



**NMB BANK**  
**एनएमबि बैंक**  
समृद्ध नेपालको लागि

# FOR A PROSPEROUS NEPAL

27<sup>TH</sup> ANNUAL REPORT 2021/22



**NMB Bank Limited**  
Babarmahal, Kathmandu



# REPRESENTATIVE (PROXY) FORM

The Board of Directors

Date: .....

NMB Bank Ltd.,  
Babarmahal, Kathmandu.

Subject: Appointment of Representative

Dear Sir,

I/We, ..... resident of .....district .....rural/metro/sub-metro/ municipality ward number ..... being a shareholder of NMB Bank Ltd. hereby appoint Mr./Ms. .... resident of .....district .....rural/metro/sub-metro/ municipality ward number ..... as my/our proxy/authorize to represent/vote on my/our behalf at the 27<sup>th</sup> Annual General Meeting being held on Monday, 9 January, 2023.

Appointed Representative:

Signature Specimen:

Shareholder No. / Demat Account No.:

Applicant:

Signature:

Full Name:

Address:

Shareholder Number:

Demat Account Number:

Share Quantity:

P.S. This application must be submitted to the registered office of the Bank at least 48 hours prior to the commencement of Annual General Meeting. The representative (proxy) form shall be cancelled in case more than one representative name is found to be mentioned.

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Admission Card

NMB Bank Limited,  
Babarmahal, Kathmandu.

Issued to attend the 27<sup>th</sup> Annual General Meeting

Shareholder's Name: ..... Share Quantity: .....

Shareholder / Demat Account Number: ..... Shareholder's Signature: .....



Company Secretary

(Note: Shareholder's representative is requested to bring this admission card for attending the meeting)

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# NOTICE ABOUT 27<sup>TH</sup> ANNUAL GENERAL MEETING

The 443<sup>rd</sup> Board Meeting of the Bank held on 14 December 2022, has decided to conduct 27<sup>th</sup> Annual General Meeting (AGM) in the following date, venue and time to discuss and decide upon the following agenda. This notice is published to inform all our esteemed shareholders regarding the Annual General Meeting as per Clause 67 of Company Act, 2006.

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

Date: Monday, 9 January, 2023

Venue: Nepal Academy Hall, Kamaladi, Kathmandu

Time: 9:00 A.M.

## 2. Agenda of the Meeting

### A. General Agenda

- i. To approve the annual report of FY 2021/22 presented by the Board of Directors,
- ii. To approve the Auditor's report for FY 2021/22 including Balance Sheet, Profit & Loss Statement, Cash Flow Statement, and other financial reports (including consolidated financial details of subsidiary companies- NMB Capital Limited, and NMB Microfinance Financial Institution Limited),
- iii. To appoint and decide upon the remuneration of the Auditor for fiscal year 2021/22 in compliance with the Clause 111 of Company Act, 2006 and Clause 63 of Bank and Financial Institution Act 2017, (existing Auditors Ms. Dev Associates, and KMU and Associates, Chartered Accountants jointly are eligible for reappointment)
- iv. To approve the distribution of 8.25 percent cash dividend (including tax on cash dividend) amounting NPR 1,515,253,241.64 of the existing paid-up capital of NPR 18,366,705,959.24 as proposed by the Board of Directors.

### B. Special Agenda

- i. To approve the amendment of Article 32.1.b.i of the Articles of Association of the Bank,
- ii. To provide authority to the Board of Directors to acquire other banks and financial institutions and to carry out merger process with other banks and financial institutions, delegate authority to carry out the tasks related to the appointment of the Appraiser/Valuator, decide on swap ratio, carry out or cause to carry out tasks related to amendment in the Memorandum of Association and Article of Association of the Bank and record keeping for the same
- iii. To provide authority to the Board of Directors or provide power of attorney to the designated authority by the Board of Directors to carry out or cause to carry out tasks related to amendment in the Memorandum of Association and Article of Association of the Bank such as record keeping, making minor changes, certification of the documents, registration and receipt of acknowledgement of the record.

### C. Miscellaneous

By Order  
Company Secretary

## Additional Information about the Annual General Meeting

- i. Share register shall remain closed on 26 December 2022 for the purpose of this AGM. Shareholders registered in the shareholders' register book because of the transactions conducted in Nepal Stock Exchange before 26 December 2022 can participate/cast vote in the AGM, and are entitled to receive cash dividend.
- ii. Shareholders are requested to contact the headoffice of the Bank at Babarmahal, Kathmandu to receive information related to the Annual General Meeting including Board of Directors' Report if required. Further, all the details are also kept on the Bank's website [www.nmbbanknepal.com.np](http://www.nmbbanknepal.com.np)
- iii. Shareholder attendance register shall be made available for the purpose of AGM from 8:00 A.M. onwards. The

shareholders interested in participating at the AGM are required to bring either an original copy of Share Certificate or Demat account details and or iginal document(s) proving their identity along with them.

- iv. Shareholders participating in the AGM are requested to attend the meeting with minimum safety measures in order to prevent and control the epidemic of the infectious disease including Coronavirus (COVID19).
- v. Shareholders willing to nominate proxy to attend the AGM, shall register proxy form at the Bank's head office Babarmahal, Kathmandu, at least 48 hours before the AGM commences.
- vi. Only existing shareholders of the Bank shall be nominated proxy.
- vii. In case of minor or insane shareholders, person registered as his/her guardian in the share register book shall be entitled to take part or appoint a proxy in the AGM. In case of joint shareholdings, only the unanimously selected representative or the partner whose name appears first in the serial order of the share register book can attend the AGM.
- viii. Any issue or query raised in the AGM shall be responded by Chairman or any other dignitaries as permitted by the Chairman.
- ix. If any shareholder has issue or query about the Bank, they are requested to send it in writing to the Bank's registered office at least 7 days before the AGM commences. However, such issue or query shall not be tabled for discussion as agenda in the AGM.
- x. The shareholders participating in the AGM are requested to carry only the documents related to the meeting and avoid carrying bags or other materials.

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

# INTRODUCTION

NMB Bank, a modern day's bank with an aspiration to be the most sustainable bank of Nepal has been able to expand its business and achieve desired outcomes in terms of financial growth and non-financial achievements over the years. Honoured by the globally prestigious "Bank of the Year – Asia Pacific" award for the year 2021, and "Bank of the Year – Nepal" for four times in last five years by The Financial Times London, NMB is the first and the only bank in the history of Nepalese banking industry to receive The Banker award in Asia-Pacific regional category as it continues to seek sustainability and responsible banking practices in all its internal and external endeavours.

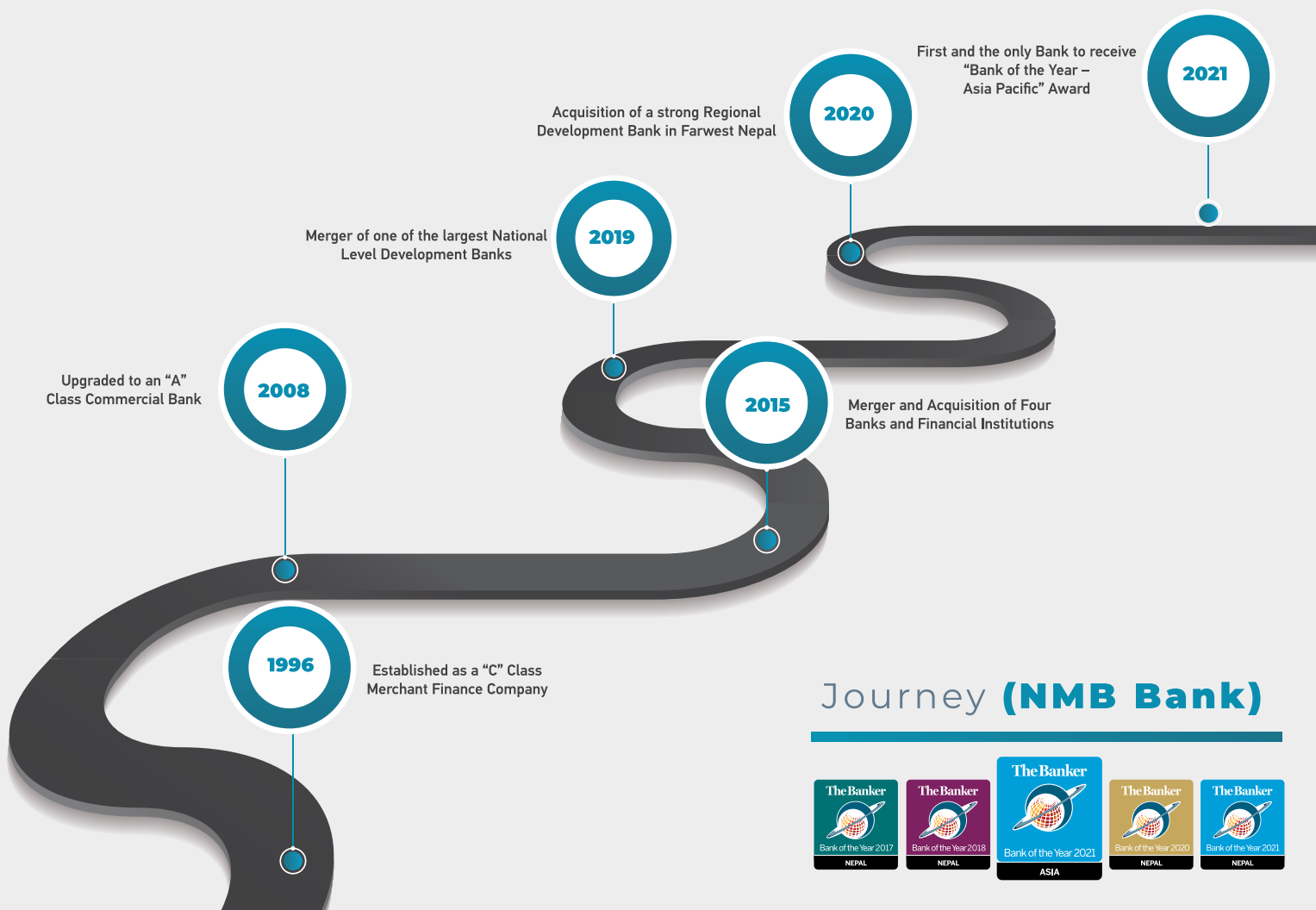
The Bank in order to align with country's vision of self-reliant Nepal has prioritized and focused its investments towards the upliftment of productive and real economy

sectors. NMB's commitment is not just towards the profit but also towards the sustainability of the backbone of the real economy including Agriculture, Energy, Tourism, Education, and export-oriented undertakings. The acquisition of six BFIs having strong regional presences within last five years has transformed NMB to be one of the dominant players of the Nepalese banking sector. Its distributed branch networks across the country currently delivers superior financial services to over 1.5 Million customers.

Moreover, the commitment towards sustainable banking and continuous improvement efforts towards creating a high-level customer experience has empowered the Bank to set itself apart from the competition. NMB as of today due to its focus on sustainable financing and digital prowess has become the

bank of first choice for international investor groups seeking safe and sustainable impact investment opportunities in Nepal.

The Bank manoeuvring in 27<sup>th</sup> years of its establishment, is amongst the top quartile banks of the country having a strong balance sheet size over NPR 255 Bio (~USD 2 Bio) with a strong capital base. Driven by Bank's values to be innovative and sustainable operating in a team spirit, NMB Bank at present has an inclusive workforce consisting of 39% women in various positions. The Bank has a youth workforce with a median age of 32 years and over 91% staff under 40 year's age group category. This makes NMB an ideal Bank for adopting new challenges and delivering service excellence to drive the Bank towards consistent growth.



## Journey (NMB Bank)



# CORPORATE PHILOSOPHY

NMB's corporate philosophy is driven by the values and principles of financial integrity and ethical banking thus sharing equitable responsibilities and contribution towards self-reliant communities for building prosperous nation.



## Vision

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



## Corporate Governance Philosophy

- Meet expectations of all our stakeholders by creating environment of fairness, transparency and accountability within the organization
- Create and deliver sustainable shareholders value
- Committed towards service excellence and responsible banking
- Motivate workforce by inculcating good governance culture
- Strive for high level business ethics guided by intertwining strategic frameworks



## Mission

- Helping clients and customers to achieve financial security
- Strengthening and promoting sustainable socio economic development by working actively with local and international stakeholders
- Being responsible for bringing about positive environmental and social impacts
- Promoting self-reliance through financial products for real economy
- Creating an innovative climate within the organization, utilizing the skills and potential of staff
- Delivering banking products and services to create delightful customer experience



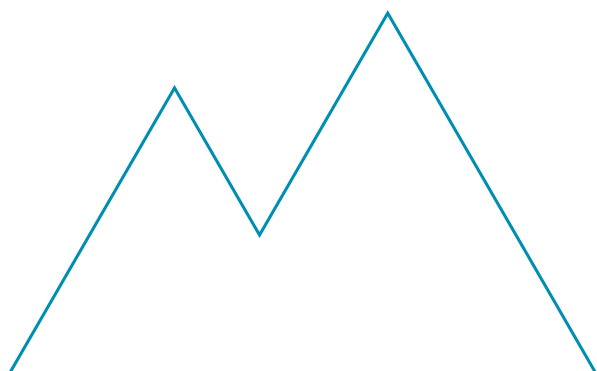
## Brand Promise

**"Banking for Prosperous Nepal"** "समृद्ध नेपालको लागि"  
In line with the brand promise and our vision for the future, the Bank has been driving the corporate campaign- "We see endless possibilities" – "हामी देखौं अपार संभावना" designed to bring a sense of realization and belief that a bright and sustainable future can be attained in Nepal. The campaign seeks to translate our values and beliefs to establish the assurance that Nepal has opportunities for each citizen and that NMB shall seek to support in materializing those opportunities for nation's prosperity.



## Values

- Be innovative with the changing time
- Be a team player and deliver results together
- Be responsible to our actions
- Be prudent for sustainable and consistent growth
- Be committed to customer experience



# MAJOR AWARDS & RECOGNITIONS

## **Bank of the Year 2021 Asia-Pacific**

"First and the only bank in Nepalese Banking history to receive the award"

## **Bank of the Year- Nepal 2017, 2018, 2020, 2021**

"Awarded by The Financial Times, London"

## **ISO 27001:2013 Certification**

"First ISO Certified bank in Nepal by TÜV Rheinland, Germany"

## **Green Deal of the Year 2021**

"Awarded by Asian Banking & Finance Magazine, Singapore"

## **#Truedigital Initiative 2021**

"Awarded by Infosys India"

## **Best Trade Partner 2018**

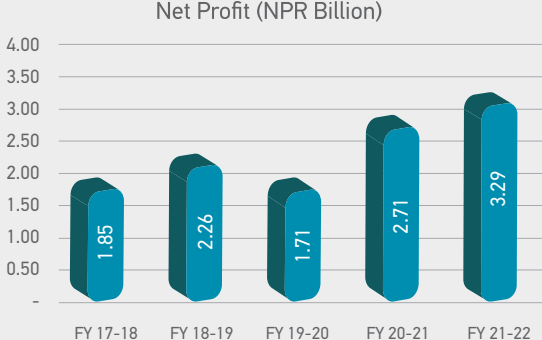
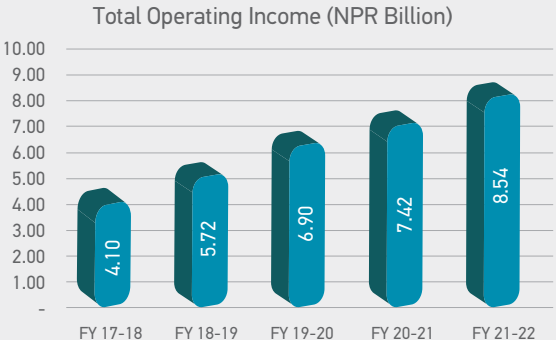
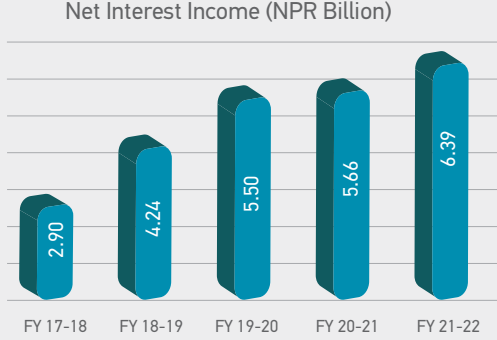
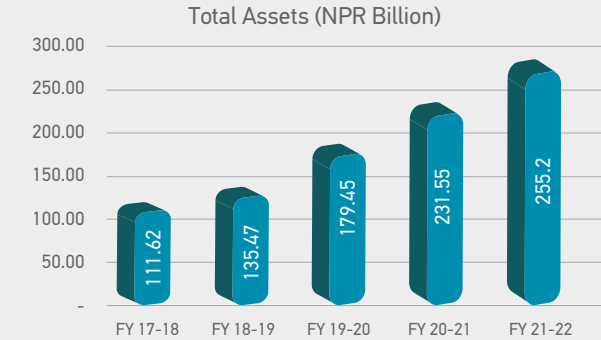
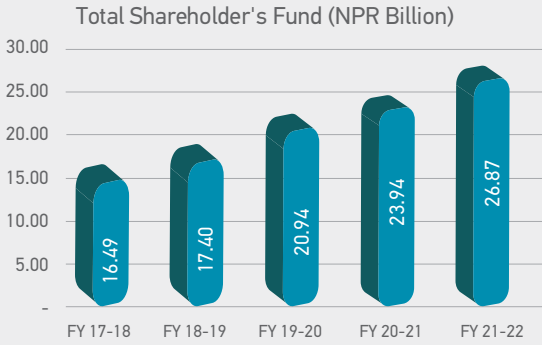
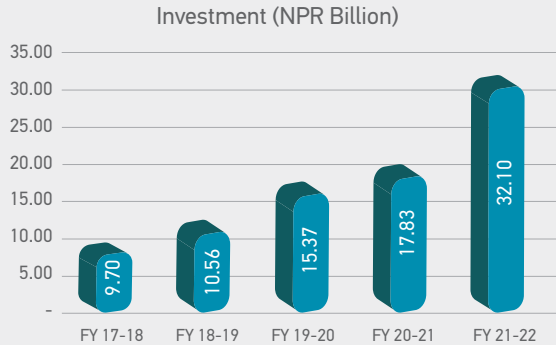
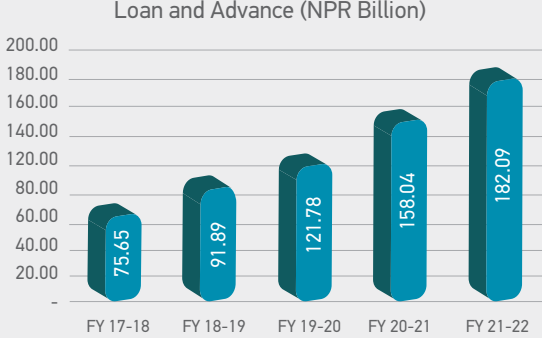
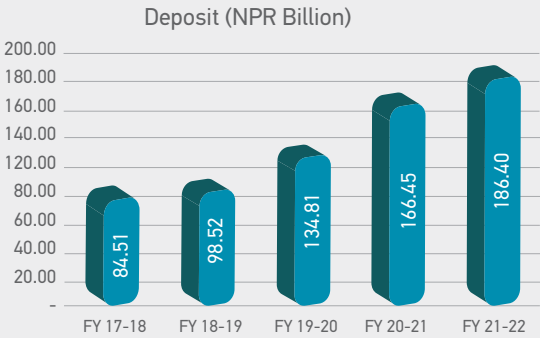
"Awarded by IFC"

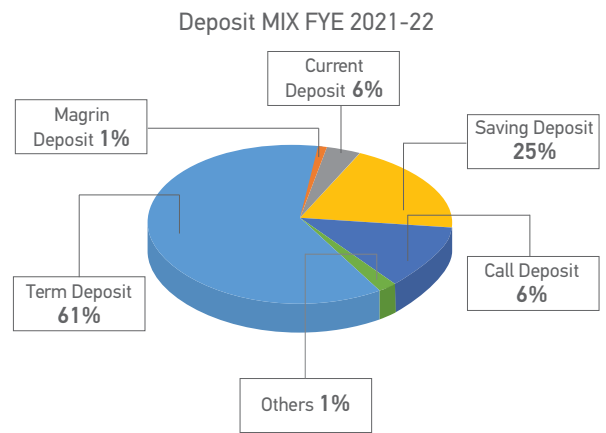
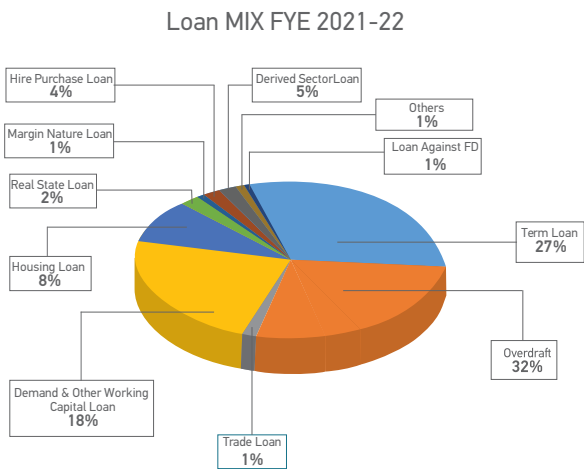
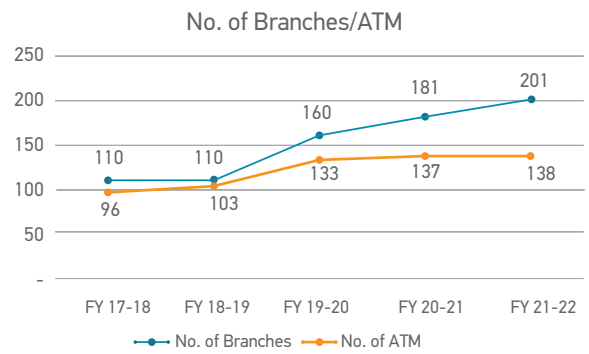
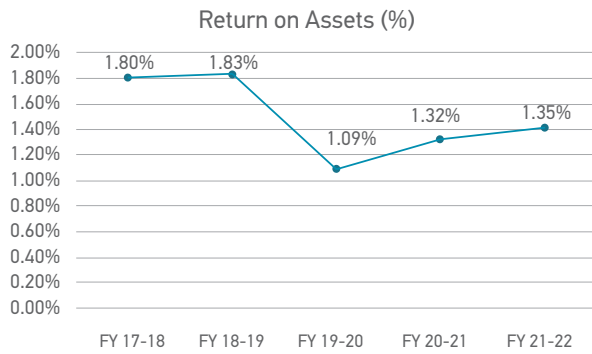
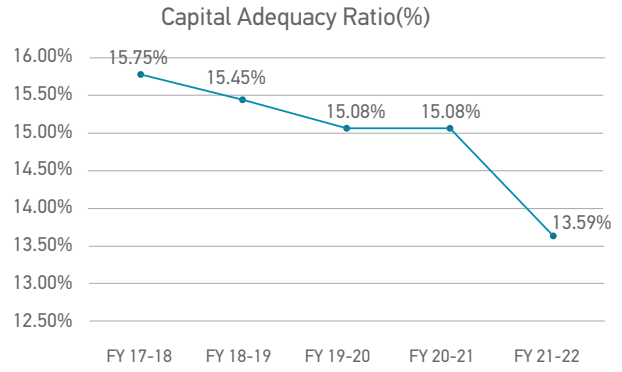
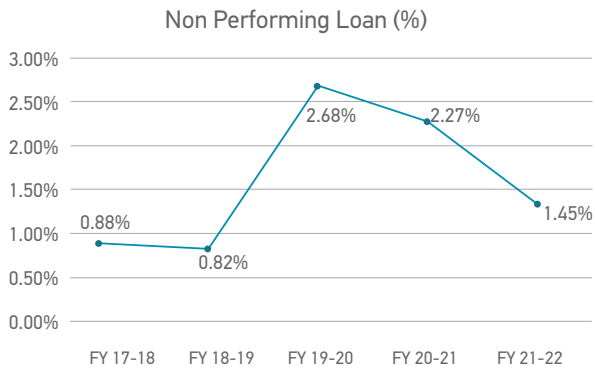
## **Best Presented Annual Report Awards and SAARC Anniversary Awards for Corporate Governance Disclosures, 2018**

"Awarded by South Asian Federation of Accountants (SAFA)"



# PERFORMANCE HIGHLIGHTS







**Pawan Kumar Golyan**  
Chairman

# CHAIRMAN'S STATEMENT

Respected Shareholders,

On behalf of the Board of Directors, I take this opportunity to express my sincere gratitude and warm welcome to all the esteemed shareholders, representatives from regulatory bodies, auditor, legal advisors, distinguished invitees, journalists, ladies and gentlemen to the 27<sup>th</sup> Annual General Meeting of NMB Bank Limited.

Established as Nepal Merchant Banking & Finance in the year 1996, the Bank upgraded to an "A" class commercial Bank on 2008 and has been providing various banking services to its customers throughout the country. Despite many ups and downs in the market, the Bank has been an integral part of Nepalese financial sector consistently delivering to its shareholders' expectations for past 27 years. I am honored to be present amongst the shareholders whose faith and support has enabled the Bank move towards continuous progress throughout its journey. I take this opportunity to assure everyone that through this cooperation and support of our shareholders and well-wishers, the Bank will continue its journey towards steady and sustainable progress in the future as well.

The Bank has highly prioritized the balanced growth in credit and deposit, expansion of credit investment in small and medium enterprises for economic development of local communities thereby supporting country's vision of "Prosperous Nepal" along with formulation of programs and policies that emphasizes the protection of environment in its credit investments. The Bank in line with its strategy of adopting sustainable banking practices has been increasing investment in businesses that seeks to reduce the greenhouse gas emissions thus reducing the environmental and social risks. The debts obtained from various foreign banks and financial institutions and the support from lender groups in supporting sustainable development are testament to the Bank's sustainable initiative. In order to meet the demand of investable fund, the Bank has given continuity to raise funds through issuance of domestic currency bonds, and obtaining foreign currency loans as per the requirements remaining in line with the prevailing directive issued by Nepal Rastra Bank.

NMB Bank is committed to provide easy and

simple banking solutions to the customers all over the country by expanding its digital services by implementing cutting-edge technologies while ensuring digital security and privacy of its customers' data. In order to deliver better customer experience, the Bank has established a separate Service Excellence unit. We shall continue to expand our social activities through various programs and support in order to contribute to the society and environment as part of our Corporate Social Responsibility. The Bank is committed to create a positive impact through successful implementation of its plans and strategies that will eventually support in building a strong and reliable bank.

The Directors of the Bank have placed a high importance to the Corporate Governance as it also serves as the basis for sound and effective financial system. The Board of Directors has been continuously supporting at the policy level by creating an open and independent environment to the executive management of the Bank for day to day business and decisions, thus further institutionalizing the corporate governance practices within the Bank.

The widened gap between the inflow of foreign currency created through exports of goods and services, remittance inflows, foreign investment/ foreign aid mobilization, and the outflow of foreign currency through import of goods and services witnessed in the fiscal year 2021/22 has created a stress in liquidity that could possibly affect the business expansion of banking sector during the current year as well. Although there has been some increase in the bad loans during the year under review, the Bank's management is capable of containing it in a respectable level.

Despite the mounting challenges to the economy, the Bank has managed to scale up its business and achieve good financial results. During the review year, the Bank's deposits increased to NPR 186.40 Billion, while loans and advances grew to NPR 182.09 Billion i.e. a growth of 11.98% in deposits and 15.21% in loans and advances as compared to previous fiscal year. As guided by Nepal Rastra Bank through its Unified Directive to sanction loan in focused sectors, the Bank has maintained loan exposure proportions

as: Energy-8.28%, Agriculture-12.43%, Tourism-3.06%, and Medium, Small and Micro Enterprises: 11.06%. In the review year, the Bank's net profit as compared to last year increased by 21.39% to NPR 3.29 Billion.

The agenda to distribute 8.25% cash dividend amounting NPR 1,515,253,241.64 (including tax provision) on existing paid-up capital of NPR 18,366,705,959.24 to the eligible shareholders from distributable profit of the fiscal year 2021/22 is placed for approval in the Annual General Meeting despite the challenges in the banking sector.

NMB Bank is committed to take its banking services to all walks of life for which it has been diversifying its business. The Bank has expanded its investment in industrial and agricultural sectors that contribute towards employment generation in the country to remain in line with the strategy of increasing credit investment in the productive sector. The Bank has been offering Women Entrepreneurship Loan with an objective of empowering women interested to operate own business and be self-reliant. Likewise, the Bank has also been providing various loan facilities targeted to youths returning from foreign employment as part of government's self-employment initiative and absorbing their skills for economic development of the country.

Finally, I would like to offer my gracious appreciation to the respected shareholders, regulatory bodies, media, and customers who always show deep interest in our activities and provide generous feedback for improvement, prosperity, and progress. Likewise, my heartfelt gratitude to the banks and financial institutions, supervising authorities, other associations, Board of Directors and staff of the Bank for their invaluable support and confidence.

Thank you.

**Pawan Kumar Golyan**  
Chairman

Date: 9 January, 2023

# BOARD COMMITTEE MEMBERS



**Pawan Kumar Golyan**  
Chairman  
(On Behalf of Promoter Shareholder)



**Nico Pijl**  
Director  
(On Behalf of FMO, Promoter Shareholder)



**Jeevan Kumar Katwal**  
Director  
(On Behalf of Employees Provident Fund,  
Promoter Shareholder)



**Yogendra Lal Pradhan**  
Director  
(On Behalf of Public Shareholder)



**Uttam Bhlon**  
Director  
(On Behalf of Public Shareholder)



**Sirish Kumar Murarka**  
Director  
(On Behalf of Public Shareholder)



**Bandana Pathak**  
Independent Director



**Pradeep Raj Pandey**  
Alternate Director to Nico Pijl



**Pramod Kumar Dahal**  
Company Secretary

# DIRECTOR'S REPORT

Respected Shareholders,

On behalf of the Board of Directors, I extend my warm welcome and greetings to all the shareholders, representatives of various regulatory authorities, auditor, legal advisors, supervising authorities, distinguished invitees, journalists, representatives of different institutions, and all other stakeholders for your honourable presence in the 27<sup>th</sup> Annual General meeting of NMB Bank Limited. We are grateful for your continuous support, cooperation, and trust for the past 27 years.

We trust that you have received the Annual Report of the Bank including Statement of Financial Positions, Statement of Comprehensive Income and Statement of Cash Flow for the FY 2021/22. I now, with the permission of this revered Annual General Meeting, would like to present the director's report pursuant to the Company Act, 2006, Clause 109 (4), comprising of the Bank's financial progress, summary of the country's economy, challenges faced by the banking industry, and the achievements of the Bank during the review period.

## 1. Key Financial Performance for the Fiscal Year 2021/22

### Deposit Collection

During the review year, the Bank's deposit grew by 11.98% from NPR 166.45 Billion to NPR 186.40 Billion in which the share of institutional deposit remained at 30.05%. Of the Bank's total deposit portfolio including foreign currency deposit during the review period, the composition of current deposits, fixed deposits, savings deposits, call deposits, and other deposits remained at 5.67%, 61.35%, 25.25%, 5.68%, and 2.05% respectively. The Bank has managed to mobilize institutional deposit within the threshold as prescribed by Nepal Rastra Bank.

### Loans and Advances

During the fiscal year 2021/22, the Bank grew its risk assets portfolio from NPR 158.04 Billion to NPR 182.09 Billion thereby managing a growth of 15.21% as compared to FY 2020/21. During the review period, the composition of loans disbursed by the Bank remained as following:

SN	Description	As on Mid-July 2022 (in Percentage)
1	Real Estate Loan	3.10%
2	Term Loan	26.53%
3	Overdraft Loan	12.63%
4	Trust Receipt/Import Loan	1.34%
5	Demand and Other Working Capital Loan	18.16%
6	Hire Purchase Loan	3.46%
7	Housing Loan	7.32%
8	Margin Lending	0.80%
9	Other Loan*	26.66%

(\*Other Loan includes Education, Credit Card, Small, Medium and Micro Loan as per NRB Directives)

As guided by Nepal Rastra Bank through its Unified Directive to sanction loan in focused sectors, the Bank has maintained loan exposure proportions as: Energy-8.28%, Agriculture-12.43% and Medium, Small and Micro Enterprises: 11.06%

### Investment

The Bank increased its investment by 80.06% from NPR 17.83 Billion to NPR 32.09 Billion during the review fiscal year 2021/22. Of total investment, the Bank invested NPR 1.41 Billion in organizations' shares (including investment in subsidiary companies), NPR 26.91 Billion in Nepal Government Bonds and Treasury Bills, NPR 3.13 Billion in the Agriculture Bond, and NPR 643.30 Million in Bonds of Foreign Banks.

### Operating Expenses

During the fiscal year 2021/22, Other Operating Expenses (including fee and commission expenses) reached NPR 1.59 Billion i.e. an increment of 26.44% from NPR 1.26 Billion in the previous fiscal year. The staff expenses (excluding bonus) during the review period increased by 21.90% from NPR 1.66 Billion to NPR 2.02 Billion. The increase in operating expenses however, remained within the pre-approved budget.

## Income

The Total Operating Income of the Bank increased by 15.15% i.e. from NPR 7.42 Billion to NPR 8.54 Billion in the review year. During the review period, the Bank registered NPR 3.29 Billion Net Profit achieving an increment of 21.39% against preceding fiscal year's Net Profit of NPR 2.71 Billion. The Bank during the review period witnessed an increase of 12.84% in the Net Interest Income whereby the Bank earned NPR 6.39 Billion as compared to NPR 5.66 Billion in the last fiscal year. Foreign Exchange Income decreased by 25.19% to NPR 340.5 Million.

## Capital Fund, Credit Deposit, Base Rate and Liquidity Ratio

The Bank maintained a sound Capital Fund during the review fiscal year, as a result of which the capital adequacy ratio remained at 13.59%; above the stipulated requirement of at least 11% by Nepal Rastra Bank. Likewise, the Credit to Deposit (CD) Ratio was efficiently managed and remained at 85.55%. Liquidity ratio also remained within the prescribed limit and stood at 27.99%. Base rate of the Bank at the end of review fiscal year was 9.40%.

## Non-Performing Asset (NPA)

During the review year, significant stress was observed in market liquidity and cash flow along with slowed down economic activity, and lingering impact of COVID19 to the economic sectors. Despite them posing a greater challenge to interest collection and recovery, the Bank managed to improve NPA from 2.27% in the FY 2020/21 to 1.45% at the end of review period. The Bank has been focusing on debt recovery efforts and credit risk management, thus expects to reduce the NPA in future as well.

## Debentures

The details of the debentures issued by the Bank as of review period is per the following:

Particulars	Issued Date	Maturity Date	Interest Rate	Value (NPR in Million)
NMB Energy Bond II 2037	24 May 2022	25 May 2037	4.00%	2,727
NMB Energy Bond I 2036	3 June 2021	3 June 2036	4.00%	1,500
NMB Debenture 2031	25 May 2021	26 May 2031	8.50%	2,000
NMB Debenture 2029	12 April 2019	12 April 2029	10.00%	1,685

The Bank's key financial performance during the review period: (figures in thousand)

SN	Particulars	Fiscal Year 2021/22	Fiscal Year 2020/21	Incremental Volume	Percentage change (%)
1	Total Deposit	186,399,543	166,453,802	19,945,741	11.98
2	Total Loans and Advances	182,090,295	158,043,919	24,046,376	15.21
3	Total Investment (Including Subsidiaries)	32,097,334	17,826,051	14,271,283	80.06
4	Paid Up Capital	18,366,706	16,325,961	2,040,745	12.50
5	Capital Adequacy Ratio (%)	13.59	15.08	-	(9.88)

SN	Particulars	Fiscal Year 2021/22	Fiscal Year 2020/21	Incremental Volume	Percentage change (%)
1	Net Interest Income	6,387,540	5,660,659	726,881	12.84
2	Commission and Discount and Other Operating Income	2,096,239	1,529,616	566,623	37.04
3	Foreign Exchange Income	340,508	455,135	(114,627)	(25.19)
4	Gross Operating Income	8,539,945	7,416,358	1,123,586	15.15
5	Gross Operating Expenses (including staff expenses)	3,621,215	2,923,748	697,467	23.86
6	Operating Profit	4,659,387	3,821,017	838,370	21.94
7	Net Profit	3,291,094	2,711,074	580,020	21.39

## Bank's Branch Network

The Bank has been providing banking facilities and services to its customers through 201 branches, 11 extension counters and 138 ATMs across the country. The number of branches located in each province are as follows:

Province 1	30 branches
Madhesh Province:	27 branches
Bagmati Province:	51 branches
Gandaki Province:	38 branches
Lumbini Province:	32 branches
Karnali Province:	03 branches
Sudur Paschim Province:	20 branches

In order to provide banking facilities at the doorstep of the people living in remote areas of the country, the Bank has been providing branchless banking services in various places of Rasuwa, Dolakha, Udaypur, Jhapa, Ramechhap, Morang, Kapilvastu, Sunsari, Saptari, Nawalpur, Bhaktapur, Kaski, and Ilam districts. The Bank has been providing both deposit and lending services as per the requirements of the customers in those places. The Bank intends to expand its branchless banking facilities in other remote areas in future as well.

## Representative Office Outside Nepal and its Progress

The Representative office established at Lebuah Pasarbesar in Kuala Lumpur, Malaysia has been assisting as a point of contact for expansion of trade and remittance business. With this establishment, the Representative office has helped to foster the growth of trade business between two countries and communicate the information on Nepalese economy and available financial services to Nepalese people in Malaysia. This office has been playing pivotal role to connect and garner the relationships with the Malaysian corporates and business houses, and enhance trade businesses with other foreign establishments.

## 2. Impact of Domestic and World Economic Outlook On Bank's Performance

The economic activities around the world has been largely affected by the ongoing Russia-Ukraine war due to which the world economy is likely to contract as the International Monetary Fund (IMF) projects the world economy to grow by 3.6 percent in 2022 as compared to an expansion by 6.1 percent in 2021. There has been a significant hike in the prices of petroleum products and food items due to increase in dollar cost. Global trade volume and capital flows have also been largely affected. Thus, it has created additional inflationary pressures and challenges to the global economy while it still has been recovering from the economic aftershocks of COVID-19 pandemic. In order to curb the rising inflation, Central banks of many countries are gradually removing relief programs and regulatory exemptions adopted to support COVID impact sectors, and are also tightening monetary policy direction to address growing imbalance in the economy.

The pressure on price and external sector stability as well as the contraction in the supply of loanable fund have created a challenge for Nepal in its path to economic recovery from the pandemic including achieving high economic growth. Although, the average inflation has remained within the target in FY 2021/22, the inflation in recent times has increased due to surge in the price of fuel and food items, rising global inflation including in neighboring countries, the disruption in the supply chain, and the depreciation of Nepalese Rupee against the U.S. Dollar. The total merchandise imports of the country are estimated to have reached about 40 percent of the gross domestic product in 2021/22 which is largely contributed by weak domestic production capacity, and rising consumption trend. In addition to the merchandise account, the service account deficit has also been increasing. The current account deficit is expected to reach about 13 percent of GDP. Thus, there has been a widening gap between the foreign currency inflow through exports, remittances, foreign investment/foreign aid, and the foreign currency outflow through the imports of goods and services.

*(Source: Monetary Policy for 2022/23, NRB)*

The widened gap between the inbound foreign currency created through exports of goods and services, remittance inflows, foreign investment, and foreign aid mobilization, and the outbound foreign currency through import of goods and services has created a stress in liquidity that could possibly affect the business expansion of banking sector during the current fiscal year as well.

### 3. The Board of Directors' Opinion on the Achievements of Current Fiscal Year and Future Plans

Following are the main financial highlights of the Bank as on Mid October 2022 for the running fiscal year 2022/23:

SN	Particulars	NPR (in Thousand)
1	Total Deposit	182,201,097
2	Total Loans and Advances	186,096,744
3	Total Investment (Including Subsidiaries)	29,706,081
4	Net Interest Income	2,054,280
5	Commission, Discount and other Operating Income	639,924
6	Foreign Exchange Income	82,084
7	Total Operating Income	2,708,416
8	Total Operating Expenses (including staff expenses)	854,662
9	Operating Profit	1,291,935
10	Net Profit	904,134
11	Paid Up Capital	18,366,706
12	Reserves and Funds	9,476,770
13	Capital Adequacy Ratio	13.61%

#### Future Plans

- The Bank true to its slogan of "For Prosperous Nepal", shall continue to focus on sustainable banking initiatives and increase its investment in sustainable sectors.
- The Bank intends to expand its business in priority areas while always considering the environmental and social risks. In addition, it will also align its operations and businesses to reduce greenhouse gas emissions and move towards carbon-neutrality.
- The Bank has placed top priority to the effective expansion of customer-friendly digital banking services.
- The service standard shall be raised to provide a greater customer experience for which the Bank has already created a separate Service Excellence unit.
- Strategies have been adopted to increase the size of energy agriculture, and medium, small and micro enterprises loan portfolio while continuing to improve the quality of credit.
- A balanced deposit and credit growth shall be prioritized.
- The process of obtaining additional foreign currency borrowings from foreign banks and financial institutions, and issuing bonds as per the Directives issued by Nepal Rastra Bank has been ongoing for the effective management of funding sources.
- The existing programs conducted under the corporate social responsibility of the Bank shall be continued.

The performance of the Bank in the running fiscal year considering current overall market situation seems to be in a positive direction. The Bank is always determined to devise and implement futuristic strategies and plans for strengthening and building capability in all fronts.

#### 4. Industrial and Professional Relations

On the foundation of transparency and professionalism, the Bank has developed an amiable and professional relationships with all its stakeholders. The Bank firmly believes that such relationships will be pivotal for its sustainable future growth and success.

#### 5. Changes in the Board of Directors

The 443<sup>rd</sup> Board Committee meeting held on 14 December 2022 appointed Ms. Bandana Pathak to the post of Independent Director of the Bank that had been vacant after former Independent Director Mr. Pradeep Raj Pandey ended his four-year tenure on 30 October 2021. Mr. Pradeep Raj Pandey has been appointed as Alternate Director to Nico Pijl on 13 June 2022.

## 6. Significant Issues Affecting Business

The major risks and challenges that holds the potential to significantly impact the bank in future are detailed as below:

- Risk of liquidity pressure due to the difference between the foreign currency inflowing to the country through export of goods and services, inward remittance, foreign investment/foreign aid mobilization, and the foreign currency outflowing from the country with the import of goods and services.
- Impact on the income and profitability of the Bank due to contraction observed in the investment sector amid current international conflicts, increasing energy prices, and decreasing demand.
- Risks inherent in the credit investments and non-fund based services provided by the Bank.
- Challenges in interest rates management of both deposits and loans due to volatility in liquidity situation.
- Possible risks due to fluctuations in exchange rate during foreign currency transactions particularly the increase of U.S. Dollar rate observed in the review fiscal year.
- The risks arising from other external reasons that has impact on imports.
- Possible risks resulting from changes in economic, monetary and fiscal policies of the nation.
- Risks resulting from the sluggishness of the international economic and financial sectors that could have a ripple effect on the Nepalese market.
- A lack of proper database and advance technology in the country to prevent money laundering.

## 7. Significant Observation in the Audit Report and Subsequent Response from the Board

Apart from general remarks, there is no observation mentioned in the Audit Report that could significantly affect the Bank's business.

## 8. Recommended Amount for Dividend Payment

With the approval of Nepal Rastra Bank, the Bank has proposed the agenda in the Annual General Meeting with recommendation for distributing 8.25 percent Cash Dividend (including Tax) amounting NPR 1,515,253,241.64 on the existing Paid Up Capital of NPR 18,366,705,959.24 of the Bank to be distributed from the amount eligible for dividend distribution in the fiscal year 2021/22 to all the shareholders maintained on the date of book closure.

## 9. Details of Shares Forfeited by the Bank

No shares were forfeited during the review year.

## 10. Performance of the Company and its Subsidiaries, and Review of the Existing Status

The performance progress of the Bank is mentioned in the first section whereas the performance of its subsidiaries- namely NMB Capital and NMB Micro Finance are mentioned in section 25(a) of the Director's report

## 11. Major Changes made by the Company and its Subsidiaries Resulting to Significant Changes in the Company's Business

NMB Capital Ltd., a 100 percent subsidiary of NMB has been acting as Share Registrar of the Bank; for the service of which the subsidiary company was paid NPR 1 Million in the review period. At the end of the review year, the bank account of NMB Capital Ltd. maintained at this bank had deposits of NPR 283 Million. NMB Capital was paid NPR 5.55 Million as interest on deposits by the Bank in the FY 2021/22.

The Bank received NPR 2.63 Million as building rent from NMB Capital as per the agreement.

An employee of the Bank has been deputed as the Deputy Chief Executive Officer of the subsidiary NMB Laghubitta Bittiya Sanstha Limited in the running fiscal year effective from 9 October 2022.

The deposit, loans and investments of the Bank in its subsidiary companies NMB Capital Ltd. and NMB Laghubitta Bittiya Sanstha Limited as on Mid-July 2022 are summarized as below:

S.N.	Description	NMB Capital Ltd. (NPR in thousands)	NMB Laghubitta (NPR in thousands)
1	Investment	200,000	172,488
2	Call, Current, and Fixed Deposit	283,003	4,563
3	Loans & Advances	-	1,256,218
4	Interest Expenses on Deposit	5,551	-
5	Loan Interest Income	-	73,870
6	Office Rental by NMB Capital Ltd.	2,629	-
7	Payment against Share Registrar Works of NMB Bank	1,000	-
8	Debenture Trustee Fee Payment to NMB Capital	300	-
9	Dividend Payment Fee to NMB Capital	2,022	-
10	NMB Hybrid Fund L-1 Dividend Payment to NMB Bank	30,524	-
11	NMB-50 Dividend Payment to NMB Bank	53,105	-
12	NMB Capital Ltd. Dividend Payment to NMB Bank	60,000	-

## 12. Information provided by the Basic Shareholders to the Bank

During the review period, no information was received other than the regular information to be provided as per the prevailing law.

## 13. Details of Share Ownership of the Directors and Officials and the Information Received by the Company in relation to their share transactions during the review period

In the review fiscal year, none of the directors and officials have been involved in the company's stock trading. The details of their share ownership are listed below:

S.N.	Name	Designation	Share Ownership
1.	Mr. Pawan Kumar Golyan	Chairman	1,696,732
2.	Mr. Nico Klass Gerardus Pijl (representative from FMO, Netherlands)	Director	-
3.	Mr. Jeevan Kumar Katwal (representative from Employees Provident Fund)	Director	1,535
4.	Mr. Yogendra Lal Pradhan	Director	1,674,101
5.	Mr. Uttam Bhlon	Director	221,971
6.	Mr. Sirish Kumar Murarka	Director	41,145
7.	Mr. Pradeep Raj Pandey	Alternate Director	-
8.	Mr. Sunil K.C.	Chief Executive Officer	6,595
9.	Mr. Sudesh Upadhyaya	Deputy Chief Executive Officer	5,837
10.	Mr. Govind Ghimire	Deputy Chief Executive Officer	-
11.	Mr. Pradeep Pradhan	Chief Audit Executive	34,096
12.	Mr. Navin Manandhar	Chief Finance Officer	-
13.	Mr. Pramod Kumar Dahal	Chief Operating Officer & Company Secretary	406
14.	Mr. Shreejesh Ghimire	Chief Investment Officer	1,715
15.	Mr. Roshan Regmi	Chief Officer Retail Banking	-

**NOTE:** Ms. Shabnam Limbu Joshi (Chief Support Officer) and Mr. Sharad Tegi Tuladhar (Chief Risk Officer) retired from their position on 9th April 2022 and 5th May 2022 respectively. Both officials did not have any share ownership of the Bank during their tenure.

## 14. Information on the Directors Relatives' Involvement in the Bank's Contracts

Disclosure not required as there was no such agreement.

## **15. Details of Own Shares Purchased by the Bank**

None.

## **16. Internal Control System**

With utmost priority from the Board of Directors to safeguard the interest of the creditors, the internal control system of the Bank and its functioning have been made more effective to ensure sound and safe operation by formulating necessary rules, policies and procedures for inherent and potential risk management. Abiding by the prevailing law and directive issued by Nepal Rastra Bank, four committees viz. Audit Committee, Risk Management Committee, Assets Laundering Prevention Committee, and Human Resources Service Committee have been formulated by the Board of Directors. These committees discuss various risks in detail and updates the same to the Board of Directors. For effective risk management and prevention, various activities are being carried out at the management level of the Bank by its Executive Management Committee, Credit Risk Management Committee, Assets Liability Committee, Human Resources Recruitment Committee, Information Technology Committee, and Corporate Governance Committee.

In addition, the Risk Management Department of the Bank, independently undertakes the task of effectively controlling and managing the risk along with the periodic review of the actions taken in the area of risk control. The department has significantly contributed to maintain the institutional governance at the Bank through meticulous monitoring of the activities to ensure full compliance of the prevailing law and directives issued by Nepal Rastra Bank.

Effective internal controls are the foundation of safe and sound banking therefore NMB Bank Ltd. has designed and enforced system of operational and financial internal control that safeguards bank's resources, produce reliable financial reports and comply with rules and regulations of the country. Effective internal control also reduces errors/irregularities with timely reviews and mitigations. The business strategies and the important policies as approved by the Board of Directors have been adopted by the senior management for risk management activities. The Bank has also been strengthening its internal control system by providing various types of trainings to its employees to effectively manage risks.

