

NMB Bank Limited

Annual Report

2019-20



NMB BANK
एनएमबि बैंक

समृद्ध नेपालको लागि



Board of Directors



Pawan Kumar Golyan
Chairman



Nico Pijl
Director



Jeevan Kumar Katwal
Director



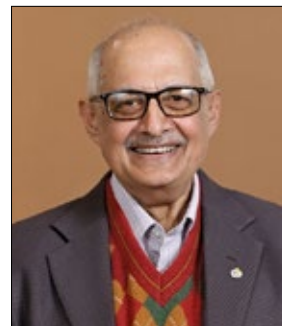
Yogendra Lal Pradhan
Director



Uttam Bhlon
Director



Sirish Kumar Murarka
Director



Pradeep Raj Pandey
Director



Pramod Kumar Dahal
Company Secretary

Proxy Form



The Board of Directors
NMB Bank Ltd.,
Babarmahal, P.O.Box: 11543,
Kathmandu. Nepal.

Date:

Dear Sir,

I/We,being a Shareholder of NMB Bank
Ltd. hereby appoint Mr./Ms. as our proxy/authorize to represent/vote on
our behalf at the 25th Annual General Meeting being held on Wednesday, January 13, 2021.

Granted By :

Signature :

Name :

Address :

Share Holder No.:

(Share units:)

Date :

Company Seal:



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Notice about 25th Annual General Meeting

The 413th Board Meeting of the Bank held on 22 December 2020, has decided to conduct 25th Annual General Meeting in the following date, venue and time to discuss 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 : Wednesday, 13 January, 2021

Venue : Krishna Tower, New Baneshwor, Kathmandu

Time : 10:30 A.M.

2. Agenda of the Meeting

A. General Agenda

- i. To approve the annual report of FY 2019/20 presented by the Board of Directors,
- ii. To approve the Auditor's report for FY 2019/20 including Balance Sheet, Profit & Loss Statement, Cash Flow Statement, and other financial reports (including consolidated financials of subsidiary companies and financial reports of erstwhile Kanchan Development Bank Ltd.),
- iii. To appoint and decide upon the remuneration of the Auditor for fiscal year 2020/21 in compliance with the Clause 111 of Company Act, 2006 and Clause 63 of Bank and Financial Institution Act 2016,
- iv. To appoint and decide upon the remuneration of the Auditor for the financial audit of erstwhile Kanchan Development Bank Ltd. until 22nd August 2020,
- v. To approve the distribution of 3.20 percent cash dividend (including tax on bonus and cash dividend) amounting NPR 462,328,094.94 (in words: Rupees Four Hundred Sixty Two Million Three Hundred Twenty Eight Thousand Ninety Four and 94/100 only) of the existing paid-up capital of NPR 14,447,752,966.96 (in words: Rupees Fourteen Billion Four Hundred Forty Seven Million Seven Hundred Fifty Two Thousand Nine Hundred Sixty Six and 96/100 only) as proposed by the Board of Directors.

B. Special Agenda

- i. To approve the increment in the existing authorized capital of the Bank from NPR 16,000,000,000.00 (in words: Rupees Sixteen Billion only) to NPR 20,000,000,000 (in words: Rupees Twenty Billion only)
- ii. To approve the increment in the existing issued capital from NPR 14,447,752,966.96 (in words: Rupees Fourteen Billion Four Hundred Forty Seven Million Seven Hundred Fifty Two Thousand Nine Hundred Sixty Six and 96/100 only) to NPR 16,325,960,852.66 (in words: Rupees Sixteen Billion Three Hundred Twenty Five Million Nine Hundred Sixty Thousand Eight Hundred Fifty Two and 66/100 only),
- iii. To approve the distribution of 13 percent bonus share of existing paid-up capital amounting to NPR 1,878,207,885.70 (in words: Rupees One Billion Eight Hundred Seventy Eight Million Two Hundred Seven Thousand Eight Hundred Eighty Five and 70/100 only) to adjust the effect of proposed increment in issued capital,

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- iv. To approve the amendment of Section 6 (a), (b), and (c) of the Memorandum of Association of the Bank with respect to the increment of its authorized capital, issued and paid-up capital after the issuance of bonus shares,
 - v. 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

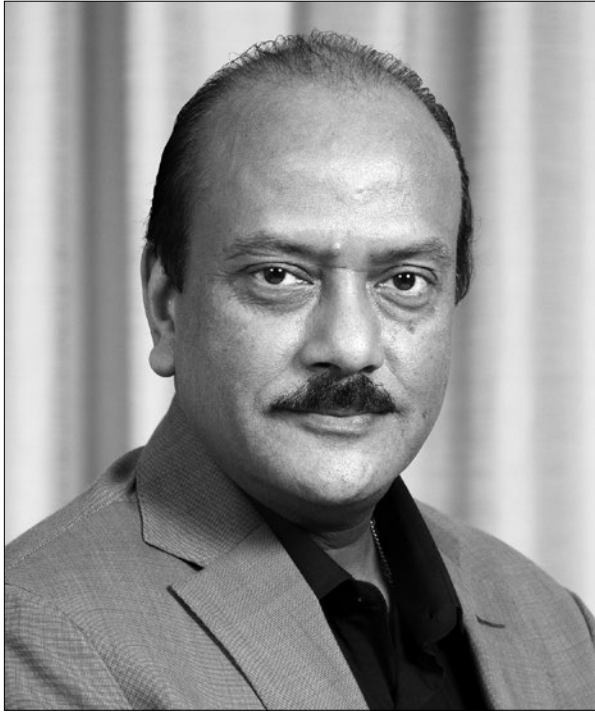
Additional Information about the Annual General Meeting (AGM)

1. Share register shall remain closed on 2077/09/16 B.S. (31/12/2020 A.D.) for the purpose of this AGM. Moreover, shareholders registered in the shareholders register book located in the Bank's share registrar NMB Capital Limited, Naxal, Kathmandu because of the transactions conducted in Nepal Stock Exchange till 2077/09/15 B.S. (30/12/2020 A.D.) and written names received within 2077/07/15 B.S. (30/12/2020 A.D.) can participate in the AGM, cast vote, and are entitled to receive bonus share and cash dividend.
2. Shareholders are requested to contact the headoffice of the Bank at Babarmahal, Kathmandu to receive information related to the Board of Directors' Report if required. An annual brief financial statement is published along with this notice for shareholders' information. Further, all the proposals presented at the AGM along with brief financial statements are also kept on the Bank's website www.nmbbanknepal.com.np
3. Shareholders interested in participating and voicing their opinion in the AGM are required to notify the Company Secretary of the Bank through email at nmbagm@nmb.com.np at least 24 hours before the meeting.
4. Shareholders attending the AGM must be present in the AGM venue and sign the attendance register that will be made available from 9:30 A.M. onwards. Due to contagious Covid 19 coronavirus, the shareholders shall be allowed to enter the meeting only after measuring the body temperature and using hand sanitizer provided by the Bank. Considering the risk of COVID 19, the shareholders seating arrangements shall be made at a distance of one meter. Shareholders are requested to use masks, gloves, and necessary safety measures to prevent the spread of the virus.
5. 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.
6. Only existing shareholders shall be nominated proxy. If any shareholder after appointing proxy is self-present in the AGM, then such proxy shall be automatically cancelled.
7. 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.

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8. Any issue or query raised in the AGM shall be responded by Chairman or any other dignitaries as permitted by the Chairman.
 9. If any shareholder has any issues or queries about the Bank, shareholders are requested to send it in writing to the Bank's registered office at least 7 days before the AGM commences. However, such issues or queries will not be tabled for discussion as agenda in the AGM.

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.

Chairman's Statement



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 25th Annual General Meeting of NMB Bank Limited.

I am honored to be present amongst the shareholders whose faith and support has enabled the Bank move towards continuous progress for the last 25 years. I take this opportunity to assure everyone that through this support and cooperation of our shareholders and well-wishers, the Bank will continue its journey towards steady and sustainable progress in the future as well.

It is well-known that NMB Bank Ltd., with the intention of strengthening its existing capital base while also strengthening market presence by expanding branches network in areas having its minimum presence completed acquisition of erstwhile Kanchan Development Bank Ltd. that had a strong presence in Sudurpaschim (Far-Western) province. The unified banking operation post-acquisition of Kanchan Development Bank Ltd. commenced from August 23, 2020. After the acquisition, the Bank's footprints in far-western province reached

20, while its total number of branches reached 180 along with 9 extension counters spread throughout the country. This historic acquisition during the challenging time presented by COVID19 pandemic was the result of hard-work and contribution of the directors and shareholders, executive officers, & staff of both NMB Bank and erstwhile Kanchan Development Bank Ltd., along with the persistent support of regulatory bodies. With their patronage, advice, suggestions, and solid decisions, we have succeeded in reaching this stage today. Therefore, on behalf of the Board of Directors, I as the chairman of NMB Bank Ltd. wish to extend heartfelt thanks to all of them who have been instrumental in orchestrating the successful merger.

The economic outlook of the nation that was moving forward in line with a long-term vision of prosperous Nepal was negatively impacted by the global pandemic of COVID19 as the government had to announce travel restrictions and strict lockdown to contain the virus throughout the last quarter of the fiscal year 2019/20 which severely affected overall industries, businesses, and banking sector of the country. The restrictions in movement and economic activities amid the COVID19 pandemic resulted to a reduction in the profitability of the banking sector as a whole. Despite the impact in the bottom line profit, the Bank offered reduced interest rates, provided rebates & discounts on interest to its borrowers as COVID19 support to ease out their pressure of financial despair thus contributing towards economic sustainability of the country to some extent. I would like to inform to our shareholders that NMB has reduced its overall lending rates by more than 3% as I believe it is a time to be compassionate towards our clients business and overall economy of the country thus reinforcing a credibility of the banking sector amongst the public.

Despite the mounting challenges of COVID19, the Bank has managed to scale up its business and achieve good financial results during the review period. During the review year, the Bank's deposits increased to NPR 134.81 Billion, while loans and advances grew to NPR 121.78 Billion i.e. a growth of 36.84% in deposits and 32.53% in loans and advances as compared to previous year.

The agenda to distribute 13% bonus share and 3.20% cash dividend to the shareholders from the share premium, reserve fund and distributable profit of the fiscal year 2019/20 is placed for approval in the Annual General Meeting. The distributable profit of erstwhile Kanchan Development Bank after regulatory adjustments amounting NPR 30 Million and NPR 87.6 Million left over from the stock swap ratio have been accounted in the reserve fund of the Bank.

NMB Bank has always been at the forefront in accommodating the changes in the financial markets. The Bank has been involved in various activities with the aim of improving the financial condition of the country by exploring potential opportunities in the financial sectors in cooperation with the domestic and international organizations. Further, the Bank has also been working hard to enhance the capacity of its employees.

The Bank has expanded its investment in industrial and agricultural sector 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 campaign. The Bank has given priority to expanding loan investment in small & medium enterprises to be in solidarity with the Nepal government's policy of focusing on helping local entrepreneurs, while keeping the economic prosperity of the local communities and environment protection above profit. With the plan to expand our investment in the priority sectors and support the overall development of the country, we aspire to build on our strengths and efficacies while always striving to offer a fair return to our valued shareholders.

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 a cutting-edge technologies while ensuring digital security and privacy of its customers' data. The Bank for the first time in Nepal introduced multifaceted Omni Channel platform to facilitate a true digital experience to its customers thus revolutionizing the digital journey of Nepalese banking

industry. The Bank has already started the online platform based upon algorithm and artificial intelligence to open a new deposit account and sanction loan upto certain value without any human intervention. Furthermore, the Bank has entered into agreement with Chinese tech giant "WeChat" as a payment settlement banking partner in Nepal to facilitate cashless transactions to Chinese tourists visiting Nepal.

The Bank was awarded by the prestigious "Bank of the Year 2020" in Nepal by The Financial Times, London in recognition of its contribution to the expansion of modern banking system and value-based banking practices. This is the third time in last four years that the Bank was honored with the esteemed award. The Bank dedicates this honor of "The Bank of the Year 2020" to all its shareholders whose continuous suggestions and invaluable support helped the Bank to improve and strengthen.

The Bank has achieved the goals pursuant to its vision and continuously putting effort to move ahead remaining in line with its strategic plan for achieving sustainable business expansion and profitability in the long run. The Bank has highly prioritized the 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. Furthermore, we assure a complete honesty while moving ahead in achieving the goals of the Bank.

The Bank has investment and board committee representation of competent and strong institution like Employees Provident Fund, Nepal and international partnership with Netherland's government supported Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.(FMO). We are confident that the Employees Provident Fund and FMO will have a positive role in development of the Bank considering the willingness shown by our international partner to provide technical assistance and human resource development for its overall capacity enhancement. The Bank with the support of such esteemed organizations is determined of realizing significant achievements in the coming days.

Finally, I would like to express my gratitude to Mr. Rajendra Kafle, representative from Employees Provident Fund for his relentless support towards the progress of this Bank for last 7 years as a member of Board of Directors and wish him the best in his future endeavors. Further, I would like to warmly welcome Mr. Jeevan Kumar Katwal to the Board of Directors of this Bank as a representative of Employee Provident Fund and offer my gracious appreciation to the respected shareholders, regulatory bodies, media, customers who always show deep interest in our activities and provide generous feedback for improvement, prosperity, and progress including the banks and financial institutions, other associations, Board of Directors and staff of the Bank for their invaluable support and confidence.

Thank you.

Pawan Kumar Golyan

Chairman

Date: January 13, 2021

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, representatives of different institutions, and all other stakeholders for your honorable presence in the 25th Annual General meeting of NMB Bank Limited.

Trust that you have already received the Annual Report post-acquisition of Kanchan Development Bank Ltd. by NMB Bank Ltd. including separate Statement of Financial Positions, Statement of Comprehensive Income and Statement of Cash Flow of both merged entities for the FY 2019/20. I now, with the permission of this revered Annual General Meeting, would like to present the directors 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 2019/20

Deposit Collection: During the fiscal year, the Bank's deposit grew by 36.84% from NPR 98.52 Billion to NPR 134.81 Billion in which the share of institutional deposit remained at 34.15%. Of the Bank's total deposit portfolio including the deposit in foreign currency during the review period, the composition of current deposit, fixed deposit, saving deposit, call deposit, and other deposit remained at 6.60%, 52.51%, 28.42%, 9.15%, and 3.32% 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, the Bank grew its risk assets portfolio from NPR 91.89 Billion to NPR 121.78 Billion thereby managing a growth of 32.53% as compared to FY 2018/19. During the review period, the composition of loans remained as: Real Estate: 3.58%, Home Loan: 10.71%, Margin Lending: 0.44%, Term Loan: 26.64%, Overdraft Loan: 7.05%, Trust Receipt/Import

Loan: 4.08%, Demand and Working Capital Loan: 17.62%, Hire Purchase Loan: 4.36% and Other Loans: 25.52%. The share of risk assets total exposure (limit) based on total loans and advances of Poush end 2076 in productive sector as on 15 July 2020 remained at 42.26%. The Bank shall continue to increase credit investment in productive sector in the future as well.

Investment: The Bank increased its investment by 45.49% to take its total investment portfolio of NPR 10.56 Billion in the previous year to NPR 15.37 Billion during the fiscal year 2019/20. Out of total investment, the Bank invested NPR 1.40 Billion in institutional shares (including investment in subsidiary companies), NPR 12.79 Billion in Nepal Government Bonds and Treasury Bills, and NPR 1.18 Million in Bonds of Foreign Banks.

Operating Expense: During the fiscal year 2019/20, Other Operating Expenses (including fee and commission expenses) reached NPR 1.29 Billion i.e. an increment of 31.22% from NPR 979.4 Million in the preceding fiscal year. The staff expense (excluding bonus) during the review period increased by 30.53% from NPR 1.06 Billion to NPR 1.38 Billion. The increase in operating expense however, remained within the pre-approved budget.

Income: The Total Operating Income of the Bank increased by 20.75% i.e. from NPR 5.72 Billion in the fiscal year 2018/19 to NPR 6.90 Billion in the review year. During the review period, the Net Profit decreased by 24.12% than preceding fiscal year from NPR 2.26 Billion to NPR 1.71 Billion. The Net Profit is impacted by the increase in Loan Loss Provision of the Bank. The Bank during the review period witnessed an increase of 29.51% in the Net Interest Income whereby the Bank earned NPR 5.49 Billion as compared to NPR 4.24 Billion in the last fiscal year. Foreign Exchange Income increased by 9.12% and reached NPR 480.2 Million.

Capital Fund, Credit Deposit, Base Rate and Liquidity Ratio: The Bank maintained a sound Capital Fund during the reviewed fiscal year, as a result of which the capital adequacy ratio remained at 15.08%; above the stipulated requirement of at least 11% by Nepal Rastra

Bank. Likewise, the Credit-Deposit Ratio was efficiently managed and remained at 72.68%. Liquidity ratio also remained within the prescribed limit and stood at 27.33%. Base rate of the Bank at the end of review period was 8.95%.

Non-Performing Asset: The increase in bad-debts due to the merger and impact of COVID19 pandemic to interest collection and recovery resulted to increase in NPA from 0.82% in the FY 2018/19 to 2.68% at the end of review period. The Bank has already focused on debt

recovery efforts and credit risk management to reduce the NPA.

Debentures: The Debentures of NPR 500 Million with interest rate of 7% p.a. issued by the Bank in fiscal year 2014/15 has matured on August 21, 2020. The debenture of 10% p.a. interest rate has maturity on April 12, 2029. The Bank sets aside fund in Debenture Redemption Fund each year to pay the Debentures in which NPR 500 Million has been collected till date.

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

SN	Particulars	Fiscal Year 2019/20	Fiscal Year 2018/19	Incremental Volume	Percentage change (%)
1	Total Deposit	134,810,383	98,516,667	36,293,716	36.84
2	Total Loans and Advances	121,778,070	91,886,957	29,891,113	32.53
3	Total Investment (Including Subsidiaries)	15,371,244	10,564,903	4,806,341	45.49
4	Paid Up Capital	13,950,987	9,618,163	4,332,825	45.05
5	Capital Adequacy Ratio (%)	15.08	15.45	(0.37)	-2.39

SN	Particulars	Fiscal Year 2019/20	Fiscal Year 2018/19	Incremental Volume	Percentage change (%)
1	Net Interest Income	5,496,220	4,244,021	1,252,199	29.51
2	Commission and Discount and Other Operating Income	1,129,735	1,213,905	(84,170)	-6.93
3	Foreign Exchange Income	480,196	440,062	40,134	9.12
4	Gross Operating Income	6,902,194	5,716,020	1,186,174	20.75
5	Gross Operating Expenses (including staff expenses)	2,662,139	2,034,314	627,824	30.86
6	Gross Profit (before Impairment)	4,077,439	3,414,772	662,667	19.41
7	Net Profit	1,712,777	2,257,276	(544,500)	-24.12

Bank's Jurisdiction and Branch Network: The Bank has been providing banking facilities and services to its customers through 180 branches, 9 extension counters and 135 ATMs across the country. The number of branches located in each province are as follows:

- Province 1 : 26 branches
- Province 2 : 21 branches
- Bagmati Province : 43 branches
- Gandaki Province : 38 branches
- Lumbini Province : 29 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 Rasuwa, Dolakha, Udayapur, Jhapa, Taplejung, Ramechhap, Morang, Kapilvastu, Sunsari, Nawalparasi, Bhaktapur, Kaski and Illam. The Bank intends to expand its branchless banking facilities in other remote area 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

Financial Status Review

- The COVID19 pandemic has caused severe humanitarian and economic crisis across the globe. The sudden pandemic situation after a century has pushed the world economy to a severe contraction after the great depression of 1930. Poverty, unemployment and income inequality are projected to increase as the world community faces a simultaneous health and economic crisis.
- The global economy has shrunk as the production and supply chain has been disrupted by the measures taken globally to control and prevent the COVID19 outbreak. The World Economic Outlook published by The International Monetary Fund (IMF) in June 2020 projected the world economy to shrink by 4.9 percent in 2020.
- In 2019, the economies of developed countries grew by 1.7 percent, and the economies of emerging and developing countries grew by 3.7 percent. The IMF, for 2020 has projected the economies of developed countries to shrink by 8 percent, and emerging and developing countries to shrink by 3 percent.
- IMF projects the Asian economy to shrink by 1.6 percent in the year 2020, where, China's economy is projected to grow by 1 percent and India's economy is projected to shrink by 4.5 percent. The IMF projects Nepal's economy to be limited at 1 percent.
- Economic growth of 7 percent was achieved by Nepal in FY 2018/19, however, the Central Bureau of Statistics preliminarily estimates country's economic growth limited to 2.28 percent in FY 2019/20. The growth rates of agriculture sector, industry sector, and service sector are estimated at 2.6 percent, 3.2 percent, and 2 percent respectively.
- In the FY 2019/20, Nepal's ratio of Gross Domestic Savings to Gross Domestic Product (GDP) is estimated to have reached 18.1 percent while Gross National Savings to GDP is estimated to be at 48.9 percent.
- During the review period, the country's ratio of Gross Fixed Capital formation to GDP is estimated to have reached 28.1 percent whereas proportion of Gross Capital Formation to GDP is estimated to be 50.2 percent.

- Average consumer price inflation that stood at 4.51 percent in 2018/19 remained at 4.54 percent during eleven months of 2019/20.
- After three consecutive years of high economic growth, a low economic growth is achieved in the FY 2019/20 as a result of COVID19 impact. However, the inflation remained within the target range, while trade deficit and current deficit improved due to contraction in imports. The Balance of Payment (BOP) surplus has increased significantly while credit expansion has been lower than deposit mobilization due to lack of credit demand amid COVID19 uncertainty and lockdown.

(Source: Monetary Policy for 2019/20, NRB)

The impact of COVID19 across the globe is projected to shrink the world economy. International trade in the region appears to be impacted as trade and other disputes between major economies continue to prevail. However, a less than expected impact to remittance inflows, increase in foreign exchange reserves, and other positive macroeconomic indicators have been encouraging. It is projected that due to lack of credit demand from the private sector amid uncertainty of COVID19 to consumption, tourism, and health, it is projected that the credit expansion of banks and financial institutions will shrink despite adequate fund available for risk assets growth.

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 2020 for the running fiscal year:

SN	Particulars	NPR (in Thousand)
1	Total Deposit	143,068,252
2	Total Loans and Advances	133,925,894
3	Total Investment (Including Subsidiaries)	15,207,654
4	Net Interest Income	1,357,160
5	Commission, Discount and other Operating Income	415,291
6	Foreign Exchange Income	97,131
7	Total Operating Income	1,825,042
8	Total Operating Expenses (including staff expenses)	664,485
9	Operating Income (Before Impairment)	1,069,327
10	Net Profit	732,970
11	Paid Up Capital	14,447,753
12	Reserves and Funds	7,823,135
13	Capital Adequacy Ratio	14.26%

Future Plans:

The Bank has been strategically expanding its branch footprints and soliciting business in all seven provinces of the country. The Bank will continue to seek a balanced growth of deposit and loan investments remaining in line with its growth strategy. With continuous improvisations in quality of the loans, the Bank will focus on increasing the size of credit investments in Agricultural, Retail, and Small and Medium Enterprises (SME) sectors. Likewise, various loan facilities offered by the Bank targeted at youths returning from foreign employment will be made more effective so they could utilize their skills for the economic prosperity of the nation.

Existing technologies will be improved and updated as required to make the Bank technically efficient for providing effective and accurate banking services to the customers. The Bank plans further investment in technology to minimize risks and provide maximum convenience to its customers.

Additional resources and authorities will be delegated to provincial offices to ensure its effective functioning.

The energy bond issuing process has been initiated with an objective of capital formation to expand investment in energy sector, being the first energy bond issuing bank in Nepal.

The Bank will intensify its effort to appoint remittance agents in different countries and depute dedicated staff for monitoring and increasing remittance transactions through its channel by entering into agreements with remittance service providers.

The Bank will pay special attention to increase the business size of the subsidiary companies. The process of issuing mutual funds with new investment plans will be accelerated for achieving its business growth.

The Bank will continue to contribute towards upliftment of community and protection of environment, and support country's commitments towards sustainable development goals as part of its corporate social responsibilities.

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:

In the review year, the 24th Annual General Meeting held on 9 January 2020 elected Mr. Pawan Kumar Golyan, Mr. Nico Pijl (representative from FMO Netherlands), and Mr. Rajendra Kafle (representative from Employees Provident Fund) to the board of directors of this Bank from Promoter Shareholders' category. Likewise, Mr. Yogendra Lal Pradhan, Mr. Uttam Bhlon, and Mr. Shirish Kumar Murarka were elected as the directors from Public Shareholders' category. Director Rajendra Kafle representing Employees Provident Fund retired from the service on 21 August 2020. Director Kafle was replaced by Mr. Jeevan Kumar Katwal as a representative of Employees Provident Fund and appointed as the Director of this Bank who took oath of office and secrecy on 4 September 2020.

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:

- Sudden and unexpected impact of infectious disease including COVID19 to the overall economic sector
- Impact on the income and profitability of the Bank due to contraction observed in the investment sector
- Risks inherent in the credit investments and non-funding based services provided by the Bank
- The volatility in liquidity situation has brought challenges in the management of interest rates of both deposits and loans.
- Risk of increased competition and lack of skilled human resources.
- Possible foreign exchange risks in foreign currency deals arising from fluctuations in exchange rates.
- The risks arising from the country's political and other external reasons that has impact on imports and exports resulting in non-payment of loans and interest.
- Possible risks resulting from changes in economic, monetary and financial 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.
- The likely impact on the source of income due to lack of alternative investment avenues and contraction in the domestic 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:

As stated by the auditor of the Bank to mandatorily audit the amount saved from swap ratio during the merger in accordance with the "Banks and Financial Institutions Merger and Acquisition Regulations, 2073" issued by Nepal Rastra Bank, the statement of the same has been attached to this report. 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 16.20 percent Dividend (13 percent Stock Dividend and 3.20 percent Cash Dividend including Tax) on the existing Paid Up Capital (NPR 14,447,752,966.96) of the Bank to be distributed from the share premium, capital reserves, and retained earnings 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(c) 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 1.1 Million in the review period. At the end of the review year, the bank account of NMB Capital Ltd. maintained at this bank had deposit of NPR 535.1 Million. NMB Capital was paid interest of NPR 17.5 Million by the Bank in the fiscal year 2019/20.

An employee of the Bank has been appointed as the Chief Executive Officer of the subsidiary NMB Capital Ltd. The Bank received NPR 2.39 Million as building rent and NPR 2.4 Million as administrative and other services fee as per the agreement from NMB Capital.

The deposit, loans and investments of the Bank in its subsidiary companies NMB Capital Ltd. and NMB Microfinance Financial Institution Ltd. as on Mid-July 2020 are summarized as below:

S.N.	Description	NMB Capital Ltd. (NPR in thousands)	NMB Microfinance (NPR in thousands)
1	Investment	200,000	172,488
2	Call, Current, and Fixed Deposit	535,115	308,526
3	Loans & Advances	-	1,000,000
4	Interest Expenses in Deposit	17,567	-
5	Loan Interest Income	-	94,559
6	Office Rental by NMB Capital Ltd.	2,390	-
7	Payment against Management Service	2,400	-
8	Payment against Share Registrar Works of NMB Bank	1,100	-
9	Debenture Trustee Fee Payment to NMB Capital	100	-
10	Dividend Payment Fee to NMB Capital	2,097	-
11	NMB-50 (Seed Fund)	177,017	-
12	NMB Hybrid Fund-1 (Seed Fund)	144,988	-
13	NMB Sulav Investment Fund-1 Dividend Payment	16,439	-
14	NMB Hybrid Fund-1 Dividend Payment	15,262	-

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	1,334,696
2.	Mr. Nico Klass Gerardus Pijl (representative from FMO, Netherlands)	Director	-
3.	Mr. Jeevan Kumar Katwal (representative from Employees Provident Fund)	Director	1,208
4.	Mr. Yogendra Lal Pradhan	Director	1,316,893
5.	Mr. Uttam Bhlon	Director	174,608
6.	Mr. Shirish Kumar Murarka	Director	32,365
7.	Mr. Pradeep Raj Pandey	Independent Director	-
8.	Sunil K.C.	Chief Executive Officer	5,188
9.	Pradeep Pradhan	Chief Operating Officer	26,821
10.	Shabnam Limbu Joshi	Chief Human Resource Officer	-
11.	Sharad Tegi Tuladhar	Chief Risk Officer	-
12.	Govind Ghimire	Chief Business Officer	-
13.	Sudesh Upadhyaya	Chief Business & Strategy Officer	4,591
14.	Pramod Kumar Dahal	Chief Internal Audit, AML Officer, and Company Secretary	319
15.	Navin Manandhar	Chief Finance Officer	-
15.	Roshan Regmi	Head-Retail Banking	-

14. Information on the Directors relatives' involvement in the Bank's contracts:

Disclosure not required as there was no such agreement.

15. If the Bank has purchased its own shares, mention the reason for such purchase, number of purchased shares and amount paid by the Bank:

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 Management Team Committee, Credit Risk Committee, Assets Liability Committee, Human Resources Recruitment Committee, Information Technology Committee, and Corporate Governance Committee.

In addition, the Risk Management Department of the Bank, has independently undertaken 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 has to face. The Board of Directors also annually reviews the approved and implemented Risk Management Framework to deal with underlying 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 11 meetings accounting total expenditure of NPR 300,000.

Human Resources (HR) Service Committee:

Under the coordination of one Non-Executive Director, HR Service Committee has been constituted from 6 February 2020 that was earlier constituted under the coordination of Non-Executive Director and another member from the Board. 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 7 meetings accounting total expenditure of NPR 124,000.

Assets Laundering Prevention Committee:

Assets Laundering Prevention Committee has been constituted under the coordination of a Non-Executive Director, another member from the Board, Head of Compliance Department and Chief Risk Officer as members and Chief 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 76,000.

17. Details of Total Management Expenditure of the last Fiscal Year:

During the review period, the staff expenses and office operating expenses amounted NPR 2.66 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. Rajendra Kafle (Director)	-	Coordinator
Mr. Shirish Kumar Murarka (Director)	-	Member
Mr. Pramod Kumar Dahal (Head-Internal Audit Department)	-	Member Secretary

(Note: Coordinator Mr. Rajendra Kafle representing Employees Provident Fund retired from his service on 21 August 2020 who was replaced by Mr. Jeevan Kumar Katwal (representative of Employees Provident Fund) as coordinator from 20 December 2020)

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 10 meetings to which its members excluding Member Secretary were remunerated incurring the total expenditure of NPR 260,000.

All the members of the Committee formed at the level of Board of Directors were remunerated NPR 12,000 allowance per meeting until 18 March 2020 that was revised to NPR 16,000 after the approval from 24th Annual General Meeting and subsequent amendment by Company Registrar in Article of Association of the Bank dated 19 March 2020

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 33 of additional disclosures of this report.

21. Information of Undeclared Dividend by the shareholders:

Out of the total dividend distributed by the Bank upto 15 July 2020, NPR 206,013,835.58 remains unclaimed by the shareholders of which NPR 6,069,100 is with the Bank and remaining NPR 199,944,735.58 is with the share registrar NMB Capital Ltd. The uncollected dividends of the shareholders before FY 2011/12 have been deposited in the Investor Protection Fund. The Bank publishes a notice in the newspaper to collect the dividends each year in the newspaper 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) In relation to completion of merger

As decided by the Annual General Meeting to merge with other financial institutions so as to develop the competitiveness and build a strong capital structure, the Bank successfully completed the acquisition of Kanchan

Development Bank Ltd. having stronghold in Sudurpaschim province and started joint operation from 23 August 2020 in the name of NMB Bank. Through this merger, the capital structure base of the Bank strengthened while its access to general public also increased with increased network presence in far-western region of the country. The merger also significantly increased the business portfolio of the Bank.

(B) In relation to the Membership of the Confederation of Banks and Financial Institutions, Nepal

The Bank gained membership of the Confederation of Banks and Financial Institutions, Nepal during the review year for which it paid NPR 1 Million as membership fee that requires renewal every year. The confederation works for the support and benefit discussing the policy arrangements related to the banks and financial institutions

(C) 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 2019/20, the net profit of the company stood at NPR 74 Million.

The key achievements of the subsidiary company in fiscal year 2019/20 are as follows:

The Company has successfully issued and distributed NMB-50 Scheme as third mutual fund during the review year.

During the review year, the company completed the issuance two debentures, two right-shares, two auction and six additional issuances. Similarly, the agreement entered in the review year to issue and distribution of one additional debenture and right share have been executed during the running fiscal year.

NMB Capital has successfully repaid the investment amount after the tenure completion of first Mutual Fund – ‘Sulav Investment Fund-1’. It has been working as a fund manager and depository for ‘NMB Hybrid Fund L-1’ and planning manager for ‘NMB-50’ issued by NMB Bank Ltd.

The company has submitted an application to the SEBON for operating a specialized investment fund that is under the approval process

By the end of the running fiscal year, the company intends to issue four primary shares

The company has been providing share registrar services to 19 companies at the end of the review year.

NMB Capital Limited
STATEMENT OF FINANCIAL POSITION

	15 July 2020 (NPR)	16 July 2019 (NPR)
Assets		
Cash and Cash Equivalents	1,129,850,768.15	515,316,772.21
Investment Securities measured at Fair Value through P/L	9,900.00	-
Investment in Equity measured at Fair Value through OCI	14,520,000.00	11,000,000.00
Investment Securities measured at Amortized Cost	252,268,084.23	179,330,362.81
Other Financial Assets	23,239,824.33	22,647,325.74
Other Assets	-	-
Property & Equipment	9,615,925.74	13,170,943.64
Intangible Assets	819,227.40	965,607.60
Current Tax Assets	939,074.49	210,498.74
Deferred Tax Assets	5,665,560.44	4,124,439.53
Total Assets	1,436,928,364.78	746,765,950.27
Liabilities		
Dues to Public	990,915,038.71	408,253,956.99
Other Financial Liabilities	92,183,663.04	29,767,579.95
Other Liabilities	20,327,556.22	14,784,347.23
Current Tax Liabilities	-	-
Deferred Tax Liabilities	-	-
Other Provisions	13,658,095.00	8,697,354.00
Total Liabilities	1,117,084,352.97	461,503,238.17
Equity		
Share Capital	200,000,000.00	200,000,000.00
Retained Earnings	108,398,512.28	82,537,798.28
Other Reserves	11,445,499.53	2,724,913.83
Total Equity	319,844,011.81	285,262,712.10
Total Liabilities and Equity	1,436,928,364.78	746,765,950.27

NMB Capital Limited STATEMENT OF PROFIT OR LOSS		
	15 July 2020 (NPR)	16 July 2019 (NPR)
Income		
Income from Merchant Banking Activities	19,251,132.03	25,479,619.89
Income from Mutual Fund operations	49,764,019.98	39,598,000.01
Interest Income	20,519,858.62	3,478,070.94
Other Income	68,151,574.02	50,045,221.81
Net gain/(loss) on financial investments Held for Trading	3,900	-
Total Income	157,690,484.65	118,600,912.65
Expense		
Personnel Expense	34,594,111.98	26,800,562.56
Interest Expense	-	-
Depreciation on Property and Equipment	3,991,326.14	3,865,552.41
Amortization of Intangible Assets	315,880.20	254,995.00
Other Operating Expenses	16,431,797.11	15,486,605.20
Total Expenses	55,333,115.43	46,407,715.17
Profit Before Tax from Continuing Operations	102,357,369.22	72,193,197.48
Income Tax Expenses	30,706,040.77	21,657,959.24
Deferred Tax Expenses/(Income)	2,351,825.61	1,492,795.32
Profit For the Year	74,003,154.06	52,028,033.56

NMB Laghubitta Bittyta Sanstha Ltd.

NMB Laghubitta Bittyta Sanstha Ltd is a subsidiary microfinance company of NMB Bank. It has a paid-up capital of NPR 453.62 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 100 branches spread in 56 hilly districts of the country.

The highlights of NMB Microfinance during the fiscal year 2019/20 are as follows:

The paid-up capital of the financial institution as on 15th July 2020 is NPR 453.62 Million. As decided and proposed by the Board of Directors to distribute 19 percent bonus shares, the company's paid-up capital will after bonus share distribution will reach NPR 539.80 Million.

The microfinance institution as on Mid-November 2020 has been providing financial services such as savings, loans, insurance to more than Ten Million people living in remote mountainous and hilly regions of the country. The company in cooperation with various organizations have been encouraging and facilitating social works at the local level. The company as on Mid-November 2020 has NPR 4.77 Billion risk assets exposure and NPR 1.60 Billion deposit portfolio.

NMB Microfinance Bittiya Sanstha Limited Balance Sheet		
	FY 2019/20 (NPR)	FY 2018/19 (NPR)
Capital & Liabilities		
1. Share Capital	539,804,825	210,608,125
2. Reserve and Funds	168,223,975	95,577,936
3. Debentures and Bonds	-	-
4. Borrowings	2,301,841,701	1,960,240,209
5. Deposits	1,469,152,795	1,082,721,395
6. Proposed Dividend	4,536,175	2,557,993
7. Income Tax Liabilities	-	2,671,717
8. Other Liabilities	41,535,191	65,025,009
Total Liabilities	4,525,094,662	3,419,402,385
Assets		
1. Cash Balance	707,619	130,155
2. Balance with Nepal Rastra Bank	21,030,000	16,030,000
3. Balance with Banks/Financial Institutions	308,625,133	4,251,618
4. Money at Call and Short Notice	567,955,740	280,052,331
5. Investments	2,000,000	2,000,000
6. Loans, Advances and Bills Purchased	3,584,171,733	3,077,263,360
7. Fixed Assets	20,442,680	25,806,730
8. Non-Banking Assets	-	-
9. Other Assets	20,161,756	13,868,191
Total Assets	4,525,094,662	3,419,402,385

NMB Microfinance BittiyaSanstha Limited Profit and Loss Account		
Particulars	FY 2019/20 (NPR)	FY 2018/19 (NPR)
Interest Income	592,589,687	468,569,376
Interest Expenses	313,413,805	261,092,922
Net Interest Income	279,175,883	207,476,454
Commission ,Discount and other operating income	82,985,186	92,841,611
Exchange Fluctuation Income	-	-
Total Operating Income	362,161,069	300,318,066
Staff Expenses	155,172,948	136,286,290
Other Operating Expenses	58,472,776	59,582,692
Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	148,515,345	78,787,580
Provision for Possible Losses	149,500,439	71,078,781
Operating Profit	(985,094)	2,122,378
Non-operating Income/Loss	1,906,401	486,423
Loss Provision Written-Back	94,673,412	43,475,339
Profit from Regular Operations	95,594,719	51,670,561
Profit/Loss from extra-ordinary activities	-	-
Net Profit after considering all activities	95,594,719	51,670,561
Staff Bonus Provision	9,559,472	4,697,324
Provision for Income Tax Provision	25,424,567	26,000,241
Current Year's Tax Provision	25,893,374	15,253,262
Previous Year's Tax Provision	-	-
Current Year Deferred Tax (Income)/Expenses	(468,807)	(986,437)
Net Profit/Loss	60,610,679	60,044,721

(C) Corporate Social Responsibility

The Bank as part of its corporate social responsibility continued to support various social and environmental causes that would support the country's commitment towards achieving UN's sustainable development goals 2016-2030. The Bank during the review period contributed NPR 15.1 Million to the Coronavirus Infection Prevention, Control and Medical Fund established by the government of Nepal to combat the COVID19 threats inside the country. The Bank also provided 100 Personal Protective Equipment in each seven provinces to the safety of frontline health workers amounting NPR 3.5 Million. Moreover, the Bank in association with various organizations extended its relief support by distributing 3-layer cotton mask, N95 5-layer mask, thermal gun, sanitizer, etc. during the virus outbreak.

