	734,313	729,582
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	7,785,333	2,186,192	7,785,333	2,186,192
Placement with bank and financial institutions	1,648,585	(2,485,390)	1,648,585	(2,485,390)
Other trading assets	(5,600)	5,050	(5,600)	5,050
Loan and advances to bank and financial institutions	(666,382)	(93,925)	(666,382)	(93,925)
Loans and advances to customers	(14,694,343)	(7,760,618)	(14,324,449)	(6,884,269)
Other assets	(503,472)	(349,843)	(180,998)	(262,574)
Total	(6,435,878)	(8,498,533)	(5,743,511)	(7,534,916)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	153,778	(391,402)	153,778	(391,402)
Due to Nepal Rastra Bank	(1,302,244)	(434,898)	(1,302,244)	(434,898)
Deposit from customers	9,329,571	2,485,458	9,058,453	1,971,004
Borrowings	(1,982,847)	(389,009)	(2,097,050)	(430,350)
Other liabilities	(1,085,195)	(120,576)	(1,406,706)	(168,737)
Net cash flow from operating activities before tax paid	5,113,064	1,149,573	4,406,231	545,616
Income taxes paid	-	-	-	-
Net cash flow from operating activities	(481,073)	(6,544,115)	(602,967)	(6,259,718)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(3,875,597)	(1,753,987)	(3,859,981)	(1,753,698)
Receipts from sale of investment securities	2,272,956	4,133,084	2,272,956	4,133,084
Purchase of property and equipment	(70,664)	(10,052)	(69,130)	(9,459)
Receipt from the sale of property and equipment	142,876	-	142,876	-
Purchase of intangible assets	(19)	(3,887)	-	(3,966)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	(66,594)	-	(66,594)	-
Receipt from the sale of investment properties	-	(0)	-	(0)
Investment in subsidiaries, associates & joint ventures	-	-	-	-
Interest received	220,749	170,299	220,749	170,299
Dividend received	141,109	40,909	141,109	40,909
Net cash used in investing activities	(1,235,184)	2,576,366	(1,218,016)	2,577,168
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	-	(500,000)	-	(500,000)
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	-	-	-	-
Interest paid	-	-	-	-
Other receipt/payment	(49,800)	10,026	-	-
Net cash from financing activities	(49,800)	(489,974)	-	(500,000)
Net increase (decrease) in cash and cash equivalents	(1,766,057)	(4,457,724)	(1,820,983)	(4,182,550)
Cash and cash equivalents at the beginning of the year	14,442,664	12,232,375	13,887,371	11,098,349
Cash and cash equivalents acquired from the merger	-	1,812,575	-	1,812,575
Effect of exchange rate fluctuations on cash and cash equivalents held	24,209	19,426	24,209	19,426
Cash and cash equivalents at the end of the year	12,700,816	9,606,653	12,090,597	8,747,801

NMB Bank Limited
Condensed Consolidated Statement of changes in equity
For the period (Shrawan 1, 2078 to Ashwin 31, 2078) ended Ashwin 31, 2078

NPR in Thousand

NMB												
Attributable to equity holders of the Bank												
Particulars	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Shrawan 1, 2077	13,950,987	120,167	3,010,880	102,426	884,133	(10,110)	-	1,718,777	1,139,682	20,916,942	-	20,916,942
Profit for the year	-	-	-	-	-	-	-	2,711,074	-	2,711,074	-	2,711,074
Other comprehensive income	-	-	-	-	-	185,727	-	-	(10,988)	174,739	-	174,739
Total comprehensive income	-	-	-	-	-	185,727	-	2,711,074	(10,988)	2,885,813	-	2,885,813
Transfer to reserves	-	-	543,690	22,757	86,341	-	-	(657,590)	(471,802)	(476,604)	-	(476,604)
Transfer from reserves	-	-	-	-	-	-	-	498,074	(13,433)	484,641	-	484,641
Contribution from and distributions to owner									-	-		-
Share issued/Merger Transfer	496,766	-	93,188	-	56,790	(1,033)	-	(138,279)	87,879	595,311	-	595,311
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,878,208	(120,167)	-	-	-	-	-	-	(603,657)	1,154,384	-	1,154,384
Cash dividend paid	-	-	-	-	-	-	-	(1,154,384)	-	(1,154,384)	-	(1,154,384)
others (Merger)	-	-	-	-	-	-	-	(462,328)	-	(462,328)	-	(462,328)
Total contributions by and distributions	2,374,973	(120,167)	93,188	-	56,790	(1,033)	-	(1,754,991)	(515,778)	132,983	-	132,983
Balance at Asadh end 2078	16,325,961	-	3,647,758	125,183	1,027,265	174,584	-	2,515,343	127,681	23,943,774	-	23,943,774
Balance at Shrawan 1, 2078	16,325,961	-	3,647,758	125,183	1,027,265	174,584	-	2,515,343	127,681	23,943,774	-	23,943,774
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2078	16,325,961	-	3,647,758	125,183	1,027,265	174,584	-	2,515,343	127,681	23,943,774	-	23,943,774
Profit for the period	-	-	-	-	-	-	-	1,044,437	-	1,044,437	-	1,044,437
Other comprehensive income	-	-	-	-	-	(3,852)	-	-	-	(3,852)	-	(3,852)
Total comprehensive income	-	-	-	-	-	(3,852)	-	1,044,437	-	1,040,585	-	1,040,585
Transfer to Reserves	-	-	-	-	234,353	-	-	(234,353)	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Merger	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from and distributions to owner												
Share issued to merged entity	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	-	-	-
Balance at Ashwin end 2078	16,325,961	-	3,647,758	125,183	1,261,618	170,732	-	3,325,428	127,681	24,984,360	-	24,984,360