### **Risk Management**

For agile performance through proper risk management, the Bank has prepared and implemented a robust risk management framework for identification, measurement, monitoring, management, control and reporting of the potential risks that the organization may have to face. The Board of Directors also annually reviews the approved and implemented Risk Management Framework to deal with underlying material risks of special importance to the Bank.

The Board of Directors has also been identifying the risk appetite for the Bank and the extent to which it wants to bear the risk to determine the overall risk strategy. The Board has effectively managed the risks by categorizing them into assets risk, operational risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, and other risks. In addition to the management level committee, following committees have also been constituted at the Board level for risk management and effective internal control system of the Bank.

### **Committees formed at the level of Board of Directors**

#### **Audit Committee**

Details related to it are mentioned in section 18 of this Director's report

#### **Risk Management Committee**

A risk management committee under the coordination of a Non-Executive Director have been set up at the Bank. The coordinator of the Audit Committee has been appointed as a member of the Risk Management Committee where Head of Compliance Department and Chief Operating Officer are the members and Head of Risk Management Department is the Principal Member Secretary. The committee regularly assemble for the meeting to discuss on the risks identified by the management level risk committee, the immediate implications on the Bank's strategy including capital fund, liquidity position, credit to deposit ratio, risk appetite, etc. due to major changes in the directives issued by Nepal Rastra Bank and the changes in monetary policy. In each quarter, any potential risk in relation to the stress testing is discussed and the information is submitted to the Board of Directors for review. In the review year, the Risk Management Committee held 8 meetings accounting total expenditure of NPR 208,000.

### **Human Resources (HR) Service Committee**

Under the coordination of one Non-Executive Director, HR Service Committee has been constituted consisting of another Non-Executive Director as member. The position of a Non-Executive Director is vacant at present. The committee also consists of the Chief Executive Officer, and the Chief Finance Officer as members, and Chief Human Resources Officer as the Member Secretary. Bylaws on the service provision of the employees, policies related to the employees and succession planning, employees' salary allowance and organizational structure are discussed in this committee. In the review year, the HR Service Committee held 4 meetings accounting total expenditure of NPR 32,000.

### **Assets Laundering Prevention Committee**

Assets Laundering Prevention Committee has been constituted with a Non-Executive Director as Coordinator, Head of Compliance Department and Chief Risk Officer as members and Manager AML as Member Secretary. The Committee has made special efforts to oversee and control the risks by ensuring that laws pertaining to money laundering and prevailing directive issued by Nepal Rastra Bank are fully complied. In the review year, the Assets Laundering Prevention Committee held 5 meetings accounting total expenditure of NPR 80,000.

### **17. Details of Total Management Expenditure of the last Fiscal Year**

During the review period, the staff expenses and office operating expenses amounted NPR 3.62 Billion.

### **18. List of Audit Committee Members, their Remuneration, Allowances and Facilities, Details of the Work done by the Committee and the Details of any Suggestions made by the Committee**

Under the coordination of one Non-Executive Director, Audit Committee has been constituted with an additional Non-Executive Director as member and Head of Internal Audit Department as Principal Member Secretary as per the direction of Nepal Rastra Bank. Following are the Audit Committee members:

Mr. Jeevan Kumar Katwal (Director)	-	Coordinator
Mr. Sirish Kumar Murarka (Director)	-	Member
Mr. Pradeep Pradhan (Chief Audit Executive)	-	Member Secretary

The Audit Committee has been performing its functions complying with the instructions by Nepal Rastra Bank. Each report received from the auditor is discussed and reviewed in the Audit Committee with necessary instructions for improvement. The Audit Committee discusses and reviews each report received by the Auditor to identify all the risk areas and ensures that the risks are addressed before a periodic submission of the report to the Board of Directors. The Board is regularly receiving suggestions from the Audit Committee. During the review year, the Audit Committee held 5 meetings to which its members excluding Member Secretary were remunerated incurring the total expenditure of NPR 160,000.

All the members of the Committee formed at the level of Board of Directors were remunerated NPR 16,000 allowance per meeting except the Member Secretary.

### **19. Details of any Payments yet to be made to the Directors, Chairman, Chief Executive Officer, Basic Shareholders or their Close Relatives or their Associated Companies**

None

### **20. Details of Remuneration to the Directors, Chief Executive Officer and Senior Management Staff**

Detailed in section 37 of additional disclosures of this report.

### **21. Information of Undeclared Dividend by the Shareholders**

Upto 16 July 2022, NPR 215,865,522 remains unclaimed by the shareholders of which NPR 2,735,301 is with the Bank and remaining NPR 213,130,221 is with the share registrar NMB Capital Ltd. The uncollected dividends of the shareholders before FY 2012/13 have been deposited in the Investor Protection Fund. The Bank publishes a notice in the newspaper to collect the dividends each year and updates the same in the Bank's website as well.

### **22. Details of Fixed Assets Purchased/Sold Pursuant to Clause 141 of the Company Act 2006**

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

### **23. Details of the Transactions with Related Companies Pursuant to Clause 175 of Company Act 2006**

Detailed in section 11 of this report.

## 24. Any other information to be Disclosed in the Director's Report as per Company Act 2006 and Prevailing Law

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

## 25. Other Essential Information

### (A) Subsidiary Companies and its Progress

#### NMB Capital Ltd.

NMB Capital Ltd.; established with a capital investment of NPR 200 Million is a wholly owned subsidiary company of the Bank. Licensed by Securities Board of Nepal (SEBON), NMB Capital has been managing the process of issuing primary shares, further public offerings, and right shares of various companies along with other investment plans and portfolio management targeted towards general public as well as institutional clients adhering to the prevailing policies and rules issued by concerned authorities. In the fiscal year 2021/22, the net profit of the company stood at NPR 104.6 million.

The company during the review period, registered a closed-end mutual fund scheme viz. NMB Sulav Investment Fund-2 at SEBON. In addition, it completed the issuance of one debenture, four primary shares, one right-share, three auctions. The company in the review year worked as the Fund Manager and Depository for 'NMB Hybrid Fund L-1', 'NMB Saral Bachat Fund-E', and 'NMB-50' issued by NMB Bank Ltd. The company has submitted a plan to the SEBON for moving ahead towards the public issuance of eight primary shares by the end of the running fiscal year. The company has been providing share registrar services to 18 companies at the end of the review year.

#### NMB Capital Limited Balance Sheet

	16 July 2022 (NPR)	15 July 2021 (NPR)
<b>Assets</b>		
Cash and Cash Equivalents	572,347,009.97	511,355,658.83
Investment Securities measured at Fair Value through P/L	25,228,530.90	17,460.00
Investment in Equity measured at Fair Value through OCI	52,105,000.00	48,457,500.00
Investment Securities measured at Amortized Cost	230,000,000.00	252,912,636.42
Other Financial Assets	138,018,924.32	36,012,035.44
Other Assets	-	-
Property & Equipment	18,680,066.88	7,862,504.40
Intangible Assets	1,413,848.87	1,922,648.39
Current Tax Assets	4,728,537.86	1,251,461.66
Deferred Tax Assets	8,313,988.34	3,188,000.84
<b>Total Assets</b>	<b>1,050,835,907.14</b>	<b>862,979,905.98</b>
<b>Liabilities</b>		
Dues to Public	538,960,663.40	396,401,354.50
Other Financial Liabilities	39,821,399.98	41,680,507.89
Other Liabilities	25,959,930.59	23,461,873.23
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
Other Provisions	14,630,432.24	8,528,001.22
<b>Total Liabilities</b>	<b>619,372,426.21</b>	<b>470,071,736.84</b>
<b>Equity</b>		
Share Capital	200,000,000.00	200,000,000.00
Retained Earnings	192,821,823.18	161,429,367.89
Other Reserves	38,641,657.75	31,478,801.25
Total Equity	431,463,480.93	392,908,169.14
<b>Total Liabilities and Equity</b>	<b>1,050,835,907.14</b>	<b>862,979,905.98</b>

NMB Capital Limited  
**Statement of Profit and Loss**

	16 July 2022 (NPR)	15 July 2021 (NPR)
<b>Income</b>		
Income from Merchant Banking Activities	104,947,639.84	116,149,214.39
Income from Mutual Fund operations	65,938,330.10	54,412,750.00
Interest Income	-	783,421.05
Other Income	80,078,695.87	67,371,743.58
Net gain/(loss) on financial investments Held for Trading	(673,565.42)	7,560.00
<b>Total Income</b>	<b>250,291,100.39</b>	<b>238,724,689.02</b>
<b>Expense</b>		
Personnel Expense	47,938,554.72	42,414,657.88
Interest Expense	-	-
Depreciation on Property and Equipment	4,825,659.30	4,021,428.34
Amortization of Intangible Assets	508,799.52	479,286.01
Other Operating Expenses	51,594,861.78	39,250,817.40
<b>Total Expenses</b>	<b>104,867,875.32</b>	<b>86,166,189.63</b>
Profit Before Tax from Continuing Operations	145,423,225.07	152,558,499.39
Income Tax Expenses	43,626,967.52	45,928,826.82
Deferred Tax Expenses/(Income)	2,872,629.57	1,020,292.73
<b>Profit For the Year</b>	<b>104,668,887.12</b>	<b>107,649,965.30</b>

## NMB Laghubitta Bittiya Sanstha Limited

NMB Laghubitta Bittiya Sanstha Limited is a subsidiary microfinance company of NMB Bank. It has a paid-up capital of NPR 655.86 Million of which NMB Bank, other individual promoters, and general public have share ownerships of 51%, 19%, and 30% respectively. The head office of the company is in Pokhara Metropolitan City Ward No 25, Milanchowk, Hemja, Kaski. It has 136 branches spread in 62 hilly districts of the country. The company as on Mid-July 2022 has NPR 5.75 Billion risk assets exposure and NPR 1.97 Billion deposit portfolio.

Based upon the audited financial statements submitted to NRB for approval, following are the company's balance sheet, and profit and loss statement:

### NMB Laghubitta Bittiya Sanstha Limited Balance Sheet

	16 July 2022 (NPR)	15 July 2021 (NPR)
<b>Capital &amp; Liabilities</b>		
1. Share Capital	655,862,862	655,862,862
2. Reserve and Funds	377,132,667	242,159,508
3. Debentures and Bonds	-	-
4. Borrowings	3,003,833,444	2,795,616,200
5. Deposits	1,971,585,751	1,673,811,820
6. Proposed Dividend	-	6,108,318
7. Income Tax Liabilities	5,936,338	-
8. Other Liabilities	83,158,287	79,150,921
<b>Total Liabilities</b>	<b>6,097,509,349</b>	<b>5,452,709,629</b>
1. Cash Balance	7,929,672	3,218,520
2. Balance with Nepal Rastra Bank	27,000,000	30,000,000
3. Balance with Banks/Financial Institutions	25,661,479	225,937,032
4. Money at Call and Short Notice	222,680,225	121,402,539
5. Investments	2,000,000	2,000,000
6. Loans, Advances and Bills Purchased	5,753,581,239	5,021,513,056
7. Fixed Assets	37,597,038	27,203,307
8. Non-Banking Assets	-	-
9. Other Assets	21,059,697	21,435,175
<b>Total Assets</b>	<b>6,097,509,349</b>	<b>5,452,709,629</b>

**Statement of Profit and Loss**

<b>Particulars</b>	<b>16 July 2022 (NPR)</b>	<b>15 July 2021 (NPR)</b>
Interest Income	829,061,702	719,527,697
Interest Expenses	387,656,538	249,078,643
<b>Net Interest Income</b>	<b>441,405,165</b>	<b>470,449,054</b>
Commission ,Discount and other operating income	88,138,955	111,229,656
Exchange Fluctuation Income	-	-
<b>Total Operating Income</b>	<b>529,544,119</b>	<b>581,678,710</b>
Staff Expenses	196,766,809	162,373,320
Other Operating Expenses	111,782,602	79,888,872
Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	220,994,708	339,416,588
Provision for Possible Losses	162,094,331	626,510,277
<b>Operating Profit</b>	<b>58,900,377</b>	<b>(287,093,689)</b>
Non-operating Income/Loss	(195,927)	1,292,951
Loss Provision Written-Back	150,807,299	598,693,713
Profit from Regular Operations	209,511,749	312,892,973
Profit/Loss from extra-ordinary activities	-	-
Net Profit after considering all activities	209,511,749	312,892,973
Staff Bonus Provision	20,951,175	31,289,297
Provision for Income Tax Provision	55,618,903	83,990,637
Current Year's Tax Provision	56,568,172	84,881,347
Previous Year's Tax Provision	-	-
Current Year Deferred Tax (Income)/ Expenses	(949,269)	(890,711)
<b>Net Profit/Loss</b>	<b>132,941,671</b>	<b>197,613,039</b>

**NMB Securities Ltd.**

NMB Securities Ltd.; established with a paid-up capital of NPR 200 Million is a wholly owned subsidiary company of the Bank. Although this subsidiary company was registered in the year under review, the company requested the capital as committed by the Bank in the running fiscal year and fulfilled its capital requirement. The company has submitted an application to the Security Board seeking permission to operate as a limited stock broker.

**(B) Corporate Social Responsibility**

A Corporate Social Responsibility (CSR) Committee has been constituted in the Bank with the Chief Executive Officer as the coordinator. During the year under review, the Bank as part of its CSR organized a tree plantation program on the occasion of World Environment Day and also made arrangements for a proper care of the plants along with the security of the plantation site.

The Bank to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all as chartered under United Nation's Sustainable Development Goal #4 carried out various activities in different provinces as outlined under during the review year:

- Financial support towards the construction of Saraswati Primary School in Karnali Province
- Distribution of uniforms and school bags to needy students studying in various government schools

- Installation of water purification equipment for access to clean drinking water in schools
- Distribution of dustbins for ensuring sanitation and hygiene in government schools
- Support to Adarsh Library run by Rotary Club in Province 1 to develop e-library for facilitating students to access the resources from remote places

The Bank during the review year under CSR also provided financial assistance to construct eight portable toilets in Pathibhara Temple area considering a need of proper sanitation in one of the holy sites being visited by thousands of pilgrims throughout the year. The Bank conducted health camps at different locations throughout the country with an objective to aware people on physical and mental health issues, and also distributed sports materials including table tennis boards in various provinces.

The Bank being a member of Global Alliance for Banking on Values conducted various targeted activities to encourage communities and groups towards sustainable development. Different branches of the Bank have carried out financial literacy programs throughout the year and have provided assistance to those affected by natural disasters in various locations.

The Bank during the review year contributed NPR 25.37 Million under corporate social responsibility.

### **(C) Human Resources**

The Bank considering the needs of committed and productive staff for the successful implementation of future plans and its overall growth has paid special attention to the development and management of its employees. The Bank believes that empowered employees are the source of happy customers and has made considerable investment in its staff capacity development and effective management through various internal and external training programs. During the review period, most of the employees received internal training while 85 employees received external training and 7 employees participated in trainings and seminars outside the country.

In the review year, the number of committed employees increased to 1,961 of which 773 are female and 1,188 are male employees. At present, there are 30 employees completing more than 15 years of service period, 270 employees with more than 10 years of service, and 524 employees having worked for more than 5 years in the Bank.

### **(D) Arrangements for Grievance Handling**

Mr. Sudesh Upadhyaya, Deputy Chief Executive Officer who is also a member of the Bank's Executive Management team has been appointed as Grievance Handling Officer for hearing grievances of customers and the general public. Also, an online portal have been developed on the Bank's website for grievance handling. In the review year, the Bank received 1,037 complaints and grievances through its branch offices, head office, hotline, and call-centre. All the grievances other than those related to loan recovery that follows legal procedures have been resolved in time.

### **(E) Corporate Governance**

Effective governance is imperative to the development of banking sector as well as the economy as a whole. For years, banks have been prudently managing the deposits accepted from customers and redirecting the same to the economy through loans to entities, thus facilitating to advance the economic growth. The Bank believes that the financial stability and business operations are central to sound economic health. Thus, the Bank has placed a high importance on the good governance as it if not prioritized could peril both the banking sector and overall economy. NMB has constituted four board level committees for effective corporate governance viz. Audit Committee, Risk Management Committee, Human Resources Service Committee, and Asset Laundering Prevention Committee. Apart from these committees, there is also a separate Corporate Governance Committee formed at the management level with the Chief Executive Officer as the coordinator that is responsible to implement an effective corporate governance within the Bank.

Details regarding the steps taken by the management to enhance Corporate Governance:

- The policies adopted by the Board of Directors have been implemented.
- Various committees formed at the management level (such as Assets and Liability Committee, Human Resources Recruitment Committee, Credit Risk Management Committee, Corporate Governance Committee) are active.
- In order to organize internal control mechanism, the Audit Committee has been meeting regularly to review and implement the suggestions given by the internal auditors in the regular audit report.
- The Risk Management Committee has been meeting regularly to discuss the issues such as stress testing,

adequacy of policies and rules, operational risk, etc. and following the instructions received for management.

- Discussions are being held from time to time by the Assets Laundering Prevention Committee emphasizing on customer identification process and issues related to this area.
- Various internal policies, rules and guidelines have been formulated and implemented to manage banking transactions and minimize operational risks.
- Full compliance of the directives and guidelines on good governance issued by the regulator bodies including Nepal Rastra Bank, Securities Board, and Company Registrar's Office.
- In order to maintain good governance within the Bank, a Corporate Governance Committee has been constituted and the decisions of the governance issues discussed in the meeting have been implemented. The Chief Executive officer has been given the responsibility for maintaining Corporate Governance in the Bank.

## **(F) Recognitions**

**Bank of the Year 2021 Asia-Pacific:** The Bank in the review fiscal year was conferred with the "Bank of the Year 2021 Asia-Pacific" and "Bank of the Year 2021-Nepal" awards by the Financial Times, London. The Bank in last five years has been honoured four times with "Bank of the Year" award for Nepal and the first time as "Bank of the Year Asia-Pacific". It is also the first and the only time in the history of Nepalese banking industry that a Nepalese bank has received such an internationally acclaimed award in Asia-Pacific region.

## **(G) Board of Directors Meeting and Conduct**

The meeting of Board of Directors has been held regularly as per the existing acts and policies. During the review period, 14 board meetings were held to which the Chairman of the Board was remunerated NPR 18,000 and other board members were remunerated NPR 16,000 per meeting.

All the Board officials have been complying the conducts mentioned in Section 6(1) of Unified Directive 2078.

## **(H) Management Team**

Mr. Sunil K.C. has been leading the Bank and its Management Team as the Chief Executive Officer. With a banking experience over 33 years, he currently leads the management Team consisting of the following staff members:

Mr. Sudesh Upadhyaya	Deputy Chief Executive Officer
Mr. Govind Ghimire	Deputy Chief Executive Officer
Mr. Navin Manandhar	Chief Risk Officer
Mr. Pramod Kumar Dahal	Chief Operating Officer and Company Secretary
Mr. Shreejesh Ghimire	Chief Investment Officer
Mr. Roshan Regmi	Chief Officer- Retail Banking
Dr. Buddhi Kumar Malla	Chief Officer- MSME, Microfinance and Subsidy Loan
Ms. Puspa Aryal	Head Trade Finance

**NOTE:** Mr. Sharad Tegi Tuladhar, Ms. Shabnam Limbu Joshi, and Mr. Pradeep Pradhan former members of management team retired on 9 April 2022, 5 June 2022, and 11 December 2022 respectively due to work age limit. Mr. Binay Dahal also one of the former members of management team resigned from his job effective from 16 July 2022. Dr. Buddhi Kumar Malla and Ms. Puspa Aryal have been appointed in the Bank's Management Team with effect from 16 December 2022.

## **Acknowledgement**

The contribution and support by the esteemed shareholders towards the progress and prosperity of this Bank has enabled NMB to be honoured with Bank of the Year Asia-Pacific award. On behalf of the Board of Directors, I would like to express my sincere gratitude to all esteemed shareholders, representatives from various regulatory bodies, stakeholders, customers, management team and the entire staff for supporting the Bank to achieve remarkable financial results and reach new milestones year after year.

Thank you.

**Pawan Kumar Golyan**

Chairman

Date: 9 January, 2023

**Annex-15 of Securities Registration and Issue Regulation, 2016**

(Details related to clause 26.2)

**1. Director's Report**

Director's report is included in the annual report of FY 2021/22.

**2. Auditor's Report**

Auditor's report is included in the annual report of FY 2021/22.

**3. Audited Financial Statements**

Audited financial statements are included in the annual report of FY 2021/22.

**4. State of Legal Proceedings**

- i) **If any lawsuit has been filed by or against the organization within the quarterly period:**  
Altogether 68 lawsuits including 19 lawsuits related to debt collection, income tax and banking property, and 49 lawsuits against bank were being reviewed in various courts during the last financial year,
- ii) **If any lawsuit was filed by or against the founder or director of the organization for disobeying the prevailing rules or committing a criminal offense:**  
Not in the information of this Bank.
- iii) **If any lawsuit has been file against founder or director for financial offence:**  
Not in the information of this Bank.

**5. Analysis of organization's share transactions and progress**

- i) **Management's perception regarding the trading of organization's shares in the securities market:**  
The fluctuations in share trading are determined by the open market and are in line with the values and norms of the same
- ii) **The maximum, minimum and final value of the Bank's shares in each quarter of the previous financial year as well as the total number and days of transactions.**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Maximum Value	517	427	387.60	305
Minimum Value	395	326	290	240
Last Value	410	353.40	293	261
Number of Transactions	58,856	27,576	22,105	15,118
Days of Transactions	57	59	58	65

**6. Problems and Challenges**

- i) **Internal Problems and Challenges:** The management of increasing cost as compared to income, replacement of skilled human resources due to employees going abroad for education or leaving the organization for employment in other banks, and the challenge of managing operating risks along with an increase in number of transactions are considered as internal problems and challenges by the Bank.
- ii) **External Problems and Challenges:** The non-recovery of loan and interest due to COVID-19 pandemic, the impact of Russia-Ukraine war on oil price increase and resulting inflationary pressure, unstable liquidity condition, decrease in remittance, pressure on foreign exchange reserves arising from high imports, stagnation of economic activities due to low government expenditure, deficit in investment sector for business expansion, increasing unhealthy competition in banking sector are considered as external problems and challenges by the Bank. In such context, the bank's lending and interest rates will be affected that will in turn affect the bank's profitability and consequently reduce the distribution of dividends.
- iii) **Strategies Adopted by Management:** The Bank's loan recovery mechanism has been made effective through digitization while the disbursement of some small loans have been automated with the use of new Artificial

Intelligence (AI) based technology. Considering the recurring pressure on liquidity, the Bank has been focusing on alternative source for deposit mobilization. Necessary strategies were adopted by the Bank for cost reduction and management so as to achieve the set goals on profitability. In addition, the Bank has paid special attention to increase investment in the productive sector, agriculture sector, and small and micro-enterprise sector thus improving the quality of its risk assets portfolio. The Bank has also adopted necessary strategy to manage the risk by identifying the areas affected by Covid-19, developed new services based on new technology, and provided training and development programs to its human resources for enhancing their skillsets in order to create a more robust and efficient workforce.

## **7. Corporate Governance**

Details on the steps taken by the management of the Bank for the promotion of corporate governance:

- i) The policies adopted by the Board of Directors have been implemented.
- ii) Various committees formed at the management level (such as Assets and Liability Committee, Human Resources Recruitment Committee, Credit Risk Management Committee, Corporate Governance Committee, etc.) are active.
- iii) In order to organize internal control mechanism, the Audit Committee has been meeting regularly to review and implement the suggestions given by the internal auditors in the regular audit report.
- iv) The Risk Management Committee has been meeting regularly to discuss the issues such as stress testing, adequacy of policies and rules, operational risk, etc. and following the instructions received for management.
- v) Discussions are being held from time to time by the Assets Laundering Prevention Committee emphasizing on customer identification process and issues related to this area.
- vi) Various internal policies, rules and guidelines have been formulated and implemented to manage banking transactions and minimize operational risks.
- vii) Full compliance of the directives and guidelines on good governance issued by the regulator bodies including Nepal Rastra Bank, Securities Board, and Company Registrar's Office.
- viii) In order to maintain good governance within the Bank, a Corporate Governance Committee has been constituted and the decisions of the governance issues discussed in the meeting have been implemented. The Chief Executive officer has been given the responsibility for maintaining Corporate Governance in the Bank.

# KEY HIGHLIGHTS

## Key Financial Highlights

Particulars	FY 21/22	FY 20/21	FY 19/20	FY 18/19	FY 17/18
Net Interest income Ratio	33.32%	40.48%	38.05%	38.30%	33.27%
Net Profit	3,291,094,170	2,711,073,708	1,712,776,521	2,257,276,027	1,853,792,753
Price earnings ratio	14.57	26.41	31.45	16.23	12.48
Capital Adequacy Ratio	13.59%	15.08%	15.08%	15.45%	15.75%
Return on Capital Employed	12.95%	12.08%	8.94%	13.32%	13.54%
Profit per employee	1,382,496	1,887,095	1,035,536	2,015,425	1,716,475
Cash Reserve Ratio	5.33%	5.66%	5.93%	4.19%	6.68%
Cost / Income ratio	39.97%	38.70%	37.98%	35.01%	36.90%
Return on Average Asset	1.35%	1.32%	1.09%	1.83%	1.96%
Statutory Liquidity Reserve (Ratio)	18.79%	17.08%	20.39%	16.86%	19.79%
Net Asset Value Per Share	146.30	146.66	150.06	180.94	216.88
Dividend Cover ratio (Includes Stock Dividend distributed from share premium reserve)	46.04%	95.15%	204.05%	178.77%	141.50%
Gross Non-Performing assets to gross advances / Non-Performing Loans (Assets) to Total Loans (Assets)	1.45%	2.27%	2.68%	0.82%	0.88%

## Non Financial Highlights

	FY 2021/22
No. of Branches	201
No. of Extension Counters	11
No. of ATMs	138
No. of Branchless Banking Points	33
No. of POS Machines	334
No. of Employees	1,961
No. of Internet Banking Users	63,309
No. of Mobile Banking Users	852,210
No. of Debit Card Users	462,095
No. of Credit Card Users	11,870
No. of Deposit Accounts	1,809,576
No. of Loan Accounts	54,354
Market Capitalization (NPR.)	47,937,102,553



**Sunil K.C.**  
CEO

# CEO'S MESSAGE

The Nepalese banking industry continued to grow post Covid albeit at a slower pace. The country backed by strong demand for local consumption and investment made a swift recovery from Covid crisis. However, the growth in consumption led to a surge in import and trade imbalance in the wake of rising dollar cost resulting to a tight liquidity situation throughout the fiscal year 2021/22.

The prolonged stress in liquidity causing a squeeze in the interest margin of Nepalese banks and financial institutions, an increase in their loan loss provisions post Covid due to increasing non-performing loans, and higher operating cost owing to inflationary pressures are some of the key attributing factors behind overall slowdown in business growth and profitability during the review fiscal year.

Despite the challenges coupled with deteriorating global economic situation and impact of international conflicts in domestic economy, the year 2021/22 proved to be yet another successful year for NMB. The Bank in this unconventional times and difficult market situation managed to deliver a good result due to a balanced approach to business as per its long term sustainable business strategy.

## Key Snapshots

- Climate change has become one of the pressing global issues of recent times, which for our country is also one of the major business risks, as Nepal is ranked amongst tenth most vulnerable countries in the world in terms of climate risk. Understanding the urgency for action to combat climate issue, we at NMB are committed to direct our financing activities towards mitigating such risks thus always putting Environment and Social (E&S) impact and sustainability at the core of our business strategy.
- We have become the first financial institution in Nepal to disclose greenhouse gas emissions from our financed loan portfolio as per our

commitment to maintain a high degree of transparency in climate reporting.

- During fiscal year 2021/22, we have made a significant progress in our Environmental, Social and Governance (ESG) journey to become the first bank to fully implement Environmental & Social Risk Management (ESRM) by 2025 as per International Finance Corporation (IFC) performance standards. Currently, we are in the second phase of ESRM implementation plan and have been working together with our large project developers/clients as well for building their institutional capacity to setup their own ESRM framework.
- Our aim is to become the most sustainable bank in Nepal by 2025 to which we seek support and partnership of all our stakeholders for moving ahead in this journey together. We at NMB believe that together we can make a difference and contribute for prosperous Nepal.
- The Bank continued to invest in its business even during the Covid period. We expanded our footprints by opening 20 new branches in different places around the country to cater banking needs of our customers.
- The Bank has successfully closed the issuance of second tranche of Energy Bond amounting NPR 2.73 Billion taking our total Energy Bond portfolio to NPR 4.23 Billion despite a very tight liquidity condition in the market. NMB is the first and the only bank in Nepal to issue local currency Energy bond in Nepal as a part of our commitment to promote Renewable Energy (RE) and hydropower development for supporting country's vision of becoming self-reliant on Energy.
- We see endless possibilities in RE sectors in Nepal and are well-positioned to seize the opportunity to meet financing demand of RE projects in current geopolitical context amid disruption in smooth supply of fossil fuel energy and its rising cost.

- NMB has built a robust recovery solution platform that has automated and strengthened our loan recovery process.
- The Bank will continue to invest in strengthening its physical infrastructure, technology platforms, digital channels and human capital for building efficiency and greater customer experience. Focus shall be given on maintaining our assets quality and a sound corporate governance within the organization.

Amidst the market opportunities and prevailing challenges, we believe that the banking industry has a lot more to deliver and grow. Understanding the unavoidable changes manifested by a paradigm shift in doing business and critically analysing each behavioural change, NMB is all poised to set the standards and seize every opportunity in the market.

I humbly believe that our success is the result of all the hard works, patience and determination exerted by our staff who together truly forms the most dynamic and energetic team force. I would like to extend my sincere gratitude to FMO and all our foreign partners. I also take this opportunity to personally extend my heartfelt thanks to our Chairman Mr. Pawan Kumar Golyan and all board members for their relentless guidance in making NMB one of the most preferred Banks of Nepal. Finally, my sincere thanks to the esteemed shareholders, Nepal Rastra Bank, Ministry of Finance, Securities Board of Nepal, Employees Provident Fund, partner organizations, subsidiary companies, all other regulatory bodies, executive management team of the Bank, and most importantly the customers of NMB Bank for their invaluable suggestions to our continuous improvement and business growth. Going forward, we aspire to grow collectively for many years with your constant trust and solidarity,

Thank you

**Sunil K.C.**  
Chief Executive Officer

# SUSTAINABLE BANKING

NMB, being a frontrunner in sustainable banking practices within the country, and also a member of Global Alliance for Banking on Values upholding the philosophy of Triple Bottom Line principles in all its banking endeavours has an opportunity to demonstrate a unique brand that delivers profits while also delivering on sustainability. The Bank has been facilitating the transition to a fairer, greener economy by financing projects that accelerate clients' sustainable transitions and their ability to create jobs in the market, supporting clients that contribute solutions to Environmental and Social challenges (E&S) and embracing sustainable operations. The approaches and initiatives on sustainability undertaken by the Bank well resonates to the Green Resilient and Inclusive Development (GRID) approach adopted by Nepal Government as well.

The Bank sees sustainability in a way that helps to generate revenue, cut costs, attract talent and future-proof our business through effective risk management. Sustainability for NMB is also a source of competitive advantage and the Bank has been building upon it by developing, implementing, monitoring, and reporting on a sustainability strategy that blends international best practices while applying it to the local context for sustainable development of Nepal.

The Bank over the years has been directing its loan investment for the upliftment of real economy sectors and envisions to achieve at least 50% assets in the real economy while fully implementing Environmental and Social

Risk Management (ESRM) in line with International Finance Corporation (IFC) standard by 2025. Moreover, through our sustainable financing approaches, we estimate to reduce the carbon emission through our financing and operations by more than 10,500 tons.

The Sustainable Banking department of the Bank is specifically assigned to work in the area of Climate Change Mitigation as well. NMB is the leading bank of Nepal in terms of Renewable Energy financing focused towards promoting green business such as solar, biomass, waste to energy projects. The Bank has been financing more than 40 major hydropower projects with total installation capacity of around 600 MW.

NMB is the first and the only bank in the country to have already issued local currency Energy Bond of over NPR 4 Billion in Nepalese market that is being utilized for financing large energy projects in Nepal thereby supporting the nation's drive to be self-reliant on Energy. The Bank signed an agreement with Alternative Energy Promotion Centre (AEPC)/Central Renewable Energy Fund (CREF) assuming role of Handling Bank of CREF for the second consecutive tenure of 3 years under Sustainable Energy Challenge Fund for financing in Renewable Energy sector in Madhesh, Lumbini and Karnali Provinces. The fund is established with support of British Government funded Nepal Renewable Energy Program to scale up renewable energy financing in the country.

NMB Bank was recognized by "Green Deal of the Year 2021" award from Asian

Banking and Finance magazine based in Singapore as the champion of Green Financing in Nepal for its pioneering debt deal with IFC under which the bank provides credit facilities to projects that qualify as Green Deals under the IFC eligibility criteria.

NMB Bank targets to align its business activities with sustainable socio-economic development of the country. It has been continuously advocating and practicing values-based banking, and promoting green financing to achieve the sustainability in all its endeavours. NMB is the leading bank in terms of sustainable finance portfolio and has one of the best records in terms of impact activities.

The Bank has been mainstreaming renewable energy to support country's energy mix targets for achieving nationally determined contribution (NDC) through clean energy solutions. The current portfolio of sustainable financing ranges from various large hydro projects, renewable energy vendor financing, waste to energy projects, roof top solar, electric vehicles, pellet industries, off-grid micro hydro, agriculture, production-based SME/MSMEs, etc. The Bank has been working with multiple development partners and government agencies including renowned names like GIZ, KFW, Renewable Energy and Energy Efficiency Partnership, SNV, Practical Action, Nepal Renewable Energy Program, etc. for access to energy to the last mile population as well.



## Women in Leadership

Women in Leadership #emPower, an event where NMB Bank proudly announced women-led women only branches in all provinces of the country along with a panel discussion comprising women leaders from diverse industry who shared

impact stories of women empowerment. NMB Bank stays committed to increasing women's participation in leadership and decision-making which proves to add value in sustainable economic and social development around the world.



## World MSME Day

On the occasion of World MSME Day 2022, NMB Bank brought together over 50 micro, small and medium enterprises to discuss resilience and rebuilding MSMEs in a way that contributes to Sustainable Development.

We are confident this workshop that focused on training enterprises on e-commerce, marketing, financing, innovation and digitization will foster MSME ecosystem throughout the nation.



## NMB Bazaar

Over 60 homegrown sustainable brands of Nepal came together at “NMB Bazaar” to promote locally made products. The event was open to general public where products ranging from dairy, vegetables, clothing, jewelries, handicrafts, spices, nepali lokta paper, tea and many other were showcased.

NMB Bazaar, one of the many sustainable initiatives of NMB Bank, advocates a self-sustaining economy by reducing the ratio of import of products which can be made in Nepal. Through the event, SME and MSME businesses were provided with a platform to directly connect with end customers.



## Digital Community

NMB Bank has introduced a digital initiative that encourages all payments of Manakamana Bazaar (marketplace) through digital mediums. With this initiative, payment of puja materials,

fruits, restaurants, and other small businesses as well as donations to the temple can now be done electronically through QR.



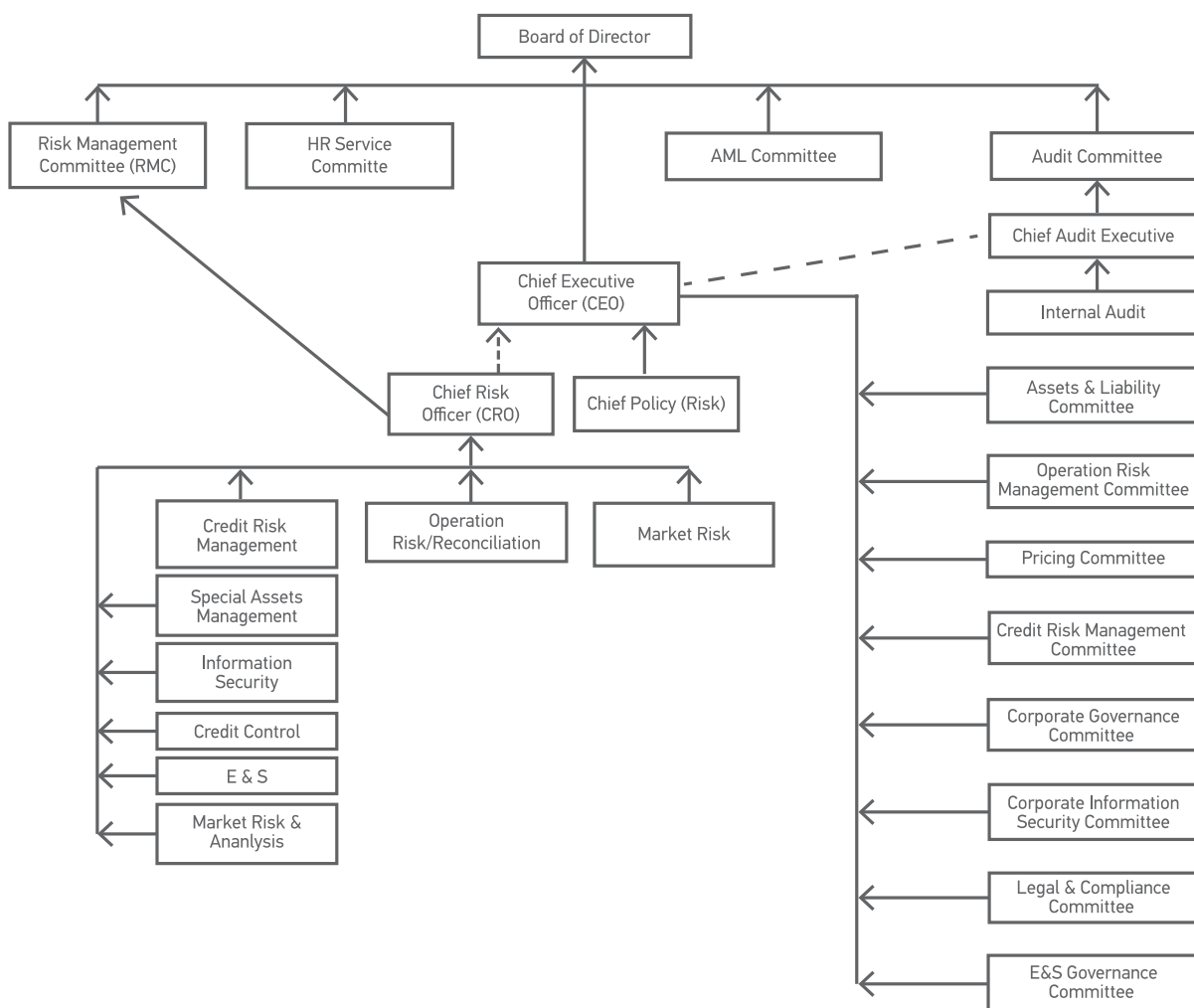
# RISK MANAGEMENT

## Risk Management Structure

NMB Board is the apex authority of the Bank to oversee overall risk management activities and provide the direction towards risk management strategies. The Board make certain that the risk management policies, procedures and standards are adequate and are effectively implemented in the Bank. Robust risk management system in the Bank is established through sound risk management structure which includes Board level Risk Management Committee, Audit committee, Human Resource Service Committee and Asset Laundering Prevention Committee. Further, Management Level Asset & Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee,

E&S Committee, Credit Recovery Committee, Corporate Information Security Committee, Pricing Committee, and Corporate Governance Committee are in place to make sure the Board's direction on risk management are well implemented and that the risk management system in the bank are adequate and well-functioning. Review of policies & standards, reports on risk management, portfolio analysis, stress testing, investment positions, liquidity, capital adequacy, industry/market analysis, and critical risk issues identified are first reviewed by management level committees and then escalated to Risk Management Committee/Board for review and decision making.

## Risk Management Structure in the Bank's Organogram



## Risk Management system and structure of the Bank is driven by following principles

### Independency of Risk Management Function

The Bank has Risk Management function independent from risk takers. Chief Risk Officer (CRO), thus directly reports to the Board level Risk Management Committee for establishing strong risk management system.

### Risk Measurement

The Bank has given due focus and priority to quantitatively measure various risk issues and enforce mitigation measures, control and monitoring for which we have implemented new tools and models such as Risk Register/Credit Grading, etc.

### Risk Management as Shared Responsibility

Bank's risk management philosophy is driven by the "Three Lines of Defence" principle ensuring that risk management responsibility is also shared between various units and teams engaged in bank's business activities, as such different functions takes accountability on their portfolios. The risk governance framework defines the "Three Lines of Defence" structure as :

- Main Business Function
- Risk Management Department/Control units, and
- Internal Audit

The responsibilities of each line have been well defined and communicated across the various levels.

### Risk Management Structure

Bank has appropriate risk management structure with clear demarcation of reporting line on its organogram. It has been essential for clear and definitive establishment of roles & responsibilities and accountability of various functions within the Bank towards risk management. Board has ensured a fundamental role in envisioning the risk governance structure of the Bank.

### Continuous Improvement

The Bank has always been oriented for strengthening existing risk management system. The Bank has been certified by ISO 27001:2013 standard which has significantly improved our information security management system. Further, the Bank is committed and is undertaking various activities towards strengthening its overall risk management standard.

Additionally, the Bank as an active member of the GABV strives for delivering sustainable economic, social and environmental development with a focus on helping individuals fulfil their needs and build stronger communities.

### Credit Risk Management in NMB Bank

Credit Risk refers to the potential loss due to failure of counterparty to meet its obligations in accordance with

the terms specified in the credit agreements. Credit Policy, Credit Process Manual, Product Papers and various other credit related documents are in place and implemented that provides a solid foundation for strong credit risk management environment. The policy documents defines the clear roles and responsibilities of various functions and risk takers in credit system and thus strives to build a uniform and strong credit risk management culture in the Bank. The Bank's Credit Policy elaborates credit standards and guideline for effective risk management.

Further the Bank has independent credit risk management department led by Chief Risk Officer for ensuring effective Credit Risk Management system as well as to keep close track of risk assets portfolio movements, identification of credit risks at account level and portfolio level, and mitigations of any identified credit issues. A thorough analysis of the borrower and the industry in which the borrower operates is ensured prior extending credit facilities. The Bank also has an internal credit risk rating procedure in place to categorize customers in different risk profiles and formulate appropriate account strategies. Bank predominantly focuses on loan purpose to establish prudent financing requirements of the client and the client's capacity to repay the debt obligation on time.

Credit Risk Management Committee (CRMC) and Risk Management Committee (RMC) play a pivotal role in the credit risk management of the Bank. The existing/probable credit risk issues are reviewed, necessary changes required in the credit system to mitigate such risk are identified and required decisions are made as appropriate.

The Bank has a product wise and industry/sector wise portfolio and NPL thresholds to monitor the quality of loan portfolio and manage the concentration risk. These thresholds are reviewed on periodical basis in CRMC and RMC in quarterly interval for required actions/strategic decisions.

### Market Risk and Operation Risk Management in NMB Bank

Market and Operation Risk management in Nepalese banks has been a newer challenge. In the times of volatility and fluctuations in the market, NMB Bank needs to prove its determination by withstanding the market variations and achieve sustainability in terms of growth as well as to have a stable share value. NMB has passed through a monumental change after the multiple mergers which includes five development banks and one finance company. NMB has taken strategic focus on digitization and technological advancement to enhance banks services as well as risk management.

NMB ensures parity between risk and return, and hence, management of risk by incorporating a set of systematic and

professional methods especially those defined by the Basel III becomes an essential requirement for us.

In the course of operations, the Bank is invariably faced with different types of risks that may have a potentially negative effect on the business. NMB Bank's risk management approach includes risk identification, measurement and assessment, and minimizing the impact on the financial result and capital of the bank. The Bank has in place a strong operation and market risk management department led by Chief Risk Officer to oversee the operation and market risk areas for identification of potential risk, analyse, monitor and mitigations of identified risk. Asset & Liability Committee (ALCO) manages the overall asset and liability position of the Bank. It also ensures that the asset & liability position, investment and liquidity are maintained at a desired level in compliance to NRB Directives. Risk monitoring is done periodically conducting stress testing, GAP analysis and preparing various reports.

### **Operational Risk**

Operational risk is the risk of negative effects on the financial result and capital of the bank caused by omissions in the work of employees, inadequate internal control procedures and processes, inadequate management of information and other systems, and unforeseeable external events. The Bank has an independent department to look after operational risk wherein Operational Risk Management Committee meets on monthly basis to discuss and plan the way forward to mitigate potential operational risk identified. The Bank has developed and adhered to Minimum Control Standards and Incident Reporting Guidelines along with Whistle Blowing Policy to identify potential operational risks. Operational Risk Department independently assess each incident/event/cause to measure the risk grade which is ultimately discussed/ analysed further in Operational Risk Management Committee to enforce appropriate controls in place. Where required, the incident/event/cause along with the risk assessment, probability and impact is escalated further to Risk Management Committee or the Board of the Bank. Additionally, Operational Risk Unit conducts branch/ department visits to monitor/ review the branches and departments and also to train/ create awareness on operational risk.

### **Market Risk**

Market risk includes interest rate and foreign exchange risk. Interest rate risk is the risk of negative effects on the financial result and capital of the bank as a result of changes in interest rates. The Bank's products are mostly based on floating interest rate. Only fixed deposits are with fixed interest rate. In Nepalese local market, short term movement in interest rate is negligible. Pricing Committee monitors the interest rate movement on

regular basis.

Foreign exchange risk is the risk of negative effects on the financial result and capital of the bank caused by changes in exchange rates. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying remittances and trade transactions. The Bank has been considering various hedging tools to mitigate the foreign exchange related risks.

### **Liquidity Risk**

Liquidity risk is the potential event where the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk management and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer.

### **Other Risk**

Management of other risk such as Reputational, Legal & Compliance, Environmental and Social Risk Management and Human Resource (HR) etc. is equally pertinent as the Bank grows. The Bank has separate dedicated department to oversee E&S Risk Management Legal & Compliance issues respectively. HR Department and Board level HR Committee is responsible for all HR functions and related risk management.

### **Internal Control**

The Board and the management is committed in managing risks and in controlling its business and financial activities in a manner that enables it to maximize profitable business opportunities, avoid or minimize risks which can cause potential loss or reputational damage to the Bank, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, the Bank has established set of policies and procedures for risk identification, risk evaluation, risk mitigation and control/monitoring.

The effectiveness of the Bank's internal control system is reviewed regularly by the Board, Risk Management Committee, Bank's Management and Internal Audit. The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the organization through its periodic internal audit of various departments and business units. The Internal Audit function is focused on the areas of highest risk as determined by a risk-based assessment methodology. Internal Audit reports are periodically forwarded to the Audit Committee. The findings of all audits are reported to the Chief Executive Officer, department heads and branch managers for initiating immediate corrective measures.

# ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Environmental and Social Risk Management is a top priority for NMB Bank. This underlines NMB's resolution towards responsible banking and also complements the Bank's business intent of sustainable banking.

NMB Bank has in place an Environmental and Social Management System (ESMS) of international standards developed in collaboration with UK-based E&S consultants. The Bank follows IFC Performance standards in its Environmental and Social (E&S) due diligence, and has effectively integrated E&S risk assessment and management as an integral part of its overall business and risk assessment processes. NMB has also digitized ESMS through a robust online system integrated with the Bank's Business Process Management System. This has enabled the Bank to manage optimal data and information required for strategic decision-making as well as comprehensive reporting to stakeholders.

Commitment towards E&S strongly comes right from the top at NMB. The Bank's Board considers E&S as a part of all strategic decisions and guides the top management for prudent E&S practices and responsible banking. The Bank has a dedicated and strong core team for E&S management comprising of a blend of technical expert with related academic background and experience as well as senior level staff for driving bank's E&S commitments.

NMB being a joint venture with FMO, a triple-A rated Dutch Development Bank, has business relationships / credit lines with multiple international development financial institutions who have been supporting for a continuous improvement on E&S management and its standard.

Further, as a part of the Bank's intent towards Climate resilience, NMB has become the only bank in the country to have made Carbon Footprint Disclosure on its financed portfolio based on Partnership for Carbon Accounting Financials (PCAF) standards. This initiative also

showcases the Bank's seriousness towards monitoring and reporting greenhouse gas emissions through business and operations as part of its sustainability commitments.

## **E&S Commitment Statement**

NMB Bank is committed to comply with the applicable laws and regulations in Nepal, including those related to Environmental and Social (E&S) issues. The Bank will continue to support its customers in achieving the E&S expectations placed on them by applicable laws, regulations and requirements through the integration of E&S risk management in all business activities.

The Bank has been proactively working to integrate its ESMS in the organizational culture, with an initial focus on credit procedures. To this end, NMB is committed to:

- Recognizing Environmental & Social responsibility as one of the key components of Bank's business strategies;
- Meeting the expectations of Nepal Rastra Bank's E&S Guideline, adhering to all relevant Nepalese legislation and regulations, along with the terms and conditions agreed with International Partners in implementation of the IFC Performance Standards on Environmental and Social Sustainability;
- Maintaining an up to date E&S Exclusion List and ensuring the Bank does not finance or limit our exposure to the extent allowed in any project / activity as per the Exclusion List;
- Disclosing required information as per regulatory requirement and international best practice to ensure public accountability at the same time ensuring confidentiality of customers' information;
- Upholding highest standards of business integrity and good corporate governance; and
- Continuously enhancing the Bank's ESMS in line with new developments in the E&S environment and international best practices.