The Bank during the review year organized various Financial Literacy Programs in different places to aware the people on financial services and support Nepal Government's vision of financial inclusion of all its citizens. Further, the Bank arranged scholarships, warm clothes, and school bags to the needy students. The Bank also provided 4 computer sets for effectively imparting knowledge and education to the students of Shree Jeevan Pradip Secondary School located in Molung of Solukhumbu district and 3-in-1 printer to Pokhara based Balmandir Secondary School. Likewise, the Bank also donated 20 dustbins to Tilottama Municipality, Rupandehi, 50 dustbins in Chanauli Market, Chitwan, and 12 dustbins to Janaki Temple, Janakpurdhham for urban sanitation and cleanliness. The Bank had organized an awareness program on "Breast Cancer and Gynaecology" in Lagantole-21, Kathmandu and free health camp in Bauddhanath area.

(D) 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 382 employees received external training. 76 employees participated in trainings and seminars outside the country.

In the review year, the number of committed employees was 1120 that increased to 1523 after acquisition of Kanchan Development Bank Ltd. of which 623 are female and 900 are male employees. At present, there are 9 employees completing more than 15 years of service period, 136 employees with more than 10 years of service, and 339 employees having worked for more than 5 years in the Bank.

(E) Arrangements for Grievance Handling:

Mr. Sudesh Upadhyaya, Chief Business and Strategy Officer who is also a member of the Bank's management team has been appointed as Grievance Handling Officer for hearing grievances of customers and the general public. Also, an online portal has been created on the Bank's website for grievance handling. In the review year, the Bank received 423 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.

(F) 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, 27 board meetings were held to which the Chairman of the Board was remunerated NPR 13,000 and other board members were remunerated NPR 12,000 each per meeting until 18 March 2020. The remuneration was increased to NPR 18,000, and 16,000 for the Chairman, and other Directors, respectively after the decision to revise remuneration was passed by the 24th AGM and subsequent amendment in the Bank's Article of Association dated 19 March 2020.

All the Board officials have been complying the conducts mentioned in Section 6(1) of Unified Directive 2075.

(G) Management Team:

Mr. Sunil KC has been leading the Bank and its Management Team as the Chief Executive Officer. With a banking experience of 30 years, he has been with NMB Bank for over a decade and was the deputy CEO before taking up his new role in the year 2017. Under his leadership during the review period, the Management Team consisted of the following staff members:

Pradeep Pradhan	Chief Operating Officer
Sharad Tegi Tuladhar	Chief Risk Officer
Shabnam Limbu Joshi	Chief Human Resource Officer
Sudesh Upadhyaya	Chief Business and Strategy Officer
Govind Ghimire	Chief Business Officer
Navin Manandhar	Chief Finance Officer
Pramod Dahal	Chief Internal Audit, AML Officer and Company Secretary
Roshan Regmi	Head Retail Banking

Acknowledgement:

The contribution and support by the esteemed shareholders towards the progress and prosperity of this Bank has succeeded in establishing NMB as the leading bank in the country. 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: 13 January, 2021

FY 2019/20

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 2019/20.

2. Auditor's Report:

Auditor's report is included in the annual report of FY 2019/20.

3. Audited Financial Statements:

Audited financial statements are included in the annual report of FY 2019/20.

4. State of Legal Proceedings:

- i) If any lawsuit has been filed by or against the organization within the quarterly period:
32 lawsuits related to debt collection, income tax and banking property 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	-	407	517	426
Minimum Value	-	321	346	321
Last Value	-	359	377	397
Number of Transactions	-	16,063	23,543	4,323
Days of Transactions	-	49	47	15

[NOTE]: There was no share transaction in the first quarter as the transaction had been halted due to the merger between this Bank and Om Development Bank Limited.

6. Problems and Challenges:

- i) Internal Problems and Challenges: The increase in non-performing loans, lack of skilled human resources in the banking sector, the challenge of managing operating risks along with an increase in transactions, the challenges imposed by the COVID19 pandemic since last four months of the fiscal year 2019/20 towards the management including health safety of frontline staff are considered as internal problems and challenges by the Bank.

-
- ii) External Problems and Challenges: The non-recovery of loan and interest due to COVID19 pandemic, decrease in remittance, unstable liquidity condition, lack of investment in alternative sectors for expansion of business as compared to capital growth, increasing unhealthy competition in banking sector are considered as external problems and challenges by the Bank.
 - iii) Strategies Adopted by Management: In order to reduce the health risk of the employees due to COVID19 pandemic, the Bank continued to provide its service with minimum number staff by complying all safety standard protocols and also facilitated the work from home on alternative days to the staff. The Bank also provided educational trainings on digital banking to its employees to provide services through digital platforms. Necessary strategies were adopted by the Bank for cost reduction and management. 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 placed emphasis on new areas of income, management of passive debts and diversifying risk assets. The Bank also has made various effective training arrangements to make its skilled human resources more robust and efficient.

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.

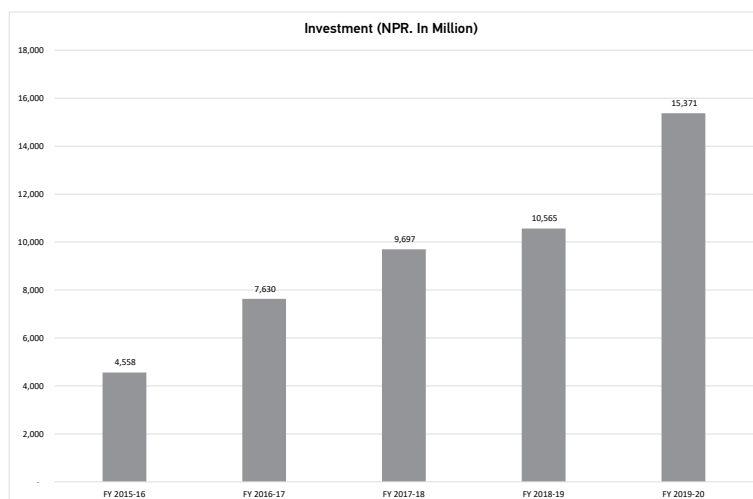
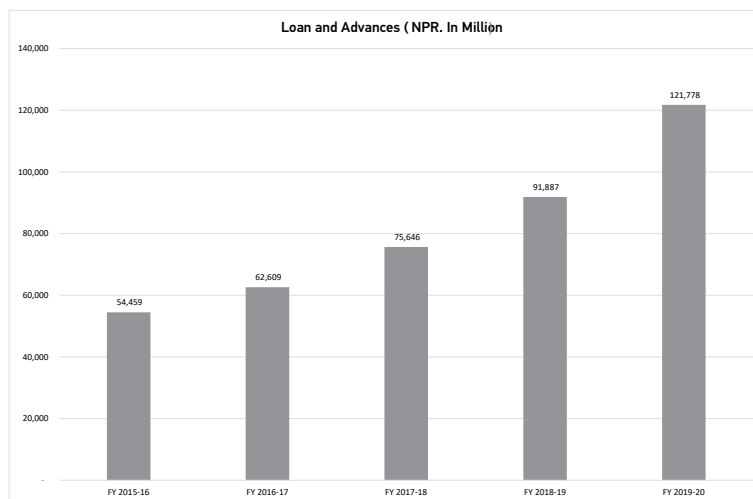
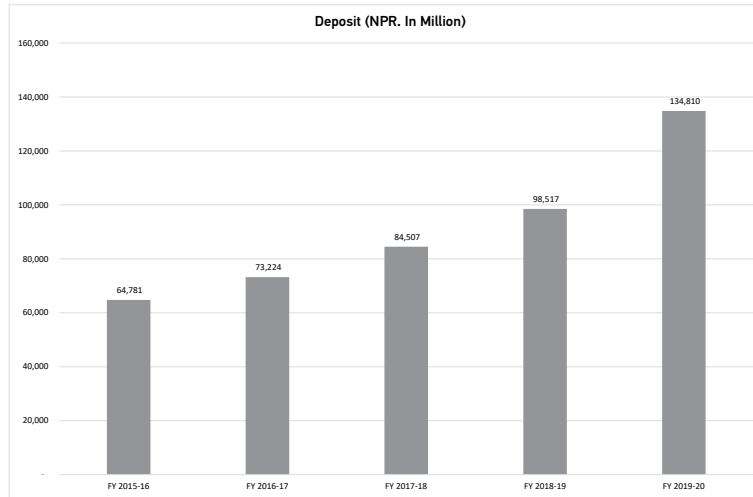


NMB BANK
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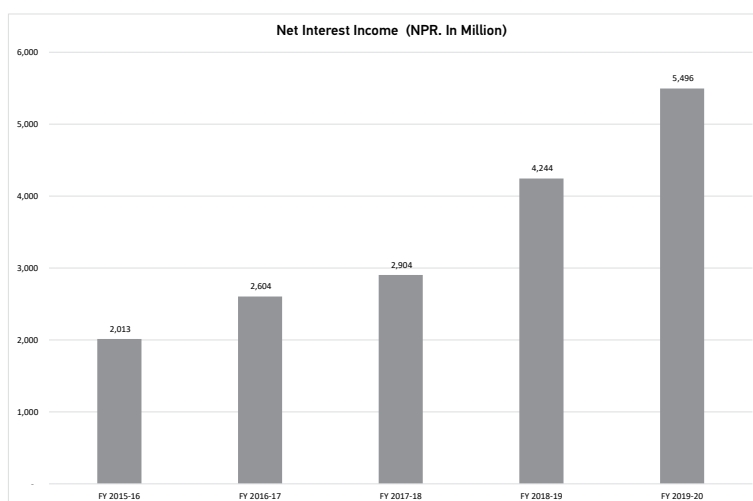
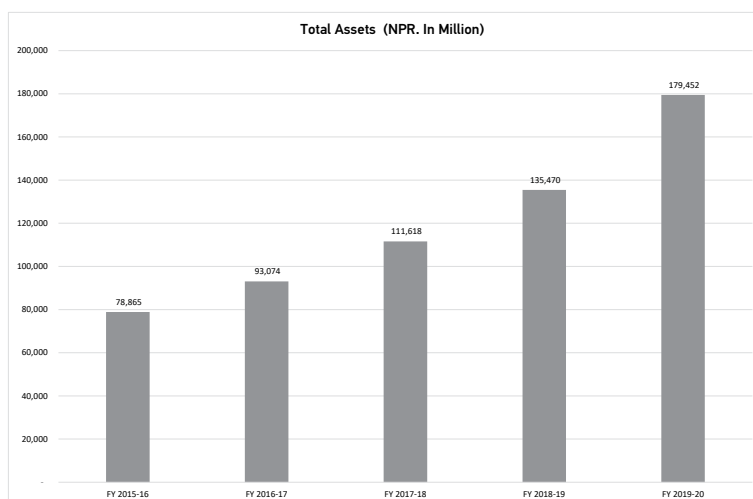
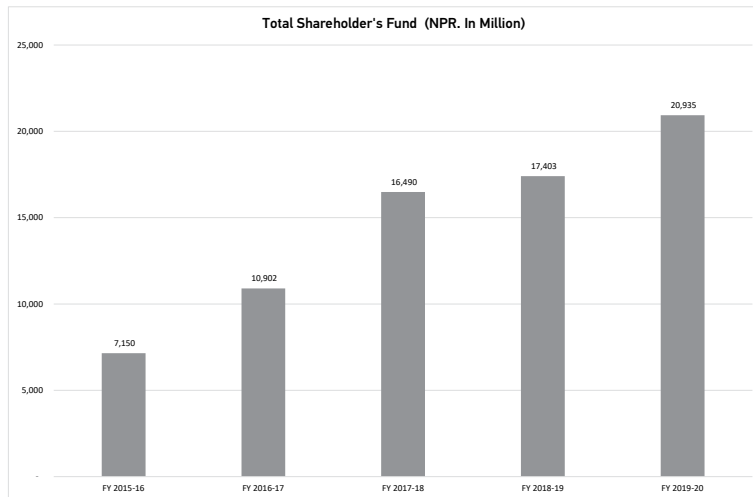
Annual Report

FY 2019-2020

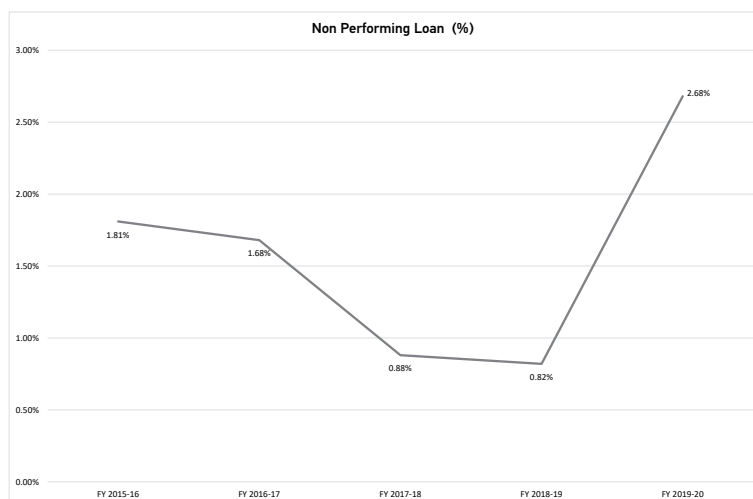
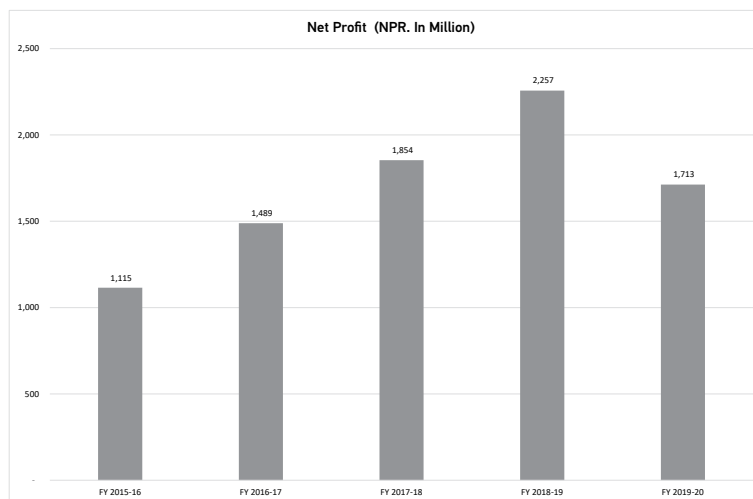
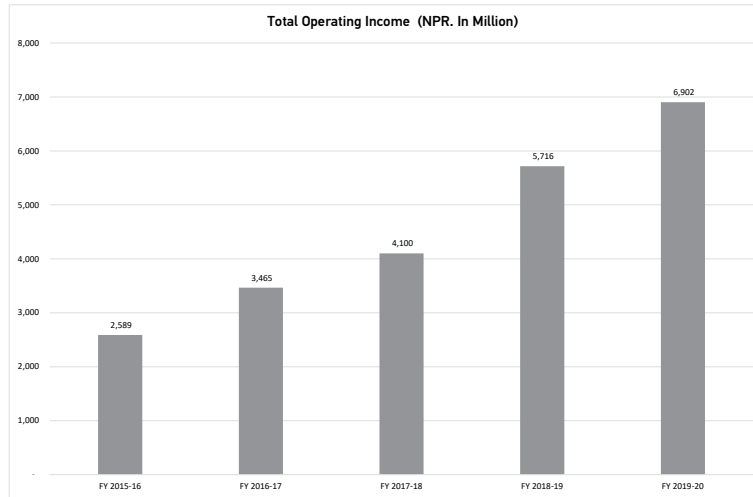
Financial Highlights



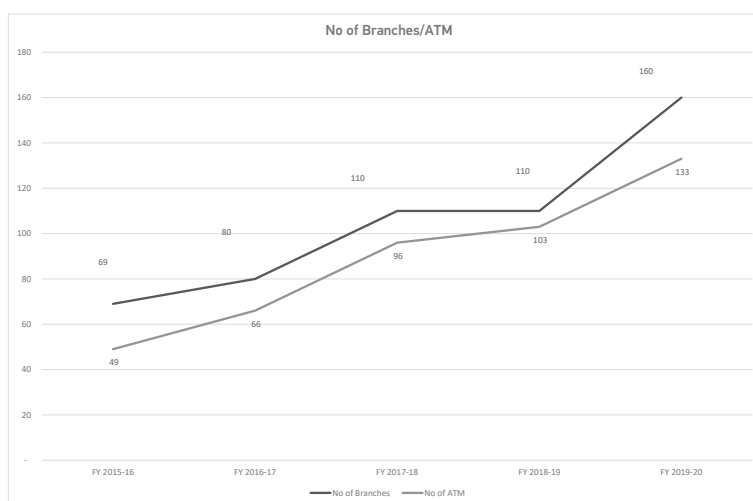
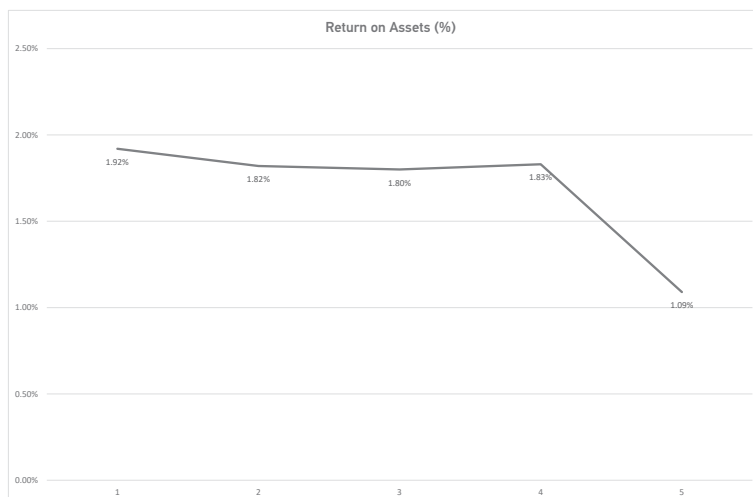
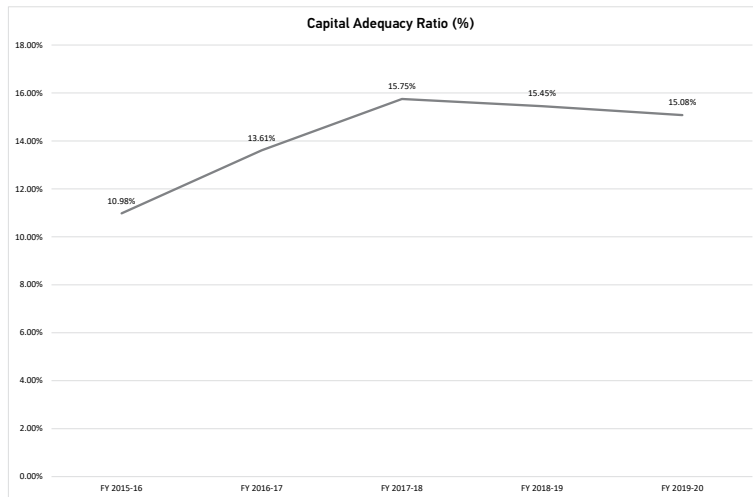
Financial Highlights



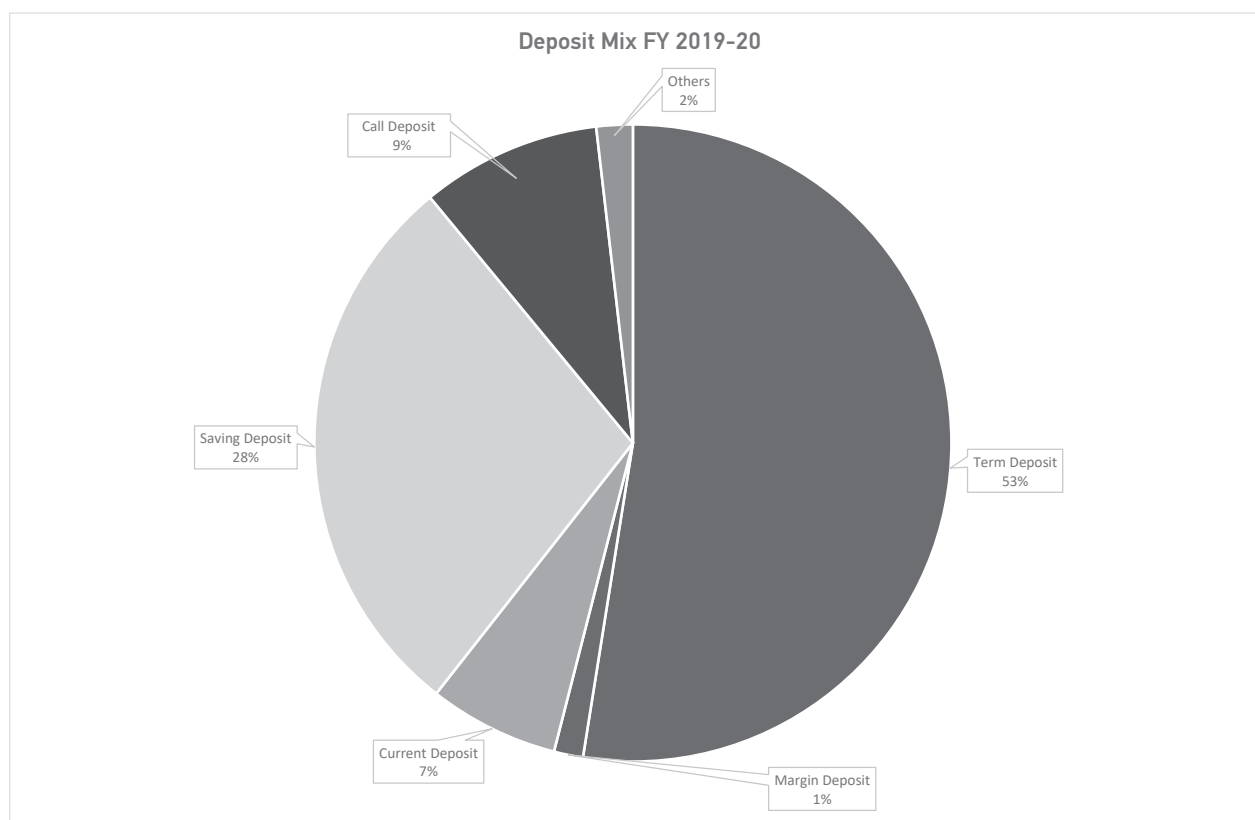
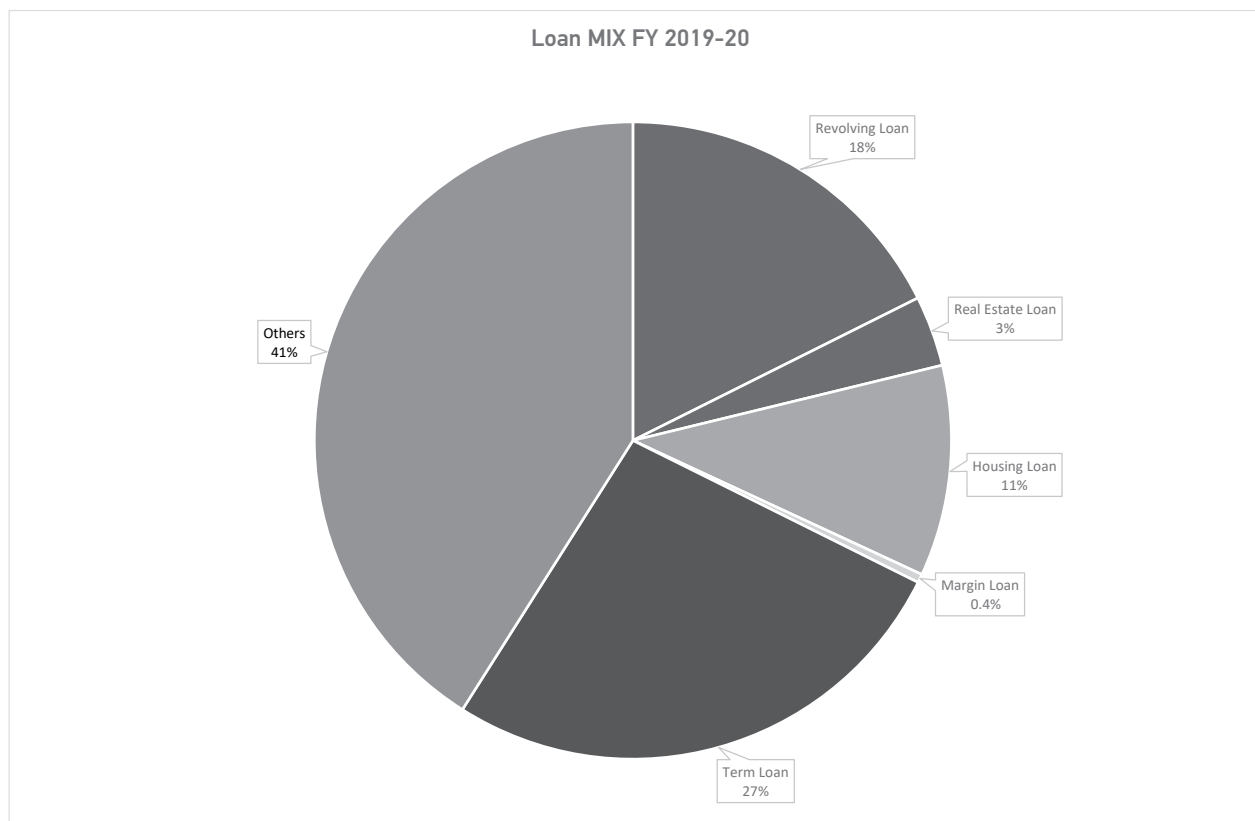
Financial Highlights



Financial Highlights



Financial Highlights



Independent Auditor's Report

To the Shareholders of NMB Bank Limited

Report on the Audit of the Consolidated Financial Statements



Qualified Opinion

We have audited the consolidated financial statements of the NMB Bank Ltd. (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at Ashadh 31, 2077 (July 15, 2020), and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at Ashadh 31, 2077 (July 15, 2020), and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

Basis for Qualified Opinion

During the financial year, the Bank has merged with then Om Development Bank Ltd. and the purchase considerations have been provided in the form of equity shares of the Bank as per due diligence audit carried out for the purpose of the merger. The Bank has followed the procedures for the business combinations as per NRB Merger and Acquisition Bylaws, 2073 which is binding on banks and financial institutions in the country. Accordingly, the resulting difference amount on share swap of the entities is transferred to Capital Reserve as per the provisions of the NRB Bylaws. The Bank has also measured identifiable assets acquired and liabilities assumed on cost basis and purchase consideration transferred at face value.

However, as per Nepal Financial Reporting Standard 3: Business Combinations and Carve-Out issued by The Institute of Chartered Accountants of Nepal dated Kartik 25, 2077 (November 10, 2020), the Bank shall measure the identifiable assets acquired, the liabilities assumed and consideration transferred at their acquisition date fair value and recognize goodwill or bargain purchase gain for the difference between net assets acquired and the consideration provided.

This has resulted in overstatement of Capital Reserve by NPR 603,656,544, Other Reserves (including Retained earnings) by NPR 874,499,174 and understatement of Other Component of Equity - Share Premium by NPR 3,667,041,077, Goodwill by NPR 2,094,309,361 and Property, Plant and Equipment by NPR 94,575,999.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

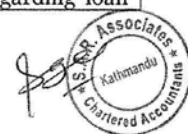
S.N	Key Audit Matters	Auditor's Response
1.	Interest Recognition The interest income of the bank has to be recognized on accrual basis and following the Interest Income Recognition Guidelines 2019 issued by NRB. Though accrual basis of income recognition is prescribed in general, the guidelines requires suspension of interest recognition on accrual basis for loans and advances with overdue of more	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



	<p>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 the bank. Thus, we have considered it as key audit matter.</p>	<p>collateral and have test checked the hair cut in fair value of collateral as per NRB Income Recognition guidelines 2019.</p> <p>c. Test check of the interest income booking with manual computation.</p>
2.	<p>Investment Valuation, Identification, and Impairment</p> <p>Investment of the bank comprises of investment in government bonds, T-bills, development bonds and investment in quoted and unquoted equity instruments. The valuation of the aforesaid securities has been done in compliance with NAS 39 read with NFRS 9 and NRB Directive no. 8. The investment in the government and NRB bonds and T-bills should be recognized on reporting date on Amortized cost basis whereas other investments in equity instruments, other than those held for trading, should be valued at Fair Value through Other Comprehensive Income.</p> <p>Given the varieties of treatments recommended for valuation of investment based on nature of cash flow, the business model adopted, complexity of calculations and the significance of amount involved in such investments, same has been considered as Key Audit Matter in our audit.</p>	<p>Our audit approach regarding verification of process of investment valuation, identification and impairment included:</p> <p>a. Review of the investment of the bank and its valuation having reference to NFRS issued by the Accounting Standard Board of Nepal and NRB Directive 4 read with 8.</p> <p>b. We assessed the nature of expected cash flow of the investments as well as the business model adopted by the management on the basis of available evidences/circumstances and ensured that classification of investment is commensurate with nature of cash flow and management intention of holding the investment.</p> <p>c. For the investment valuation that are done at amortized cost, we checked the EIR and amortization schedule on test basis.</p> <p>d. For the investment valued through OCI for quoted investment, we ensured that fair valuation has been done at the closing transaction rate in NEPSE as on 15.07.2020 and for the unquoted investment the fair value has been taken as the NPR 100.</p>
3.	<p>Impairment of Loans and Advances</p> <p>As per NRB Directive 4, bank shall measure impairment loss on loans and advances at the higher of:</p> <ul style="list-style-type: none"> ▪ Amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provisioning; and ▪ Amount determined as per para 63 of NAS 39 adopting Incurred Loss Model <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</p>	<p>Our audit approach regarding verification of impairment of loans and advances included:</p> <p>a. Review of the overdue status of loans and advances by obtaining data from the 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</p>



<p>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>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>
<p>4. Information Technology General Controls</p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with NRB guidelines and other compliances to regulators is an important part of the process. Such reporting is highly dependent on the effective working of Core Banking Software and other allied systems.</p> <p>We have considered this as key audit matter as any control lapses, validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management, shareholders and regulators.</p>	<p>Our audit approach regarding Information technology of the bank is based upon the Information Technology Guidelines 2012 issued by NRB and it included:</p> <ol style="list-style-type: none"> Understanding the coding system adopted by the bank for various categories of customers Understanding the feeding of the data in the system and going through the extraction of the financial information and statements from the IT system existing in the bank Checking of the user requirements for any changes in the regulations/ policy of the bank Reviewed the reports generated by the system on sample basis. We verified the interest income and expense booking regarding loan



		and deposit on test basis with the CBS or the bank.
		e. We relied on the IT audit conducted by the bank.
		f. We verified the provisioning of the loan and advances based on ageing on the test check basis as on 15.07 2020.

Responsibility 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 Nepal Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

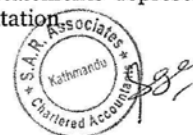
Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities 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 high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatement 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 part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtained 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 purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management,
- Conclude on the appropriateness of the 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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and 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 presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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.

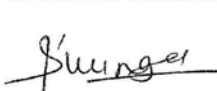

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of Banks and Financial Institutions Act, 2073 and Company Act, 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank, though the statements are independently not audited, were adequate for the purpose of the audit; the consolidated financial statements including the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the provisions of the Company Act, 2063, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the loans have been written off as specified; the business of the Bank was conducted satisfactorily, and the Bank's transactions were found to be within the scope of its authority. We did not come across cases of accounting related fraud and the cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation of the funds of bank.

Sunir Kumar Dhungel
Managing Partner

Place: Kathmandu, Nepal

Date: December 20, 2020

UDIN No.: 201220CA00109nFfIB

Consolidated Statement of Financial Position

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Note	Group		NMB	
		As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Assets					
Cash and cash equivalent	4.1	12,261,847,651	8,801,746,664	11,098,349,234	8,096,354,503
Due from Nepal Rastra Bank	4.2	15,271,028,507	10,845,211,584	15,249,998,507	10,829,181,584
Placement with Bank and Financial Institutions	4.3	3,304,233,792	2,172,967,239	3,304,233,792	2,172,967,239
Derivative financial instruments	4.4	10,066,295,972	8,595,482,282	10,066,295,972	8,595,482,282
Other trading assets	4.5	266,899,900	340,390,000	266,899,000	340,390,000
Loan and advances to B/FIs	4.6	4,665,864,579	3,317,961,987	4,665,864,579	3,317,961,987
Loans and advances to customers	4.7	118,325,756,270	91,011,889,312	115,668,472,666	88,485,031,394
Investment securities	4.8	15,267,544,132	10,458,681,378	14,998,756,047	10,316,351,016
Current tax assets	4.9	68,254,607	-	61,460,881	-
Investment in subsidiaries	4.10	-	-	372,487,600	248,552,000
Investment in associates	4.11	-	-	-	-
Investment property	4.12	79,648,242	102,915,862	79,648,242	102,915,862
Property and equipment	4.13	1,785,246,156	1,616,577,616	1,755,794,235	1,577,898,704
Goodwill and intangible assets	4.14	127,274,848	116,673,171	125,848,936	115,408,800
Deferred tax assets	4.15	270,086,640	74,165,032	264,421,080	70,040,593
Other assets	4.16	1,502,480,835	1,229,893,858	1,473,393,132	1,201,873,611
Total Assets		183,262,462,132	138,684,555,985	179,451,914,903	135,470,409,573

	Note	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Liabilities					
Due to Bank and Financial Institutions	4.17	3,150,014,840	624,364,996	3,150,014,840	1,875,151,251
Due to Nepal Rastra Bank	4.18	4,832,501,544	3,203,523,072	4,832,501,544	3,203,523,072
Derivative financial instruments	4.19	10,008,212,670	8,458,374,429	10,008,212,670	8,458,374,429
Deposits from customers	4.20	132,285,880,304	98,830,664,647	131,660,368,354	96,641,515,712
Borrowing	4.21	4,718,151,701	4,828,300,209	3,416,310,000	3,468,060,000
Current Tax Liabilities	4.9	-	38,039,788	-	35,578,570
Provisions	4.22	2,125,593	224,219	-	-
Deferred tax liabilities	4.15	14,876,185	8,605,751	-	-
Other liabilities	4.23	4,327,967,972	2,675,953,373	3,169,287,821	2,145,955,868
Debt securities issued	4.24	2,279,834,432	2,239,236,412	2,279,834,432	2,239,236,412
Subordinated Liabilities	4.25	-	-	-	-
Total liabilities		161,619,565,241	120,907,286,896	158,516,529,660	118,067,395,314
Equity					
Share capital	4.26	13,950,987,467	9,618,162,652	13,950,987,467	9,618,162,652
Share premium		157,383,680	2,512,798,517	120,167,470	2,512,798,517
Retained earnings		1,978,984,957	1,961,722,547	1,737,219,751	1,780,326,613
Reserves	4.27	5,183,064,720	3,519,188,757	5,127,010,555	3,491,726,477
Total equity attributable to equity holders		21,270,420,824	17,611,872,473	20,935,385,243	17,403,014,259
Non-controlling interest		372,476,067	165,396,616	-	-
Total equity		21,642,896,891	17,777,269,088	20,935,385,243	17,403,014,259
Total liabilities and equity		183,262,462,132	138,684,555,985	179,451,914,903	135,470,409,573
Contingent liabilities and commitment	4.28	110,888,867,320	88,270,903,369	110,888,317,320	88,270,353,369
Net Assets Value per share		152.47	183.11	150.06	180.94

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar
Director

Katwal

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 20 December, 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Profit or Loss

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Note	Group		NMB	
		Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Interest income	4.29	15,048,722,089	11,607,773,819	14,442,972,567	11,082,059,031
Interest expense	4.30	9,148,040,628	7,092,738,463	8,946,752,652	6,838,038,085
Net interest income		5,900,681,461	4,515,035,356	5,496,219,915	4,244,020,946
Fee and commission income	4.31	1,060,673,551	1,159,227,002	914,369,723	1,003,530,866
Fee and commission expense	4.32	107,917,283	101,418,691	107,917,283	93,955,270
Net fee and commission income		952,756,268	1,057,808,311	806,452,440	909,575,596
Net interest, fee and commission income		6,853,437,729	5,572,843,667	6,302,672,355	5,153,596,542
Net trading income	4.33	384,157,101	352,049,490	384,157,101	352,049,490
Other operating income	4.34	218,071,990	212,650,641	215,364,793	210,373,919
Total operating income		7,455,666,820	6,137,543,799	6,902,194,249	5,716,019,951
Impairment charge/(reversal) for loans and other losses	4.35	1,681,992,262	176,055,082	1,627,165,235	166,272,634
Net operating income		5,773,674,558	5,961,488,717	5,275,029,014	5,549,747,317
Operating expense					
Personnel expenses	4.36	1,848,456,013	1,587,182,602	1,647,497,921	1,415,793,493
Other operating expenses	4.37	998,158,904	764,153,498	935,573,915	708,661,406
Depreciation & Amortisation	4.38	252,419,899	187,669,499	241,683,371	176,793,355
Operating Profit		2,674,639,742	3,422,483,118	2,450,273,807	3,248,499,062
Non operating income	4.39	20,419,110	17,090,672	18,512,709	17,090,672
Non operating expense	4.40	33,981,887	17,609,148	33,981,887	17,585,901
Profit before income tax		2,661,076,965	3,421,964,642	2,434,804,629	3,248,003,833
Income tax expense	4.41				
Current Tax		782,188,888	1,043,451,780	725,589,473	994,167,044
Deferred Tax expense/(Income)		92,660	(1,877,083)	(3,561,365)	(3,439,237)
Profit for the period		1,878,795,417	2,380,389,944	1,712,776,521	2,257,276,026
Profit attributable to:					
Equity holders of the Bank		1,840,191,493	2,360,116,129	1,712,776,521	2,257,276,026
Non-controlling interest		38,603,924	20,273,815	-	-
Profit for the period		1,878,795,417	2,380,389,944	1,712,776,521	2,257,276,026
Earnings per share					
Basic earnings per share (BEPS)		13.56	19.81	12.62	18.79
Diluted earnings per share (DEPS)		13.56	19.81	12.62	18.79

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 20 December, 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of Other Comprehensive Income

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Profit for the year	1,878,795,417	2,380,389,944	1,712,776,521	2,257,276,026
Other comprehensive income, net of income tax				
a) Items that will not be reclassified to profit or loss				
- Gains/(losses) from investments in equity instruments measured at fair value	52,109,520	2,474,640	49,113,520	2,162,140
- Gains/(losses) on revaluation	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	(25,087,954)	(4,188,587)	(25,672,352)	(1,269,955)
-Income tax relating to above items	8,106,470	(514,184)	7,032,350	267,656
Net other comprehensive income that will not be reclassified to profit or loss	18,915,096	(1,199,763)	16,408,817	624,530
b) Items that are or may be reclassified to profit or loss	-	-	-	-
- Gains/(losses) on cash flow hedge	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
- Income tax relating to above items	-	-	-	-
- Reclassify to profit or loss	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-
Other comprehensive income for the period, net of income tax	18,915,096	(1,199,763)	16,408,817	624,530
Total comprehensive income for the period	1,897,710,513	2,379,190,181	1,729,185,338	2,257,900,556
Total comprehensive income attributable to:				
Equity holders of the Bank	1,858,804,081	2,344,728,421	1,729,185,338	2,257,900,556
Non-controlling interest	38,906,432	34,461,761	-	-
Total comprehensive income for the period	1,897,710,513	2,379,190,181	1,729,185,338	2,257,900,556