NMB Bank Limited
Condensed Consolidated Statement of changes in equity
For the period (Shrawan 1, 2078 to Ashwin 31, 2078) ended Ashwin 31, 2078

Particulars	Group Attributable to equity holders of the Group										Non- controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total		
Balance at Ashar 31, 2077	13,950,987	157,384	3,035,327	102,426	884,133	(10,110)	-	1,978,985	1,171,289	21,270,421	372,476	21,642,897
Adjustment/Restatement	-	-	-	-	-	-	-	(12,351)	-	(12,351)	-	(12,351)
Balance at Shrawan 1, 2077	13,950,987	157,384	3,035,327	102,426	884,133	(10,110)	-	1,966,634	1,171,289	21,258,070	372,476	21,630,546
Profit for the year	-	-	-	-	-	-	-	2,923,139	-	2,923,139	96,217	3,019,357
Other comprehensive income	-	-	-	-	-	193,384	-	-	(10,714)	182,670	249	182,919
Total comprehensive income	-	-	-	-	-	193,384	-	2,923,139	(10,714)	3,105,809	96,466	3,202,276
Transfer to reserves	-	-	563,846	22,757	86,341	-	-	(687,412)	16,841	2,374	(749.20)	1,625
Transfer from reserves	-	-	-	-	-	(7,656)	-	509,083	(483,049)	18,378	-	18,378
Contribution from and distributions to owner												-
Transfer from Merger	-	-	93,188	-	56,790	(1,033)	-	(138,279)	215	10,881	-	10,881
Share issued	496,766	-	-	-	-	-	-	-	87,665	584,430	-	584,430
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,878,208	(120,167)	-	-	-	-	-	(1,198,339)	(603,657)	(43,956)	-	(43,956)
Cash dividend paid	-	-	-	-	-	-	-	(506,747)	(7,809)	(514,556)	(1,587)	(516,143)
Total contributions by and distributions	2,374,973	(120,167)	93,188	-	56,790	(1,033)	-	(1,843,365)	(523,587)	36,799	(1,587)	35,212
Balance at Asadh end 2078	16,325,961	37,216	3,692,361	125,183	1,027,265	174,584	-	2,868,079	170,781	24,421,430	466,606	24,888,036
Balance at Shrawan 1, 2078	16,325,961	37,216	3,692,361	125,183	1,027,265	174,584	-	2,868,079	170,781	24,421,430	466,606	24,888,036
Adjustments	-	-	-	-	-	-	-	-	27,679	27,679	-	27,679
Adjusted/Restated balance at Shrawan 1, 2078	16,325,961	37,216	3,692,361	125,183	1,027,265	174,584	-	2,868,079	198,460	24,449,109	466,606	24,915,715
Profit for the period	-	-	-	-	-	-	-	1,091,511	-	1,091,511	22,074	1,113,585
Other comprehensive income	-	-	-	-	-	(9,065)	-	-	-	(9,065)	-	(9,065)
Total comprehensive income	-	-	-	-	-	(9,065)	-	1,091,511	-	1,082,446	22,074	1,104,520
Transfer to Reserves	-	-	-	-	234,353	-	-	(234,353)	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Merger	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from and distributions to owner												-
Share issued to merged entity	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(60,000)	-	(60,000)	-	(60,000)
Others	-	-	-	-	-	-	-	1,193	-	1,193	1,676	2,869
Total contributions by and distributions	-	-	-	-	-	-	-	(58,807)	-	(58,807)	1,676	(57,131)
Balance at Ashwin end 2078	16,325,961	37,216	3,692,361	125,183	1,261,618	165,519	-	3,666,430	198,460	25,472,748	490,356	25,963,104