# NMB E&S ENVIRONMENT



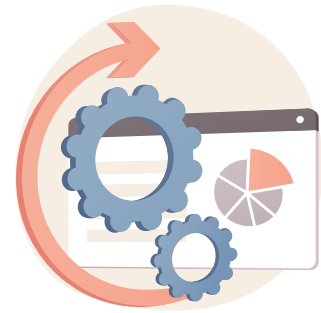
## E&S POLICY GUIDED BY

IFC Performance Standards  
NRB ESRM Guideline Approach



## E&S PROCEDURES

Exclusion List Screening  
NRB Critical Sectors  
Robust E&S Due Diligence  
Corrective solutions (Corrective Action Plan)



## SYSTEM INTEGRATION AND DIGITIZATION

Integration of E&S Risk Management  
Process in Loan and Business Processes  
Online processing with robust MIS.



## INTERNAL E&S CAPACITY

Clearly defined E&S Roles & Responsibilities  
Dedicated E&S Team  
Ongoing need assessment and trainings



## E&S RISK MONITORING & MANAGEMENT

Reviewing of clients' E&S performance  
Managing gaps & non-compliance



## CLIENT COMMUNICATION AND ENGAGEMENT

Knowledge sharing & guidance  
Interactive sessions with external facilitators



## REPORTING & DISCLOSURE

Regulators  
Other stakeholders - Local and International



## ESMS IMPROVEMENT & REVISION

Upgrade in IFC ESMS maturity level  
E&S Roadmap 2025

# NMB CLIMATE RELATED DISCLOSURE REPORT

## First Bank in Nepal to Disclose its Carbon Footprint

Climate Change is one of the most pressing issues of our times. COP26 summit had countries globally including Nepal committing to contain global warming and carbon emissions. As part of its corporate climate responsibility, NMB Bank, in association with PCAF (Partnership for Carbon Accounting Financials) has measured its greenhouse gas emissions in its financed loan portfolio. The Bank is serious in monitoring its business and operations for greenhouse gas emissions and will be strengthening the bank's green initiatives as part of its sustainability commitments.

GHG Emissions on Business Loans & Project Financing portfolio as reported on January 2022:



### PROTECTING OUR FUTURE THROUGH SUSTAINABLE FINANCE

**NMB CLIMATE RELATED Disclosure Report 2022**  
GHG Emissions on Business Loans & Project Financing Exposure

IN ASSOCIATION WITH  
**PCAF** Partnership for Carbon Accounting Financials

INDUSTRY	Exposure (USD million)	SCOPE 1 tCO2e	SCOPE 2 tCO2e	TOTAL tCO2e	CLIMATE IMPACT INTENSITY tCO2e/\$ mil
Business Loans	871.3	121,010	3,107	124,117	142.45
Project Finance	192.3	65,310	1,563	66,872	347.82
<b>Grand Total</b>	<b>1,063.6</b>	<b>186,320</b>	<b>4,670</b>	<b>190,989</b>	<b>179.48</b>

*Scope 1 Includes direct emissions from owned or controlled sources.*

*Scope 2 Includes indirect emissions from purchased energy like electricity, heating, cooling etc.*

Based on methodology taking reference of PCAF Global GHG Accounting Standards for Financial Industry:

Emission Factor Option	Economic-activity based
Country	ROW (Rest of the World) Asia Pacific since Scope 1 and Scope 2 Emission Factors data specific to Nepal are not available.
Emission Factor Source/ Year	PCAF Database 2015

**ONE MORE STEP TOWARDS BEING TRANSPARENT AND RESPONSIBLE FOR A BETTER WORLD. #OnlyOneEarth**

# HUMAN RESOURCES CAPITAL

NMB Bank recognizes its staff as an equal part partners in its move towards business and service excellence. With sustainability in its core, the Bank has been ensuring that the human resources, like any other resources, are being acquired, allocated, retained and maintained in a sustainable manner. Thus, the focus has always been in creating a performance driven work environment with due attention to the quality of employee experience.

The Bank's current HR strength comprises of selected best talents nurtured with adequate learning and development opportunities and enriched jobs. The teams are all led by visionary team leaders capable of transforming the Bank's vision into action. Additionally, the Bank has been able to create an environment for open communication for knowledge sharing and capacity building.

## 1. Total HR Strength

1,961 Staff

## 2. HR Mix

### a. Gender Mix

Gender	Number of Staff	Percentage (%)
Male	1,188	61
Female	773	39
<b>Total</b>	<b>1,961</b>	

### b. Level Wise Mix

Level	Number of Staff	Percentage (%)
Executive	9	0.5
Manager	109	5.6
Officer	426	21.7
Management Trainees	4	0.2
Assistant	1,384	70.6
Contract	29	1.5
<b>Total</b>	<b>1,961</b>	

### c. Functional Mix

Segment	Number of Staff
Business	718
Branch Operations	842
Control Units	83
Business Support	37
Support Units	281
<b>Total</b>	<b>1,961</b>

### d. Age Mix

Age Group	Total Staff	Male	Female
Less Than 25	89	44	45
25 to 30	710	383	327
30 to 40	990	619	371
40 to 50	139	111	28
50 above	33	31	2
<b>Total</b>	<b>1,961</b>	<b>1,188</b>	<b>773</b>

### e. Service Period Mix

Service Period	Number of Staff
Less than 3 Years	654
3-5 Years	483
5-10 Years	524
10-15 Years	270
Above 15 Years	30
<b>Total</b>	<b>1,961</b>

### 3. Attrition Trend

Staff Turnover	Number of Resigned Staff	Staff Turnover Ratio
FY 12/13	25	10.21%
FY 13/14	33	10.71%
FY 14/15	32	9.30%
FY 15/16	63	10.07%
FY 16/17	130	15.29%
FY 17/18	116	11.35%
FY 18/19	148	13.40%
FY 19/20	130	8.50%
FY 20/21	62	3.57%
FY 21/22	138	7.24%

# LEARNING & DEVELOPMENT

**Total Trainings:** 310

**Total Staff Trained:** 14,834 (including staff in multiple trainings)

## Types of Trainings

Training Type	Number of Training
In-house	211
External	58
Special	27
Abroad	4
e-Learning	4
Exposure Visits	3
International-Virtual	3
<b>Total</b>	<b>310</b>

## Nature of Training

Nature of Training	Number of Training
Behavioural	39
Functional	271
<b>Total</b>	<b>310</b>

## Mode of Training

Mode of Training	Number of Trainings
Physical	156
Virtual	154
<b>Total</b>	<b>310</b>

## Staff Engagement Activities

- Bank of the Year Celebration
  - Cash Rewards
  - Exposure visits for staff at Senoir Officer and above level
  - Family retreats: Bank sponsored family retreats for staff
- NMB Mentorship Program
  - 1-year mentorship program launched on the occasion of Guru Purnima (Teacher's Day) with 32 mentors and 64 mentees.
- NMB Town Hall Meet
- NMB Women in Leadership
  - Launch of all women run branches in all provinces
- Felicitation of staff with service tenure of over 10 years as long service awards
- Branch specific Festival Celebration
- Health and Safety Initiatives
- COVID related Health sessions with Dr. Kunjang Sherpa
- Anti-Harassment related session for all Head of Departments.

# RETAIL PRODUCTS AND SERVICES

Retail Banking at NMB specially focuses on delivering banking services to cater the needs of individual customers through various retail-nature deposits and lending products. The department actively engages with customers at ground-level to understand their overall banking needs and provide specific products for different customer segments.

The migration to urban/semi-urban area in search of better lifestyle, education, and livelihood, increasing nuclear families, and a rise in people's purchasing power have all increased the market needs for retail-based products.

As the growth of people in middle-income strata, increasing consumerism fuelled by increased purchasing capacity, and increase in remittance income has resulted to a growing demand for personal nature banking products, the Retail Banking Department has been aggressively pursuing retail activities with the support of digital technological platforms for customer onboarding, deposit and lending products subscriptions, and delivering other associated services. The Retail Banking is of utmost importance to the Bank as it not only contributes towards forming a sustainable deposit and lending portfolio but also helps in diversifying deposits and assets concentration. The retail products of NMB have been widely accepted by the customers throughout the country. Some notable retail products/ services include the following:

## NMB Sapati

NMB Sapati is an AI-driven digital loan product offered to payroll account customers. It provides flexibility to the customers to avail collateral free loan for a short term to meet their personal obligations thus reducing their stress to manage urgent fund requirement. The customers can apply for this product at any hour of day through digital OMNI platform using mobile device and get the disbursement within few hours of applying loan without having need to physically visit branch thus avoid human contact throughout the process.

## NMB Video Account Opening

NMB Video Account Opening is an Artificial Intelligence (AI) based digital technology platform meant for onboarding individual customers to open savings account. This AI-based technological platform avoids customers to fill up paper forms for account opening thus promoting Green Banking by its virtue. All Nepalese citizens irrespective of their geographical locations around the globe can digitally open their Savings account instantly with a video call and can make deposit /withdraw funds from their accounts remaining within prevailing norms laid down by the Bank as per Nepal Rastra Bank's guidelines. The customers may choose to transfer funds from their domestic/international accounts into their new account opened via Video Account Opening platform for maximizing their returns by using various official/ banking channels such as:

- International/Local Bank Transfers
- Official Remittance Channels/Companies or,
- Other Formal Banking Channels/Platforms

## Be SMART Choose SMART



### NMB Smart Nari Bachat Khata

NMB Smart Nari (women) Bachat Khata, as the name implies is a savings product targeted to new-age women population segment. This objective of the product is to encourage women towards savings and maximize the benefits of digitization for their banking needs. Being a targeted product, women customers can avail a combination of ancillary services like NMB OMNI-Channel banking, debit card, credit card, etc. for their daily uses and also can get rebate on the medical bill payment made through digital channels.



### NMB Preapproved Home Loan

NMB Pre-approved home loan provides customers with flexibility to get their home loan limit sanctioned before selection/finalization of property. This facilitates customers with bargaining power in the real estate market while negotiating for property, simplifying purchase decision. The loan eligibility is assessed based on income details provided by the customer.

**YOU-WAH!**  
DiGi SAVING  
FOR NEXT-GEN YOUTHS



### NMB You-Wah Digi Savings

The product is specially designed to serve the banking needs of youth population. With this product, the customers can benefit themselves with an array of features and simultaneously enjoy many freebies. The product also rewards customers through cashback facilities on their digital transactions and through discounts on their shopping at various merchant shops.



### NMB Premium SuperTalab Khata

NMB Premium Super Talab Khata is a payroll account targeted to salaried employees of organization/institution, that offers unique features and benefits relevant to working individuals' needs. It provides a wide insurance coverage of the accountholders at just a zero balance. This savings deposit product also provides a higher interest return on deposit with maximum possible other facilities.

# EXTERNAL BORROWINGS

NMB's borrowing portfolio is currently USD 102 Million, of which USD 5 Million is hedged fund. The Bank's foreign borrowing dates back to August 2018, with IFC granting USD 15 Million followed by Symbiotics' (Micro, Small and Medium Enterprises Bond S.A.) in November 2018, and CDC Group PLC (now changed to British International Investment-BII) in February 2019. The succession of these initial deals were vital for both NMB and its foreign counterparties as these deals laid down a strong foundation for future prospects to overall Nepalese banking and financial institutions.

In February 2021, IFC granted USD 25 Million to the Bank, with additional USD 25 Million in July 2022, the largest exposure of its kind in the realm of Nepalese Financial Institutions.

The Bank in 2021 signed an agreement to avail a five-year loan amounting USD 15 Million with OPEC Fund for International Development (OFID). The Bank's journey in External Commercial Borrowings have been continuing as the Bank during the 11 months of 2022 concluded the finalization of three other deals with Swiss Investment Fund for Emerging Markets-SIFEM amounting USD 12 Million; KFW-DEG amounting USD 20 Million and Symbiotics amounting USD 13 Million.

The External Borrowing Activity has helped the Bank to improve its portfolio under Sustainable Banking as well as by making these funds available for financing SME/MSME, Energy, Microfinance and Women Entrepreneurship loans.

## About Lenders

### International Finance Corporation (IFC)

International Finance Corporation (IFC) is the largest global development institution focused on the private sector in developing countries. IFC, a member of the World Bank Group, advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries. NMB is the first Nepalese bank to be funded by IFC in 2018 with USD 15 Million. Since the initial fund in 2018, the Bank has been granted further USD 25 Million in 2021 and USD 25 Million in 2022.

### British International Investment (BII)

British International Investment (BII) – formally known as Colonial Development Corporation (CDC) – was established in 1948, making them the first development finance institution with over 70 years' experience as an impact investor in emerging economies. The name

was later changed to Commonwealth Development Corporation by the Commonwealth Development Act 1978. NMB is the first bank in Nepal to be granted the fund by BII (erstwhile CDC) in 2019 amounting USD 15 Million.

### Swiss Investment Fund for Emerging Markets (SIFEM)

The Swiss Investment Fund for Emerging Markets (SIFEM) is the development finance institution of the Swiss Confederation and a cornerstone of Swiss Development Cooperation. SIFEM was established in its current form in 2011 and took over the investment portfolio of SECO (State Secretariat for Economic Affairs) which had been built up since the late 1990s. SIFEM initiated its investment in Nepalese Financial Institution through NMB.

### Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG)

DEG is a Development Finance Institution founded in September 1962. They have been a subsidiary of KFW since 2021. The mission of DEG is to promote business initiative in developing and emerging market countries as a contribution to sustainable growth and improved living conditions of the local population. To this end, KFW-DEG makes long-term financing and advice available to private enterprises investing in these countries. KFW-DEG entrusted NMB as its first financial partner availing fund for the growth of small entrepreneurship in Nepal.

### Symbiotics Group

Symbiotics is the leading market access platform for impact investing, dedicated to private markets in emerging and frontier economies. The group offers investment, asset management and capacity building services. Its mission is to foster sustainable development in emerging and frontier economies by connecting investors to local financial intermediaries, enterprises and projects. Symbiotics facilitated repeat loan to NMB directed towards its microfinance customers.

### OPEC Fund for International Development (OFID)

The OPEC Fund for International Development (OFID) is a multilateral development finance institution established in 1976. Their 12 Member Countries are: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, the United Arab Emirates and Venezuela. The OPEC is the only globally mandated development institution that provides financing from member countries to non-member countries exclusively. NMB became the first bank to receive such financing in Nepal.



# CORPORATE GOVERNANCE

Effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. NMB has a strong Board, four board level committees along with effective control functions, and a robust risk management framework with sound risk culture in place. Further, the Bank has management level Corporate Governance Committee actively working for good governance and designated Corporate Governance unit to specifically ensure the best governance practices within the organization. The board members and the senior management team at NMB are equally committed to good corporate governance. The board level committees and Management Level Corporate Governance Committee in the Bank have been formed in line with prevailing NRB Directive.

## NMB Board

NMB Board constitutes of versatile members from various walks of life. The Board Committee constitutes of directors from both promoter & public shareholders' categories prescribed by Nepal Rastra Bank. The position of Director from independent category that had been vacant earlier after the tenure of previous Independent Director ended, has now been fulfilled after the appointment of Ms. Bandana Pathak by the 443<sup>rd</sup> Board Level Committee of the Bank. During the reviewed FY 21/22, 14 Board meetings were conducted to discuss on various agendas related to the smooth functioning of the Bank. The roles and responsibility of the Board is defined by section 21 of Bank and Financial Institution Act 2017.

### Roles and Responsibility of Board

- To operate bank in the interests of depositors, customers and general shareholders having taken overall risks management of the bank and to make assurance not to intervene into daily conduct of business such as deposit collection, lending, investing, managing personnel, making expenses from budget having maintained appropriate corporate governance in the bank or financial institution.
- Carry out other functions as required by country's regulations, MOA and AOA, and regulators.
- To frame necessary bylaws, directives, procedures and to enforce them as per prevailing laws and directives of the Rastra Bank in order to carry out the functions of the bank in well order.
- To prepare internal control system and risks management norms for avoiding the emergence of risk or risk-prone situation in transactions of the bank

and to carry on banking and financial transactions carefully according to its policies and strategies.

- To make necessary policies for carrying out banking functions and to operate the bank rationally with regular monitoring of such functions.
- To prepare clear organizational structure of the bank and frame policies and implement it accordingly.
- To submit audit report including annual progress report of the bank before the General Meeting.
- To carry out other functions as specified by the Rastra Bank from time to time.

Under the chairmanship of Mr. Pawan Kumar Golyan, the NMB Board at present constitutes of the following members:

S.N.	Name	Designation	Shareholders' Group Category
1	Mr. Pawan Kumar Golyan	Chairman	Promoter
2	Mr. Nico Pijl	Director	Promoter (Representative of FMO, Netherlands)
3	Mr. Jeevan Kumar Katwal	Director	Promoter (Representative of Employees Provident Fund, Nepal)
4	Mr. Yogendra Lal Pradhan	Director	Public
5	Mr. Uttam Bhlon	Director	Public
6	Mr. Sirish Kumar Murarka	Director	Public
7	Ms. Bandana Pathak	Director	Independent
8	Mr. Pradeep Raj Pandey	Alternative Director to Nico Pijl	-

Mr. Sunil K.C., CEO and Mr. Pramod Dahal, Company Secretary also attended all 14 Board meetings during the fiscal year

The Bank has 4 Board level committee apart from Board and a corporate Governance Committee formed in Line with the NRB Directive

## Risk Management Committee

Roles and Responsibilities of Risk Management Committee are as follows:

- Give suggestion to the Board on the adequacy of the process adopted by management for identification/mitigation of prevailing risks.
- Give suggestion to the Board on adequacy of policies/

procedures formulated by the Bank to address risk appetite.

- Obtain reports from the management on analysis, mitigation, monitor and evaluation of the risks and give suggestion to the Board if required.
- Review the policies and procedures of the bank to ensure their adequacy, clarity and comprehensiveness towards identification, assessment, monitoring and control of all material risks.
- Based on NRB Directives and other Guidelines, Policies & Acts relevant to risk management, suggest the Board for implementation of necessary changes as and when required to strengthen overall risk management system.
- Review macroeconomic environment, prevalent government policies, and latest market developments and their impact on bank's strategies and financial position.
- Review of Structured Credit Product Papers.
- Provide needful inputs to the Board for an effective risk management structure in the bank.
- Review/discuss various risk related issues raised by different management level committees and escalate it to the Board as appropriate.
- Review of risk management report on overall position of the bank as required by regulator
- Give suggestion to the Board on the outcome of stress testing.
- Submit report to the board on delegation of authority to be delegated to CEO by the Board.
- Submit report to the Board on the working of ALCO for managing assets structure, assets mobilization, and income generation
- Submit report to the Board by analyzing Credit, Deposit, & Investment portfolio as well as Bank Guarantee and Bank Limit exposures in regular interval.
- Submit a report (impact and mitigation) on the Board on impact on the financial sector due to change on economic sector.
- Carry out other functions as required by Country regulations and regulator

A total of 8 meetings were held during the financial year.

### **Audit Committee**

Every Bank and Financial Institutions is required to constitute an Audit Committee as per Clause 7 of Directive 6 issued by Nepal Rastra Bank (NRB) and Sec. 164 of Companies Act, 2006.

Non-Executive Director of the Bank heads the board level Audit Committee where Head of Internal Audit

Department is the member secretary. This Committee reviews the Bank's financial condition, its internal controls, audit program, and upon detailed discussion on the findings of the internal audit, issues necessary recommendation and directions to the management of the institution. The external as well as internal auditors have direct access to this Committee. The Board of Directors of the Bank discusses the reports of the auditors and the Committee in detail. The Chief Executive Officer (CEO) of the Bank and other officials can be invited to attend the meeting of the Committee if and when necessary. The meeting of the Audit Committee takes place at least once in every three months.

### **Scope of Audit Committee**

NRB Directive 6 stipulated major duties and responsibility of Audit Committee. The duties and responsibility of Audit Committee of NMB Bank Includes the following:

- To review the Bank's financial condition, internal controls, audit program, and findings of the Internal Audit Department and to recommend to the Board of Directors about the actions to be taken.
- To review the internal financial control system and the risk management system of the Bank.
- To supervise and review the internal auditing activity of the Bank.
- To review the matters contained in the audit report of the external (statutory) auditors and NRB supervision Report and initiate for necessary corrective actions.
- To help ensure annual report to be True and fair.
- To ensure the Board of Directors that accounts are accurate and fair, along with frequent reviews of the adequacy of provisioning against contingencies and classified loan.
- To review the compliance of the regulations issued by NRB and include the same in its report.
- To review the activities of Bank in respect of its regularity, economical, logical, effectiveness, and give necessary suggestions to the Board of Directors.
- To submit financial analysis report of the Bank to BOD on quarterly basis
- Develop the criteria for appointment of External auditor
- To advice the Management for the operation of the Bank in the most efficient and competitive manner as per the Directives of NRB and Bank and Financial Institutions Act, 2006.
- To recommend the names of potential auditors for the appointment of the auditor of the company, fix the remuneration and terms and conditions of appointment of the auditor and present the same in the AGM for the ratification thereof.
- Carry out other functions as required by Country

regulations and regulator.

- Other relevant matters assisting to maintain Good Governance of the Bank.

A total of 5 meetings were held during the financial year.

### **Assets Laundering Prevention Committee**

The ALPC is a Board Level committee formed to oversee AML & CFT risk taking activities and overall AML / CFT function of the bank being guided by AML Policies' Procedures', NRB Directive and other Country Acts/ Rules.

The ALPC assists the Board of Directors in fulfilling its oversight responsibility over the Bank's compliance management to make sure that the bank complies with the provision of the Assets Laundering Prevention Act, 2070, its revised rules, NRB directives and Bank's AML Policy to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activities or to facilitate or finance terrorism.

Role and Responsibilities of Assets Laundering Prevention Committee are as follows:

- It shall provide oversight on AML policy development and ensure execution are adequate to ensure compliance and are kept updated/ remain relevant to best react on the changing AML regulatory scenarios and conditions.
- It shall oversee and ensure that effective performance of the AML/KYC function of the Bank.
- It shall report to the Board significant developments, issues and concerns in the Bank's AML /KYC compliance as necessary.
- Review and support AML/KYC policy for the purpose of approval from Board of Directors.
- Review the AML/KYC Status of the bank on quarterly basis and forward to Board for further review.
- Monitoring AML/KYC related activities to implement AML policy.
- Obtain a report from the management at least quarterly basis on risk identification, evaluation, control and supervision of risks and give appropriate recommendation to the management and suggestions on the same to the Board
- Evaluate management's identified risk areas of AML/KYC and implement control measures.
- Give suggestions/notifications to the board on AML related directives issued by NRB and also suggest to develop structure/ adequate policy to control Risk
- Carry out other functions as required by Country regulations and regulator

A total of 5 meetings were held during the financial year.

### **HR Service Committee**

Under the coordination of one Non-Executive Director, HR Service Committee has been constituted consisting of another Non-Executive Director as member. The position of a Non-Executive Director is vacant at present. The committee also consists of the Chief Executive Officer, and the Chief Finance Officer as members, and Chief Human Resources Officer as the Member Secretary. Bylaws on the service provision of the employees, policies related to the employees and succession planning, employees' salary allowance and organizational structure are discussed in this committee.

Roles and Responsibilities of HR Services Committee are as follows

- To assist Board of Directors as required in formalizing "Staff Compensation and Service Policy" of the Bank.
- Ensure periodic review of compensation/salary structure of employee; to submit the report to the Board of Director with its recommendation for necessary change in compensation/salary structure in line with the market on a regular basis.
- As per the "Staff Compensation and Service Policy" of the Bank according to and in compliance with the prevailing provision in the laws and regulations, recommend to the BOD for increment/adjustment in staff remunerations including CEO if deemed necessary with proper justification.
- To ensure that PMO, Job Description and business target be developed and provided to all staff of the Bank and implement/review performance management system in accordance with the same
- To formulate HRM Policy incorporating staff recruitment, sourcing, placement, transfer, promotion and development, reward and punishment, labor relation and ensure periodic review of the same.
- To evaluate HR plan and organization structure and to recommend staff Succession Plan for key positions to the Board.

A total of 4 meetings were held during the financial year.

### **Corporate Governance Committee**

The Corporate Governance Committee (CGC) is a Management Level committee formed as per the NRB Directive 6 to oversee Corporate Governance practice of the Bank and make sure that the Bank has robust system for best Corporate Governance practices.

A total of 7 meeting were held during the financial year.

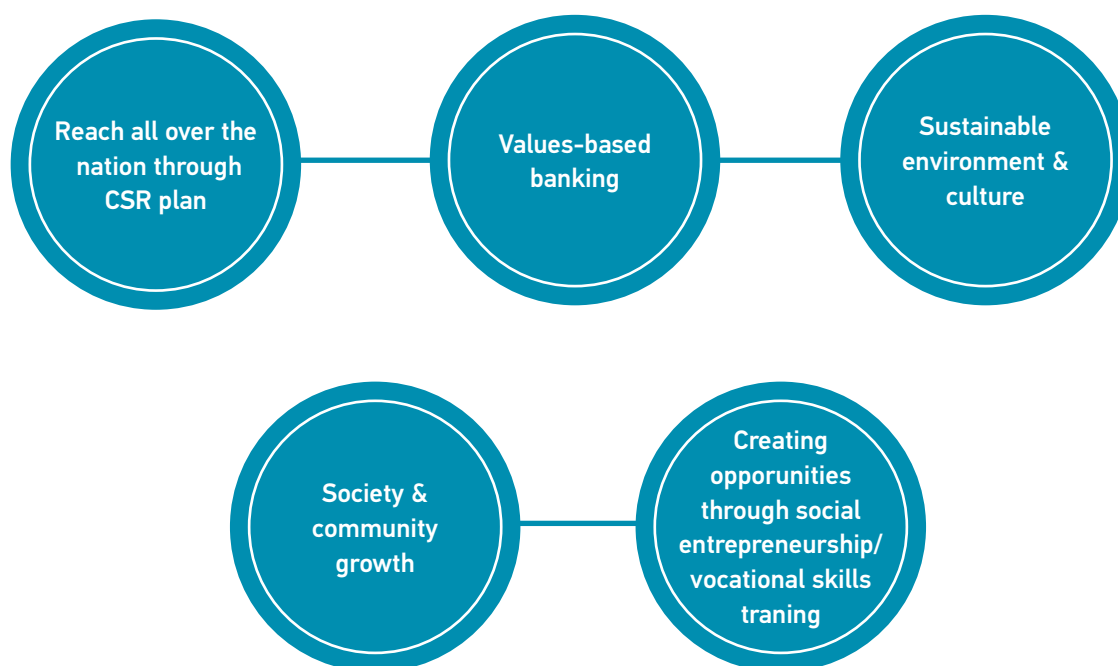
Roles and Responsibility of the Committee are as Follows:

- Assess the adequacy and effectiveness of the bank's Corporate Governance (CG) System and framework for the implementation of the provisions in NRB Directives and the bank's CG policies and procedures.
- Arrange to formulate policies, procedures and standards required for prudent Corporate Governance practice and their revision/ update at reasonable frequency.
- Regularly review internal/statutory/NRB audit comments for their implementation.
- Review monthly monitoring report prepared by CG Unit to assess implementation and effectiveness of CG policies and procedures
- Monitor whether or not the Board of Directors (BOD) has undertook their roles and responsibilities and also assess adherence to the code of conducts by BOD and the Bank's staffs.
- Assess adequacy of board and management level sub-committees, sufficiency & appropriateness of the members, effectiveness of their functioning and provide feedback to the management/ board for necessary decisions / recommendations.
- Ensure compliance to regulatory provision and arrange to adapt international best practices in Transparency, Disclosure, Conflict of Interest and Compliance.
- Regularly review areas/ business activities that may arise issues related to CG and make recommendation for their effective management.
- Review recent CG issues in national and international banking sector and proactively revise/ lay-out policies and procedures to implement required system for prevention, mitigation and monitoring of such issues.
- Ensure all required activities for improving staff awareness and knowledge in Corporate Governance.
- Co-ordinate and work closely with international partners, regulators and international financiers to strengthen CG system in the bank
- Endeavour to Implement the Best international corporate Government practice

# CORPORATE SOCIAL RESPONSIBILITY (CSR)

NMB Bank considers CSR to be an integral part of its corporate identity. The Bank fulfills its CSR by engraining its core values in areas that have been adopted to create long term sustainable impact in the regions and communities. The Bank's CSR Plan is aligned to values-based banking principles, ensuring that the triple bottom line is adhered to.

## NMB CSR Principle



Areas of CSR Support	Amount (NPR)	Province	Amount (NPR)
Environment	284,784	Province 1	1,789,458
Education	5,798,371	Madesh Province	284,746
Health	15,904,111	Bagmati Province	15,032,973
Financial Literacy	1,101,437	Gandaki Province	5,203,753
Culture & Heritage	1,451,670	Lumbini Province	1,263,159
Disaster Management	400,503	Karnali Province	932,415
Customer Protection	50,000	Sudur Paschim Province	862,375
Infrastructure	338,936		
GoN Open Your Bank Account	39,037		
<b>Total CSR Expenses 21/22</b>	<b>25,368,879</b>		<b>25,368,879</b>



# CSR AREAS

## Health and Sanitation

The Bank has highly prioritized health for its CSR contribution. In the review fiscal year 2021/22, the Bank provided NPR 8 Million towards the purchase of various hospital equipment for infant child care at Dhulikhel Hospital. The Bank also collaborated with Sochai Udhyamshala to spread awareness on menstruation hygiene and safety amongst women. NMB to ensure access to clean drinking water supported the installation of water purification equipment in various schools. The Bank also provided financial support to Nepal Cancer Relief Society for constructing blood transfusion center building and purchasing various medical kits. NMB through its various branches around the country distributed dustbins in government schools and heritage sites for maintaining proper sanitation and hygiene around their premises.

The Bank during the review year under CSR also provided financial assistance to construct eight portable toilets in Pathibhara Temple area considering a proper sanitation need around temple vicinity that is being visited by thousands of pilgrims round the year. NMB in various occasions conducted health camps at different locations throughout the country with an objective to aware people on physical and mental health issues and also distributed sports materials including table tennis boards in various provinces for recreation and physical fitness of general people.

## Education and Financial Literacy

The Bank in collaboration with other non-profit organizations has been supporting underprivileged children of Manang studying at Lophelling Boarding School by providing them education scholarship. The Bank to ensure inclusive and quality education and promote lifelong learning opportunities for all as chartered

under United Nation's Sustainable Development Goal #4 conducted various events such as bags distribution to 975 students studying at Shree Bagmati School, and distribution of uniforms and school bags to needy students studying in various government schools including schools in remote areas of different provinces. In addition, the Bank supported towards the construction of Pokhara Multiple College building and also provided computer sets to Shree Bhadra Kumari National Basic School, Bharatpur. The Bank also provided financial support to Adarsh Library run by Rotary Club in Province-1 to develop e-library for facilitating students to access library resources online. Different branches of the Bank have carried out financial literacy programs throughout the year

## Environment Protection and Heritage Conservation

The Bank being a member of Global Alliance for Banking on Values conducted various targeted activities to encourage communities and groups towards sustainable development and have provided assistance to those affected by natural disasters in various locations. During the year under review, the Bank as part of its CSR organized a tree plantation program on the occasion of World Environment Day and also made arrangements for a proper care of the plants along with the security of the plantation site.

The Bank gave continuity to its Heritage Walk event in the review year as well to aware people about the conservation of natural and historical heritage sites. The heritage walk in the review year was conducted by different branches in its localities starting with walkathon visiting different heritage sites and concluding with heritage premises cleaning programs.



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# **CONSOLIDATED FINANCIAL STATEMENTS**

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Chartered Accountants  
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Bagmati Province, Nepa

**INDEPENDENT AUDITOR'S OPINION  
TO THE SHAREHOLDERS OF  
NMB BANK LIMITED**

**Report on the Audit of Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of NMB Bank Limited and its subsidiaries (collectively referred as the "Group") which comprise the consolidated statement of financial position as at Ashad 32, 2079 (corresponding to July 16, 2022) and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information prepared in accordance with Nepal Financial Reporting Standards.

In our opinion, the accompanying consolidated financial statements of the bank and the consolidated financial statements of the group present fairly, in all material respects, the financial position of the bank and the group as at Ashad 32, 2079 (corresponding to July 16, 2022) and its financial performance and its cash flows for the year then ended in accordance with the Nepal Financial Reporting Standards.

**Basis of Opinion**

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ICAN's *Handbook of Code of Ethics for Professional Accountants* together with the ethical requirements that are relevant to our audit of the consolidated financial statement in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAN's *Handbook of Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summaries below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of and solely for the purpose of, our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



S.N.	Key Audit Matters	Auditor's Response
1.	<b>Information Technology</b> The Bank's key financial accounting and reporting processes are highly dependent on the automated controls over the Bank's IT systems. There is a risk that gaps in the change management, segregation of duties or user access management controls (in relation to key financial accounting and reporting systems) may undermine our ability to place some reliance thereon in our audit.	Our audit approach regarding obtaining reliance on Bank's IT systems included the following procedures: a. We tested the design, operation and effectiveness of control over granting, removal and appropriateness of access rights on the accounting and reporting system of the bank. b. Obtained and inspected the change management policies and for a sample of changes in inputs and control functions on the system, has been reviewed to confirm that changes had been performed in line with approved decisions. c. Tested a sample of the automated controls that are designed to enforce appropriate segregation of duties. d. We have tested a sample of outputs particularly interest income and expenses on loans and advances of the system through manual calculations.
2.	<b>Interest Recognition</b> The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of interest recognition is prescribed in general, the guideline requires suspension of interest recognition on accrual basis for loans and advances with overdue of more than 12 months whereas for loans and advances with overdue interest/installment for 3 to 12 months, interest recognition on accrual basis is limited on the basis of result of collateral testing as specified. Given the lack of system capability to suspend recognition of income on the basis of overdue status of loan and fair value of collateral as well as review of fair valuation of collateral on regular basis, manual intervention will be required in interest recognition process and hence create risk of improper application of the guidelines and determination of the Fair Value of the collateral. This may, in turn, have effect on recognition of interest income of the bank.	Our audit approach regarding verification of process of interest recognition included: a. Obtaining clear understanding of the process of accrual of interest income on loans and advances in the Core Banking Software of the bank. b. For fair valuation of collateral, we relied on the latest available engineer's valuation of the collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019. c. Test check of the interest income booking with manual computation.
3.	<b>Impairment of Loans and Advances</b> As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of: > Amount derived as per the norms	Our audit approach regarding verification of impairment of loans and advances included: a. Review of the overdue status of loans and advances by obtaining data from the



S.N.	Key Audit Matters	Auditor's Response
	<p>prescribed by Nepal Rastra Bank for loan loss provision; and</p> <p>➤ Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model</p> <p>As per the norms prescribed by NRB, provision at prescribed rate should be created on loans and advances based on overdue status of loans and advances as well as utilization status of the facility, status of security, borrower's whereabouts etc.</p> <p>As per NAS 39 read with NFRS 9, impairment of loans and advances should be made on individual impairment basis for loans and advances that are individually significant and collective impairment basis for homogeneous groups of loans that are not considered individually significant.</p> <p>On individual impairment, amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. Under collective impairment, loss is determined after taking into account the Historical Loss Experience in portfolios of similar credit risk and Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.</p> <p>Given the fact that impairment of loans and advances under incurred loss model require assessment of future cash flows as well as historical loss experiences of portfolios. Further, impairment of loans and advances under NRB norms for loan loss provisioning will require assessment of overdue status of loans and advances and proper utilization of loan for intended purpose. Hence, assessment of availability and accuracy of required data for impairment of loans and advances under incurred loss model as well as NRB provisioning norms is regarded as key audit matters.</p>	<p>system and matched the same with the NRB 2.2 report.</p> <p>b. Sample credit files were reviewed, among other things, from the perspective of utilization of loans and advances for intended purpose by way of scrutiny of financial statements, account movement, account turnover, etc.</p> <p>c. Expected future cash flows from the individually significant loans and advances with indication of impairment are assessed on the basis of realizable value of collateral securities based on management estimate.</p> <p>d. Grouping of homogeneous group of loans was assessed on the basis of nature and purpose of loans and data of historical loss experience in portfolios are assessed on the basis of past due data from the system as well as data of loan loss provisions of the defined group in the past.</p>



**Other Information**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is material misstatement of the other information; we are required to report that fact.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As a part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank and its subsidiary's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank and its subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank and its subsidiary's to cease to continue as a going concern.
- Evaluate the overall presentation, structure, content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair representation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Report on Other Legal and Regulatory Requirements

Based on our examination of the consolidated financial statements as aforesaid, we report that:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. The accounts and records of the bank and its subsidiaries have been maintained as required by law and practice in a manner to reflect the real affairs of the Group.
- c. The consolidated statement of financial position, consolidated statement of financial performance and the consolidated statement of cash flow dealt with by this report are in agreement with the books of account of the Group.
- d. In our opinion, so far as appeared from our examination of the books, no accounting fraud has been committed in the bank.
- e. In our opinion, so far as appeared from our examination of the books, the bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.
- f. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the bank and its subsidiaries have not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Group deliberately or acted in a manner that would jeopardized the interest and security of the Group and the business of the Group appears to have been conducted satisfactorily.





Rajnish Dahal, FCA  
Managing Partner  
Dev Associates,  
Chartered Accountants



Place: Lalitpur, Nepal  
Date: December 6, 2022

UDIN: 221206CA003230ITTP



Krishna Prasad Acharya, FCA  
Managing Partner  
K.M.U. & Associates,  
Chartered Accountants

Place: Lalitpur, Nepal  
Date: December 6, 2022

UDIN: : 221206CA00246tmWO9

NMB Bank Limited  
**Consolidated Statement of Financial Position**  
As at 32 Asar, 2079 (16 July, 2022 )

Particulars	Note	Group		NMB	
		As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
<b>Assets</b>					
Cash and cash equivalent	4.1	13,328,689,050	14,442,664,482	12,787,637,052	13,887,370,526
Due from Nepal Rastra Bank	4.2	13,774,313,630	19,248,505,528	13,747,313,630	19,218,505,528
Placement with Bank and Financial Institutions	4.3	3,782,288,743	2,717,148,715	3,782,288,743	2,717,148,715
Derivative financial instruments	4.4	5,293,773,328	17,161,392,134	5,293,773,328	17,161,392,134
Other trading assets	4.5	25,228,531	2,677,460	-	2,660,000
Loan and advances to B/FIs	4.6	5,920,094,816	5,194,470,677	5,920,094,816	5,194,470,677
Loans and advances to customers	4.7	179,544,980,682	155,112,819,977	174,948,356,284	151,014,123,921
Investment securities	4.8	32,008,951,753	17,756,933,069	31,724,846,753	17,453,562,933
Current tax assets	4.9	54,121,104	99,225,763	55,328,905	92,745,534
Investment in subsidiaries	4.10	-	-	372,487,600	372,487,600
Investment in associates	4.11	-	-	-	-
Investment property	4.12	295,161,520	97,942,260	295,161,520	97,942,260
Property and equipment	4.13	1,816,283,677	1,773,075,389	1,764,130,341	1,741,914,965
Goodwill and Intangible assets	4.14	232,050,768	121,066,412	226,513,150	112,540,746
Deferred tax assets	4.15	347,278,753	252,197,566	338,964,764	249,009,565
Other assets	4.16	4,042,756,156	2,243,621,977	3,893,713,394	2,230,983,328
<b>Total Assets</b>		<b>260,465,972,511</b>	<b>236,223,741,410</b>	<b>255,150,610,280</b>	<b>231,546,858,432</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	4.17	2,082,436,338	1,964,515,728	2,082,436,338	1,964,515,728
Due to Nepal Rastra Bank	4.18	8,996,366,529	7,597,982,045	8,996,366,529	7,597,982,045
Derivative financial instruments	4.19	5,351,098,092	17,127,036,376	5,351,098,092	17,127,036,376
Deposits from customers	4.20	186,501,125,826	165,856,477,862	184,817,106,463	164,489,285,837
Borrowing	4.21	14,745,015,751	9,239,426,200	12,997,400,000	7,443,810,000
Current Tax Liabilities	4.9	-	-	-	-
Provisions	4.22	1,600,016	1,703,106	-	-
Deferred tax liabilities	4.15	22,211,034	14,658,368	-	-
Other liabilities	4.23	6,609,408,428	4,239,911,418	5,907,387,378	3,686,459,641
Debt securities issued	4.24	8,127,853,522	5,293,994,350	8,127,853,522	5,293,994,350
Subordinated Liabilities	4.25	-	-	-	-
<b>Total liabilities</b>		<b>232,437,115,536</b>	<b>211,335,705,453</b>	<b>228,279,648,322</b>	<b>207,603,083,977</b>

<b>Equity</b>					
Share capital	4.26	18,366,705,959	16,325,960,853	18,366,705,959	16,325,960,853
Share premium		37,216,210	37,216,210	-	-
Retained earnings		2,009,904,650	2,868,079,150	1,550,781,367	2,515,343,348
Reserves	4.27	7,076,559,779	5,190,173,864	6,953,474,633	5,102,470,254
<b>Total equity attributable to equity holders</b>		<b>27,490,386,599</b>	<b>24,421,430,077</b>	26,870,961,958	23,943,774,455
<b>Non-controlling interest</b>		<b>538,470,376</b>	<b>466,605,880</b>	-	-
<b>Total equity</b>		<b>28,028,856,975</b>	<b>24,888,035,957</b>	<b>26,870,961,958</b>	<b>23,943,774,455</b>
<b>Total liabilities and equity</b>		<b>260,465,972,511</b>	<b>236,223,741,410</b>	<b>255,150,610,280</b>	<b>231,546,858,432</b>
<b>Contingent liabilities and commitment</b>	4.28	<b>157,436,300,976</b>	<b>128,674,294,920</b>	<b>157,435,700,976</b>	<b>128,673,744,920</b>
<b>Net Assets Value per share</b>		<b>149.68</b>	<b>149.59</b>	<b>146.30</b>	<b>146.66</b>

*As per our attached report of even date*

Sunil KC  
Chief Executive Officer

Pawan Kumar Golyan  
Chairman

Krishna Prasad Acharya, FCA  
Managing Partner  
For, K.M.U & Associates  
Chartered Accountants

Rajnish Dahal, FCA  
Managing Partner  
For, Dev Associates  
Chartered Accountants

Nico Pijl  
Director

Jeevan Kumar Katwal  
Director

Yogendra Lal Pradhan  
Director

Uttam Bhlon  
Director

Sirish Kumar Murarka  
Director

Mridul Parajuli  
Head-Finance and Planning

*Date : 05 December, 2022*

*Place : NMB Bhawan, Babarmahal, Kathmandu*

NMB Bank Limited  
**Consolidated Statement of Profit or Loss**  
For the year ended 32 Asar, 2079 (16 July 2022 )

Particulars	Note	Group		NMB	
		Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Interest income	4.29	20,001,353,542	14,673,638,809	19,168,862,594	13,983,693,533
Interest expense	4.30	13,089,558,723	8,508,425,030	12,781,322,752	8,323,034,232
<b>Net interest income</b>		<b>6,911,794,819</b>	<b>6,165,213,779</b>	<b>6,387,539,842</b>	<b>5,660,659,301</b>
Fee and commission income	4.31	1,960,918,135	1,476,831,413	1,689,472,559	1,177,641,945
Fee and commission expense	4.32	216,241,035	138,024,766	216,241,035	138,024,766
<b>Net fee and commission income</b>		<b>1,744,677,100</b>	<b>1,338,806,647</b>	<b>1,473,231,524</b>	<b>1,039,617,179</b>
<b>Net interest, fee and commission income</b>		<b>8,656,471,919</b>	<b>7,504,020,426</b>	<b>7,860,771,366</b>	<b>6,700,276,480</b>
Net trading income	4.33	271,732,943	364,115,874	272,406,509	364,108,314
Other operating income	4.34	410,387,403	370,035,244	406,766,685	351,973,665
<b>Total operating income</b>		<b>9,338,592,265</b>	<b>8,238,171,544</b>	<b>8,539,944,560</b>	<b>7,416,358,459</b>
Impairment charge/(reversal) for loans and other losses	4.35	(25,938,691)	410,226,959	(37,225,724)	382,410,393
<b>Net operating income</b>		<b>9,364,530,956</b>	<b>7,827,944,585</b>	<b>8,577,170,284</b>	<b>7,033,948,066</b>
<b>Operating expense</b>					
Personnel expenses	4.36	2,805,540,864	2,330,248,399	2,539,345,989	2,089,704,278
Other operating expenses	4.37	1,238,112,615	960,618,793	1,087,916,122	853,748,763
Depreciation & Amortisation	4.38	305,407,643	279,716,356	290,521,503	269,478,145
<b>Operating Profit</b>		<b>5,015,469,834</b>	<b>4,257,361,037</b>	<b>4,659,386,670</b>	<b>3,821,016,879</b>
Non operating income	4.39	2,656,853	40,364,736	2,656,853	39,071,786
Non operating expense	4.40	46,951,676	15,212,626	46,755,749	15,212,626
<b>Profit before income tax</b>		<b>4,971,175,011</b>	<b>4,282,513,147</b>	<b>4,615,287,774</b>	<b>3,844,876,039</b>
Income tax expense	4.41				
Current Tax		1,535,394,400	1,316,433,283	1,435,199,261	1,185,623,109
Deferred Tax expense/(Income)		(106,845,899)	(53,276,748)	(111,005,657)	(51,820,778)
<b>Profit for the period</b>		<b>3,542,626,510</b>	<b>3,019,356,613</b>	<b>3,291,094,170</b>	<b>2,711,073,708</b>
<b>Profit attributable to:</b>					
Equity holders of the Bank		3,470,516,417	2,923,139,410	3,291,094,170	2,711,073,708
Non-controlling interest		72,110,093	96,217,203	-	-
<b>Profit for the period</b>		<b>3,542,626,510</b>	<b>3,019,356,613</b>	<b>3,291,094,170</b>	<b>2,711,073,708</b>
<b>Earnings per share</b>					
Basic earnings per share (BEPS)		18.90	17.96	17.92	14.76
Diluted earnings per share (DEPS)		18.90	17.96	17.92	14.76

*As per our attached report of even date*

Sunil KC  
Chief Executive Officer

Pawan Kumar Golyan  
Chairman

Krishna Prasad Acharya, FCA  
Managing Partner  
For, K.M.U & Associates  
Chartered Accountants

Rajnish Dahal, FCA  
Managing Partner  
For, Dev Associates  
Chartered Accountants

Nico Pijl  
Director

Jeevan Kumar Katwal  
Director

Yogendra Lal Pradhan  
Director

Uttam Bhlon  
Director

Sirish Kumar Murarka  
Director

Mridul Parajuli  
Head-Finance and Planning

Date : 05 December, 2022

Place : NMB Bhawan, Babarmahal, Kathmandu

NMB Bank Limited  
**Consolidated Statement of Other Comprehensive Income**  
For the year ended 32 Asar, 2079 (16 July 2022 )

Particulars	Note	Group		NMB	
		Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
<b>Profit for the year</b>		<b>3,542,626,510</b>	<b>3,019,356,613</b>	<b>3,291,094,170</b>	<b>2,711,073,708</b>
<b>Other comprehensive income, net of income tax</b>					
<b>a) Items that will not be reclassified to profit or loss</b>					
- Gains/(losses) from investments in equity instruments measured at fair value		161,595,943	276,262,436	167,948,443	265,324,936
- Gains/(losses) on revaluation		-	-	-	-
- Actuarial gains/(losses) on defined benefit plans		(43,488,099)	(14,949,414)	(44,056,108)	(15,697,646)
- Income tax relating to above items		(19,315,111)	(78,393,907)	(21,050,458)	(74,888,187)
Net other comprehensive income that will not be reclassified to profit or loss		98,792,733	182,919,115	102,841,877	174,739,103
<b>b) Items that are or may be reclassified to profit or loss</b>					
- Gains/(losses) on cash flow hedge		-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)		-	-	-	-
- Income tax relating to above items		-	-	-	-
- Reclassify to profit or loss		-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-
<b>c) Share of other comprehensive income of associate accounted as per equited method</b>					
		-	-	-	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>98,792,733</b>	<b>182,919,115</b>	<b>102,841,877</b>	<b>174,739,103</b>
<b>Total comprehensive income for the period</b>		<b>3,641,419,243</b>	<b>3,202,275,728</b>	<b>3,393,936,046</b>	<b>2,885,812,811</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Bank		3,568,714,298	3,105,809,439	3,393,936,046	2,885,812,811
Non-controlling interest		72,704,944	96,466,289	-	-
<b>Total comprehensive income for the period</b>		<b>3,641,419,243</b>	<b>3,202,275,728</b>	<b>3,393,936,046</b>	<b>2,885,812,811</b>

*As per our attached report of even date*

Sunil KC  
Chief Executive Officer

Pawan Kumar Golyan  
Chairman

Krishna Prasad Acharya, FCA  
Managing Partner  
For, K.M.U & Associates  
Chartered Accountants

Rajnish Dahal, FCA  
Managing Partner  
For, Dev Associates  
Chartered Accountants

Nico Pijl  
Director

Jeevan Kumar Katwal  
Director

Yogendra Lal Pradhan  
Director

Uttam Bhlon  
Director

Sirish Kumar Murarka  
Director

Mridul Parajuli  
Head-Finance and Planning

Date : 05 December, 2022

Place : NMB Bhawan, Babarmahal, Kathmandu

NMB Bank Limited  
**Consolidated Statement of cash flows**  
For the year ended 32 Asar, 2079 (16 July 2022 )