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 20 December, 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of changes in equity

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Attributable to equity holders of the Bank										Total	Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve				
Balance at 16 July 2018	7,603,290,634	4,061,366,586	1,671,851,454	56,373,878	404,406,612	(7,057,296)	-	2,339,181,597	360,395,836	16,489,809,301	-	16,489,809,301	
Adjustment/Restatements	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Capital Adjustment Fund	-	-	-	-	-	-	-	(1,216,722)	-	(1,216,722)	-	(1,216,722)	
Adjusted/Restated balance at 17 July 2018	7,603,290,634	4,061,366,586	1,671,851,454	56,373,878	404,406,612	(7,057,296)	-	2,337,964,875	360,395,836	16,488,592,578	-	16,488,592,578	
Comprehensive income for the year 2018-19	-	-	-	-	-	-	-	2,257,276,027	-	2,257,276,027	-	2,257,276,027	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	1,513,498	-	-	-	1,513,498	-	1,513,498	
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(888,969)	(888,969)	-	(888,969)	
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	
Exchange Gain/(Losses) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	-	1,513,498	-	2,257,276,027	(888,969)	2,257,900,556	-	2,257,900,556	
Transfer to reserve during the year	-	-	451,455,205	22,003,093	414,326,452	-	(1,006,131,464)	-	118,366,713	-	-	-	
General reserve fund	-	-	451,455,205	-	-	-	(451,455,205)	-	-	-	-	-	
Debiture redemption reserve	-	-	-	-	-	-	-	(90,452,511)	90,452,511	-	-	-	
NMB Staff Relief Fund	-	-	-	-	-	-	-	(11,000,000)	11,000,000	-	-	-	
Exchange fluctuation reserve	-	-	-	22,003,093	-	-	(22,003,093)	-	-	-	-	-	
Regulatory Reserve	-	-	-	-	414,326,452	-	-	(414,326,452)	16,894,202	-	-	-	
Corporate social responsibility fund	-	-	-	-	-	-	-	(1,689,420)	(1,000,000)	(1,000,000)	-	(1,000,000)	
Transfer from reserve during the year	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)	
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)	
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-	
Share issued	-	-	-	-	-	-	-	-	-	-	-	-	
FPO Issued and Alloted	-	-	-	-	-	-	-	-	-	-	-	-	
Premium on FPO Issue	-	471,569,200	-	-	-	-	-	-	-	471,569,200	-	471,569,200	
FPO Issue Expenses (net off taxes)	-	(5,265,251)	-	-	-	-	-	-	-	(5,265,251)	-	(5,265,251)	
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	
Bonus shares issued	2,014,872,018	(2,014,872,018)	-	-	-	-	-	-	-	-	-	-	
Cash dividend paid	-	-	-	-	-	-	-	(1,808,782,825)	-	(1,808,782,825)	-	(1,808,782,825)	
Total contributions by and distributions	2,014,872,018	(1,548,568,069)	-	-	-	-	-	(1,808,782,825)	-	(1,342,478,876)	-	(1,342,478,876)	
Balance at 16 July 2019	9,618,162,652	2,512,798,517	2,123,306,659	78,376,972	818,733,064	(5,543,798)	-	1,780,326,613	476,853,581	17,403,014,259	-	17,403,014,259	

Balance at 17 July 2019	9,618,162,652	2,512,798,517	2,123,306,659	78,376,972	818,733,064	(5,543,798)	-	1,780,326,613	474,853,581	17,403,014,259	-	17,403,014,259
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 17 July 2019	9,618,162,652	2,512,798,517	2,123,306,659	78,376,972	818,733,064	(5,543,798)	-	1,780,326,613	474,853,581	17,403,014,259	-	17,403,014,259
Comprehensive income for the year 2019-20	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	1,712,776,521	-	1,712,776,521	-	1,712,776,521
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	34,379,464	-	-	-	34,379,464	-	34,379,464
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	(17,970,646)	(17,970,646)	-	(17,970,646)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	34,379,464	-	1,712,776,521	(17,970,646)	1,729,185,338	-	1,729,185,338
Transfer to reserve during the year	-	-	343,625,958	24,009,819	-	-	-	(468,635,777)	101,000,000	-	-	-
General Reserve Fund	-	-	343,625,958	-	-	-	-	(343,625,958)	-	-	-	-
Debt Redemption Reserve	-	-	-	-	-	-	-	(100,000,000)	100,000,000	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	24,009,819	-	-	-	(24,009,819)	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	-	-	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory Reserve	-	-	-	-	-	-	-	-	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	(1,000,000)	1,000,000	-	-	-
Transfer from reserve during the year	-	-	-	-	(397,927,896)	(5,353,270)	-	428,879,061	(26,597,894)	(1,000,000)	-	(1,000,000)
Fair Value Reserve - Sale of Investment	-	-	-	-	-	(5,353,270)	-	5,353,270	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	25,597,894	(25,597,894)	-	-	-
Regulatory Reserve	-	-	-	-	(397,927,896)	-	-	397,927,896	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from Merger	-	28,614,713	543,946,942	39,523	463,327,760	(33,592,357)	-	(101,942,827)	2,740,113	903,113,885	-	903,113,885
Share Issued	1,911,579,056	-	-	-	-	-	-	-	603,656,544	2,515,235,600	-	2,515,235,600
Premium Received from FMO	-	-	-	-	-	-	-	-	-	-	-	-
Share Issue Expenses (net off taxes)	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,421,245,759	(2,421,245,759)	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(1,614,163,839)	-	(1,614,163,839)	-	(1,614,163,839)
Total contributions by and distributions	4,332,824,815	(2,421,245,759)	-	-	-	-	-	(1,614,163,839)	603,656,544	901,071,761	-	901,071,761
Balance at 15 July 2020	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

Consolidated Statement of changes in equity

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Attributable to equity holders of the Group											Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	
Balance at 16 July 2018	7,603,290,634	4,066,854,498	1,483,991,705	56,373,878	404,406,612	(6,824,546)	-	2,476,497,798	364,983,558.5	16,649,574,138	131,480,054	16,781,054,193
Adjustment/Restatement	-	-	-	-	-	-	4,954	4,954	-	-	-	4,954
Prior Period Taxes	-	-	-	-	-	-	-	(1,216,722)	-	(1,216,722)	-	(1,216,722)
Adjusted/Restated balance at 17 July 2018	7,603,290,634	4,066,854,498	1,483,991,705	56,373,878	404,406,612	(6,824,546)	-	2,475,286,030	364,983,558	16,648,362,369	131,480,054	16,779,842,425
Comprehensive income for the year 2018-19	-	-	-	-	-	-	-	2,345,558,841	-	2,345,558,841	-	2,389,944
Profit for the year	-	-	-	-	-	-	-	2,345,558,841	-	2,345,558,841	34,831,103	2,389,944
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	1,732,248	-	-	-	1,732,248	-	1,732,248
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	(2,562,669)	(2,562,669)	(2,562,669)	(369,342)	(2,932,011)
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1,732,248	-	2,345,558,841	(2,562,669)	2,344,728,421	34,461,761	2,379,190,181
Transfer to reserves during the year	-	-	457,579,767	22,003,093	414,326,452	-	(1,015,260,206)	(1,015,260,206)	124,178,658	2,827,765	(235)	2,827,529
General reserve fund	-	-	457,579,767	-	-	-	(457,579,767)	-	-	-	-	-
Debt redemption reserve	-	-	-	-	-	-	(90,452,511)	-	90,452,511	-	-	-
Investment adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Exchange fluctuation reserve	-	-	-	22,003,093	-	-	(22,003,093)	-	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	(11,000,000)	11,000,000	-	-	-	-
Corporate social responsibility fund	-	-	-	-	-	-	(17,200,430)	17,200,186	-	(245)	(235)	(480)
Customer Protection Fund	-	-	-	-	-	-	(2,697,952)	2,697,952	5,525,961	2,828,009	-	2,828,009
Regulatory Reserve	-	-	-	-	414,326,452	-	(414,326,452)	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transfer from reserves during the year	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Premium on FPO issue	-	471,569,200	-	-	-	-	-	-	-	471,569,200	-	471,569,200
Share Issue Expenses (net off taxes)	-	(5,265,251)	-	-	-	-	-	-	-	(5,265,251)	-	(5,265,251)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus issue of NMBF	-	-	-	-	-	-	-	10,776,938	-	10,776,938	-	10,776,938
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,014,872,018	(2,020,359,931)	-	-	-	-	(5,289,025)	(5,289,025)	-	(10,776,938)	-	(10,776,938)
Cash dividend paid	2,014,872,018	(1,554,055,982)	-	-	-	-	(1,849,350,032)	(1,849,350,032)	-	(1,849,350,032)	(544,964)	(1,849,894,996)
Total contributions by and distributions	9,618,162,652	2,512,798,517	2,141,571,472	78,376,972	818,733,064	(5,092,298)	(1,843,862,119)	(1,843,862,119)	485,599,548	17,611,872,473	165,396,616	17,777,269,088
Balance at 16 July 2019	9,618,162,652	2,512,798,517	2,141,571,472	78,376,972	818,733,064	(5,092,298)	(1,843,862,119)	(1,843,862,119)	485,599,548	17,611,872,473	165,396,616	17,777,269,088

Balance at 17 July 2019	9,618,162,652	2,512,798,517	2,141,571,472	78,376,972	818,733,064	(5,092,298)	-	1,961,722,547	485,599,548	17,611,872,473	165,396,616	17,777,269,088
Adjustment/Restatement	-	-	-	-	-	-	-	45,433	-	45,433	-	45,433
Prior Period Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at 17 July 2019	9,618,162,652	2,512,798,517	2,141,571,472	78,376,972	818,733,064	(5,092,298)	-	1,961,767,979	485,599,548	17,611,917,906	165,396,616	17,777,314,521
Comprehensive income for the year 2018-19	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	1,840,191,493	-	1,840,191,493	38,603,924	1,878,795,417
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) from Investment in Equity Instrument measured at Fair Value	-	-	-	-	-	36,476,664	-	-	-	36,476,664	-	36,476,664
Gain/(Loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain/(Loss) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(Loss) on Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Gain/(Loss) (arising from translating Financial Assets of Foreign Operation)	-	-	-	-	-	-	-	-	(17,864,076)	(17,864,076)	302,509	(17,561,568)
Total comprehensive income for the year	-	-	-	24,009,819	-	36,476,664	-	1,840,191,493	(17,864,076)	1,858,804,081	38,906,432	1,897,710,513
Transfer to reserve during the year	-	-	349,808,248	-	-	-	-	(484,624,696)	126,007,129	15,200,499	14,307,408	29,507,907
General Reserve Fund	-	-	349,808,248	-	-	-	-	(349,808,248)	-	-	-	-
Debt Redemption Reserve	-	-	-	-	-	-	-	(100,000,000)	100,000,000	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	24,009,819	-	-	-	(24,009,819)	-	-	-	-
Other Reserve NMBCL	-	-	-	-	-	-	-	(599,631)	599,631	-	-	-
Customer Protection Fund	-	-	-	-	-	-	-	(309,115)	15,509,613	15,200,499	14,307,408	29,507,907
Regulatory Reserve	-	-	-	-	-	-	-	(7,400,315)	7,400,315	-	-	-
Actuary Adjustment- NMBMF	-	-	-	-	-	-	-	(1,497,569)	1,497,569	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	(1,000,000)	1,000,000	-	-	-
Transfer from reserve during the year	-	-	-	-	(397,927,896)	(7,901,970)	-	432,314,473	(28,850,498)	(2,365,892)	287,682	(2,078,209)
Fair Value Reserve - Sale of Investment	-	-	-	-	-	(5,353,270)	-	5,353,270	-	-	-	-
Fair Value Adjustment NMBCL	-	-	-	-	-	(2,548,700)	-	2,548,700	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	25,288,779	(25,288,469)	(9,690)	287,682	277,992
Deferred Tax Reserve NMBCL	-	-	-	-	-	-	-	1,195,827	(2,552,029)	(1,356,202)	-	(1,356,202)
Regulatory Reserve	-	-	-	-	(397,927,896)	-	-	397,927,896	-	-	-	-
NMB Staff Relief Fund	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued	1,911,579,056	372,16,210	-	-	-	-	-	-	603,656,544	2,552,451,810	154,831,345	2,707,283,155
Transfer from Merger	-	28,614,713	543,946,962	39,523	463,327,760	(33,592,357)	-	(101,962,827)	2,740,113	903,113,885	-	903,113,885
Share Issue Expenses (net of taxes)	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Share Issue of NMBMF	-	-	-	-	-	-	-	11,553,907	-	11,553,907	-	11,553,907
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,421,245,759	(2,421,245,759)	-	-	-	-	-	(24,786,956)	-	(24,786,956)	-	(24,786,956)
Cash dividend paid	-	-	-	-	-	-	-	(1,655,468,416)	-	(1,655,468,416)	(1,253,417)	(1,656,721,833)
Total contributions by and distributions	4,332,824,815	(2,355,414,836)	543,946,962	39,523	463,327,760	(33,592,357)	-	(1,770,664,292)	606,396,657	1,786,864,231	153,577,928	1,940,442,159
Balance at 15 July 2020	13,950,987,467	157,383,680	3,035,326,681	102,426,313	884,132,928	(10,109,962)	-	1,978,984,957	1,171,288,759	21,270,420,824	372,476,067	21,642,896,891

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 20 December, 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Consolidated Statement of cash flows

For the year ended 31 Asar, 2077 (15 July 2020)

(Amount in NPR)

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	13,217,436,688	10,546,876,485	12,797,705,258	10,029,237,559
Fees and other income received	1,068,912,882	1,132,864,080	936,303,627	970,870,892
Dividend received	1,806,421	-	-	-
Receipts from other operating activities	490,486,761	385,714,392	418,676,147	384,775,861
Interest paid	(9,401,931,213)	(6,823,042,020)	(9,158,482,410)	(6,561,973,326)
Commission and fees paid	(106,922,556)	(93,955,270)	(106,922,556)	(93,955,270)
Cash payment to employees	(1,778,834,680)	(1,456,045,782)	(1,637,293,487)	(1,295,324,891)
Other expense paid	(986,295,611)	(767,592,573)	(921,177,953)	(700,390,033)
Operating cash flows before changes in operating assets and liabilities	2,504,658,692	2,924,819,312	2,328,808,626	2,733,240,793
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(3,014,721,068)	(3,970,076,184)	(3,011,221,068)	(3,978,276,184)
Placement with bank and financial institutions	1,481,768,552	(2,265,215,135)	1,481,768,552	(2,265,215,135)
Other trading assets	73,500,000	(18,670,000)	73,500,000	(18,670,000)
Loan and advances to bank and financial institutions	(757,537,872)	(817,737,763)	(757,537,872)	(817,737,763)
Loans and advances to customers	(8,037,427,820)	(16,428,761,736)	(7,587,006,030)	(15,509,016,343)
Other assets	(134,371,976)	3,553,083,797	(158,214,212)	3,573,449,198
Total	(10,388,790,185)	(19,947,377,021)	(9,958,710,630)	(19,015,466,228)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	1,836,642,165	(411,903,955)	1,836,642,165	(411,903,955)
Due to Nepal Rastra Bank	939,970,793	2,531,451,431	939,970,793	2,543,451,431
Deposit from customers	9,440,895,311	14,395,099,867	9,813,589,836	13,921,434,748
Borrowings	274,129,019	3,758,194,083	(51,750,000)	3,468,060,000
Other liabilities	2,349,787,104	382,545,373	1,806,032,540	387,420,114
Net cash flow from operating activities before tax paid	14,841,424,392	20,655,386,800	14,344,485,333	19,908,462,338
Income taxes paid	(800,706,041)	(1,172,181,378)	(740,000,000)	(1,125,413,472)
Net cash flow from operating activities	6,156,586,858	2,460,647,713	5,974,583,329	2,500,823,432

CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities	(14,081,938,794)	(4,834,268,827)	(14,005,481,072)	(4,834,268,827)			
Receipts from sale of investment securities	7,503,050,485	4,292,200,326	7,503,050,485	4,351,536,812			
Purchase of property and equipment	(206,802,998)	(210,592,007)	(205,152,998)	(199,177,763)			
Receipt from the sale of property and equipment	17,948,481	92,584,085	14,393,463	92,022,568			
Purchase of intangible assets	(37,404,083)	(107,102,744)	(37,349,497)	(106,455,282)			
Receipt from the sale of intangible assets	146,380	-	-	-			
Purchase of investment properties	-	(53,480,759)	-	(53,480,759)			
Receipt from the sale of investment properties	25,352,225	10,844,000	25,352,225	10,844,000			
Investment in subsidiaries, associates & joint ventures	-	-	-	-			
Interest received	697,946,875	660,235,537	697,946,875	660,235,537			
Dividend received	89,339,371	71,020,758	89,339,371	71,020,758			
Net cash used in investing activities	(5,992,362,058)	(78,559,632)	(5,917,901,149)	(7,722,956)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipt from issue of debt securities	-	1,684,505,000	-	1,684,505,000			
Repayment of debt securities	-	-	-	-			
Receipt from issue of subordinated liabilities	-	-	-	-			
Repayment of subordinated liabilities	-	-	-	-			
Receipt from issue of shares	315,982,336	466,303,949	-	466,303,949			
Dividends paid	(1,614,163,839)	(1,857,083,570)	(1,614,163,839)	(1,815,971,398)			
Interest paid	-	-	-	-			
Other receipt/payment	34,581,301	13,301,500	-	-			
Net cash from financing activities	(1,263,600,202)	307,026,879	(1,614,163,839)	334,837,550			
Net increase (decrease) in cash and cash equivalents	(1,099,375,402)	2,689,114,960	(1,557,481,659)	2,827,938,026			
Cash and cash equivalents at the beginning of the year	8,801,746,664	6,024,619,332	8,096,354,503	5,180,404,105			
Cash and cash equivalents acquired from the merger	4,463,437,114	-	4,463,437,114	-			
Effect of exchange rate fluctuations on cash and cash equivalents held	96,039,275	88,012,372	96,039,275	88,012,372			
Cash and cash equivalents at the end of the year	12,261,847,651	8,801,746,664	11,098,349,234	8,096,354,503			

As per our attached report of even date

Sunil KC
CEO

Jeevan Kumar Katwal
Director

Nico Pijl
Director

Pawan Kumar Golyan
Chairman

Pradeep Raj Pandey
Director

Yogendra Lal Pradhan
Director

Sunir Kumar Dhungel
Managing Partner
SAR Associates
Chartered Accountants

Navin Manandhar
Chief Finance Officer

Sirish Kumar Murarka
Director

Uttam Bhlon
Director

Pradeep Raj Pandey
Director

Yogendra Lal Pradhan
Director

Date: 20 December, 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Statement of Distributable Profit or Loss

For the year ended 31 Asar, 2077 (15 July 2020)

(As per NRB Regulation)

(Amount in NPR)

Particulars	As at 31 Asar 2077	As at 31 Asar 2076
Net profit or (loss) as per statement of profit or loss	1,712,776,521	2,257,276,026
Appropriations:		
a. General reserve	(342,555,304)	(370,758,551)
b. Foreign exchange fluctuation fund	(24,009,819)	(1,731,624)
c. Capital redemption reserve	(100,000,000)	(90,999,503)
d. Corporate social responsibility fund	(17,127,765)	(18,537,928)
e. Employees' training fund	-	-
f. Investment Adjustment Reserve	-	-
Profit or (loss) before regulatory adjustment	1,229,083,633	1,371,765,147
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	316,267,166	(222,679,176)
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 (-)/reversal (+)	52,737,470	(59,774,627)
e. Deferred tax assets recognised (-)/ reversal (+)	3,470,988	(66,869,011)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	(17,970,646)	(48,026,502)
i. Other (+/-)	-	-
- Fair value of investment securities	43,422,918	(7,057,296)
Total Adjustments	397,927,896	(404,406,612)
Distributable profit or (loss)	1,627,011,528	967,358,536

Notes to Consolidated Financial Statements

For the year ended 31 Asar 2077

Cash and cash equivalent

4.1

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Cash in hand	3,746,171,345	2,452,263,134	3,745,462,626	2,452,131,879
Balances with B/FIs	2,864,080,528	1,614,483,063	1,701,290,830	909,222,157
Money at call and short notice	583,487,561	522,936,277	583,487,561	522,936,277
Other	5,068,108,217	4,212,064,190	5,068,108,217	4,212,064,190
Total	12,261,847,651	8,801,746,664	11,098,349,234	8,096,354,503

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.

Due from Nepal Rastra Bank

4.2

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Statutory balances with NRB	10,676,263,607	8,268,566,442	10,655,233,607	8,252,536,442
Securities purchased under resale agreement	-	-	-	-
Other deposit and receivable from NRB	4,594,764,901	2,576,645,141	4,594,764,901	2,576,645,141
Total	15,271,028,507	10,845,211,584	15,249,998,507	10,829,181,584

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.

Placements with Bank and Financial Institutions

4.3

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Placement with domestic B/FIs	-	-	-	-
Placement with foreign B/FIs	3,304,233,792	2,172,967,239	3,304,233,792	2,172,967,239
Less: Allowances for impairment	-	-	-	-
Total	3,304,233,792	2,172,967,239	3,304,233,792	2,172,967,239

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.

Derivative financial instruments

4.4

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Held for trading				
Interest rate swap	-	-	-	-
Currency swap	1,903,445,961	1,899,469,355	1,903,445,961	1,899,469,355
Forward exchange contract	8,132,529,610	6,139,923,883	8,132,529,610	6,139,923,883
Others	30,320,400	556,089,044	30,320,400	556,089,044
Held for risk management				
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
Total	10,066,295,972	8,595,482,282	10,066,295,972	8,595,482,282

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Treasury bills	-	-	-	-
Government bonds	266,890,000	340,390,000	266,890,000	340,390,000
NRB Bonds	-	-	-	-
Domestic Corporate bonds	-	-	-	-
Equities	9,900	-	-	-
Other	-	-	-	-
Total	266,899,900	340,390,000	266,890,000	340,390,000
Pledged	-	-	-	-
Non-pledged	266,899,900	340,390,000	266,890,000	340,390,000

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.

4.6

Loan and advances to B/FIs

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Loans to microfinance institutions	4,712,805,049	3,352,109,972	4,712,805,049	3,352,109,972
Other	-	-	-	-
Less: Allowances for impairment	46,940,471	34,147,985	46,940,471	34,147,985
Total	4,665,864,579	3,317,961,987	4,665,864,579	3,317,961,987

Loan and advances given to microfinance financial institutions as 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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Balance at Shrawan 1	34,147,985	25,197,842	34,147,985	25,197,842
Impairment loss for the year:	-	-	-	-
Charge for the year	7,151,814	-	7,151,814	8,950,143
Recoveries/reversal	-	-	-	-
Amount written off	-	-	-	-
Transfer from Merger			5,640,671	
Balance at Asar end	41,299,799	25,197,842	46,940,471	34,147,985

The impairment on Loans and advances to BFI's carried forward from Erstwhile Om Development Bank after merger is NPR: 5,640,671.

Loans and advances to customers

4.7

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Loan and advances measured at amortized cost	122,503,757,706	92,443,680,801	119,726,263,802	89,849,808,825
Less: Impairment allowances	-	-	-	-
Collective impairment	2,244,051,848	993,674,668	2,217,333,199	977,833,534
Individual impairment	1,933,949,588	438,116,822	1,840,457,937	386,943,898
Net amount	118,325,756,270	91,011,889,312	115,668,472,666	88,485,031,394
Loan and advances measured at FVTPL	-	-	-	-
Total	118,325,756,270	91,011,889,312	115,668,472,666	88,485,031,394

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Product				
Term loans	32,441,966,009	21,819,278,827	32,441,966,009	21,819,278,827
Overdraft	8,584,721,480	5,929,688,112	8,584,721,480	5,929,688,112
Trust receipt/Import loans	4,964,458,918	4,146,313,974	4,964,458,918	4,146,313,974
Demand and other working capital loans	21,431,276,850	18,332,571,900	21,431,276,850	18,332,571,900
Personal residential loans	13,040,550,906	9,191,498,367	13,040,550,906	9,191,498,367
Real estate loans	4,363,978,234	3,270,011,964	4,363,978,234	3,270,011,964
Margin lending loans	540,260,628	294,605,497	540,260,628	294,605,497
Hire purchase loans	5,307,059,684	4,179,117,890	5,307,059,684	4,179,117,890
Deprived sector loans	4,237,505,100	3,779,631,047	1,533,123,067	1,235,353,629
Bills purchased	-	-	-	-
Staff loans	818,934,123	698,451,305	814,680,837	691,436,278
Other	24,876,627,622	20,150,992,840	24,876,627,622	20,150,992,840
Sub total	120,607,339,553	91,792,161,723	117,898,704,235	89,240,869,277
Interest receivable	1,896,418,152	651,519,078	1,827,559,567	608,939,548
Grand total	122,503,757,706	92,443,680,801	119,726,263,802	89,849,808,825

4.7.2: Analysis of loan and advances - By Currency

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Nepalese rupee	119,006,102,378	88,946,025,473	116,228,608,474	86,352,153,497
Indian rupee	-	-	-	-
United State dollar	3,477,759,306	3,477,759,306	3,477,759,306	3,477,759,306
Great Britain pound	-	-	-	-
Euro	19,896,022	19,896,022	19,896,022	19,896,022
Japanese yen	-	-	-	-
Chinese yuan	-	-	-	-
Other	-	-	-	-
Total	122,503,757,706	92,443,680,801	119,726,263,802	89,849,808,825

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Secured				
Movable/immovable assets	120,284,602,251	89,823,850,881	119,228,702,517	89,352,247,540
Gold and silver	-	-	-	-
Guarantee of domestic B/FIs	18,898,358	18,898,358	18,898,358	18,898,358
Government guarantee	89,125,832	89,125,832	89,125,832	89,125,832
Guarantee of international rated bank	-	-	-	-
Collateral of export document	-	-	-	-
Collateral of fixed deposit receipt	385,025,416	385,025,416	385,025,416	385,025,416
Collateral of Government securities	4,511,679	4,511,679	4,511,679	4,511,679
Counter guarantee	-	-	-	-
Personal guarantee	-	674,466	-	-
Other collateral	1,721,594,170	2,121,594,170	-	-
Subtotal	122,503,757,706	92,443,680,801	119,726,263,802	89,849,808,825
Unsecured	-	-	-	-
Grant Total	122,503,757,706	92,443,680,801	119,726,263,802	89,849,808,825

4.7.4: Allowances for impairment

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Specific allowances for impairment				
Balance at Shrawan 1	438,116,822	421,282,405	386,943,898	385,721,724
Impairment loss for the year:	-	-		
Charge for the year	-	-		
Recoveries/reversal during the year	1,495,832,765	16,834,418	973,885,598	1,222,174
Write-offs	-	-		
Exchange rate variance on foreign currency impairment	-	-		
Other movement (Transfer from Merger)	479,628,442	-	479,628,442	-
Balance at Asar end	1,933,949,588	438,116,822	1,840,457,937	386,943,898
Collective allowances for impairment				
Balance at Shrawan 1	1,002,624,810	821,733,216	977,833,534	821,733,216
Impairment loss for the year:	-	-		
Charge/(reversal) for the year	1,241,427,037	180,891,594	646,581,575	156,100,317
Exchange rate variance on foreign currency impairment	-	-		
Other movement (Transfer from Merger)	592,918,090	-	592,918,090	-
Balance at Asar end	2,244,051,848	1,002,624,810	2,217,333,199	977,833,534
Total allowances for impairment	4,178,001,435	1,440,741,633	4,057,791,136	1,364,777,431

The impairment on Loans and advances carried forward from Erstwhile Om Development Bank after merger is NPR. 1,072,546,531

Investment securities

Particulars	Group		NMB	
	As at 31 Asar 2077	9820318939	As at 31 Asar 2077	As at 31 Asar 2076
Investment securities measured at amortized cost	14,198,372,451	9,820,318,939	13,969,104,367	9,690,988,576
Investment in equity measured at FVTOCI	1,069,171,681	638,362,439	1,029,651,681	625,362,439
Total	15,267,544,132	10,458,681,378	14,998,756,047	10,316,351,016

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.

4.8.1: Investment securities measured at amortized cost

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Debt securities	28,657,015	14,989,953	-	-
Government bonds	10,407,212,121	8,252,044,202	10,407,212,121	8,252,044,202
Government treasury bills	2,382,939,572	786,811,382	2,382,939,572	786,811,382
Nepal Rastra Bank bonds	-	-	-	-
Nepal Rastra Bank deposits instruments	-	-	-	-
Other Investments	1,379,563,742	766,473,402	1,178,952,673	652,132,992
Less: specific allowances for impairment	-	-	-	-
Total	14,198,372,451	9,820,318,939	13,969,104,367	9,690,988,576

The details of other investment as at 31 Asar 2077 are as follows:

Description	Int Rate	Maturity Date	Face Value (USD)	Carrying Amount (NPR.)
1. Republic of Sri Lanka	4.69%	27-Jul-21	2,500,000	313,881,320
2. Republic of Sri Lanka	3.94%	4-Oct-20	2,500,000	307,389,140
3. Republic of Sri Lanka	3.83%	4-Oct-20	2,300,000	282,807,577
4. Republic of Sri Lanka	3.83%	4-Oct-20	700,000	86,071,871
5. Republic of Sri Lanka	4.66%	27-Jul-21	1,500,000	188,802,765
Total				1,178,952,673

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

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Equity instruments				
Quoted equity securities	941,015,781	593,366,539	903,495,781	593,366,539
Unquoted equity securities	128,155,900	44,995,900	126,155,900	31,995,900
Total	1,069,171,681	638,362,439	1,029,651,681	625,362,439

4.8.3: Information relating to investment in equities

Particulars	Group						NMB					
	As at 31 Asar 2077			As at 31 Asar 2076			As at 31 Asar 2077			As at 31 Asar 2076		
	Cost	Fair Value		Cost	Fair Value		Cost	Fair Value		Cost	Fair Value	
Investment in quoted equity												
United Insurance Co. (Nepal) Limited	585,700	1,962,480	211,300	211,300	246,000		585,700	1,962,480	211,300	211,300	246,000	
NILG Insurance Company Limited	-	5,400	-	-	5,400		-	5,400	-	-	5,400	
Ridi Hydro Power Limited	38,600	40,572	3,600	3,600	4,410		38,600	40,572	3,600	3,600	4,410	
Rural Microfinance Development Center Limited	-	546,079	-	-	458,073		-	546,079	-	-	458,073	
Laxmi Laghubitta Sanstha Limited	-	6,070	-	-	2,644		-	6,070	-	-	2,644	
Mero Micro Finance Bittiya Sansstha Limited	6,800	59,986	37,023,000	37,023,000	46,046,000		6,800	59,986	-	-	-	
Butwal Power Company Limited	212,052,771	184,403,581	209,006,679	209,006,679	187,688,873		212,052,771	184,403,581	209,006,679	209,006,679	187,688,873	
Nepal Doorsanchar Company Limited	38,045,756	34,062,620	34,698,472	34,698,472	34,382,502		38,045,756	34,062,620	34,698,472	34,698,472	34,382,502	
NMB Sulav Investment Fund-1	-	-	105,000,000	105,000,000	113,610,000		-	-	-	105,000,000	113,610,000	
NMB Hybrid Fund-1	162,649,210	154,488,250	140,000,000	140,000,000	140,420,000		152,619,210	144,988,250	140,000,000	140,000,000	140,420,000	
Laxmi Equity Fund	71,331,883	61,561,033	40,947,100	40,947,100	31,242,637		71,331,883	61,561,033	40,947,100	40,947,100	31,242,637	
NIC Asia Growth Fund	20,000,000	20,380,000	10,000,000	10,000,000	10,280,000		20,000,000	20,380,000	10,000,000	10,000,000	10,280,000	
Sanima Equity Fund	44,000,000	43,692,000	20,000,000	20,000,000	18,800,000		44,000,000	43,692,000	20,000,000	20,000,000	18,800,000	
Citizen Mutual Fund-I	30,000,000	30,180,000	10,000,000	10,000,000	10,180,000		30,000,000	30,180,000	10,000,000	10,000,000	10,180,000	
Global IME Samunnat Scheme-1	37,972,700	32,580,577	-	-	-		37,972,700	32,580,577	-	-	-	
NIBL Samridhhi Fund 1	7,909,730	7,848,146	-	-	-		7,909,730	7,848,146	-	-	-	
Nabil Equity Fund	14,362,910	13,400,595	-	-	-		14,362,910	13,400,595	-	-	-	
NIBL Pragati Fund	10,274,070	8,373,367	-	-	-		10,274,070	8,373,367	-	-	-	
Siddhartha Equity Fund	9,677,480	9,677,480	-	-	-		9,677,480	9,677,480	-	-	-	
CITIZENS MUTUAL FUND-II	2,000,000	2,012,000	-	-	-		2,000,000	2,012,000	-	-	-	
SUNRISE MUTUAL FUND-I	6,000,000	6,000,000	-	-	-		6,000,000	6,000,000	-	-	-	
NABIL BALANCED FUND-2	20,000,000	19,800,000	-	-	-		20,000,000	19,800,000	-	-	-	
NMB 50	189,516,700	189,516,700	-	-	-		177,016,700	177,016,700	-	-	-	
Api Power Company Ltd.	-	540	-	-	-		-	540	-	-	-	
Barun Hydropower Co. Ltd.	1,000	840	-	-	-		1,000	840	-	-	-	
Sanima Mai Hydropower Ltd.	5,883,915	4,083,353	-	-	-		5,883,915	4,083,353	-	-	-	
Chillime Hydropower Company Limited	1,894,758	1,810,502	-	-	-		1,894,758	1,810,502	-	-	-	
Jalvidhyut Lagani Taaha Bikash Company LTD (Hydrolelectricity Investment and Development Company Ltd)	-	61,579	-	-	-		-	61,579	-	-	-	
Lumbini General Insurance Co. Ltd. Promoter Share	4,016,713	12,225,539	-	-	-		4,016,713	12,225,539	-	-	-	
Nepal Life Insurance Co. Ltd.	9,971,704	13,419,000	-	-	-		9,971,704	13,419,000	-	-	-	
Sagarmatha Insurance Co. Ltd.	3,556,188	3,374,700	-	-	-		3,556,188	3,374,700	-	-	-	
Shikhar Insurance Co. Ltd.	6,144,908	6,114,000	-	-	-		6,144,908	6,114,000	-	-	-	
Siddhartha Insurance Ltd.	2,197,428	1,566,000	-	-	-		2,197,428	1,566,000	-	-	-	

Particulars	Group				NMB			
	As at 31 Asar 2077		As at 31 Asar 2076		As at 31 Asar 2077		As at 31 Asar 2076	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
National Life Insurance Co. Ltd.	2,500,429	2,463,964	-	-	2,500,429	2,463,964	-	-
Mahila Sahayatra Microfinance Bittiya Sansstha Ltd.	2,000	16,720	-	-	2,000	16,720	-	-
Mirmire Microfinance Development Bank Ltd.	2,500	43,152	-	-	2,500	43,152	-	-
Global IME Laghubitta Bittiya Sansstha Ltd.	2,500	38,222	-	-	2,500	38,222	-	-
Womi Microfinance Bittiya Sansstha Ltd.	3,900	46,046	-	-	3,900	46,046	-	-
Vijaya Laghubitta Bittiya Sansstha Ltd.	-	3,060	-	-	-	3,060	-	-
Citizen Investment Trust	288,273	371,484	-	-	288,273	371,484	-	-
Soaltee Hotel Limited	721,759	389,620	-	-	721,759	389,620	-	-
Kalika Microcredit Development Bank Ltd.	-	10,725	-	-	-	10,725	-	-
Century Commercial Bank Ltd.	-	-	-	-	-	-	-	-
Mero Microfinance Bittiya Sansstha Ltd. Promoter Share	37,023,000	59,859,800	-	-	37,023,000	59,859,800	37,023,000	46,046,000
Total	950,635,283	926,495,781	606,890,151	593,366,539	927,105,283	903,495,781	606,890,151	593,366,539
Investment in unquoted equity								
Nepal Stock Exchange Limited	5,000	71,600	5,000	71,600	5,000	71,600	5,000	71,600
Nepal clearing House Limited	5,268,200	10,468,900	4,198,000	6,045,100	5,268,200	10,468,900	4,198,000	6,045,100
Credit Information Bureau Limited	216,000	2,126,200	189,000	1,890,000	216,000	2,126,200	189,000	1,890,000
Citizens Mutual Fund-II	-	-	2,000,000	2,000,000	-	-	2,000,000	2,000,000
NABIL BALANCE FUND-II	-	-	10,000,000	10,000,000	-	-	10,000,000	10,000,000
Samudayak Laghubitta Bittiya Sansstha Ltd	11,000,000	14,520,000	11,000,000	11,000,000	-	-	-	-
Nepal Finsoft Company Ltd.	2,000,000	2,000,000	2,000,000	2,000,000	-	-	-	-
Prabhu Merchant Bank Ltd	1,500,000	1,500,000	-	-	1,500,000	1,500,000	-	-
Mahalaxmi Life Insurance Co.Ltd (Life)	50,000,000	50,000,000	-	-	50,000,000	50,000,000	-	-
CEDB Hydro Fund Limited	10,000,000	11,989,200	10,000,000	11,989,200	10,000,000	11,989,200	10,000,000	11,989,200
Siddhartha Investment Growth Scheme - 2	50,000,000	50,000,000	-	-	50,000,000	50,000,000	-	-
Total	129,989,200	142,675,900	39,392,000	44,995,900	116,989,200	126,155,900	26,392,000	31,995,900
Grand Total	1,080,624,483	1,069,171,681	646,282,151	638,362,439	1,044,094,483	1,029,651,681	633,282,151	625,362,439

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 and NPR 144,988,250 in NMB Hybrid Fund-1 as Seed Capital. For both Mutual Funds, the Bank is the Fund Sponsor while the Bank's Subsidiary NMB Capital Limited is the Fund Manager. These investment have been made as per the requirement of "Mutual Fund Regulation 2067" issued by the Securities Board of Nepal (SEBON) to invest seed money by the Fund Sponsor/Manager. The cumulative net change in the fair value of financial assets measured at FVOCI is recognized under fair value reserve heading.