Ratios as per NRB Directives

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA		14.54%		14.33%		14.48%		14.26%
Non performing loan (NPL) to total loan		1.90%		2.26%		1.85%		2.26%
Total loan loss provision to Total NPL (As per NRB Directives)		139.02%		143.06%		142.24%		144.50%
Cost of Funds (YTD)		5.36%		5.94%		5.32%		5.88%
CD Ratio (Last Day of the quarter)		91.27%		90.63%		91.27%		90.63%
Base Rate (Last Month of the quarter)		7.96%		7.85%		7.96%		7.85%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter		3.02%		4.38%		3.02%		4.38%
Additional Informations:								
Average Total Yield (YTD Average)		7.89%		9.31%		7.72%		9.16%
Return on Equity (Annualized)		17.50%		13.49%		17.08%		13.35%
Return on Assets (Annualized)		1.83%		1.60%		1.79%		1.56%
PE Ratio (Annualized)		16.02		19.82		16.02		19.82
Net-Worth per share (NPR)		156.03		156.76		153.03		154.02
Assets per share (NPR)		1,471.60		1,326.71		1,442.16		1,298.20
Liquidity Ratio (NLA)		22.16%		23.73%		22.16%		23.73%

NMB BANK LIMITED

Notes to Interim Financial Statements

For the interim period ended 31 Ashwin, 2078

1. General Information

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

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

1.2 Subsidiary:

- a. NMB Capital Ltd. (NMBCL) is a 100% subsidiary company of the Bank and was incorporated on September 17, 2010 as a public limited company as per the Companies Act 2063. It is into Merchant and investment banking licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008.
- b. NMB Laghubitta Bittiya Sanstha Ltd. (NMBMF) is incorporated as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” Class financial institution having Nation Wide working area to operate its microfinance program under Bank and Financial Institution Act 2006. As at the interim period ended date, the bank holds 51% controlling interest in the NMBMF.

The interim period of both of the subsidiaries is same as that of the Bank.

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

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with the Nepal Accounting Standard (NAS)-34 “Interim Financial Reporting” published by the Nepal Accounting Standards Board (NASB) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). The disclosures made in the condensed consolidated interim financial information have been limited based on the format prescribed by Nepal Rastra Bank and should be read in conjunction

with the Bank's last annual financial statements as at and for the year ended 31 Asar 2078. They do not include all of the information required for a complete set of Nepal Financial Reporting Standards ("NFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements. The financial statements have been prepared in accordance with the historical cost convention with some exceptions described in the relevant sections.

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

The Condensed Consolidated Interim Financial Statements comprise of:

- Condensed Consolidated Statement of Financial Position,
- Condensed Consolidated Statement of Profit or Loss,
- Condensed Consolidated Statement of Other Comprehensive Income,
- Condensed Consolidated Statement of Changes in Equity,
- Condensed Consolidated Statement of Cash Flows and
- Notes to Interim Financial Statements
- Ratios as per NRB Directive

3. Statement of Compliance with NFRS

The Financial Statements of the Group which comprises components mentioned above have been prepared in accordance with Nepal Accounting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2063 and generally Accepted Accounting Principles and directives of Nepal Rastra Bank.

4. Basis of Consolidation

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

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

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

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

5. Materiality and Aggregation

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

6. Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group as per NFRS 3. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The bank has not followed NFRS 3 Business Combination instead merger and acquisition has been accounted as per NRB Merger Bylaws in previous year corresponding quarter.

7. Foreign Exchange Transactions

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

Net difference arising from the conversion of foreign currency assets and liabilities is accounted for as revaluation gain/loss under Other Operating Income.

Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown under "Net Trading Income".

8. Functional and presentation currency

The Interim financial statements are presented in Nepalese Rupees (NPR), the functional currency of Group entities. There is no change in the Group's presentation and functional currency during the period under review. All figures in the accounts are presented in thousand.

9. Significant accounting judgements and estimates

As part of the process of preparing the interim financial statements in conformity

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

The Bank uses various valuation models and techniques to estimate the fair values of assets and liabilities. There are significant uncertainties related to these estimates and these estimates are highly dependent on market data, such as the level of interest rates, currency rates and other factors. The uncertainties related to these estimates are reflected mainly in the statement of financial position. The bank undertakes continuous development in order to improve the basis for fair value estimates, with regard to both modelling and market data. Changes in estimates resulting from refinements in assumptions and methodologies are reflected in the period in which the enhancements are first applied. Judgements and estimates are also associated with impairment testing of loans and claims.

The significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 Asar 2078.

10. Basis for classification and measurement

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

- As per NFRS 9 "Financial Instruments", Investment Securities (investment in equity shares and mutual funds) are measured at fair value.
- As per NAS 40 'Investment Property' (land and building acquired as non-banking assets) are measured at fair value.
- As per NAS 19 "Employee Benefits", Liabilities for employee defined benefit obligations and liabilities for long service leave are measured at fair value.

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

Financial assets at amortised cost

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

Financial assets at fair value

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

Determination of fair value

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

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

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

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

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

11. Financial assets and financial liabilities

Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Since financial assets derive their value from a contractual claim, these are nonphysical in form

and are usually regarded as being more liquid than other tangible assets.

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

12. Recognition and de-recognition of financial instruments

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

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

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

13. Offsetting

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

14. Cash and cash equivalents

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

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

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

15. Impairment

Impairment of financial assets

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

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

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

Assets carried at amortised cost

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

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

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

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined.

The Group has has recognized impairment loss on loans and advances at the higher of the amount derived as per prudential norms specified in NRB directive and the amount derived from incurred loss model as per para 63 of NAS 39.