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	18,234,456,145	14,087,645,495	17,405,394,443	13,687,650,502
Fees and other income received	1,830,722,247	1,461,045,486	1,568,600,174	1,160,784,982
Dividend received	6,250,008	-	-	-
Receipts from other operating activities	348,183,077	333,298,536	275,027,954	327,833,075
Interest paid	(12,701,373,236)	(8,465,118,133)	(12,313,716,698)	(8,221,669,331)
Commission and fees paid	(215,870,497)	(138,074,594)	(215,870,497)	(138,074,594)
Cash payment to employees	(3,135,994,611)	(1,905,466,062)	(2,894,083,451)	(1,756,104,322)
Other expense paid	(1,218,576,062)	(916,602,988)	(1,053,207,767)	(829,010,391)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>3,147,797,071</b>	<b>4,456,727,741</b>	<b>2,772,144,159</b>	<b>4,231,409,921</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	5,474,205,795	(6,983,139,612)	5,471,205,795	(6,979,639,612)
Placement with bank and financial institutions	2,487,937,937	(1,398,054,746)	2,487,937,937	(1,398,054,746)
Other trading assets	(22,551,071)	264,230,000	2,660,000	264,230,000
Loan and advances to bank and financial institutions	(711,021,424)	(381,073,487)	(711,021,424)	(381,073,487)
Loans and advances to customers	(25,092,306,589)	(31,836,492,477)	(24,348,951,375)	(31,386,070,687)
Other assets	(969,659,865)	(1,315,184,766)	(920,615,741)	(804,554,096)
<b>Total</b>	<b>(18,833,395,217)</b>	<b>(41,649,715,089)</b>	<b>(18,018,784,808)</b>	<b>(40,685,162,629)</b>
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	(475,157,553)	(1,088,748,611)	(475,157,553)	(1,245,176,351)
Due to Nepal Rastra Bank	1,398,384,484	3,705,451,294	1,398,384,484	3,705,451,294
Deposit from customers	20,737,726,127	26,374,654,268	20,420,898,789	26,210,327,743
Borrowings	5,761,807,244	4,353,379,019	5,553,590,000	4,027,500,000
Other liabilities	477,744,808	25,450,941	466,996,061	118,125,095
<b>Net cash flow from operating activities before tax paid</b>	<b>27,900,505,109</b>	<b>33,370,186,910</b>	<b>27,364,711,781</b>	<b>32,816,227,781</b>
Income taxes paid	(1,489,757,584)	(1,304,626,922)	(1,396,448,052)	(1,228,698,096)
<b>Net cash flow from operating activities</b>	<b>10,725,149,379</b>	<b>(5,127,427,360)</b>	<b>10,721,623,081</b>	<b>(4,866,223,023)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(33,256,813,109)	(4,650,641,675)	(33,256,813,109)	(4,616,059,622)
Receipts from sale of investment securities	18,352,260,371	7,030,509,723	18,332,995,235	7,030,509,723
Purchase of property and equipment	(355,726,404)	(131,330,386)	(324,801,330)	(129,680,386)
Receipt from the sale of property and equipment	119,700,030	32,666,124	119,700,030	30,912,703
Purchase of intangible assets	(93,949,929)	(23,998,004)	(93,949,929)	(22,839,997)

Purchase of investment properties	(224,323,260)	(17,798,518)	(224,323,260)	(17,798,518)
Receipt from the sale of investment properties	27,104,000	-	27,104,000	-
Investment in subsidiaries, associates & joint ventures	-	-	-	-
Interest received	1,199,748,360	851,294,665	1,199,748,360	851,294,665
Dividend received	142,201,528	87,631,427	142,201,528	87,631,427
<b>Net cash used in investing activities</b>	<b>(14,089,798,412)</b>	<b>3,178,333,357</b>	<b>(14,078,138,474)</b>	<b>3,213,969,995</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipt from issue of debt securities	2,727,437,000	3,500,000,000	2,727,437,000	3,500,000,000
Repayment of debt securities	-	(500,000,000)	-	(500,000,000)
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	315,982,336	-	-
Dividends paid	(544,865,026)	(462,328,095)	(538,756,708)	(462,328,095)
Interest paid	-	-	-	-
Other receipt/payment	-	(627,345,822)	-	-
<b>Net cash from financing activities</b>	<b>2,182,571,974</b>	<b>2,226,308,419</b>	<b>2,188,680,292</b>	<b>2,537,671,905</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,182,077,059)</b>	<b>277,214,416</b>	<b>(1,167,835,101)</b>	<b>885,418,878</b>
Cash and cash equivalents at the beginning of the year	14,442,664,482	12,261,847,651	13,887,370,526	11,098,349,234
Cash and cash equivalents acquired from the merger	-	1,812,575,337	-	1,812,575,337
Effect of exchange rate fluctuations on cash and cash equivalents held	68,101,627	91,027,079	68,101,627	91,027,079
<b>Cash and cash equivalents at the end of the year</b>	<b>13,328,689,050</b>	<b>14,442,664,482</b>	<b>12,787,637,052</b>	<b>13,887,370,526</b>

As per our attached report of even date

Sunil KC  
Chief Executive Officer

Pawan Kumar Golyan  
Chairman

Krishna Prasad Acharya, FCA  
Managing Partner  
For, K.M.U & Associates  
Chartered Accountants

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Director

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Director

Yogendra Lal Pradhan  
Director

Uttam Bhlon  
Director

Sirish Kumar Murarka  
Director

Mridul Parajuli  
Head-Finance and Planning

Date : 05 December, 2022

Place : NMB Bhawan, Babarmahal, Kathmandu

**Consolidated Statement of changes in equity**

For the year ended 31 Asar, 2079 (16 July 2022)

**NMB****Atributable to equity holders of the Bank**

<b>Particulars</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>General reserve</b>	<b>Exchange equalisation reserve</b>	<b>Regulatory reserve</b>	<b>Fair value reserve</b>	<b>Revaluation Reserve</b>	<b>Retained earning</b>	<b>Other reserve</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Balance at 15 July 2020</b>	13,950,987,467	120,167,470	3,010,879,579	102,426,313	884,132,928	(10,109,962)	-	1,737,219,751	1,139,681,697	20,935,385,243	-	20,935,385,243
<b>Adjustment/Restatements</b>												
Prior Period Adjustments	-	-	-	-	-	-	-	(18,443,236)	-	(18,443,236)	-	(18,443,236)
<b>Adjusted/Restated balance at 16 July 2020</b>	13,950,987,467	120,167,470	3,010,879,579	102,426,313	884,132,928	(10,109,962)	-	1,718,776,515	1,139,681,697	20,916,942,007	-	20,916,942,007
<b>Comprehensive income for the year 2020-21</b>												
<b>Profit for the year</b>	-	-	-	-	-	-	-	2,711,073,708	-	2,711,073,708	-	2,711,073,708
<b>Other comprehensive income, net of tax</b>												
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	185,727,455	-	-	-	185,727,455	-	185,727,455
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actual Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(10,988,352)	(10,988,352)	-	(10,988,352)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	-	185,727,455	-	2,711,073,708	(10,988,352)	2,885,812,811	-	2,885,812,811
<b>Transfer to reserve during the year</b>												
General reserve fund	-	-	543,689,886	22,756,770	86,341,288	-	-	(657,589,865)	4,801,922	-	-	-
Debtenture redemption reserve	-	-	543,689,886	-	-	-	-	(543,689,886)	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	(1,632,950)	1,632,950	-	-	-	-
Exchange fluctuation reserve	-	-	-	22,756,770	-	-	-	(22,756,770)	-	-	-	-
Regulatory Reserve	-	-	-	-	86,341,288	-	-	(86,341,288)	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	-	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	-	(3,168,972)	3,168,972	-	-	-
<b>Transfer from reserve during the year</b>	-	-	-	-	-	-	-	498,074,076	(490,037,047)	8,037,029	-	8,037,029
Fair Value Reserve - Sale of Investment	-	-	-	-	-	-	-	9,669,979	-	9,669,979	-	9,669,979
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	-	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	(1,632,950)	-	(1,632,950)	-	(1,632,950)

Debt redemption reserve	-	-	-	-	-	476,604,097	(476,604,097)	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	11,800,000	(11,800,000)	-	-	-
Regulatory Reserve	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>	-	-	-	-	-	-	-	-	-	-
Share Issued	496,765,500	-	-	-	-	-	87,664,500	584,430,000	-	584,430,000
Transfer from Merger	-	-	93,188,370	-	56,790,314	(1,033,372)	214,511	10,880,703	-	10,880,703
Share based payments	-	-	-	-	-	-	-	-	-	-
<b>Dividends to equity holders</b>	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,878,207,886	(120,167,470)	-	-	-	(1,154,383,871)	(603,656,544)	-	-	(462,328,095)
Cash dividend paid	-	-	-	-	-	(462,328,095)	-	(462,328,095)	-	-
<b>Total contributions by and distributions</b>	<b>2,374,973,386</b>	<b>(120,167,470)</b>	<b>93,188,370</b>	-	<b>56,790,314</b>	<b>(1,033,372)</b>	<b>(515,777,533)</b>	<b>132,982,608</b>	-	<b>132,982,608</b>
<b>Balance at 15 July 2021</b>	<b>16,325,960,853</b>	-	<b>3,647,757,834</b>	<b>125,183,083</b>	<b>1,027,264,530</b>	<b>174,584,121</b>	<b>127,680,687</b>	<b>23,943,774,456</b>	-	<b>23,943,774,455</b>

Balance at 15 July 2021	16,325,960,853	-	3,647,757,834	125,183,083	1,027,264,530	174,584,121	-	2,515,343,348	127,680,687	23,943,774,456	-	23,943,774,455
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-	-	179,026	-	179,026	-	179,026
Adjusted/Restated balance at 16 July 2021	16,325,960,853	-	3,647,757,834	125,183,083	1,027,264,530	174,584,121	-	2,515,522,374	127,680,687	23,943,953,482	-	23,943,953,481
Comprehensive income for the year 2021-22	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	3,291,094,170	-	3,291,094,170	-	3,291,094,170
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	133,681,152	-	-	-	133,681,152	-	133,681,152
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(30,839,276)	(30,839,276)	-	(30,839,276)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	668,963,662	17,025,407	486,238,069	133,681,152	-	3,291,094,170	(30,839,276)	3,393,936,046	-	3,393,936,046
Transfer to reserve during the year	-	-	668,963,662	-	-	-	-	(1,817,722,003)	645,494,866	-	-	-
General Reserve Fund	-	-	-	-	-	-	-	(668,963,662)	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	(50,000,000)	50,000,000	-	-	-
Exchange Fluctuation Fund	-	-	-	17,025,407	-	-	-	(17,025,407)	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	(7,542,062)	7,542,062	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Staff Skill Development Fund	-	-	-	-	-	-	-	(20,286,424)	20,286,424	-	-	-
Regulatory Reserve	-	-	-	-	486,238,069	-	-	(486,238,069)	-	-	-	-
NIMB Staff Relief Fund	-	-	-	-	-	-	-	(1,000,000)	1,000,000	-	-	-
Debtenture Redemption Reserve	-	-	-	-	-	-	-	(566,666,379)	566,666,379	-	-	-
Transfer from reserve during the year	-	-	-	-	-	(53,724,140)	-	53,724,140	(1,000,000)	(1,000,000)	-	(1,000,000)
Fair Value Reserve - Sale of Investment	-	-	-	-	-	(53,724,140)	-	-	-	-	-	-
Debtenture Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-	-
NIMB Staff Relief Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Merger	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill Recognition	-	-	-	-	-	-	-	72,829,139	72,829,139	-	-	72,829,139

Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,040,745,107	-	-	-	-	(1,953,080,407)	(87,664,500)	-	-	-
Cash dividend paid	-	-	-	-	-	(538,756,708)	-	(538,756,708)	-	(538,756,708)
<b>Total contributions by and distributions</b>	<b>2,040,745,107</b>	-	-	-	-	<b>(2,491,837,315)</b>	<b>(14,835,361)</b>	<b>(465,927,569)</b>	-	<b>(465,927,569)</b>
<b>Balance at 16 July 2022</b>	<b>18,366,705,959</b>	<b>4,316,721,496</b>	<b>142,208,489</b>	<b>1,513,502,599</b>	<b>254,541,133</b>	<b>1,550,781,367</b>	<b>726,500,916</b>	<b>26,870,961,959</b>	-	<b>26,870,961,958</b>

As per our attached report of even date

Sunil KC Chief Executive Officer	Pawan Kumar Golyan Chairman	Krishna Prasad Acharya, FCA Managing Partner For, K.M.U & Associates Chartered Accountants	Rajnish Dahal, FCA Managing Partner For, Dev Associates Chartered Accountants
Nico Pijl Director	Jeevan Kumar Katwal Director	Yogendra Lal Pradhan Director	Uttam Bhlon Director
Sirish Kumar Murarka Director	Mridul Parejuli Head-Finance and Planning		

Date : 05 December, 2022

Place : NMB Bhawan, Babarmahal, Kathmandu





<b>Balance at 15 July 2021</b>	<b>14,325,960,853</b>	<b>37,216,210</b>	<b>3,692,361,466</b>	<b>125,183,083</b>	<b>1,027,266,530</b>	<b>174,584,121</b>	<b>2,868,079,150</b>	<b>170,780,664</b>	<b>24,421,430,077</b>	<b>466,605,880</b>	<b>24,888,035,957</b>
Adjustment/Restatement	-	-	-	-	18,219,071	13,940,460	-	(13,940,460)	18,077,052	-	18,077,052
Prior Period Taxes	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted/Restated balance at 16 July 2021</b>	<b>14,325,960,853</b>	<b>37,216,210</b>	<b>3,692,361,466</b>	<b>125,183,083</b>	<b>1,045,483,601</b>	<b>188,524,581</b>	<b>2,867,937,131</b>	<b>156,840,204</b>	<b>24,439,507,129</b>	<b>466,605,880</b>	<b>24,906,113,009</b>
Comprehensive income for the year 2021-22	-	-	-	-	-	-	-	-	-	-	-
<b>Profit for the year</b>	-	-	-	-	-	-	<b>3,470,516,417</b>	-	<b>3,470,516,417</b>	<b>72,110,093</b>	<b>3,542,626,510</b>
<b>Other comprehensive income, net of tax</b>	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	129,234,402	-	-	129,234,402	-	129,234,402
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	(31,036,521)	(31,036,521)	594,852	(30,441,669)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	<b>686,146,087</b>	<b>17,025,407</b>	-	<b>129,234,402</b>	<b>3,470,516,417</b>	<b>(31,036,521)</b>	<b>3,568,714,298</b>	<b>72,706,944</b>	<b>3,641,419,243</b>
<b>Transfer to reserve during the year</b>	-	-	-	-	-	-	<b>(1,835,562,885)</b>	<b>650,138,980</b>	<b>14,452,547</b>	<b>14,397,443</b>	<b>28,849,990</b>
General Reserve Fund	-	-	686,146,087	-	-	-	(682,523,712)	-	3,622,375	13,028,284	16,650,658
Investment Adjustment Reserve	-	-	-	-	-	-	(50,000,000)	50,000,000	-	-	-
Exchange Fluctuation Fund	-	-	-	17,025,407	-	-	(17,025,407)	-	-	-	-
Customer Protection Fund	-	-	-	-	-	-	(678,003)	678,003	-	(651,414)	(651,414)
Corporate Social Responsibility Fund	-	-	-	-	-	-	(678,003)	9,266,754	8,588,751	651,414	9,240,165
Regulatory Reserve	-	-	-	-	-	-	(496,704,958)	-	-	-	-
Actuary Adjustment- NMBCL	-	-	-	-	-	-	-	816,377	816,377	-	816,377
NMB Staff Relief Fund	-	-	-	-	-	-	(1,000,000)	1,000,000	-	-	-
Staff Skill Development Fund	-	-	-	-	-	-	(20,284,424)	21,711,468	1,425,044	1,369,160	2,794,203
Debt Redemption Reserve	-	-	-	-	-	-	(566,666,379)	566,666,379	-	-	-
<b>Transfer from reserve during the year</b>	-	-	-	-	-	<b>(55,627,562)</b>	<b>53,724,140</b>	<b>(1,774,378)</b>	<b>(3,677,800)</b>	<b>(304,141)</b>	<b>(3,981,941)</b>
Fair Value Reserve - Sale of Investment	-	-	-	-	-	(63,724,140)	-	-	-	-	-
Fair Value Adjustment NMBCL	-	-	-	-	-	(1,903,422)	-	-	(1,903,422)	-	(1,903,422)
Other Reserve NMBCL	-	-	-	-	-	(349,876)	-	(349,876)	-	-	(349,876)
Deferred Tax Reserve NMBCL	-	-	-	-	-	-	-	(1,107,947)	(1,107,947)	-	(1,107,947)
Regulatory Reserve	-	-	-	-	-	-	-	(316,555)	(316,555)	(304,141)	(620,696)
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	-	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-
Transfer from Merger	-	-	-	-	-	-	-	-	-	-	-
Recognition of Goodwill	-	-	-	-	-	-	-	72,829,139	72,829,139	-	72,829,139
Bonus Share Issue of NMBMF	-	-	-	-	-	-	7,432,002	-	7,432,002	-	7,432,002
Share based payments	-	-	-	-	-	-	-	-	-	-	-
<b>Dividends to equity holders</b>	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,040,745,107	-	-	-	-	-	(2,012,270,206)	(87,664,500)	(59,189,599)	-	(59,189,599)
Cash dividend paid	-	-	-	-	-	-	(549,681,118)	(7,809,168)	(549,681,118)	(14,933,751)	(664,614,869)
<b>Total contributions by and distributions</b>	<b>2,040,745,107</b>	-	-	-	-	-	<b>(2,566,710,154)</b>	<b>(22,644,529)</b>	<b>(528,609,576)</b>	<b>(14,933,751)</b>	<b>(543,543,327)</b>
<b>Balance at 16 July 2022</b>	<b>16,366,705,959</b>	<b>37,216,210</b>	<b>4,378,507,553</b>	<b>142,208,489</b>	<b>1,542,188,558</b>	<b>262,131,421</b>	<b>2,009,904,650</b>	<b>751,523,757</b>	<b>27,490,386,599</b>	<b>538,470,376</b>	<b>28,028,856,975</b>

NMB Bank Limited  
**Statement of distributable profit or loss**  
For the year ended 32 Asar, 2079 (16 July 2022 )  
(As per NRB Regulation)

Particulars	As at 32 Asar 2079	As at 31 Asar 2078
Accumulated profit/(loss) up to last year	23,506,033	120,507,785
Adjustments/restatement/ reclassification (Including Acquisition)	179,026	(156,722,355)
<b>Adjusted restated balance</b>	<b>23,685,060</b>	<b>(36,214,571)</b>
<b>Income</b>		
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>3,291,094,170</b>	<b>2,711,073,708</b>
<b>Appropriations:</b>		
a. General reserve	(668,963,662)	(543,689,886)
b. Foreign exchange fluctuation fund	(17,025,407)	(22,756,770)
c. Capital redemption reserve	(566,666,379)	476,604,097
d. Corporate social responsibility fund	(7,542,062)	(3,168,972)
e. Employees' training fund	(20,286,424)	-
f. Investment Adjustment Reserve	(50,000,000)	11,800,000
<b>Profit or (loss) before regulatory adjustment</b>	<b>1,960,610,236</b>	<b>2,629,862,178</b>
<b>Regulatory adjustment :</b>		
a. Interest receivable (-)/previous accrued interest received (+)	(241,195,461)	(108,952,206)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	(124,248,134)	(2,129,008)
e. Deferred tax assets recognised (-)/ reversal (+)	(89,955,199)	20,773,151
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/resersal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	(30,839,276)	(10,988,352)
i. Other (+/-)	-	-
- Fair value of investment securities	-	14,955,128
-Others	-	-
<b>Total Adjustments</b>	<b>(486,238,069)</b>	<b>(86,341,288)</b>
<b>Distributable profit or (loss)</b>	<b>1,498,057,226</b>	<b>2,507,306,320</b>

NMB Bank Limited  
**Notes to Consolidated Financial Statements**  
For the year ended 32 Asar 2079

**4.1 Cash and cash equivalent**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Cash in hand	4,829,184,541	4,186,789,240	4,821,253,769	4,183,569,620
Balances with B/FIs	3,253,160,623	2,125,937,178	2,942,719,622	1,573,862,842
Money at call and short notice	1,478,285,425	557,476,799	1,255,605,200	557,476,799
Other	3,768,058,462	7,572,461,264	3,768,058,462	7,572,461,264
<b>Total</b>	<b>13,328,689,050</b>	<b>14,442,664,482</b>	<b>12,787,637,052</b>	<b>13,887,370,526</b>

The fair value of cash is the carrying amount. Cash and cash equivalent comprise the total amount of cash-in-hand, balances with other bank and financial institutions, money at call and short notice, treasury bills and placements having original maturity of three months or less than three months.

Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the regulatory, liquidity and business requirements. Cash held in FCY is subject to risk of changes in the foreign exchange rates. These are closely monitored, and risks, if identified, are promptly managed. The income on these assets is credited to statement of profit or loss under interest income.

**4.2 Due from Nepal Rastra Bank**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Statutory balances with NRB	9,671,760,858	14,567,812,853	9,644,760,858	14,537,812,853
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	4,102,552,772	4,680,692,675	4,102,552,772	4,680,692,675
<b>Total</b>	<b>13,774,313,630</b>	<b>19,248,505,528</b>	<b>13,747,313,630</b>	<b>19,218,505,528</b>

The fair value of balance with the central bank and other deposits at NRB is the carrying amount. Balance with the central bank is principally maintained as a part of the regulatory cash reserve ratio required by the central bank. There are regulatory and liquidity restrictions placed on the level of balance with the central bank. The other receivable from NRB is receivable of Li.Ka Accounts of Government bodies. Due from Nepal Rastra Bank is subsequently also measured at amortised cost.

**4.3 Placements with Bank and Financial Institutions**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Placement with domestic B/FIs	3,782,288,743	238,599,375	3,782,288,743	238,599,375
Placement with foreign B/FIs	-	2,478,549,340	-	2,478,549,340
Less: Allowances for impairment	-	-	-	-
<b>Total</b>	<b>3,782,288,743</b>	<b>2,717,148,715</b>	<b>3,782,288,743</b>	<b>2,717,148,715</b>

These assets are measured at amortised costs. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

#### 4.4 Derivative financial instruments

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
<b>Held for trading</b>				
Interest rate swap	-	-	-	-
Currency swap	803,113,810	3,065,758,007	803,113,810	3,065,758,007
Forward exchange contract	4,117,933,904	13,775,484,127	4,117,933,904	13,775,484,127
Others	372,725,615	320,150,000	372,725,615	320,150,000
<b>Held for risk management</b>				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>5,293,773,328</b>	<b>17,161,392,134</b>	<b>5,293,773,328</b>	<b>17,161,392,134</b>

"Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices etc. All derivatives are initially recognised and subsequently measured at fair value, with all trading gains or losses recognised in the Statement of Profit or Loss under Net trading Income. Fair value is determined using the forward market rates ruling on the reporting date.

#### 4.5 Other trading assets

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Treasury bills	-	-	-	-
Government bonds	-	2,660,000	-	2,660,000
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	25,228,531	17,460	-	-
Other	-	-	-	-
<b>Total</b>	<b>25,228,531</b>	<b>2,677,460</b>	<b>-</b>	<b>2,660,000</b>
Pledged	-	-	-	-
Non-pledged	25,228,531	2,677,460	-	2,660,000

Citizens Saving Certificates are purchased by the bank under Market Maker Procedure, 2070 issued by the Nepal Rastra Bank. These instruments are purchased and sold by the bank under market procedure without any intention to hold it till maturity. The fair value of these CSCs generally approximates the carrying amount as at the last year. There is nil balance as on asar end 2079.

#### 4.6 Loan and advances to B/FIs

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Loans to microfinance institutions	5,997,564,413	5,262,696,996	5,997,564,413	5,262,696,996
Other	-	-	-	-
Less: Allowances for impairment	77,469,598	68,226,319	77,469,598	68,226,319
<b>Total</b>	<b>5,920,094,816</b>	<b>5,194,470,677</b>	<b>5,920,094,816</b>	<b>5,194,470,677</b>

Loan and advances given to microfinance financial institutions (Including deprived sector lending) is presented under this head after providing required impairment allowances. These assets are subsequently measured at amortised costs. Risks associated with these assets are regularly assessed. These are interest bearing advances and the income on these assets is credited to statement of profit or loss under interest income.

#### 4.6.1: Allowances for impairment

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Balance at Sawan 1	68,226,319	46,940,471	68,226,319	46,940,471
Impairment loss for the year:	-	-	-	-
Charge for the year	9,243,279	19,555,270	9,243,279	19,555,270
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Transfer from Merger	-	1,730,578	-	1,730,578
<b>Balance at Asar end</b>	<b>77,469,598</b>	<b>68,226,319</b>	<b>77,469,598</b>	<b>68,226,319</b>

The impairment on Loans and advances to BFI's carried forward from Erstwhile Kanchan Development Bank after acquisition is NPR. 1,730,578.

#### 4.7 Loans and advances to customers

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Loan and advances measured at amortized cost	184,329,946,269	159,932,592,535	179,574,007,975	155,685,869,615
Less: Impairment allowances	-	-	-	-
Collective impairment	2,680,238,896	2,690,307,497	2,659,483,429	2,672,502,836
Individual impairment	2,104,726,691	2,129,465,061	1,966,168,262	1,999,242,857
<b>Net amount</b>	<b>179,544,980,682</b>	<b>155,112,819,977</b>	<b>174,948,356,284</b>	<b>151,014,123,921</b>
Loan and advances measured at FVTPL	-	-	-	-
<b>Total</b>	<b>179,544,980,682</b>	<b>155,112,819,977</b>	<b>174,948,356,284</b>	<b>151,014,123,921</b>

"The sum of the outstanding amount of all loans and advances extended to the customers other than BFIs, bills purchased and discounted and amortized cost of staff loans; less the amount of impairment allowances is presented under this head.

#### 4.7.1: Analysis of loan and advances - By Product

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Product				
Term loans	48,310,768,916	41,591,757,391	48,310,768,916	41,591,757,391
Overdraft	23,001,713,903	15,798,372,397	23,001,713,903	15,798,372,397
Trust receipt/Import loans	2,440,702,690	7,280,220,186	2,440,702,690	7,280,220,186
Demand and other working capital loans	33,074,422,381	25,918,370,400	33,074,422,381	25,918,370,400
Personal residential loans	13,326,896,541	12,775,535,269	13,326,896,541	12,775,535,269
Real estate loans	5,642,677,927	4,537,758,388	5,642,677,927	4,537,758,388
Margin lending loans	1,450,926,708	3,903,449,701	1,450,926,708	3,903,449,701
Hire purchase loans	6,301,000,661	5,138,106,798	6,301,000,661	5,138,106,798
Deprived sector loans	7,887,757,584	8,318,502,345	3,231,080,143	4,148,962,425
Bills purchased	-	-	-	-
Staff loans	2,019,036,601	1,533,044,729	2,015,046,657	1,528,390,863
Other	39,350,905,092	31,703,207,339	39,350,905,092	31,703,207,339
<b>Sub total</b>	<b>182,806,809,003</b>	<b>158,498,324,943</b>	<b>178,146,141,618</b>	<b>154,324,131,157</b>
Interest receivable	1,523,137,266	1,434,267,591	1,427,866,357	1,361,738,458
<b>Grand total</b>	<b>184,329,946,269</b>	<b>159,932,592,535</b>	<b>179,574,007,975</b>	<b>155,685,869,615</b>

#### 4.7.2: Analysis of loan and advances - By Currency

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Nepalese rupee	180,759,223,670	153,493,108,218	176,003,285,377	149,246,385,298
Indian rupee	-	-	-	-
United State dollar	3,556,132,966	6,420,403,307	3,556,132,966	6,420,403,307
Great Britain pound	-	-	-	-
Euro	14,589,632	19,081,009	14,589,632	19,081,009
Japenese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>184,329,946,269</b>	<b>159,932,592,535</b>	<b>179,574,007,975</b>	<b>155,685,869,615</b>

#### 4.7.3: Analysis of loan and advances - By Collateral

Loans and advances to customers are backed by collateral securities to mitigate the default risk. The type of the collaterals corresponding to the loans and advances to customers are given in the table below.

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
<b>Secured</b>				
Movable/immovable assets	180,629,870,867	157,228,319,080	177,339,309,051	154,703,190,330
Gold and silver	11,976,851	128,955,689	11,976,851	128,955,689
Guarantee of domestic B/FIs	10,674,626	7,613,852	10,674,626	7,613,852
Government guarantee	87,200,256	87,191,907	87,200,256	87,191,907
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	2,124,847,191	758,917,838	2,124,847,191	758,917,838
Collateral of Governement securities	-	-	-	-
Counter guarantee	-	-	-	-
Personal guarantee	-	-	-	-
Other collateral	1,465,376,478	1,721,594,170	-	-
<b>Subtotal</b>	<b>184,329,946,269</b>	<b>159,932,592,535</b>	<b>179,574,007,975</b>	<b>155,685,869,615</b>
Unsecured	-	-	-	-
<b>Grant Total</b>	<b>184,329,946,269</b>	<b>159,932,592,535</b>	<b>179,574,007,975</b>	<b>155,685,869,615</b>

#### 4.7.4: Allowances for impairment

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
<b>Specific allowances for impairment</b>				
<b>Balance at Sawan 1</b>	<b>2,129,465,061</b>	<b>2,129,465,061</b>	<b>1,999,242,857</b>	<b>1,999,242,857</b>
Impairment loss for the year:				
Charge for the year	-	-	-	-
Recoveries/(reversal) during the year	(24,738,370)	(188,275,093)	(33,074,595)	(188,275,093)
Write-offs	-	-	-	-
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement (Transfer from Merger and Acquisitions)	-	188,275,093	-	188,275,093
<b>Balance at Asar end</b>	<b>2,104,726,691</b>	<b>2,129,465,061</b>	<b>1,966,168,262</b>	<b>1,999,242,857</b>
<b>Collective allowances for impairment</b>				
<b>Balance at Sawan 1</b>	<b>2,690,307,497</b>	<b>2,711,593,346</b>	<b>2,672,502,836</b>	<b>2,693,788,685</b>
Impairment loss for the year:				
Charge/(reversal) for the year	(10,068,602)	(84,110,189)	(13,019,407)	(84,110,189)
Exchange rate variance on foreign currency impairment	-	-	-	-
Other movement (Transfer from Merger and Acquisitions)	-	62,824,341	-	62,824,341
<b>Balance at Asar end</b>	<b>2,680,238,896</b>	<b>2,690,307,497</b>	<b>2,659,483,429</b>	<b>2,672,502,836</b>
<b>Total allowances for impairment</b>	<b>4,784,965,587</b>	<b>4,819,772,558</b>	<b>4,625,651,691</b>	<b>4,671,745,694</b>

#### 4.8 Investment securities

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Investment securities measured at amortized cost	30,919,709,470	16,918,192,100	30,689,709,470	16,665,279,464
Investment in equity measured at FVTOCI	1,089,242,283	838,740,969	1,035,137,283	788,283,469
<b>Total</b>	<b>32,008,951,753</b>	<b>17,756,933,069</b>	<b>31,724,846,753</b>	<b>17,453,562,933</b>

The Investments made by Bank in financial instruments has been presented under this account head in three categories i.e. investment securities designated at fair value through profit or loss, investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. The Treasury Bill with maturity greater than 91 days has been presented under Investment Securities.

#### 4.8.1: Investment securities measured at amortized cost

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Debt securities	3,137,848,555	745,607,595	3,137,848,555	714,439,459
Government bonds	19,874,597,999	13,512,703,426	19,874,597,999	13,512,703,426
Government treasury bills	7,033,874,498	1,946,904,406	7,033,874,498	1,946,904,406
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other Investments	873,388,418	712,976,673	643,388,418	491,232,173
Less: specific allowances for impairment	-	-	-	-
<b>Total</b>	<b>30,919,709,470</b>	<b>16,918,192,100</b>	<b>30,689,709,470</b>	<b>16,665,279,464</b>

The details of other investment as at 32 Asar 2079 are as follows:

Description	Coupon Rate	Maturity Date	Face Value (USD)	Carrying Amount (NPR.)
1. Muthoot Finance	4.40%	2-Sep-23	1,000,000	128,679,883
2. Muthoot Finance	4.40%	2-Sep-23	4,000,000	514,708,536
<b>Total</b>				<b>643,388,418</b>

The investment on debt securities include investment on agricultural bond issued by Agriculture Development Bank Limited which is also included in productive sector lending requirement as per NRB Directive.

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

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Equity instruments				
Quoted equity securities	987,428,483	762,416,969	935,323,483	713,959,469
Unquoted equity securities	101,813,800	76,324,000	99,813,800	74,324,000
<b>Total</b>	<b>1,089,242,283</b>	<b>838,740,969</b>	<b>1,035,137,283</b>	<b>788,283,469</b>

**Notes to Consolidated Financial Statements**

For the year ended 32 Asar 2079

**4.8.3: Information relating to investment in equities**

Group

NMB

Particulars	As at 32 Asar 2079		As at 32 Asar 2078		As at 32 Asar 2079		As at 32 Asar 2078	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Investment in quoted equity - Units of NMB Only</b>								
NMB Hybrid Fund-1 (15,261,921 Units)	166,269,210	182,133,515	162,119,210	221,975,222	152,619,210	170,933,515	152,619,210	208,325,222
Citizen Mutual Fund-I (67,605 Units)	576,048	506,924	731,348	920,038	576,048	506,924	731,348	920,038
Global IME Samunnat Scheme-1 (3,797,270 Units)	-	-	37,972,700	77,008,636	-	-	37,972,700	77,008,636
NIBL Samridhhi Fund II (500,000 Units)	5,000,000	4,335,000	5,000,000	5,405,000	5,000,000	4,335,000	5,000,000	5,405,000
NIBL Pragati Fund (1875 Units)	-	-	18,730	27,844	-	-	18,730	27,844
Citizens Mutual Fund-II (147,050 Units)	-	-	1,470,500	2,080,758	-	-	1,470,500	2,080,758
Sunrise Mutual Fund-I	1,600,000	1,150,000	1,000,000	1,600,000	-	-	-	-
Sunrise BlueChip Fund (2,000,000 Units)	20,000,000	17,480,000	20,000,000	20,320,000	20,000,000	17,480,000	20,000,000	20,320,000
Prabhu Select Fund (1,000,000 Units)	10,000,000	9,610,000	10,000,000	10,140,000	10,000,000	9,610,000	10,000,000	10,140,000
Laxmi Ummati Kosh (14,350 Units)	-	-	143,500	181,097	-	-	143,500	181,097
Kumari Equity Fund (500,000 Units)	5,000,000	5,035,000	5,000,000	5,250,000	5,000,000	5,035,000	5,000,000	5,250,000
NMB 50 (17,701,670 Units)	195,704,200	244,476,543	189,516,700	283,327,467	177,016,700	228,351,543	177,016,700	264,639,967
RBB Mutual Fnd-1 (2,000,000 Units)	20,000,000	18,540,000	-	-	20,000,000	18,540,000	-	-
Mega Mutual Fund-1 (436,340 Units)	4,363,400	3,486,357	-	-	4,363,400	3,486,357	-	-
NMB Saral Bachat Fund -E (14,000,000 Units)	150,000,000	149,110,000	-	-	140,000,000	140,000,000	-	-
Kumari Dhanabridhhi Yojana (300,000 Units)	3,000,000	3,000,000	-	-	3,000,000	3,000,000	-	-
Api Power Company Ltd. (5 Units)	-	1,223	-	2,015	-	1,223	-	2,015
Barun Hydro Power Company Limited (1 Units)	-	440	-	-	-	440	-	-
CEDB Hydro Fund Ltd. - Promoter Shares (119,892 Units)	10,000,000	11,989,200	10,000,000	11,989,200	10,000,000	11,989,200	10,000,000	11,989,200
Shiva Shree Hydropower Ltd - Promoter Shares (100,000 Units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Ngadi Group Power Limited (2 Unit)	-	594	-	-	-	594	-	-
Lumbini General Insurance Co. Ltd. - Promoter Shares (61,144 Units)	4,016,713	20,238,664	4,016,713	20,238,664	4,016,713	20,238,664	4,016,713	20,238,664
Premier Insurance Co. Ltd. (769 Units)	-	-	-	899,730	-	-	-	899,730
Prabhu Insurance Company Limited (10 Units)	-	4,280	-	8,640	-	4,280	-	8,640
Himalayan General Insurance Co. Ltd (1 Units)	-	520	-	768	-	520	-	768
NLG Insurance Company Limited (5 Units)	-	880	-	500	-	880	-	500

Siddhartha Insurance Ltd. (62 Units)	-	33,709	-	-	33,709	-	-	-
National Life Insurance Co. Ltd. (1 Units)	-	577	-	-	577	-	-	-
Mero Micro Finance Bittiya Sansstha Ltd. (18 Units)	981	15,246	981	23,190	981	15,246	981	23,190
NIC Asia Laghubittiya Sansstha Ltd. - Promoter Shares (64,860 Units)	5,375,000	32,086,242	5,375,000	6,486,000	5,375,000	32,086,242	5,375,000	6,486,000
Mero Microfinance Bittiya Sansstha Ltd. Promoter Shares (500,280 Units)	22,049,841	259,645,320	37,023,000	69,999,900	22,049,841	259,645,320	37,023,000	69,999,900
Mirmire Microfinance Development Bank Ltd. (1 Unit)	-	1,050	-	-	-	1,050	-	-
Mahila Sahayatra Micro Finance Bittiya Sansstha Limited (2 Kitta)	-	-	-	2,518	-	-	-	2,518
Global IIME Laghubittiya Bittiya Sansstha Ltd.(1 Units)	-	1,299	-	2,508	-	1,299	-	2,508
Vijaya laghubittiya Bittiya Sansstha Ltd. (5 Units)	-	4,700	-	7,276	-	4,700	-	7,276
Janauthan Samudayic Laghubittiya Bittiya Sansstha Limited (1 Unit)	-	1,725	-	-	-	1,725	-	-
National Micro Finance Bittiya Sansstha LTD. (3 Unit)	-	5,805	-	-	-	5,805	-	-
Mithila Laghubittiya Bittiya sansstha Ltd.(10 Unit)	-	13,670	-	-	-	13,670	-	-
Samudayak Laghubittiya Bittiya Sansstha Ltd. (Promoter Shares)	14,520,000	14,520,000	14,520,000	14,520,000	-	-	-	-
<b>Total</b>	<b>647,475,393</b>	<b>987,428,483</b>	<b>513,908,382</b>	<b>762,416,969</b>	<b>589,017,893</b>	<b>935,323,483</b>	<b>476,388,382</b>	<b>713,959,469</b>
Investment in unquoted equity - Units of NMB Only								
Nepal Stock Exchange Limited (716 Units)	5,000	71,600	5,000	71,600	5,000	71,600	5,000	71,600
Nepal Clearing House Limited (199,367 Units)	5,268,200	19,936,700	5,268,200	14,446,900	5,268,200	19,936,700	5,268,200	14,446,900
Credit Information Bureau Limited (28,055 Units)	216,000	2,805,500	216,000	2,805,500	216,000	2,805,500	216,000	2,805,500
Nepal Warehousing Company Ltd. (70,000 Units)	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Nepal Finsoft Company Ltd.	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-	-
Mahalaxmi Life Insurance Co.Ltd (500,000 Units)	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Nepal Power Exchange Limited	20,000,000	20,000,000	-	-	20,000,000	20,000,000	-	-
<b>Total</b>	<b>84,489,200</b>	<b>101,813,800</b>	<b>64,489,200</b>	<b>76,324,000</b>	<b>82,489,200</b>	<b>99,813,800</b>	<b>62,489,200</b>	<b>74,324,000</b>
<b>Grand Total</b>	<b>731,964,593</b>	<b>1,089,242,283</b>	<b>578,397,582</b>	<b>838,740,969</b>	<b>671,507,093</b>	<b>1,035,137,283</b>	<b>538,877,582</b>	<b>788,283,469</b>

The face value of Mutual Fund is NPR 10 and face value of ordinary and promoter shares are NPR 100 per unit. Unless specified, type of shares are ordinary shares.

Treasury bills, Government bonds and USD Bonds have been classified as financial assets held to maturity instrument as the Bank has intention and capacity to hold these instruments until their maturity. These instruments are carried at amortised costs. These instruments are issued by the government. Bank considers that the fixed return on these bonds adequately compensates for associated risks. Premiums paid on development Bonds are considered for the EIR calculation and the balance outstanding have been measured accordingly. Interest accrued on Development Bonds and T-Bills are shown as part of the Investments.

None of the equity investments result in control or significant influence over the invested entities. These investments have been classified as available for sale assets. The movement in fair value of these instruments has been adjusted through other comprehensive income.

The Bank has invested NPR 177,016,700 in NMB 50, NPR 152,619,210 in NMB Hybrid Fund-1 and NPR. 140,000,000 in NMB Saral Bachat Fund -E as Seed Capital. For both Mutual Funds, the Bank is the Fund Sponsor while the Bank's Subsidiary NMB Capital Limited is the Fund Manager. These investment have been made as per the requirement of "Mutual Fund Regulation 2067" issued by the Securities Board of Nepal (SEBON) to invest seed money by the Fund Sponsor/Manager. The cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading.

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#### 4.9 Current tax assets

The advance deposited by the bank less tax liabilities are presented under this head:

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
<b>Current tax assets</b>				
Current year income tax assets	1,443,549,827	1,369,701,004	1,396,448,052	1,232,410,602
Tax assets of prior periods	94,178,290	43,148,478	92,924,561	43,148,478
<b>Total Current tax Assets</b>	<b>1,537,728,117</b>	<b>1,412,849,482</b>	<b>1,489,372,612</b>	<b>1,275,559,079</b>
<b>Current tax liabilities</b>				
Current year income tax liabilities	1,483,607,013	1,313,623,719	1,434,043,707	1,182,813,545
Tax liabilities of prior periods	-	-	-	-
<b>Total Current tax Liabilities</b>	<b>1,483,607,013</b>	<b>1,313,623,719</b>	<b>1,434,043,707</b>	<b>1,182,813,545</b>

The movement of Advance tax as of Asar end 2079 is given below:

Particulars	Amount (NPR)
A. Advance Income Tax carried forward from previous year	92,924,561
B. Advance Tax Instalments FY 2078/79	1,380,000,000
C. Tax Withheld by Withholder FY 2078/79	16,448,052
D. Transferred from Merger	-
E. Deposit for tax cases	-
F. Provision for Income tax for FY 2078/79	1,434,043,707
G. Tax Audit Adjustments after year end	-
<b>Net Advance Tax Asset/(Liability) (A+B+C-D-E-F-G)</b>	<b>55,328,905</b>

#### 4.10 Investment in subsidiaries

Particulars	NMB	
	As at 32 Asar 2079	As at 31 Asar 2078
Investment in quoted subsidiaries	172,487,600	172,487,600
Investment in unquoted subsidiaries	200,000,000	200,000,000
<b>Total investment</b>	<b>372,487,600</b>	<b>372,487,600</b>
Less: Impairment allowances	-	-
<b>Net carrying amount</b>	<b>372,487,600</b>	<b>372,487,600</b>

#### 4.10.1: Investment in quoted subsidiaries

Particulars	NMB			
	As at 32 Asar 2079		As at 31 Asar 2078	
	Cost	Fair Value	Cost	Fair Value
NMB Laghubitta Bittiya Sanstha Limited, 2,753,004 Promoter shares and 16 Ordinary Shares of Rs 100 each fully paid up	172,487,600	172,487,600	172,487,600	172,487,600
<b>Total</b>	<b>172,487,600</b>	<b>172,487,600</b>	<b>172,487,600</b>	<b>172,487,600</b>

#### 4.10.2: Investment in unquoted subsidiaries

Particulars	NMB			
	As at 32 Asar 2079		As at 31 Asar 2078	
	Cost	Fair Value	Cost	Fair Value
NMB Capital Ltd., 2,000,000 Ordinary shares of Rs 100 each fully paid up	200,000,000	200,000,000	200,000,000	200,000,000
<b>Total</b>	<b>200,000,000</b>	<b>200,000,000</b>	<b>200,000,000</b>	<b>200,000,000</b>

#### 4.10.3: Information relating to subsidiaries of the Bank

Particulars	NMB	
	Percentage of ownership held by the Bank	
	As at 32 Asar 2079	As at 31 Asar 2078
NMB Capital Limited	100%	100%
NMB Laghubitta Bittiya Sanstha Limited	51%	51%

#### 4.10.4: Non controlling interest of the subsidiaries

Particulars	Group	
	As at 32 Asar 2079	As at 31 Asar 2078
Equity interest held by NCI (%)	49%	49%
Profit/(loss) allocated during the year	72,110,093	96,217,203
Accumulated balances of NCI as on year end	538,470,376	466,605,880
Dividend paid to NCI	2,993,076	2,222,726

#### 4.11 Investment in associates

The Bank do not have any investment in associates as of fiscal year end 2079

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total investment	-	-	-	-
Less: Impairment allowances	-	-	-	-
Net carrying amount	-	-	-	-

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**4.11.1: Investment in quoted associates**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
	Cost	Fair Value	Fair Value	Cost
".....Ltd. .....shares of Rs. ....each"	-	-	-	-
".....Ltd. .....shares of Rs. ....each"	-	-	-	-
.....	-	-	-	-
<b>Total</b>	-	-	-	-

**4.11.2: Investment in unquoted associates**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
	Cost	Fair Value	Fair Value	Cost
".....Ltd. .....shares of Rs. ....each"	-	-	-	-
".....Ltd. .....shares of Rs. ....each"	-	-	-	-
.....	-	-	-	-
<b>Total</b>	-	-	-	-

**4.11.3: Information relating to associates of the Bank**

Particulars	Group		NMB	
	Percentage of ownership held by the Bank		Percentage of ownership held by the Bank	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
	Cost	Fair Value	Fair Value	Cost
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-
.....Ltd.	-	-	-	-

**4.11.4: Equity value of associates**

Particulars	Group	
	As at 32 Asar 2079	As at 31 Asar 2078
	Cost	Fair Value
.....Ltd.	-	-
.....Ltd.	-	-
<b>Total</b>	-	-

#### 4.12 Investment properties

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
<b>Investment properties measured at fair value</b>				
Balance as on Sawan 1	97,942,260	79,648,242	97,942,260	79,648,242
Addition/disposal during the year	197,219,260	3,379,377	197,219,260	3,379,377
Net changes in fair value during the year	-	-	-	-
Transfer from Merger	-	14,914,641	-	14,914,641
<b>Net amount</b>	<b>295,161,520</b>	<b>97,942,260</b>	<b>295,161,520</b>	<b>97,942,260</b>
<b>Investment properties measured at cost</b>				
Balance as on Sawan 1	-	-	-	-
Addition/disposal during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
<b>Net amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As per NAS 40 'Investment Property' (land and building acquired as non banking assets) are measured at fair value.