Current tax assets

4.9

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

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Current tax assets				
Current year income tax assets	948,694,757	1,062,454,150	780,007,909	956,949,945
Tax assets of prior periods	-	-	-	-
Total Current tax Assets	948,694,757	1,062,454,150	780,007,909	956,949,945
Current tax liabilities				
Current year income tax liabilities	880,440,150	1,100,493,938	718,547,028	992,528,515
Tax liabilities of prior periods	-	-	-	-
Total Current tax Liabilities	880,440,150	1,100,493,938	718,547,028	992,528,515

The movement of Advance tax as of Asar end 2077 is given below:

Particulars	Amount (NPR)
A. Advance Income Tax carried forward from previous year	14,343,582
B. Advance Tax Instalments FY 2076/77	740,000,000
C. Tax Withheld by Withholder FY 2076/77	8,977,115
D. Transferred from Merger	20,839,910
E. Deposit for tax cases	4,152,698
F. Provision for Income tax for FY 2076/77	718,547,028
Net Advance Tax (A+B+C-D-E-F)	61,460,881

Investment in subsidiaries

4.10

Particulars	NMB	
	As at 31 Asar 2077	As at 31 Asar 2076
Investment in quoted subsidiaries	172,487,600	48,552,000
Investment in unquoted subsidiaries	200,000,000	200,000,000
Total investment	372,487,600	248,552,000
Less: Impairment allowances	-	-
Net carrying amount	372,487,600	248,552,000

4.10.1: Investment in quoted subsidiaries

Particulars	NMB			
	As at 31 Asar 2077		As at 31 Asar 2076	
	Cost	Fair Value	Cost	Fair Value
NMB Micro Finance Bittiya Sastha Limited, 2,065,580 Promoter shares and 8 Ordinary Shares of Rs 100 each fully paid up	172,487,600	172,487,600	48,552,000	48,552,000
Total	172,487,600	172,487,600	48,552,000	48,552,000

4.10.2: Investment in unquoted subsidiaries

Particulars	NMB			
	As at 31 Asar 2077		As at 31 Asar 2076	
	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
Total	200,000,000	200,000,000	200,000,000	200,000,000

4.10.3: Information relating to subsidiaries of the Bank

Particulars	NMB	
	Percentage of ownership held by the Bank	
	As at 31 Asar 2077	As at 31 Asar 2076
NMB Capital Limited	100%	100%
NMB Micro Finance Bittiya Sastha Limited	51%	51%

4.10.4: Non controlling interest of the subsidiaries

Particulars	Group	
	As at 31 Asar 2077	As at 31 Asar 2076
Equity interest held by NCI (%)	49%	49%
Profit/(loss) allocated during the year	38,603,924	34,831,103
Accumulated balances of NCI as on year end	372,476,067	165,396,616
Dividend paid to NCI	1,253,417	544,964

Investment in associates

The Bank do not have any investment in associates as of fiscal year end 2077

4.11

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Investment in quoted associates	-	-	-	-
Investment in unquoted associates	-	-	-	-
Total investment	-	-	-	-
Less: Impairment allowances	-	-	-	-
Net carrying amount	-	-	-	-

4.11.1: Investment in quoted associates

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
	Cost	Fair Value	Fair Value	Cost
"Ltd.shares of Rs.each"				
"Ltd.shares of Rs.each"				
.....				
Total				

4.11.2: Investment in unquoted associates

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
	Cost	Fair Value	Fair Value	Cost
".....Ltd.Shares of Rs.each"				
".....Ltd.Shares of Rs.each"				
.....				
Total				

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
.....Ltd.				
.....Ltd.				
.....Ltd.				
.....Ltd.				
Total				

4.11.4: Equity value of associates

Particulars	Group	
	As at 31 Asar 2077	As at 31 Asar 2076
.....Ltd.		
.....Ltd.		
.....		
Total		

Investment properties

4.12

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Investment properties measured at fair value				
Balance as on Shrawan 1	102,915,862	59,774,627	102,915,862	59,774,627
Addition/disposal during the year	(23,267,620)	43,141,235	(23,267,620)	43,141,235
Net changes in fair value during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Net amount	79,648,242	102,915,862	79,648,242	102,915,862
Investment properties measured at cost				
Balance as on Shrawan 1	-	-	-	-
Addition/disposal during the year	-	-	-	-
Adjustment/transfer	-	-	-	-
Accumulated depreciation	-	-	-	-
Accumulated impairment loss	-	-	-	-
Net amount	-	-	-	-

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, 2077 are as follows:

Party's Name	Date NBA is assumed	Amount (NPR)
1. Guna Suppliers	16-Jul-15	4,508,880
2. Kamdhenu Mahila Dugdha Utpadak Ssl	16-Nov-17	785,000
3. Ankita Impex	4-Mar-18	13,936,000
4. Jalthal Live Stock P. Ltd	4-Sep-18	2,200,000
5. Factory Outlet And Clothing Store	18-Jun-18	15,530,000
6. China Hygienic Meat Pro & Sup P.Ltd	15-Jul-18	18,406,500
7. China Hygienic Meat Pro & Sup P.Ltd	9-Feb-18	6,612,125
8. Eastern Shoe Centre	1-Feb-19	4,041,500
9. Chandrakala Limbang	1-Feb-19	466,000
10. Mauni Traders	1-Mar-19	3,120,000
11. Ujjwal Trading & Supplier	9-Jan-19	4,650,384
12. Babu Rai	9-Jan-19	1,574,853
13. Rtc-Teechnology Nepal	13-Jan-19	72,000
14. Evergreen	8-Feb-19	3,745,000
Total		79,648,242

Property and Equipment

4.13

Particulars	Group										Total	
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others				
Cost												
As on Shrawan 1, 2075	829,637,410	168,823,988	245,563,185	174,503,381	332,123,741	95,029,465	346,491,060	112,663,981			2,304,836,211	
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	
Capitalization	-	1,572,465	20,917,698	34,135,744	86,321,157	13,239,011	53,524,035	3,789,800			213,499,910	
Disposal during the year	(5,566,005)	-	(8,525)	(12,903)	(50,402,599)	(12,598)	(853,351)	4,127			(56,851,854)	
Adjustment/Revaluation	-	-	-	-	-	-	-	-	-	-	-	
Balance as on Asar end 2076	824,071,405	170,396,453	266,472,358	208,626,222	368,042,299	108,255,877	399,161,745	116,457,908			2,461,484,267	
Addition during the Year												
Acquisition	14,172,950	14,397,275	122,146,617	60,911,262	55,004,495	50,465,890	10,176,807	81,867,192			409,142,489	
Capitalization	-	412,351	39,552,113	24,958,070	92,511,695	9,723,938	34,521,071	4,448,978			206,128,215	
Disposal during the year	-	-	-	(25,502)	(33,884,900)	-	(59,890)	(820)			(33,971,112)	
Adjustment/Revaluation	-	-	-	12,903	(200)	12,598	-	(166,607)			(141,306)	
Balance as on Asar end 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	
Depreciation and Impairment												
As on Shrawan 1, 2075	-	38,232,531	115,114,734	111,231,191	152,698,237	57,874,722	158,330,735	77,008,212			710,490,362	
Depreciation charge for the Year	-	4,103,140	24,593,007	23,202,347	60,912,326	9,254,768	43,221,296	8,795,393			174,082,276	
Impairment for the year	-	-	-	-	-	-	-	-			-	
Disposals	-	-	-	-	(38,847,209)	-	(818,777)	-			(39,665,986)	
Adjustment	-	-	-	-	-	-	-	-			-	
As on Asar end 2076	-	42,335,671	139,707,741	134,433,538	174,763,353	67,129,490	200,733,254	85,803,604			844,906,652	
Depreciation charge for the Year	-	-	665,581	3,426,750	3,278,591	2,578,466	-	85,191			10,034,579	
Impairment for the year	-	4,290,963	32,669,209	28,636,121	68,528,976	10,673,167	49,346,924	13,612,212			207,757,571	
Disposals	-	-	-	-	(28,979,492)	-	(11,420)	-			(28,990,912)	
Adjustment	-	8,197,276	58,010,191	37,424,297	34,330,593	31,828,337	6,955,581	46,942,231			223,688,506	
As on Asar end 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	
Capital Work in Progress												
Net Book Value												
As on Asar end 2075	829,637,410	130,591,458	130,448,451	63,272,190	179,425,504	37,154,742	188,160,325	35,655,769			1,594,345,849	
As on Asar end 2076	824,071,405	128,060,782	126,764,617	74,192,684	193,278,946	41,126,387	198,428,490	30,654,304			1,616,577,616	
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	

Particulars	NMB											Total		
	Land	Building	Leasehold Properties	Computer & Accessories	Vehicles	Furniture & Fixture	Machinery	Equipment & Others						
Cost														
As on Shrawan 1, 2075	829,637,410	168,823,988	237,223,450	160,011,239	310,528,859	75,792,360								2,240,553,924
Addition during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization	-	1,572,465	20,161,123	27,173,070	84,545,157	8,574,593								199,177,763
Disposal during the year	(5,566,005)	-	-	-	(50,402,599)	-								(56,821,955)
Adjustment/Revaluation	-	-	-	-	-	-								-
Balance as on Asar end 2076	824,071,405	170,396,453	257,384,573	187,184,309	344,671,417	84,366,953	399,161,745	115,672,877	2,382,909,732					
Addition during the Year														
Acquisition	14,172,950	14,397,275	122,146,617	60,911,262	55,004,495	50,465,890								409,142,489
Capitalization	-	412,351	39,365,144	24,753,464	92,511,695	9,322,868								205,152,998
Disposal during the year	-	-	-	-	(33,884,900)	-								(33,944,790)
Adjustment/Revaluation	-	-	-	-	-	-								-
Balance as on Asar end 2077	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					
Depreciation and Impairment														
As on Shrawan 1, 2075	-	38,232,531	111,038,002	104,777,858	143,878,125	47,866,388	158,330,735	76,860,712	680,984,350					
Depreciation charge for the Year	-	4,103,140	23,971,209	19,774,897	57,375,668	6,536,260								163,692,664
Impairment for the year	-	-	-	-	-	-								-
Disposals	-	-	-	-	(38,847,209)	-								(39,665,986)
Adjustment	-	-	-	-	-	-								-
As on Asar end 2076	-	42,335,671	135,009,210	124,552,755	162,406,583	54,402,647	200,733,254	85,570,907	805,011,027					
Depreciation charge for the Year	-	-	-	-	-	-								-
Impairment for the year	-	4,290,963	32,669,209	28,636,121	68,528,976	10,673,167								207,757,571
Disposals	-	-	-	-	(28,979,492)	-								(28,990,912)
Adjustment	-	8,197,276	58,010,191	37,424,297	34,330,593	31,828,337								223,688,506
As on Asar end 2077	-	54,823,909	225,688,610	190,613,173	236,286,661	96,904,151	257,024,339	146,125,350	1,207,466,193					
Capital Work in Progress														
Net Book Value														
As on Asar end 2075	829,637,410	130,591,458	126,185,448	55,233,381	166,650,734	27,925,972	188,160,325	35,184,845	1,559,569,574					
As on Asar end 2076	824,071,405	128,060,782	122,375,362	62,631,554	182,264,834	29,964,306	198,428,490	30,101,971	1,577,898,704					
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					

Goodwill and Intangible Assets

4.14

Particulars	Group					Total
	Goodwill	Software		Other	Total	
		Purchased	Developed			
Cost						
As on Shrawan 1, 2075	-	59,887,619	-	-	-	59,887,619
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	107,616,583	-	-	-	107,616,583
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	36,550.00	-	-	-	36,550
Balance as on Asar end 2076	-	167,467,651	-	-	-	167,467,651
Addition during the Year	-	-	-	-	-	-
Acquisition	-	22,933,450	-	-	-	22,933,450
Capitalization	-	37,948,997	-	-	-	37,948,997
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 2077	-	228,350,098	-	-	-	228,350,098
Amortization and Impairment						
As on Shrawan 1, 2075	-	37,243,808	-	-	-	37,243,808
Amortization charge for the Year	-	13,587,223	-	-	-	13,587,223
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	(36,550)	-	-	-	(36,550)
As on Asar end 2076	-	50,794,481	-	-	-	50,794,481
Amortization charge for the Year	-	34,363,759	-	-	-	34,363,759
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment (Acquisition)	-	18,900,785	-	-	-	18,900,785
As on Asar end 2077	-	104,059,025	-	-	-	104,059,025
Capital Work in Progress	-	2,983,775.00	-	-	-	2,983,775
Net Book Value						
As on Asar end 2075	-	22,643,811	-	-	-	22,643,811
As on Asar end 2076	-	116,673,171	-	-	-	116,673,171
As on Asar end 2077	-	127,274,848	-	-	-	127,274,848

Particulars	NMB					Total
	Goodwill	Software		Other	Total	
		Purchased	Developed			
Cost						
As on Shrawan 1, 2075	-	58,097,426	-	-	-	58,097,426
Addition during the Year	-	-	-	-	-	-
Acquisition	-	-	-	-	-	-
Capitalization	-	106,455,282	-	-	-	106,455,282
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 2076	-	164,552,707	-	-	-	164,552,707
Addition during the Year						
Acquisition	-	22,933,450	-	-	-	22,933,450
Capitalization	-	37,349,497	-	-	-	37,349,497
Disposal during the year	-	-	-	-	-	-
Adjustment/Revaluation	-	-	-	-	-	-
Balance as on Asar end 2077	-	224,835,654	-	-	-	224,835,654
Amortization and Impairment						
As on Shrawan 1, 2075	-	36,043,217	-	-	-	36,043,217
Amortization charge for the Year	-	13,100,691	-	-	-	13,100,691
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-
As on Asar end 2076	-	49,143,908	-	-	-	49,143,908
Amortization charge for the Year	-	33,925,800	-	-	-	33,925,800
Impairment for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Acquisition	-	18,900,785	-	-	-	18,900,785
As on Asar end 2077	-	101,970,493	-	-	-	101,970,493
Capital Work in Progress		2,983,775				2,983,775
Net Book Value						
As on Asar end 2075	-	22,054,209	-	-	-	22,054,209
As on Asar end 2076	-	115,408,800	-	-	-	115,408,800
As on Asar end 2077	-	125,848,936	-	-	-	125,848,936

Deferred Tax

4.15

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 -09)

Particulars	Group				NMB			
	Year ended 31 Asar 2077		Year ended 31 Asar 2077		Year ended 31 Asar 2077		Year ended 31 Asar 2077	
	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)	
Deferred tax on temporary differences on following items								
Loan and Advance to B/FIs	46,940,471	46,940,471	-	46,940,471	46,940,471	-	-	
Loans and advances to customers	4,057,791,136	4,126,649,722	(68,858,586)	4,057,791,136	4,057,791,136	-	-	
Investment properties	-	-	-	-	-	-	-	
Investment securities	11,729,455	3,797,712	7,931,743	-	(427,936)	427,936	-	
Property & equipment	1,968,881,228	1,902,085,851	66,795,377	1,940,900,858	1,881,643,171	59,257,687	-	
Employees' defined benefit plan	315,483,440	-	315,483,440	293,901,087	-	293,901,087	-	
Lease liabilities	-	-	-	-	-	-	-	
Provisions	7,076,989	-	7,076,989	5,544,336	-	5,544,336	-	
Deferred tax on temporary differences	1,922,370,816	1,823,842,127	98,528,689	1,903,523,366	1,795,784,052	107,739,314	-	
Deferred tax on carry forward of unused tax losses	156,681,766	-	156,681,766	156,681,766	-	156,681,766	-	
Deferred tax due to changes in tax rate								
Net Deferred tax asset/(liabilities) as on 31 Asar 2077			255,210,455			264,421,080	-	
Deferred tax (asset)/liabilities as on 31 Asar 2076			(65,559,281)			(70,040,593)		
Origination/(Reversal) during the year			189,651,174			194,380,487	-	
Deferred tax expense/(income) recognised in profit or loss			92,660			(3,561,365)	-	
Deferred tax expense/(income) recognised in other comprehensive income			8,106,470			7,032,350	-	
Deferred tax expense/(income) recognised in directly in equity (Merger)			(197,850,302)			(197,851,472)	-	

The opening deferred tax assets has been carried forward from Erstwhile Om Development Bank from merger amounting NPR. 197,851,472. The reconciliation is given below:

Particulars	NMB DTA	E-ODBL DTA	Opening Total	Recognized in PL/ OCI	Closing Total
OCI Items	23,339,687	14,396,723	37,736,410	(7,032,350)	30,704,060
PL Items	46,700,906	183,454,749	230,155,655	3,561,365	233,717,020
Total	70,040,593	197,851,472	267,892,065	(3,470,985)	264,421,080

Particulars	Group			NMB		
	Year ended 31 Asar 2076			Year ended 31 Asar 2076		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items						
Loan and Advance to B/FIs	34,147,985	34,147,985	-	34,147,985	34,147,985	-
Loans and advances to customers	1,364,777,431	1,407,356,962	(42,579,530)	1,364,777,431	1,364,777,431	-
Investment properties	-	-	-	-	-	-
Investment securities	-	(322,258)	322,258	-	(1,016,836)	1,016,836
Property & equipment	1,734,188,938	1,719,114,233	15,074,704	1,698,480,217	1,693,307,503	5,172,714
Employees' defined benefit plan	217,064,310	-	217,064,310	198,629,898	-	198,629,898
Lease liabilities	8,271,373	-	8,271,373	8,271,373	-	8,271,373
Provisions	9,078,445	-	9,078,445	9,078,445	-	9,078,445
Deferred tax on temporary differences	1,010,258,544	948,089,076	62,169,468	994,015,605	927,364,825	66,650,780
Deferred tax on carry forward of unused tax losses	3,389,813	-	3,389,813	3,389,813	-	3,389,813
Deferred tax due to changes in tax rate	-	-	-	-	-	-
Net Deferred tax asset/(liabilities) as on 31 Asar 2076			65,559,281			70,040,593
Deferred tax (asset)/liabilities as on 32 Asar 2075			(64,066,990)			(66,869,011)
Origination/(Reversal) during the year			1,492,290			3,171,581
Deferred tax expense/(income) recognised in profit or loss			(1,877,083)			(3,439,237)
Deferred tax expense/(income) recognised in other comprehensive income			384,793			267,656
Deferred tax expense/(income) recognised in directly in equity			-			-

Other assets

4.16

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

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Assets held for sale	-	-	-	-
Other non banking assets	-	-	-	-
Bills receivable	-	-	-	-
Accounts receivable	177,237,063	55,465,547	153,279,031	29,268,898
Accrued income	28,190,766	16,847,224	28,190,766	16,847,224
Prepayments and deposit	115,777,913	72,841,593	115,668,513	72,749,604
Income tax deposit	53,479,640	63,703,616	53,479,640	63,703,616
Deferred employee expenditure	1,085,590,826	739,878,746	1,085,590,826	739,878,746
Others:				
Advance Gold and Silver	-	228,747,129	-	228,747,129
Stock of Stationery	37,789,991	18,718,339	37,184,357	17,771,668
Fuel Stock	-	-	-	-
Gold Markup	-	32,513,857	-	32,513,857
Others	4,414,637	1,177,807	-	392,868
Total	1,502,480,835	1,229,893,858	1,473,393,132	1,201,873,611

The provision outstanding as of Asar end 2077 of NMB includes IPO receivables of erstwhile Bank of Asia and deposit of capital merchant finance amounting NPR. 5,544,336 and NPR. 2,763,544 respectively and are netted off with receivables and Cash and Cash Equivalent respectively

Due to Bank and Financial Institutions

4.17

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Money market deposits	-	-	-	-
Interbank borrowing	-	-	-	-
Other deposits from BFIs	-	-	-	-
Settlement and clearing accounts	-	-	-	-
Other deposits from BFIs	3,150,014,840	624,364,996	3,150,014,840	1,875,151,251
Total	3,150,014,840	624,364,996	3,150,014,840	1,875,151,251

Due to Nepal Rastra Bank

4.18

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Refinance from NRB	548,002,033	585,303,362	548,002,033	585,303,362
Standing Liquidity Facility	-	-	-	-
Lender of last report facility from NRB	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-
Other payable to NRB	4,284,499,510	2,618,219,710	4,284,499,510	2,618,219,710
Total	4,832,501,544	3,203,523,072	4,832,501,544	3,203,523,072

The Bank has an outstanding borrowing of NPR 548,002,033 (Schedule 4.18) from the Central Bank under Refinancing Facility available to Financial Institutions. The other payable to NRB is payable of Li.Ka Accounts of Government bodies. Due to Nepal Rastra Bank is subsequently measured at amortised cost.

Derivative financial instruments

4.19

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Held for trading	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	1,929,216,805	1,886,751,200	1,929,216,805	1,886,751,200
Forward exchange contract	8,048,554,459	6,014,776,452	8,048,554,459	6,014,776,452
Others	30,441,406	556,846,777	30,441,406	556,846,777
Held for risk management	-	-	-	-
Interest rate swap	-	-	-	-
Currency swap	-	-	-	-
Forward exchange contract	-	-	-	-
Other	-	-	-	-
Total	10,008,212,670	8,458,374,429	10,008,212,670	8,458,374,429

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.

Deposits from customers

4.20

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

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Institutions customers:				
Term deposits	33,198,582,895	28,320,801,308	33,198,582,895	28,370,801,308
Call deposits	9,938,961,813	8,951,169,615	10,782,602,657	7,794,742,075
Current deposits	8,115,763,797	5,494,378,104	8,115,763,797	5,494,378,104
Other	4,872,652,056	5,795,411,079	4,872,652,056	5,795,411,079
Individual customers:				
Term deposits	36,753,374,336	21,034,039,618	36,753,374,336	21,034,039,618
Saving deposits	38,986,251,258	28,928,443,210	37,517,098,463	27,845,721,815
Current deposits	263,384,873	188,742,494	263,384,873	188,742,494
Other	156,909,276	117,679,219	156,909,276	117,679,219
Total	132,285,880,304	98,830,664,647	131,660,368,354	96,641,515,712

4.20.1: Currency wise analysis of deposit from customers

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Nepalese rupee	126,800,932,313	93,284,403,713	126,175,420,362	91,095,254,778
Indian rupee	-	-	-	-
United State dollar	4,032,292,743	4,222,411,207	4,032,292,743	4,222,411,207
Great Britain pound	9,675,257	24,019,388	9,675,257	24,019,388
Euro	1,231,994,351	1,098,259,906	1,231,994,351	1,098,259,906
Japanese yen	-	8,288,556	-	8,288,556
Chinese yuan	198,010,966	183,800,655	198,010,966	183,800,655
Other	12,974,674	9,481,223	12,974,674	9,481,223
Total	132,285,880,305	98,830,664,647	131,660,368,354	96,641,515,712

Borrowing

4.21

The bank has brought initially offshore borrowing amounting USD 15 Mio. from International Financial Corporation(IFC), USD 15 Mio. from CDC Group, London and NPR. 169.56 Mio. from Micro small and medium enterprises bonds, S.A, Luxembourg out of which partial payment of principal has been done.

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Domestic Borrowing				
Nepal Government	-	-	-	-
Other Institutions	1,301,841,701	1,360,240,209	-	-
Other	-	-	-	-
Sub total	1,301,841,701	1,360,240,209	-	-
Foreign Borrowing				
Foreign Bank and Financial Institutions	3,416,310,000	3,468,060,000	3,416,310,000	3,468,060,000
Multilateral Development Banks	-	-	-	-
Other Institutions	-	-	-	-
Sub total	3,416,310,000	3,468,060,000	3,416,310,000	3,468,060,000
Total	4,718,151,701	4,828,300,209	3,416,310,000	3,468,060,000

Provisions

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Provisions for redundancy	-	-	-	-
Provision for restructuring	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-
Onerous contracts	-	-	-	-
Other	2,125,593	224,219	-	-
Total	2,125,593	224,219	-	-

4.22.1: Movement in provision

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Balance at Shrawan 1	73,556	73,556	-	-
Provisions made during the year	-	135,665	-	-
Provisions used during the year	-	-	-	-
Provisions reversed during the year	2,052,037	14,999	-	-
Unwind of discount	-	-	-	-
Balance at Asar end	2,125,593	224,219	-	-

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Liability for employees defined benefit obligations	113,307,933	73,230,653	95,134,118	59,445,250
Liability for long-service leave	210,361,689	138,853,762	198,349,491	128,750,654
Short-term employee benefits	2,091,720	1,028,442	53,029	-
Bills payable	67,457,885	97,620,487	67,457,885	97,620,487
Creditors and accruals	2,865,580,074	1,374,872,190	1,769,190,932	923,806,589
Interest payable on deposit	599,471,919	419,841,689	599,471,919	419,841,689
Interest payable on borrowing	36,691,970	38,556,051	35,892,480	38,531,865
Liabilities on deferred grant income	-	2,233,207	-	-
Unpaid Dividend	6,069,100	5,128,793	6,069,100	5,128,793
Liabilities under Finance Lease	-	8,271,373	-	8,271,373
Employee bonus payable	292,926,751	379,065,397	270,533,847	360,889,315
Others:	-	-	-	-
TDS Payable	127,784,903	103,798,365	125,790,318	102,551,154
Audit Fee Payable	1,484,075	1,258,075	1,344,700	1,118,700
Others	4,739,952	32,194,889	-	-
Total	4,327,967,972	2,675,953,373	3,169,287,821	2,145,955,868

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Present value of unfunded obligations	257,601,675	153,625,139	230,785,294	130,414,488
Present value of funded obligations	394,047,064	257,307,396	394,047,064	257,307,396
Total present value of obligations	651,648,739	410,932,535	624,832,358	387,721,884
Fair value of plan assets	298,912,946	197,862,146	298,912,946	197,862,146
Present value of net obligations	325,919,412	189,859,738	325,919,412	189,859,738
Recognised liability for defined benefit obligations	651,648,739	410,932,535	624,832,358	387,721,884

4.23.2: Plan assets

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Plan assets comprise	-	-	-	-
Equity securities	-	-	-	-
Government bonds	-	-	-	-
Bank deposit	298,912,946	130,819,168	298,912,946	130,819,168
Other	-	-	-	-
Total	298,912,946	130,819,168	298,912,946	130,819,168

4.23.3: Movement in the present value of defined benefit obligations

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Defined benefit obligations at Shrawan 1 (including merger)	517,241,553	294,791,246	496,886,808	275,062,069
Actuarial losses	75,209,613	27,201,771	75,051,376	25,980,978
Benefits paid by the plan	(56,002,609)	(18,960,091)	(53,137,738)	(17,729,820)
Current service costs and interest	115,200,182	107,899,609	106,031,912	104,408,657
Defined benefit obligations at Asar end	651,648,739	410,932,535	624,832,358	387,721,884

4.23.4: Movement in the fair value of plan assets

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Fair value of plan assets at Shrawan 1 (including merger)	254,497,664	130,819,168	254,497,664	130,819,168
Contributions paid into the plan	59,445,250	60,864,641	59,445,250	60,864,641
Benefits paid during the year	(23,309,033)	(9,419,548)	(23,309,033)	(9,419,548)
Actuarial (losses) gains	8,279,065	15,597,885	8,279,065	15,597,885
Expected return on plan assets	-	-	-	-
Fair value of plan assets at Asar end	298,912,946	197,862,146	298,912,946	197,862,146

4.23.5: Amount recognised in profit or loss

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Current service costs	81,436,423	81,836,905	74,074,087	81,051,928
Interest on obligation	74,746,591	34,162,523	73,057,784	32,469,867
Expected return on plan assets	-	-	-	-
Total	156,183,014	115,999,428	147,131,871	113,521,795

4.23.6: Amount recognised in other comprehensive income

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Actuarial (gain)/loss	(17,561,568)	(2,932,011)	(17,970,646)	(888,969)
Total	(17,561,568)	(2,932,011)	(17,970,646)	(888,969)

4.23.7: Actuarial assumptions

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Discount rate	9.00%	9.00%	9.00%	9.00%
Expected return on plan asset	-	-	-	-
Future salary increase	7.00%	8.00%	7.00%	8.00%
Withdrawal rate	16.00%	16.00%	16.00%	16.00%

There is 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

4.24

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Debt securities issued designated as at fair value through profit or loss	-	-	-	-
Debt securities issued at amortised cost	2,279,834,432	2,239,236,412	2,279,834,432	2,239,236,412
Total	2,279,834,432	2,239,236,412	2,279,834,432	2,239,236,412

The Bank had issued non-convertible "7% NMB Debenture 2077" on 6 Falgun 2071 (18 February 2015) amounting to NPR 500 Million. The Debenture, which was fully subscribed, has a maturity period of 5 years 6 months and will mature next year. The bank had also issued "NMB Debenture 2085" with maturity on 11 April 2029 and allotted debenture of NPR. 1,68,45,05,000 on 12 April 2019 (29 Chaitra 2075). The debenture has been measured at amortized cost and includes NPR. 102,003,949 interest payable amount as on fiscal year end 2077.

Subordinated Liabilities

4.25

The bank does not have any subordinate liabilities as on reporting date.

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Redeemable preference shares	-	-	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

4.26

Share capital

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Ordinary shares	13,950,987,467	9,618,162,652	13,950,987,467	9,618,162,652
Convertible preference shares (equity component only)	-	-	-	-
Irredeemable preference shares (equity component only)	-	-	-	-
Perpetual debt (equity component only)	-	-	-	-
Total	13,950,987,467	9,618,162,652	13,950,987,467	9,618,162,652

4.26.1: Ordinary shares

Particulars	NMB	
	As at 31 Asar 2077	As at 31 Asar 2076
Authorized Capital		
160,000,000 Ordinary share of Rs. 100 each	16,000,000,000	10,000,000,000
Issued capital		
139,509,875 Ordinary share of Rs. 100 each	13,950,987,467	9,618,162,652
Subscribed and paid up capital		
139,509,875 Ordinary share of Rs. 100 each	13,950,987,467	9,618,162,652
Total	13,950,987,467	9,618,162,652

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
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

Total fractional share is 72,855.51 as on Ashadh end 2077. Fraction share usually come from issue of bonus share and split of share also.

4.2.6.2: Ordinary share ownership

Particulars	NMB			
	As at 31 Asar 2077		As at 32 Asar 2076	
	Percent	Amount	Percent	Amount
Domestic ownership				
Nepal Government	81.46	11,363,816,285	77.77	7,480,004,650
"A" class licensed institutions	-	-	-	-
Other licensed institutions	-	-	-	-
Other Institutions	11.42	1,593,733,511	13.70	1,317,708,100
Public	70.03	9,770,082,774	64.07	6,162,296,550
Other	-	-	-	-
Foreign ownership	18.54	2,587,171,182	22.23	2,138,158,002
Total	100.00	13,950,987,467	100.00	9,618,162,652

The details of shareholders holding shares above 0.5% as of Asar end 2077 are given below:

Shareholder's Name	Share Units	% holding
1. Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	19,781,429	14.18
2. Employees Provident Fund	7,984,840	5.72
3. Yong Lian Realty Sdn Bhd	6,090,281	4.37
4. Gayatri Investment And Management P. Ltd.	2,831,378	2.03
5. Nand Kishore Rathi	2,433,289	1.74
6. Dhananjaya Prasad Acharya	2,207,403	1.58
7. Sunil Kumar Goshali	1,496,156	1.07
8. Santosh Rathi	1,399,268	1.00
9. Sushil Kumar Goshali	1,361,183	0.98
10. Pawan Kumar Golyan	1,334,696	0.96
11. Yogendra Lal Pradhan	1,316,893	0.94
12. Santosh Devi Murarka	1,147,864	0.82
13. Purushotam Lal Sanghai	1,044,224	0.75
14. Balaram Neupane	793,692	0.57
15. Dinbandhu Agrawal	773,944	0.55
16. Anant Kumar Golyan	742,496	0.53

Reserves

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Statutory general reserve	3,035,326,681	2,141,571,472	3,010,879,579	2,123,306,659
Exchange equalisation reserve	102,426,313	78,376,972	102,426,313	78,376,972
Corporate social responsibility reserve	24,394,685	49,146,943	23,390,919	48,442,603
Capital redemption reserve	500,000,000	400,000,000	500,000,000	400,000,000
Regulatory reserve	884,132,928	818,733,064	884,132,928	818,733,064
Investment adjustment reserve	11,500,000	10,000,000	11,500,000	10,000,000
Capital reserve	-	-	603,656,544	-
Assets revaluation reserve	-	-	-	-
Fair value reserve	(10,109,962)	(5,092,298)	(10,109,962)	(5,543,798)
Dividend equalisation reserve	-	-	-	-
Actuarial gain	(67,764,501)	(51,397,994)	(66,886,117)	(48,915,471)
Special reserve	-	-	-	-
Other reserves:	-	-	-	-
- Deferred Tax Reserve	11,445,500	5,997,582	-	-
- Capital Adjustment Fund	57,326,449	57,326,449	57,326,449	57,326,449
Staff Skill Development Fund	693,902	-	693,902	-
-NMB Staff Relief Fund	10,000,000	10,000,000	10,000,000	10,000,000
Others	623,692,726	4,526,568	-	-
Total	5,183,064,720	3,519,188,757	5,127,010,555	3,491,726,477

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 and staff relief fund.

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 to 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:

Particulars	As at 31 Asar 2077 (A)	As at 31 Asar 2076 (B)	Transfer from Merger Om Development Bank - 26 September 2019 (C)	Transfer from Regulatory Reserve (FY 2076/77) (B+C-A)
Accrued interest on Loans and Advances recognized as Income	492,537,377	591,317,341	217,487,203	316,267,166
Provision of Non - Banking Assets (Investment Property)	50,178,392	102,915,862	-	52,737,470
Deferred Tax Assets	264,421,080	70,040,593	197,851,475	3,470,988
Actuary Losses	66,886,117	48,915,471	-	(17,970,646)
Fair value adjustment of Equity Shares	10,109,962	5,543,798	47,989,082	43,422,918
Bargain Gain	-	-	-	-
Total	884,132,928	818,733,064	463,327,760	397,927,896

The Accrued Interest Receivables and Non Banking Assets outstanding as on 31 Asar 2076 of NMB Bank is Gross of Staff Bonus and Tax while that of outstanding amount as on Asar end 2077 is Net of Staff Bonus and Tax as per NRB Directive. The bank has considered interest received up to Ashwin end 2077 amounting NPR. 965 Mio. as an income to Regulatory Reserve. 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 2077.

Contingent liabilities and commitments

4.28

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Contingent liabilities	42,869,258,079	44,144,526,363	42,869,258,079	44,144,526,363
Undrawn and undisbursed facilities	67,808,141,223	43,884,977,705	67,808,141,223	43,884,977,705
Capital commitment	6,110,765	66,303,121	5,560,765	65,753,121
Lease Commitment	-	-	-	-
Litigation	205,357,253	175,096,180	205,357,253	175,096,180
Total	110,888,867,320	88,270,903,369	110,888,317,320	88,270,353,369

4.28.1: Contingent liabilities

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Acceptance and documentary credit	21,057,495,997	20,275,562,695	21,057,495,997	20,275,562,695
Bills for collection	3,509,808,120	5,205,236,496	3,509,808,120	5,205,236,496
Forward exchange contracts	-	-	-	-
Guarantees	18,301,953,962	18,663,727,172	18,301,953,962	18,663,727,172
Underwriting commitment	-	-	-	-
Other commitments	-	-	-	-
Total	42,869,258,079	44,144,526,363	42,869,258,079	44,144,526,363

4.28.2: Undrawn and undisbursed facilities

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Undisbursed amount of loans	9,307,661,920	8,081,845,898	9,307,661,920	8,081,845,898
Undrawn limits of overdrafts	7,082,681,029	4,350,254,360	7,082,681,029	4,350,254,360
Undrawn limits of credit cards	1,931,151,142	99,140,074	1,931,151,142	99,140,074
Undrawn limits of letter of credit	33,483,052,874	20,525,761,911	33,483,052,874	20,525,761,911
Undrawn limits of guarantee	16,003,594,259	10,827,975,461	16,003,594,259	10,827,975,461
Total	67,808,141,223	43,884,977,705	67,808,141,223	43,884,977,705

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 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Capital commitments in relation to Property and Equipment				
Approved and contracted for	6,110,765	6,583,583	5,560,765	6,033,583
Approved but not contracted for	-	-	-	-
Sub total	6,110,765	6,583,583	5,560,765	6,033,583
Capital commitments in relation to Intangible assets				
Approved and contracted for	-	59,719,538	-	59,719,538
Approved but not contracted for	-	-	-	-
Sub total	-	59,719,538	-	59,719,538
Total	6,110,765	66,303,121	5,560,765	65,753,121

4.28.4: Lease commitments

Particulars	Group		NMB	
	As at 31 Asar 2077	As at 31 Asar 2076	As at 31 Asar 2077	As at 31 Asar 2076
Operating lease commitments				
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	-	-	-	-
Sub total	-	-	-	-

Finance lease commitments

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	-	-	-	-
Sub total	-	-	-	-
Grand total	-	-	-	-

The bank has not applied NAS 17 as all its agreements are cancellable lease agreement. The lease agreement is non-cancelable only for the period of 3-6 months as either lessor or lessee can give notice for the said period and cancel the contract without significant penalties

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:

Fiscal Year	Status	Disputed Tax Amount
NMB Bank Limited		
FY 2063-64	Appealed to Supreme Court on 2070.11.15 for which the final decision is pending	33,987,589
FY 2064-65	Appealed to Supreme Court on 2071.09.24 for which the final decision is pending	28,485,319
FY 2066-67	Appealed to Revenue Tribunal against the decision of IRD on 2075.02.08 for which the final decision is pending	35,920,682
FY 2067-68	Appealed to Revenue Tribunal against the decision of IRD on 2075.02.08 for which the final decision is pending	7,971,316
FY 2068-69	Appealed to Revenue Tribunal against the decision of IRD on 2074.04.16 for which the final decision is pending	5,891,178
FY 2069-70	Appealed to Revenue Tribunal against the decision of IRD on 2076.1.28 for which the final decision is pending	17,415,616
FY 2070-71	Appealed to Revenue Tribunal against the decision of IRD on 2076.1.28 for which the final decision is pending	4,982,475
FY 2071-72	Appealed to Revenue Tribunal against the decision of IRD on 2076.1.28 for which the final decision is pending	7,475,620
Total		142,129,794
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	5,676,384
FY 2066-67	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	22,554,593
FY 2067-68	Appealed to Revenue Tribunal against the decision of IRD on 2074.04.16 for which the final decision is pending	8,237,746
FY 2068-69	Appealed to Revenue Tribunal against the decision of IRD on 2074.04.16 for which the final decision is pending	4,301,136
FY 2069-70	Appealed to Revenue Tribunal against the decision of IRD on 2076.05.19 for which the final decision is pending	3,261,429
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 IRD for Administrative Review against the decision of LTO on 2076.06.08 for which final decision is pending	4,503,387
Total		52,315,345
Erstwhile Prudential Finance Company Limited		
FY 2065-66	Appealed to IRD for Administrative Review on 2070.07.29 for which the final decision is pending	5,659,272
Total		5,659,272
Erstwhile Bhrikuti Development Bank Limited		
FY 2071-72	Appealed to IRD for Administrative Review on 2076.04.07 for which final decision is pending	209,137
Total		209,137
Erstwhile OM Development Bank Limited		
	Decisions pending at various appellate authority	5,043,705
Total		5,043,705
Grand Total		205,357,253

Since decisions for these cases are pending, disputed tax amount of NPR 205,357,253 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 2076/77, self-Assessment Returns filed by NMB Bank Ltd. for FY 2072/73 to 2075/76 and by erstwhile Clean Energy Development Bank Ltd. for FY 2072/73, erstwhile Bhrikuti Development Bank Ltd. for FY 2072/73, erstwhile Manastu Bikas Bank for FY 2072/73 to 2073/74, erstwhile OM finance for 2072/73 and Om Development Bank for 2072/73 to 2076/77 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.