16. Derivative assets and derivative liabilities

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

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

17. Deposits from customers and BFI and Debt Securities

These are classified as financial liabilities measured at amortized cost.

18. Revenue recognition

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

a. Net interest income

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

b. Fees and commission income

Fees and commission income is generally recognised when the related services are provided or on execution of a significant act. Fees charged for servicing a loan are recognised as revenue as the service is provided. The upfront fees and commission are recognized as income in the same period the loan is approved. The bank has considered loan administration fees which is integral part of EIR as immaterial and hence excluded from calculation of EIR.

c. Dividend Income

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

d. Net Trading Gain

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

19. Discounting

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

20. Significant changes from the policies adopted in the past

There are no changes in accounting policies and methods of computation since the publication of annual financial statements for the year end Ashad 2076.

21. Property, plant and equipment (PPE) and Intangible Assets

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

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

- c. Leasehold improvements are capitalised at cost and amortised over period of lease.
- d. Depreciation on property, plant and equipment sold or disposed off during the year is charged up to the date of sales and gain or loss on the sales transaction is accounted for.
- e. Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

22. Investment property

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

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

23. Retirement Benefits

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

a. Provident fund

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

b. Gratuity

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

c. Accumulated sick leave

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

d. Accumulated home leave

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

24. Operating Lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The Group has applied

NFRS 16 – “Leases” under cancellable lease as per terms of lease agreement.

25. Income Tax

a. Current Income Tax

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

b. Deferred Tax

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

The Group has not calculated deferred tax for the interim period.

26. Share capital and reserves

The Bank applies NAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument.

27. Stationery

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

28. Provisions, Contingent Liabilities and Contingent Assets

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

Contingent assets are not recognised in the financial statements. However,

contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

29. Earnings Per Share

Basic earnings per equity share is computed in accordance with NAS 33–Earnings per share by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. For Group basic earnings per share profit or loss attributable to ordinary equity holders of the parent entity has been considered.

In a capitalisation or bonus issue, ordinary shares are issued to existing shareholders for no additional consideration. Therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented.

30. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest thousand. Previous year's figures have been reclassified wherever necessary in order to facilitate comparison. The figures reported in interim financial report are subject to change upon otherwise instructions of statutory auditor and/or regulatory authorities.

31. Segment Information

The Bank is organised for management and reporting purposes into segments such as: Retail, SME & MSME, Corporate, Deprived, Treasury and Others. The Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income tax is managed on a group basis and are not allocated to operating segments. All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Others". Support costs are also allocated to Retail, Corporate, SME & MSME, Deprived, Treasury and others based on Management's estimates of the benefits accruing to these segments for the costs incurred. The summarized segmental performance is given below:

a. Information about reporting segment:

NPR in Mio.

Particulars	Retail		SME & MSME		Corporate		Deprived		Treasury		Others		Total	
	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077	Ashwin End 2078	Ashwin End 2077
Revenues from external customers	1,068	956	1,265	1,177	1,605	1,335	201	345	177	179	279	5	4,594	3,997
Intersegment revenues/(Expenses)	963	792	(665)	(580)	(131)	21	(138)	(95)	96	(258)	(124)	120	-	-
Segment profit/(loss) before tax	245	539	279	270	591	155	18	84	138	(72)	200	71	1,470	1,047
Segment assets	33,335	28,770	48,709	40,207	72,022	53,040	10,041	6,945	41,323	34,822	30,017	23,776	235,446	187,560
Segment liabilities	105,094	81,563	2,867	1,539	59,475	54,457	492	621	13,684	12,246	53,835	37,135	235,446	187,561

b. Reconciliation of reportable segment profit or loss:

NPR in Mio

Particulars	Ashwin End 2078	Ashwin End 2077
Total Profit before tax for reportable segments	1,470	1,047
Profit before tax for other segments		
Elimination of intersegment profit		
Elimination of discontinued operation		
Unallocated amount:		
-Other Corporate Expenses	-	-
Profit before tax	1,470	1,047

32. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 296,000 during the interim period. There were 4 Board Meeting conducted during the interim period.

The Chairperson and other members of the Board are paid NPR 13,000 and NPR 12,000 per meeting respectively for Board and Board Level Committees. As per 24th AGM held on Poush 24, 2076, the chairperson and other members of the Board are paid NPR. 18,000 and NPR. 16,000 respectively per meeting thereafter.

The Meeting fees paid to different Board Level Committees are as follows:

Board Level Committees	No of Meetings	Meeting Allowance (NPR)
Audit Committee	1	32,000
Risk Management Committee	3	96,000
Human Resource Service Committee	2	16,000
Assets Laundering Prevention Committee	2	32,000
Other Committee	-	-

As per 23rd AGM held on Poush 26, 2075, monthly allowance of NPR 12,000 is paid. The total amount paid as monthly allowances to the board members during the interim period amounted to NPR 2,52,000.