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

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

The details of Non-Banking Assets as of Asar end, 2079 are as follows:

<b>Party's Name</b>	<b>Date NBA is assumed</b>	<b>Amount (NPR)</b>
1.Kamdhenu Mahila Dugdha Utpadak Ssl	16-Nov-17	785,000
2.Ankita Impex	3-Apr-18	13,936,000
3.Jalthal Live Stock P. Ltd	9-Apr-18	2,200,000
4.Factory Outlet And Clothing Store	18-Jun-18	15,530,000
5.China Hygienic Meat Pro & Sup P.Ltd	15-Jul-18	9,242,000
6.Eastern Shoe Centre	2-Jan-19	4,041,500
7.Chandrakala Limbang	2-Jan-19	466,000
8.Mauni Traders	3-Jan-19	3,120,000
9.Ujjwal Trading & Suppliers	9-Jan-19	4,650,384
10.Babu Rai	9-Jan-19	1,574,853
11.RTC-Teechnology Nepa	13-Jan-19	72,000
12.Evergreen	8-Feb-19	3,745,000
13.Guna Suppliers	17-Mar-20	4,508,880
14.All Sport House	10-Jan-20	8,682,608
15.Sister's Fashion Collection	13-Jan-21	6,883,878
16.Baija Nath Sah (BNS)	19-Jul-21	1,115,000
17.Om Krishna Traders/Om Krishna Sunchandi Pasal	25-Jul-21	45,482,114
18.Srijana Fancy	7-Dec-21	14,570,984
19.Mamata Kumari Poddar	5-Jan-22	6,744,388
20.Om Shree Hansabahini Fancy Store	5-Jan-22	7,053,559
21.Tej Bahadur Rokaya	13-Apr-22	3,902,675
22.Sinesh Suppliers	13-Apr-22	21,658,000
23.Poudel Traders/Kamal Noodles Udhyog	13-Apr-22	11,454,000
24.Gobind Kumar Agarawal/Maa Sanjeevani Traders	13-Apr-22	7,782,000
25.Concept International	13-Apr-22	16,738,000
26.Sangita Hardware Traders	13-Apr-22	9,007,000
27.Manamaya Kirana Pasal	4-May-22	1,645,000
28.Bandana Kewat Madira Pasal/Maan Bahadur Kewat	11-May-22	6,066,698
29.East Travels (Nepal) Pvt. Ltd	15-Jul-22	62,504,000
<b>Total</b>		<b>295,161,520</b>

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**4.13 Property and Equipment**

**Group**

Particulars	Group							Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery		Equipment & Others
<b>Cost</b>									
As on Sawan 1, 2077	838,244,355	185,206,079	428,171,087	294,482,956	481,673,388	168,458,304	443,799,733	202,606,651	3,042,642,553
<b>Addition during the Year</b>									
Acquisition	55,151,840	5,457,585	21,221,090	12,422,679	11,766,893	16,627,242	1,384,050	37,152,724	161,184,103
Capitalization	-	16,018	28,837,045	24,980,913	50,680,770	10,536,983	20,556,900	5,908,527	141,517,155
Disposal during the year	-	-	(65,130,334)	(38,041,294)	(35,732,655)	(14,776,944)	(29,136,391)	(29,346,436)	(212,164,054)
Adjustment/Revaluation	-	-	-	12,903	(200)	12,598	-	(166,607)	(141,306)
<b>Balance as on Asar end 2078</b>	<b>893,396,195</b>	<b>190,679,681</b>	<b>413,098,888</b>	<b>293,858,157</b>	<b>508,388,197</b>	<b>180,858,183</b>	<b>436,604,292</b>	<b>216,154,859</b>	<b>3,133,038,452</b>
<b>Addition during the Year</b>									
Acquisition	-	-	-	-	-	-	-	-	-
Capitalization	180,000	1,278,655	64,022,421	57,693,292	113,770,209	24,666,084	82,969,146	14,949,000	359,528,806
Disposal during the year	(51,423,650)	(1,348,184)	(11,971,702)	(1,647,124)	(60,634,842)	(3,253,136)	(2,575,757)	(2,864,782)	(135,819,177)
Adjustment/Revaluation	-	-	(8,466)	(21,293)	200	(1,606,153)	-	1,760,162	124,450
<b>Balance as on Asar end 2079</b>	<b>842,152,545</b>	<b>190,610,152</b>	<b>465,141,141</b>	<b>349,883,032</b>	<b>561,523,764</b>	<b>200,664,977</b>	<b>516,997,681</b>	<b>229,899,238</b>	<b>3,356,872,531</b>
<b>Depreciation and Impairment</b>									
As on Sawan 1, 2077	-	54,823,909	231,052,721	203,920,706	251,922,022	112,209,460	257,024,339	146,443,239	1,257,396,397
Depreciation charge for the Year	-	4,458,539	35,444,367	36,588,711	78,017,291	15,423,495	49,456,646	20,592,456	239,981,505
Impairment for the year	-	-	-	-	-	-	-	-	-
Disposals	-	-	(36,070,738)	(37,375,238)	(35,051,004)	(13,090,146)	(28,356,004)	(27,861,918)	(177,905,049)
Adjustment	-	569,890	8,003,949	5,414,619	4,132,111	6,965,346	638,927	14,765,369	40,490,210
<b>As on Asar end 2078</b>	<b>-</b>	<b>59,852,339</b>	<b>238,430,299</b>	<b>208,548,798</b>	<b>299,020,420</b>	<b>121,508,154</b>	<b>278,763,907</b>	<b>153,839,145</b>	<b>1,359,963,063</b>
Depreciation charge for the Year	-	4,460,440	32,197,358	39,510,925	83,763,411	17,698,084	53,257,837	20,805,459	251,693,514
Impairment for the year	-	-	-	-	-	-	-	-	-
Disposals	-	(330,115)	(7,770,077)	(1,542,927)	(53,119,567)	(3,051,792)	(2,412,758)	(2,840,488)	(71,067,724)
Adjustment	-	-	-	-	-	-	-	-	-
<b>As on Asar end 2079</b>	<b>-</b>	<b>63,982,663</b>	<b>262,857,580</b>	<b>246,516,796</b>	<b>329,664,265</b>	<b>136,154,446</b>	<b>329,608,986</b>	<b>171,804,117</b>	<b>1,540,588,863</b>
<b>Capital Work in Progress</b>									
Capital Work in Progress	-	-	-	-	-	-	-	-	-
<b>Net Book Value</b>									
As on Asar end 2077	838,244,355	130,382,170	197,118,366	90,562,249	229,751,366	56,248,844	186,775,394	56,163,412	1,785,246,156
As on Asar end 2078	893,396,195	130,827,342	174,668,589	85,309,359	209,367,777	59,350,028	157,840,385	62,315,713	1,773,075,389
As on Asar end 2079	842,152,545	126,627,489	202,283,561	103,366,236	231,859,499	64,510,531	187,388,695	58,095,122	1,816,283,677

**NMB**

Particulars	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others	Total
<b>Cost</b>									
<b>As on Sawan 1, 2077</b>	838,244,355	185,206,079	418,896,334	272,849,036	458,302,706	144,155,712	443,799,733	201,806,474	2,963,260,428
<b>Addition during the Year</b>									
Acquisition	55,151,840	5,457,585	21,221,090	12,422,679	11,766,893	16,627,242	1,384,050	37,152,724	161,184,103
Capitalization		16,018	28,791,935	18,483,170	50,680,770	8,027,467	20,556,900	3,124,126	129,680,386
Disposal during the year			(65,130,334)	(37,829,600)	(35,701,900)	(14,735,868)	(29,136,391)	(29,228,710)	(211,762,804)
Adjustment/Revaluation									
<b>Balance as on Asar end 2078</b>	893,396,195	190,679,681	403,779,024	265,925,285	485,048,470	154,074,552	436,604,292	212,854,614	3,042,362,113
<b>Addition during the Year</b>									
Acquisition									
Capitalization	180,000	1,278,655	64,022,421	45,577,240	99,938,767	18,181,681	82,969,146	12,653,420	324,801,330
Disposal during the year	(51,423,650)	(1,348,184)	(11,971,702)	(1,585,268)	(60,634,842)	(3,231,088)	(2,575,757)	(2,890,108)	(135,660,599)
Adjustment/Revaluation									
<b>Balance as on Asar end 2079</b>	842,152,545	190,610,152	455,829,744	309,917,257	524,352,394	169,025,145	516,997,681	222,617,926	3,231,502,843
<b>Depreciation and Impairment</b>									
As on Sawan 1, 2077	-	54,623,909	225,688,610	190,613,173	236,286,661	96,904,151	257,024,339	146,125,350	1,207,466,193
Depreciation charge for the Year									
Impairment for the year	4,458,539	34,771,513	33,429,363	74,945,780	13,590,259	49,456,646	19,743,693	230,395,793	
Disposals			(36,070,738)	(37,375,238)	(35,051,004)	(13,090,146)	(28,356,004)	(27,961,918)	(177,905,049)
Adjustment/Acquisition		569,890	8,003,949	5,414,619	4,132,111	6,965,346	638,927	14,765,369	40,490,210
<b>As on Asar end 2078</b>	-	59,852,339	232,393,334	192,081,916	280,313,548	104,369,610	278,763,907	152,672,494	1,300,447,148
Depreciation charge for the Year		4,460,440	31,522,764	34,248,165	80,251,920	14,718,005	53,257,837	19,529,001	237,988,132
Impairment for the year									
Disposals		(330,115)	(7,765,130)	(1,542,927)	(53,119,567)	(3,051,792)	(2,412,758)	(2,840,488)	(71,062,777)
Adjustment									
<b>As on Asar end 2079</b>	-	63,982,663	256,150,967	224,787,154	307,445,902	116,035,824	329,608,986	169,361,007	1,467,372,503
Capital Work in Progress									
<b>Net Book Value</b>									
As on Asar end 2077	838,244,355	130,382,170	193,207,724	82,235,863	222,016,045	47,251,560	186,775,394	55,681,123	1,755,794,235
As on Asar end 2078	893,396,195	130,827,342	171,385,691	73,843,369	204,734,922	49,704,942	157,840,385	60,182,120	1,741,914,965
As on Asar end 2079	842,152,545	126,627,489	199,678,776	85,130,103	216,906,493	52,989,321	187,388,695	53,256,918	1,764,130,341

#### 4.14 Goodwill and Intangible Assets

Particulars	Software (Group)				Total
	Goodwill	Purchased	Developed	Other	
<b>Cost</b>					
As on Sawan 1, 2077	-	228,350,098	-	-	228,350,098
Addition during the Year	-	-	-	-	-
Acquisition	-	11,464,713	-	-	11,464,713
Capitalization	-	27,761,704	-	-	27,761,704
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
<b>Balance as on Asar end 2078</b>	<b>-</b>	<b>267,576,516</b>	<b>-</b>	<b>-</b>	<b>267,576,516</b>
					-
Addition during the Year					-
Acquisition	-	-	-	-	-
Capitalization	-	94,973,185	-	-	94,973,185
Disposal during the year	-	(197,750)	-	-	(197,750)
Adjustment/Revaluation	72,829,139	-	-	-	72,829,139
<b>Balance as on Asar end 2079</b>	<b>72,829,139</b>	<b>362,351,951</b>	<b>-</b>	<b>-</b>	<b>435,181,090</b>
					-
<b>Amortization and Impairment</b>					-
As on Sawan 1, 2077	-	104,059,025	-	-	104,059,025
Amortization charge for the Year	-	39,734,851	-	-	39,734,851
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Acquisition	-	5,700,003	-	-	5,700,003
<b>As on Asar end 2078</b>	<b>-</b>	<b>149,493,878</b>	<b>-</b>	<b>-</b>	<b>149,493,878</b>
					-
<b>Amortization charge for the Year</b>	<b>-</b>	<b>1,180,758</b>	<b>-</b>	<b>-</b>	<b>1,180,758</b>
Impairment for the year	-	52,533,370	-	-	52,533,370
Disposals	-	(77,685)	-	-	(77,685)
Acquisition	-	-	-	-	-
<b>As on Asar end 2079</b>	<b>-</b>	<b>203,130,322</b>	<b>-</b>	<b>-</b>	<b>203,130,322</b>
					-
Capital Work in Progress as on Asar end 2078	-	2,983,775	-	-	2,983,775
					-
<b>Net Book Value</b>					
<b>As on Asar end 2077</b>	<b>-</b>	<b>127,274,848</b>	<b>-</b>	<b>-</b>	<b>127,274,848</b>
<b>As on Asar end 2078</b>	<b>-</b>	<b>121,066,412</b>	<b>-</b>	<b>-</b>	<b>121,066,412</b>
<b>As on Asar end 2079</b>	<b>72,829,139</b>	<b>159,221,629</b>	<b>-</b>	<b>-</b>	<b>232,050,768</b>

**Software (NMB)**

<b>Particulars</b>	<b>Goodwill</b>	<b>Purchased</b>	<b>Developed</b>	<b>Other</b>	<b>Total</b>
<b>Cost</b>					
<b>As on Sawan 1, 2077</b>	-	224,835,654	-	-	224,835,654
<b>Addition during the Year</b>					
Acquisition	-	11,464,713	-	-	11,464,713
Capitalization	-	22,839,997	-	-	22,839,997
Disposal during the year	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-
<b>Balance as on Asar end 2078</b>	-	259,140,365	-	-	259,140,365
<b>Addition during the Year</b>					
Acquisition	-	-	-	-	-
Capitalization	-	93,949,929	-	-	93,949,929
Disposal during the year	-	(197,750)	-	-	(197,750)
Adjustment/Revaluation	72,829,139	-	-	-	72,829,139
<b>Balance as on Asar end 2079</b>	<b>72,829,139</b>	<b>352,892,544</b>	-	-	<b>425,721,683</b>
<b>Amortization and Impairment</b>					
As on Sawan 1, 2077	-	101,970,493	-	-	101,970,493
Amortization charge for the Year	-	39,082,351	-	-	39,082,351
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Acquisition	-	5,700,003	-	-	5,700,003
<b>As on Asar end 2078</b>	-	<b>146,752,847</b>	-	-	<b>146,752,847</b>
<b>Amortization charge for the Year</b>					
Impairment for the year	-	52,533,370	-	-	52,533,370
Disposals	-	(77,685)	-	-	(77,685)
Acquisition	-	-	-	-	-
<b>As on Asar end 2079</b>	-	<b>199,208,533</b>	-	-	<b>199,208,533</b>
Capital Work in Progress as on Asar end 2078	-	153,228	-	-	153,228
<b>Net Book Value</b>					
<b>As on Asar end 2077</b>	-	122,865,161	-	-	122,865,161
<b>As on Asar end 2078</b>	-	112,540,746	-	-	112,540,746
<b>As on Asar end 2079</b>	<b>72,829,139</b>	<b>153,684,011</b>	-	-	<b>226,513,150</b>

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**4.15 Deferred Tax**

The creation of Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) has a bearing on the computation of capital adequacy ratio and banks' ability to declare dividends. DTA represents unabsorbed depreciation, difference between carrying amount as per books of accounts and tax including carry forward losses which can set-off against assets future taxable income which is considered as timing difference. DTA has an effect of decreasing future income tax payments which indicates that they are prepaid income taxes and meet the definition of assets. DTA is deducted from Tier I capital, if deferred tax reserve is included already thereon. Deferred tax (assets)/liabilities have been recognised as per the provision of Nepal Accounting Standard (NAS -12)

Particulars	Group			NMB		
	Year ended 32 Asar 2079			Year ended 32 Asar 2079		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences on following items</b>						
Loan and Advance to B/FIs	23,240,879	23,240,879	-	23,240,879	23,240,879	-
Loans and advances to customers	1,387,695,507	1,416,276,780	(28,581,273)	1,387,695,507	1,387,695,507	-
Investment properties	-	-	-	-	-	-
Investment securities	4,838,084	111,066,784	(106,228,700)	-	109,089,057	(109,089,057)
Property & equipment	381,225,132	343,234,479	37,990,653	358,065,969	322,698,543	35,367,426
Employees' defined benefit plan	272,241,117	-	272,241,117	262,810,576	-	262,810,576
Lease liabilities	323,715,806	306,570,435	17,145,371	323,715,806	306,570,435	17,145,371
Provisions	1,433,403	-	1,433,403	1,663,301	-	1,663,301
<b>Deferred tax on temporary differences</b>	<b>2,394,389,930</b>	<b>2,200,389,358</b>	<b>194,000,572</b>	<b>2,357,192,039</b>	<b>2,149,294,422</b>	<b>207,897,617</b>
<b>Deferred tax on carry forward of unused tax losses</b>	<b>131,067,147</b>	-	<b>131,067,147</b>	<b>131,067,147</b>	-	<b>131,067,147</b>
Deferred tax due to changes in tax rate			-			-
<b>Net Deferred tax asset/(liabilities) as on 32 Asar 2079</b>			<b>325,067,719</b>			<b>338,964,764</b>
Deferred tax (asset)/liabilities as on 31 Asar 2078			(237,539,198)			(249,009,565)
<b>Origination/(Reversal) during the year</b>			<b>87,528,521</b>			<b>89,955,199</b>
<b>Deferred tax expense/(income) recognised in profit or loss</b>			<b>(106,845,899)</b>			<b>(111,005,657)</b>
<b>Deferred tax expense/(income) recognised in other comprehensive income</b>			<b>19,315,111</b>			<b>21,050,458</b>
<b>Deferred tax expense/(income) recognised in directly in equity</b>			<b>2,268</b>			

Particulars	Group				NMB			
	Year ended 31 Asar 2017		Year ended 31 Asar 2018		Year ended 31 Asar 2017		Year ended 31 Asar 2018	
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets/ (Liabilities)	Net Deferred Tax Assets/ (Liabilities)
<b>Deferred tax on temporary differences on following items</b>								
Loan and Advance to B/FIs	20,467,896	20,467,896	-	20,467,896	20,467,896	-	20,467,896	-
Loans and advances to customers	1,401,523,708	1,423,282,448	(21,758,740)	1,401,523,708	1,401,523,708	-	1,401,523,708	-
Investment properties	-	-	-	-	-	-	-	-
Investment securities	2,622,500	78,565,758	(75,943,258)	-	76,698,063	(76,698,063)	-	(76,698,063)
Property & equipment	563,708,898	567,726,355	(4,017,457)	552,133,079	556,336,713	(4,203,634)	552,133,079	(4,203,634)
Employees' defined benefit plan	171,584,565	-	171,584,565	162,582,022	-	162,582,022	162,582,022	-
Lease liabilities	-	-	-	-	-	-	-	-
Provisions	2,008,148	-	2,008,148	1,663,301	-	1,663,301	1,663,301	-
<b>Deferred tax on temporary differences</b>	<b>2,161,915,715</b>	<b>2,090,042,456</b>	<b>71,873,258</b>	<b>2,138,370,006</b>	<b>2,055,026,380</b>	<b>83,343,625</b>	<b>2,055,026,380</b>	<b>83,343,625</b>
Deferred tax on carry forward of unused tax losses	165,665,940	-	165,665,940	165,665,940	-	165,665,940	165,665,940	-
Deferred tax due to changes in tax rate	-	-	-	-	-	-	-	-
<b>Net Deferred tax asset/(liabilities) as on 31 Asar 2017</b>			<b>237,539,198</b>			<b>249,009,565</b>		<b>249,009,565</b>
Deferred tax (asset)/liabilities as on 31 Asar 2017			(255,210,455)			(264,421,080)		(264,421,080)
<b>Origination/(Reversal) during the year</b>			<b>(17,671,257)</b>			<b>(15,411,515)</b>		<b>(15,411,515)</b>
<b>Deferred tax expense/(income) recognised in profit or loss</b>			<b>(53,276,748)</b>			<b>(51,820,778)</b>		<b>(51,820,778)</b>
<b>Deferred tax expense/(income) recognised in other comprehensive income</b>			<b>78,393,907</b>			<b>74,888,187</b>		<b>74,888,187</b>
<b>Deferred tax expense/(income) recognised in directly in equity (Merger/Recycling)</b>			<b>(7,445,902)</b>			<b>(7,655,895)</b>		<b>(7,655,895)</b>

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**4.16 Other assets**

Other Asset include accounts receivable, interest receivable, accrued income, prepayments, deposit, deferred employee benefits and stationery stock details presented as follows:

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	267,555,849	219,188,313	129,502,765	169,163,287
Accrued income	10,651,564	14,542,056	10,651,564	14,542,056
Prepayments and deposit	475,934,550	184,447,493	473,496,981	183,360,129
Income tax deposit	97,302,360	53,479,640	97,302,360	97,302,360
Deferred employee expenditure	2,124,376,686	1,516,191,950	2,124,376,686	1,516,191,950
Others:				
Advance Gold and Silver	-	137,685,311	-	137,685,311
Stock of Stationery	40,042,777	40,600,976	36,337,521	38,953,896
Fuel Stock	-	-	-	-
Gold Markup	-	73,683,210	-	73,683,210
Right of Use Assets	1,026,892,370	3,803,029	1,022,045,517	101,130
<b>Total</b>	<b>4,042,756,156</b>	<b>2,243,621,977</b>	<b>3,893,713,394</b>	<b>2,230,983,328</b>

The provision outstanding as of Asar end 2079 of NMB includes IPO receivables of erstwhile Bank of Asia and deposit of capital merchant finance amounting NPR. 5,544,336 and NPR. 2,388,544 respectively and are netted off with receivables and Cash and Cash Equivalent respectively

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**4.17 Due to Bank and Financial Institutions**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Money market deposits	-	-	-	-
Interbank borrowing	500,000,000	-	500,000,000	-
Other deposits from BFIs	-	-	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	1,582,436,338	1,964,515,728	1,582,436,338	1,964,515,728
<b>Total</b>	<b>2,082,436,338</b>	<b>1,964,515,728</b>	<b>2,082,436,338</b>	<b>1,964,515,728</b>

**4.18 Due to Nepal Rastra Bank**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Refinance from NRB	5,545,081,013	3,609,019,770	5,545,081,013	3,609,019,770
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	3,451,285,516	3,988,962,275	3,451,285,516	3,988,962,275
<b>Total</b>	<b>8,996,366,529</b>	<b>7,597,982,045</b>	<b>8,996,366,529</b>	<b>7,597,982,045</b>

The Bank has an outstanding borrowing of NPR 5,545,081,013 (Schedule 4.18) from the Central Bank under Refinancing Facility available to Financial Institutions. The other payable to NRB includes Li.Ka Accounts of Government bodies. Due to Nepal Rastra Bank is subsequently measured at amortised cost.

**4.19 Derivative financial instruments**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Held for trading				
Interest rate swap	-	-	-	-
Currency swap	748,911,433	3,042,929,732	748,911,433	3,042,929,732
Forward exchange contract	4,229,386,121	13,763,956,644	4,229,386,121	13,763,956,644
Others	372,800,538	320,150,000	372,800,538	320,150,000
Held for risk management				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>5,351,098,092</b>	<b>17,127,036,376</b>	<b>5,351,098,092</b>	<b>17,127,036,376</b>

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices etc. Derivatives are categorised as trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all trading gains or losses recognised in the Statement of Profit or Loss under Net trading Income. Fair value is determined using the forward market rates ruling on the reporting date.

#### 4.20 Deposits from customers

All deposits account other than deposit from bank and financial institutions (local and foreign bank and NRB)

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Institutions customers:				
Term deposits	46,214,259,321	39,159,171,452	46,214,259,321	39,159,171,452
Call deposits	9,299,063,794	14,135,854,620	9,586,630,182	14,442,474,414
Current deposits	10,082,510,428	9,407,236,787	10,082,510,428	9,407,236,787
Other	4,740,925,713	6,253,463,637	4,740,925,713	6,253,463,637
Individual customers:				
Term deposits	67,508,664,473	42,304,426,856	67,508,664,473	42,304,426,856
Saving deposits	48,215,204,250	53,947,831,325	46,243,618,499	52,274,019,505
Current deposits	377,651,806	388,158,507	377,651,806	388,158,507
Other	62,846,041	260,334,680	62,846,041	260,334,680
<b>Total</b>	<b>186,501,125,826</b>	<b>165,856,477,862</b>	<b>184,817,106,463</b>	<b>164,489,285,837</b>

##### 4.20.1 Currency wise analysis of deposit from customers

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Nepalese rupee	182,942,718,303	161,359,045,739	181,258,698,940	159,991,853,713
Indian rupee	-	-	-	-
United State dollar	3,263,434,894	4,242,414,737	3,263,434,894	4,242,414,737
Great Britain pound	28,500,390	10,374,730	28,500,390	10,374,730
Euro	42,730,754	23,578,283	42,730,754	23,578,283
Japanese yen	-	-	-	-
Chinese yuan	217,663,250	212,405,078	217,663,250	212,405,078
Other	6,078,235	8,659,296	6,078,235	8,659,296
<b>Total</b>	<b>186,501,125,827</b>	<b>165,856,477,863</b>	<b>184,817,106,463</b>	<b>164,489,285,837</b>

#### 4.21 Borrowing

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	1,747,615,751	1,795,616,200	-	-
Other	-	-	-	-
Sub total	1,747,615,751	1,795,616,200	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	12,997,400,000	5,655,060,000	12,997,400,000	5,655,060,000
Multilateral Development Banks	-	1,788,750,000	-	1,788,750,000
Other Institutions	-	-	-	-
Sub total	12,997,400,000	7,443,810,000	12,997,400,000	7,443,810,000
<b>Total</b>	<b>14,745,015,751</b>	<b>9,239,426,200</b>	<b>12,997,400,000</b>	<b>7,443,810,000</b>

## 4.22 Provisions

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	1,600,016	1,703,106	-	-
<b>Total</b>	<b>1,600,016</b>	<b>1,703,106</b>	-	-

### 4.22.1: Movement in provision

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Balance at Sawan 1	1,703,106	2,125,593	-	-
Provisions made during the year	-	-	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	(103,089)	(422,488)	-	-
Unwind of discount	-	-	-	-
<b>Balance at Asar end</b>	<b>1,600,016</b>	<b>1,703,106</b>	-	-

## 4.23 Other liabilities

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Liability for employees defined benefit obligations	139,794,572	122,644,988	125,618,519	104,982,941
Liability for long-service leave	428,670,949	311,688,452	409,863,524	296,627,357
Short-term employee benefits	123,185	694,385	-	106,057
Bills payable	43,344,749	53,697,677	43,344,749	53,697,677
Creditors and accruals	3,128,475,063	2,509,586,717	2,529,351,681	2,057,113,935
Interest payable on deposit	845,794,343	549,324,600	845,794,343	549,324,600
Interest payable on borrowing	203,513,831	76,287,957	186,998,498	71,866,108
Liabilities on deferred grant income	-	-	-	-
Unpaid Dividend	2,735,301	2,740,526	2,735,301	2,740,526
Liabilities under Finance Lease	1,079,052,687	-	1,079,052,687	-
Employee bonus payable	551,059,304	476,546,108	512,809,753	427,208,449
Others:	-	-	-	-
TDS Payable	173,093,988	123,602,701	170,699,625	121,673,291
Audit Fee Payable	1,330,550	1,258,075	1,118,700	1,118,700
Others	12,419,908	11,839,233	-	-
<b>Total</b>	<b>6,609,408,428</b>	<b>4,239,911,418</b>	<b>5,907,387,378</b>	<b>3,686,459,641</b>

#### 4.23.1: Defined benefit obligations

The defined-benefit obligation is calculated annually by an independent actuary using the projected unit method. The Bank operates a defined contribution plan as provident fund contribution of its employees and defined benefit plan for the Gratuity payment requirement under its staff rules. For defined contribution plan, the Bank pays contributions to an independently administered retirement fund on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid. For funded defined benefit plans, the liability recognised in the financial statement is the present value of the defined benefit obligation less the fair value of plan assets. Such obligations are estimated on the basis of the actuarial assumptions.

The amounts recognised in the statement of financial position are as follows:

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Present value of unfunded obligations	440,287,764	352,848,719	422,604,588	325,753,811
Present value of funded obligations	664,401,383	523,572,672	653,599,882	512,771,171
<b>Total present value of obligations</b>	<b>1,104,689,147</b>	<b>876,421,391</b>	<b>1,076,204,470</b>	<b>838,524,982</b>
Fair value of plan assets	533,154,703	416,871,184	527,981,363	411,697,844
Present value of net obligations	556,611,183	435,215,214	548,223,107	426,827,138
Recognised liability for defined benefit obligations	1,104,689,147	876,421,391	1,076,204,470	838,524,982

#### 4.23.2: Plan assets

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Plan assets comprise	-	-	-	-
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	5,173,340	5,173,340		
Other	527,981,363	411,697,844	527,981,363	411,697,844
<b>Total</b>	<b>533,154,703</b>	<b>416,871,184</b>	<b>527,981,363</b>	<b>411,697,844</b>

#### 4.23.3: Movement in the present value of defined benefit obligations

Particulars	Group		NMB	
	As at 32 Asar 2019	As at 31 Asar 2018	As at 32 Asar 2019	As at 31 Asar 2018
Defined benefit obligations at Sawan 1	876,421,391	683,062,966	838,524,982	652,876,953
Actuarial losses	96,248,324	30,057,672	94,961,807	28,505,411
Benefits paid by the plan	(71,220,687)	(17,516,228)	(66,845,899)	(12,761,560)
Current service costs and interest	203,240,119	180,816,981	209,563,580	169,904,178
Defined benefit obligations at Asar end	1,104,689,147	876,421,391	1,076,204,470	838,524,982

The additional Interest Income recognized in Plan Assets has been adjusted to opening defined benefit obligation.

#### 4.23.4: Movement in the fair value of plan assets

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Fair value of plan assets at Sawan 1	416,871,184	298,912,946	411,697,844	298,912,946
Contributions paid into the plan	105,179,618	100,504,135	104,982,941	95,134,118
Benefits paid during the year	(23,148,862)	(7,193,638)	(22,693,211)	(6,737,987)
Actuarial (losses) gains	16,551,430	(6,536,333)	16,664,751	(6,423,012)
Expected return on plan assets	17,701,333	31,184,074	17,329,038	30,811,779
<b>Fair value of plan assets at Asar end</b>	<b>533,154,703</b>	<b>416,871,184</b>	<b>527,981,363</b>	<b>411,697,844</b>

#### 4.23.5: Amount recognised in profit or loss

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Current service costs	140,104,773	147,777,242	133,003,856	137,209,755
Interest on obligation	105,112,762	56,071,621	102,909,094	53,312,491
Expected return on plan assets	(17,701,333)	(31,184,074)	(17,329,038)	(30,811,779)
<b>Total</b>	<b>227,516,202</b>	<b>172,664,789</b>	<b>218,583,912</b>	<b>159,710,467</b>

#### 4.23.6: Amount recognised in other comprehensive income

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Actuarial (gain)/loss	30,441,669	10,464,590	30,839,276	10,988,352
<b>Total</b>	<b>30,441,669</b>	<b>10,464,590</b>	<b>30,839,276</b>	<b>10,988,352</b>

#### 4.23.7: Actuarial assumptions

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Discount rate	9.00%	9.00%	9.00%	9.00%
Expected return on plan asset	9.00%	9.00%	9.00%	9.00%
Future salary increase	8.00%	7.00%	8.00%	7.00%
Withdrawal rate	16.00%	16.00%	16.00%	16.00%

The mortality table is considered as per Nepali Assured Lives Mortality (2009) issued by Beema Samiti.

There are no plan assets for the subsidiaries and the bank deposits the fund at the account maintained at CIT for gratuity payment as per actuary report.

#### Debt securities issued

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	8,127,853,522	5,293,994,350	8,127,853,522	5,293,994,350
<b>Total</b>	<b>8,127,853,522</b>	<b>5,293,994,350</b>	<b>8,127,853,522</b>	<b>5,293,994,350c</b>

The debenture has been presented at amortized cost and includes NPR. 215,911,522.28 interest payable amount as on fiscal year end 2079. The details of outstanding debentures are as follows:

Particulars	Issued Date	Expiry Date (BS)	Rate	Face Value (Mio.)
Energy Bond I -2092/93	20 Jestha 2078	20 Jestha 2093	4.00%	1,500
Energy Bond II - 2093/94	10 Jestha 2079	10 Jestha 2094	4.00%	2,727
NMB Debenture 2084/85	29 Chaitra 2075	29 Chaitra 2085	10.00%	1,685
NMB Debenture 2087/88	11 Jestha 2078	11 Jestha 2088	8.50%	2,000

#### 4.25 Subordinated Liabilities

The Bank does not have any subordinated liabilities as on reporting date.

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 4.26 Share capital

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Ordinary shares	18,366,705,959	16,325,960,853	18,366,705,959	16,325,960,853
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
<b>Total</b>	<b>18,366,705,959</b>	<b>16,325,960,853</b>	<b>18,366,705,959</b>	<b>16,325,960,853</b>

##### 4.26.1: Ordinary shares

Particulars	NMB	
	As at 32 Asar 2079	As at 31 Asar 2078
Authorized Capital		
200,000,000 Ordinary share of Rs. 100 each	20,000,000,000	20,000,000,000
Issued capital		
183,667,060 Ordinary share of Rs. 100 each	18,366,705,959	16,325,960,853
Subscribed and paid up capital		
183,667,060 Ordinary share of Rs. 100 each	18,366,705,959	16,325,960,853
<b>Total</b>	<b>18,366,705,959</b>	<b>16,325,960,853</b>

The paid up share capital of the Bank has moved over the years as follows:

Financial Year	Cumulative Paid up Capital NPR	Remarks
2006-07(2063-64 BS)	199,540,600	Issuance of 30% Bonus Shares
2007-08(2064-65 BS)	1,000,000,000	Issuance of 1:4 Right Shares
2008-09(2065-66 BS)	1,424,641,350	Issuance of 10% Bonus Shares and 30% Right Shares
2009-10(2066-67 BS)	1,651,650,000	Auction of 53,586.5 remaining right shares of FY 2008-09 and public issue of 715,000 shares.
2010-11 (2067-68 BS)	2,000,000,000	Issuance of 10:21.09 right shares and auction of unsubscribed right shares.
2013-14 (2070-71 BS)	2,400,000,000	Issuance of 20% Bonus Shares
2015-16 (2072-73 BS)	4,154,559,320	Shares issued to shareholders of merged entities
2015-16 (2072-73 BS)	4,486,924,066	Issuance of 8% Bonus Shares
2016-17 (2073-74 BS)	5,430,062,466	FMO's additional investment of NPR 943,138,400
2016-17 (2073-74 BS)	6,461,774,334	Issuance of 19% Bonus Shares
2017-18 (2074-75 BS)	7,603,290,634	Issuance of FPO (11,415,163 Units)
2018-19 (2075-76 BS)	9,618,162,652	Issuance of 15% Bonus Shares from FY 2073/74 and 10% Bonus Shares from FY 2074/75
2019-20 (2076-77 BS)	13,950,987,467	Issuance of 21% Bonus Shares from FY 2075/76 and addition of Capital from merger with Erstwhile ODBL at SWAP ratio of 1:0.76
2020-21 (2077-78 BS)	16,325,960,853	Issuance of 13% Bonus Shares from FY 2076/77 and addition of Capital from acquisition with Erstwhile KADBL at SWAP ratio of 1:0.85
2021-22 (2078-79 BS)	18,366,705,959	Issuance of 12.50% Bonus Share

Total fractional share is 105,020.59 as on Ashadh end 2079. Fraction share usually come from issue of bonus share and split of share also.

#### 4.26.2: Ordinary share ownership

Particulars	NMB			
	As at 32 Asar 2079		As at 31 Asar 2078	
	Percent	Amount	Percent	Amount
Domestic ownership	82.09	15,077,764,594	82.09	13,402,457,417
Nepal Government	-	-	-	-
"A" class licensed institutions	-	-	-	-
Other licensed intitutions	-	-	-	-
Other Institutions	10.67	1,959,642,075	10.48	1,710,231,733
Public	71.42	13,118,122,519	71.62	11,692,225,684
Other	-	-	-	-
Foreign ownership	17.91	3,288,941,365	17.91	2,923,503,436
<b>Total</b>	<b>100.00</b>	<b>18,366,705,959</b>	<b>100.00</b>	<b>16,325,960,853</b>

The details of shareholders holding shares above 0.5% as of Asar end 2079 are given below:

Shareholder's Name	Share Units	% holding
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	25,147,142	13.69
Employees Provident Fund	10,150,729	5.53
Yong Lian Realty Sdn Bhd	7,742,270	4.22
Gayatri Investment And Management P. Ltd.	3,519,513	1.92
Nand Kishore Rathi	3,093,320	1.68
Dhananjaya Prasad Acharya	2,806,161	1.53
Sunil Kumar Goshali	1,901,987	1.04
Sushil Kumar Goshali	1,744,389	0.95
Pawan Kumar Golyan	1,696,732	0.92
Yogendra Lal Pradhan	1,674,101	0.91
Santosh Devi Murarka	1,459,222	0.79
Purushotam Lal Sanghai	1,295,492	0.71
Pashupati Murarka	1,072,263	0.58
Santosh Rathi	1,058,697	0.58
Din Bandhu Agrawal	972,573	0.53
Balaram Neupane	950,932	0.52

#### 4.27 Reserves

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Statutory general reserve	4,378,507,553	3,692,361,466	4,316,721,496	3,647,757,834
Exchange equalisation reserve	142,208,489	125,183,083	142,208,489	125,183,083
Corporate social responsibility reserve	38,557,626	28,417,988	34,652,799	27,110,737
Capital redemption reserve	-	-	-	-
Regulatory reserve	1,542,188,558	1,027,264,530	1,513,502,599	1,027,264,530
Investment adjustment reserve	50,000,000	-	50,000,000	-
Capital reserve	-	87,664,500	-	87,664,500
Assets revaluation reserve	-	-	-	-
Fair value reserve	262,131,421	174,584,121	254,541,133	174,584,121
Dividend equalisation reserve	-	-	-	-
Debenture redemption reserve	590,062,282	23,395,903	590,062,282	23,395,903
Actuarial gain	(110,982,631)	(80,412,611)	(110,632,755)	(79,793,480)
Special reserve	-	-	-	-
Other reserves:	-	-	-	-
- Deferred Tax Reserve	-	-	-	-
-Capital Adjustment Fund	57,326,449	57,326,449	57,326,449	57,326,449
Staff Skill Development Fund	23,688,046	1,976,578	22,263,002	1,976,578
-NMB Staff Relief Fund	10,000,000	10,000,000	10,000,000	10,000,000
Others	92,871,984	42,411,857	72,829,139	-
<b>Total</b>	<b>7,076,559,779</b>	<b>5,190,173,864</b>	<b>6,953,474,633</b>	<b>5,102,470,254</b>

Other Reserves of NMB presented under Statement of change in equity includes debenture/capital redemption reserve, staff skill development fund, capital adjustment fund, corporate social responsibility fund, investment adjustment reserve , actuarial gain/losses, staff relief fund and Capital Reserve.

Staff Relief Fund amounting NPR. 10,000,000 has been set up with the objective to financially assist staff at the time of their acute financial difficulty of the nature of staff's own/spouse/children critical illness, permanent disability due to illness or destruction of property due to natural calamity. The amount paid during the reporting period is NPR. 1 mio. The said reserve has been included in Tier 2 Capital.

Regulatory reserve includes the amount that is allocated from profit or retained earnings for the bank as per directive of NRB for the purpose of implementation of NFRS and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares). The amount allocated to this reserve includes the following adjustments as per NFRS:

<b>Particulars</b>	<b>As at 32 Asar 2079 (A)</b>	<b>As at 31 Asar 2078 (B)</b>	<b>Transfer to Regulatory Reserve (FY 2078/79) (A-B)</b>
Accrued Interest on Loans and Advances recognized as Income	877,953,322	636,757,862	241,195,461
Provision of Non - Banking Assets (Investment Property)	185,951,758	61,703,624	124,248,134
Deferred Tax Assets	338,964,764	249,009,565	89,955,199
Actuary Losses	110,632,755	79,793,480	30,839,276
Fair value adjustment of Equity Shares	-	-	-
<b>Total</b>	<b>1,513,502,599</b>	<b>1,027,264,530</b>	<b>486,238,069</b>

The bank has considered interest received up to 15 Shrawan 2079 amounting NPR. 72.65 Mio. as an income to Regulatory Reserve as per NRB Directives.

After change of Core Banking System, the interest on majority of risk assets portfolio are due as per English Calendar due to which approximately a fortnight's interest income are also not realized as of fiscal year end 2079.

NMB Bank Limited  
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**4.28 Contingent liabilities and commitments**

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions as on reporting date.

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Contingent liabilities	60,804,320,365	47,940,864,628	60,804,320,365	47,940,864,628
Undrawn and undisbursed facilities	94,978,942,568	80,442,929,940	94,978,942,568	80,442,929,940
Capital commitment	62,635,457	6,802,635	62,035,457	6,252,635
Lease Commitment	1,201,921,795	-	1,201,921,795	-
Litigation	388,480,792	283,697,717	388,480,792	283,697,717
<b>Total</b>	<b>157,436,300,976</b>	<b>128,674,294,920</b>	<b>157,435,700,976</b>	<b>128,673,744,920</b>

**4.28.1: Contingent liabilities**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Acceptance and documentary credit	31,492,731,102	27,978,304,465	31,492,731,102	27,978,304,465
Bills for collection	1,546,098,125	1,472,952,150	1,546,098,125	1,472,952,150
Forward exchange contracts	-	-	-	-
Guarantees	27,765,491,138	18,489,608,013	27,765,491,138	18,489,608,013
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
<b>Total</b>	<b>60,804,320,365</b>	<b>47,940,864,628</b>	<b>60,804,320,365</b>	<b>47,940,864,628</b>

**4.28.2: Undrawn and undisbursed facilities**

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Undisbursed amount of loans	11,366,541,751	10,399,922,950	11,366,541,751	10,399,922,950
Undrawn limits of overdrafts	11,719,585,513	10,171,745,294	11,719,585,513	10,171,745,294
Undrawn limits of credit cards	902,438,014	482,648,921	902,438,014	482,648,921
Undrawn limits of letter of credit	36,388,647,794	38,507,687,021	36,388,647,794	38,507,687,021
Undrawn limits of guarantee	34,601,729,496	20,880,925,754	34,601,729,496	20,880,925,754
<b>Total</b>	<b>94,978,942,568</b>	<b>80,442,929,940</b>	<b>94,978,942,568</b>	<b>80,442,929,940</b>

#### 4.28.3: Capital commitments

Capital expenditure approved by relevant authority of the bank but provision has not been made in financial statements

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
<b>Capital commitments in relation to Property and Equipment</b>				
Approved and contracted for	37,416,129	6,802,635	36,816,129	6,252,635
Approved but not contracted for	21,727,928	-	21,727,928	-
<b>Sub total</b>	<b>59,144,057</b>	<b>6,802,635</b>	<b>58,544,057</b>	<b>6,252,635</b>
<b>Capital commitments in relation to Intangible assets</b>				
Approved and contracted for	3,491,400	-	3,491,400	-
Approved but not contracted for	-	-	-	-
<b>Sub total</b>	<b>3,491,400</b>	<b>-</b>	<b>3,491,400</b>	<b>-</b>
<b>Total</b>	<b>62,635,457</b>	<b>6,802,635</b>	<b>62,035,457</b>	<b>6,252,635</b>

#### 4.28.4: Lease commitments

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Operating lease commitments				
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	207,403,190	-	207,403,190	-
Later than 1 year but not later than 5 years	752,463,267	-	752,463,267	-
Later than 5 years	242,055,339	-	242,055,339	-
<b>Sub total</b>	<b>1,201,921,795</b>	<b>-</b>	<b>1,201,921,795</b>	<b>-</b>

#### Finance lease commitments

Particulars	Group		NMB	
	As at 32 Asar 2079	As at 31 Asar 2078	As at 32 Asar 2079	As at 31 Asar 2078
Future minimum lease payments under non cancellable operating lease, where the bank is lessee				
Not later than 1 year	-	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand total</b>	<b>1,201,921,795</b>	<b>-</b>	<b>1,201,921,795</b>	<b>-</b>

The bank has applied NFRS 16 from Fiscal Year 2078/79 with Modified retrospective method. Hence, cumulative effect of retrospective application has been computed and recognized only on the date of initial application.

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**4.28.5: Litigation**

a. Contingent of Tax:

The bank has filed appeals at Supreme Court, Revenue Tribunal or Inland Revenue Department based on the stage of appeal against amended assessment orders of various fiscal years issued by Large Taxpayers Office. The detail of the cases are given below:

**NMB Bank Limited**

Fiscal Year	Status	Disputed Tax Amount
FY 2063-64	Appealed to Supreme Court on 2070.11.15 for which the final decision is pending	37,596,990
FY 2064-65	Appealed to Supreme Court on 2071.09.24 for which the final decision is pending	31,547,881
FY 2066-67	Appealed to Supreme Court against the decision of RT for which the final decision is pending	40,419,275
FY 2067-68	Appealed to Supreme Court against the decision of RT for which the final decision is pending	8,464,247
FY 2068-69	Appealed to Supreme Court against the decision of RT for which the final decision is pending	5,891,178
FY 2069-70	Appealed to Revenue Tribunal against the decision of IRD on 2076.11.28 for which the final decision is pending	20,060,864
FY 2070-71	Appealed to Revenue Tribunal against the decision of IRD on 2077.04.25 for which the final decision is pending	4,982,475
FY 2071-72	Appealed to Revenue Tribunal against the decision of IRD on 2077.04.20 for which the final decision is pending	7,475,620
FY 2072-73	Appealed to Revenue Tribunal against the decision of IRD on 2078.05.16 for which the final decision is pending	13,596,886
FY 2073-74	Appealed to IRD against the decision of LTO on 2078.06.05 for which the final decision is pending	37,576,008
FY 2074-75	Appealed to IRD against the decision of LTO on 2079.04.18 for which the final decision is pending	94,756,420
<b>Total</b>		<b>302,367,842</b>

**Erstwhile Clean Energy Development Bank Limited**

FY 2065-66	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	6,072,241
FY 2066-67	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	25,323,057
FY 2067-68	Appealed to Supreme Court against the decision of RT for which the final decision is pending	9,480,698
FY 2068-69	Appealed to Supreme Court against the decision of RT for which the final decision is pending	4,883,157
FY 2069-70	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	3,877,235
FY 2070-71	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	3,780,670
FY 2071-72	Appealed to Revenue Tribunal against the decision of IRD on 2077.07.19 for which the final decision is pending	4,503,387
FY 2072-73	Appealed to IRD for Administrative review on 2077.11.20 for which decision is pending	137,497
<b>Total</b>		<b>58,057,942</b>

**Erstwhile Prudential Finance Company Limited**

FY 2065-66	Appealed to IRD for Administrative Review on 2070.07.29 for which the final decision is pending	5,659,272
<b>Total</b>		<b>5,659,272</b>

**Erstwhile Bhrikuti Development Bank Limited**

FY 2071-72	Appealed to Revenue Tribunal on 2076.04.07 for which final decision is pending	224,862
<b>Total</b>		<b>224,862</b>

**Erstwhile OM Development Bank Limited**

	Decision pending at various appellate authorities of previous fiscal years	5,043,705
FY 2072-73	Appealed to IRD for Administrative review on 2077.08.15 for which decision is pending	15,814,716
<b>Total</b>		<b>20,858,421</b>

**Erstwhile OM Finance Limited**

FY 2072-73	Appealed to Revenue Tribunal against the decision of IRD on 2078.04.28 for which the final decision is pending	1,312,453
<b>Grand Total</b>		<b>388,480,792</b>

Since decisions for these cases are pending, disputed tax amount of NPR 388,480,792 mentioned above has been disclosed as contingent liability on Income Tax and no provision for additional liability has been made.

As of the fiscal year end 2078/79, self-Assessment Returns filed by NMB Bank Ltd. for FY 2075/76 to 2077/78, Erstwhile Om Development Bank for 2075/76 to 2076/77 and Erstwhile Kanchan Development Bank Limited for 2075/76 to 2077/78 are yet to be reassessed by Large Tax Payers Office.

b. In the second quarter of FY 2015/16, the Bank had purchased land with an area of 80 Annas (2,543 sq meter) for NPR 590 Million in Kamaladi, Kathmandu. The land was bought through auction process involving four financial institutions. The previous owner of property has filed case in Kathmandu District Court for repeal of auction process.

NMB Bank Limited  
**Notes to Financial Statements**  
For the year ended 32 Asar 2079

#### 4.29 Interest income

"Interest income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from BFIs, loan and advances to staff, etc. Details presented as follows:

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Cash and cash equivalent	3,669,562	11,622,024	4,689,367	11,664,190
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	241,846,558	89,668,769	206,051,845	89,668,769
Loan and advances to bank and financial institutions	383,326,726	248,378,638	457,196,556	304,653,162
Loans and advances to customers	17,854,792,786	13,350,867,567	17,006,147,281	12,628,297,896
Investment securities	1,249,279,464	756,741,862	1,226,339,099	733,049,568
Loan and advances to staff	259,923,088	200,537,849	259,923,088	200,537,849
Other	8,515,358	15,822,099	8,515,358	15,822,099
<b>Total interest income</b>	<b>20,001,353,542</b>	<b>14,673,638,809</b>	<b>19,168,862,594</b>	<b>13,983,693,533</b>

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 152,614,245 has been reversed and credited to Interest Suspense during the reporting period.