Interest income

4.29

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 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Cash and cash equivalent	1,580,681	62,214,239	35,149,953	13,780,049
Due from Nepal Rastra Bank	-	-	-	-
Placement with bank and financial institutions	194,643,447	140,169,449	194,643,447	140,169,449
Loan and advances to bank and financial institutions	457,196,556	145,439,154	457,196,556	145,439,154
Loans and advances to customers	13,600,017,918	10,625,666,262	13,023,073,302	10,172,263,538
Investment securities	626,305,260	514,448,520	563,931,081	494,048,717
Loan and advances to staff	140,904,138	90,208,322	140,904,138	90,208,322
Other	28,074,090	29,627,873	28,074,090	26,149,802
Total interest income	15,048,722,089	11,607,773,819	14,442,972,567	11,082,059,031

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 37,564,336 has been reversed and credited to Interest Suspense during the reporting period.

Interest expense

4.30

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

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Due to bank and financial institutions	38,024,135	69,566,217	38,024,135	69,566,217
Due to Nepal Rastra Bank	21,444,624	17,217,476	21,444,624	17,217,476
Deposits from customers	8,469,829,909	6,599,609,495	8,484,734,463	6,532,587,197
Borrowing	414,844,655	323,435,591	198,652,125	135,757,511
Debt securities issued	203,897,305	82,909,684	203,897,305	82,909,684
Subordinated liabilities	-	-	-	-
Other	-	-	-	-
Total interest expense	9,148,040,628	7,092,738,463	8,946,752,652	6,838,038,085

Fees and Commission Income

4.31

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Loan administration fees	-	-	-	-
Service fees	548,406,302	489,096,397	405,316,696	341,530,916
Consortium fees	14,074,520	29,596,921	14,074,520	29,596,921
Commitment fees	2,815,456	2,882,016	2,815,456	2,882,016
DD/TT/Swift fees	17,176,250	19,347,569	17,176,250	19,347,569
Credit card/ATM issuance and renewal fees	41,600,703	39,088,343	41,600,703	39,088,343
Prepayment and swap fees	16,505,304	25,663,923	16,505,304	25,663,923
Investment banking fees	-	-	-	-
Asset management fees	-	-	-	-
Brokerage fees	-	3,087,144	-	-
Remittance fees	17,769,538	20,917,818	17,769,538	20,917,818
Commission on letter of credit	70,367,397	75,591,404	70,367,397	75,591,404
Commission on guarantee contracts issued	173,388,655	250,984,009	173,388,655	250,984,009
Commission on share underwriting/issue	-	-	-	-
Locker rental	1,974,785	2,705,220	1,974,785	2,705,220
Other fees and commission income:				
Bills Purchase and Discount	-	-	-	-
Collection Fee	9,001,833	9,408,164	9,001,833	9,408,164
Agency Commission	12,436,389	13,385,760	12,436,389	13,385,760
Others	135,156,418	177,472,314	131,942,197	172,428,803
Total fees and Commission Income	1,060,673,551	1,159,227,002	914,369,723	1,003,530,866

Fees and commission expense

4.32

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
ATM management fees	45,711,508	39,410,044	45,711,508	39,410,044
VISA/Master card fees	24,356,072	22,801,865	24,356,072	22,801,865
Guarantee commission	-	-	-	-
Brokerage	-	-	-	-
DD/TT/Swift fees	10,054,966	8,585,284	10,054,966	8,585,284
Remittance fees and commission	-	-	-	-
Other fees and commission expense	27,794,736	30,621,497	27,794,736	23,158,077
Total fees and Commission Expense	107,917,283	101,418,691	107,917,283	93,955,270

Net trading income

4.33

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Changes in fair value of trading assets	-	-	-	-
Gain/loss on disposal of trading assets	-	-	-	-
Interest income on trading assets	-	-	-	-
Dividend income on trading assets	-	-	-	-
Gain/loss foreign exchange transaction	384,157,101	352,049,490	384,157,101	352,049,490
Other	-	-	-	-
Net trading income	384,157,101	352,049,490	384,157,101	352,049,490

Other operating income

4.34

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
	Foreign exchange revaluation gain	96,039,275	88,012,372	96,039,275
Gain/loss on sale of investment securities	2,459,519	2,870,741	2,455,619	-
Fair value gain/loss on investment properties	-	-	-	-
Dividend on equity instruments	91,145,792	72,599,705	89,339,371	71,020,758
Gain/loss on sale of property and equipment	9,439,585	35,200,614	9,439,585	35,200,614
Gain/loss on sale of investment property	2,084,605	504,476	2,084,605	504,476
Operating lease income	-	-	2,390,263	2,172,966
Gain/loss on sale of gold and silver	4,976,946	13,462,733	4,976,946	13,462,733
Other	11,926,267	-	8,639,128	-
Total	218,071,990	212,650,641	215,364,793	210,373,919

Impairment charge/(reversal) for loan and other losses

4.35

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
	Impairment charge/(reversal) on loan and advances to B/FIs	7,151,814	-	7,151,814
Impairment charge/(reversal) on loan and advances to customer	1,673,663,414	176,055,082	1,620,467,174	166,272,634
Impairment charge/(reversal) on financial investment	1,630,787	-	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	(453,753)	-	(453,753)	-
Impairment charge/(reversal) on property and equipment	-	-	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-	-	-
Impairment charge/(reversal) on investment properties	-	-	-	-
Total	1,681,992,262	176,055,082	1,627,165,235	166,272,634

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Salary	628,711,999	497,302,046	549,995,858	433,615,983
Allowances	532,581,665	404,821,146	455,440,643	335,490,961
Gratuity expense	72,375,157	57,559,486	67,077,930	58,175,295
Provident fund	57,295,205	41,150,814	50,334,782	35,951,632
Uniform	-	-	-	-
Training & development expense	20,065,407	32,912,733	17,390,917	28,304,668
Leave encashment	159,476,821	114,124,812	153,328,829	105,465,657
- Sick Leave Expenses	29,970,268	40,593,618	27,478,836	32,603,472
-Leave Fare Expenses	76,589,203	50,599,234	73,274,888	50,119,157
-Home Leave Expenses	52,917,350	22,931,960	52,575,105	22,743,028
Medical	-	-	-	-
Insurance	784,165	1,137,739	-	-
Employees incentive	-	1,300,096	-	-
Cash-settled share-based payments	-	-	-	-
Pension expense	-	-	-	-
Finance expense under NFRS	56,797,451	21,878,721	56,797,451	21,878,721
Other expenses related to staff	28,901,783	36,523,678	26,597,664	36,021,261
- Recruitment and Selection Expenses	-	205,178	-	-
- Staff Welfare Expenses	28,901,783	36,318,500	26,597,664	36,021,261
Subtotal	1,556,989,653	1,208,711,270	1,376,964,074	1,054,904,178
Employees bonus	291,466,360	378,471,332	270,533,847	360,889,315
Grand total	1,848,456,013	1,587,182,602	1,647,497,921	1,415,793,493

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Directors' fee	3,081,700	4,360,655	2,212,400	3,207,000
Directors' expense	2,489,072	2,099,053	2,401,145	2,082,488
Auditors' remuneration	1,531,676	1,539,393	1,118,700	1,118,700
Other audit related expense	1,135,882	1,101,864	373,656	300,182
Professional and legal expense	9,886,320	3,505,675	5,580,140	3,344,731
Office administration expense	724,899,399	577,594,407	682,280,446	542,985,366
Operating lease expense	195,651,271	149,178,241	180,467,776	134,965,710
Operating expense of investment properties	-	-	-	-
Corporate social responsibility expense	42,728,640	5,679,038	42,725,660	5,678,558
Onerous lease provisions	-	-	-	-
Others	16,754,945	19,095,171	18,413,993	14,978,672
Total	998,158,904	764,153,498	935,573,915	708,661,406

4.37.1 Office administration expense

Water and Electricity	39,312,029	32,627,629	38,116,695	31,420,687
Repair and Maintenance				
(a) Building	919,943	635,180	919,943	568,375
(b) Vehicles	4,731,141	3,929,037	4,503,925	3,515,799
(c) Computer and Accessories	2,512,913	2,928,218	2,489,253	2,620,242
(d) Office Equipment and Furniture	5,366,902	7,593,188	5,307,001	6,794,572
(e) Others	5,414,717	4,282,426	4,128,539	3,832,021
Insurance	39,082,371	17,854,902	30,706,670	17,578,042
Postage, Telex, Telephone, Fax	78,559,687	59,387,524	75,768,102	56,205,013
Printing and Stationery	51,374,997	45,633,378	48,068,473	40,910,154
Newspaper, Books and Journals	618,408	637,480	569,582	524,039
Advertisements	125,971,482	73,970,329	123,565,253	73,269,284
Donations	5,000	43,445	-	15,000
Security Expenses	123,876,724	107,035,922	123,320,298	106,630,907
Deposit Guarantee Expenses	31,300,005	23,573,388	31,300,005	23,573,388
Travelling Allowances and Expenses	24,626,811	32,427,002	16,811,543	21,905,537
Entertainment	-	-	-	-
Annual/special general meeting Expenses	4,049,493	3,428,634	3,467,007	3,055,969
Others	187,176,777	161,606,724	173,238,157	150,566,337
Business Promotion	11,599,733	22,889,213	11,599,733	22,452,358
Membership Fee	11,352,487	11,474,244	10,139,437	10,424,244
Bank Charges and Commission	634,120	306,020	626,860	306,020
Rates and Taxes	9,021,402	7,915,301	8,262,801	6,884,216
IS Audit-Compliance Expenses	3,349,320	1,191,458	3,349,320	1,191,458
Dematerialization Expenses	2,616,661	-	2,616,661	-
Issue And Surveillance Expenses	17,642,382	5,765,104	13,530,200	5,765,104
Merger Expenses	2,764,516	433,862	2,764,516	433,862
Office Expenses	63,350,029	49,315,657	62,575,372	48,606,865
Vehicle fuel	27,121,790	27,438,318	26,767,147	26,733,578
Outsource Staff Expenses	37,724,336	34,877,547	31,006,109	27,768,631
Total	724,899,399	577,594,407	682,280,446	542,985,366

Depreciation and Amortisation

4.38

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 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Depreciation on property and equipment	218,056,140	174,082,276	207,757,571	163,692,664
Depreciation on investment property	-	-	-	-
Amortisation of intangible assets	34,363,759	13,587,223	33,925,800	13,100,691
Total	252,419,899	187,669,499	241,683,371	176,793,355

Non operating income

4.39

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

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Recovery of loan written off	18,512,709	17,090,672	18,512,709	17,090,672
Other income	1,906,401	-	-	-
Total	20,419,110	17,090,672	18,512,709	17,090,672

Non operating expense

4.40

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

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Loan written off	33,981,887	14,622,195	33,981,887	14,622,195
Redundancy provision	-	-	-	-
Expense of restructuring	-	-	-	-
Other expense	-	2,986,953	-	2,983,706
Total	33,981,887	17,609,148	33,981,887	17,585,901

Income tax expense

4.41

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

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Current tax expense	782,188,888	1,043,451,780	725,589,473	994,167,044
Current year	775,146,443	1,041,813,251	718,547,028	992,528,515
Adjustments for prior years	7,042,445	1,638,529	7,042,445	1,638,529
Deferred tax expense	(11,919,041)	(7,988,980)	(3,561,365)	(3,439,237)
Origination and reversal of temporary differences	(11,919,041)	(7,988,980)	(3,561,365)	(3,439,237)
Changes in tax rate	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Total income tax expense	770,269,847	1,035,462,800	722,028,108	990,727,807

4.41.1: Reconciliation of tax expense and accounting profit

Particulars	Group		NMB	
	Year ended 31 Asar 2077	Year ended 31 Asar 2076	Year ended 31 Asar 2077	Year ended 31 Asar 2076
Profit before tax	2,625,287,664	3,408,322,698	2,434,804,629	3,248,003,834
Tax amount at tax rate of 30 %	787,586,299	1,022,496,809	730,441,389	974,401,150
Add: Tax effect of expenses that are not deductible for tax purpose	715,395,903	265,093,198	713,465,136	261,507,446
Less: Tax effect on exempt income	14,873,820	14,674,649	14,873,820	14,674,649
Add/less: Tax effect on other items	712,961,939	231,102,107	710,485,676	228,705,433
Less: Tax effect of expenses allowed/Income that are not allowed for tax purpose	684,588,436	228,049,023	682,112,173	225,315,620
Less: Tax effect of carried forward losses	28,373,503	3,053,084	28,373,503	3,389,813
Total income tax expense	775,146,444	1,041,813,251	718,547,029	992,528,515
Effective tax rate	29.53%	30.57%	29.51%	30.56%

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2019-20 (FY 2076/2077)

Rs. in '000'

Condensed Consolidated Statement of Financial Position	This Quarter Ending	Immediate Previous Year Ending(Audited)
Assets		
Cash and cash equivalent	11,101,113	8,096,355
Due from Nepal Rastra Bank	15,250,101	10,829,182
Placement with Bank and Financial Institutions	3,304,242	2,172,967
Derivative financial instruments	10,066,296	8,595,482
Other trading assets	266,890	340,390
Loan and advances to B/FIs	4,641,005	3,317,962
Loans and advances to customers	115,703,255	88,485,031
Investment securities	14,998,756	10,316,351
Current tax assets	55,886	-
Investment in subsidiaries	372,488	248,552
Investment in associates	-	-
Investment property	79,648	102,916
Property and equipment	1,758,439	1,577,899
Goodwill and Intangible assets	122,865	115,409
Deferred tax assets	270,789	70,041
Other assets	1,431,601	1,201,874
Total Assets	179,423,373	135,470,410
Liabilities		
Due to Bank and Financial Institutions	3,150,015	1,875,151
Due to Nepal Rastra Bank	4,832,502	3,203,523
Derivative financial instruments	10,008,213	8,458,374
Deposits from customers	131,660,368	96,641,516
Borrowing	3,416,310	3,468,060
Current Tax Liabilities		35,579
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	3,209,677	2,145,956
Debt securities issued	2,279,834	2,239,236
Subordinated Liabilities	-	-
Total liabilities	158,556,919	118,067,395
Equity		
Share capital	13,950,987	9,618,163
Share premium	120,167	2,512,799
Retained earnings	964,014	1,780,327
Reserves	5,831,285	3,491,726
Total equity attributable to equity holders	20,866,454	17,403,014
Non-controlling interest	-	-
Total equity	20,866,454	17,403,014
Total liabilities and equity	179,423,373	135,470,410

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2019-20 (FY 2076/2077)

Rs. in '000'

Condensed Consolidated Statement of Profit or Loss	Up to this Quarter	Up to Corresponding Previous Year Quarter (Audited)
Interest income	14,472,366	11,082,059
Interest expense	8,946,753	6,838,038
Net interest income	5,525,614	4,244,021
Fees and Commission Income	914,171	1,003,531
Fees and commission expense	106,923	93,955
Net fee and commission income	807,249	909,576
Net interest, fee and commission income	6,332,862	5,153,597
Net trading income	384,157	352,049
Other operating income	218,035	210,374
Total operating income	6,935,055	5,716,020
Impairment charge/(reversal) for loans and other losses	1,619,605	166,273
Net operating income	5,315,450	5,549,747
Operating expense		-
Personnel expenses	1,706,503	1,415,793
Other operating expenses	932,259	708,661
Depreciation & Amortisation	242,023	176,793
Operating Profit	2,434,665	3,248,499
Non operating income	627,146	17,091
Non operating expense	59,898	17,586
Profit before income tax	3,001,913	3,248,004
Income tax expense		-
Current Tax	731,243	994,167
Deferred Tax expense/(Income)	-	(3,439)
Profit for the period	2,270,670	2,257,276
Condensed Consolidated Statement of Comprehensive Income		
Profit/Loss for the period	2,270,670	2,257,276
Other Comprehensive Income	11,056	625
Total Comprehensive Income	2,281,726	2,257,901
Statement showing Net Profit after Regulatory Adjustments:		
Net Profit for the period ended 31 Asadh 2077		2,270,670
Profit required to be appropriated to statutory reserve		(788,018)
Profit required to be transfer to Regulatory Reserve		(55,823)
Net Profit for the period ended 31 Asar 2077 available for distribution		1,426,829

Unaudited Financial Results (Quarterly)

Fourth Quarter ended of Fiscal Year 2019-20 (FY 2076/2077)

Ratios	Upto This Quarter (YTD)	Up to Corresponding Previous Year Quarter
Capital fund to RWA	14.56%	15.43%
Non performing loan (NPL) to total loan	2.68%	0.82%
Total loan loss provision to Total NPL	125.35%	184.94%
Cost of Funds (YTD)	6.99%	7.26%
CCD Ratio	72.68%	73.31%
Base Rate	8.95%	9.86%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter	4.05%	4.91%
Additional Informations:		
Average Yield (YTD Average)	10.67%	10.80%
Return on Equity (Annualized)	10.78%	13.32%
Return on Assets (Annualized)	1.32%	1.83%
PE Ratio (Annualized)	23.72	16.23
Net-Worth per share (NPR)	149.57	180.94
Assets per share (NPR)	1,286.10	1,408.49
Liquidity Ratio (NLA)	27.33%	28.28%

Comparison Unaudited and Audited Financial Statements as of FY 2019-2020 (FY 2076/77)

Rs. in '000'

Statement of Financial Position		As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In amount	In %	
Assets						
Cash and cash equivalent	11,101,113	11,098,349	(2,764)	-0.02%	Due to net off provision of Capital Merchant Balance	
Due from Nepal Rastra Bank	15,250,101	15,249,999	(102)	0.00%	Due to rounding off figure.	
Placement with Bank and Financial Institutions	3,304,242	3,304,234	(8)	0.00%	Due to rounding off figure.	
Derivative financial instruments	10,066,296	10,066,296	-	0.00%		
Other trading assets	266,890	266,890	-	-		
Loan and advances to B/FIs	4,641,005	4,665,865	24,860	0.54%	Due to reclassification to Loan and Advances to Customers and change in provision	
Loans and advances to customers	115,703,255	115,668,473	(34,783)	-0.03%	Due to reclassification to Loan and Advances to BFI's and change in provision	
Investment securities	14,998,756	14,998,756	-	0.00%		
Current tax assets	55,886	61,461	5,575	9.98%	Due to change in tax	
Investment in subsidiaries	372,488	372,488	-	-		
Investment in associates	-	-	-	-		
Investment property	79,648	79,648	(0)	0.00%		
Property and equipment	1,758,439	1,755,794	(2,645)	-0.15%	Due to adjustment of depreciation	
Goodwill and intangible assets	122,865	125,849	2,984	2.43%	Due to adjustment of impairment	
Deferred tax assets	270,789	264,421	(6,368)	-2.35%	Due to adjustment of deferred tax	
Other assets	1,431,601	1,473,393	41,792	2.92%	Due to change in deferred employee expenditure and Exp. Provision	
Total Assets	179,423,373	179,451,915	28,542	0.02%		
Liabilities						
Due to Bank and Financial Institutions	3,150,015	3,150,015	(0)	0.00%		
Due to Nepal Rastra Bank	4,832,502	4,832,502	0	0.00%		
Derivative financial instruments	10,008,213	10,008,213	-	0.00%		
Deposits from customers	131,660,368	131,660,368	0	0.00%		
Borrowing	3,416,310	3,416,310	-	0.00%		
Current Tax Liabilities	-	-	-	0.00%		
Provisions	-	-	-	0.00%		
Deferred tax liabilities	-	-	-	-		
Other liabilities	3,209,677	3,169,288	(40,389)	-1.26%	Due to Actuary Adjustment and change in staff bonus provision	
Debt securities issued	2,279,834	2,279,834	(0.00)	0.00%		
Subordinated Liabilities	-	-	-	-		
Total liabilities	158,556,919	158,516,530	(40,389)	-0.03%		
Equity						
Share capital	13,950,987	13,950,987	(0)	0.00%		
Share premium	120,167	120,167	-	0.00%		
Retained earnings	964,014	1,737,220	773,206	80.21%	Due to change in profit and subsequent appropriations	
Reserves	5,831,285	5,127,011	(704,275)	-12.08%	Due to change in profit and subsequent appropriations	
Total equity attributable to equity holders	20,866,454	20,935,385	68,931	0.33%		
Non-controlling interest	-	-	-	-		
Total equity	20,866,454	20,935,385	68,931	0.33%		
Total liabilities and equity	179,423,373	179,451,915	28,542	0.02%		

Comparison Unaudited and Audited Financial Statements as of FY 2019-2020 (FY 2076/77)

Rs. in '000

Particulars	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In % (Rounded off)	
Interest income	14,472,366	14,442,973	(29,394)	0%	Due to booking of Int. Rebate and reclassification of Interest write off
Interest expense	8,946,753	8,946,753	(0.00)	0%	
Net interest income	5,525,614	5,496,220	(29,394)	-1%	
Fees and Commission Income	914,171	914,370	198.60	0%	Due to booking of additional fee income pertaining to FY 2076/77
Fees and commission expense	106,923	107,917	994.73	1%	Due to adjustment of provisional expenses
Net fee and commission income	807,249	806,452	(796.13)	0%	
Net interest, fee and commission income	6,332,862	6,302,672	(30,190)	0%	
Net trading income	384,157	384,157	(0.00)	0%	
Other operating income	218,035	215,365	(2,671)	-1%	Due to reclassification of Income (OCI gain on sale of shares)
Total operating income	6,935,055	6,902,194	(32,861)	0%	
Impairment charge/(reversal) for loans and other losses	1,619,605	1,627,165	7,560	0%	Due to writeback of capital merchant balance and change in provision
Net operating income	5,315,450	5,275,029	(40,421)	-1%	
Operating expense					
Personnel expenses	1,706,503	1,647,498	(59,005)	-3%	Due to change in Staff Bonus
Other operating expenses	932,259	935,574	3,315	0%	Due to booking of actual expenses
Depreciation & Amortisation	242,023	241,683	(339)	0%	Due to adjustment in depreciation
Operating Profit	2,434,665	2,450,274	15,609	1%	
Non operating income	627,146	18,513	(608,633)	-97%	Due to New ICAN Carve Out issued on 2077/07/29 and NRB merger Bylaws transferred to Capital Reserve
Non operating expense	59,898	33,982	(25,916)	-43%	Due to reclassification and net off with interest income
Profit before income tax	3,001,913	2,434,805	(567,108)	-19%	
Income tax expense	-	-			
Current Tax	731,243	725,589	(5,653)	-1%	Due to change in Profit and Income Tax.
Deferred Tax expense/(Income)	-	(3,561)	(3,561)	100%	Due to booking of deferred tax
Profit for the period	2,270,670	1,712,777	(557,894)	-25%	
Other Comprehensive Income	11,056	16,409	5,353	48%	Due to reclassification of OCI Gain on Sale of Investment
Total Comprehensive Income	2,281,726	1,729,185	(552,540)	-24%	Due to change in profit
Distributable Profit					
Net profit/(loss) as per profit or loss	2,270,670	1,712,777	(557,894)	-25%	
Add/Less: Regulatory adjustments as per NRB Directive	(843,841)	(85,765)	758,076	90%	Mainly Due to consideration of interest income recovered up to Ashwin end 2077
Profit/(loss) after regulatory adjustments	1,426,829	1,627,012	200,182	14%	Due to change in profit, subsequent appropriations and change in Regulatory Reserve

Significant Accounting Policies to Consolidated Financial Statements

Financial Year 17 July 2019 to 15 July 2020 (1 Shrawan 2076 to 31 Asar 2077)

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 four 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 Microfinance Bittiya Sanstha Ltd. (NMBMF) is incorporated as a public limited company under Companies Act, 2063 and licensed by Nepal Rastra Bank as “D” Class financial institution having Nation Wide working area to operate its microfinance program under Bank and Financial Institution Act 2006. As at the Balance Sheet date, the bank holds 51% controlling interest in the NMBMF.

The financial year of both of the subsidiaries is same as that of the Bank ending on July 15, 2020

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, 2076 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	31 Ashad 2077	15 July 2020
Consolidated Statement of Profit/Loss	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Other Comprehensive Income	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Cash flow	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020
Consolidated Statement of Changes in Equity	1 Shrawan 2076 to 31 Ashad,2077	17 July 2019 to 15 July 2020

The consolidated financial statements of the group for the year ended 15 July 2020 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 New Standards in Issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments. A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of IFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

The Institute of Chartered Accountants of Nepal (ICAN) has pronounced Nepal Financial Reporting Standards 2018 (NFRS 2018) on 11 Ashad 2077. Accordingly, some new standards have been introduced with amendment to existing standards.

Standard1	Effective from	Financial Year
NFRS 9 Financial Instruments	16 July 2021	FY 2021-22
NFRS 15 Revenue from Contract with Customers	16 July 2021	FY 2021-22
NFRS 16 Leases	16 July 2021	FY 2021-22

2.11 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. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is used in FY 2076-77. However, with introduction of NFRS 2018, NFRS 9 shall cover Expected Credit Loss Model which is in line with the IFRS 9 Financial Instruments. The requirement of NFRS 9 is Expected Credit Loss Model.

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.

	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
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

2.12 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.

The management is assessing the potential impact on its financial statements resulting from application of IFRS 15.

NFRS 15 Revenue from Contracts with Customers: The standard shall supersede existing NAS 18 Revenue and NAS 11 Construction Contract

2.13 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.

2.14 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.

2.15 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.

2.16 Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group as per NFRS 3. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The bank has combined the business as per Merger and Acquisition Bylaws 2073 issued by the central bank and has not followed NFRS 3 (detail given in Additional disclosures).

2.17 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.

2.18 Cash and cash equivalents

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

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

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

2.19 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**

2.20 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.

2.21 Government Grant

Government 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. Government 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.

2.22 Deposits from customers and BFIs and Debt Securities

These are classified as financial liabilities measured at amortized cost.

2.23 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 NAS 18 – “Revenue” in the accounting of revenue, unless otherwise stated.

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

The interest income has been recognized as per NRB Guidelines on Interest Income Recognition.

- 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.

2.24 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.

2.25 Discounting

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

2.26 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.

2.27 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.

2.28 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 NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.29 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.

2.30 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.

2.31 Operating Lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The Group has applied NAS 17 – “Leases” and expense is recognized to Statement of Profit or Loss (SoPL) on straight line basis considering adjusted incremental rent over the lease period.

The bank has not applied NAS 17 as all its agreements are cancellable lease agreement. The lease agreement is non-cancelable only for the period of 3-6 months as either lessor or lessee can give notice for the said period and cancel the contract without significant penalties.

2.32 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.

2.33 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.

2.34 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.

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.

However as per NRB Directive 2078, no such reserve is required to be created.

2.35 Stationery

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

2.36 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.

2.37 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.

Additional Disclosures - Financial Year 16 July 2019 to 15 July 2020 (1 Shrawan 2076 to 31 Asar 2077)

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 343,625,958 (Including 20% of OCI Gain on sale of Investment) has been transferred to General Reserve.

3. Exchange Fluctuation Reserve

As per Section 45 of the Banks and Financial Institutions Act, 2063 25% of the revaluation gain amounting to NPR 24,009,819 has been transferred to Exchange Fluctuation Reserve.

4. Exchange Fluctuation Income

The Bank earned a total exchange fluctuation income of NPR 480 Mio out of which a gain of NPR 273.87 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

The investments are valued at fair value required as per NFRS. As per NRB Directive No. 8(3)(2), 100% of investment amount for CEDB Hydro Fund and Prabhu Merchant Bank Ltd. has been set aside as Investment Adjustment Reserve.

Particulars	Investment Amount	IAR %	IAR Amount
IAR not required to be created	255,489,200	0%	-
100% IAR required	11,500,000	100%	11,500,000
Total	266,989,200		11,500,000

6. Debenture Redemption Reserve

As required by NRB directive, an amount equal to NPR 100,000,000 has been appropriated to Debenture Redemption Reserve during the year. The total balance in Debenture Redemption Reserve as at 15 July 2020 is NPR 500,000,000.

Debenture – 1	
Debenture Amount	500,000,000
Issued Date	18-Feb-15
Maturity Date	21-Aug-20
Beginning Year Excluding Issue Year	2015-16
Final Year Excluding Redemption Year	2019-20
No. of Years for Reserve Creation	5 Years
Debenture Reserve per year	100,000,000
Current Year	2019-20
No. of Years for Reserve Creation till FY 2019-20	5 Years
Redemption Reserve required for 5 Years (A)	500,000,000
Debenture – 2	
Debenture Amount	1,684,505,000
Issued Date	12-Apr-19
Maturity Date	12-Apr-29
Beginning Year Excluding Issue Year	2019-20
Final Year Excluding Redemption Year	2027-28
No. of Years for Reserve Creation	9
Debenture Reserve per year	187,167,222.22
Current Year	2019-20
No. of Years for Reserve Creation till FY 2019-20	1 Year
Redemption Reserve required (B) *	-
Total Reserve (A)+(B)	500,000,000
Reserve created till FY 2018-19	400,000,000
Additional Reserve for this year	100,000,000

* As per NRB Directive No. 16(5)(2), the bank has not apportioned NPR. 187,167,222.22 for the fiscal year 2076/77 and such amount shall be apportioned proportionately for the remaining life of the debenture.

7. Corporate Social Responsibility (CSR) Fund

The bank has apportioned NPR. 17,127,765 /- as CSR fund which is equivalent to 1% of Net Profit of the 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 2076/77	1,712,776,521
B. 1% of net profit appropriated to CSR fund	17,127,765
C. Opening CSR fund (Including from Merger)	48,988,814
D. CSR expense incurred for FY 2076/77	42,725,660
E. Closing CSR Reserve FY 2076/77 (B+C-D)	23,390,919
F. Net Movement (E-C)	(25,597,894)

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. However, no such apportionment is required for fiscal year 2076/77. The amount as of fiscal year end 2077 in the reserve is NPR. 693,902 which is transferred from merger with Om Development Bank Limited.

9. Event after reporting period

The Board of Directors in its meeting dated 20 December 2020 has proposed the issue of 13.00% Stock Dividend and 3.20% (including for tax purpose) for each share held. The dividend shall be distributed from the retained earnings available as on Asar end 2077 of NMB Bank Ltd on the paid up capital of NPR. 14,447,752,967 (including adjusted paid up capital of erstwhile Kanchan Development Bank Limited.). This is to be approved at the forthcoming Annual General Meeting of the Bank.

10. Unpaid Dividend

As on the balance sheet date, unpaid dividend amounts to NPR. 6,069,100 and unpaid dividend at Share Registrar NMB Capital is NPR. 199,944,735.58 totaling NPR. 206,013,835.58. 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.

11. Earnings per Share

Basic earnings per equity share are computed in accordance with NAS 26 Earnings per Share. Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. 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 2077	YE Ashad 2076
Weighted average no. of equity shares outstanding (Restated)	135,686,717	120,112,614
Net profit	1,712,776,521	2,257,276,027
Basic earnings per share	12.62	18.79
Nominal value per share	100	100

12. Principal Indicators

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

S.No	Particulars	Indicators	FY 2072/73	FY 2073/74	FY 2074/75	FY 2075/76	FY 2076/77
1	Percent of Net Profit/ Gross Income	Percent	20.90	20.52	18.09	18.06	11.94
2	Earnings Per Share (Restated for previous years)	Rs.	22.10	22.24	21.86	18.79	12.62
3	Market Value Per Share	Rs.	810	545	358	382	397
4	Price Earnings Ratio	Ratio	29.15	20.27	12.48	16.23	31.45
5	Dividend (including bonus) on Share Capital	Percent	20.00	15.79	30.00	35.00	16.20
6	Cash Dividend on Share Capital	Percent	1.00	0.79	20.00	14.00	3.20
7	Interest Income/Loans & Advances	Percent	7.16	9.26	10.78	11.17	10.95
8	Staff Expenses/Total Operating Expenses	Percent	57.15	55.03	58.09	61.52	58.32
9	Interest Expenses on Total Deposit and Borrowing	Percent	3.08	4.71	6.76	6.58	6.30
10	Exchange Gain/Total Assets	Percent	0.21	0.24	0.27	0.32	0.27
11	Staff Bonus/Total Staff Expenses	Percent	34.01	34.77	38.72	34.21	19.65
12	Net Profit/Loan and Advances	Percent	2.05	2.34	2.43	2.42	1.38
13	Net Profit/Total Assets	Ratio	1.49	1.69	1.65	1.67	0.95
14	Total Credit/Deposit	Percent	84.07	85.50	90.46	94.61	92.31

S.No	Particulars	Indicators	FY 2072/73	FY 2073/74	FY 2074/75	FY 2075/76	FY 2076/77
15	Total Operating Expenses/ Total Assets	Percent	1.48	1.69	1.56	1.70	1.57
16	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	Percent	9.34	12.39	14.78	13.11	13.00
	b) Supplementary Capital	Percent	1.64	1.22	0.97	2.35	2.08
	c) Total Capital Fund	Percent	10.98	13.61	15.75	15.45	15.08
17	Liquidity (CRR)	Ratio	10.81	7.72	6.68	4.19	5.93
18	Non-performing credit/ Total credit	Percent	1.81	1.68	0.88	0.82	2.68
19	Base Rate	Percent	6.68	10.12	10.70	9.86	8.95
20	Weighted Average Interest Rate Spread	Percent	4.31	3.89	3.45	3.54	3.68
21	Return on assets	Percent	1.92	1.82	1.80	1.83	1.09
22	Return on Equity	Percent	21.96	16.49	13.54	13.32	8.94
23	Cost to Income Ratio	Percent	36.49	36.71	36.90	35.01	37.98
24	Cost of Fund (YTD)	Percent	3.99	5.06	7.46	7.26	6.99
25	Average Yield (YTD)	Percent	8.30	8.95	10.91	10.80	10.67
26	Book Net-worth (as per GAAP upto FY2073/74)	Rs. in '000	6,861,160	10,627,149	16,489,809	17,403,014	20,935,385
27	Total Shares	Nos. in '000	44,869	64,618	76,033	96,182	139,510
28	Total Staff	Number	755	918	1,080	1,120	1,654
29	No of Branches	Number	69	80	110	110	160
30	No of ATMs	Number	49	66	96	103	133

13. Disclosure Related to COVID 19

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and Nepal, which has contributed to a significant decline and volatility in global and domestic financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. On March 24, 2020, the government announced a week long nationwide lockdown with series of extensions. Although lockdown was lifted on 22 July 2020, the normalcy is yet to be restored. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain.

The bank has provided 2% Interest rebate (NPR. 366 Mio.) and 10% discount on interest to borrowers (NPR. 31.2 Mio.), short term loan financing/Top Up to loan customers, and relaxation on repayment from borrowers and complete waiver on penal charges/interest and no charge on CADC Fees (Card/Mobile Banking etc) as per NRB Circular and notices issued on various dates. Besides, the bank has also contributed directly to Government Corona Fund amounting NPR. 15.1 Mio along with various other supports at local level to combat COVID 19.

14. Loans and Advances Written Off

The Bank has written off loans and advances amounting to NPR 33,981,887 the details of which is as follows:

S.No	Name of Clients	Facility	Date of Written off	Principal
1	Chandrakala Limbang Limbu	Personal	4/8/2019	54,418
2	Ajit And Sujit Stores	Overdraft Loan	4/8/2019	314,596
3	Eastern Shoe Centre	Overdraft Loan	4/8/2019	1,664,251
4	Kishor Kumar Shrestha	Auto Loan	4/8/2019	258,729
5	National Solar & Investment Pvt Ltd	OD and Working Capital	4/8/2019	28,649,159
6	Evergreen	Overdraft Loan	5/8/2019	2,586,347
7	Jib Raj Basnet	Consumer Durable Loan	5/8/2019	34,646
8	Prashant Bhattarai	Overdraft Loan	5/8/2019	47,696
9	RTC Technology Nepal Pvt. Ltd	Term Loan	5/8/2019	201,288
10	Kailash Prasad Shrestha	Credit Card	7/8/2019	35,998
11	Ankit Kumar Aryal	Auto Loan	20/8/2019	134,760
	Total			33,981,887

However, the bank has also recovered amount NPR. 18,512,709 during the fiscal year from loan and interest write off amount of previous fiscal years.

15. Other Assets Written Off

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

16. Summary of Changes in Dues to customers during the year

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

Amount in NPR

Particulars	FY End 2077	FY End 2076	Increase/(Decrease)
Term deposits	70,794,457,231	49,404,840,926	21,389,616,305
Call deposits	12,331,138,621	9,688,741,078	2,642,397,542
Current deposits	8,894,929,343	5,765,008,798	3,129,920,545
Saving deposits	38,313,557,101	28,196,802,422	10,116,754,679
Other	4,476,300,898	5,461,273,739	-984,972,841
Total	134,810,383,194	98,516,666,963	36,293,716,231

Note: The Bank has merged with Erstwhile Om Development Bank Limited and started joint operation from 11 Aswin 2076.

17. Agency Account

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	132,835,305	201,811	-	133,037,116
Inter branch	-	-	-	-

18. Capitalization of Interest

During the fiscal year, the Bank has recognised interest income of NPR 51,896,305 from capitalization of interest during moratorium period of five separate projects. These capitalizations have been approved/mandated by the NRB.

S.No.	Borrower Name	Total Capitalization	NRB Approval Date
1	Beni Hydro Power Project Pvt. Ltd	3,653,537	01/03/2076
2	Kalanga Hydro Pvt. Ltd.	7,800,261	22/03/2075
3	Liberty Energy Company Ltd.	15,811,505	28/12/2075; 28/09/2076
4	Upper Hewakhola Hydropower Company Ltd.	1,974,311	17/03/2077
5	Upper Solu Hydro Electric Company Ltd.	22,656,690	07/06/2072
	Total	51,896,305	

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

Amount in NPR Million

S. N.	Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Over 1 Year	Total Amount
Assets							
1	Cash Balance	3,745.46	-	-	-	-	3,745.46
2	Balance with Banks & FIs	12,942.73	-	-	-	-	12,942.73
3	Investment in Foreign Banks	4,276.36	420.88	-	-	491.41	5,188.64
4	Call Money	-	-	-	-	-	-
5	Government Securities	4,950.31	645.15	431.79	47.74	10,267.76	16,342.74
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-
7	Inter Bank & FI Lending	841.75	-	-	-	-	841.75
8	Loans & Advances	45,515.18	13,928.10	3,588.89	2,822.81	55,923.09	121,778.07
9	Interest Receivable	208.12	-	-	-	-	208.12
10	Reverse Repo	-	-	-	-	-	-
11	Receivables from other Institutions under Commitment	-	-	-	-	-	-
12	Payment to be made for facilities under s.no 20,21 & 22	26,247.07	10,182.34	2,282.39	2,511.89	7,934.42	49,158.11
13	Others	-	-	-	-	-	-
	Total Assets (A)	98,726.98	25,176.46	6,303.07	5,382.43	74,616.67	210,205.62

Liabilities							
14	Current Deposits	10,885.94	-	-	-	-	10,885.94
15	Saving Deposits	13,748.22	1,417.08	1,417.08	1,495.80	32,566.52	50,644.70
16	Fixed Deposits	25,055.51	16,676.87	8,824.79	11,261.36	8,975.92	70,794.46
17	Debentures	-	-	-	500.00	1,677.38	2,177.38
18	Borrowings:	106.25	212.98	-	228.78	3,416.31	3,964.31
	(a) Call/Short Notice	-	-	-	-	-	-
	(b) Inter-bank/Financial Institutions	-	-	-	-	3,416.31	3,416.31
	(c) Refinance	106.25	212.98	-	228.78	-	548.00
	(d) Others	-	-	-	-	-	-
19	Other Liabilities and Provisions	863.93	74.56	74.56	74.56	2,488.72	3,576.33
	(a) Sundry Creditors	70.60	-	-	-	-	70.60
	(b) Bills Payable	66.22	-	-	-	-	66.22
	(c) Interest Payable	637.94	-	-	-	-	637.94
	(d) Provisions	14.62	-	-	-	301.66	316.27
	(e) Others	74.56	74.56	74.56	74.56	2,187.06	2,485.29
20	Payable to other institutions under Commitment	549.68	31.26	-	-	-	580.94
21	Unutilized Approved Facilities	7,080.96	-	-	-	-	7,080.96
22	Letter of Credit/Guarantee (Net of Margin)	18,616.44	10,151.08	2,282.39	2,511.89	7,934.42	41,496.22
23	Repo	-	-	-	-	-	-
24	Payment to be made for facilities under S.No 11	-	-	-	-	-	-
25	Others	-	-	-	-	-	-
	Total Liabilities (B)	76,906.91	28,563.82	12,598.81	16,072.39	57,059.28	191,201.22
	Net Financial Assets (A-B)	21,820.07	(3,387.36)	(6,295.75)	(10,689.96)	17,557.39	19,004.40
	Cumulative Net Financial Assets	21,820.07	18,432.71	12,136.96	1,447.00	19,004.40	0.00

20. Summary of concentration of Exposures

Amount in NPR

Particulars	Loans, and Advance	Deposit	Contingent
Total amount as at 15 July 2020	121,778,070,463	134,810,383,194	42,869,258,079
Highest exposure to single unit	2,908,301,463	5,933,933,939	6,758,589,178
Highest % of exposure to single unit	2.39%	4.40%	15.77%

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

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

22. Transactions in Bullion

The Group deals in bullion (Gold/Silver) by holding stock on consignment basis on behalf of suppliers as per the arrangement. However 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.