The members of the Board as on interim period ended 31 *Ashwin* 2078 are:

- | | | |
|------|-----------------------------|---|
| i) | Mr. Pawan Kumar Golyan | Chairman (Represents Group – Promoter Shareholder) |
| ii) | Mr. Nico Klaas Geradus Pijl | Member (Representative from FMO) |
| iii) | Mr. Jeevan Kumar Katwal | Member (Representative from Employees Provident Fund) |
| iv) | Mr. Yogendra Lal Pradhan | Member (Represents Group – Public) |

v)	Mr. Uttam Bhlon	Shareholder) Member (Represents Group – Public Shareholder)
vi)	Mr. Sirish Kumar Murarka	Member (Represents Group – Public Shareholder)
vii)	Mr. Pradeep Raj Pandey	Independent Director

(b) Loans and Advances extended to Promoters

There are no such loans extended to promoters.

(c) Compensation Details for Key Management Personnel

Key Management Personnel includes members of Executive Committee of the Bank.

S.No	Particulars	Amount
A	Short Term Employee Benefits	22,000,006
B	Post-Employment Benefits	Nil
C	Other Long Term Benefits	Nil
D	Termination Benefits (Gratuity and Sick Leave Encashment)	Nil
E	Share Based Payment	Nil
	Total of Key Management Personnel Compensation	22,000,006

The Salary and benefits paid to CEO included above is as follow:

Particulars	Basic Salary	Provident Fund	Allowance	Bonus & Welfare	Other Perquisites	Total Income
C.E.O	2,250,000	225,000	2,750,000	2,271,667	8,185	7,516,102

Key management personnel are also provided with the following benefits:

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

Existing members of Executive Committee includes:

Mr. Sunil KC	Chief Executive Officer
Mr. Pradeep Pradhan	Chief Audit Executive
Ms. Shabnam Limbu Joshi	Chief Support Officer
Mr. Sharad Tegi Tuladhar	Chief Policy (Risk) and E&S
Mr. Sudesh Upadhyaya	Chief Business & Strategy Officer
Mr. Govind Ghimire	Chief Business Officer
Mr. Navin Manandhar	Chief Risk Officer
Mr. Pramod Dahal	Chief Operating Officer
Mr. Roshan Regmi	Head Retail Banking

Mr. Shreejesh Ghimire
Mr. Binay Dahal

Chief Investment Officer
Head Business & Planning (Province)

(d) Transaction with Subsidiaries

The intra-group related figures have been excluded for presentation of the financial statement of the Group. The Bank own two subsidiary companies, NMB Capital Limited and NMB Laghubitta Bittiya Sanstha Limited. NMB Capital is a wholly owned subsidiary whereas the Bank owns fifty-one percent of the total shares of NMB Laghubitta. Related party transactions of both subsidiaries are as follows:

Amount in Thousand

S No	Particulars	NMB Capital	NMB Laghubita Bittiya Sanstha
1	Investment by NMB Bank Ltd.	200,000	172,488
2	Deposits in NMB Bank Ltd.	185,566	10,627
3	Borrowing from NMB Bank Ltd.	-	1,000,000
4	Interest Payment by NMB Bank Ltd.	1,127	-
5	Interest Payment to NMB Bank Ltd.	-	12,853
6	Rent Payment to NMB Bank Ltd.	647	-
7	Share Registrar Fee payment by NMB Bank	250	-
8	Debenture Trustee Fee payment by NMB Bank	25	
9	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	30,524	
10	Dividend Distribution of NMB 50 to NMB Bank	53,105	
11	Dividend Distribution by NMB Capital to NMB Bank	60,000	

33.Dividends paid (aggregate or per share) separately for ordinary shares and other shares

The bank has not paid any dividend during the period.

34.Issues, repurchases and repayments of debt and equity securities

None

35.Events after interim period

There are no such material events after Interim Period Date affecting financial status of the Group.

However, The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and Nepal, which has contributed to a significant decline and volatility in global and domestic financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. On March 24, 2020, the government announced a week long nationwide lockdown with series of extensions until May 18, 2020. Although lockdown was lifted on 22 July 2020 and economic had started to gain normality, the government has announced fortnight long prohibitory order on April

27 2021 along with the start of second wave of COVID 19. The extent to which the COVID-19 pandemic will impact the provision on assets and bank's results will depend on future developments, which are highly uncertain at this time.