#### 4.30 Interest expense

"Interest expenses include interest accrued on deposits collected and debt securities issued. Details presented as follows:

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Due to bank and financial institutions	36,294,401	31,089,787	36,294,401	31,089,787
Due to Nepal Rastra Bank	169,587,651	45,315,382	169,587,651	45,315,382
Deposits from customers	11,869,801,097	7,915,434,666	11,825,860,722	7,869,085,081
Borrowing	591,409,396	308,803,427	327,113,800	169,762,214
Debt securities issued	422,466,178	207,781,769	422,466,178	207,781,769
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
<b>Total interest expense</b>	<b>13,089,558,723</b>	<b>8,508,425,030</b>	<b>12,781,322,752</b>	<b>8,323,034,232</b>

#### 4.31 Fees and Commission Income

Particulars	Group		NMB	
	Year ended 32 Asar 2019	Year ended 31 Asar 2018	Year ended 32 Asar 2019	Year ended 31 Asar 2018
Loan administration fees	-	-	-	-
Service fees	705,211,769	724,047,362	454,612,777	432,020,093
Consortium fees	46,223,280	22,153,544	46,223,280	22,153,544
Commitment fees	872,188	572,110	872,188	572,110
DD/TT/Swift fees	32,076,471	24,034,960	32,076,471	24,034,960
Credit card/ATM issuance and renewal fees	141,681,919	100,242,701	141,681,919	100,242,701
Prepayment and swap fees	9,631,009	11,021,137	9,631,009	11,021,137
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	-	-	-
Remittance fees	31,948,594	28,660,830	31,948,594	28,660,830
Commission on letter of credit	113,873,690	84,384,564	113,873,690	84,384,564
Commission on guarantee contracts issued	453,735,495	205,905,890	453,735,495	205,905,890
Commission on share underwriting/issue	-	-	-	-
Locker rental	6,328,963	6,297,815	6,328,963	6,297,815
<b>Other fees and commission income:</b>				
Bills Purchase and Discount	-	-	-	-
Collection Fee	7,553,013	7,329,117	7,553,013	7,329,117
Agency Commission	12,724,665	12,280,185	12,724,665	12,280,185
Others	399,057,080	249,901,199	378,210,495	242,739,000
<b>Total fees and Commission Income</b>	<b>1,960,918,135</b>	<b>1,476,831,413</b>	<b>1,689,472,559</b>	<b>1,177,641,945</b>

#### 4.32 Fees and commission expense

Particulars	Group		NMB	
	Year ended 32 Asar 2019	Year ended 31 Asar 2018	Year ended 32 Asar 2019	Year ended 31 Asar 2018
ATM management fees	70,215,942	33,107,322	70,215,942	49,660,485
VISA/Master card fees	70,760,120	31,830,379	70,760,120	31,830,379
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	10,777,156	11,175,334	10,777,156	11,175,334
Remittance fees and commission	-	-	-	-
Other fees and commission expense	64,487,817	61,911,731	64,487,817	45,358,568
<b>Total fees and Commission Expense</b>	<b>216,241,035</b>	<b>138,024,766</b>	<b>216,241,035</b>	<b>138,024,766</b>

#### 4.33 Net trading income

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Changes in fair value of trading assets	(673,565)	7,560	-	-
Gain/loss on disposal of trading assets	-	-	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transaction	272,406,509	364,108,314	272,406,509	364,108,314
Other	-	-	-	-
<b>Net trading income</b>	<b>271,732,943</b>	<b>364,115,874</b>	<b>272,406,509</b>	<b>364,108,314</b>

#### 4.34 Other operating income

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Foreign exchange revaluation gain	68,101,627	91,027,079	68,101,627	91,027,079
Gain/loss on sale of investment securities	107,480,350	163,447,236	107,480,350	163,447,236
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	148,451,536	88,902,394	142,201,528	87,631,427
Gain/loss on sale of property and equipment	55,102,209	(2,945,052)	55,102,209	(2,945,052)
Gain/loss on sale of investment property	18,826,243	495,500	18,826,243	495,500
Operating lease income	-	-	2,629,289	2,586,186
Gain/loss on sale of gold and silver	12,425,438	9,731,289	12,425,438	9,731,289
Other	-	19,376,799	-	-
<b>Total</b>	<b>410,387,403</b>	<b>370,035,244</b>	<b>406,766,685</b>	<b>351,973,665</b>

#### 4.35 Impairment charge/(reversal) for loan and other losses

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Impairment charge/(reversal) on loan and advances to B/FIs	9,243,279	(1,730,578)	9,243,279	(1,730,578)
Impairment charge/(reversal) on loan and advances to customer	(34,806,970)	411,957,537	(46,094,002)	384,140,972
Impairment charge/(reversal) on financial Investment	-	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	(375,000)	-	(375,000)	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
<b>Total</b>	<b>(25,938,691)</b>	<b>410,226,959</b>	<b>(37,225,724)</b>	<b>382,410,393</b>

#### 4.36 Personnel Expense

Particulars	Group		NMB	
	Year ended 32 Asar 2019	Year ended 31 Asar 2018	Year ended 32 Asar 2019	Year ended 31 Asar 2018
Salary	862,159,942	687,841,510	763,185,956	608,197,151
Allowances	732,146,781	602,362,100	637,491,920	522,555,380
Gratuity expense	90,469,920	79,895,646	81,562,411	72,265,594
Provident fund	80,218,979	66,286,537	70,814,991	58,874,776
Uniform	-	-	-	-
Training & development expense	22,570,622	15,422,147	17,885,714	10,860,188
Leave encashment	245,302,315	179,541,914	236,803,181	170,222,163
- Sick Leave Expenses	76,436,065	43,846,837	73,182,502	40,669,139
-Leave Fare Expenses	104,426,646	88,540,499	99,781,680	82,777,290
-Home Leave Expenses	64,439,604	47,154,578	63,838,999	46,775,734
Medical	-	-	-	-
Insurance	3,454,279	1,564,549	-	-
Employees incentive	52,380,000	105,622,500	52,380,000	104,022,500
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	121,474,049	96,133,269	121,474,049	96,133,269
Other expenses related to staff	45,444,911	20,069,805	44,938,016	19,364,809
- Recruitment and Selection Expenses	68,467	-	-	-
- Staff Welfare Expenses	45,376,445	20,069,805	44,938,016	19,364,809
<b>Subtotal</b>	<b>2,255,621,800</b>	<b>1,854,739,976</b>	<b>2,026,536,237</b>	<b>1,662,495,830</b>
Employees bonus	549,919,064	475,508,422	512,809,753	427,208,449
<b>Grand total</b>	<b>2,805,540,864</b>	<b>2,330,248,399</b>	<b>2,539,345,989</b>	<b>2,089,704,278</b>

#### 4.37 Other operating expense

Particulars	Group		NMB	
	Year ended 32 Asar 2019	Year ended 31 Asar 2018	Year ended 32 Asar 2019	Year ended 31 Asar 2018
Directors' fee	2,769,000	2,763,605	1,436,000	1,840,605
Directors' expense	2,292,436	1,463,596	1,849,881	1,328,682
Auditors' remuneration	2,489,494	1,468,644	2,100,000	1,118,700
Other audit related expense	1,818,474	758,575	903,330	76,500
Professional and legal expense	3,404,397	8,540,398	3,271,597	4,570,416
Office administration expense	787,446,430	642,873,992	713,132,054	594,430,600
Operating lease expense	318,626,618	222,179,795	294,731,065	205,428,058
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	25,476,826	26,628,276	25,368,879	26,628,276
Onerous lease provisions	-	-	-	-
Others	93,788,940	53,941,912	45,123,315	18,326,927
<b>Total</b>	<b>1,238,112,615</b>	<b>960,618,793</b>	<b>1,087,916,122</b>	<b>853,748,763</b>

#### 4.37.1 Office administration expense

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Water and Electricity	51,726,076	40,458,458	49,835,505	39,074,481
<b>Repair and Maintenance</b>				
(a) Building	625,130	247,890	625,130	247,890
(b) Vehicles	7,864,564	5,155,470	7,514,352	4,877,870
(c) Computer and Accessories	1,625,968	4,416,573	1,625,968	4,416,573
(d) Office Equipment and Furniture	4,961,725	5,730,198	4,837,787	5,615,661
(e) Others	7,210,943	3,935,403	6,481,813	3,503,774
Insurance	40,993,426	38,370,364	40,676,863	38,108,222
Postage, Telex, Telephone, Fax	61,070,711	79,386,102	57,392,041	76,381,144
Printing and Stationery	63,607,981	49,053,053	60,399,255	45,135,062
Newspaper, Books and Journals	86,300	87,632	66,465	61,673
Advertisements	60,141,700	46,149,668	59,483,883	45,669,017
Donations	5,000	-	-	-
Security Expenses	115,140,431	101,125,308	114,496,379	100,549,129
Deposit Guarantee Expenses	49,368,355	42,405,264	49,368,355	42,405,264
Travelling Allowances and Expenses	34,639,678	16,202,690	17,383,985	5,741,734
Entertainment	-	-	-	-
Annual general meeting Expenses	2,509,936	1,259,153	2,101,394	986,738
<b>Others</b>	<b>285,868,506</b>	<b>208,890,766</b>	<b>240,842,880</b>	<b>181,656,370</b>
Business Promotion	29,537,249	15,936,408	29,343,262	15,500,601
Membership Fee	14,692,413	13,191,508	13,774,413	12,270,458
Bank Charges and Commission	448,517	352,543	438,480	345,980
Rates and Taxes	12,047,004	11,266,191	10,801,126	9,434,053
IS Audit-Compliance Expenses	13,847,519	1,016,012	13,847,519	1,016,012
DMAT Expenses	14,048,460	-	-	-
Issue And Surveillance Expenses	33,176,980	33,493,865	16,729,893	17,521,491
Merger Expenses	-	296,053	-	296,053
Office Expenses	69,547,930	59,347,707	68,699,721	58,538,374
Vehicle fuel	40,945,573	32,420,700	40,544,606	32,079,510
Outsource Staff Expenses	57,576,861	41,569,779	46,663,862	34,653,837
<b>Total</b>	<b>787,446,430</b>	<b>642,873,992</b>	<b>713,132,054</b>	<b>594,430,600</b>

#### 4.38 Depreciation & Amortisation

"Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life while amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation and amortization include depreciation on plant and equipment & amortization of intangible assets.

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Depreciation on property and equipment	251,693,514	239,981,505	237,988,132	230,395,793
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	53,714,129	39,734,851	52,533,370	39,082,351
<b>Total</b>	<b>305,407,643</b>	<b>279,716,356</b>	<b>290,521,503</b>	<b>269,478,145</b>

#### 4.39 Non operating income

"The incomes that have no direct relationship with the operation of transactions are presented as under.

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Recovery of loan written off	2,656,853	39,071,786	2,656,853	39,071,786
Other income	-	1,292,951	-	-
<b>Total</b>	<b>2,656,853</b>	<b>40,364,736</b>	<b>2,656,853</b>	<b>39,071,786</b>

#### 4.40 Non operating expense

The expense that has no direct relationship with the operation of transactions are presented as under.

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Loan written off	46,755,749	15,212,626	46,755,749	15,212,626
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	195,927	-	-	-
<b>Total</b>	<b>46,951,676</b>	<b>15,212,626</b>	<b>46,755,749</b>	<b>15,212,626</b>

#### 4.41 Income tax expense

The bank has calculated Income Tax as per Income Tax Act, 2058.

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
<b>Current tax expense</b>	1,535,394,400	1,316,433,283	1,435,199,261	1,185,623,109
Current year	1,534,238,846	1,313,623,718	1,434,043,707	1,182,813,545
Adjustments for prior years	1,155,554	2,809,564	1,155,554	2,809,564
<b>Deferred tax expense</b>	(106,845,899)	(53,276,748)	(111,005,657)	(51,820,778)
Origination and reversal of temporary differences	(106,845,899)	(53,276,748)	(111,005,657)	(51,820,778)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
<b>Total income tax expense</b>	<b>1,428,548,501</b>	<b>1,263,156,535</b>	<b>1,324,193,604</b>	<b>1,133,802,331</b>

#### 4.41.1: Reconciliation of tax expense and accounting profit

Particulars	Group		NMB	
	Year ended 32 Asar 2079	Year ended 31 Asar 2078	Year ended 32 Asar 2079	Year ended 31 Asar 2078
Profit before tax	4,971,175,011	4,282,513,147	4,615,287,774	3,844,876,039
Tax amount at tax rate of 30%	1,491,442,504	1,284,753,944	1,384,586,332	1,153,462,812
Add: Tax effect of expenses that are not deductible for tax purpose	385,032,985	403,029,221	372,829,197	401,049,825
Less: Tax effect on exempt income	-	13,037,121	-	-
<b>Add/less: Tax effect on other items</b>	<b>447,926,988</b>	<b>411,589,509</b>	<b>433,221,925</b>	<b>420,710,305</b>
Less: Tax effect of expenses allowed/Income that are not allowed for tax purpose	413,328,194	376,990,716	398,623,132	386,111,512
Less: Tax effect of carried forward losses	34,598,793	34,598,793	34,598,793	34,598,793
<b>Total income tax expense</b>	<b>1,428,548,502</b>	<b>1,263,156,535</b>	<b>1,324,193,604</b>	<b>1,133,802,331</b>
<b>Effective tax rate</b>	<b>28.74%</b>	<b>29.50%</b>	<b>28.69%</b>	<b>29.49%</b>

**NMB Bank Ltd.**

Comparison of Unaudited and Audited Financial Statements as of FY 2021-2022 (FY 2078/79)

Rs. in '000'

Statement of Financial Position	As per unaudited Financial Statement		As per Audited Financial Statement		Variance		Reasons for Variance
	In amount	In %	In amount	In %	In amount	In %	
<b>Assets</b>							
Cash and cash equivalent	15,428,458		12,787,637		(2,640,821)	-17.12%	Due to re-classification to Investment Securities
Due from Nepal Rastra Bank	13,747,314		13,747,314		-	0.00%	
Placement with Bank and Financial Institutions	3,782,289		3,782,289		(0)	0.00%	
Derivative financial instruments	5,293,773		5,293,773		(0)	0.00%	
Other trading assets	-		-		-	-	
Loan and advances to B/FIs	5,920,095		5,920,095		-	0.00%	
Loans and advances to customers	175,788,057		174,948,356		(839,700)	-0.48%	Due to change in provision and reclassification of interest suspense
Investment securities	29,083,063		31,724,847		2,641,784	9.08%	Due to re-classification from cash and cash equivalents
Current tax assets	-		55,329		55,329		
Investment in subsidiaries	372,488		372,488		-	-	
Investment in associates	-		-		-	-	
Investment property	295,162		295,162		-	0.00%	
Property and equipment	1,762,378		1,764,130		1,752	0.10%	Due to change in depreciation and amortization
Goodwill and Intangible assets	153,684		226,513		72,829	47.39%	Due to booking of Goodwill
Deferred tax assets	339,779		338,965		(815)	-0.24%	Due to change in tax subsequently
Other assets	3,847,574		3,893,713		46,140	1.20%	Due to re-classification
<b>Total Assets</b>	<b>255,814,112</b>		<b>255,150,610</b>		<b>(663,502)</b>	<b>-0.26%</b>	
<b>Liabilities</b>							
Due to Bank and Financial Institutions	2,070,495		2,082,436		11,941	0.58%	Due to re-classification
Due to Nepal Rastra Bank	8,996,367		8,996,367		-	0.00%	
Derivative financial instruments	5,351,098		5,351,098		0	0.00%	
Deposits from customers	184,829,048		184,817,106		(11,941)	-0.01%	Due to re-classification
Borrowing	12,997,400		12,997,400		-	0.00%	
Current Tax Liabilities	88,529		-		(88,529)	0.00%	Due to change in profit and income tax
Provisions	-		-		-	0.00%	
Deferred tax liabilities	-		-		-	-	
Other liabilities	6,145,641		5,907,387		(238,254)	-3.88%	Due to reclassification of Interest Suspense
Debt securities issued	8,127,854		8,127,854		(0.00)	0.00%	
Subordinated Liabilities	-		-		-	-	
<b>Total liabilities</b>	<b>228,606,431</b>		<b>228,279,648</b>		<b>(326,783)</b>	<b>-0.14%</b>	

<b>Equity</b>	-	-	-	
Share capital	18,366,706	18,366,706	(0)	0.00%
Share premium	-	-	-	0.00%
Retained earnings	2,392,410	1,550,781	(841,629)	-35.18%
Reserves	6,448,565	6,953,475	504,910	7.83%
<b>Total equity attributable to equity holders</b>	<b>27,207,681</b>	<b>26,870,962</b>	<b>(336,719)</b>	<b>-1.24%</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>27,207,681</b>	<b>26,870,962</b>	<b>(336,719)</b>	<b>-1.24%</b>
<b>Total liabilities and equity</b>	<b>255,814,112</b>	<b>255,150,610</b>	<b>(663,502)</b>	<b>-0.26%</b>

**NMB Bank Ltd.**

Comparison of Unaudited and Audited Financial Statements as of FY 2021-2022 (FY 2078/79)

Profit & Loss Accounts	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	19,333,573	19,168,863	(164,711)	-1%	Due to adjustment of Interest Income
Interest expense	12,781,323	12,781,323	0	0%	
<b>Net interest income</b>	<b>6,552,251</b>	<b>6,387,540</b>	<b>(164,711)</b>	<b>-3%</b>	
Fees and Commission Income	1,650,840	1,689,473	38,633	2%	Due to reclassification
Fees and commission expense	215,870	216,241	371	0%	Due to booking of related fiscal year expenses subsequently
<b>Net fee and commission income</b>	<b>1,434,969</b>	<b>1,473,232</b>	<b>38,262</b>	<b>3%</b>	
<b>Net interest, fee and commission income</b>	<b>7,987,220</b>	<b>7,860,771</b>	<b>(126,448)</b>	<b>-2%</b>	
Net trading income	272,407	272,407	0	0%	
Other operating income	445,375	406,767	(38,608)	-9%	Due to reclassification
<b>Total operating income</b>	<b>8,705,001</b>	<b>8,539,945</b>	<b>(165,056)</b>	<b>-2%</b>	
Impairment charge/(reversal) for loans and other losses	(484,317)	(37,226)	447,091	-92%	Due to additional impairment charges
<b>Net operating income</b>	<b>9,189,318</b>	<b>8,577,170</b>	<b>(612,148)</b>	<b>-7%</b>	
<b>Operating expense</b>					
Personnel expenses	2,600,641	2,539,346	(61,295)	-2%	Due to change in Staff Bonus
Other operating expenses	1,083,488	1,087,916	4,428	0%	Due to adjustment of provision
Depreciation & Amortisation	292,248	290,522	(1,726)	-1%	Due to adjustment of Depreciation and Amortization
<b>Operating Profit</b>	<b>5,212,942</b>	<b>4,659,387</b>	<b>(553,555)</b>	<b>-11%</b>	
Non operating income	2,657	2,657	-	0%	
Non operating expense	46,756	46,756	-	0%	
<b>Profit before income tax</b>	<b>5,168,843</b>	<b>4,615,288</b>	<b>(553,555)</b>	<b>-11%</b>	
<b>Income tax expense</b>					
Current Tax	1,579,057	1,435,199	(143,858)	-9%	Due to change in Profit and Income Tax.
Deferred Tax expense/(Income)	(111,531)	(111,006)	526	0%	Due to change in profit
<b>Profit for the period</b>	<b>3,701,317</b>	<b>3,291,094</b>	<b>(410,223)</b>	<b>-11%</b>	<b>Due to above reasons</b>
Other Comprehensive Income	102,167	102,842	675	1%	Due to adjustment of Market Price
<b>Total Comprehensive Income</b>	<b>3,803,484</b>	<b>3,393,936</b>	<b>(409,549)</b>	<b>-11%</b>	
<b>Distributable Profit</b>					
Opening Retained Earnings	23,685	23,685	-	0%	
Net profit/(loss) as per profit or loss	3,701,317	3,291,094	(410,223)	-11%	
Add/Less: Regulatory adjustments as per NRB Directive	(1,332,592)	(1,816,722)	(484,130)	-36%	Due to change in Profit and Income Tax.
<b>Profit/(loss) after regulatory adjustments</b>	<b>2,392,410</b>	<b>1,498,057</b>	<b>(894,353)</b>	<b>-37%</b>	

NMB Bank Ltd.

**Unaudited Financial Results (Quarterly)**

Fourth Quarter ended of Fiscal Year 2021-22 (FY 2078/2079)

<b>Condensed Consolidated Statement of Financial Position</b>	<b>This Quarter Ending</b>	<b>Immediate Previous Year Ending(Audited)</b>
<b>Assets</b>		
Cash and cash equivalent	15,428,458	13,887,371
Due from Nepal Rastra Bank	13,747,314	19,218,506
Placement with Bank and Financial Institutions	3,782,289	2,717,149
Derivative financial instruments	5,293,773	17,161,392
Other trading assets	-	2,660
Loan and advances to B/FIs	5,920,095	5,194,471
Loans and advances to customers	175,788,057	151,014,124
Investment securities	29,083,063	17,453,563
Current tax assets	-	92,746
Investment in subsidiaries	372,488	372,488
Investment in associates	-	-
Investment property	295,162	97,942
Property and equipment	1,762,378	1,741,915
Goodwill and Intangible assets	153,684	112,541
Deferred tax assets	339,779	249,010
Other assets	3,847,574	2,230,983
<b>Total Assets</b>	<b>255,814,112</b>	<b>231,546,858</b>
<b>Liabilities</b>		
Due to Bank and Financial Institutions	2,070,495	1,964,516
Due to Nepal Rastra Bank	8,996,367	7,597,982
Derivative financial instruments	5,351,098	17,127,036
Deposits from customers	184,829,048	164,489,286
Borrowing	12,997,400	7,443,810
Current Tax Liabilities	88,529	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	6,145,641	3,686,460
Debt securities issued	8,127,854	5,293,994
Subordinated Liabilities	-	-
<b>Total liabilities</b>	<b>228,606,431</b>	<b>207,603,084</b>
<b>Equity</b>		
Share capital	18,366,706	16,325,961
Share premium	-	-
Retained earnings	2,392,410	2,515,343
Reserves	6,448,565	5,102,470
<b>Total equity attributable to equity holders</b>	<b>27,207,681</b>	<b>23,943,774</b>
Non-controlling interest	-	-
<b>Total equity</b>	<b>27,207,681</b>	<b>23,943,774</b>
<b>Total liabilities and equity</b>	<b>255,814,112</b>	<b>231,546,858</b>

<b>Condensed Consolidated Statement of Profit or Loss</b>	<b>Up to this Quarter</b>	<b>Up to Corresponding Previous Year Quarter (Audited)</b>
Interest income	19,333,573	13,983,694
Interest expense	12,781,323	8,323,034
<b>Net interest income</b>	<b>6,552,251</b>	<b>5,660,659</b>
Fees and Commission Income	1,650,840	1,177,642
Fees and commission expense	215,870	138,025
<b>Net fee and commission income</b>	<b>1,434,969</b>	<b>1,039,617</b>
<b>Net interest, fee and commission income</b>	<b>7,987,220</b>	<b>6,700,276</b>
Net trading income	272,407	364,108
Other operating income	445,375	351,974
<b>Total operating income</b>	<b>8,705,001</b>	<b>7,416,358</b>
Impairment charge/(reversal) for loans and other losses	(484,317)	382,410
<b>Net operating income</b>	<b>9,189,318</b>	<b>7,033,948</b>
<b>Operating expense</b>		-
Personnel expenses	2,600,641	2,089,704
Other operating expenses	1,083,488	853,749
Depreciation & Amortisation	292,248	269,478
<b>Operating Profit</b>	<b>5,212,942</b>	<b>3,821,017</b>
Non operating income	2,657	39,072
Non operating expense	46,756	15,213
<b>Profit before income tax</b>	<b>5,168,843</b>	<b>3,844,876</b>
Income tax expense		-
Current Tax	1,579,057	1,185,623
Deferred Tax expense/(Income)	(111,531)	(51,821)
<b>Profit for the period</b>	<b>3,701,317</b>	<b>2,711,074</b>
<b>Condensed Consolidated Statement of Comprehensive Income</b>		
Profit/Loss for the period	3,701,317	2,711,074
Other Comprehensive Income	102,167	174,739
<b>Total Comprehensive Income</b>	<b>3,803,484</b>	<b>2,885,813</b>
<b>Statement showing Net Profit after Regulatory Adjustments:</b>		
<b>Opening Retained Earnings</b>		<b>23,685</b>
<b>Net Profit for the period ended 32 Asadh 2079</b>		<b>3,701,317</b>
Profit required to be appropriated to statutory reserve		(844,598)
Profit required to be transfer to Regulatory Reserve		(487,994)
<b>Net Profit for the period ended 32 Asar 2079 available for distribution</b>		<b>2,392,410</b>

<b>Ratios</b>	<b>Upto This Quarter (YTD)</b>	<b>Up to Corresponding Previous Year Quarter</b>
Capital fund to RWA	13.76%	15.08%
Non performing loan (NPL) to total loan	1.33%	2.27%
Total loan loss provision to Total NPL (As per NRB Directives)	176.20%	131.88%
Cost of Funds LCY (YTD)	5.86%	4.75%
CD Ratio - Average of the Month	87.75%	89.76%
CD Ratio - As on Last Day of the Quarter	85.55%	86.51%
Base Rate -Average for the quarter	9.38%	6.99%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter	4.05%	3.09%
<b>Additional Informations:</b>		
Average Total Yield (YTD Average)	9.00%	8.71%
Return on Equity (Annualized)	14.47%	12.08%
Return on Assets (Annualized)	1.52%	1.32%
PE Ratio (Annualized)	12.95	26.41
Net-Worth per share (NPR)	148.14	146.66
Assets per share (NPR)	1,392.81	1,418.27
Liquidity Ratio (NLA)	27.99%	27.52%



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## **SIGNIFICANT ACCOUNTING POLICIES**

Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

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## NMB BANK LIMITED

Significant Accounting Policies to Consolidated Financial Statements  
Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

### 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 six 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 Balance Sheet date, the bank holds 51% controlling interest in the NMBMF.

The financial year of both of the subsidiaries is same as that of the Bank ending on July 16, 2022.

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

### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements of the Bank are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented herein.

#### 2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the Nepal Financial Reporting Standard (NFRS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2078 complying with the requirements of Companies Act 2063 and also provide appropriate disclosures required under regulations of the Securities Exchange Board of Nepal (SEBON). The financial statements have been prepared in accordance with the accrual basis.

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

The Group has opted for some certain carve outs which are briefly described in Notes to Accounts. As a consequence of carve out adjustments, net profit would have been impacted.

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

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.

## 2.2 Going Concern

The Board of Directors have made an assessment of Bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of it. Hence, the Financial Statements are continued to be prepared on the going concern basis.

## 2.3 Responsibility for Financial Statements

As stated in paragraph 6 of NAS 01 "Presentation of Financial Statements" read along with Section 108(2) of the Company Act, 2006 the Board of Directors is responsible for the preparation of financial statements of the Bank. The Board of Directors acknowledges this responsibility. The Financial statements include the following components:

- (a) Consolidated Statement of Financial Position(SOFP) stating the financial position of the Bank and the Group as at the end of reporting period;
- (b) Consolidated Statement of Profit and Loss (SOPL) and Consolidated Statement of Other Comprehensive Income (SOCI) stating the financial performance of the Bank and the Group for the reported period ended.
- (c) Consolidated Statement of Cash Flow Statement (SOCF) stating the ability of Bank and the Group to generate Cash and Cash Equivalent.
- (d) Consolidated Statement of Changes in Equity (SOCE) stating all the changes in Equity of the Bank and the Group during the reporting period.
- (e) Notes to the Consolidated Financial Statements comprising summary of Principal Accounting Policies and explanatory notes that are of significant importance to the users of Financial Statements.

## 2.4 Reporting Period and approval of financial statement

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

Relevant Financial Statement	Nepalese Calendar Date/Period	English Calendar Date/Period
Consolidated Statement of Financial Position	32 Ashad 2079	16 July 2022
Consolidated Statement of Profit/Loss	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Cash flow	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022
Consolidated Statement of Changes in Equity	1 Shrawan 2078 to 32 Ashad,2079	16 July 2021 to 16 July 2022

The consolidated financial statements of the group for the year ended 16 July 2022 have been authorized by the Board of directors and have recommended for its approval by the forthcoming Annual General Meeting.

## 2.5 Foreign Exchange Transactions

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

Net difference arising from the conversion of foreign currency assets and liabilities is accounted for as revaluation gain/loss under Exchange Gain in Schedule 4.34. 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Statement of Change in Equity as per NRB Directives.

Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Gain/loss foreign exchange transaction" under "Net Trading Income" in Schedule 4.33

## 2.6 Functional and presentation currency

The Consolidated financial statements are presented in Nepalese Rupees (NPR), the functional currency of Group entities. The Consolidated financial statements are prepared in the formats implemented by Nepal Rastra Bank and the assets and liabilities are presented in the order of liquidity in the statement of financial position. The Income and expenses are classified 'by nature' in the presentation of statement of profit or loss. All figures in the accounts have been rounded and consequently the sum of individual figures may deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences.

## 2.7 Significant accounting judgements and estimates

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

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

## 2.8 Change in Accounting Policies

The bank has changed its accounting policies when required, to ensure compliance with NFRS. The effect of change in accounting policies at the date of transition has been given to the retained earnings (and reserves, if applicable)

## 2.9 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.

## 2.10 NFRS 9 'Financial Instruments'-Impairment

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and effective internationally for the financials beginning on or after 1 January 2018 while NFRS 9 which is in line with IFRS 9 is applicable from FY 2078.79. The bank has applied Carve out Issued by ICAN on 2079/04/02 for impairment calculation and recognition.

### Expected Credit Loss Model (ECL) of Impairment

The Expected Credit Loss (ECL) model is a forward-looking model. The ECL estimates are unbiased, probability weighted, and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Under the general approach, NFRS 9 recognizes three-stage approach to measure expected credit losses and recognized interest income.

Stage 1: 12-month ECL – No significantly increased credit risk Financial instruments that have not had a significant increase in credit risk since initial recognition require, at initial recognition a provision for ECL associated with the probability of default events occurring within the next 12 months (12-month ECL). For those financial assets with a remaining maturity of less than 12 months, a Probability of Default (PD) is used that corresponds to the remaining maturity. Interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2: Lifetime ECL – Significantly increased credit risk in the event of a significant increase in credit risk since initial recognition, a provision is required for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL). Interest income will continue to be recognized on a gross basis.

Stage 3: Lifetime ECL – Defaulted Financial instruments that move into Stage 3 once credit impaired and purchases of credit impaired assets will require a lifetime provision. Interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The management is still assessing the potential impact on its financial statements, if Expected Credit Loss (ECL) model is introduced.

Particulars	Stage 1	Stage 2	Stage 3
Nature	12 month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss
Risk	No significant risk since initial recognition	Significant credit risk since initial recognition	Credit impaired (With objective evidence of impairment)
Nature	Performing	Underperforming	Non-performing
Interest Revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on Carrying amount less ECL

The bank has adopted carve out issued by ICAN dated 2079/04/02 and has created impairment higher of provision as per NRB and impairment calculated as described in point no 2.18

## 2.11 NFRS-15: Revenue from contract with customers

NFRS 15 is a new standard for revenue recognition which overhauls the existing revenue recognition standards. The standard requires the following five step model framework to be followed for revenue recognition:

- Identification of the contracts with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract (as identified in step ii)
- Recognition of revenue when the entity satisfies a performance obligation.

NFRS 15 Revenue from Contracts with Customers superseded existing NAS 18 Revenue and NAS 11 Construction Contract from FY 2078/79.

## 2.12 Basis for classification and measurement

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument. The financial statements have been prepared on the historical cost basis, except for:

- As per NFRS 9 “Financial Instruments”, Investment Securities (investment in equity shares and mutual funds) are measured at fair value.
- Derivative Financial Instruments are measured at fair value (FVTPL).
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value
- Inventories are measured at cost or net realizable value whichever is lower.
- 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.

## 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.

## **2.13 Financial assets and financial liabilities**

Financial assets refer to assets that arise from contractual agreements on future cash flows or from owning equity instruments of another entity. Since financial assets derive their value from a contractual claim, these are non physical in form and are usually regarded as being more liquid than other tangible assets.

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

## **2.14 Recognition and de-recognition of financial instruments**

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

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

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

## **2.15 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. The Bank had combined the business as per Merger and Acquisition Bylaws 2073 issued by central bank during the previous years. However, after the issuance of the Explanatory Note Accounting for Business Combination dated 2079.04.15, the Carve out no. 3 and 4 on NFRS 3: Business Combination issued by ICAN on 2077.07.25 stands withdrawn and accordingly, the goodwill has been recognized as per the said guidelines.

## 2.16 Offsetting

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

## 2.17 Cash and cash equivalents

Cash and cash equivalents comprise monetary assets and placements with original maturities of three months (91 Days) 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).

## 2.18 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 (value of collateral is considered after hair cut prescribed by NRB) 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. For individual impairment, bank considers Top 50 loan clients and loans above delinquency of 90 days.

For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:

1. OD Loan
2. Retail EMI
3. Working Capital
4. Term Loan

## **2.19 Derivative assets and derivative liabilities**

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

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

## **2.20 Grant**

Grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Income approach is followed in recording grant income. Grants related to the assets including non-monetary grants at fair value is presented in the statement of financial position by setting up Deferred Grant Income. Grants related to income are presented as part of profit or loss under other income.

## **2.21 Deposits from customers and BFIs and Debt Securities**

These are classified as financial liabilities measured at amortized cost.

## **2.22 Revenue recognition**

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed.

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 NFRS 15 – Revenue from Contracts with Customers in the accounting of revenue, unless otherwise stated.

### **a. Net interest income**

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

The interest income has been recognized as per NRB Guidelines on Interest Income Recognition. The bank has applied carve out on effective interest rate method on loans and advances as issued by ICAN on 2079.04.02.

### **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. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees to be considered for EIR computation unless it is impracticable to determine reliably.

### c. Dividend Income

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

### d. Net Trading Gain

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

## 2.23 Interim Reports

Interim reports corresponding to the financial statements reported had been reported in accordance with the regulatory reporting requirements. Those statements have been published.

## 2.24 Discounting

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material. Service fees charged by the bank on loans and advances unless immaterial or impracticable to determine reliably is to be considered for computation of Effective Interest Rate.

## 2.25 Limitation of NFRS implementation

Wherever the information is not adequately available and the cost to develop the same would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective sections.

## 2.26 Significant changes from the policies adopted in the past

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

## 2.27 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. Intangible assets (software) are capitalised and amortised over the life of assets determinable or best estimated.

e. 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.

f. Software costs are amortized over their estimated useful lives from the period of purchase.

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

## 2.28 Investment property

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

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

## 2.29 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.

## 2.30 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 bank has applied NFRS 16 - Leases from Fiscal Year 2078/79 with Modified retrospective method. Hence, cumulative effect of retrospective application has been computed and recognized only on the date of initial application without effect on opening retained earnings.

## 2.31 Income Tax

### a Current Income Tax

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

### b. Deferred Tax

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

## 2.32 Segmental Reporting

An operating segment is a component of the bank that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relating to transactions with any of the bank's other components, whose operating results are reviewed by the management to make decision about resource allocation to each segment and assess its performance.

The Bank is organised for management and reporting purposes into segments such as: Retail, SME & MSME, Corporate, Deprived, Treasury and Others. 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.

## 2.33 Share capital and reserves

The Ordinary shares in the Bank are recognized at the amount paid per ordinary share. The holders of ordinary shares are entitled to one vote per share at general meetings of the bank and are entitled to receive the annual dividend payments. The various reserve headings are explained hereinafter:

### a. General reserve

The Bank is required to appropriate a minimum 20% of current year's net profit into this heading each year until it becomes double of paid up capital and then after a minimum 10% of profit each year. This reserve is not available for distribution to shareholders in any form and requires specific approval of the central bank for any transfers from this heading.

The bank has also apportioned 20% of the gain amount on sale of shares and mutual funds that was recognized as OCI income in previous year and has been directly credited to retained earnings in FYE 2079 as per NRB directive.

### b. Exchange equalization reserve

The Bank is required to appropriate 25% of current year's total revaluation gain (except gain from revaluation of Indian Currency) into this heading.

### c. Fair value reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for financial assets. NFRS 9 requires that cumulative net change in the fair value of financial assets measured at FVTOCI is recognized under fair value reserve heading until the fair valued asset is de-recognized. Any realized fair value changes upon disposal of the re-valued asset is reclassified from this reserve heading to retained earnings.

### d. Asset revaluation reserve

This is a non-statutory reserve and is a requirement in the application of accounting policy for non-financial assets such as property, equipment, investment property and intangible assets that are measured following a re-valuation model. The Bank does not have any amount to present under asset revaluation reserve.

### e. Capital Adjustment Fund

This is a statutory reserve and is a compliance requirement of NRB circular 12/072/73. The Bank is required to appropriate an amount equivalent to 100% of capitalized portion of interest income on borrowing accounts where credit facility was rescheduled or restructured, following the after effects of the great earthquake that struck the nation in April 2015. Fund in this account can be reclassified to retained earnings upon full and final repayment of the credit facility.

### f. Corporate social responsibility fund

The Bank is required to appropriate an amount equivalent to 1% of net profit into this fund annually. The fund is created towards funding the Bank's corporate social responsibility expenditure during the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of payments made under corporate social responsibility activities.

#### **g. Investment adjustment reserve**

The Bank is required to maintain balance in this reserve heading which is calculated at fixed percentages of the cost of equity investments that are not held for trading. Changes in this reserve requirement are reclassified to retained earnings.

#### **h. Actuarial gain / loss reserve**

This is a non-statutory reserve and is a requirement in the application of accounting policy for employee benefits. NAS 19 requires that actuarial gain or loss resultant of the change in actuarial assumptions used to value defined benefit obligations be presented under this reserve heading. Any change in this reserve heading is recognized through other comprehensive income and is not an appropriation of net profit.

#### **i. Regulatory reserve**

This is a non-free statutory reserve and is a requirement as prescribed in NRB directive. In the transition to NFRS from previous GAAP the Bank is required to reclassify all amounts that are resultant of re-measurement adjustments and that are recognized in retained earnings into this reserve heading. The amount reclassified to this reserve includes re-measurement adjustments such as interest income recognized against interest receivables after staff bonus and tax, fair value gain (unrealized) of investment securities and impairment on loan and advance as per NFRS against provision as per NRB Directive, amount equals to deferred tax assets, actuary loss recognized in other comprehensive income, investment properties net off staff bonus and tax and amount of goodwill/Bargain Gain recognized under NFRS.

#### **j. Debenture Redemption Reserve**

The Bank is required to maintain a redemption reserve in respect of borrowing raised through debenture issuance. As per the terms of NRB approval relating to the Bank's debenture issuance, the Bank is annually required to appropriate proportionately full face value of debenture to the Debenture redemption reserve during the its life except for the issuance and redemption year.

However, if bonus share is issued from the amount which is to be appropriated to debenture redemption reserve for the debenture which has more than full five fiscal years remaining to be matured, it is not necessary to make appropriation in such fiscal year but such amount has to be proportionately be appropriated to the debenture redemption reserve during the remaining period thereafter.

#### **k. Employees training fund**

The Bank is required to incur expenses towards employee training and development for an amount that is equivalent to at least 3% of the preceding year's total personnel expenses. Any shortfall amount in meeting this mandatory expense requirement in the current year will have to be transferred to this reserve fund through appropriation of net profit and the amount shall accumulate in the fund available for related expenses in the subsequent year. Balance in this fund is directly reclassified to retained earnings in the subsequent year to the extent of expenses made for employees training related activities.

### **2.34 Stationery**

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

### **2.35 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.

### **2.36 Events after the Balance Sheet Date**

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

Appropriate adjustments in the financial statements and disclosures in notes to accounts have been made for all material and significant events that have occurred between the balance sheet date and date when the financial statements have been authorised for issue required as per Nepal Financial Reporting Standards (NFRS)

### **3. Rounding off and Comparative Figures**

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Previous year's figures have been reclassified wherever necessary in order to facilitate comparison.



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## **ADDITIONAL DISCLOSURES**

Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

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## NMB BANK LIMITED

Additional Disclosures - Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

### 1. Provision for Bonus

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

### 2. General Reserve

As per section 44 of the Banks and Financial Institutions Act 2063, 20% of the current year's net profit amounting NPR 668,963,662 has been transferred to General Reserve. The general reserve figures also includes 20% of profit on sale of shares transferred directly to retained earnings in this fiscal year.

### 3. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act, 2063 25% of the revaluation gain amounting to NPR 17,025,407 has been transferred to Exchange Fluctuation Reserve.

### 4. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 341 Mio out of which a gain of NPR 92.04 Million was generated through NDF contracts transactions. Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Gain/loss foreign exchange transaction" under "Net Trading Income" in Schedule 4.33 and income realized through revaluation gain is shown under Foreign exchange revaluation gain in other operating income in schedule 4.34.

### 5. Investment Adjustment Reserve (IAR)

The investments are valued at fair value required as per NFRS. As per NRB Directive No. 8(3)(1), if securities are not listed within 3 years of date of investment, investment adjustment reserve should be created. The bank has apportioned NPR 50 Mio. Of investment on Mahalaxmi Life Insurance Limited into IAR which was transferred from merger with Erstwhile Om Development Bank Limited and has not been listed till FYE 2079.

### 6 Debenture Redemption Reserve

As required by NRB directive, an amount equal to NPR 566,666,379 has been appropriated to Debenture Redemption Reserve during the year. The total balance in Debenture Redemption Reserve as at 16 July 2022 is NPR 590,062,282

Particulars	Issued Date	Expiry Date (BS)	Rate	Face Value (Mio.)	Redemption Start Year	Redemption End Year	No of Years	Redemption Per Year (Mio.)	Purpose
Energy Bond I -2092/93	20 Jestha 2078	20 Jestha 2093	4.00%	1,500	FY 2078/79	FY 2091/92	14	107.14	For CAR and CD
Energy Bond II - 2093/94	10 Jestha 2079	10 Jestha 2094	4.00%	2,727	NA	NA	NA	NA	For CD
NMB Debenture 2084/85	29 Chaitra 2075	29 Chaitra 2085	10.00%	1,685	FY 2076/77	FY 2084/85	9	187.17	For CAR
NMB Debenture 2087/88	11 Jestha 2078	11 Jestha 2088	8.50%	2,000	FY 2078/79	FY 2086/87	9	222.22	For CAR

As per NRB Directive No. 16(5)(2), the bank has apportioned NPR. 187.17 Mio. for NMB Debenture 2084/85, NPR. 222.22 Mio. for NMB Debenture 2087/88 and NPR. 107.14 Mio. for Energy Bond I -2092/93 for the fiscal year 2021-22. Also, per year additional apportionment amount of NPR. 23.40 Mio. of FY 2019-20 and NPR. 26.74 Mio. of FY 2020-21 of NMB Debenture 2084/85 has been additionally apportioned to the reserve making the total redemption reserve NPR. 590.06 Mio.

### 7. Corporate Social Responsibility (CSR) Fund

The bank has apportioned NPR. 32,910,942 /- as CSR fund which is equivalent to 1% of Net Profit of the year to be expensed out in next fiscal year. The fund so created shall be used for CSR activities of the Bank in the next fiscal year as per bank's CSR policy. The detailed movement of reserve is given below:

Particulars	NPR
A. Net profit for FY 2078/79	3,291,094,170
B. 1% of net profit appropriated to CSR fund	32,910,942
C. Opening CSR fund	27,110,737
D. CSR expense incurred for FY 2078/79	25,368,879
E. Closing CSR Reserve FY 2078/79 (B)	34,652,799
F. Net Movement (E-C)	7,542,062

## 8. Staff Skill Development (SSD) Fund

As per point 6(6) of NRB directive 2077, 3% of Total Salary and allowances expense of previous year has to be expensed for Staff Skill Development in current fiscal year. If such amount cannot be expensed out in the current fiscal year, such deficit amount has to be transferred to Staff Skill Development Fund. The detailed movement of reserve is given below:

Particulars	NPR
A. Salary and Allowance Exp. of FY 2077/78	1,272,404,597
B. 3% of the above to be expensed in FY 2078/79	38,172,138
C. Training Expenses for FY 2078/79	17,885,714
D. Excess/(Shortfall) (C-B)	(20,286,424)
E. Opening SSDF Reserve	1,976,578
<b>F. Net movement (-D)</b>	<b>20,286,424</b>

## 9. Regulatory Reserve

The movement in Regulatory Reserve from the year of implementation of NFRS is given below:

Particulars	Interest Receivables	Short loan loss provision	Short provision for possible losses on investment	short provision on NBA	Deferred Tax Assets	Gain on Bargain Purchase	Actuarial Loss Recognized	Fair Value Loss Recognized in OCI	Other	Total
2074/75	222,679,176	-	-	59,774,627	66,869,011	-	48,026,502	7,057,296	-	404,406,612
2075/76	591,317,341	-	-	102,915,862	70,040,593	-	48,915,471	5,543,798	-	818,733,065
2076/77	492,537,377	-	-	50,178,392	264,421,080	-	66,886,117	10,109,962	-	884,132,928
2077/78	636,757,862	-	-	61,703,624	249,009,565	-	79,793,480	-	-	1,027,264,530
2078/79	877,953,322	-	-	185,951,758	338,964,764	-	110,632,755	-	-	1,513,502,599

## 10. Deferred Employee Expenditure

The bank has provided concessional loans such as Home loan, vehicle loan to employees as per Staff Bylaws and is measured at amortized cost by discounting all future cash flows at the prevailing market interest rate for similar financial asset. The deferred employee expenditure on the asset side is presented under other assets amounting NPR. 2.12 Bio. While remaining staff loan is presented under Schedule 4.7. The related interest income due to differential rate amounting NPR. 121 Mio. has been presented under Interest Income and finance expenses under NFRS in personnel expenses.

## 11. Unpaid Dividend

As on the balance sheet date, unpaid dividends amounts to NPR 2,735,301 and unpaid dividend at Share Registrar NMB Capital is NPR. 213,130,221 totalling NPR. 215,865,522. Subsequently the Bank deposits the unclaimed amounts in Investor's Protection Fund as required by the Companies Act. The Bank also publishes notice yearly in national daily newspaper urging investors to collect the dividend.

## 12. Event after reporting period

The Board of Directors in its meeting dated 05 December 2022 has proposed the issue of 8.25% Cash Dividend (including for tax purpose) for each share held. The dividend shall be distributed from the distributable amount available as on Asar end 2079 of NMB Bank Ltd on the paid up capital of NPR 18,366,705,959. The proposal shall be placed for approval at the forthcoming Annual General Meeting of the Bank.

### 13. Earnings per Share

Basic earnings per equity share are computed in accordance with NAS 33 Earnings per Share. Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Bonus shares, also known as scrip dividends, involve the issue of shares without any consideration. Since the bonus shares do not change the resources available to the entity to earn a return for the shareholders (as in the case of shares issued for cash) the effect of change in number of shares in the EPS calculation is cancelled for the year in which bonus issue takes place and as well as in the prior periods presented. The EPS has also been restated in Principal Indicators.

The following table sets forth, for the periods indicated, the computation of earnings per share.

Particulars	YE Ashad 2079	YE Ashad 2078
Weighted average no. of equity shares outstanding (Restated)	183,667,060	183,667,060
Net profit	3,291,094,170	2,711,073,708
Basic earnings per share	17.92	14.76
Nominal value per share	100	100

### 14. Disclosure related to Loans and AIR Reconciliation

Particulars	As of Ashad End 2079	
	No. of Customers	Amount(NRs.)
Accrued Interst Received after Ashad end 2078 till 15th Shrawn 2079	1292	72,654,254
Additional 0.3% Loan Loss Provision created on Pass Loan Portfolio	34,358	517,635,239
Extension of moratorium period of loan provided to Industry or Project Under Construction	3	1,542,794,631
Restructured/Rescheduled Loan with % Loan Loss Provision	713	2,861,066,836
Enhancement of working Capital Loan by 20% to COVID affected borrowers	63	48,719,160
Enhancement of Term Loan by 10% to COVID affected borrowers	-	Nil
Expiry Date of Additional 20% Working Capital Loan (COVID Loan) extended for up to 1 year with 5% provisioning.	-	Nil
Expiry Date of Additional 10% Term Loan (COVID Loan) extended for up to 1 year with 5% provisioning.	-	Nil
Time Extension provided for repayment of Principal and Interest for up to two years as per Clause 41 of NRB Directives 2	-	Nil

The details pertaining to Refinance, Business Continuity and Subsidized loan is given below:

Particulars	During FY 2078/079	
	No of Customers	Amount (NPR.)
Refinance Loan	951	5,545,081,013
Business Continuity Loan	-	-

Particulars	As on Ashad End 2079	
	No of Customers	Amount (NPR.)
Subsidized Loan	5486	8,968,816,686

## Reconciliation of Accrued Interest Receivables (AIR) on Loans and Advances:

Particulars	Amount	Remarks
AIR of Loan to Microfinance Institutions	38,364,599	Included in Schedule 4.6
AIR of Loan to Customers	1,427,866,357	Schedule 4.7.1
Add: Interest Suspense Reversal as per NRB Guidelines	392,609,359	
<b>Total AIR as per NRB 2.2</b>	<b>1,858,840,315</b>	

## 15. Principal Indicators

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

S.No.	Particulars	Indicators	FY	FY	FY	FY	FY
			2074/75	2075/76	2076/77	2077/78	2078/79
1	Percent of Net Profit/Gross Income	Percent	18.09	18.06	11.94	17.45	15.25
2	Earnings Per Share (Restated for previous years)	Rs.	21.86	18.79	11.18	14.76	17.92
3	Market Value Per Share	Rs.	358	382	397	440	261
4	Price Earnings Ratio	Ratio	12.48	16.23	31.45	26.41	14.57
5	Dividend (including bonus) on Share Capital	Percent	30.00	35.00	16.20	15.80	8.25
6	Cash Dividend on Share Capital	Percent	20.00	14.00	3.20	3.30	8.25
7	Interest Income/Loan & Advances	Percent	10.78	11.17	10.95	8.16	9.55
8	Staff Expenses/Total Operating Expenses	Percent	58.09	61.52	58.32	65.04	64.82
9	Interest Expenses on Total Deposit and Borrowing	Percent	6.76	6.58	6.30	4.64	6.26
10	Exchange Gain/Total Assets	Percent	0.27	0.32	0.27	0.20	0.13
11	Staff Bonus/Total Staff Expenses	Percent	38.72	34.21	19.65	25.70	25.30
12	Net Profit/Loan and Advances	Percent	2.43	2.42	1.38	1.68	1.77
13	Net Profit/Total Assets	Ratio	1.65	1.67	0.95	1.17	1.29
14	CD Ratio (Average for the last month of FY)	Percent	89.74	89.30	86.66	89.76	87.75
15	CD Ratio (As on Last Day of the FY)	Percent	88.30	87.71	86.39	86.51	85.55
16	Total Operating Expenses/Total Assets	Percent	1.56	1.70	1.57	1.39	1.54
17	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	Percent	14.78	13.11	13.00	11.42	10.36
	b) Supplementary Capital	Percent	0.97	2.35	2.08	3.66	3.23
	c) Total Capital Fund	Percent	15.75	15.45	15.08	15.08	13.59
18	Liquidity (CRR)	Ratio	6.68	4.19	5.93	5.66	5.33
19	Non-performing credit/Total credit	Percent	0.88	0.82	2.68	2.27	1.45
20	Base Rate (Average for the last quarter of FY)	Percent	10.74	9.92	9.29	6.99	9.38
21	Interest Spread as per NRB (Last Month of the FY)	Percent	4.14	4.26	4.05	3.09	4.05
22	Return on assets	Percent	1.80	1.83	1.09	1.32	1.35
23	Return on Equity	Percent	13.54	13.32	8.94	12.08	12.95
24	Cost to Income Ratio	Percent	36.90	35.01	37.98	38.70	39.97
25	Average Yield (YTD)	Percent	10.91	10.80	10.67	8.71	9.00
26	Book Net-worth	Rs. in '000	16,489,809	17,403,014	20,935,385	23,943,774	26,870,962
27	Total Shares	Nos. in '000	76,033	96,182	139,510	163,260	183,667
28	Total Staff	Number	1,080	1,120	1,654	1,744	1,961
29	No of Branches	Number	110	110	160	181	201
30	No of ATMs	Number	96	103	133	137	138

## 16. Loans and Advances Written Off

The Bank has written off loans and advances (except Interest) amounting to NPR 46,755,749 the details of which is as follows:

S.No	Name of Clients	Facility	Write off Date	Principal
1	Baija Nath Sah	Auto Loan	12-Jul-22	3,310,994
2	Om Krishna Sun Chandi Pasal	Overdraft Loan	12-Jul-22	16,268,678
3	Om Krishna Traders	Overdraft Loan	12-Jul-22	8,852,353
4	Srijana Fancy	Overdraft Loan	12-Jul-22	4,702,242
5	Bhim Lal Poudel	Auto Loan	12-Jul-22	9,705,831
6	Om Shree Hansabahini Fancy Store	Overdraft Loan	12-Jul-22	3,915,652
<b>Total</b>				<b>46,755,749</b>

However, the bank has also recovered amount NPR. 2,656,853 during the fiscal year from loan and interest write off amount of previous fiscal years.