The Group does not have outstanding advance on balance sheet date for gold trading. This has been reflected under "Advance for Gold Trading" in Schedule 4.16.

23. Capital Construction

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

24. 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 on the basis of 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 63 of NAS 39 is given below:

Particulars	Year ended 31 Asar 2077	Year ended 31 Asar 2076
a. Individual Impairment	1,367,004,736	752,441,136
b. Collective Impairment	1,588,364,853	150,255,194
Total	2,955,369,588	902,696,330

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

Particulars	Year ended 31 Asar 2077	Year ended 31 Asar 2076
OD Loan	19%	19%
Term Loan	3%	4%
Retail EMI	19%	19%
Working Capital Loan	10%	25%

25. 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:

a. NFRS 10 – “Consolidated Financial Statements”

The holding company can carve out to prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances as specified in para 19 of NFRS 10 unless it is impracticable to do so.

The Bank and its both Subsidiaries have adopted uniform accounting policy based on NFRS for like transactions and other events in similar circumstances.

b. NAS 39 – “Financial Instruments: Recognition and Measurements”

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 para 63 of NAS 39 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 63 of NAS 39 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 para 63 of NAS 39 as given below:

Particulars	Year ended 31 Asar 2077	Year ended 31 Asar 2076
a. Impairment on Loan as per Para 63	2,955,369,588	902,696,330
b. Loan Loss Provision as per NRB	4,104,731,607	1,398,925,416
Higher of a and b	4,104,731,607	1,398,925,416

The Group has recognized impairment loss on other financial assets measured at amortized cost in accordance with para 63 of NAS 39.

c. NAS 39 – “Financial Instruments: Recognition and Measurements”

This is the carve out from the requirement to incorporate all fees and points paid or received under contractual terms of a financial instrument in the calculation of ‘Effective Interest Rate’ for the financial instrument as specified in para 9 of NAS 39 and also carve out from the requirement to recognize interest income on a financial asset or a group of similar financial assets, which has been written down as a result of an impairment loss, by applying the rate of interest used to discount the asset’s future cash flows for the purpose of measuring its impairment loss as specified in para 9 of NAS 39 unless it is immaterial or impracticable to determine reliably.

The Group has opted this carve out and hence has excluded the full amount of upfront loan management fees or commission received on loans and advances in the calculation of effective interest rate for the loan. The upfront fees and commission are recognized as income in the same period the loan is approved. The Group has recognized interest income on impaired financial asset by applying the original effective interest rate to the gross carrying amount of a financial asset.

d. NFRS 3 – Business Combination

The acquirer shall account for and integrate into its books of account on joint operation date the total assets and liabilities (except equity and all reserves) of acquiree at the value determined by applying same basis considered for determining restated value for its adjusted net worth for the purpose of swap ratio as per NRB Merger and Acquisition Bylaws, the value so determined is to be considered as fair value of the acquiree.

The value of purchase consideration transferred where consideration is equity share, its fair value shall be as determined as per Due Diligence Report (DDA) which is prepared as per NRB Merger and Acquisition Bylaws. In the books of acquirer, the face value of equity share as per Swap Ratio shall be booked as Share Capital and difference between the fair value of share (considered for swap ratio) and face value of such ordinary equity shares shall be accounted as Share Premium/Capital Reserve.

During the fiscal year 2076/77, the bank has merged with erstwhile Om Development Bank Limited (E-ODBL) and commenced joint operations from 28 September 2019 (11 Ashwin 2076) as NMB Bank Limited. This is the second time merger and acquisition process for NMB Bank after historic merger with 4 BFI’s at once during the year of 2072/73. Meanwhile the bank has also acquired Kanchan Development Bank Ltd. in the FY 2077/78. The swap ratio on merger and acquisition is determined as per NRB Merger and Acquisition Bylaws, 2073 which describes fair value determination methods of shares of both the acquirer and acquiree (even based on future business growth). Such net-worth could be adjusted merely up to 10% (+/-) only as per the bylaws. In case of merger with E-ODBL, the net-worth has been adjusted by nominal 4.42% (NPR 155 Million) as agreed between the parties and hence the bank believes the transaction has been done in fair value without arising any substantial gain or loss at the swap ratio of 1:0.76. The adjusted net-worth has been taken based on quarterly financial report of Chaitra end 2075 (13

April 2019) while the joint operation has been started only after completion of the fiscal year 2075/76 but before first quarter end of FY 2076/77 i.e. 10 Ashwin 2076. The bank has conducted audit of E-ODBL as on 10 Ashwin 2076 (financials prepared as per NFRS in consistent with the accounting policy of NMB Bank Ltd.) and integrated in to books of accounts of NMB Bank Ltd and hence independent business of E-ODBL could not be separately tracked out even after merger (branches merged in some cases)

The bank has adopted conventional way of booking swap gain from merger and acquisition as per point 9(Kha) of NRB Merger and Acquisition Bylaws, 2073. As per NRB Merger and Acquisition Bylaws, the bank shall deposit the reduced paid up capital of acquiree to capital reserve after adjustment of paid up capital as per Swap ratio in DDA Report. Hence, the amount of NPR 603 Million arose from swap gain from merger with erstwhile Om Development Bank Limited has been deposited in capital reserve. Similarly as explained above, the bank has also recognized neither any goodwill nor any bargain gain as the transaction has been carried out as per DDA Report (fairly valued). This treatment is not as per NFRS –3 “Business combination” which mandates booking of NPR 2,094 Million as Goodwill (given in table below) with corresponding booking of share premium/capital reserve (as explained above in ICAN Carve Out). Hence, the asset and liability has been understated by the same amount.

Particulars	NPR	Remarks
Fair Value of Consideration transferred (A)	5,607,234,845	As per DDA Report
Fair Value of Net Assets Acquired (B)	3,512,925,484	As on Date of Acquisition fair valued as per DDA Report (Joint Operation Date)
Goodwill (A-B) *	2,094,309,361	

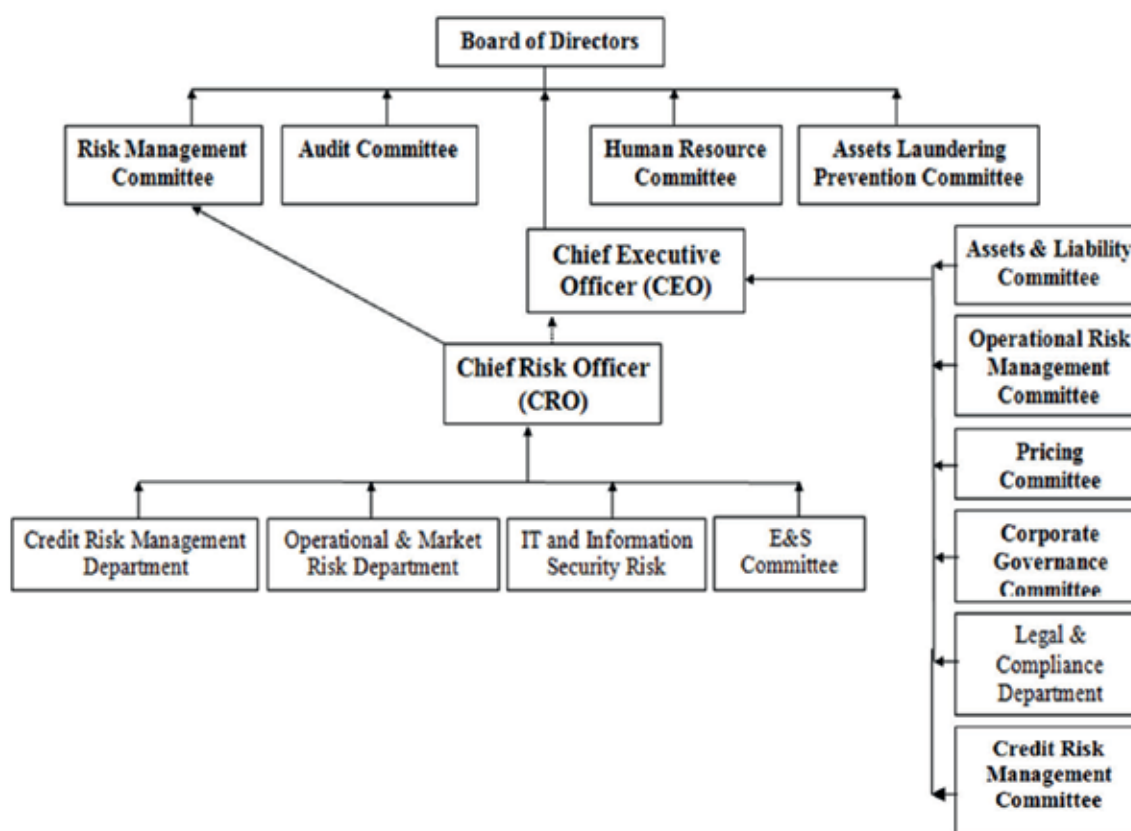
*Corresponding reserve (share premium/ capital reserve) to be booked as per NFRS 3 read with ICAN Carve Out

26. Risk Management

Risk Management Structure

NMB Board is the ultimate authority to oversee overall risk management of the bank by establishing risk management strategies, appropriate risk appetite, and ensuring the risk management policies, procedures and standards are adequate and is effectively implemented. Sound risk management system in the bank is established through formation of Board level Risk Management Committee & Audit committee; management level Asset & Liability Committee, Credit Risk Management Committee, Operational Risk Management Committee, E&S (Environmental & Social) Committee, Credit Recovery 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 escalated to Risk Management Committee for review and decision.

Risk management structure in the bank's Organogram:



Risk Governance

The bank aspires to efficiently manage various risks that arise during business process through formulation and implementation of Risk Management Framework. Risk Governance at the bank is primarily based on following principles:

- 1) Risk Appetite Determination,
- 2) Pervasive Risk Culture,
- 3) Effective Communication/Reporting,
- 4) Effective Functional Structure, Policies, Procedures, & MIS, adequate infrastructure & resources for Risk Management,

Risk governance structure, i.e. the responsibility for maintaining risk within the banks risk appetite is cascaded down from the Board to the respective Committees and then to appropriate functional bodies in organizational structure.

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 key independent units responsible for ensuring effective Credit Risk Management in the bank are Credit Risk Management Department, Credit Administration and Control Department, Special Assets Management Department and Business Segments.

A thorough analysis of the borrower and the industry in which the borrower operates is ensured prior advancing 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.

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 Credit Risk Management Committee and Risk Management Committee 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 three 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 II becomes an essential requirement for us.

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

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. Asset & Liability Committee (ALCO) monitors the interest rate movement on regular basis.

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

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

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.

Other Risk

Management of other risk such as Reputational, Legal & Compliance, 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. The bank has also setup dedicated Officers to manage Reputational and other risks.

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

27. 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.

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 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.

Level 3 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 following table analyses the carrying amounts of the financial instruments by category as defined in NAS 39 and by headings of the Statement of Financial Position.

The Hierarchy of fair value measurement is given below:

Particulars	Fair value Hierarchy (Level)	As at		As at	
		As at 31 Asar 2077		As at 31 Asar 2076	
		Carrying Value	Fair value	Carrying Value	Fair value
FVTPL					
Other trading assets	3	266,890,000	266,890,000	340,390,000	340,390,000
Derivative financial instruments	1	10,066,295,972	10,066,295,972	8,595,482,282	8,595,482,282
Subtotal		10,333,185,972	10,333,185,972	8,935,872,282	8,935,872,282
FVTOCI					
Quoted Equities	1	903,495,781	903,495,781	593,366,539	593,366,539
Unquoted Equities	3	126,155,900	126,155,900	31,995,900	31,995,900
Subtotal		1,029,651,681	1,029,651,681	625,362,439	625,362,439
Grand-Total		11,362,837,652	11,362,837,652	9,561,234,721	9,561,234,721

Particulars	Fair value Hierarchy (Level)	As at		As at	
		As at 31 Asar 2077		As at 31 Asar 2076	
Amortized cost					
Cash and cash equivalent	3	11,098,349,234	11,098,349,234	8,096,354,503	8,096,354,503
Due from Nepal Rastra Bank	3	15,249,998,507	15,249,998,507	10,829,181,584	10,829,181,584
Placement with BFI's	3	3,304,233,792	3,304,233,792	2,172,967,239	2,172,967,239
Loan and advances to B/FIs	3	4,665,864,579	4,665,864,579	3,317,961,987	3,317,961,987
Loans and advances to customers	3	115,668,472,666	115,668,472,666	88,485,031,394	88,485,031,394
Investment securities (except equity instruments)	3	13,969,104,367	13,969,104,367	9,690,988,576	9,690,988,576
Subtotal		163,956,023,145	163,956,023,145	122,592,485,282	122,592,485,282
Total of Financial Assets		175,318,860,797	175,318,860,797	132,153,720,004	132,153,720,004
FVTPL/FVTOCI					
Liability for employees DBO	3	95,134,118	95,134,118	59,445,250	59,445,250
Subtotal		95,134,118	95,134,118	59,445,250	59,445,250
Amortized cost					
Due to Bank and Financial Institutions	3	3,150,014,840	3,150,014,840	1,875,151,251	1,875,151,251
Due to Nepal Rastra Bank	3	4,832,501,544	4,832,501,544	3,203,523,072	3,203,523,072
Deposits from customers	3	131,660,368,354	131,660,368,354	96,641,515,712	96,641,515,712
Borrowing	3	3,416,310,000	3,416,310,000	3,468,060,000	3,468,060,000
Other liabilities	3	2,749,960,864	2,749,960,864	1,846,937,438	1,846,937,438
Debt securities issued	3	2,279,834,432	2,279,834,432	2,239,236,412	2,239,236,412
Subtotal		148,088,990,034	148,088,990,034	109,274,423,885	109,274,423,885
FVTPL					
Derivative financial instruments	1	10,008,212,670	10,008,212,670	8,458,374,429	8,458,374,429
Subtotal		10,008,212,670	10,008,212,670	8,458,374,429	8,458,374,429
Total of Financial Liabilities		158,192,336,822	158,192,336,822	117,792,243,564	117,792,243,564

The details of equity instruments with fair valuation hierarchy are as follows:

Particulars	NMB				Fair Valuation Hierarchy
	As at 31 Asar 2077		As at 31 Asar 2076		
	Cost	Fair Value	Cost	Fair Value	Level
1. Investment in quoted equity shares					
1.1 United Insurance Co. (Nepal) Limited	585,700	1,962,480	211,300	246,000	Level 1
5,304 Promoter shares of Rs 100 each fully paid up					
120 Ordinary shares of Rs 100 each fully paid up					
1.2 NLG Insurance Company Limited	-	5,400	-	5,400	Level 1
54 Ordinary bonus shares of Rs 100 each fully paid up					
1.3 Ridi Hydro Power Limited	38,600	40,572	3,600	4,410	Level 1
483 Ordinary shares @ Rs. 100 each fully paid up					
1.4 Butwal Power Company Ltd.	212,052,771	184,403,581	209,006,679	187,688,873	Level 1
513,659 ordinary shares @ Rs.100 each fully paid up					
1.5 Rural Microfinance Development Center Limited	-	-	-	458,073	Level 1
779 Units bonus Shares @ Rs 100 each fully paid up					
1.6 Laxmi Laghubitta Sanstha Limited	-	6,070	-	2,644	Level 1
5 Units ordinary bonus Shares @ Rs 100 each fully paid up					
1.7 Mero Micro Finance Bittiya Sanstha Ltd.	37,023,000	59,859,800	37,023,000	46,046,000	Level 1
598,598 Promoter shares of Rs 100 each fully paid up					
1.7 Mero Micro Finance Bittiya Sanstha Ltd.	6,800	59,986	-	-	Level 1
89 Ordinary shares of Rs 100 each fully paid up					
1.8 Nepal Telecom Ltd.	38,045,756	34,062,620	34,698,472	34,382,502	Level 1
52,004 ordinary shares @ Rs.100 each fully paid up					
1.9 Sanima Mai Hydropower Ltd.	5,883,915	4,083,353	-	-	Level 1
18,311 ordinary shares @ Rs.100 each fully paid up					
1.10 Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	2,000	16,720	-	-	Level 1
22 ordinary shares @ Rs.100 each fully paid up					
1.11 Chilime Hydropower Company Ltd.	1,894,758	1,810,502	-	-	Level 1
4,549 Ordinary shares @ Rs.100 each fully paid up					

Particulars	NMB				Fair Valuation Hierarchy
	As at 31 Asar 2077		As at 31 Asar 2076		
	Cost	Fair Value	Cost	Fair Value	Level
1.12 Jalvidhyut Lagani Tatha Bikash Company Ltd.	-	61,579	-	-	Level 1
463 ordinary shares @ Rs.100 each fully paid up					
1.13 Lumbini General Insurance Co. Ltd.	4,016,713	12,225,539	-	-	Level 1
53,857 ordinary shares @ Rs.100 each fully paid up					
1.14 Nepal Life Insurance Co. Ltd.	9,971,704	13,419,000	-	-	Level 1
10,650 ordinary shares @ Rs.100 each fully paid up					
1.15 Sagarmatha Insurance Co. Ltd.	3,556,188	3,374,700	-	-	Level 1
4,821 ordinary shares @ Rs.100 each fully paid up					
1.16 Shikhar Insurance Co. Ltd.	6,144,908	6,114,000	-	-	Level 1
6,000 ordinary shares @ Rs.100 each fully paid up					
1.17 Siddhartha Insurance Ltd.	2,197,428	1,566,000	-	-	Level 1
2,700 ordinary shares @ Rs.100 each fully paid up					
1.18 National Life Insurance Co. Ltd.	2,500,429	2,463,964	-	-	Level 1
3,722 ordinary shares @ Rs.100 each fully paid up					
1.19 Api Power Company Ltd.	-	540	-	-	Level 1
5 ordinary shares @ Rs.100 each fully paid up					
1.20 Barun Hydropower Co. Ltd.	1,000	840	-	-	Level 1
10 ordinary shares @ Rs.100 each fully paid up					
1.21 Kalika Microcredit Development Bank Ltd.	-	10,725	-	-	Level 1
13 ordinary shares @ Rs.100 each fully paid up					
1.21 Soaltee Hotel Limited	721,759	389,620	-	-	Level 1
2,530 ordinary shares @ Rs.100 each fully paid up					
1.22 Citizen Investment Trust	288,273	371,484	-	-	Level 1
153 ordinary shares @ Rs.100 each fully paid up					
1.23 Womi Microfinance Bittiya Sanstha Ltd.	3,900	46,046	-	-	Level 1
46 ordinary shares @ Rs.100 each fully paid up					

Particulars	NMB				Fair Valuation Hierarchy
	As at 31 Asar 2077		As at 31 Asar 2076		
	Cost	Fair Value	Cost	Fair Value	Level
1.24 Global IME Laghubitta Bittiya Sanstha Ltd.	2,500	38,222	-	-	Level 1
29 ordinary shares @ Rs.100 each fully paid up					
1.25 Vijaya laghubitta Bittiya Sanstha Ltd.	-	3,060	-	-	Level 1
3 ordinary shares @ Rs.100 each fully paid up					
1.26 Mirmire Microfinance Development Bank Ltd.	2,500	43,152	-	-	Level 1
48 ordinary shares @ Rs.100 each fully paid up					
1.27 RMDC Laghubitta Bittiya Sanstha Ltd.	-	546,079	-	-	Level 1
779 ordinary shares @ Rs.100 each fully paid up					
Sub-Total	324,940,600	326,985,634	280,943,051	268,833,902	-
2. Investment in quoted mutual fund:					
2.1 NMB Sulav Investment Fund-1	-	-	105,000,000	113,610,000	Level 1
10,500,000 Ordinary shares of Rs 10 each fully paid up					
2.2 NMB Hybrid Fund-1	152,619,210	144,988,250	140,000,000	140,420,000	Level 1
15,261,921 Ordinary Share of Rs. 10 each fully paid up					
2.3 Laxmi Equity Fund (LEMF)	71,331,883	61,561,033	40,947,100	31,242,637	Level 1
7,019,502 ordinary shares @ Rs 10 each fully paid up					
2.4 NIC Asia Growth Fund (NICGF)	20,000,000	20,380,000	10,000,000	10,280,000	Level 1
2,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.5 Sanima Equity Fund (SAEF)	44,000,000	43,692,000	20,000,000	18,800,000	Level 1
4,400,000 units ordinary shares @ Rs. 10 each fully paid up					
2.6 Citizen Mutual Fund-I	30,000,000	30,180,000	10,000,000	10,180,000	Level 1
3,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.7 Global IME Samunnat Scheme-1	37,972,700	32,580,577	-	-	Level 1
3,797,270 units ordinary shares @ Rs. 10 each fully paid up					
2.8 NIBL Samridhi Fund 1	7,909,730	7,848,146	-	-	Level 1
7,92,742 units ordinary shares @ Rs. 10 each fully paid up					
2.9 Nabil Equity Fund	14,362,910	13,400,595	-	-	Level 1
1,436,291 units ordinary shares @ Rs. 10 each fully paid up					

Particulars	NMB				Fair Valuation Hierarchy
	As at 31 Asar 2077		As at 31 Asar 2076		
	Cost	Fair Value	Cost	Fair Value	Level
2.10 NIBL Pragati Fund	10,274,070	8,373,367	-	-	Level 1
1,027,407 units ordinary shares @ Rs. 10 each fully paid up					
2.11 Siddhartha Equity Fund	9,677,480	9,677,480	-	-	Level 1
9,67,748 units ordinary shares @ Rs. 10 each fully paid up					
2.12 CITIZENS MUTUAL FUND-II	2,000,000	2,012,000	2,000,000	2,000,000	Level 1
2,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.13 SUNRISE MUTUAL FUND-I	5,000,000	5,000,000	-	-	Level 1
500,000 units ordinary shares @ Rs. 10 each fully paid up					
2.14 NABIL BALANCED FUND-2	20,000,000	19,800,000	10,000,000	10,000,000	Level 1
2,000,000 units ordinary shares @ Rs. 10 each fully paid up					
2.15 NMB 50	177,016,700	177,016,700	-	-	Level 1
17,701,670 units ordinary shares @ Rs. 10 each fully paid up					
Sub-Total	602,164,683	576,510,147	337,947,100	336,532,637	
Total Investments in quoted equity instruments	927,105,283	903,495,781	618,890,151	605,366,539	
3. Investment in unquoted equity					
3.1 Nepal Stock Exchange Limited	5,000	71,600	5,000	71,600	Level 3
716 Ordinary shares of Rs 100 each fully paid up					
3.2 Nepal clearing House Limited	5,268,200	10,468,900	4,198,000	6,045,100	Level 3
104,689 Equity shares of Rs 100 each					
3.3 Credit Information Bureau Limited	216,000	2,126,200	189,000	1,890,000	Level 3
21,262 Ordinary shares of Rs 100 each					
3.4 CEDB Hydro Fund Limited	10,000,000	11,989,200	10,000,000	11,989,200	Level 3
119,892 Promoter shares of Rs 100 each fully paid up					
3.5 Prabhu Merchant Bank Ltd	1,500,000	1,500,000	-	-	Level 3
15,000 units of Rs 100 each fully paid up					
3.6 Mahalaxmi Life Insurance Co.Ltd (Life)	50,000,000	50,000,000	-	-	Level 3
500,000 units of Rs 100 each fully paid up					
3.7 Siddhartha Investment Growth Scheme - 2	50,000,000	50,000,000	-	-	Level 3
5,000,000 units ordinary shares @ Rs. 10 each fully paid up					
Sub-Total	116,989,200	126,155,900	14,392,000	19,995,900	
Grand Total	1,044,094,483	1,029,651,681	633,282,151	625,362,439	

28. Capital Adequacy

The capital adequacy status as of 15 July 2020 is given below:

		Amount in thousands	
1.1 Risk Weighted Exposures		2077 Ashad End	2076 Ashad End
a	Risk Weighted Exposure for Credit Risk	136,389,233	112,632,092
b	Risk Weighted Exposure for Operational Risk	6,932,979	5,117,630
c	Risk Weighted Exposure for Market Risk	2,710,493	1,949,678
Total Risk Weighted Exposures (a+b+c)		146,032,705	119,699,400
Adjustments under Pillar II			
Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.		2,075,662	1,238,947
Add : 2% of the the total RWE due to Supervisory add up		2,920,654	2,397,892
Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.		-	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		151,029,021	123,336,239
1.2 Capital			
Tier 1 Capital (Core Capital) (CET1 +AT1)		19,630,215	16,166,512
a	Paid up Equity Share Capital	13,950,987	9,618,163
b	Irredeemable Non-cumulative preference shares	-	-
cv	Share Premium	723,824	2,512,799
d	Proposed Bonus Equity Shares	-	-
e	Statutory General Reserves	3,010,880	2,123,307
f	Retained Earnings	1,737,220	1,780,327
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	500,000	400,000
n	Less: Goodwill	-	-
o	Less: Intangible Assets	(125,849)	(115,409)
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)	-
w	Less: Other Deductions	-	-
Adjustments under Pillar II		-	-
Less : Shortfall in Provision (6.4 a 1)		-	-
Less : Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)		-	-
Supplementary Capital (Tier II)		3,146,045	2,894,863
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	1,684,505	1,784,505
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	1,337,614	1,011,982
e	Exchange Equalization Reserve	102,426	78,377
f	Investment Adjustment Reserve	11,500	10,000
g	Assets Revaluation Reserve	-	-
h	Other Reserves	10,000	10,000
Total Capital Fund (Tier I and Tier II)		22,776,260	19,061,375
1.3 Capital Adequacy Ratios			
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		13.00	13.11
Tier 1 Capital to Total Risk Weighted Exposures		13.00	13.11
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		15.08	15.45

Credit Risk Exposures

2077 Ashad

Amount in thousands

Assets	2077 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
Balance Sheet Exposures	(a)	(b)	(c)	(d=a-b-c)	(e)	(f=d*e)		
Cash Balance	3,745,463	-	-	3,745,463	0%	-	2,452,132	-
Balance With Nepal Rastra Bank	10,655,234	-	-	10,655,234	0%	-	8,252,536	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	16,342,507	-	-	16,342,507	0%	-	9,286,601	-
All Claims on Government of Nepal	5,457,752	-	-	5,457,752	0%	-	3,662,502	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA -4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	1,287,514	-	-	1,287,514	20%	257,503	3,403,965	680,793
Claims on domestic banks that do not meet capital adequacy requirements	2,764	-	-	2,764	100%	2,764	2,747	2,747
Claims on foreign bank (ECA Rating 0-1)	1,964,889	-	-	1,964,889	20%	392,978	2,335,104	467,021
Claims on foreign bank (ECA Rating 2)	1,132,609	-	-	1,132,609	50%	566,305	1,180,905	590,453
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	1,417,546	1,417,546
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	3,930,433	-	-	3,930,433	20%	786,087	143,707	28,741
Claims on Domestic Corporates	73,331,949	-	929,663	72,402,286	100%	72,402,286	65,675,730	65,675,730

Assets	2077 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	16,526,486	-	355,203	16,171,283	75%	12,128,462	9,413,128	7,059,846
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	13,584,155	-	-	13,584,155	60%	8,150,493	10,389,524	6,233,714
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	651,178	216,158	-	435,020	100%	435,020	83,096	83,096
Claims secured by Commercial real estate	929,564	-	-	929,564	100%	929,564	376,363	376,363
Past due claims (except for claims secured by residential properties)	3,894,791	2,638,806	13,136	1,242,849	150%	1,864,274	522,808	784,212
High Risk claims	12,249,721	-	234,898	12,014,823	150%	18,022,234	4,268,597	6,402,895
Lending against securities (bonds & shares)	523,160	-	2,484	520,676	100%	520,676	294,605	294,605
Investments in equity and other capital instruments of institutions listed in stock exchange	1,186,650	-	-	1,186,650	100%	1,186,650	651,603	651,603
Investments in equity and other capital instruments of institutions not listed in the stock exchange	5,489	-	-	5,489	150%	8,234	4,392	6,588
Staff loan secured by residential property	1,700,038	-	-	1,700,038	50%	850,019	442,257	265,354
Interest Receivable/claim on government securities	156,742	-	-	156,742	0%	-	92,645	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets (as per attachment)	5,844,124	3,393,217	-	2,450,907	100%	2,450,907	3,335,525	3,335,525
TOTAL	175,103,211	6,248,181	1,535,385	167,319,646		120,954,453	127,688,016	94,356,831
Off Balance Sheet Exposures								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	3,509,808	-	-	3,509,808	0%	-	5,205,236	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	2,536,380	-	428,052	2,108,327	20%	421,665	3,433,456	686,691
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	17,911,639	-	6,454,109	11,457,530	50%	5,728,765	11,265,121	5,632,561

Assets	2077 Ashad End						Previous FY	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
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	5,707,704	-	294,828	5,412,876	50%	2,706,438	4,790,378	2,395,189
Foreign counterparty (ECA Rating 0-1)	220,379	-	176,303	44,076	20%	8,815	311,850	62,370
Foreign counterparty (ECA Rating 2)	216,435	-	108,217	108,217	50%	54,109	4,226,684	2,113,342
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	1,871,090	-	206,976	1,664,114	100%	1,664,114	1,909,100	1,909,100
Financial Guarantee	6,100	-	968	5,133	100%	5,133	1,263	1,263
Acceptances and Endorsements	609,478	-	28,542	580,936	100%	580,936	1,171,618	1,171,618
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	10,016,993	-	-	10,016,993	20%	2,003,399	19,228,721	3,845,744
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"	10,280,247	-	-	10,280,247	20%	2,056,049	1,411,434	282,287
Other Contingent Liabilities	205,357	-	-	205,357	100%	205,357	175,096	175,096
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
TOTAL	53,091,609	-	7,697,995	45,393,614		15,434,780	53,129,958	18,275,261
Total RWE for credit Risk	228,194,820	6,248,181	9,233,380	212,713,259		136,389,233	180,817,973	112,632,092
Adjustments under Pillar II								
Add : 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3)								
Add : 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)								
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)								

Eligible Credit Risk Mitigants

2077 Ashad

Amount in thousands

Credit exposures	Amount in thousands									
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	Total
Balance Sheet Exposures										
1 Cash Balance	-	-	-	-	-	-	-	-	-	-
2 Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
3 Gold	-	-	-	-	-	-	-	-	-	-
4 Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
5 All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
6 Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
7 All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
8 Claims on Foreign government and Central Bank (ECA -1)	-	-	-	-	-	-	-	-	-	-
9 Claims on Foreign government and Central Bank (ECA -2)	-	-	-	-	-	-	-	-	-	-
10 Claims on Foreign government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
11 Claims on Foreign government and Central Bank (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
12 Claims on Foreign government and Central Bank (ECA -7)	-	-	-	-	-	-	-	-	-	-
13 Claims on BIS, IMF, ECB, EC And Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
14 Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
15 Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
16 Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
17 Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
18 Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
19 Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
20 Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
21 Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-

Credit exposures	Deposits with Bank		Deposits with other Banks/ FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)									
22	-	-	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-	-	-
24	-	-	-	-	-	-	-	-	-	-	-
25	-	-	-	-	-	-	-	-	-	-	-
26	33,161	-	11,615	52,785	-	-	-	-	-	832,103	929,663
27	-	-	-	-	-	-	-	-	-	-	-
28	-	-	-	-	-	-	-	-	-	-	-
29	-	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-
31	120,192	-	227,945	7,067	-	-	-	-	-	-	355,203
32	-	-	-	-	-	-	-	-	-	-	-
33	-	-	-	-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-	-	-	-	-
35	-	-	-	-	-	-	-	-	-	-	-
36	-	-	-	-	-	-	-	-	-	-	-
37	270	-	12,866	-	-	-	-	-	-	-	13,136
38	150,694	-	84,204	-	-	-	-	-	-	-	234,898
39	-	-	-	2,484	-	-	-	-	-	-	2,484
40	-	-	-	-	-	-	-	-	-	-	-
41	-	-	-	-	-	-	-	-	-	-	-
Total	304,317	-	336,629	62,336	-	-	-	-	-	832,103	1,535,385
Off Balance Sheet Exposures											
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	119,762	-	-	-	-	-	-	-	308,290	-	428,052

Credit exposures	Deposits with Bank		Deposits with other Banks/ FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)									
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	862,956	-	-	-	-	-	-	5,591,153	-	-	6,454,109
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	294,828	-	-	-	-	-	-	-	-	-	294,828
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	176,303	176,303
Foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	108,217	108,217
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	206,976	-	-	-	-	-	-	-	-	-	206,976
Financial Guarantee	968	-	-	-	-	-	-	-	-	-	968
Acceptances and Endorsements	28,542	-	-	-	-	-	-	-	-	-	28,542
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments(Short Term)	-	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments(Long Term)	-	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total	1,514,030	-	-	-	62,336	-	-	5,899,444	-	284,521	7,697,995
Total Credit Risk Exposure	1,818,347	-	336,629	-	62,336	-	-	5,899,444	-	1,116,623	9,233,380

Market Risk Exposures

2077 Ashad

Amount in thousands

S.No.	Currency	2077 Ashad End			2076 Ashad End Relevant Open Position
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	
1	INR	(3,565,327)	(5,707,197)	5,707,197	4,238,289
2	USD	995.1	119,666	119,666	9,363
3	GBP	(8.9)	(1,347)	1,347	1,708
4	CHF	(162.2)	(20,720)	20,720	470
5	EUR	(10.7)	(1,466)	1,466	6,082
6	JPY	(996.2)	(1,120)	1,120	434
7	SEK	(1.0)	(13)	13	12
8	DKK	(39.3)	(725)	725	165
9	HKD	(97.0)	(1,505)	1,505	157
10	AUD	(37.8)	(3,193)	3,193	4,859
11	SGD	(47.9)	(4,148)	4,148	5,902
12	KRW	(4,716.0)	(472)	472	30
13	AED	(846.4)	(27,708)	27,708	1,675
14	MYR	(475.9)	(13,425)	13,425	3,168
15	THB	(310.4)	(1,185)	1,185	96
16	QAR	(450.3)	(14,869)	14,869	3,257
17	CNY	(68.9)	(1,185)	1,185	2,571
18	CAD	(3.8)	(340)	340	5,833
19	SAR	(1,319.5)	(42,305)	42,305	5,466
20	KWD	-	-	-	160
21	BHD	(3.4)	(1,096)	1,096	14
Total Open Position (a)				5,963,685	4,289,712
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				298,184	214,486
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				9.09	9.09
Equivalent Risk Weight Exposure [e=(c×d)]				2,710,493	1,949,678

Operation Risk Exposures

2077 Ashad

Amount in thousands

Particulars	Years before 2077 Ashar End		
	2073/74	2074/75	2075/76
Net Interest Income	2,603,980	2,904,014	5,469,754
Commission and Discount Income	635,069	794,250	1,205,938
Other Operating Income	121,978	164,962	211,407
Exchange Fluctuation Income	154,790	299,606	355,785
Addition/Deduction in Interest Suspense during the period	(3,072)	(33,010)	368,638
Gross income (a)	3,512,744	4,129,822	7,611,523
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	526,912	619,473	1,141,728
Capital Requirement for operational risk (d) (average of c)			762,704
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			9.09
Equivalent Risk Weight Exposure [f=(d×e)]			6,932,979
Adjustments under Pillar II			
If Gross Income for all the last three years is negative (6.4 a 8)			
Total Credit and Investments (net of specific Provision)			
Capital Requirement for Operational Risk (5%)			
Risk Weight (reciprocal of capital requirement of 11%) in times			9.09
Equivalent Risk Weight Exposure (g)			
Equivalent Risk Weight Exposure (h= f + g)			6,932,979

29. 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

NPR '000

Particulars	Retail	SME & MSME	Corporate	Deprived	Treasury	Others	Total
a Revenues from external customers	3,552,727	4,769,484	5,422,820	766,566	1,435,469	(5,671)	15,941,395
b Intersegment revenues	2,646,069	(2,035,272)	158,202	(356,333)	192,266	(604,933)	-
c Net Revenue	906,658	6,804,756	5,264,618	1,122,899	1,243,202	599,262	15,941,395
d Interest Revenue	5,951,602	4,470,710	5,241,793	761,651	1,013,754	-	17,439,510
e Interest Expense	5,081,440	2,047,859	3,416,269	366,981	425,809	604,933	11,943,290
f Net Interest Revenue (b)	870,162	2,422,851	1,825,524	394,671	587,945	(604,933)	5,496,220
g Depreciation and amortization	42,962	58,318	77,884	10,132	52,387	-	241,683
h Segment profit/(loss)	326,667	1,634,589	351,281	166,175	566,243	(610,150)	2,434,805
i Entity's interest in the profit or loss of associates accounted for using equity method - Not Applicable							
j Other material items	-	-	-	-	-	-	-
-Loan and advances	26,145,474	38,112,208	50,898,686	6,621,702	-	-	121,778,070
-Deposits	75,564,611	1,748,708	57,022,150	485,172	-	-	134,820,641
Impairment of assets	269,369	379,384	868,406	110,461	-	(454)	1,627,165
Segment assets	31,899,907	43,301,681	57,829,205	7,523,333	38,897,789	-	179,451,915
Segment liabilities	83,754,222	1,938,231	63,202,149	537,754	6,815,219	23,204,340	179,451,915

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.