36. Effect of changes in the composition of the entity during the interim period merger including and acquisition

None

NMB BANK LIMITED

Interim Financial Report FY 2078/79

Condensed Consolidated Statement of Financial Position

As on Quarter Ended Ashwin 31, 2078 (October 17, 2021)

Particulars	Group		NMB	
	This Quarter Ending	Immediate Previous Year Ending		Immediate Previous Year Ending
Assets				
Cash and cash equivalent	12,700,816	14,442,664	12,090,597	13,887,371
Due from Nepal Rastra Bank	11,463,187	19,248,506	11,433,187	19,218,506
Placement with Bank and Financial Institutions	635,816	2,717,149	635,816	2,717,149
Derivative financial instruments	13,937,438	17,161,392	13,937,438	17,161,392
Other trading assets	8,260	2,677	8,260	2,660
Loan and advances to B/FIs	4,885,757	5,194,471	5,885,757	5,194,471
Loans and advances to customers	171,042,355	155,112,820	165,573,766	151,014,124
Investment securities	20,790,529	17,756,933	20,551,526	17,453,563
Current tax assets	-	99,226	-	92,746
Investment in subsidiaries	-	-	372,488	372,488
Investment in associates	-	-	-	-
Investment property	164,536	68,113	164,536	97,942
Property and equipment	1,742,503	1,773,075	1,698,698	1,741,915
Goodwill and Intangible assets	116,587	121,066	111,006	112,541
Deferred tax assets	261,680	252,198	250,660	249,010
Other assets	2,993,152	2,273,451	2,732,381	2,230,983
Total Assets	240,742,615	236,223,741	235,446,115	231,546,858
Liabilities				
Due to Bank and Financial Instituions	2,188,804	1,964,516	2,199,430	1,964,516
Due to Nepal Rastra Bank	6,295,738	7,597,982	6,295,738	7,597,982
Derivative financial instruments	13,963,107	17,127,036	13,963,107	17,127,036
Deposits from customers	175,453,447	165,856,478	173,466,602	164,489,286
Borrowing	7,256,580	9,239,426	5,346,760	7,443,810
Current Tax Liabilities	336,077	-	316,756	-
Provisions	14,853	1,703	-	-
Deferred tax liabilities	32,754	14,658	-	-
Other liabilities	3,957,051	4,239,911	3,592,261	3,686,460
Debt securities issued	5,281,102	5,293,994	5,281,102	5,293,994
Subordinated Liabilities	-	-	-	-
Total liabilities	214,779,511	211,335,705	210,461,755	207,603,084
Equity				
Share capital	16,325,961	16,325,961	16,325,961	16,325,961
Share premium	37,216	37,216	-	-
Retained earnings	3,666,430	2,868,079	3,325,428	2,515,343
Reserves	5,443,141	5,190,174	5,332,971	5,102,470
Total equity attributable to equity holders	25,472,748	24,421,430	24,984,360	23,943,774
Non-controlling interest	490,356	466,606	-	-
Total equity	25,963,104	24,888,036	24,984,360	23,943,774
Total liabilities and equity	240,742,615	236,223,741	235,446,115	231,546,858

Condensed Consolidated Statement of Profit or Loss

For the quarter ended Ashwin 31, 2078 (October 17, 2021)

Particulars	Group				NMB			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	4,135,640	4,135,640	3,651,656	3,651,656	3,929,062	3,929,062	3,510,893	3,510,893
Interest expense	2,569,813	2,569,813	2,191,480	2,191,480	2,507,006	2,507,006	2,153,733	2,153,733
Net interest income	1,565,827	1,565,827	1,460,176	1,460,176	1,422,055	1,422,055	1,357,160	1,357,160
Fees and Commission Income	644,762	644,762	406,737	406,737	580,373	580,373	357,627	357,627
Fees and commission expense	46,068	46,068	25,114	25,114	46,068	46,068	25,114	25,114
Net fee and commission income	598,694	598,694	381,623	381,623	534,305	534,305	332,513	332,513
Net interest, fee and commission income	2,164,521	2,164,521	1,841,798	1,841,798	1,956,361	1,956,361	1,689,673	1,689,673
Net trading income	96,836	96,836	77,705	77,705	96,836	96,836	77,705	77,705
Other operating income	234,668	234,668	59,628	59,628	232,638	232,638	57,664	57,664
Total operating income	2,496,024	2,496,024	1,979,131	1,979,131	2,285,835	2,285,835	1,825,042	1,825,042
Impairment charge/(reversal) for loans and other losses	(180,780)	(180,780)	16,738	16,738	(190,918)	(190,918)	15,317	15,317
Net operating income	2,676,805	2,676,805	1,962,393	1,962,393	2,476,752	2,476,752	1,809,725	1,809,725
Operating expense								
Personnel expenses	796,653	796,653	556,714	556,714	726,936	726,936	496,376	496,376
Other operating expenses	247,480	247,480	213,657	213,657	218,308	218,308	195,058	195,058
Depreciation & Amortisation	63,977	63,977	66,531	66,531	61,440	61,440	64,281	64,281
Operating Profit	1,568,695	1,568,695	1,125,490	1,125,490	1,470,068	1,470,068	1,054,010	1,054,010
Non operating income	155	155	216	216	-	-	-	-
Non operating expense	-	-	6,910	6,910	-	-	6,910	6,910
Profit before income tax	1,568,850	1,568,850	1,118,796	1,118,796	1,470,068	1,470,068	1,047,101	1,047,101
Income tax expense								
Current Tax	455,265	455,265	332,323	332,323	425,630	425,630	314,130	314,130
Deferred Tax expense/(Income)	-	-	-	-	-	-	-	-
Profit for the period	1,113,585	1,113,585	786,473	786,473	1,044,437	1,044,437	732,970	732,970