## 17. Other Assets Written Off

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

## 18. Summary of Changes in Total Deposits during the year

The financial growth of Total Deposits during the year is given below:

Particulars	Amount in NPR Mio.		
	FY End 2079	FY End 2078	Increase/(Decrease)
Term deposits	114,351	82,316	32,035
Call deposits	10,589	16,018	(5,429)
Current deposits	10,566	9,896	670
Saving deposits	47,074	53,132	(6,058)
Other	3,821	5,092	(1,271)
<b>Total</b>	<b>186,400</b>	<b>166,454</b>	<b>19,946</b>

## 19. Concentration of Borrowing and Deposits

### A. Concentration of Deposit - 1

Particulars	FYE 2079	FYE 2078
Total Deposit from ten largest depositors	35,323,472,395	30,751,410,693
Percentage of Deposit from ten largest lenders to total depositors	18.95%	18.47%

### B. Concentration of Credit exposures

Particulars	FYE 2079	FYE 2078
Total exposures to twenty largest borrowers:		
a. As per group (related party)	24,458,844,459	15,777,809,605
b. As per individual customer	20,680,169,751	13,245,571,739
Percentage of exposures to twenty largest borrowers to Total Loans and Advances:		
a. As per group (related party)	13.43%	9.98%
b. As per individual customer	11.36%	8.38%

### C. Concentration of Deposits -2

Particulars	FYE 2079	FYE 2078
Total deposits from twenty largest depositors		
a. Group-wise	43,546,641,261	39,475,968,071
b. As per individual customer	43,546,641,261	39,475,968,071
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Group-wise	23.36%	23.72%
b. As per individual customer	23.36%	23.72%

### 20. Agency Account

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	177,118,365	332,538	149,951	177,600,854
Inter branch	-	-	-	-

### 21. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 165,440,852 from capitalization of interest during moratorium period of six separate projects. These capitalizations have been approved/mandated by the NRB.

S.No.	Borrower Name	Total Capitalization	NRB Approval Date
1	Asian Hydropower Ltd.	9,978,439	2077/06/13
2	Sanima Middle Tamor Hydropower Ltd	34,669,752	2077/03/31
3	Myagdi Hydropower Ltd.	28,860,096	2077/05/18
4	Vision Lumbini Urja Co. Ltd.	30,922,859	2078/12/20
5	Upper Solu Hydro Electric Co. Ltd.	10,861,000	2076/06/30
6	Aashutosh Energy Pvt. Ltd.	50,148,706	2078/03/27
	<b>Total</b>	<b>165,440,852</b>	

## 22. Classification of Assets and Liabilities based on Maturity (As per yearly NRB Report)

NPR. in million

S.N.	Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
<b>Assets</b>							
1	Cash Balance	4,821	-	-	-	-	4,821
2	Balance with Banks & FIs	13,845	-	-	-	-	13,845
3	Investment in Foreign Banks	6,942	-	-	-	642	7,584
4	Call Money	-	-	-	-	-	-
5	Government Securities	3,788	2,165	1,583	1,777	17,758	27,072
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	-	-	-	-	-	-
8	Loans & Advances	52,803	25,059	14,704	6,963	82,562	182,090
9	Interest Receivable	310	-	-	-	-	310
10	Reverse Repo	-	-	-	-	-	-
11	Receivables from other Institutions under Commitment	-	-	-	-	-	-
12	Payment to be made for facilities under s.no 20,21 & 22	36,345	11,398	4,961	4,814	13,375	70,893
13	Others	-	-	-	-	-	-
<b>Total Assets (A)</b>		<b>118,854</b>	<b>38,622</b>	<b>21,248</b>	<b>13,554</b>	<b>114,337</b>	<b>306,614</b>
<b>Liabilities</b>							
14	Current Deposits	12,679	-	-	-	-	12,679
15	Saving Deposits	12,330	1,741	1,741	1,838	40,013	57,662
16	Fixed Deposits	46,049	23,064	15,328	11,044	18,756	114,241
17	Debentures	-	-	-	-	7,912	7,912
18	Borrowings:	571	5,474	-	360	12,637	19,042
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/Financial Institutions	500	-	-	360	12,637	13,497
	(c) Refinance	71	5,474	-	-	-	5,545
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	1,997	55	55	55	2,077	4,237
	(a) Sundry Creditors	100	-	-	-	-	100
	(b) Bills Payable	42	-	-	-	-	42
	(c) Interest Payable	1,796	-	-	-	-	1,796
	(d) Provisions	4	-	-	-	478	482
	(e) Others	55	55	55	55	1,599	1,818
20	Payable to other institutions under Commitment	-	-	-	-	-	-
21	Unutilized Approved Facilities	12,622	-	-	-	-	12,622
22	Letter of Credit/Guarantee (Net of Margin)	23,723	11,398	4,961	4,814	13,375	58,271
23	Repo	-	-	-	-	-	-
24	Payment to be made for facilities under S.No 11	-	-	-	-	-	-
25	Others	-	-	-	-	-	-
<b>Total Liabilities (B)</b>		<b>109,970</b>	<b>41,731</b>	<b>22,085</b>	<b>18,111</b>	<b>94,770</b>	<b>286,666</b>
<b>Net Financial Assets (A-B)</b>		<b>8,883</b>	<b>(3,109)</b>	<b>(837)</b>	<b>(4,557)</b>	<b>19,568</b>	<b>19,948</b>
<b>Cumulative Net Financial Assets</b>		<b>8,883</b>	<b>5,774</b>	<b>4,937</b>	<b>380</b>	<b>19,948</b>	<b>-</b>

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

Borrowing by the Bank against the collateral of own asset is NIL as on Ashadh 2079.

### 24. Transactions in Bullion

The Group deals in bullion (Gold/Silver) by holding stock on consignment basis on behalf of suppliers as per the arrangement. The value of consignment as on balances sheet date is Nil and has been reflected under "Advance Gold and silver" (Gold Consignment)" in Schedule 4.16. Transaction of gold and silver are carried out as per the NRB Directives.

### 25. Capital Construction

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

### 26. Loan Impairment

The bank maintains an allowance for credit losses relating to on-balance sheet exposures of loans and advances.

Loans, which are individually significant (the threshold being selected to cover up top 50 files, files under 50% and 100% provision and files with special asset management department), are assessed individually for objective indicators of impairment. A loan is considered impaired when it is determined that bank will not be able to collect all amounts due according to the original contractual terms. Credit exposures of individually significant loans are evaluated based on factors including the borrower's overall financial condition, resources and payment record, and where applicable, the realizable value of any collateral. If there is evidence of impairment leading to an impairment loss, then the amount of the loss is determined as the difference between the carrying value of the loan, including accrued interest, and the estimated recoverable amount. The estimated recoverable amount is measured as the present value of expected future cash flows discounted at the loan's original effective interest rate, including cash flows that may result from the realization of collateral less costs to sell.

Loans which are not individually significant, or which are individually assessed and not determined to be impaired, are collectively assessed for impairment. For the purposes of a collective evaluation of impairment, loans are grouped based on similar credit risk characteristics, taking into account loan type, past due status and other relevant factors viz. OD Loan, Working Capital Loan, Term Loan and Retail EMI. The collective impairment allowance is determined by reviewing factors including historical loss experience, which takes into consideration historical probabilities of default, loss given default and exposure at default.

The impairment status as per para Carve Out issued by ICAN is given below:

Particulars	Year ended 32 Asar 2079	Year ended 31 Asar 2078
a. Individual Impairment	1,813,822,014	1,103,332,419
b. Collective Impairment	384,690,196	381,542,398
<b>Total</b>	<b>2,198,512,210</b>	<b>1,484,874,816</b>

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

Particulars	Year ended 32 Asar 2079	Year ended 31 Asar 2078
OD Loan	14%	12%
Term Loan	7%	6%
Retail EMI	11%	12%
Working Capital Loan	7%	5%

### 27. Carve-outs in NFRS

Upon the recommendation from Accounting Standard Board-Nepal, the Institute of Chartered Accountants of Nepal (ICAN) has issued following carve-outs for the implementation of NFRS and has prescribed alternative treatments as set out below dated 2079/04/02:

#### a. Impairment

This is the carve out from the requirement to determine impairment loss on financial assets – loans and advances by

adopting the 'Incurred Loss Model' as specified in carve out of ICAN unless the entity is a bank or a financial institution registered as per Bank and Financial Institutions Act 2073. Such entities shall measure impairment loss on loans and advances at the higher of:

- amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and
- amount determined as per para 5 described in Carve Out adopting Incurred Loss Model

This is the mandatory carve out. Hence, the Group has recognized impairment loss on loans and advances at the higher of the amount derived as per prudential norms specified in NRB directive and the amount derived from incurred loss model as specified in carve out is given below:

Particulars	Year ended 32 Asar 2079	Year ended 31 Asar 2078
a. Impairment on Loan as per Para 5 of Carve Out	2,198,512,210	1,484,874,816
b. Loan Loss Provision as per NRB	4,703,121,289	4,739,972,013
<b>Higher of a and b</b>	<b>4,703,121,289</b>	<b>4,739,972,013</b>

## b. NFRS 9 : Financial Instruments

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the bank shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call, and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received unless it is immaterial or impracticable to determine reliably between parties to the contract that are an integral part of the effective interest rate. The bank has opted the carve out for Effective Interest Rate and associated fees.

## 28. Goodwill on Business Combination

During the fiscal year 2077/78, the bank had acquired erstwhile Kanchan Development Bank Limited (KDBL) and commenced joint operations from 23 August 2020 (07 Bhadra 2077). Post-acquisition, KDBL shareholders had received 0.85 shares of NMB for each share of KDBL (swap ratio of 85%). Similarly, during the fiscal year 2076/77, the bank had merged with Om Development Bank Limited and commenced joint operations from 27 September 2019 (11 Ashwin 2076) as NMB Bank Limited. The Bank has issued 19,115,791 units of shares to shareholders of E-ODBL as purchase consideration on the basis of swap ratio of 0.76 shares of NMB Bank Ltd. for each share of E-ODBL recommended by an independent valuator in accordance with Merger and Acquisition Bylaw 2073 issued by the Central Bank. The bank had adopted conventional way of booking swap gain from merger and acquisition as per point 9(Kha) of NRB Merger and Acquisition Bylaws, 2073 then. However, after the issuance of this Explanatory Note, the Carve-out no. 3 and 4 on NFRS 3: Business Combination issued by ICAN on 2077.07.25 stands withdrawn and revised treatment is applicable for Goodwill computation.

Para 32 of NFRS 3 states that "The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- The consideration transferred measured in accordance with this NFRS, which generally requires acquisition-date fair value
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this NFRS.

As per Explanatory Note on Accounting for Business Combination dated 31 July 2022, Goodwill may be measured in a business combination effected through exchange of equity interest of the acquirer by considering the business valuation of acquiree computed based on the similar terms as for the purpose of computing swap ratio which is agreed by the parties involved and approved by regulator and AGM of the company and hence is reflective of fair value. The excess of consideration paid by the acquirer over the business value of the acquiree is only considered as goodwill because it represents the expected synergies and other benefits arising from combining the businesses. The calculation of Goodwill as per explanatory note is given below:

Particulars	NMB	E-ODBL	NMB	E-KADBL
Base Net Worth (NRs '000) (as per DDA)	28,213,028	5,607,508	18,594,000	728,291
Number of Shares (Nos.)	96,181,627	25,152,356	115,297,420	5,313,000
Value Per Share (NRs)	293.33	222.94	161.27	137.08
Final Share Swap Ratio	100.00%	76.00%	100.00%	85.00%
Consideration Transferred by NMB (NPR.)		5,607,508,140		801,120,529
Less: Business Value Acquired (NPR.)		(5,607,508,140)		(728,291,390)
Goodwill		-		72,829,139

The number of shares considered for Goodwill is given below:

Particulars (In Thousand)	Erstwhile ODBL	Erstwhile KADBL
No. of Shares of Merging Entity at JoD	19,115,791	5,844,300
No. of Shares of Merging Entity at DDA Date	19,115,791	5,313,000
Difference	-	531,300

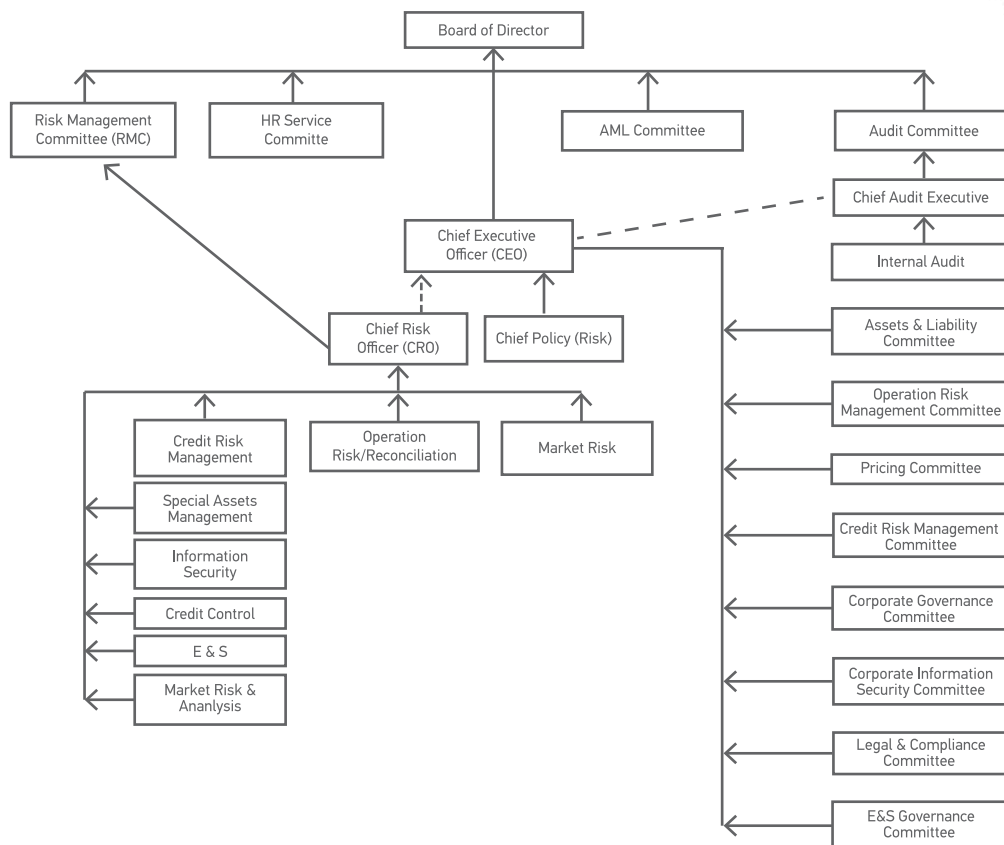
The bank has recognized NPR. 72,829,139 as Goodwill and apportioned under other Reserve of equity.

Since the recoverable amount is higher than carrying amount of the Cash Generating Unit (CGU) (value in use), goodwill allocated is not impaired.

## 29. Risk Management

### Risk Management Structure

NMB Board is the ultimate authority to oversee overall risk management of the Bank by formulating risk management strategies, defining risk appetite, and ensuring that the risk management policies, procedures and standards are adequate and is effectively implemented in the Bank. Sound risk management system in the Bank is established robust risk management structure which includes Board level Risk Management Committee, Audit committee, Human Resource committee and Asset Laundering prevention committee; management level Asset & Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee, E&S (Environmental & Social) Committee, Credit Recovery Committee, Corporate Information Security Committee, Pricing Committee, and Corporate Governance Committee. In this structure, new/revised policies & standards, reports on risk management, portfolio analysis, stress testing, investment, liquidity, capital adequacy, industry/market analysis, and critical risk issues identified are first reviewed by management level committee and then escalated to Risk Management Committee for review and decision. Risk management structure in the bank's Organogram.



### Risk Management system and structure of the Bank is driven by following principles:

- **Independent Role:** The bank has Risk Management Function independent from risk taker. All management units report to the Chief Risk Officer (CRO) who directly report to the board level Risk Management Committee.
- **Risk Measurement:** The Bank has prioritized to quantitatively measure various risk issues and arranged for their mitigation, control and monitoring wherever possible. For quantitatively measuring these risks, the Bank has implemented new tools and models such as Risk Register/, Credit Grading, etc.
- **Risk Management as Shared Responsibility:** The Bank has independent function for management of various risks which has been driven by the shared responsibility of risk management units and various business units of the Bank. The risk governance framework has adopted “three lines of defence” structure that includes three distinct units comprised of:
  - Main Business Function
  - Risk Management Department/Control units, and
  - Internal Audit

The responsibilities of each line have been well defined and communicated across the various levels.

- **Risk Management Structure:** The Bank has appropriate risk management structure with clear demarcation of reporting line on its organogram. It has been essential for establishing roles & responsibilities and accountability of various functions within the Bank on risk management. The role of board of Directors in risk management has been more effective upon envisioning the risk governance structure of the Bank.
- **Continuous Improvement:** The Bank has always been oriented for strengthening existing risk management system. As a part of this, the Bank has recently implemented ISO 27001: 2013 standard. It has been expected to significantly improve information security management system as well as support risk management system through various aspects.

In addition, the Bank as an active member of the Global Alliance for Banking on Values (GABV) strives for delivering sustainable economic, social and environmental development with a focus on helping individuals fulfil their needs and build stronger communities.

### **Credit Risk Management in NMB Bank:**

Credit Risk refers to the potential loss due to failure of counterparty to meet its obligations in accordance with the terms specified in the credit agreements. Credit Policy, Credit Risk Management Framework, Credit Process Manual, Product Papers and various other credit related documents in place provides the firm foundation for a strong credit risk management environment in the bank by defining clear roles and responsibilities of various functions and risk takers in Credit system. The Bank's Credit Policy elaborates credit standards and guideline for effective risk management. The Bank has delegated credit approval limits to various officials to approve and sanction various amount of credit request based on their individual expertise and risk judgment capability. The key independent units responsible for ensuring effective Credit Risk Management in the bank are Credit Risk Management Department, Credit Administration Department, Control Department, Special Assets Management Department, various Business Units and Internal Audit.

A thorough analysis of the borrower and the industry in which the borrower operates is ensured prior extending credit facilities. The Bank also has an internal credit risk rating procedure in place to categorize customers in different risk profiles and formulate appropriate account strategies. The Bank primarily focuses on ensuring prudent financing requirements of the client and the client's capacity to repay the debt obligation on time.

Credit Risk Management Committee (CRMC) and Risk Management Committee (RMC) play a pivotal role in the credit risk management of the Bank. The existing/probable credit risk issues are reviewed, necessary changes required in the credit system to mitigate such risk are identified and required decisions are made as appropriate.

The Bank has a product wise and industry/sector wise portfolio and NPL thresholds to monitor the quality of loan portfolio and manage the concentration risk. These thresholds are reviewed on periodical basis in CRMC and RMC in quarterly interval for required actions/strategic decisions.

### **Market Risk and Operation Risk Management in NMB Bank:**

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

NMB has passed through a monumental change after the merger with four Development Banks and one Finance Company. NMB has taken strategic focus on digitization and technological advancement to enhance banks services as well as risk management.

NMB ensures parity between risk and return and hence, management of risk by incorporating a set of systematic and professional methods especially those defined by the Basel III becomes an essential requirement for us.

In the course of operations, the bank is invariably faced with different types of risks that may have a potentially negative effect on the business. NMB Bank's risk management approach includes risk identification, measurement and assessment, and minimizes impact on the financial result and capital of the bank.

Asset & Liability Committee (ALCO) manages the overall asset and liability position of the Bank. It also ensures that the asset & liability position, investment and liquidity are maintained at a desired level in compliance to NRB Directives. Risk monitoring is done periodically-at least on monthly basis by Treasury, Market Risk and Finance Departments by conducting stress testing, GAP analysis and preparing various reports.

### **Market risk includes interest rate and foreign exchange risk.**

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

The bank's products are mostly based on floating interest rate. Only fixed deposits are with fixed interest rate. In Nepalese local market, short term movement in interest rate is negligible. Pricing Committee monitors the interest rate movement on regular basis.

Foreign exchange risk is the risk of negative effects on the financial result and capital of the bank caused by changes in exchange rates. The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying remittances and trade transactions.

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

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

Bank has developed and adhered to Minimum Control Standards and Incident Reporting Guidelines along with Whistle Blowing Policy to identify potential operational risks. Operational Risk Department independently assess each incident/event/cause to measure the risk grade which is ultimately discussed/ analyzed further in Operational Risk Management Committee to put appropriate controls in place. If required, the incident/event/cause along with the risk assessment, probability and impact is escalated further to Risk Management Committee or the Board of the Bank. Apart from that, Operational Risk Unit conducts branch/ department visits to monitor/ review the branches and departments and also to train/ create awareness on operational risk.

### **Liquidity Risk**

Liquidity risk is the potential event where the Bank either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost. The Liquidity Risk Framework governs liquidity risk management and is managed by ALCO. In accordance with that policy, the Bank maintains a liquid portfolio of marketable securities as a liquidity buffer.

### **E&S Risk:**

Environmental and Social management is one of the top priorities for NMB Bank which underlines its resolution towards Responsible Banking as well as complementing its business intent of Sustainable Banking.

The Bank has in place an Environmental and Social Management System (ESMS) of international standards. NMB is the only local bank in the country following IFC Performance standards in its Environmental and Social (E&S) due diligence. The bank has effectively integrated E&S risk assessment and management as significant part of its overall Business and Risk Assessment processes. The bank has developed a robust online system for E&S management which is integrated with the Loan Processing System within the bank's Business Process Management system.

The bank has a dedicated core team for E&S management which includes technical expert with related academic background and experience as well as senior level staff to provide needful overview and momentum.

NMB is a joint venture with FMO, a triple-A rated Dutch development bank and has business relationships/ credit lines from more than ten international financial institutions, who also support the bank in continuously improving on E&S management with detailed E&S Action Plans as well as ensuring international standards of E&S related disclosures to its stakeholders.

As part of the bank's intent towards Climate resilience, NMB is the only bank in the country to have made Carbon Footprint Disclosure in 2022 on its financed portfolio based on PCAF standards (Partnership for Carbon Accounting Financials).

## Other Risk

Management of other risk such as Reputational, Legal & Compliance, Environmental and Social Risk Management and Human Resource (HR) etc. is equally pertinent as the bank grows. The bank has separate department to oversee Legal & Compliance issues. HR Department and Board level HR Committee is responsible for all HR functions and related risk management.

## Internal Control

The Board and the management is committed in managing risks and in controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or minimize risks which can cause potential loss or reputational damage to the bank, ensure compliance with applicable laws and regulations and enhance resilience to external events. To achieve this, bank has established set of policies and procedures for risk identification, risk evaluation, risk mitigation and control/monitoring.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, Risk Management Committee, Management and Internal Audit.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Company through its program of business/unit audits. The Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports are periodically forwarded to the Audit Committee. The findings of all audits are reported to the Chief Executive Officer, department heads and branch managers for initiating immediate corrective measures

## 30. Categories of Financial Instruments and Fair Value Hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

<b>Level 1</b>	Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.
<b>Level 2</b>	Valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
<b>Level 3</b>	Portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The Hierarchy of fair value measurement is given below:

Particulars	Fair value Hierarchy (Level)	As at As at 32 Asar 2079		As at As at 31 Asar 2078	
		Carrying Value	Fair value	Carrying Value	Fair value
FVTPL					
Other trading assets	3	-	-	2,660,000	2,660,000
Derivative financial instruments	1	5,293,773,328	5,293,773,328	17,161,392,134	17,161,392,134
Subtotal		5,293,773,328	5,293,773,328	17,164,052,134	17,164,052,134
FVTOCI					
Quoted Equities	1	935,323,483	935,323,483	713,959,469	713,959,469
Unquoted Equities	3	99,813,800	99,813,800	74,324,000	74,324,000
Subtotal		1,035,137,283	1,035,137,283	788,283,469	788,283,469
Grand-Total		6,328,910,611	6,328,910,611	17,952,335,603	17,952,335,603
Amortized cost					
Cash and cash equivalent	3	12,787,637,052	12,787,637,052	13,887,370,526	13,887,370,526
Due from Nepal Rastra Bank	3	13,747,313,630	13,747,313,630	19,218,505,528	19,218,505,528
Placement with BFI's	3	3,782,288,743	3,782,288,743	2,717,148,715	2,717,148,715
Loan and advances to B/FIs	3	5,920,094,816	5,920,094,816	5,194,470,677	5,194,470,677
Loans and advances to customers	3	174,948,356,284	174,948,356,284	151,014,123,921	151,014,123,921
Investment securities (except equity instruments)	3	30,689,709,470	30,689,709,470	16,665,279,464	16,665,279,464
Subtotal		241,875,399,995	241,875,399,995	208,696,898,831	208,696,898,831
Total of Financial Assets		248,204,310,606	248,204,310,606	226,649,234,434	226,649,234,434
FVTPL/FVTOCI					
Liability for employees DBO	3	125,618,519	125,618,519	104,982,941	104,982,941
Subtotal		125,618,519	125,618,519	104,982,941	104,982,941
Amortised cost					
Due to Bank and Financial Institutions	3	2,082,436,338	2,082,436,338	1,964,515,728	1,964,515,728
Due to Nepal Rastra Bank	3	8,996,366,529	8,996,366,529	7,597,982,045	7,597,982,045
Deposits from customers	3	184,817,106,463	184,817,106,463	164,489,285,837	164,489,285,837
Borrowing	3	12,997,400,000	12,997,400,000	7,443,810,000	7,443,810,000
Other liabilities	3	4,122,153,024	4,122,153,024	3,163,069,994	3,163,069,994
Debt securities issued	3	8,127,853,522	8,127,853,522	5,293,994,350	5,293,994,350
Subtotal		221,143,315,876	221,143,315,876	189,952,657,954	189,952,657,954
FVTPL					
Derivative financial instruments	1	5,351,098,092	5,351,098,092	17,127,036,376	17,127,036,376
Subtotal		5,351,098,092	5,351,098,092	17,127,036,376	17,127,036,376
<b>Total of Financial Liabilities</b>		<b>226,620,032,487</b>	<b>226,620,032,487</b>	<b>207,184,677,271</b>	<b>207,184,677,271</b>

### 31. Capital Adequacy

The capital adequacy status as of 16 July 2022 is given below:

**NMB Bank Limited**  
Capital Adequacy Table  
2079 Ashad End (16 July 2022)

Amount in thousands

1.1 Risk Weighted Exposures	2079 Ashad End	2078 Ashad End
a Risk Weighted Exposure for Credit Risk	219,211,040	177,479,698
b Risk Weighted Exposure for Operational Risk	10,378,435	8,731,236
c Risk Weighted Exposure for Market Risk	215,706	3,421,912
<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>229,805,181</b>	<b>189,632,846</b>
<b>Adjustments under Pillar II</b>		
Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,114,523	2,036,878
Add : 2% of the the total RWE due to Supervisory add up	4,596,104	3,792,657
Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>236,515,808</b>	<b>195,462,381</b>
<b>1.2 Capital</b>		
<b>Tier 1 Capital (Core Capital) (CET1 +AT1)</b>	<b>24,503,741</b>	<b>22,317,905</b>
a Paid up Equity Share Capital	18,366,706	16,325,961
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	87,665
d Proposed Bonus Equity Shares	-	-
e Statutory General Reserves	4,316,721	3,647,758
f Retained Earnings	1,550,781	2,515,343
g Un-audited current year cumulative profit/(Loss)	-	-
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	57,326	57,326
j Dividend Equalization Reserves	-	-
k Less: Deferred Tax Assets	-	-
l Other Free Reserve	-	-
m Debenture Redemption Reserve	590,062	23,396
n Less: Goodwill	-	-
o Less: Intangible Assets	(153,684)	(115,371)
p Less: Fictitious Assets	-	-
q Less: Investment in equity in licensed Financial Institutions	-	-
r Less: Investment in equity of institutions with financial interests	(210,000)	(210,000)
s Less: Investment in equity of institutions in excess of limits	-	-
t Less: Investments arising out of underwriting commitments	-	-
u Less: Reciprocal crossholdings	-	-
v Less: Purchase of land & building in excess of limit and unutilized	(14,173)	(14,173)
w Less: Other Deductions	-	-
<b>Adjustments under Pillar II</b>	-	-
Less : Shortfall in Provision (6.4 a 1)	-	-
Less : Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-	-
	-	-
<b>Supplementary Capital (Tier II)</b>	<b>7,630,460</b>	<b>7,152,461</b>
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	5,184,510	5,184,510
c Hybrid Capital Instruments	-	-
d General loan loss provision	2,243,741	1,832,768
e Exchange Equalization Reserve	142,208	125,183
f Investment Adjustment Reserve	50,000	-
g Assets Revaluation Reserve	-	-
h Other Reserves	10,000	10,000
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>32,134,201</b>	<b>29,470,366</b>
<b>1.3 Capital Adequacy Ratios</b>		
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.36	11.42
Tier 1 Capital to Total Risk Weighted Exposures	10.36	11.42
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	13.59	15.08

NMB Bank Limited  
**2079 Ashad**  
Market Risk Exposures

Amount in thousands

S.No.	Currency	2079 Ashad End			2078 Ashad End
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	Relevant Open Position
1	INR	83,877.5	134,266.9	134,267	7,425,184
2	USD	(2,350.9)	(300,441.5)	300,441	14,979
3	GBP	9.4	1,426.9	1,427	10,912
4	CHF	(7.8)	(1,012.3)	1,012	484
5	EUR	8.3	1,064.4	1,064	9,539
6	JPY	(46.0)	(42.3)	42	23,887
7	SEK	-	-	-	14
8	DKK	(87.1)	(1,501.3)	1,501	257
9	HKD	(35.6)	(579.5)	580	86
10	AUD	34.6	2,981.9	2,982	668
11	SGD	(3.8)	(342.2)	342	1,129
12	KRW	(1,037.0)	(100.0)	100	174
13	AED	(567.3)	(19,736.9)	19,737	25,640
14	MYR	(13.5)	(387.0)	387	173
15	THB	(111.3)	(389.0)	389	356
16	QAR	(40.6)	(1,413.0)	1,413	12,682
17	CNY	(51.0)	(964.0)	964	1,141
18	CAD	19.4	1,891.6	1,892	432
19	SAR	(175.4)	(5,969.2)	5,969	1,186
20	KWD	(0.1)	(42.3)	42	16
21	BHD	(0.2)	(55.3)	55	13
<b>Total Open Position (a)</b>				<b>474,608</b>	<b>7,528,950</b>
<b>Fixed Percentage (b)</b>				<b>5%</b>	<b>5%</b>
<b>Capital Charge for Market Risk [c=(a×b)]</b>				<b>23,730</b>	<b>376,448</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				<b>9.09</b>	<b>9.09</b>
<b>Equivalent Risk Weight Exposure [e=(c×d)]</b>				<b>215,706</b>	<b>3,421,912</b>

NMB Bank Limited  
**2019 Ashad**  
 Operation Risk Exposures

Amount in thousands

Particulars	Years before 2019 Ashar End		
	2015/016	2016/017	2017/018
Net Interest Income	5,469,754	5,758,195	5,660,659
Commission and Discount Income	1,205,938	956,286	1,177,642
Other Operating Income	211,407	217,052	351,974
Exchange Fluctuation Income	355,785	384,157	364,108
Addition/Deduction in Interest Suspense during the period	368,638	153,608	199,643
Gross income (a)	7,611,523	7,469,298	7,754,026
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	1,141,728	1,120,395	1,163,104
Capital Requirement for operational risk (d) (average of c)			1,141,742
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			9.09
Equivalent Risk Weight Exposure [f=(d×e)]			10,378,435
<b>Adjustments under Pillar II</b>			
<b>If Gross Income for all the last three years is negative (6.4 a 8)</b>			
Total Credit and Investments (net of specific Provision)			
Capital Requirement for Operational Risk (5%)			
Risk Weight (reciprocal of capital requirement of 11% ) in times			9.09
Equivalent Risk Weight Exposure (g)			
<b>Equivalent Risk Weight Exposure (h= f + g)</b>			<b>10,378,435</b>

**NMB Bank Limited**

2079 Ashad

Eligible Credit Risk Mitigants

Amount in thousands

Credit exposures	Amount in thousands									
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	Total
	Deposits with Bank	Deposits with other Banks/FI	Gold	Govt.& NRB Securities	Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	
<b>Balance Sheet Exposures</b>										
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 Domestic Public Sector Entities	-	-	-	-	-	-	-	-	-	-
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 (Credit rating score equivalent to AAA) *	-	-	-	-	-	-	-	-	-	-
* Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-) *	-	-	-	-	-	-	-	-	-	-
* Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-) *	-	-	-	-	-	-	-	-	1,716,259	1,716,259
* Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below) *	-	-	-	-	-	-	-	-	-	-
* Claims on Domestic Corporates (Unrated) *	234,552	-	-	-	-	-	-	-	-	234,552
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	2,333	-	-	-	-	-	-	2,333
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-



**NMB Bank Limited**  
2079 Ashad  
Credit Risk Exposures

	2079 Ashad End					Amount in thousands	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Previous FY
Assets	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)	Net Value
Balance Sheet Exposures							Risk Weighted Exposures
Cash Balance	4,821,254	-	-	4,821,254	0%	-	4,183,570
Balance With Nepal Rastra Bank	9,644,761	-	-	9,644,761	0%	-	14,537,813
Gold	-	-	-	-	0%	-	137,685
Investment in Nepalese Government Securities	27,071,615	-	-	27,071,615	0%	-	16,732,232
All Claims on Government of Nepal	4,219,615	-	-	4,219,615	0%	-	5,880,973
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	0%	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	20%	-	-
Claims on Foreign Government and Central Bank (ECA -4-6)	-	-	-	-	50%	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	100%	-	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	150%	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	0%	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	100%	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	20%	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	50%	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	100%	-	-
Claims on domestic banks that meet capital adequacy requirements	7,717,003	-	-	7,717,003	150%	-	-
Claims on domestic banks that do not meet capital adequacy requirements	2,389	-	-	2,389	20%	1,543,401	5,833,009
Claims on foreign bank (ECA Rating 0-1)	3,144,829	-	-	3,144,829	100%	2,389	2,764
Claims on foreign bank (ECA Rating 2)	1,054,297	-	-	1,054,297	20%	628,966	1,464,971
Claims on foreign bank (ECA Rating 3-6)	799,643	-	-	799,643	50%	527,148	599,813
Claims on foreign bank (ECA Rating 7)	-	-	-	-	100%	799,643	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	1,919,888	-	-	1,919,888	150%	-	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	20%	383,978	3,514,070
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	80%	-	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	3,437,853	-	1,716,259	1,721,595	85%	1,377,276	3,150,709
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	15,044,574	-	-	15,044,574	80%	15,044,574	7,766,469
* Claims on Domestic Corporates (Unrated) *	104,199,871	-	234,552	103,965,319	100%	103,965,319	91,794,725
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	100%	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	20%	-	-

<b>Assets</b>									
Regulatory Retail Portfolio (Not Overdue)	5,186,017	-	2,333	5,183,684	75%	3,887,763	18,764,597	14,073,448	-
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-	-	-	-
Claims secured by residential properties	16,541,076	-	-	16,541,076	60%	9,924,646	14,960,290	8,976,174	-
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-	-
Claims secured by residential properties (Overdue)	608,795	55,853	-	552,943	100%	552,943	684,425	684,425	-
Claims secured by Commercial real estate	908,878	-	-	908,878	100%	908,878	1,704,978	1,704,978	-
Past due claims (except for claims secured by residential properties)	4,409,197	1,770,848	4,074	2,634,275	150%	3,951,413	3,059,020	4,588,530	-
High Risk claims	30,927,997	-	1,938,232	28,989,765	150%	43,484,647	7,648,484	11,472,726	-
Lending against securities (bonds & shares)	-	-	-	-	100%	-	3,894,926	3,894,926	-
Trust Receipt Loans for Trading Firms	1,397,475	-	-	1,397,475	120%	1,676,970	-	-	-
Investments in equity and other capital instruments of insitutions listed in stock exchange	658,505	362,667	-	295,839	100%	295,839	394,095	394,095	-
Investments in equity and other capital instruments of insitutions not listed in the stock exchange	175,489	-	-	175,489	150%	263,234	768,438	1,152,657	-
Staff loan secured by residential property	3,141,900	-	-	3,141,900	50%	1,570,950	2,268,304	1,134,152	-
Interest Receivable/claim on government securities	423,949	-	-	423,949	0%	-	183,813	-	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-	-
Other Assets (as per attachment)	10,624,909	5,801,078	-	4,823,831	100%	4,823,831	4,673,450	4,673,450	-
<b>TOTAL</b>	<b>258,081,778</b>	<b>7,990,445</b>	<b>3,895,449</b>	<b>246,195,883</b>		<b>195,613,806</b>	<b>214,953,701</b>	<b>157,926,544</b>	
<b>Off Balance Sheet Exposures</b>									
Revocable Commitments	-	-	-	-	0%	-	-	-	-
Blis Under Collection	1,546,098	-	-	1,546,098	0%	-	1,472,952	-	-
Forward Exchange Contract Liabilities	5,351,098	-	-	5,351,098	10%	535,110	17,127,036	1,712,704	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	6,572,361	-	350,862	6,221,499	20%	1,244,300	6,195,939	1,239,188	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	22,678,469	-	9,673,679	13,004,790	50%	6,502,395	10,811,076	5,405,538	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	12,305,250	-	367,541	11,937,709	40%	4,775,084	6,953,710	2,781,484	-
Foreign counterparty (ECA Rating 0-1)	33,933	-	27,146	6,787	20%	1,357	15,125	3,025	-
Foreign counterparty (ECA Rating 2)	10,606,248	-	5,303,124	5,303,124	50%	2,651,562	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	153,404	153,404	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-	-

Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-	-
Advance Payment Guarantee	3,366,483	-	764,085	2,602,398	100%	2,602,398	1,418,155	1,418,155	-
Financial Guarantee	5,600	-	620	4,980	100%	4,980	6,183	6,183	-
Acceptances and Endorsements	2,241,901	-	1,632,644	2,078,636	100%	2,078,636	2,013,372	2,013,372	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-	-
Irrevocable Credit commitments (short term)	12,616,682	-	-	12,616,682	20%	2,523,336	12,993,709	2,598,742	-
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-	-
* Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement*	1,447,976	-	-	1,447,976	20%	289,595	9,688,313	1,937,663	-
Other Contingent Liabilities	388,481	-	-	388,481	100%	388,481	283,698	283,698	-
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-	-
<b>TOTAL</b>	<b>79,160,581</b>	<b>-</b>	<b>16,650,322</b>	<b>62,510,258</b>		<b>23,597,235</b>	<b>69,132,672</b>	<b>19,553,154</b>	
<b>Total RWE for credit Risk</b>	<b>337,242,358</b>	<b>7,990,445</b>	<b>20,545,772</b>	<b>308,706,142</b>	-	<b>219,211,040</b>	<b>284,086,373</b>	<b>177,479,698</b>	
<b>Adjustments under Pillar II</b>									
Add: 10% of the loan and facilities in excess of Single Obligor Limits 6.4 a 3)									
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)									
<b>Total RWE for Credit Risk ( After Bank's adjustments of Pillar II)</b>									

## 32. Operating Segments

### a) General Information:

The bank has identified its segments on the basis of geographical location as per provinces of the country. The bank supervises, manages and controls its branch networks through regional demarcations. All the transactions have been done at the arm's length prices between the segments with intra segment revenue and cost being eliminated at the Head Office. Interest earnings and foreign exchange gains/losses generated while conducting businesses under different segments are reported under the respective segment. Equity and Tax Expense are not allocated to the individual segments. For segmentation purpose, all business transactions of offices and business units located in a particular province are grouped together.

### b) Description of the types of products and services from which each reportable segment derives its revenues

The products and services offered by the Bank can be broadly divided into the following categories:

1. Retail Banking: Retail banking, also known as consumer banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks. Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards.

2. Corporate, SME & Institutional (except Retail): The corporate and institutional banking segment of banks typically serves a diverse range of clients, ranging from small- to mid-sized local businesses with a few millions in revenues to large conglomerates with billions in sales and offices across the country.

3 Treasury Unit – The unit has two divisions – Front and back treasury operations. It operates within the consideration of the foreign exchange rules and regulations under the guidance of Nepal Rastra Bank (NRB) – central bank of Nepal. The major functions are exchange rate updation, check foreign currency position, fund management, deal T-bills/ bond, interbank placements, forward contract and other treasury research.

4. Trade Finance - The Bank's trade finance operations like LC, Guarantee etc are handled by trade finance.

5. Others

### c) Information about profit or loss, assets and liabilities

Fig. in Mio.

Particulars	Retail	SME & MSME	Corporate	Deprived	Treasury	Others	Total
a Revenues from external customers	4,669	6,115	7,626	955	1,897	14	21,278
b Intersegment revenues	3,397	(2,172)	(535)	(464)	886	(1,111)	-
c Net Revenue	8,066	3,943	7,091	491	2,783	(1,096)	21,278
d Interest Revenue	7,407	5,804	6,944	952	2,344	-	23,450
e Interest Expense	7,988	2,220	4,315	469	961	1,111	17,064
f Net Interest Revenue (b)	(582)	3,584	2,629	484	1,382	(1,111)	6,387
g Depreciation and amortization	45	61	82	12	59	32	291
h Segment profit/(loss)	(377)	3,128	1,950	395	1,014	(1,496)	4,615
i Entity's interest in the profit or loss of associates accounted for using equity method - Not Applicable							
j Other material items	-	-	-	-	-	-	-
OCI Items – Non Cash	-	-	-	-	-	103	103
k Impairment of assets	788	1,364	2,379	173	-	-	4,703
l Segment assets	39,580	52,959	72,362	10,383	51,934	27,933	255,151
m Segment liabilities	111,963	3,442	62,680	338	40,331	36,397	255,151

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

### a. Basis of accounting for any transactions between reportable segments:

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.

ii. Nature of any differences between the measurements of the reportable segment's profits or losses and the entity's profit or loss before income tax

None

ii. Nature of any differences between the measurements of the reportable segment's assets and the entity's assets.

None

iii. Nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any,

The bank has segmental division based upon the business segment and geographical segment also.

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

None

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

<b>Revenue</b>	<b>Fig in Mio.</b>
<b>Particulars</b>	<b>Amount</b>
Total Revenues for reportable segments	21,278
Other Revenues	-
Elimination of intersegment revenues	-
Profit or Loss	21,278
<b>Particulars</b>	<b>Amount</b>
Total profit or loss for reportable segments	4,615
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts	-
Profit before income tax	4,615
<b>Assets</b>	
<b>Particulars</b>	<b>Amount</b>
Total assets for reportable segments	255,151
Other assets	-
Unallocated amounts	-
Entity's assets	255,151
<b>Liabilities</b>	
<b>Particulars</b>	<b>Amount</b>
Other liabilities	255,151
Unallocated amounts	-
Entity's liabilities	255,151

## f) Information about products and services

Particulars	NPR in Mio. (Fees Income)
Retail Banking	664
Corporate, SME & Institutional	994
Treasury	97
Trade Finance	32
Others	-
<b>Total</b>	<b>1,786</b>

## g) Information about geographical areas

Particulars	Revenue (NPR in Mio.)
a <b>Domestic</b>	21,278
- Province 1	2,577
- Madhesh	1,263
- Bagmati	12,352
- Gandaki	1,675
- Lumbini	2,302
- Karnali and Sudur Paschim	1,110
b <b>Foreign</b>	-
<b>Total (a+b)</b>	<b>21,278</b>

## h) Information about major customers

Information about the extent of its reliance on its major customers, if revenue from a single external customer amounts to 10 percent or more of the entity's revenue.

Not Applicable

## 33. Share options and share based payment

The Group does not have any share options or share-based payment transactions in the reporting period or in earlier period.

## 34. Merger and acquisition

No Merger and Acquisition has been carried out during the FYE 2079

## 35. Additional disclosures of non-consolidated entities

The Group does not have any non-consolidated entities to report for the reporting period and in the comparative previous period.

## 36. Events after the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than those disclosed in the notes.

## 37. Related Party Disclosures

### (a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 924,000 during the fiscal year. There were 14 Board Meeting conducted during the period. 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	5	160,000
Risk Management Committee	8	240,000
Human Resource Service Committee	4	32,000
Assets Laundering Prevention Committee	5	80,000

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 period amounted to NPR 904,800

Existing members of the Board are:

i)	Mr. Pawan Kumar Golyan	Chairman (Represents Group – Promoter Shareholder)
ii)	Mr. Nico Klass Geradus Pijl	Member (Representative from FMO) Chairman (Represents Group – Promoter Shareholder)
iii)	Mr. Jeevan Kumar Katwal	Member (Representative from Employees Provident Fund)
iv)	Mr. Yogendra Lal Pradhan	Member (Represents Group – Public Shareholder)
v)	Mr. Uttam Bhlon	Member (Represents Group – Public Shareholder)
vi)	Mr. Sirish Kumar Murarka	Member (Represents Group – Public Shareholder)
vii)	Mr. Pradeep Raj Pandey	Alternate Director to Mr. Nico Pijl

#### (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	74,431,452
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
<b>Total of Key Management Personnel Compensation</b>		<b>74,431,452</b>

The Salary and benefits paid to CEO is as follow:

Particulars	Basic Salary	Provident Fund	Allowance	Bonus & Welfare	Other Perquisites	Total Income
C.E.O	9,000,000	900,000	8,500,000	5,000,312	84,376	23,484,688

Key management personnel are also provided with the following benefits:

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

Existing members of Executive Committee include:

Mr. Sunil KC	Chief Executive Officer
Mr. Sudesh Upadhyaya	Deputy Chief Executive Officer
Mr. Govind Ghimire	Deputy Chief Executive Officer
Mr. Navin Manandhar	Chief Risk Officer
Mr. Pramod Dahal	Chief Operating Officer and Company Secretary
Mr. Roshan Regmi	Chief Officer Retail Banking
Mr. Shreejesh Ghimire	Chief Investment Officer
Dr Buddhi Kumar Malla	Chief Officer MSME and Subsidy Loans
Mrs. Puspa Aryal	Head Trade Finance

#### (d) Transaction with Subsidiaries

NPR in thousand

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.	283,003	4,563
3	Borrowing from NMB Bank Ltd.	-	1,256,218
4	Interest Payment by NMB Bank Ltd.	5,551	-
5	Interest Payment to NMB Bank Ltd.	-	73,870
6	Rent Payment to NMB Bank Ltd.	2,629	-
7	Management Fee Payment to NMB Bank	-	-
8	Share Registrar Fee payment by NMB Bank	1,000	-
9	Debenture Trustee Fee payment by NMB Bank	300	-
10	Dividend Distribution Fee	2,022	-
11	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	30,524	-
12	Dividend Distribution of NMB 50 to NMB Bank	53,105	-
13	Dividend Distribution by NMB Capital to NMB Bank	60,000	-

The intra-group related figures have been excluded for presentation of the financial statement of the Group and financials of NMB Laghubitta Bittiya Sanstha has been consolidated based on NRB submitted financials for review and approval.



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# **BASEL DISCLOSURES**

Financial Year 16 July 2021 to 16 July 2022 (1 Shrawan 2078 to 32 Asar 2079)

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## NMB BANK LIMITED

Disclosure under New Capital Adequacy Framework for the Year Ended Asar 2079

Amounts in NPR Thousands

### 1. Capital Management

a. The bank assesses the impact of the new rules, if any on their capital adequacy through a comprehensive capital planning and optimisation/mitigation process. The capital planning is an integral part of the Bank's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected, and a plan is formulated to maintain the required capital.

The bank has not raised any capital through hybrid capital instruments till Asar End 2079.

### 2. Capital Structure and Capital Adequacy:

#### 2.1. Tier 1 Capital and a breakdown of its Components:

S.No.	Details	Amount
1.	Paid up Equity Share Capital	18,366,706
2.	Share Premium	-
3.	Proposed Bonus Equity Shares	-
4.	Statutory General Reserves	4,316,721
5.	Retained Earnings	1,550,781
6.	Debenture Redemption Reserve and Deferred Tax Reserve	-
7.	Capital Adjustment Reserve	57,326
9.	Deferred Tax Assets	-
10.	Debenture Redemption Reserve	590,062
11.	Less: Investment in equity of institutions with financial interest	(210,000)
12.	Less: Intangible Assets	(153,684)
13.	Less: Purchase of land & building in excess of limit and unutilized	(14,173)
<b>Total Core Capital</b>		<b>24,503,741</b>

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

S.No	Details	Amount
1.	Subordinated Term Debt	5,184,510
2.	General Loan Loss Provision	2,243,741
3.	Exchange Equalization Reserve	142,208
4.	Investment Adjustment Reserve	50,000
5.	Other Reserve	10,000
<b>Total Supplementary Capital</b>		<b>7,630,460</b>

Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount rose during the year and amount eligible to be reckoned as capital funds.