- i. 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

a Revenue	Fig in Thousand
Particulars	Amount
Total Revenues for reportable segments	18,937,932
Other Revenues	-
Elimination of intersegment revenues	2,996,537
Entity's Revenues	15,941,395
b Profit or Loss	
Particulars	Amount
Total profit or loss for reportable segments	2,434,805
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts	-
Profit before income tax	2,434,805
c Assets	
Particulars	Amount
Total assets for reportable segments	179,451,915
Other assets	-
Unallocated amounts	-
Entity's assets	179,451,915

d Liabilities

Particulars	Amount
Total liabilities for reportable segments	179,451,915
Other liabilities	-
Unallocated amounts	-
Entity's liabilities	179,451,915

f) Information about products and services

Particulars	NPR In Thousand (Fees Income)
Retail Banking	247,194
Corporate, SME & Institutional	638,004
Treasury	44,737
Trade Finance	17,445
Others	4,915
Total	952,295

g) Information about geographical areas

Particulars		Revenue (NPR In Thousand)
a	Domestic	15,941,395
	- Province 1	1,706,573
	- Province 2	842,096
	- Province 3	9,719,581
	- Gandaki Province	1,696,564
	- Province 5	1,600,204
	- Karnali Province	90,088
	- Far Western Province	286,290
b	Foreign	-
	Total (a+b)	15,941,395

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

30. 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.

31. Merger and acquisition

During the fiscal year 2076/77, the bank has merged with Om Development Bank Limited and commenced joint operations from 28 September 2019 (11 Ashwin 2076) as NMB Bank Limited.

Erstwhile ODBL (E-ODBL) was a Pokhara based National Level Development Bank Limited with Paid -up Capital of NPR 2.51 Bio and had the Branch network of 53 and 19 ATMs with total Deposit mobilization of 25 Billion and Loan and Advances totalling 22 Billion. The merger was driven by NMB Bank's strategic intent to have a strong presence in Province 4 where a majority of erstwhile ODBL's branches are located. E-ODBL has prepared audited financial statements as of 10 Ashwin 2076 (27 September 2019), i.e., acquisition date. Assets and Liabilities of the merged entity as recognized in its audited balance sheet has been recorded in the books of accounts of NMB Bank Limited as on the date of joint operation date being acquisition date i.e., 11 Ashwin 2076 (28 September 2019). Profit and Loss account of the merged entity as of date of merger are prepared separately and transferred to retained earnings of NMB Bank Limited. The bank has accounted merger related expenses in Merger expenses in Schedule 4.37.1 at other operating expenses.

The change of equity of the bank due to the merger is as below:

Particulars	Date of Merger	% of voting equity interests acquired	Face Value of Consideration Transferred (In Full Figure)
Om Development Bank Ltd.	28-Sep-2019	100%	1,911,579,056

Consideration Transferred

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 valuation has been done by Due Diligence Auditor taking Assets and Liabilities and other necessary information as on 13 April 2019 (Chaitra end 2075).

Particulars	NPR
Cash	Nil
Fair Value of Equity shares issued of NMB Bank Ltd.	5,607,234,845
Fair value of other Tangible or Intangible assets	Nil
Contingent consideration arrangement	Nil
Fair Value of Consideration Transferred	5,607,234,845

Assets acquired and liabilities recognised at the date of acquisition

Particulars	Fair Value (NPR)
Cash and cash equivalent	4,463,437,114
Due from Nepal Rastra Bank	1,409,698,229
Loan and advances to B/FIs	568,346,527
Loans and advances to customers	20,820,415,560
Investment securities	898,155,512
Current tax assets	20,839,910
Property and equipment	185,453,979
Goodwill and Intangible assets	4,032,664
Deferred tax assets	197,851,475
Other assets	107,998,959
Total Assets	28,676,229,929
Due to Bank and Financial Institutions	689,007,679
Deposits from customers	23,967,214,542
Other liabilities	601,658,223
Total Liabilities	25,257,880,444
Net Assets Acquired	3,418,349,485

Merger with E-ODBL is the second time merger and acquisition process for NMB Bank after historic merger with 4 BFI's at once during the year of 2072/73. Meanwhile the bank has also acquired Kanchan Development Bank Ltd. in the FY 2077/78. The swap ratio on merger and acquisition is determined as per NRB Merger and Acquisition Bylaws, 2073 which describes fair value determination methods of shares of both the acquirer and acquiree (even based on future business growth). Such net-worth could be adjusted merely up to 10% (+/-) only as per the bylaws. In case of merger with E-ODBL, the net-worth has been adjusted by nominal 4.42% (NPR 155 Million) as agreed between the parties and hence the bank believes the transaction has been done in fair value without arising any substantial gain or loss. The adjusted net-worth has been taken based on quarterly financial report of Chaitra end 2075 (13 April 2019) while the joint operation has been started only after completion of the fiscal year 2075/76 but before first quarter end of FY 2076/77 i.e. 10 Ashwin 2076. The bank has conducted audit of E-ODBL as on 10 Ashwin 2076 (financials prepared as per NFRS in consistent with the accounting policy of NMB Bank Ltd.) and integrated in to books of accounts of NMB Bank Ltd and hence independent business of E-ODBL could not be separately tracked out even after merger (branches merged in some cases)

The bank has adopted conventional way of booking swap gain from merger and acquisition as per point 9(Kha) of NRB Merger and Acquisition Bylaws, 2073. As per NRB Merger and Acquisition Bylaws, the bank shall deposit the reduced paid up capital of acquiree to capital reserve after adjustment of paid up capital as per Swap ratio in DDA Report. Hence, the amount of NPR 603 Million arose from swap gain from merger with erstwhile Om Development Bank Limited has been deposited in capital reserve. Similarly as explained above, the bank has also recognized neither any goodwill nor any bargain gain as the transaction has been carried out as per DDA Report (fairly valued). This treatment is not as per NFRS –3 “Business combination” which mandates booking of NPR 2,094 Million as Goodwill (given in table below) with corresponding booking of share premium/capital reserve (as explained above in ICAN Carve Out). Hence, the asset and liability has been understated by the same amount.

Particulars	NPR	Remarks
Fair Value of Consideration transferred (A)	5,607,234,845	As per DDA Report
Fair Value of Net Assets Acquired (B)	3,512,925,484	As on Date of Acquisition fair valued as per DDA Report (Joint Operation Date)
Goodwill (A-B) *	2,094,309,361	

*Corresponding reserve (share premium/ capital reserve) to be booked as per NFRS 3 read with ICAN Carve Out

32. 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.

33. 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.

34. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 11, 73,000 during the fiscal year. There were 17 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. The Meeting fees paid to different Board Level Committees are as follows:

Board Level Committees	No of Meetings	Meeting Allowance (NPR)
Audit Committee	10	260,000
Risk Management Committee	11	300,000
Human Resource Service Committee	7	124,000
Building Construction Sub-Committee	2	48,000
Assets Laundering Prevention Committee	5	76,000
Other Committee (Merger)	7	231,400

As per 23rd AGM held on Poush 26, 2075, monthly allowance of NPR 12,000 is being paid. The total amount paid as monthly allowances to the board members during the fiscal year amounted to NPR 9,12,000.

(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	52,440,044
B	Post-Employment Benefits	Nil
C	Other Long Term Benefits	Nil
D	Termination Benefits (Gratuity and Sick Leave Encashment)	Nil
E	Share Based Payment	Nil
	Total of Key Management Personnel Compensation	52,440,044

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	5,904,000	590,400	5,248,000	5,576,000	209,905	17,528,305
Total	5,904,000	590,400	5,248,000	5,576,000	209,905	17,528,305

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. Pradeep Pradhan	Chief Operating Officer
Ms. Shabnam Limbu Joshi	Chief Human Resource Officer
Mr. Sharad Tegi Tuladhar	Chief Risk Officer
Mr. Sudesh Upadhyaya	Chief Business & Strategy Officer
Mr. Govind Ghimire	Chief Business Officer
Mr. Navin Manandhar	Chief Finance Officer
Mr. Pramod Dahal	Chief Internal Audit, AML/CFT Officer & Company Secretary
Mr. Roshan Regmi	Head Retail Banking

(d) Transaction with Subsidiaries

Amount in NPR Thousand

S No	Particulars	NMB Capital	NMB Micro Finance
1	Investment by NMB Bank Ltd.	200,000	172,488
2	Deposits in NMB Bank Ltd.	535,115	308,526
3	Borrowing from NMB Bank Ltd.	-	1,000,000
4	Interest Payment by NMB Bank Ltd.	17,567	-
5	Interest Payment to NMB Bank Ltd.	-	94,559
6	Rent Payment to NMB Bank Ltd.	2,390	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Share Registrar Fee payment by NMB Bank	1,100	-
9	Debenture Trustee Fee payment by NMB Bank	100	-
10	Dividend Distribution Fee	2,097	-
11	Investment in NMB 50 (Seed Capital)	177,017	-
12	Investment in NMB Hybrid Fund L 1 (Seed Capital)	144,988	-
13	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank	16,439	-
14	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	15,262	-
15	Dividend Distribution by NMB Capital to NMB Bank	38,000	-

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

Disclosure under New Capital Adequacy Framework for the Year Ended Ashad 2077

Amounts in NPR Thousand

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 2077.

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	13,950,987
2.	Share Premium	723,824
3.	Proposed Bonus Equity Shares	-
4.	Statutory General Reserves	3,010,880
5.	Retained Earnings	1,737,220
6.	Capital Adjustment Reserve	57,326
7.	Deferred Tax Reserves	-
8.	Deferred Tax Assets	-
9.	Debenture Redemption Reserve	500,000
10.	Less: Investment in equity of institutions with financial interest	(210,000)
11.	Less: Intangible Assets	(125,849)
12.	Less: Purchase of land & building in excess of limit and unutilized	(14,173)
	Total Core Capital	19,630,215

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

S.No	Details	Amount
1.	Subordinated Term Debt	1,684,505
2.	General Loan Loss Provision	1,337,614
3.	Exchange Equalization Reserve	102,426
4.	Investment Adjustment Reserve	11,500
5.	Other Reserve	10,000
	Total Supplementary Capital	3,146,045

2.3. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount rose during the year and amount eligible to be reckoned as capital funds.

The Bank had issued “7% NMB Debenture 2077” on 6 Falgun 2071 amounting to NPR 500 Million having a maturity of 5 years 6 months. The Debenture was fully subscribed and will be matured in FY 2077/78.

The Bank had also issued 10% NMB Debenture 2085” of NPR. 1,684,505,000 on 29 Chaitra 2075. 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.

The amortized cost of debenture as on fiscal year end is NPR. 2,279,834,432.

2.4. Deductions from Capital:

Investment in equity shares of fully owned subsidiary company NMB Capital Ltd amounting to NPR 200,000,000 and CEDB Hydro Fund amounting to NPR 10,000,000 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 125,848,936. 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)	19,630,215
2.	Supplementary Capital (Tier 2)	3,146,045
	Total Capital Fund	22,776,260

2.6. Capital Adequacy Ratio:

S.No	Details	Percentage
1.	Tier 1 Capital to Total Risk Weighted Exposure	13.00%
2.	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	15.08%

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	136,389,233
b.	Risk Weighted Exposure for Operational Risk	6,932,979
c.	Risk Weighted Exposure for Market Risk	2,710,495
	Total Risk Weighted Exposures (a+b+c)	146,032,705
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,075,662
	Add : 2% of the total RWE due to Supervisory add up	2,920,564
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	151,029,021

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

S.No	Particulars	Amount
1.	Claims on government and Central Bank	NIL
2.	Claims on other Official Entities	NIL
3.	Claims on Bank	260,266
4.	Claims on Domestic Corporate and Securities Firms	72,402,286
5.	Claims on Foreign Corporate	1,745,369
6.	Claims on Regulatory Retail Portfolio	12,128,462
7.	Claims fulfilling all criterion of regulatory retail except granularity	NIL
8.	Claims secured by Residential Properties (including staff)	9,000,512
9.	Claims not fully secured by residential properties	NIL
10.	Claims secured by Residential Properties (Overdue)	435,020
11.	Claims secured by Commercial Real Estate	929,564
12.	Past Due Claims	1,864,274
13.	High Risk Claims	18,022,234
14.	Lending against securities (bonds & shares)	520,676
15.	Investments	1,194,884
16.	Other Assets	2,450,907
17.	Off Balance sheet items	15,434,780
	Total	136,389,233

3.3. Total Risk Weighted Exposure calculation table:

S.No	Particulars	Amount
a.	Risk Weighted Exposure for Credit Risk	136,389,233
b.	Risk Weighted Exposure for Operational Risk	6,932,979
c.	Risk Weighted Exposure for Market Risk	2,710,495
1.	Total Risk Weighted Exposure	146,032,705
	Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,075,662
	Add : 2% of the total RWE due to Supervisory add up	2,920,564
	Add: 2% of total RWE, Desired level of disclosure requirement has not been achieved.	-
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	151,029,021
2.	Total Core Capital Fund (Tier 1)	19,630,215
3.	Total Capital Fund (Tier 1 & Tier 2)	22,776,260
4.	Total Core Capital to Total Risk Weighted Exposures (%)	13.00 %
5.	Total Capital to Total Risk Weighted Exposures (%)	15.08%

3.4. Amount of Non-Performing Assets (NPAs)

S.No	Category	Gross	Provision	Net
1.	Restructured/Rescheduled	107,169	35,088	72,081
2.	Substandard	785,222	196,306	588,916
3.	Doubtful	1,534,725	767,363	767,362
4.	Loss	842,366	842,366	NIL
	Total	3,269,482	1,840,457	1,429,025

The bank has merged with Om Development Bank and started joint operation from 11 Aswin 2076.

3.5. NPA Ratio

Gross NPA to Gross Advances: 2.68% Net NPA to Net Advances: 1.21%

3.6 Movement of Non-Performing Assets

S.No	Particulars	Asar End 2076	Asar End 2077	Movement*
1.	Restructure/Reschedule Loan	96,884	107,169	10,285
2.	Substandard	219,452	785,222	565,770
3.	Doubtful	260,090	1,534,725	1,274,635
4.	Loss	179,992	842,366	662,374
	Total Non-Performing Loan	756,418	3,269,482	2,513,064

*The bank has merged with Om Development Bank and started joint operation from 11 Aswin 2076.

3.7. Movement of Loan Loss Provision and Interest Suspense on loans & advances

S.No	Category	Asar End 2076	Asar End 2077	Movement*
1.	Pass	888,849	1,742,881	854,032
2.	Watch List	123,132	521,392	389,260
3.	Restructured	22,043	35,088	13,045
4.	Substandard	54,863	196,213	141,350
5.	Doubtful	130,045	766,790	636,745
6.	Loss	179,992	842,367	662,375
	Total Loan Provision	1,398,924	4,104,731	2,705,807
	Accrued Interest Receivable (including staff)	623,527	1,846,318	1,222,791

*The accumulated loan loss provision carried forward after merger with E-ODBL as on merger date is 1,078 Mio.

After change of Core Banking System, the interest on majority of risk assets portfolio are due as per English Calender due to which approximately a fortnight's interest income are not realized as of fiscal year end 2077.

As per NRB Interest Income Recognition Guideline, the interest amount of NPR. 37,564,336 has been reversed and credited to Interest Suspense during the reporting period.

3.8. Details of Additional Loan Loss Provision

S.No	Category	Asar End 2077
1.	Pass	616,587
2.	Watch List	309,650
3.	Restructured	-
4.	Substandard	75
5.	Doubtful	-
6.	Loss	-
	Total Additional Loan Loss Provision	926,311

3.9. 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 9,233,380 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.1/075 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%	10.50%
Capital Conversation Buffer	2.50%	2.50%
Minimum common equity plus capital conservation buffer	7.00%	13.00%
Minimum Tier 1 Capital (Excluding conservation buffer)	6.00%	13.00%
Minimum Total Capital (Excluding conservation buffer)	9.00%	13.00%
Minimum Total Capital (including conservation buffer)	11.00%	15.08%
Leverage Ratio	4.00%	8.57%

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 Head Internal Audit as its secretary. The committee reviews internal/external/NRB audit reports, recommends stringent control process and escalates the audit observations to the Board. The Committee also reviews quarterly unaudited financial reports of the Bank with recommendation to the Board. The committee selects and recommends External Auditor to the Board based on financial and technical evaluations. Audit Committee is committed towards maintaining robust control system hence monitors closure of risk issues raised by Internal/External/NRB auditors.

Risk Management Committee with view of ensuring better risk management in the bank and in line of NRB's requirement is formed with 5 members chaired by Non-Executive Director, Coordinator of Audit Committee, Head Operation, Head Credit Risk and Head Compliance, & Operational Risk are the members of the committee. The committee reviews high risk issues escalated by operational and credit risk committees (management level), deliberates on the risks and recommends to the Board if required. Stress testing/Capital adequacy is also reviewed at the committee with recommendation to the Board. Revised/new NRB directives, Monetary Policy with material impact on the Bank are also reviewed for its implications.

Corporate Social Responsibility (CSR)

The details of CSR done sectorwise is given below:

Particulars	FY 2075/76	FY 2076/77
I. Education	385,499	1,337,122
II. Health	399,076	25,222,661
III. Disaster management	-	52,760
IV. Environmental protection	1,745,720	4,270,350
V. Income Generation	-	1,356,991
VI. Infrastructure	1,391,701	2,566,888
VII. Financial Literacy	561,271	2,055,345
VIII. Customer protection	120,000	-
IX. Sustainable Development Goals	113,805	5,624,870
X. Open Your Bank Account	961,485	238,673
Total	5,678,558	42,725,660

The details of CSR done provincewise is given below:

Particulars	2075/76	2076/77
Province 1	147,314	4,343,001
Province 2	85,953	991,571
Bagmati	4,897,847	32,098,939
Gandaki	70,465	1,061,391
Lumbini	185,985	2,960,859
Karnali	28,060	516,087
Sudurpashchim	262,933	753,811
Total	5,678,558	42,725,660

The bank has contributed NPR. 15.1 Million into the Corona Fund of Nepal Government to minimize the effect of COVID 19.

Debenture Issue - Projected vs Actual

Statement of Financial Position

Particulars	Projected FY 2076-77	Actual FY 2076-77	Variance (%) FY 2076-77	Reasons for Variance (for more than 20% only)
Cash and cash equivalent	3,403,012	11,098,349	69%	Reclassification of Cash and Cash Equivalent (Upto 90 days)
Due from Nepal Rastra Bank	8,847,831	15,249,999	42%	Reclassification of Li:Ka Deposit
Placement with Bank and Financial Institutions	1,420,904	3,304,234	57%	Increase in Foreign Placement
Derivative financial instruments	8,009,621	10,066,296	20%	
Other trading assets	782,737	266,890	-193%	As a Market Maker, bond has been traded
Loan and advances to B/FIs	4,334,923	4,665,865	7%	
Loans and advances to customers	126,202,755	115,668,473	-9%	
Investment securities	22,987,838	14,998,756	-53%	As per Business Requirement
Current tax assets	31,410	61,461	49%	Amount booked as per requirement of Income Tax Act.
Investment in subsidiaries	604,721	372,488	-62%	Invested in Right Share of NMB Laghubitta
Investment in associates	-	-		
Investment property	145,430	79,648	-83%	Due to non booking of Investment Property
Property and equipment	2,342,603	1,755,794	-33%	Less branch opened and required assets purchased economically
Goodwill and Intangible assets	32,290	125,849	74%	Acquisition from Merger
Deferred tax assets	2,750	264,421	99%	Acquisition from Merger
Other assets	3,254,616	1,473,393	-121%	Reclassification of Other Assets and Other Liabilities
Total Assets	182,403,441	179,451,915	-2%	

Liabilities					
Due to Bank and Financial Institutions	1,284,295	3,150,015	59%	Acquired from Merger and Increase in Deposit of BFIs	
Due to Nepal Rastra Bank	818,057	4,832,502	83%	Reclassification of Li:Ka Deposit	
Derivative financial instruments	9,267,183	10,008,213	7%		
Deposits from customers	140,911,470	131,660,368	-7%		
Borrowing	5,088,294	3,416,310	-49%	Granting of Offshore borrowing process is ongoing	
Current Tax Liabilities	-	-			
Provisions	11,251	-	-100%	No further provision done	
Deferred tax liabilities	-	-			
Other liabilities	1,742,519	3,169,288	45%	Reclassification of Other Assets and Other Liabilities	
Debt securities issued	3,500,000	2,279,834	-54%	Debtenture not issued	
Subordinated Liabilities	-	-			
Total liabilities	162,623,069	158,516,530	-3%		
Equity					
Share capital	11,060,887	13,950,987	21%	Additions from Merger	
Share premium	603,795	723,824	17%		
Retained earnings	1,967,747	1,737,220	-13%		
Reserves	6,147,944	4,523,354	-36%	Due to Lesser Appropriation of Profit and Reserves	
Total equity attributable to equity holders	19,780,373	20,935,385	6%		
Non-controlling interest	-	-			
Total equity	19,780,373	20,935,385	6%		
Total liabilities and equity	182,403,441	179,451,915	-2%		

Debenture Issue - Projected vs Actual

Statement of Profit or Loss

Particulars	Projected FY 2076-77	Actual FY 2076-77	Variance (%) FY 2076-77	Reasons for Variance (for more than 20% only)
Interest income	15,684,466	14,442,973	-9%	
Interest expense	10,075,485	8,946,753	-13%	
Net interest income	5,608,981	5,496,220	-2%	
Fee and commission income	1,495,722	914,370	-64%	Due to reduced volume of Risk Assets and Liabilities (COVID 19)
Fee and commission expense	98,036	107,917	9%	
Net fee and commission income	1,397,687	806,452	-73%	
Net interest, fee and commission income	7,006,667	6,302,672	-11%	
Net trading income	564,214	384,157	-47%	Due to lesser volume in Forward Contracts
Other operating income	310,655	215,365	-44%	Mainly due to lesser foreing exchange revaluation gain
Total operating income	7,881,537	6,902,194	-14%	
Impairment charge/(reversal) for loans and other losses	491,360	1,627,165	70%	Due to increase in Non Performing Loan (NPL) and effect of COVID 19
Net operating income	7,390,177	5,275,029	-40%	
Operating expense				
Personnel expenses	1,800,929	1,647,498	-9%	
Other operating expenses	921,441	935,574	2%	
Depreciation & Amortisation	230,902	241,683	4%	
Operating Profit	4,436,906	2,450,274	-81%	
Non operating income	40,448	18,513	-118%	Due to increase in NPL
Non operating expense	-	33,982	100%	Loan Written off
Profit before income tax	4,477,353	2,434,805	-84%	
Income tax expense				
Current Tax	1,343,206	725,589	-85%	As per Income Tax Act.
Deferred Tax expense/(Income)	-	(3,561)	100%	Deferred Income Tax Booked
Profit for the period	3,134,147	1,712,777	-83%	

Horizontal Analysis

Statement of Financial Position

Amount in Rs.

Particulars	15-Jul-20 (Ashadh 31, 2077)	2019 Vs 2020	16-Jul-19 (Ashad 31, 2076)	2018 Vs 2019	16-Jul-18 (Ashadh 32, 2075)
ASSETS					
Cash and cash equivalent	11,098,349,234	37%	8,096,354,503	56%	5,180,404,105
Due from Nepal Rastra Bank	15,249,998,507	41%	10,829,181,584	49%	7,260,194,560
Placement with Bank and Financial Institutions	3,304,233,792	52%	2,172,967,239	68%	276,407,171
Derivative financial instruments	10,066,295,972	17%	8,595,482,282	15%	7,506,751,485
Other trading assets	266,890,000	-22%	340,390,000	6%	321,720,000
Loan and advances to B/FIs	4,665,864,579	41%	3,317,961,987	33%	2,497,567,769
Loans and advances to customers	115,668,472,666	31%	88,485,031,394	22%	72,711,771,766
Investment securities	14,998,756,047	45%	10,316,351,016	9%	9,448,446,725
Current tax assets	61,460,881	100%	-	-	-
Investment in subsidiaries	372,487,600	50%	248,552,000	0%	248,552,000
Investment in associates	-	-	-	-	-
Investment property	79,648,242	-23%	102,915,862	72%	59,774,627
Property and equipment	1,755,794,235	11%	1,577,898,704	1%	1,559,569,574
Goodwill and Intangible assets	125,848,936	9%	115,408,800	42%	22,054,209
Deferred tax assets	264,421,080	278%	70,040,593	5%	66,869,011
Other assets	1,473,393,132	23%	1,201,873,611	-7%	4,458,383,903
Total Assets	179,451,914,903	32%	135,470,409,573	21%	111,618,466,905

Particulars	15-Jul-20 (Ashadh 31, 2077)	2019 Vs 2020	16-Jul-19 (Ashadh 31, 2076)	2018 Vs 2019	16-Jul-18 (Ashadh 32, 2075)
LIABILITIES					
Due to Bank and Financial Institutions	3,150,014,840	68%	1,875,151,251	81%	1,036,268,951
Due to Nepal Rastra Bank	4,832,501,544	51%	3,203,523,072	385%	660,071,641
Derivative financial instruments	10,008,212,670	18%	8,458,374,429	13%	7,477,483,892
Deposits from customers	131,660,368,354	36%	96,641,515,712	15%	83,970,867,219
Borrowing	3,416,310,000	-1%	3,468,060,000	100%	-
Current Tax Liabilities	-	-100%	35,578,570	-41%	60,418,156
Provisions	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	3,169,287,821	48%	2,145,955,868	53%	1,405,999,800
Debt securities issued	2,279,834,432	2%	2,239,236,412	333%	517,547,945
Subordinated Liabilities	-	-	-	-	-
Total Liabilities	158,516,529,660	34%	118,067,395,314	24%	95,128,657,604
EQUITY					
Share capital	13,950,987,467	45%	9,618,162,652	26%	7,603,290,634
Share premium	120,167,470	-95%	2,512,798,517	-38%	4,061,366,586
Retained earnings	1,737,219,751	-2%	1,780,326,613	-24%	2,339,181,597
Reserves	5,127,010,555	47%	3,491,726,477	40%	2,485,970,484
Total equity attributable to equity holders	20,935,385,243	20%	17,403,014,259	6%	16,489,809,301
Non-controlling interest	-	-	-	-	-
Total equity	20,935,385,243	20%	17,403,014,259	6%	16,489,809,301
Total liabilities and equity	179,451,914,903	32%	135,470,409,573	21%	111,618,466,905

Horizontal Analysis

Statement of Profit or Loss

Particulars	FY 2019-20	2019 Vs 2020	FY 2018-19	2018 Vs 2019	FY 2017-18
	(Ashadh 31, 2077)		(Ashad 31, 2076)		(32 Asar 2075)
Interest income	14,442,972,567	30%	11,082,059,031	27%	8,728,699,831
Interest expense	8,946,752,652	31%	6,838,038,085	17%	5,824,685,753
Net interest income	5,496,219,915	30%	4,244,020,946	46%	2,904,014,078
Fee and commission income	914,369,723	-9%	1,003,530,866	26%	794,250,068
Fee and commission expense	107,917,283	15%	93,955,270	50%	62,708,027
Net fee and commission income	806,452,440	-11%	909,575,596	24%	731,542,041
Net interest, fee and commission income	6,302,672,355	22%	5,153,596,542	42%	3,635,556,119
Net trading income	384,157,101	9%	352,049,490	18%	299,605,983
Other operating income	215,364,793	2%	210,373,919	28%	164,962,228
Total operating income	6,902,194,249	21%	5,716,019,951	39%	4,100,124,330
Impairment charge/(reversal) for loans and other losses	1,627,165,235	879%	166,272,634	-176%	(219,650,789)
Net operating income	5,275,029,014	-5%	5,549,747,317	28%	4,319,775,119
Operating expense					
Personnel expenses	1,647,497,921	16%	1,415,793,493	39%	1,021,570,435
Other operating expenses	935,573,915	32%	708,661,406	20%	589,394,199
Depreciation & Amortisation	241,683,371	37%	176,793,355	20%	147,695,238
Operating Profit	2,450,273,807	-25%	3,248,499,062	27%	2,561,115,247
Non operating income	18,512,709	8%	17,090,672	-60%	43,140,193
Non operating expense	33,981,887	93%	17,585,901	-54%	37,935,379
Profit before income tax	2,434,804,629	-25%	3,248,003,833	27%	2,566,320,061
Income tax expense					
Current Tax	725,589,473	-27%	994,167,044	20%	829,621,042
Deferred Tax expense/(Income)	(3,561,365)	4%	(3,439,237)	-97%	(117,093,734)
Profit for the period	1,712,776,521	-24%	2,257,276,026	22%	1,853,792,753

Vertical Analysis

Statement of Financial Position

Particulars	15-Jul-20	%	16-Jul-19	%	16-Jul-18	%
	(Ashadh 31, 2077)		(Ashad 31, 2076)		(Ashadh 32, 2075)	
ASSETS						
Cash and cash equivalent	11,098,349,234	6%	8,096,354,503	6%	5,180,404,105	5%
Due from Nepal Rastra Bank	15,249,998,507	8%	10,829,181,584	8%	7,260,194,560	7%
Placement with Bank and Financial Institutions	3,304,233,792	2%	2,172,967,239	2%	276,407,171	0%
Derivative financial instruments	10,066,295,972	6%	8,595,482,282	6%	7,506,751,485	7%
Other trading assets	266,890,000	0%	340,390,000	0%	321,720,000	0%
Loan and advances to B/FIs	4,665,864,579	3%	3,317,961,987	2%	2,497,567,769	2%
Loans and advances to customers	115,668,472,666	64%	88,485,031,394	65%	72,711,771,766	65%
Investment securities	14,998,756,047	8%	10,316,351,016	8%	9,448,446,725	8%
Current tax assets	61,460,881	0%	-	0%	-	0%
Investment in subsidiaries	372,487,600	0%	248,552,000	0%	248,552,000	0%
Investment in associates	-	0%	-	0%	-	0%
Investment property	79,648,242	0%	102,915,862	0%	59,774,627	0%
Property and equipment	1,755,794,235	1%	1,577,898,704	1%	1,559,569,574	1%
Goodwill and Intangible assets	125,848,936	0%	115,408,800	0%	22,054,209	0%
Deferred tax assets	264,421,080	0%	70,040,593	0%	66,869,011	0%
Other assets	1,473,393,132	1%	1,201,873,611	1%	4,458,383,903	4%
Total Assets	179,451,914,903	100.00%	135,470,409,573	100%	111,618,466,905	100%
LIABILITIES						
Due to Bank and Financial Institutions	3,150,014,840	2%	1,875,151,251	1%	1,036,268,951	1%
Due to Nepal Rastra Bank	4,832,501,544	3%	3,203,523,072	2%	660,071,641	1%
Derivative financial instruments	10,008,212,670	6%	8,458,374,429	6%	7,477,483,892	7%
Deposits from customers	131,660,368,354	73%	96,641,515,712	71%	83,970,867,219	75%
Borrowing	3,416,310,000	2%	3,468,060,000	3%	-	0%
Current Tax Liabilities	-	0%	35,578,570	0%	60,418,156	0%
Provisions	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%
Other liabilities	3,169,287,821	2%	2,145,955,868	2%	1,405,999,800	1%
Debt securities issued	2,279,834,432	1%	2,239,236,412	2%	517,547,945	0%
Subordinated Liabilities		0%	-	0%	-	0%
Total Liabilities	158,516,529,660	88%	118,067,395,314	87%	95,128,657,604	85%

EQUITY						
Share capital	13,950,987,467	8%	9,618,162,652	7%	7,603,290,634	7%
Share premium	120,167,470	0%	2,512,798,517	2%	4,061,366,586	4%
Retained earnings	1,737,219,751	1%	1,780,326,613	1%	2,339,181,597	2%
Reserves	5,127,010,555	3%	3,491,726,477	3%	2,485,970,484	2%
Total equity attributable to equity holders	20,935,385,243	12%	17,403,014,259	13%	16,489,809,301	15%
Non-controlling interest			-		-	
Total equity	20,935,385,243	12%	17,403,014,259	13%	16,489,809,301	15%
Total liabilities and equity	179,451,914,903	100%	135,470,409,573	100%	111,618,466,905	100%

Vertical Analysis

Statement of Profit or Loss

Particulars	FY 2019-20 (Ashadh 31, 2077)	%	FY 2018-19 (Ashad 31, 2076)	%	FY 2017-18 (32 Asar 2075)	%
Interest income	14,442,972,567	100%	11,082,059,031	100%	8,728,699,831	100%
Interest expense	8,946,752,652	62%	6,838,038,085	62%	5,824,685,753	67%
Net interest income	5,496,219,915	38%	4,244,020,946	38%	2,904,014,078	33%
Fee and commission income	914,369,723	6%	1,003,530,866	9%	794,250,068	9%
Fee and commission expense	107,917,283	1%	93,955,270	1%	62,708,027	1%
Net fee and commission income	806,452,440	6%	909,575,596	8%	731,542,041	8%
Net interest, fee and commission income	6,302,672,355	44%	5,153,596,542	47%	3,635,556,119	42%
Net trading income	384,157,101	3%	352,049,490	3%	299,605,983	3%
Other operating income	215,364,793	1%	210,373,919	2%	164,962,228	2%
Total operating income	6,902,194,249	48%	5,716,019,951	52%	4,100,124,330	47%
Impairment charge/(reversal) for loans and other losses	1,627,165,235	11%	166,272,634	2%	(219,650,789)	-3%
Net operating income	5,275,029,014	37%	5,549,747,317	50%	4,319,775,119	49%
Operating expense						
Personnel expenses	1,647,497,921	11%	1,415,793,493	13%	1,021,570,435	12%
Other operating expenses	935,573,915	6%	708,661,406	6%	589,394,199	7%
Depreciation & Amortisation	241,683,371	2%	176,793,355	2%	147,695,238	2%
Operating Profit	2,450,273,807	17%	3,248,499,062	29%	2,561,115,247	29%
Non operating income	18,512,709	0%	17,090,672	0%	43,140,193	0%
Non operating expense	33,981,887	0%	17,585,901	0%	37,935,379	0%
Profit before income tax	2,434,804,629	17%	3,248,003,833	29%	2,566,320,061	29%
Income tax expense				0%		
Current Tax	725,589,473	5%	994,167,044	9%	829,621,042	10%
Deferred Tax expense/(Income)	(3,561,365)	0%	(3,439,237)	0%	(117,093,734)	-1%
Profit for the period	1,712,776,521	12%	2,257,276,026	20%	1,853,792,753	21%



कञ्चन डेभलपमेन्ट बैंक लिमिटेड

Kanchan Development Bank Limited



NMB BANK

एनएमबि बैंक

Annual Report

FY 2019-2020



K.P.R.
ASSOCIATES

Chartered Accountants

New Baneshwor, Kathmandu
E-mail: kprassociates@gmail.com
Tel: +977-9851138916

**Independent Auditor's Report
To the Shareholders
Of
Kanchan Development Bank Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kanchan Development Bank Limited (referred to as "Bank"), which comprise the statement of financial position as at Ashad 31, 2077 (July 15, 2020), statement of profit or loss account, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in material respect, the financial position of the Bank as at Ashad 31, 2077 (July 15, 2020), its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

Basis for 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 Financial Statements selection of our report. We are independent of the Bank in accordance with ICAN's Handbook of Code of Ethics of Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with 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 opinion.

Key Auditors Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. However, our audit findings have not necessitated mentioning key audit matters.



ICAN UDIN: 201124CA00632AAZkK

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

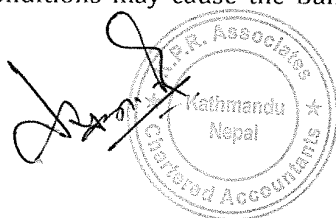
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibility for Audit the of the Financial Statement

Our objective is to obtain reasonable assurance about whether the 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 NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 t resulting from fraud is higher that for one resulting from error, as fraud may involve collusion, forgery, international 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 expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the 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 exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



ICAN UDIN: 201124CA00632AAZkK

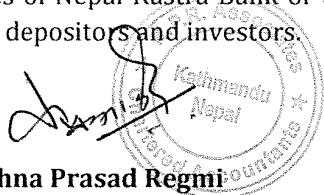
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the requirements of Banks and Financial Act, 2073 and Company Act, 2063

We have obtained information and explained asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows including a summary of significant accounting policies and other explanatory notes have been prepared in all material respect in accordance with the requirements of the Companies Act, 2063 and are in agreement with the books of account maintained by the Bank; and proper books of account as required by law maintained by the Bank including relevant records relating to preparation of the aforesaid financial statements have been kept so far as it appears from our examination of those books and records of the Bank.