Condensed Consolidated Statement of Comprehensive Income

Profit/Loss for the period	1,113,585	1,113,585	786,473	786,473	1,044,437	1,044,437	732,970	732,970
Other Comprehensive Income	(9,065)	(9,065)	14,243	14,243	(3,852)	(3,852)	15,169	15,169
Total Comprehensive Income	1,104,520	1,104,520	800,716	800,716	1,040,585	1,040,585	748,139	748,139

Earnings per Share

Basic earnings per share	-	26.74	-	21.50	-	25.59	-	20.58
Diluted earnings per share	-	26.74	-	21.50	-	25.59	-	20.58

Total comprehensive income attributable to:

Equity holders of the Bank	1,082,446	1,082,446	779,990	779,990	1,040,585	1,040,585	748,139	748,139
Non-controlling interest	22,074	22,074	20,727	20,727	-	-	-	-
Total	1,104,520	1,104,520	800,716	800,716	1,040,585	1,040,585	748,139	748,139

Ratios as per NRB Directives

Ratios	Group				NMB			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA		14.54%		14.33%		14.48%		14.26%
Non performing loan (NPL) to toal loan		1.90%		2.25%		1.85%		2.26%
Total loan loss provision to Total NPL (As per NRB Directives)		139.02%		143.06%		142.24%		144.50%
Cost of Funds (YTD)		5.36%		5.94%		5.32%		5.88%
CD Ratio (Last Day of the quarter)		91.27%		90.63%		91.27%		90.63%
Base Rate (Last Month of the quarter)		7.96%		7.85%		7.96%		7.85%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter		3.02%		4.38%		3.02%		4.38%
Additional Informations:								
Average Total Yield (YTD Average)		7.89%		9.31%		7.72%		9.16%
Return on Equity (Annualized)		17.50%		13.49%		17.08%		13.35%
Return on Assets (Annualized)		1.83%		1.60%		1.79%		1.56%
PE Ratio (Annualized)		16.02		19.82		16.02		19.82
Net-Worth per share (NPR)		156.03		156.76		153.03		154.02
Assets per share (NPR)		1,471.60		1,326.71		1,442.16		1,298.20
Liquidity Ratio (NLA)		22.16%		23.73%		22.16%		23.73%

Notes to Unaudited Financial Highlights

- Above figures are subject to change from Supervisory Authority and/or External Audit.
- Above financial highlight is prepared as per Nepal Financial Reporting Standards (NFRS), Nepal Accounting Standards (NAS) and other regulatory provisions. The impairment charge on loans and advances has been calculated as per directives of Nepal Rastra Bank and is higher than impairment charge as per para 63 of NAS 39.
- The figures of previous periods have been regrouped/ rearranged wherever necessary.
- Loans and Advances is presented along with accrued interest, staff loan (net off staff loan prepayment benefit) and net off impairment charges.

- Personnel Expenses include staff bonus as per Bonus Act, 2030 and amortization of prepaid staff loan granted at subsidized rate as per Bank's policy.
- Actuarial Valuation of the employee benefits are done on annual basis.
- Loan administration fees on effective interest rate is treated as immaterial and hence not considered while calculating effective interest rate.
- Group represents NMB Bank Limited (NMB) and its subsidiaries NMB Capital Limited and NMB Laghubitta Bittiya Sanstha Limited.
- The intra-group related figures have been excluded for presentation of the financial statements of the Group.
- The detailed Interim Report has been published in www.nmbbanknepal.com at the Investor Relation Section.

- and Liability Committee (ALCO), Executive Committee and other sub-committees ensure high level of standard on corporate governance. The first three committees are chaired by the non-executive Directors of the Bank.
- There are number of policies and procedures in place, including the Code of Conduct and Ethics to ensure highest level of compliance standard within the Bank.
 - The Bank has a Corporate Governance Unit under Compliance Department to oversee matters related to corporate governance of the Bank at all levels.

6. Disclosure of the Chief Executive Officer

I am personally responsible for the correctness of the facts and figures disclosed in this report till date. Also, I hereby declare that to the extent of my knowledge, the facts and the figures disclosed in this report are correct and comprehensive and all the material information relevant to take proper investment decision for the investors are disclosed properly in this statement.

Statement of Distributable Profit/Loss (As per NRB Regulations)

Particulars		NPR in Thousand
Opening Retained Earnings		23,506
Add: Net Profit for the period ended Ashwin 31, 2078		1,044,437
1. Appropriations		
1.1 Profit required to be appropriated to statutory reserve		(375,138)
a. General Reserve		(208,887)
b. Capital (Debenture) Redemption Reserve		(141,667)
c. Exchange Fluctuation Fund		(6,052)
d. Corporate Social Responsibility Fund		(10,444)
e. Employees Training Fund		(8,088)
f. Other		-
1.2 Profit required to be transfer to Regulatory Reserve		(234,353)
a. Transfer to Regulatory Reserve		(234,353)
b. Transfer from Regulatory Reserve		-
Net Profit for the period end Ashwin 31, 2078 available for distribution		458,452

Note: Opening Retained Earnings provided in Statement of Distributable Profit includes adjustment of Stock and Cash dividend proposed by the Board meeting held on 29 October 2021.This is subject to approval of Nepal Rastra Bank and the Annual General Meeting.