The debentures and bonds issued are listed below:

Particulars	Issued Date	Expiry Date (BS)	Rate	Face Value (Mio.)	Purpose
Energy Bond I -2092/93	20 Jestha 2078	20 Jestha 2093	4.00%	1,500	For CAR and CD Ratio
Energy Bond II - 2093/94	10 Jestha 2079	10 Jestha 2094	4.00%	2,727	For CD Ratio
NMB Debenture 2084/85	29 Chaitra 2075	29 Chaitra 2085	10.00%	1,685	For CAR Ratio
NMB Debenture 2087/88	11 Jestha 2078	11 Jestha 2088	8.50%	2,000	For CAR Ratio

To reflect the diminishing value of these instruments as a continuing source of strength, a cumulative discount (amortization) factor of 20% per annum will be applied for capital adequacy computations, during the last 5 years to maturity.

#### 2.4. Deductions from Capital:

Investment in equity shares of fully owned subsidiary company NMB Capital Ltd amounting to NPR 200,000,000 has been deducted from Tier 1 Capital.

Similarly, the amount of deferred tax reserve has been separately credited to Regulatory reserve, which is not considered for the purpose of capital ratios.

Intangible asset has also been deducted as per NRB Directive by NPR 153,684,011. The Purchase of land and building in excess of limit and unutilized amounting to NPR 14,172,950 is also deducted from Capital.

#### 2.5. Total Qualifying Capital:

S.No	Details	Amount
1.	Core Capital (Tier 1)	24,503,741
2.	Supplementary Capital (Tier 2)	7,630,460
	<b>Total Capital Fund</b>	<b>32,134,201</b>

#### 2.6. Capital Adequacy Ratio:

S.No	Details	Percentage
1.	Tier 1 Capital to Total Risk Weighted Exposure	10.36%
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	13.59%

#### 2.7. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.

The capital instruments of the Bank include fully paid up Equity Shares and Debenture. Both are non-convertible. The main features of Debenture have been mentioned under S.No 2.3 above.

### 3. Risk Exposures:

#### 3.1. Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk:

S.No	Risk Weighted Exposure	Amount
a.	Risk Weighted Exposure for Credit Risk	219,211,040
b.	Risk Weighted Exposure for Operational Risk	10,378,435
c.	Risk Weighted Exposure for Market Risk	215,706
	Total Risk Weighted Exposures (a+b+c)	229,805,181
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,114,523
	Add : 2% of the total RWE due to Supervisory add up	4,596,104
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-
	<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>236,515,808</b>

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

S.No	Particulars	Amount
1.	Claims on government and Central Bank	-
2.	Claims on other Official Entities	-
3.	Claims on Bank	3,885,524
4.	Claims on Domestic Corporate and Securities Firms	120,387,169
5.	Claims on Foreign Corporate	-
6.	Claims on Regulatory Retail Portfolio	3,887,763
7.	Claims fulfilling all criterion of regulatory retail except granularity	-
8.	Claims secured by Residential Properties (including staff)	11,495,596
9.	Claims not fully secured by residential properties	-
10.	Claims secured by Residential Properties (Overdue)	552,943
11.	Claims secured by Commercial Real Estate	908,878
12.	Past Due Claims	3,951,413
13.	High Risk Claims	43,484,647
14.	Lending against securities (bonds & shares)	-
15.	Trust Receipt Loans for Trading Firms	1,676,970
16.	Investments	559,073
17.	Other Assets	4,823,831
18.	Off Balance sheet items	23,597,235
	<b>Total</b>	<b>219,211,040</b>

### 3.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	Amount
a.	Risk Weighted Exposure for Credit Risk	219,211,040
b.	Risk Weighted Exposure for Operational Risk	10,378,435
c.	Risk Weighted Exposure for Market Risk	215,706
1.	<b>Total Risk Weighted Exposure</b>	<b>229,805,181</b>
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,114,523
	Add : 2% of the total RWE due to Supervisory add up	4,596,104
	<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>236,515,808</b>
2.	Total Core Capital Fund (Tier 1)	24,503,741
3.	Total Capital Fund ( Tier 1 & Tier 2)	32,134,201
4.	Total Core Capital to Total Risk Weighted Exposures (%)	10.36%
5.	Total Capital to Total Risk Weighted Exposures (%)	13.59%

### 3.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	14,934	1,867	13,067
2.	Substandard	728,158	178,595	549,563
3.	Doubtful	337,342	233,634	103,708
4.	Loss	1,560,738	1,552,073	8,665
	<b>Total</b>	<b>2,641,171</b>	<b>1,966,168</b>	<b>675,003</b>

### 3.5. NPA Ratio

Gross NPA to Gross Advances: 1.45%

Net NPA to Net Advances: 0.38%

### 3.6 Movement of Non-Performing Assets

S.No	Particulars	Asar End 2079	Ashadh End 2078	Movement
1.	Restructure/Reschedule Loan	14,934	54,526	(39,592)
2.	Substandard	728,158	1,286,883	(558,725)
3.	Doubtful	337,342	1,107,305	(769,963)
4.	Loss	1,560,738	1,145,297	415,441
	<b>Total Non-Performing Loan</b>	<b>2,641,171</b>	<b>3,594,011</b>	<b>(952,840)</b>

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

S.No	Category	Asar End 2078	Asar End 2079	Movement
1.	Pass	1,940,852	2,270,851	329,999
2.	Watch List	799,878	466,102	(333,776)
3.	Restructured	6,816	1,867	(4,949)
4.	Substandard	318,577	178,595	(139,982)
5.	Doubtful	549,642	233,634	(316,008)
6.	Loss	1,124,208	1,552,073	427,865
	<b>Total Loan Provision</b>	<b>4,739,973</b>	<b>4,703,121</b>	<b>(36,852)</b>
	<b>Accrued Interest Receivable (including staff)</b>	<b>1,376,257</b>	<b>1,858,840</b>	<b>482,583</b>

After change of Core Banking System, the interest on majority of risk assets portfolio are due as per English Calendar due to which approximately a fortnight's interest income are not realized as of fiscal year end 2079.

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 72.65 Mio. has been reversed and credited to Interest Suspense during the reporting period.

### 3.9. Details of Additional Loan Loss Provision

S.No	Category	Asar End 2079
1.	Pass	61,878
2.	Watch List	120,015
3.	Restructured	-
4.	Substandard	-
5.	Doubtful	70,002
6.	Loss	-
	<b>Total Additional Loan Loss Provision</b>	<b>251,895</b>

### Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk Mitigants of NPR 20,545,772 thousands for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

### 4. Compliance with external requirement

The bank is subject to compliance requirement under NRB Directive No.1/077 which has stipulated a minimum Total Capital Adequacy Ratio (CAR) of 11.00%. The Bank complied with this requirement at all times during the reporting period. The compliance position at the reporting date is given below:

Capital Parameter	Requirement	NMB Bank
Minimum Common Equity Capital Ratio	4.50%	7.86%
Capital Conversation Buffer	2.50%	2.50%
Minimum common equity plus capital conservation buffer	7.00%	10.36%
Minimum Tier 1 Capital (Excluding conservation buffer)	6.00%	10.36%
Minimum Total Capital (Excluding conservation buffer)	9.00%	10.36%
Minimum Total Capital (including conservation buffer)	11.00%	13.59%
Leverage Ratio	4.00%	7.57%

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

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

Risk management is essential for well-being of the overall banking business. Credit, Market and Operational Risk are managed independently at NMB Bank. Credit Risk Department reviews risk related to credit prior to disbursement of all loans, it is independent of a loan approver. Credit Risk Management Committee meets once a month to review credit portfolio risk. Market risk is closely monitored all time and managed through ALCO. Operational Risk Committee which meets once each month is a platform to assess/monitor operational risk identified vides various units, branches. Effective implementation of process/controls is periodically reviewed by an Operational Risk Unit. Operational Risk Unit also carries out assurance reviews of the units to evaluate control weakness, recommends robust controls around the risk areas and monitors execution of control in an ongoing basis.

Audit Committee is formed as per the 'Terms of Reference' prescribed by NRB with 3 members. Coordinator of the committee is one of the Non-Executive Directors with Chief Audit Executive as its secretary. The committee reviews internal/external/NRB audit reports, recommends stringent control process and escalates the audit observations to the Board. The Committee also reviews quarterly unaudited financial reports of the Bank with recommendation to the Board. The committee selects and recommends External Auditor to the Board based on financial and technical evaluations. Audit Committee is committed towards maintaining robust control system hence monitors closure of risk issues raised by Internal/External/NRB auditors.

Risk Management Committee with view of ensuring better risk management in the bank and in line of NRB's requirement is formed with 5 members, two board members, Chief Operating Officer, Credit Risk Officer as Secretary and Head Legal and Compliance are the members of the committee chaired by Non-Executive Director. The committee reviews high risk issues escalated by operational and credit risk committees (management level), deliberates on the risks and recommends to the Board if required. Stress testing/Capital adequacy is also reviewed at the committee with recommendation to the Board. Revised/new NRB directives, Monetary Policy with material impact on the Bank are also reviewed for its implications.

# INVESTOR'S INFORMATION

## a. Range of Shares

The Bank has a total 173,877 Shareholders as on July 16, 2022. The shareholding patterns of the shares are depicted below:

Range (No. Of Shares)	No. Of Shareholders	Total No. Of Shares	% Of Total
01-500	147,186	15,832,477	8.62
501-1000	13,724	9,409,575	5.12
1001-1500	4,808	5,800,944	3.16
1501-2000	2,027	3,552,674	1.93
2001-5000	3,628	11,009,006	5.99
5001-10000	1,101	7,583,895	4.13
10001-50000	1,061	21,868,606	11.91
50001 and above	342	108,609,883	59.13
<b>Total</b>	<b>173,877</b>	<b>183,667,060</b>	<b>100.00</b>

## b. Composition of Shareholders

Particulars	No. of Shares	%
Institutions	19,596,421	10.67%
Public	131,181,225	71.42%
Foreign	32,889,414	17.91%
<b>Total</b>	<b>183,667,060</b>	<b>100.00%</b>

## c. Shareholding Pattern (Public/Promoter)

Particulars	No. of Shares	%
Promoter	93,670,200	51%
Public	89,996,859	49%
<b>Total</b>	<b>183,667,060</b>	<b>100%</b>

## d. Name of the shareholders holding more than 0.5% of total shares

Name Of Shareholders	No. Of Shares	%
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	25,147,142	13.69
Employees Provident Fund	10,150,729	5.53
Yong Lian Realty Sdn Bhd	7,742,270	4.22
Gayatri Investment And Management P. Ltd.	3,519,513	1.92
Nand Kishore Rathi	3,093,320	1.68
Dhananjaya Prasad Acharya	2,806,161	1.53
Sunil Kumar Goshali	1,901,987	1.04
Sushil Kumar Goshali	1,744,389	0.95
Pawan Kumar Golyan	1,696,732	0.92
Yogendra Lal Pradhan	1,674,101	0.91
Santosh Devi Murarka	1,459,222	0.79
Purushotam Lal Sanghai	1,295,492	0.71
Pashupati Murarka	1,072,263	0.58
Santosh Rathi	1,058,697	0.58
Din Bandhu Agrawal	972,573	0.53
Balaram Neupane	950,932	0.52

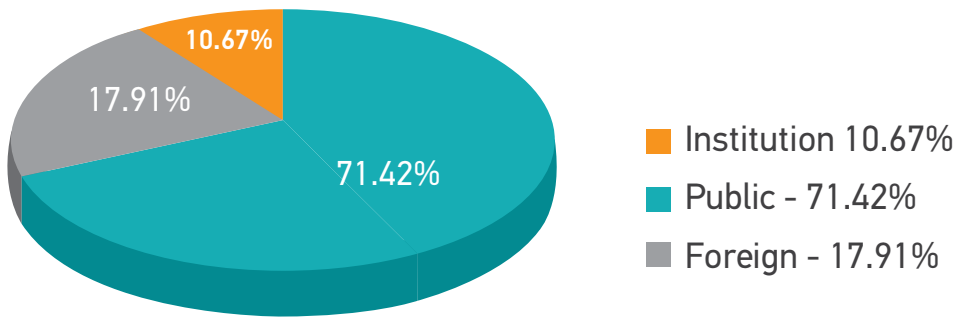
## e. Market Value Per Share

Fiscal Year	Market Value Per Share	Market Capitalization
2017-18	358	27,219,780,348
2018-19	396	38,087,924,292
2019-20	397	55,385,420,375
2020-21	440	71,834,227,960
2021-22	261	48,633,972,660

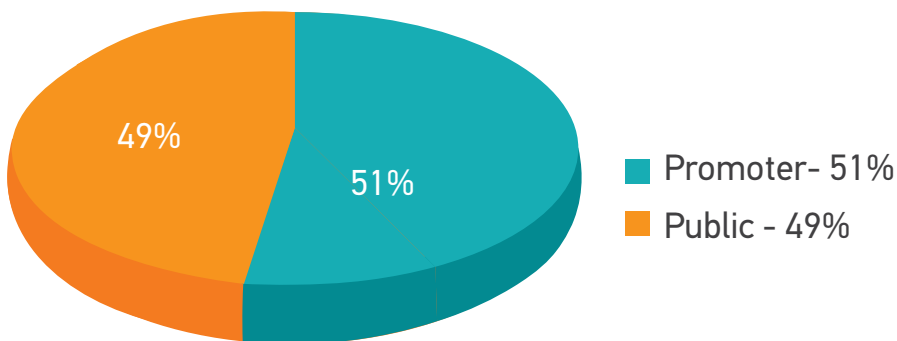
## f. Share Trading Information

Fiscal Year	Maximum Price	Minimum Price	Closing Price - NPR	No. Of Shares Traded during the FY
2017-18	580	338	358	2,470,611
2018-19	400	300	396	10,229,057
2019-20	517	321	397	12,605,219
2020-21	505	379	440	40,609,420
2021-22	517	240	261	18,266,780
<b>2019-20</b>	<b>517</b>	<b>321</b>	<b>397</b>	
Q1 - Trading Halted				
Q2	407	321	359	
Q3	517	346	377	
Q4	426	321	397	
<b>2020-21</b>	<b>505</b>	<b>379</b>	<b>440</b>	
Q1	499	400	408	
Q2	505	379	444	
Q3	485	400	437	
Q4	472	395	440	
<b>2021-22</b>	<b>517</b>	<b>240</b>	<b>261</b>	
Q1	517	395	410	
Q2	427	326	353	
Q3	387.6	290	293	
Q4	305	240	261	

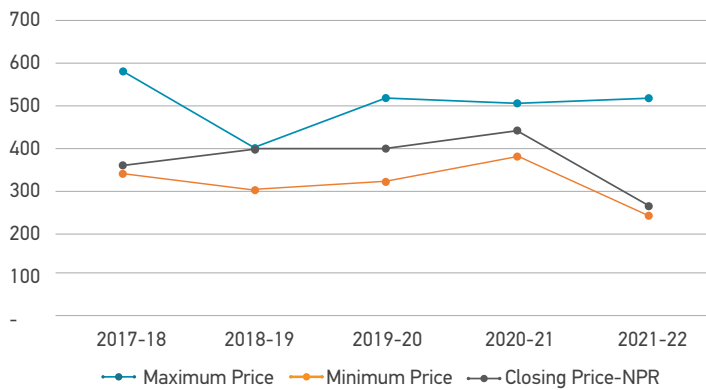
## Shareholding Composition



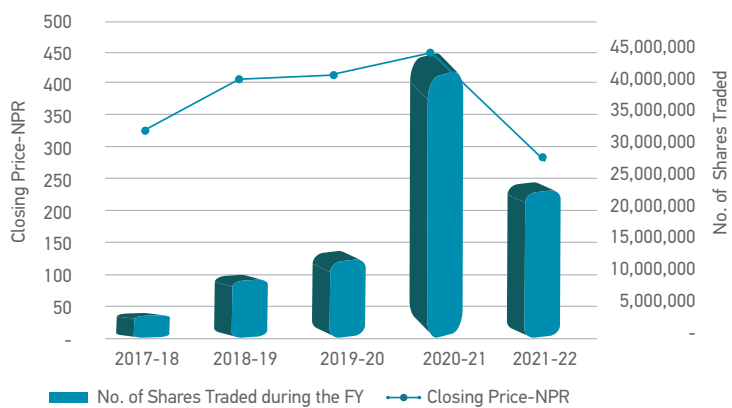
## Shareholding Structure



Market Value Per Share (Amount in NPR)



Share Trading Information



## Latest Debenture Issue - Projected vs Actual of Statement of Profit or Loss

NPR in Thousand

Particulars	Projected	Actual	Variance (%)	Reasons for Variance (for more than 20% only)
	FY 2021-22	FY 2021-22	FY 2021-22	
Interest income	18,674,924	19,168,863	3%	
Interest expense	11,501,775	12,781,323	10%	
<b>Net interest income</b>	<b>7,173,149</b>	<b>6,387,540</b>	<b>-12%</b>	
Fee and commission income	1,581,546	1,689,473	6%	
Fee and commission expense	152,300	216,241	30%	Mainly due to increase in depositors activities, this is increased.
<b>Net fee and commission income</b>	<b>1,429,246</b>	<b>1,473,232</b>	<b>3%</b>	
<b>Net interest, fee and commission income</b>	<b>8,602,396</b>	<b>7,860,771</b>	<b>-9%</b>	
Net trading income	480,624	272,407	-76%	Due to lesser volume in Forward Contracts
Other operating income	229,130	406,767	44%	Due to sale of shares and Dividend Income
<b>Total operating income</b>	<b>9,312,150</b>	<b>8,539,945</b>	<b>-9%</b>	
Impairment charge/(reversal) for loans and other losses	392,506	(37,226)	1154%	Due to decrease in NPL
<b>Net operating income</b>	<b>8,919,644</b>	<b>8,577,170</b>	<b>-4%</b>	
<b>Operating expense</b>		-		
Personnel expenses	2,625,837	2,539,346	-3%	
Other operating expenses	1,165,513	1,087,916	-7%	
Depreciation & Amortisation	325,099	290,522	-12%	
<b>Operating Profit</b>	<b>4,803,194</b>	<b>4,659,387</b>	<b>-3%</b>	
Non operating income	141,419	2,657	-5223%	Due to lower recovery of written off loan
Non operating expense	84,611	46,756	-81%	No Additional Loan Written off
<b>Profit before income tax</b>	<b>4,860,002</b>	<b>4,615,288</b>	<b>-5%</b>	
Income tax expense		-		
Current Tax	1,445,635	1,435,199	-1%	
Deferred Tax expense/(Income)	11,000	(111,006)	110%	Due to increase in Deferred Tax Assets
<b>Profit for the period</b>	<b>3,403,366</b>	<b>3,291,094</b>	<b>-3%</b>	<b>Due to above reasons</b>

## Latest Debenture Issue - Projected vs Actual of Statement of Financial Position

NPR in Thousand

Particulars	Projected	Actual	Variance (%)	Reasons for Variance (for more than 20% only)
	FY 2021-22	FY 2021-22	FY 2021-22	
Cash and cash equivalent	15,262,886	12,787,637	-19%	
Due from Nepal Rastra Bank	18,552,260	13,747,314	-35%	Due to decrease in Balance of NRB and government deposit
Placement with Bank and Financial Institutions	3,024,000	3,782,289	20%	
Derivative financial instruments	17,797,600	5,293,773	-236%	Due to decrease in derivatives as per NRB Directives and liquidity crunch
Other trading assets	30,000	-	-100%	As a Market Maker, bond has been traded
Loan and advances to B/FIs	5,801,161	5,920,095	2%	
Loans and advances to customers	188,066,776	174,948,356	-7%	
Investment securities	21,175,908	31,724,847	33%	Due to increase in Nepal Govt. Bond
Current tax assets	100,000	55,329	-100%	As per Income Tax Act.
Investment in subsidiaries	372,488	372,488	0%	
Investment in associates	-	-		
Investment property	100,000	295,162	66%	Due to increase in NBA
Property and equipment	2,235,605	1,764,130	-27%	No Additional Fixed Assets Purchase
Goodwill and Intangible assets	280,751	226,513	-24%	No Additional Software Purchase
Deferred tax assets	180,000	338,965	47%	Due to creation of DTA on Gratuity
Other assets	3,794,455	3,893,713	3%	
<b>Total Assets</b>	<b>276,773,891</b>	<b>255,150,610</b>	<b>-8%</b>	
<b>Liabilities</b>				
Due to Bank and Financial Institutions	2,638,693	2,082,436	-27%	Decrease in BFI's Call Deposit
Due to Nepal Rastra Bank	5,750,677	8,996,367	36%	Increase in Borrowing from NRB
Derivative financial instruments	17,674,600	5,351,098	-230%	Due to decrease in derivatives as per NRB Directives and liquidity crunch
Deposits from customers	196,384,533	184,817,106	-6%	
Borrowing	14,513,365	12,997,400	-12%	
Current Tax Liabilities	-	-		
Provisions	-	-		
Deferred tax liabilities	-	-		
Other liabilities	4,408,262	5,907,387	25%	Due to booking of Lease and Other Liability
Debt securities issued	8,684,505	8,127,854	-7%	
Subordinated Liabilities	-	-		
<b>Total liabilities</b>	<b>250,054,636</b>	<b>228,279,648</b>	<b>-10%</b>	
<b>Equity</b>				
Share capital	17,958,557	18,366,706	2%	
Share premium	-	-		
Retained earnings	2,517,016	1,550,781	-62%	Due to change in profit and appropriation to reserves and capital
Reserves	6,243,683	6,953,475	10%	
Total equity attributable to equity holders	26,719,255	26,870,962	1%	
Non-controlling interest	-	-		
<b>Total equity</b>	<b>26,719,255</b>	<b>26,870,962</b>	<b>1%</b>	
<b>Total liabilities and equity</b>	<b>276,773,891</b>	<b>255,150,610</b>	<b>-8%</b>	

## Horizontal Analysis

## Statement of Financial Position

Particulars	16-Jul-22	2021 Vs	15-Jul-21	2020 Vs	15-Jul-20
	(Ashadh 32, 2079)	2022	(Ashadh 31, 2078)	2021	(Ashadh 31, 2077)
<b>Assets</b>					
Cash and cash equivalent	12,787,637,052	-8%	13,887,370,526	25%	11,098,349,234
Due from Nepal Rastra Bank	13,747,313,630	-28%	19,218,505,528	26%	15,249,998,507
Placement with Bank and Financial Institutions	3,782,288,743	39%	2,717,148,715	-18%	3,304,233,792
Derivative financial instruments	5,293,773,328	-69%	17,161,392,134	70%	10,066,295,972
Other trading assets	-	-100%	2,660,000	-99%	266,890,000
Loan and advances to B/FIs	5,920,094,816	14%	5,194,470,677	11%	4,665,864,579
Loans and advances to customers	174,948,356,284	16%	151,014,123,921	31%	115,668,472,666
Investment securities	31,724,846,753	82%	17,453,562,933	16%	14,998,756,047
Current tax assets	55,328,905	-40%	92,745,534		61,460,881
Investment in subsidiaries	372,487,600	0%	372,487,600	0%	372,487,600
Investment in associates	-		-		-
Investment property	295,161,520	201%	97,942,260	23%	79,648,242
Property and equipment	1,764,130,341	1%	1,741,914,965	-1%	1,755,794,235
Goodwill and Intangible assets	226,513,150	101%	112,540,746	-11%	125,848,936
Deferred tax assets	338,964,764	36%	249,009,565	-6%	264,421,080
Other assets	3,893,713,394	75%	2,230,983,328	51%	1,473,393,132
<b>Total Assets</b>	<b>255,150,610,280</b>	<b>10%</b>	<b>231,546,858,432</b>	<b>29%</b>	<b>179,451,914,903</b>
<b>Liabilities</b>					
Due to Bank and Financial Institutions	2,082,436,338	6%	1,964,515,728	-38%	3,150,014,840
Due to Nepal Rastra Bank	8,996,366,529	18%	7,597,982,045	57%	4,832,501,544
Derivative financial instruments	5,351,098,092	-69%	17,127,036,376	71%	10,008,212,670
Deposits from customers	184,817,106,463	12%	164,489,285,837	25%	131,660,368,354
Borrowing	12,997,400,000	75%	7,443,810,000	118%	3,416,310,000
Current Tax Liabilities	-		-		-
Provisions	-		-		-
Deferred tax liabilities	-		-		-
Other liabilities	5,907,387,378	60%	3,686,459,641	16%	3,169,287,821
Debt securities issued	8,127,853,522	54%	5,293,994,350	132%	2,279,834,432
Subordinated Liabilities	-		-		-
<b>Total Liabilities</b>	<b>228,279,648,322</b>	<b>10%</b>	<b>207,603,083,977</b>	<b>31%</b>	<b>158,516,529,660</b>
<b>Equity</b>					
Share capital	18,366,705,959	12%	16,325,960,853	17%	13,950,987,467
Share premium	-		-	-100%	120,167,470
Retained earnings	1,550,781,367	-38%	2,515,343,348	45%	1,737,219,751
Reserves	6,953,474,633	36%	5,102,470,254	0%	5,127,010,555
<b>Total equity attributable to equity holders</b>	<b>26,870,961,958</b>	<b>12%</b>	<b>23,943,774,455</b>	<b>14%</b>	<b>20,935,385,243</b>
Non-controlling interest	-		-		-
<b>Total equity</b>	<b>26,870,961,958</b>	<b>12%</b>	<b>23,943,774,455</b>	<b>14%</b>	<b>20,935,385,243</b>
<b>Total liabilities and equity</b>	<b>255,150,610,280</b>	<b>10%</b>	<b>231,546,858,432</b>	<b>29%</b>	<b>179,451,914,903</b>

## Horizontal Analysis

## Statement of Profit or Loss

Particulars	FY 2021-22 (Ashadh 32, 2079)	2021 Vs 2022	FY 2020-21 (Ashadh 31, 2078)	2020 Vs 2021	FY 2019-20 (Ashadh 31, 2077)
Interest income	19,168,862,594	37%	13,983,693,533	-3%	14,442,972,567
Interest expense	12,781,322,752	54%	8,323,034,232	-7%	8,946,752,652
<b>Net interest income</b>	<b>6,387,539,842</b>	<b>13%</b>	<b>5,660,659,301</b>	<b>3%</b>	<b>5,496,219,915</b>
Fee and commission income	1,689,472,559	43%	1,177,641,945	29%	914,369,723
Fee and commission expense	216,241,035	57%	138,024,766	28%	107,917,283
<b>Net fee and commission income</b>	<b>1,473,231,524</b>	<b>42%</b>	<b>1,039,617,179</b>	<b>29%</b>	<b>806,452,440</b>
<b>Net interest, fee and commission income</b>	<b>7,860,771,366</b>	<b>17%</b>	<b>6,700,276,480</b>	<b>6%</b>	<b>6,302,672,355</b>
Net trading income	272,406,509	-25%	364,108,314	-5%	384,157,101
Other operating income	406,766,685	16%	351,973,665	63%	215,364,793
<b>Total operating income</b>	<b>8,539,944,560</b>	<b>15%</b>	<b>7,416,358,459</b>	<b>7%</b>	<b>6,902,194,249</b>
Impairment charge/(reversal) for loans and other losses	(37,225,724)	-110%	382,410,393	-76%	1,627,165,235
<b>Net operating income</b>	<b>8,577,170,284</b>	<b>22%</b>	<b>7,033,948,066</b>	<b>33%</b>	<b>5,275,029,014</b>
<b>Operating expense</b>					
Personnel expenses	2,539,345,989	22%	2,089,704,278	27%	1,647,497,921
Other operating expenses	1,087,916,122	27%	853,748,763	-9%	935,573,915
Depreciation & Amortisation	290,521,503	8%	269,478,145	12%	241,683,371
<b>Operating Profit</b>	<b>4,659,386,670</b>	<b>22%</b>	<b>3,821,016,879</b>	<b>56%</b>	<b>2,450,273,807</b>
Non operating income	2,656,853	-93%	39,071,786	111%	18,512,709
Non operating expense	46,755,749	207%	15,212,626	-55%	33,981,887
<b>Profit before income tax</b>	<b>4,615,287,774</b>	<b>20%</b>	<b>3,844,876,039</b>	<b>58%</b>	<b>2,434,804,629</b>
Income tax expense					
Current Tax	1,435,199,261	21%	1,185,623,109	63%	725,589,473
Deferred Tax expense/(Income)	(111,005,657)	114%	(51,820,778)	1355%	(3,561,365)
<b>Profit for the period</b>	<b>3,291,094,170</b>	<b>21%</b>	<b>2,711,073,708</b>	<b>58%</b>	<b>1,712,776,521</b>

## Vertical Analysis

## Statement of Financial Position

Particulars	16-Jul-22		15-Jul-21		15-Jul-20	
	(Ashadh 32, 2079)	%	(Ashadh 31, 2078)	%	(Ashad 31, 2077)	%
<b>ASSETS</b>						
Cash and cash equivalent	12,787,637,052	5%	13,887,370,526	6%	11,098,349,234	6%
Due from Nepal Rastra Bank	13,747,313,630	5%	19,218,505,528	8%	15,249,998,507	8%
Placement with Bank and Financial Institutions	3,782,288,743	1%	2,717,148,715	1%	3,304,233,792	2%
Derivative financial instruments	5,293,773,328	2%	17,161,392,134	7%	10,066,295,972	6%
Other trading assets	-	0%	2,660,000	0%	266,890,000	0%
Loan and advances to B/FIs	5,920,094,816	2%	5,194,470,677	2%	4,665,864,579	3%
Loans and advances to customers	174,948,356,284	69%	151,014,123,921	65%	115,668,472,666	64%
Investment securities	31,724,846,753	12%	17,453,562,933	8%	14,998,756,047	8%
Current tax assets	55,328,905	0%	92,745,534	0%	61,460,881	0%
Investment in subsidiaries	372,487,600	0%	372,487,600	0%	372,487,600	0%
Investment in associates	-	0%	-	0%	-	0%
Investment property	295,161,520	0%	97,942,260	0%	79,648,242	0%
Property and equipment	1,764,130,341	1%	1,741,914,965	1%	1,755,794,235	1%
Goodwill and Intangible assets	226,513,150	0%	112,540,746	0%	125,848,936	0%
Deferred tax assets	338,964,764	0%	249,009,565	0%	264,421,080	0%
Other assets	3,893,713,394	2%	2,230,983,328	1%	1,473,393,132	1%
<b>Total Assets</b>	<b>255,150,610,280</b>	<b>100.00%</b>	<b>231,546,858,432</b>	<b>100%</b>	<b>179,451,914,903</b>	<b>100%</b>
<b>LIABILITIES</b>						
Due to Bank and Financial Institutions	2,082,436,338	1%	1,964,515,728	1%	3,150,014,840	2%
Due to Nepal Rastra Bank	8,996,366,529	4%	7,597,982,045	3%	4,832,501,544	3%
Derivative financial instruments	5,351,098,092	2%	17,127,036,376	7%	10,008,212,670	6%
Deposits from customers	184,817,106,463	72%	164,489,285,837	71%	131,660,368,354	73%
Borrowing	12,997,400,000	5%	7,443,810,000	3%	3,416,310,000	2%
Current Tax Liabilities	-	0%	-	0%	-	0%
Provisions	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%
Other liabilities	5,907,387,378	2%	3,686,459,641	2%	3,169,287,821	2%
Debt securities issued	8,127,853,522	3%	5,293,994,350	2%	2,279,834,432	1%
Subordinated Liabilities	-					
<b>Total Liabilities</b>	<b>228,279,648,322</b>	<b>89%</b>	<b>207,603,083,977</b>	<b>90%</b>	<b>158,516,529,660</b>	<b>88%</b>
<b>EQUITY</b>						
Share capital	18,366,705,959	7%	16,325,960,853	7%	13,950,987,467	8%
Share premium	-	0%	-	0%	120,167,470	0%
Retained earnings	1,550,781,367	1%	2,515,343,348	1%	1,737,219,751	1%
Reserves	6,953,474,633	3%	5,102,470,254	2%	5,127,010,555	3%
Total equity attributable to equity holders	26,870,961,958	11%	23,943,774,455	10%	20,935,385,243	12%
Non-controlling interest	-					
<b>Total equity</b>	<b>26,870,961,958</b>	<b>11%</b>	<b>23,943,774,455</b>	<b>10%</b>	<b>20,935,385,243</b>	<b>12%</b>
<b>Total liabilities and equity</b>	<b>255,150,610,280</b>	<b>100%</b>	<b>231,546,858,432</b>	<b>100%</b>	<b>179,451,914,903</b>	<b>100%</b>

## Vertical Analysis

## Statement of Profit or Loss

Particulars	FY 2021-22	%	FY 2020-21	%	FY 2019-20	%
	(Ashadh 32, 2079)		(Ashadh 31, 2078)		(Ashadh 31, 2077)	
Interest income	19,168,862,594	100%	13,983,693,533	100%	14,442,972,567	100%
Interest expense	12,781,322,752	67%	8,323,034,232	60%	8,946,752,652	62%
<b>Net interest income</b>	<b>6,387,539,842</b>	<b>33%</b>	<b>5,660,659,301</b>	<b>40%</b>	<b>5,496,219,915</b>	<b>38%</b>
Fee and commission income	1,689,472,559	9%	1,177,641,945	8%	914,369,723	6%
Fee and commission expense	216,241,035	1%	138,024,766	1%	107,917,283	1%
<b>Net fee and commission income</b>	<b>1,473,231,524</b>	<b>8%</b>	<b>1,039,617,179</b>	<b>7%</b>	<b>806,452,440</b>	<b>6%</b>
<b>Net interest, fee and commission income</b>	<b>7,860,771,366</b>	<b>41%</b>	<b>6,700,276,480</b>	<b>48%</b>	<b>6,302,672,355</b>	<b>44%</b>
Net trading income	272,406,509	1%	364,108,314	3%	384,157,101	3%
Other operating income	406,766,685	2%	351,973,665	3%	215,364,793	1%
<b>Total operating income</b>	<b>8,539,944,560</b>	<b>45%</b>	<b>7,416,358,459</b>	<b>53%</b>	<b>6,902,194,249</b>	<b>48%</b>
Impairment charge/(reversal) for loans and other losses	(37,225,724)	0%	382,410,393	3%	1,627,165,235	11%
<b>Net operating income</b>	<b>8,577,170,284</b>	<b>45%</b>	<b>7,033,948,066</b>	<b>50%</b>	<b>5,275,029,014</b>	<b>37%</b>
<b>Operating expense</b>						
Personnel expenses	2,539,345,989	13%	2,089,704,278	15%	1,647,497,921	11%
Other operating expenses	1,087,916,122	6%	853,748,763	6%	935,573,915	6%
Depreciation & Amortisation	290,521,503	2%	269,478,145	2%	241,683,371	2%
<b>Operating Profit</b>	<b>4,659,386,670</b>	<b>24%</b>	<b>3,821,016,879</b>	<b>27%</b>	<b>2,450,273,807</b>	<b>17%</b>
Non operating income	2,656,853	0%	39,071,786	0%	18,512,709	0%
Non operating expense	46,755,749	0%	15,212,626	0%	33,981,887	0%
<b>Profit before income tax</b>	<b>4,615,287,774</b>	<b>24%</b>	<b>3,844,876,039</b>	<b>27%</b>	<b>2,434,804,629</b>	<b>17%</b>
Income tax expense				0%		
Current Tax	1,435,199,261	7%	1,185,623,109	8%	725,589,473	5%
Deferred Tax expense/(Income)	(111,005,657)	-1%	(51,820,778)	0%	(3,561,365)	0%
<b>Profit for the period</b>	<b>3,291,094,170</b>	<b>17%</b>	<b>2,711,073,708</b>	<b>19%</b>	<b>1,712,776,521</b>	<b>12%</b>



# नेपाल राष्ट्र बैंक

## बैंक सुपरिवेक्षण विभाग



दरबारमार्ग, काठमाडौं।  
फोन नं.: ४४१९८०५,७  
फ्याक्स नं.: ४४१०१५९  
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मिति: २०७९/०८/२७

एनएमबि बैंक लिमिटेड  
बबरमहल, काठमाडौं।

### विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा।

महाशय,

त्यस बैंकबाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०७३ को दफा ४७ को उपदफा (२) का प्रावधानहरु पालना गरेको देखिएको हुँदा, उक्त ऐनको उपदफा (१) बमोजिम त्यस बैंकले प्रस्ताव गरे बमोजिम रु.१,५१,५२,५३,२४१।६४ (अक्षरेपी एक अर्ब एकाउन्न करोड बाउन्न लाख त्रिपन्न हजार दुई सय एकचालिस रुपैया र चौसठ्ठी पैसा मात्र, २०७९ असार मसान्तको चुक्ता पूँजी को ८.२५ प्रतिशतका दरले) बराबरको नगद लाभांश (कर समेत) शेरधनीहरुलाई वितरण गर्न अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट स्वीकृत भएको अवस्थामा लाभांश वितरण गर्न स्वीकृतिका साथै आ.व. २०७८/७९ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशन सहित सार्वजनिक गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु।

- लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु पूर्ण रुपले सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था मिलाउनु।
- यस बैंकबाट जारी गरिएका एकीकृत निर्देशनको निर्देशन नं.१० को बुँदा नं.७ बमोजिम इजाजतपत्रप्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेरमा लगानी गर्दा चुक्ता पूँजीको बढीमा १५ प्रतिशत र अन्य बैंक तथा वित्तीय संस्थाहरुमा चुक्ता पूँजीको बढीमा १ प्रतिशतसम्म मात्र लगानी गर्न सकिने व्यवस्था रहेकोले उल्लिखित सीमाभन्दा बढी शेर धारण गर्ने संस्थापक शेरधनीहरु रहेमा ती संस्थापक शेरधनीहरुले आफ्नो शेर सो सीमाभित्र नल्याएसम्म प्रस्तावित लाभांश वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
- बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ को दफा ११ को उपदफा (३) मा बैंकको चुक्ता पूँजीको दुई प्रतिशत वा सो भन्दा बढी शेर धारण गरेका संस्थापकहरुले आफुले धारण गरेको शेर विक्री तथा धितो बन्धक राख्दा नेपाल राष्ट्र बैंकको स्वीकृति लिनु पर्ने व्यवस्था रहेकोले नेपाल राष्ट्र बैंकको स्वीकृति नलिई आफुले धारण गरेको शेर धितो बन्धक राखी अन्य बैंक तथा वित्तीय संस्थाबाट कर्जा उपयोग गरेका संस्थापक शेरधनीहरु रहेमा ती संस्थापक शेरधनीहरुलाई सोको स्वीकृति नलिएसम्म वा शेर धितो बन्धक राखी उपयोग गरेको कर्जा पुर्ण रुपमा चुक्ता गरी शेर फुकुवा नगरेसम्म प्रस्तावित लाभांश वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन।
- विदेशी शेरधनीलाई लाभांश प्रदान गर्ने सिलसिलामा सो रकम विदेश पठाउँदा (Repatriation) प्रचलित कानूनी व्यवस्था पालना गर्नु हुन।

उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन।

भवदीय,  
  
(विवेक दाहाल)  
सहायक निर्देशक

### बोधार्थ

- नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग।
- बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, एनएमबि बैंक लिमिटेड।
- नेपाल राष्ट्र बैंक, विदेशी विनिमय व्यवस्थापन विभाग।

## **Reply to the Instructions Received by NMB Bank from Nepal Rastra Bank Regarding the Dividend Declaration/Distribution and Publication of Financial Statements of Fiscal Year 2021/22**

1. All the remarks mentioned in the audit report have been rectified with priority and arrangements shall be made to prevent the recurrence of such incidents
2. Distribution of cash dividend and bonus shares of the promoter shareholders who are not within the prescribed limit as per NRB Directive 10(7) shall be blocked
3. Pursuant to Section 11 subsection 3 of Banks and Financial Institutions Act 2017 to obtain NRB's approval prior to selling or pledging the promoter shares by promoter shareholders holding more than 2 percent of the Bank's paid-up capital, the Bank shall stop distribution cash dividend to those who have pledged their promoter shares in other BFIs to obtain loan until the approval is obtained from NRB or the share collateral is freed from other BFIs after loan settlement
4. Compliance of prevailing legal arrangements shall be ensured while distributing the dividend to foreign shareholders and remitting the same amount to foreign countries

**Amendment to the Articles of Association of the Bank presented as a Special Resolution  
in the 27<sup>th</sup> Annual General Meeting dated 9 January 2023**

Article/Section	Existing Arrangement	Proposed Arrangement	Justification to the Amendment
32-1-b-1	<p>b-1. The two-way flight ticket or transportation expenses incurred for the Directors visiting in the meeting of Board Directors from other district of Nepal except for the district where the Bank has its registered office and Hotel and food expenses as per Article 32-1-c-i and ii will be reimbursed as per the actual bill for a maximum of three days. However, in case of the Director residing abroad, hotel and food expenses will be reimbursed as per the actual bill.</p>	<p>b-1. The two-way flight ticket or transportation expenses incurred by the Directors to attend the meeting of Board Directors shall be reimbursed as per the actual bill and hotel and daily travelling allowance as per Article 32-1-c-i and ii shall be reimbursed for a maximum of three days. However, in case of the Director residing abroad, hotel and food expenses will be reimbursed as per the actual bill.</p>	<p>It is necessary to maintain equality by making linguistic improvement in the provisions of the AOA related to the travelling expenses received by the Directors attending the Board meeting.</p>



# MANAGEMENT COMMITTEE



1. Sunil K.C.
2. Sudesh Upadhyaya
3. Govind Ghimire
4. Navin Manandhar
5. Pramod Kumar Dahal
6. Shreejesh Ghimire
7. Roshan Regmi
8. Dr. Buddhi Kumar Malla
9. Puspa Aryal

- Chief Executive Officer
- Deputy Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Risk Officer
- Chief Operating Officer and Company Secretary
- Chief Investment Officer
- Chief Officer- Retail Banking
- Chief Officer- MSME, Microfinance and Subsidy Loan
- Head Trade Finance





WE SEE ENDLESS  
POSSIBILITIES

You see rivers.

We see energy and power.



**NMB BANK**  
एनएमबि बैंक

# TOTAL BRANCH NETWORK-201

## Province 1

Belbari, Morang  
Bhojpur, Bhojpur  
Biratnagar, Morang  
Birtamod, Jhapa  
Chandragadhi, Jhapa  
Chulachuli, Ilam  
Damak, Jhapa  
Dharan, Sunsari  
Dhulabari, Jhapa  
Dudhe, Jhapa  
Gaighat, Udayapur  
Gothgaun, Morang  
Ilam, Ilam  
Inaruwa, Sunsari  
Ithari, Sunsari  
Jhumka, Sunsari  
Kanchanbari BRT, Morang  
Katari, Udayapur  
Kerabari, Morang  
Kerkha, Jhapa  
Letang, Morang  
Madhumalla, Morang  
Mahendra Chowk BRT, Morang  
Pathari, Morang  
Phidim, Panchthar  
Salleri, Solukhumbu  
Tanki Sinuwari, Morang  
Taplejung, Taplejung  
Tarahara, Sunsari  
Utlabari, Morang

## Madhesh

Aurahi, Siraha  
Barathahawa, Sarlahi  
Bardibas, Mahottari  
Bateshwar, Dhanusa  
Birjung, Parsa  
Bishrampur, Bara  
Chandrapur, Rautahat  
Garuda, Rautahat  
Golbazar, Siraha  
Hanshapur, Dhanusa  
Hariwan, Sarlahi  
Janakpur, Dhanusa  
Jeetpur Simra, Bara  
Kalaiya, Bara  
Lahan, Siraha  
Lalbandi, Sarlahi  
Mahottari, Mahottari  
Malangwa, Sarlahi  
Mirchaiya, Siraha  
Nawarajpur, Siraha  
Nijgadh, Bara  
Pachrauta, Bara  
Sakhuwan, Siraha  
Siraha, Siraha  
Sonama, Mahottari  
Surunga, Saptari  
Tilathi, Saptari

## Bagmati

Babarmahal, Kathmandu  
Bagdurbar, Kathmandu  
Balaju, Kathmandu  
Balkhu, Kathmandu  
Banepa, Kavrepalanchok  
Baneshwor, Kathmandu  
Basundhara, Kathmandu  
Battar, Nuwakot  
Bhaktapur, Bhaktapur  
Bhandara, Chitwan  
Bharatpur, Chitwan  
Bouddha, Kathmandu  
Buddha Chowk, Chitwan  
Budhanikantha, Kathmandu  
Chabahil, Kathmandu  
Chanauli, Chitwan  
Dhunche, Rasuwa  
Furtichowk, Chitwan  
Galchi, Dhading  
Gangabu, Kathmandu  
Gatthaghar, Bhaktapur  
Golmadi, Bhaktapur  
Gwarko, Lalitpur  
Hetauda, Makwanpur  
Kalanki, Kathmandu  
Kantipath, Kathmandu  
Kapan, Kathmandu  
Khusibu, Kathmandu  
Kirme, Dolakha  
Kumaripati, Lalitpur  
Lions Chowk NgT, Chitwan  
Lubhu, Lalitpur  
Maharajgunj, Kathmandu  
Manthali, Ramechhap  
Naikap, Kathmandu  
Nakhu, Lalitpur  
Naxal, Kathmandu  
Newroad, Kathmandu  
NGT Mainroad, Chitwan  
Parsa, Chitwan  
Pulchowk, Lalitpur  
Putalisadak, Kathmandu  
Satdobato, Lalitpur  
Sitapaila, Kathmandu  
Tandi, Chitwan  
Teku, Kathmandu  
Thaiba, Lalitpur  
Thamel, Kathmandu  
Thapathali, Kathmandu  
Timure, Rasuwa  
Tinkune, Kathmandu

## Gandaki

Aabukhareni, Tanahu  
Aarughat, Gorkha  
Amarsinghchowk, Kaski  
Bagar, Kaski  
Baglung, Baglung  
Bandipur, Tanahu  
Bank Road, Gorkha  
Beni, Myagdi  
Besishahar, Lamjung  
Bhairabtole, Kaski  
Bhimad, Tanahu  
Bhotewodar, Lamjung  
Birauta, Kaski  
Burtibang, Baglung  
Chauthi, Kaski  
Chipladhunga Pokhara, Kaski  
Dulegaunda, Tanahu  
Dumre, Tanahu  
Galyang, Syangja  
Hemja, Kaski  
Jomsom, Mustang  
Kushmishera, Baglung  
Lakeside, Kaski  
Lamachaur, Kaski  
Lekhnath, Kaski  
Manakamana, Gorkha  
Manang, Manang  
Nagdanda, Kaski  
Pokhara, Kaski  
Rambazar, Kaski  
Safa Sadak Damauli, Tanahu  
Shishuwa, Kaski  
Turture, Tanahu  
Waling, Syangja  
Zero Kilometer, Kaski  
Kawasoti, Nawalparasi East  
Sardi Bagaicha, Nawalparasi East  
Gaidakot, Nawalparasi East

## Lumbini

Aryabhanjyang, Palpa  
Bangai, Kapilbastu  
Bardaghat, Nawalparasi West  
Bhairahawa, Rupandehi  
Bhalwari, Rupandehi  
Butwal, Rupandehi  
Chandrauta, Kapilbastu  
Charnumber, Rupandehi  
Chutrabesi, Arghakhanchi  
Devinagar, Rupandehi  
Drivertole, Rupandehi  
Ghorahi, Dang  
Gorusinge, Kapilbastu  
Jeetpur, Kapilbastu  
Karkado, Banke  
Kohalpur, Banke  
Kudiya Susta, Nawalparasi West  
Lamahi, Dang  
Manigram, Rupandehi  
Murgiya, Rupandehi  
Nepalgunj, Banke  
Pakadi, Kapilbastu  
Palpa, Palpa  
Pharsatikar, Rupandehi  
Ramgram, Nawalparasi West  
Rolpa, Rolpa  
Sunawal, Rupandehi  
Tamgas, Gulmi  
Taulihawa, Kapilbastu  
Thutipipal, Rupandehi  
Traffic Chowk - Butwal, Rupandehi  
Tulsipur, Dang

## Karnali

Dailekh, Dailekh  
Naumule, Dailekh  
Surkhet, Surkhet

## Sudur Paschim

Attariya, Kailali  
Baitadi, Baitadi  
Bauniya, Kailali  
Belauri, Kanchanpur  
Beldandi, Kanchanpur  
Dadeldhura, Dadeldhura  
Daijee, Kanchanpur  
Dhangadhi Chauraha, Kailali  
Dhangadhi Main Road, Kailali  
K. I. Singh, Doti  
Doti, Doti  
Gulariya, Kanchanpur  
Jhalari, Kanchanpur  
Lamki, Kailali  
Mahendranagar, Kanchanpur  
Masuriya, Kailali  
Phulbari, Kailali  
Punarbash, Kanchanpur  
Sukhad, Kailali  
Tikapur, Kailali



**NMB BANK**  
**एनएमबि बैंक**

समृद्ध नेपालको लागि



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**Bank of the Year, ASIA 2021**  
Bank of the Year, Nepal  
2017, 2018, 2020 & 2021