Related Party Disclosures

The Bank owns two subsidiary companies, NMB Capital Limited and NMB Laghubitta Bittiya Sanstha Limited. NMB Capital is a wholly owned subsidiary whereas the Bank owns fifty-one percent of the total shares of NMB Laghubita Bittiya Sanstha Ltd. Related party transactions of both subsidiaries are as follows:

Amounts in NPR Thousands

S No	Particulars	NMB Capital	NMB Laghubitta Bittiya Sanstha
1	Investment by NMB Bank Ltd.	200,000	172,488
2	Deposits in NMB Bank Ltd.	185,566	10,627
3	Borrowing from NMB Bank Ltd.	-	1,000,000
4	Interest Payment by NMB Bank Ltd.	1,127	-
5	Interest Payment to NMB Bank Ltd.	-	12,853
6	Rent Payment to NMB Bank Ltd.	647	-
7	Share Registrar Fee payment by NMB Bank	250	-
8	Debenture Trustee Fee payment by NMB Bank	25	-
9	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	30,524	-
10	Dividend Distribution of NMB 50 to NMB Bank	53,105	-
11	Dividend Distribution by NMB Capital to NMB Bank	60,000	-

These related party transactions have been excluded in Consolidated Financial Statement of the Group. All the contracts and transactions with the subsidiaries have been performed on arms-length basis.

Disclosure as per Securities Registration and Issuance Regulation, 2073

1. Management Analysis

- The Bank, up to the first quarter of FY 2021/22, posted a net profit of NPR 1,044.44 Million.
- Deposit from customers and loans and advances to customers of the Bank (Net) stood at NPR 173.47 Billion and NPR 165.57 Billion respectively as at the end of the quarter.
- The Bank remained well capitalized with Capital Adequacy Ratio at 14.48%. NPA level has decreased to 1.85% from 2.26% of the previous year corresponding quarter.
- There were no other significant incidents during the period which have had negative impact on the reserve, profit or cash flow position of the Bank. However, given the country is still striving against effect of pandemic COVID 19, the exact financial implication is yet to be assessed.
- The Bank has strong independent Risk and Control functions as well as policies in place that do not promote excessive risk taking.

2. Details of Legal Action

- Case filed by or against the organized institution during the quarter**
No material cases except for regular cases of debt recovery
- Case relating to disobedience of the prevailing laws or commission of the criminal offence filed by or against the Promoters or Directors of the Institution**
No such information has been received by the Bank.
- Case relating to the commission of financial crime filed against any Promoter or Director**
No such information has been received by the Bank.

3. Analysis of Share Transaction

Management view on share transactions of the Bank at securities market:

The Bank has disclosed and published all the information and data pertinent to Capital Market from time to time as per the prevailing disclosure norms and directives of Securities Board of Nepal (SEBON) and Nepal Rastra Bank. As the open market share operations determines the market price and transaction of the Bank's shares, the Bank Management is neutral on the ruling share price of the Bank. The Details for the quarter are:

Maximum Price – 517	Minimum Price – 395	Closing Price - NPR 410
Trading number – 58,856	Days of Trading – 57	

4. Problems and Challenges

Internal problems and challenges

- Health Safety of forefront employees and logistics management to combat COVID 19.
- Increasing cost of operations against Income.
- Sourcing and retention of quality work force in the increased competitive market.

External problems and challenges

- Pandemic COVID 19 has caused substantial decline in economic activities worldwide including in Nepal also affecting quality of assets.
- Expected Remittance decrease
- Highly volatile liquidity conditions.
- Challenging business environment for investment.
- Competitive environment with limited opportunities.

Strategy

- Keeping employees safe and informed by fostering safe working Culture with security measures
- Keeping the digital channel open and Long Term Digital Adoption
- Deliver Digital Banking education
- Alternative sources of Fund
- Implement Cost Management/Reduction Strategy to closely monitor cost line and productivity.
- Continue to focus on Safe Growth through prudent risk management and compliance practices.
- Continue focus on SME, retail lending, Energy and Agricultural sector, Micro deposit opportunities and enhance Microfinance activities.
- Focus on continuous process re-engineering so as to increase Operational Efficiency.
- Focus on introducing various human resource development plans.

5. Corporate Governance

- The Bank maintains high standard of Corporate Governance by maintaining strict compliance with laws, rules and regulations. Risk management, compliance, control and audit functions are accorded due priority in the Bank.
- Audit Committee, Risk Management Committees, Human Resource Committee, Asset



NMB BANK
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समृद्ध नेपालको लागि



A joint venture with
FMO
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