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

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



CA. Krishna Prasad Regmi
Principal

For, **K.P.R. Associates**
Chartered Accountants

Date: 2077/08/09
Place: Kathmandu

ICAN UDIN: 201124CA00632AAZkK

ICAN UDIN: 201124CA00632AAZkK

Statement of Financial Position

As on 31 Asar 2077 (As at 15th July 2020)

Amount in NPR

Particulars	Note	As at 15 July 2020	As at 16 July 2019
Assets			
Cash and cash equivalent	4.1	2,085,307,133	1,629,586,854
Due from Nepal Rastra Bank	4.2	308,368,604	79,399,043
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments.	4.4	-	-
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	240,800,628	269,129,174
Loans and advances to customers	4.7	4,989,360,697	4,525,045,649
Investment securities	4.8	44,696,741	45,532,359
Current tax assets	4.9	4,330,616	-
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	14,914,641	-
Property and equipment	4.13	121,610,421	113,993,487
Goodwill and Intangible assets	4.14	5,944,759	4,385,210
Deferred tax assets	4.15	3,500,174	4,228,369
Other assets	4.16	34,240,710	36,114,115
Total Assets		7,853,075,122	6,707,414,260
	Note	As at 15 July 2020	As at 16 July 2019
Liabilities			
Due to Bank and Financial Institutions	4.17	70,019,961	389,558,420
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	6,980,738,852	5,536,509,884
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	6,328,088
Provisions	4.22	-	-
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	62,488,735	61,903,024
Debt securities issued	4.24	-	-
Subordinated Liabilities	4.25	-	-
Total liabilities		7,113,247,548	5,994,299,416
Equity			
Share capital	4.26	584,430,000	531,300,000
Share premium		-	-
Retained earnings		30,082,377	85,305,247
Reserves	4.27	125,315,197	96,509,597
Total equity attributable to equity holders		739,827,574	713,114,844
Non-controlling interest		-	-
Total equity		739,827,574	713,114,844
Total liabilities and equity		7,853,075,122	6,707,414,260
Contingent liabilities and commitment	4.28	306,968,889	304,554,660
Net assets value per share		127	134

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

CA. Krishna Prasad Regmi
Principal
K.P.R Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 24 November 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Statement of Profit or Loss

For the year Ended 31 Asar 2077 (15th July 2020)

Amount in NPR

Particulars	Note	Year ended 15 July 2020	Year ended 16 July 2019
Interest income	4.29	733,948,572	626,731,369
Interest expense	4.30	471,973,312	372,686,773
Net interest income		261,975,259	254,044,595
Fees and commission income	4.31	41,915,794	44,191,719
Fees and commission expense	4.32	498,251	453,667
Net fee and commission income		41,417,543	43,738,052
Net interest, fee and commission income		303,392,802	297,782,647
Net trading income	4.33	-	-
Other operating income	4.34	1,686,775	2,098,580
Total operating income		305,079,577	299,881,227
Impairment charge/(reversal) for loans and other losses	4.35	57,106,144	8,910,955
Net operating income		247,973,434	290,970,272
Operating expense			
Personnel expenses	4.36	98,493,251	88,328,298
Other operating expenses	4.37	57,293,809	46,127,432
Depreciation & Amortisation	4.38	11,025,783	9,401,166
Operating Profit		81,160,590	147,113,377
Non operating income	4.39	-	-
Non operating expense	4.40	-	-
Profit before income tax		81,160,590	147,113,377
Income tax expense	4.41		
Current Tax		26,850,483	46,860,600
Deferred Tax		(774,450)	(1,861,703)
Profit for the year		55,084,557	102,114,480
Profit attributable to:			
Equity holders of the Bank		55,084,557	102,114,480
Non-controlling interest		-	-
Profit for the year		55,084,557	102,114,480
Earnings per share			
Basic earnings per share		9.43	19.22
Diluted earnings per share		9.43	19.22

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

CA. Krishna Prasad Regmi
Principal
K.P.R Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 24 November 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Statement of Other Comprehensive Income

For the year Ended 31 Asar 2077 (15th July 2020)

Amount in NPR

Particulars	Note	Year ended 15 July 2020	Year ended 16 July 2019
Profit for the year		55,084,557	102,114,480
Other comprehensive income, net of income tax			
a) Items that will not be reclassified to profit or loss			
- Gains/(losses) from investments in equity instruments measured at fair value		(1,272,479)	(3,805,568)
- Gains/(losses) on revaluation			
- Actuarial gains/(losses) on defined benefit plans		2,475,729	(2,173,872)
- Income tax relating to above items		(360,975)	1,793,832
Net Other Comprehensive Income that will not be reclassified to profit or loss		842,275	(4,185,608)
b) Items that are or may be reclassified to profit or loss			
- Gains/(losses) on cash flow hedge		-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)		-	-
- Income tax relating to above items		-	-
- Reclassify to profit or loss		-	-
Net Other Comprehensive Income that are or may be reclassified to profit or loss		-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-
Other comprehensive income for the year, net of income tax		842,275	(4,185,608)
Total comprehensive income for the year		55,926,833	97,928,872
Total comprehensive income attributable to:			
Equity holders of the Bank		55,926,833	97,928,872
Non-controlling interest		-	-
Total comprehensive income for the period		55,926,833	97,928,872

As per our attached report of even date

Sunil KC
CEO

Pawan Kumar Golyan
Chairman

Nico Pijl
Director

Jeevan Kumar Katwal
Director

CA. Krishna Prasad Regmi
Principal
K.P.R Associates
Chartered Accountants

Yogendra Lal Pradhan
Director

Pradeep Raj Pandey
Director

Uttam Bhlon
Director

Sirish Kumar Murarka
Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 24 November 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Statement of Changes in Equity

Bank

Attributable to the equity holders of the bank

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Investment Adjustment Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Total Equity
Balance as at Shrawan 1, 2075	506,000,000	-	61,748,562	-	-	(3,242,948)	922,545	78,931,710	(602,095)	643,757,774	-	643,757,774
Adjustment/Restatement												
Adjusted Restated Balance at Shrawan 1, 2075												
Comprehensive Income for the year												
Profit for the year	-	-	-	-	-	-	-	102,114,480	-	102,114,480	-	102,114,480
Other Comprehensive income, net of tax												
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	579,050	-	-	-	579,050	-	579,050
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Atunial gains/(losse) on defined benefit plans	-	-	-	-	-	-	-	-	(1,521,710)	(1,521,710)	-	(1,521,710)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for regulatory reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	579,050	-	102,114,480	(1,521,710)	101,171,820	-	101,171,820
Transfer to reserve during the year	-	-	20,422,896	-	17,457,215	-	-	(38,626,194)	746,083	(0)	-	(0)
(a) CSR Reserves								(1,021,145)	1,021,145	-	-	-
(b) Employee Training Fund								(997,188)	997,188	-	-	-
Transfer from the reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-
(a) CSR Reserves								809,824	(809,824)	-	-	-
(b) Employee Training Fund								462,426	(462,426)	-	-	-
Transactions with owners, directly recognized in equity												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:												
Bonus Shares issued	25,300,000	-	-	-	-	-	-	(25,300,000)	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	(31,814,750)	-	(31,814,750)	-	(31,814,750)
Other												
Total contributions by and distributions:	25,300,000	-	-	-	-	-	-	(57,114,750)	-	(31,814,750)	-	(31,814,750)
Balance as at Asar End, 2076	531,300,000	-	82,171,458	-	17,457,215	(2,663,897)	922,545	85,305,247	(1,377,723)	713,114,844	-	713,114,844

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Fair Value Reserve	Investment Adjustment Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Total Equity
Balance as at Shrawan 1, 2076	531,300,000	-	82,171,458	-	17,457,215	(2,663,897)	922,545	85,305,247	(1,377,723)	713,114,844	-	713,114,844
Comprehensive Income for the year												
Profit for the year								55,084,557		55,084,557		55,084,557
Other Comprehensive income, net of tax												
Gains/(losses) from investments in equity instruments measured at fair value						1,773,163				1,773,163		1,773,163
Gains/(losses) on revaluation												
Atunial gains/(losse) on defined benefit plans								1,733,010		1,733,010		1,733,010
Gains/(losses) on cash flow hedge												
Exchange gains/(losses) (arising from translating financial assets of foreign operation)												
Total comprehensive income for the year												
Transfer to reserve during the year			11,016,911		15,653,459		(622,545)	(27,573,724)	1,525,899	-		-
Transfer from the reserve during the year								2,274,298	(2,274,298)			
Transactions with owners, directly recognized in equity												
Share issued												
Share based payments												
Dividends to equity holders:												
Bonus Shares issued	53,130,000							(53,130,000)				
Cash Dividend Paid	-							(31,878,000)		(31,878,000)		(31,878,000)
Other												
Total contributions by and distributions:												
Balance as at Asar End, 2077	584,430,000	-	93,188,370	-	33,110,673	(890,735)	300,000	30,082,377	(393,111)	739,827,574	-	739,827,574
Other Reserve includes Corporate Social Responsibility Reserve, Employees Training Fund, and Other Comprehensive Reserve												

As per our attached report of even date

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Director

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Director

Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 24 November 2020
Place: NIMB Bhawan, Babarmahal, Kathmandu

Statement of Cash Flows

For the year ended 31 Asar 2077 (15th July 2020)

Amount in NPR

Particulars	Note	Year ended 15 July 2020	Year ended 16 July 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		720,574,420	622,304,620
Fees and other income received		41,915,794	44,191,719
Dividend received		-	-
Receipts from other operating activities		-	-
Interest paid		(471,973,312)	(372,686,792)
Commission and fees paid		(498,251)	(453,667)
Cash Payment to Employees		-	-
Other expense paid		(155,787,060)	(106,992,451)
Operating cash flows before changes in operating assets and liabilities		134,231,590	186,363,430
(Increase)/Decrease in Operating Assets		(722,184,979)	(1,462,660,307)
Due from Nepal Rastra Bank		(228,969,560)	4,246,514
Placement with bank and financial institutions		-	-
Other trading assets		-	-
Loan and advances to bank and financial institutions		28,614,693	(181,847,650)
Loans and advances to customers		(523,703,517)	(1,275,107,877)
Other assets		1,873,405	(9,951,294)
Increase/(Decrease) in operating liabilities		1,129,165,330	1,916,570,811
Due to bank and financial institutions		(319,538,459)	(3,626,822)
Due to Nepal Rastra Bank		-	-
Deposit from customers		1,444,228,968	1,927,500,630
Borrowings		-	-
Other liabilities		4,474,821	(7,302,997)
Net cash flow from operating activities before tax paid		541,211,941	640,273,934
Income taxes paid		(37,509,187)	(43,362,971)
Net cash flow from operating activities		503,702,754	596,910,962
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		4,461,931	2,601,501
Receipts from sale of investment securities		-	-
Purchase of property and equipment		(17,857,535)	(8,397,122)
Receipt from the sale of property and equipment		72,599	919,582
Purchase of intangible assets		(3,084,900)	(2,922,542)
Receipt from the sale of intangible assets		-	-
Purchase of investment properties		-	-
Receipt from the sale of investment properties		-	-
Interest received		-	-
Dividend received		1,716,811	799,531
Net cash used in investing activities		(14,691,094)	(6,999,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of debt securities		-	-
Repayment of debt securities		-	-
Receipt from issue of subordinated liabilities		-	-
Repayment of subordinated liabilities		-	-
Receipt from issue of shares		-	-
Dividends paid		(33,291,382)	(30,469,179)
Interest paid		-	-
Other receipt/payment		-	-
Net cash from financing activities		(33,291,382)	(30,469,179)
Net increase (decrease) in cash and cash equivalents		455,720,279	559,442,733
Cash and cash equivalents at Shrawan 1		1,629,586,854	1,070,144,121
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-
Cash and cash equivalents at Ashadh End.		2,085,307,133	1,629,586,854

As per our attached report of even date

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Navin Manandhar
Chief Finance Officer

Mridul Parajuli
Head-Finance & Planning

Date: 24 November 2020
Place: NMB Bhawan, Babarmahal, Kathmandu

Statement of distributable profit or loss

For the year ended 31 Asar 2077 (As per NRB Regulation)

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Net profit or (loss) as per statement of profit or loss	55,084,557	102,114,480
Appropriations:		
a. General reserve	11,016,911	20,422,896
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	-	-
d. Corporate social responsibility fund	550,846	1,021,145
e. Employees' training fund	975,054	997,188
f. Other	-	-
- Deferred Tax reserve	-	-
- Investment Adjustment Reserve	-	-
- share Premium	-	-
Profit or (loss) before regulatory adjustment	42,541,747	79,673,251
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(9,360,145)	(4,291,745)
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 (-)/reversal (+)	(9,396,224)	-
e. Deferred tax assets recognised (-)/ reversal (+)	728,196	(4,228,369)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	1,733,010	(3,652,020)
i. Other (+/-)		
Fair Value Measurement of Investment	641,704	(5,285,080)
Distributable profit or (loss)	26,888,288	62,216,036

Notes forming part of the financial statements

4.1 Cash and Cash Equivalent

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Cash In Hand	82,607,190	47,684,804
Balances with B/FIs	155,000,000	162,399,765
Money at Call and Short Notice	1,847,699,943	1,419,502,285
Other	-	-
Total	2,085,307,133	1,629,586,854

The fair value of cash and cash equivalent is its carrying value. Cash at vault is adequately insured for physical and financial risks. The amount of cash at vault is maintained on the basis of the liquidity and business requirements. Balance with B/FIs includes balance maintained at commercial bank as a part of the compulsory cash reserve ratio required by NRB. Money at call and short notice includes the balances maintained with various banks & financial institutions in call & current account. These are closely monitored, and risks, if identified, are promptly managed.

4.2 Due from Nepal Rastra Bank

Particulars	As at 15 July 2020	As at 16 July 2019
Statutory Balances with NRB	308,368,604	79,399,043
Securities purchased under Resale Agreement	-	-
Other deposit and receivable from NRB	-	-
Total	308,368,604	79,399,043

The fair value of balance with the Nepal Rastra Bank (NRB) is its carrying amount itself. Balance with the NRB is maintained as a part of the compulsory cash reserve ratio required by the NRB.

4.3 Placement with Banks & Financial Institutions

Particulars	As at 15 July 2020	As at 16 July 2019
Placement with Domestic B/FIs	-	-
Placement with Foreign B/FIs	-	-
Less: Allowances for Impairment	-	-
Total	-	-

The bank does not have placement with any domestic as well as foreign banks & financial institutions.

4.4 Derivative financial instruments

Particulars	As at 15 July 2020	As at 16 July 2019
Held for Trading		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward exchange Contract.	-	-
Others	-	-
Held for risk management		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward exchange Contract	-	-
Others	-	-

The bank does not have any derivative financial instruments.

Notes forming part of the financial statements

4.5 Other Trading Assets

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Tresury bills	-	-
Government Bonds	-	-
NRB Bonds	-	-
Domestic Corporate bonds	-	-
Equities	-	-
Other	-	-
Total	-	-
Pledged	-	-
Non-Pledged	-	-

Trading assets are those assets that the licensed institution acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit are presented under this account head. The trading asset includes derivative assets and non derivative assets. As on the reporting date, the bank does not have any outstanding trading assets.

4.6 Loan and Advances to B/FIs

Particulars	As at 15 July 2020	As at 16 July 2019
Loans to Microfinance Institutions	243,232,958	271,847,650
Other		
Less: Allowances for impairment	2,432,329.58	2,718,477
Total	240,800,628	269,129,174

Impairment allowance on Loans and advances to B/FIs have been considered as per NRB directive. All the loans to B/FIs have been classified in pass category.

4.6.1 Allowances for Impairment

Particulars	As at 15 July 2020	As at 16 July 2019
Balance at Shrawan 1	2,718,477	900,000
Impairment loss for the year:		
Charge for the year	(286,147)	1,818,477
Recoveries/reversal		-
Amount written off		-
Balances at Ashad end	2,432,330	2,718,477

No individual loans to banks and micro finance has terms and conditions that significantly affect the amount, timing or certainty of cash flows of the Bank. These assets have been classified as loans and receivables and are subsequently measured at amortized 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.

4.7 Loans and advances to customers

Particulars	As at 15 July 2020	As at 16 July 2019
Loans and advances to customers at amortised cost	5,096,318,789	4,574,611,450
Less: Impairment Allowances		
Collective Impairment	106,958,092	49,565,801
Individual Impairment		-
Net amount	4,989,360,697	4,525,045,649
Loan and advance measured at FVTPL	-	-
Total	4,989,360,697	4,525,045,649

Above impairment is as per NRB directive no.2 which is higher than total impairment as per NAS 39.

Particulars	As at 15 July 2020	As at 16 July 2019
Loans and advances to Customer	5,019,195,897	4,526,713,550
Loans and advances to staff	58,005,536	41,085,605
Accrued Interest	21,669,667	6,812,294
Total	5,098,871,101	4,574,611,449
Impairment		
As per NRB Directive No. 2	106,958,092	49,565,801
AS per NAS 39	13,786,408	1,166,605

4.7.1 Analysis of loan and advance- By Product

Particulars	As at 15 July 2020	As at 16 July 2019
Product		
Term loans	670,898,719	487,646,640
Overdraft	2,320,147,735	2,111,237,941
Trust receipt/Import loans	-	-
Demand and Other Working Capital loans	41,547,410	61,606,370
Personal residential loans	394,821,060	345,666,148
Real estate loans	46,473,020	29,834,190
Margin lending loans	32,226,530	39,046,090
Hire purchase loans	336,722,320	321,414,078
Deprived sector loans	305,370,890	357,152,373
Bills Purchased	-	-
Staff loans	58,005,536	41,085,605
Other	1,111,668,859	1,044,957,370
Sub Total	5,317,882,079	4,839,646,805
Interest Receivable	21,669,667	6,812,294
Grand Total	5,339,551,746	4,846,459,099

4.7.2 Analysis of loan and advance- By Currency

Particulars	As at 15 July 2020	As at 16 July 2019
Nepalese rupee	5,339,551,746	4,846,459,099
Indian rupee	-	-
United State Dollar	-	-
Great Britain Pound	-	-
Euro	-	-
Japnease Yen	-	-
Chinese Yuan	-	-
Other	-	-
Total	5,339,551,746	4,846,459,099

4.7.3 Analysis of loan and advance- By Collateral

Particulars	As at 15 July 2020	As at 16 July 2019
Secured:		
Movable / Immovable assets	4,756,860,529	4,411,870,014
Gold and silver	-	-
Guarantee of domestic B/Fis	243,232,958	271,847,650
Government Guarantee	-	-
Guarantee of international rated bank	-	-
Export document	-	-
Fixed Deposit receipts	37,240,370	73,929,180
Government securities / bonds Counter guarantee	-	-
Counter guarantee	-	-
Personal guarantee	250,874,004	43,443,870
Other	32,226,530	38,556,090
Subtotal	5,320,434,391	4,839,646,805
Unsecured		
Grand Total	5,320,434,391	4,839,646,805

4.7.4 Allowances for Impairment

Particulars	As at 15 July 2020	As at 16 July 2019
Specific allowances for impairment		
Balance at Shrawan 1	2,718,477	900,000
Impairment loss for the year:		-
Charge for the year		1,818,477
Recoveries/reversal during the year	(286,147)	-
Write-offs		-
Exchange rate variance on foreign currency impairment		
Other movement		
Balance at Asar end	2,432,330	2,718,477
Collective allowances for impairment		
Balance at Shrawan 1	49,565,801	42,476,941
Impairment loss for the year:		
Charge/(reversal) for the year	57,392,291	7,088,860
Exchange rate variance on foreign currency impairment		
Other movement		
Balance at Asar end	106,958,092	49,565,801
Total allowances for impairment	109,390,421	52,284,278

Notes forming part of the financial statements

4.8 Investment Securities

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Investment securities measured at amortized cost	-	-
Investment in equity measure at FVTOCI	44,696,741	45,532,359
Total	44,696,741	45,532,359

Investment made by the Bank in financial instruments has been presented under this account head in two categories i.e. investment securities measured at amortized cost and investment in equity measured at fair value through other comprehensive income. Investment other than those measured at amortized cost is measured at fair value and changes in fair value has been recognized in other comprehensive income. Where income from the investment is received in the form of bonus shares, the valuation of investment is made by increasing the number of shares without changing in the cost of investment. Treasury Bills with maturity up to 90 days have been classified under cash and cash equivalent.

4.8.1 Investment securities measured at amortized Cost

Particulars	As at 15 July 2020	As at 16 July 2019
Debt securities	-	-
Government bonds	-	-
Government treasury bills	-	-
Nepal Rastra Bank bonds	-	-
Nepal Rastra Bank deposits instruments	-	-
Other	-	-
Less: specific allowances for impairment	-	-
Total	-	-

4.8.2 Investment in equity measured at fair value through other comprehensive Income

Particulars	As at 15 July 2020	As at 16 July 2019
Equity instruments		
Quoted equity securities	34,396,741	35,232,359
Unquoted equity securities	10,300,000	10,300,000
Total	44,696,741	45,532,359

Notes forming part of the financial statements

4.8.3 Information relating to investment in equities

Investment securities designated as at fair value through other comprehensive income

Amount in NPR

Equity instruments	As at 15 July 2020		As at 16 July 2019	
	Cost	Fair Value	Cost	Fair Value
Investment in quoted equity				
Chilime Hydropower Company Limited				
1421 shares of Rs 100 Each	1,540,267	565,733	5,657,947	2,266,975
Shikhar Insurance Co. Ltd.				
217 Shares of Rs 100 Each	8,081	221,123	811,968	375,477
Ridi Hydropower Development Company Ltd.				
6 Shares of Rs 100 Each	447	483	9,400	10,350
Mithila Laghubitta Bikas Bank Ltd.				
66 Shares of Rs 100 Each	6,300	53,907	6,300	24,036
Taragaon Regency Hotel				
2148 Shares of Rs 100 Each	559,415	401,699	559,415	678,806
Surya Life Insurance Company Limited				
606 Shares of Rs 100 Each	159,083	271,488	159,083	246,696
Laxmi Laghubitta Bittiya Sanstha Ltd.				
4 Shares of Rs 100 Each	320	4,856	2,457	18,508
Swadeshi Laghubitta Bittiya Sanstha Limited				
69000 Shares of Rs 100 Each	5,375,000	6,900,000	5,375,000	5,750,000
Barun Hydropower Co. Ltd.				
10 shares of Rs 100 Each	1,000	840	1,000	900
Janautthan Samudayic Laghubitta Bikas Bank Ltd.				
13 Shares of Rs 100 Each	1,000	20,875	1,000	9,350
Mirmire Micro finance				
31 Shares of Rs 100 Each	2,600	27,869	2,600	17,980
Mero Micro Finance				
0 shares of Rs. 100 Each	-	-	-	160
Dibyashwari				
11 Shares of Rs. 100 Each	1,100	534	1,100	1,078
Nabil Equity Fund				
11264 shares of Rs. 10 Each	112,640	105,093	112,640	105,093
Synergy Power Development Ltd. (SPDL)				
0 shares of Rs. 100 Each	-	-	61,600	55,440
RSDC Laghubitta Bittiya Sanstha Ltd. (RSDC)				
18 shares of Rs. 100 Each	-	-	-	-
RMDC Laghubitta Bittiya Sanstha Ltd.				
12 shares of Rs. 100 Each	-	-	-	-
Nepal Insurance Co. Ltd.				
2177 of shares of Rs. 100 Each	903,686	955,648	903,686	716,850
Oriental Hotels Limited				
11096 shares of Rs. 100 Each	6,135,799	3,650,584	6,739,686	7,052,126
Sidharth Equity Fund				
3,00000 shares of Rs. 10 Each	3,000,000	3,000,000	3,000,000	3,027,000
Butwal Power Company				
3630 shares of Rs. 100 Each	1,503,000	1,303,170	1,503,000	1,349,700
NIC Asia Growth Fund				
506900 Shares of Rs. 10 Each	5,066,624	5,165,311	5,066,624	5,210,932
Shivam Cement Company Limited				

830 shares of Rs. 100 Each	359,279	496,340	792,149	1,112,640
Uppar Tamakoshi Hydropower Company Limited				
1000 shares of Rs. 100 Each	241,434	233,000	241,434	275,000
Swadeshi Laghubitta Bittiya Sanstha Limited				
1895 shares of Rs. 100 each	781,171	1,754,770	4,842,711	4,545,970
Prime Life Insurance Company Limited				
562 shares of Rs. 100 Each	247,465	298,422	247,465	219,500
Prabhu Insurance Company Limited				
0 shares of Rs. 100 Each	-	-	72,785	60,424
Premier Insurance Company Limited				
916 shares of Rs. 100 Each	1,020,103	564,256	1,020,103	448,840
Predential Insurance Company Limited				
500 shares of Rs. 100 Each	361,053	246,500	361,053	277,500
Kalika Hydropower Company Limited				
1600 shares of Rs. 100 Each	152,967	164,800	152,981	145,600
Pancha Kanya Mai Hydropower Company Limited				
2180 shares of Rs. 100 Each	248,636	154,780	248,636	240,900
United Modi Hydropower Company Limited				
11015 shares of Rs. 100 Each	1,290,676	1,145,560	994,030	903,719
Nabil Pragati Fund				
5468 shares of Rs. 10 Each	43,842	44,564	43,842	40,682
Laxmi Equity Fund				
5000 shares of Rs. 10 Each	41,330	43,850	41,330	38,150
Citizen Mutual Find-01				
500 shares of Rs. 100 Each	4,901	5,030	4,901	5,090
NLG Insurance Company Ltd.				
1 shares of Rs. 100 Each	-	657	-	887
Sidharth Investment Growth Scheme				
400000 shares of Rs. 10 Each	4,000,000	4,000,000		
NIC Asia Balance Fund				
250000 units of Rs. 10 Each	2,500,000	2,595,000		
Total (A)	35,669,220	34,396,741	39,037,927	35,232,359
Investment in Unquoted equity				
Prabhu Capital Ltd.				
3000 Shares of Rs 100 Each	300,000	300,000	300,000	300,000
Shiv Shree Hydro Power Company Limited				
100000 Shares of Rs 100 Each	10,000,000	10,000,000	10,000,000	10,000,000
Total (B)	10,300,000	10,300,000	10,300,000	10,300,000
Total (A+B)	45,969,220	44,696,741	49,337,927	45,532,359

Investment in unquoted equity are shown at cost considering networth of invested equity are not less than cost.

Notes forming part of the financial statements

4.9 Current Tax Assets

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Current tax assets		
Current year income tax assets	4,330,616	-
Tax assets of prior periods	-	-
Total	4,330,616	-
Current tax liabilities		
Current year income tax liabilities	-	6,328,088
Tax Liabilities of prior periods	-	-
Total	-	6,328,087.68

Current tax assets includes advance income tax paid by the bank under self assessment tax returns filed as per the income tax act 2058 and tax deducted at source (tds) on behalf of the bank. Simialrly, the current income tax liabilities includes the tax payable to the government computed as per the provision of the income tax act 2058.

4.10 Investment in subsidiaries

Particulars	As at 15 July 2020	As at 16 July 2019
Investment in quoted subsidiaries	-	-
Investment in unquoted subsidiaries	-	-
Total Investment	-	-
Less: Impairment		
Net Carrying Amount	-	-

Notes forming part of the financial statements

4.10.1 Investment in Quoted Subsidiaries

Amount in NPR

Particulars	As at 15 July 2020		As at 16 July 2019	
	Cost	Fair Value	Cost	Fair Value
	-	-	-	-
Total	-	-	-	-

The Bank does not have any subsidiaries company.

4.10.2 Investment in Unquoted Subsidiaries

Particulars	As at 15 July 2020		As at 16 July 2019	
	Cost	Fair Value	Cost	Fair Value
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

4.10.3 Information relating to subsidiaries of the bank

Percentage of Ownership by Bank

Particulars	Percentage of Ownership by Bank	
	As at 15 July 2020	As at 16 July 2019
	-	-
Total	-	-

The Bank does not have any subsidiaries company.

4.11 Investment in Associates

Particulars	As at 15 July 2020	As at 16 July 2019
Investment in quoted associates		
Investment in unquoted associates		
Total Investment	-	-
Less Impairment		
Net Carrying amount	-	-

The Bank does not have any associates company.

Notes forming part of the financial statements

4.11.1 Investment in quoted associates

Particulars	As at 15 July 2020		As at 16 July 2019	
	Cost	Fair Value	Cost	Fair Value
Total	-	-	-	-

The Bank does not have any associates company.

4.11.2 Investment in Unquoted associates

Particulars	As at 15 July 2020		As at 16 July 2019	
	Cost	Fair Value	Cost	Fair Value
Total	-	-	-	-

The Bank does not have any associates company.

4.11.3 Information relating to associates of the bank

Particulars	Percentage of Ownership by Bank	
	As at 15 July 2020	As at 16 July 2019
Total	-	-

The Bank does not have any associates company.

4.11.4 Equity value of associates

Particulars	As at 15 July 2020	As at 16 July 2019
	-	-
Total	-	-

The Bank does not have any associates company.

Notes forming part of the financial statements

4.12 Investment Properties

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Investment properties measured at fair value		
Balance as on Shawan 1,	-	-
Addition/disposal during the year	-	-
Net changes in fair value during the year	-	-
Adjustment/transfer	-	-
Net amount	-	-
Investment properties measured at cost		
Balance as on Shrawan 1,	-	-
Addition/disposal during the year	14,914,641	-
Adjustment/transfer	-	-
Accumulated depreciation	-	-
Accumulated impairment loss	-	-
Net amount	14,914,641	-
Total	14,914,641	-

Notes forming part of the financial statements

Amount in NPR

4.13 Property and Equipment (PE)

Particulars	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	ATM Machine	Office Equipment	Capital WIP	Total Ashad end 2077	Total Ashad end 2076
Cost or deemed cost											
Balance at Ashad 31 2076	55,151,840	5,457,585	18,140,606	9,055,817	11,204,223	12,269,299	1,339,550	32,092,903	-	144,711,822	137,724,862
Addition during the year											
Acquisition	-	-	3,077,834	2,937,579	732,570	4,363,482	44,500.00	6,701,570		17,857,535	8,397,122
Capitalization	-	-	-	-	-	-	-	-		-	-
Disposal during the year	-	-	-	(322,190)	(169,900)	(40,795)	-	(1,701,746)		(2,234,632)	(1,410,162)
Adjustment/Revaluation	-	-	-	751,475	-	-	-	-		751,475	-
Balance at Asar 31, 2077	55,151,840	5,457,585	21,218,440	12,422,679	11,766,893	16,591,986	1,384,050	37,092,727	-	161,086,200	144,711,822
	Freehold land	Buildings	Leasehold Assets	Computer Accessories	Vehicles	Furniture & Fixtures	ATM Machine	Office Equipment	Capital WIP	Total Ashad end 2077	Total Ashad end 2076
Accumulated depreciation and impairment											
Balance at Ashad 31, 2076	-	389,715	5,373,489	3,162,907	3,106,246	5,664,143	501,173	12,520,662	-	30,718,335	23,047,804
Depreciation Charge for the Year		163,186	2,394,770	1,540,971	1,079,107	1,200,157	124,552	2,997,691		9,500,432	8,161,110
Impairment for the Year	-	-	-	-	-	-	-	-		-	-
Disposals	-	-	-	(215,168)	(159,312)	(31,563)	-	(1,080,903)		(1,486,947)	(490,580)
Adjustment	-	-	-	743,960	-	-	-	-		743,960	-
Balance at Asar 31, 2077	-	552,901	7,768,259	5,232,669	4,026,041	6,832,736	625,724	14,437,449	-	39,475,780	30,718,334

Net Book Value	Freehold land	Buildings	"Leasehold Assets"	"Computer Accessories"	Vehicles	"Furniture & Fixtures"	ATM Machine	"Equipment & Others"	Capital WIP	Total
Balance at Ashad 31, 2076	55,151,840	5,067,869	12,767,117	5,892,910	8,097,977	6,605,156	838,377	19,572,241	-	113,993,487
Balance at Asar 31, 2077	55,151,840	4,904,683	13,450,181	7,190,010	7,740,852	9,759,250	758,326	22,655,278	-	121,610,421

The cost of an item of property and equipment has been recognized as an asset, initially recognized at cost. Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as per management judgement as follows:

Straight Line Method based on useful life of the assets is followed.

Group	Useful Life (in Years)
Computer	6
Furnitures & Fixtures	10
Office Equipment	10
Vehicle	10
Building	30
Leasehold	Lower of 15 Years or Lease Period

Notes forming part of the financial statements

4.14 Goodwill & Intangible Assets

Amount in NPR

Particulars	Software			Other	As at Ashad end 2077	As at Ashad end 2076
	Goodwill	Purchased	Developed			
Cost						
Balance as on Asar 31, 2076		8,379,813			8,379,813	5,457,272
Addition during the year :						
Acquisition		3,084,900			3,084,900	2,922,541
Capitalization						
Disposal during the year						
Adjustment/Revaluation						
Balance as on Asar 31, 2077		11,464,713			11,464,713	8,379,813
Depreciation and Impairment						
As on Asar 31 2076		3,994,603			3,994,603	2,754,547
Amortization charge for the Year		1,525,352			1,525,352	1,240,056
Impairment for the year		-			-	
Disposals						
Adjustment						
Balance ss on Asar 31, 2077		5,519,955			5,519,955	3,994,603
Capital Work in Progress		-				
Net Book Value						
Balance at Ashad 31 2076		4,385,210			4,385,210	
Balance at Ashad 31 2077		5,944,759			5,944,759	

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 1,000 are charged off on purchases as revenue expenditure.

Notes forming part of the financial statements

4.15 Deferred tax

Deferred Tax Assets/Liabilities

Particulars	As at 15 July 2020	As at 16 July 2019
Deferred tax assets	3,500,174	4,228,369
Deferred tax liabilities	-	-
Net Amount	3,500,174	4,228,369

2019-20	Current Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and advance to BFIs	-	-	-
Loan and advance to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	381,744	-	381,744
Property & Equipment	-	(6,684,929)	(6,684,929)
Employees' defined benefit plan	9,235,811	-	9,235,811
Lease Liabilities	567,548	-	567,548
Provisions	-	-	-
Other temporary differences	-	-	-
Deferred tax on temporary differences	10,185,103	(6,684,929)	3,500,174
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
Net Deferred tax asset/liabilities as on Asar 2077			3,500,174
Deferred tax (asset)/liabilities as on Shrawan 1 2076			4,228,369
Origination/(Reversal) during the year			(728,196)
Deferred tax expense/(income) recognised in profit or loss			(774,450)
"Deferred tax expense/(income) recognised in other comprehensive income"			1,502,646
Deferred tax expense/(income recognised in directly in equity			-

2018-19	Previous Year		
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Assets/(Liabilities)
Deferred tax on temporary differences on following items			
Loan and advance to B/FIs	-	-	-
Loan and advance to customers	-	-	-
Investment Properties	-	-	-
Investment Securities	1,141,670	-	1,141,670
Property & Equipment	-	(4,506,700)	(4,506,700)
Employees' defined benefit plan	7,117,441	-	7,117,441
Lease Liabilities	-	-	-
Provisions	-	-	-
Other temporary differences	475,958	-	475,958
Deferred tax on temporary differences	8,735,069	(4,506,700)	4,228,369
Deferred tax on carry forward of unused tax losses	-	-	-
Deferred tax due to changes in tax rate	-	-	-
"Net Deferred tax asset/liabilities as on year end of 31st Ashaad, 2076"	-	-	4,228,369
Deferred tax (asset)/liabilities as on Shrawan 1, 2075			1,962,669
Origination/(Reversal) during the year			2,265,700
Deferred tax expense/(income) recognised in profit or loss			(1,861,703)
Deferred tax expense/(income) recognised in other comprehensive income			(403,997)
Deferred tax expense/(income recognised in directly in equity			-

Notes forming part of the financial statements

4.16 Other Assets

Amount in NPR

Other Assets	As at 15 July 2020	As at 16 July 2019
Assets held for sale	-	-
Other non banking assets	-	-
Bills receivable	-	-
Accounts receivable	24,854,808	19,376,096
Accrued Income	-	-
Prepayments and Deposit	1,115,460	5,601,817
Income Tax Deposit	-	-
Deferred Employee expenditure	5,500,046	7,683,484
Other	2,770,396	3,452,718
Total	34,240,710	36,114,115

4.17 Due to Bank and financial Institutions

Particulars	As at 15 July 2020	As at 16 July 2019
Money Market Deposits	-	-
Interbank Borrowing	-	-
Other deposits from BFIs	70,019,961	389,558,420
Settlement and clearing accounts	-	-
Other deposits from BFIs	-	-
Total	70,019,961	389,558,420

The balances in accounts maintained with the Bank by other local financial institution have been presented under this head. Interbank borrowing, interbank deposit, balances on settlement and clearing accounts as well as other amount due to bank and financial institution is presented under due to bank and financial institutions.

4.18 Due to Nepal Rastra Bank

Particulars	As at 15 July 2020	As at 16 July 2019
Refinance from NRB	-	-
Standing Liquidity Facility	-	-
Lender of last resort facility from NRB	-	-
Securities sold under repurchase agreement	-	-
Other Payable to NRB	-	-
Total	-	-

The amount payable to NRB shall include amount of refinance facilities, standing liquidity facility, lender of last resort, sale and repurchase agreements, deposit from NRB etc.

Notes forming part of the financial statements

4.19 Derivative financial instruments

Amount in NPR

Particulars	As at 15 July 2020	As at 16 July 2019
Held for Trading		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward exchange Contract.	-	-
Others	-	-
Held for risk management		
Interest Rate Swap	-	-
Currency Swap	-	-
Forward exchange Contract	-	-
Others	-	-
Total	-	-

The bank does not have any derivative financial instruments as on the reporting date.

4.20 Deposit from Customers

Particulars	As at 15 July 2020	As at 16 July 2019
Corporate Customers		
Term Deposit	959,488,300	395,153,110
Call Deposit	605,474,850	902,352,150
Current Deposit	574,862,280	436,130,944
Other	26,327,020	36,092,210
Retail Deposit		
Term Deposit	1,606,172,150	1,243,432,260
Saving Deposit	3,175,772,092	2,490,533,190
Current Deposit	32,642,160	32,816,020
Other	-	-
Total	6,980,738,852	5,536,509,884

4.20.1 Deposit from Customer

Particulars	As at 15 July 2020	As at 16 July 2019
Nepalese rupee	6,980,738,852	5,536,509,884
Indian rupee	-	-
USD	-	-
GBP	-	-
Euro	-	-
Japanese Yen	-	-
Chinese yuan	-	-
Other	-	-
Total	6,980,738,852	5,536,509,884

Currency wise include NPR converted value of deposit on different currencies as on reporting date converted at closing spot rate.

Notes forming part of the financial statements

4.21 Borrowing

Particulars	As at 15 July 2020	As at 16 July 2019
Domestic Borrowing		
Nepal Government	-	-
Other Institutions	-	-
Other	-	-
Subtotal	-	-
Foreign Borrowing		
Foreign B/FIs	-	-
Multilateral Development Banks	-	-
Other Institutions	-	-
Sub total	-	-
Total	-	-

4.22 Provisions

Particulars	As at 15 July 2020	As at 16 July 2019
Provisions for redundancy	-	-
Provision for restructuring	-	-
Pending legal issues and tax litigation	-	-
Onerous contracts	-	-
Other		
Total	-	-

4.22.1 Movement in provision

Particulars	As at 15 July 2020	As at 16 July 2019
Balance at Shrawan 1		
Provisions made during the year	-	-
Provisions used during the year	-	-
Provisions reversed during the year	-	-
Unwind of discount	-	-
Balance at Asar end	-	-

Notes forming part of the financial statements

4.23 Other Liabilities

Particulars	As at 15 July 2020	As at 16 July 2019
Liability for employees defined benefit obligations	17,019,701	15,262,706
Liability for long-service leave	11,024,894	8,462,098
Short-term employee benefits	-	-
Bills Payable	-	-
Creditors and accruals	4,294,895	6,960,376
Interest payable on deposit	32,686	431,043
Interest payable on borrowing	-	-
Liabilities on deferred grant income	-	-
Unpaid Dividend	86,715	1,500,096
Liabilities under Finance Lease	-	-
Employee bonus payable	9,017,843	16,345,931
Other	21,012,000	12,940,774
Total	62,488,735	61,903,024

Liabilities relating to employees benefits like liabilities for defined benefit obligation gratuity and pension fund, liabilities for long-service leave, short-term employee benefits etc., Creditors and accruals, unearned income, unpaid dividend etc. are presented under this account head of other liabilities. Long service leave consists of sick leave and home leave.

4.23.1 Defined Benefit Obligations

The amount Recognised in Statement of Financial Position are as follows:

Particulars	As at 15 July 2020	As at 16 July 2019
Present value of unfunded benefit obligations	28,044,595	23,724,804
Present value of funded benefit obligations	-	-
Total Present value of obligations	28,044,595	23,724,804
Fair value of plan assets	-	-
Present Value of Net Obligation	28,044,595	23,724,804
Recognised Liability for defined benefit obligations	28,044,595	23,724,804

4.23.2 Plan Assets

Plan Assets Comprise	As at 15 July 2020	As at 16 July 2019
Equity Securities	-	-
Government Bonds	-	-
Bank Deposit	-	-
Other	-	-
Total	-	-
Actual Return on Plan assets		

4.23.3 Movement in Present Value of defined benefits Obligation

Particulars	As at 15 July 2020	As at 16 July 2019
Fair Value of Obligation at Shrawan 1	23,724,804	13,046,055
Actuarial (gain)/loss	(2,710,468)	1,623,984
Benefits paid by the plan	(2,243,134)	(895,799)
Current Service Cost and Interest	9,273,393	9,950,564
Defined benefits obligation at Asar end	28,044,595	23,724,804

Notes forming part of the financial statements

4.23.4 Movement in Fair Value of Plan Assets

Particulars	As at 15 July 2020	As at 16 July 2019
Fair Value of Plan Assets at Sawn 1	-	-
Contributions paid into plan	-	-
Benefits paid during the year	-	-
Actuarial (Losses)/gains	-	-
Expected return on plan assets	-	-
Fair Value of Plan Assets at Asar end	-	-

4.23.5 Expenses Recognized in profit or loss

Particulars	As at 15 July 2020	As at 16 July 2019
Current service cost	7,015,633	8,299,626
Interest on obligation	2,023,021	1,101,050
Expected Return on Plan Assets	-	-
Total	9,038,654	9,400,676

4.23.6 Expenses Recognized in other comprehensive income

Particulars	As at 15 July 2020	As at 16 July 2019
Actuarial (gain)/loss	(2,475,729)	2,173,872
Expenses Recognized in Income Statement	(2,475,729)	2,173,872

4.23.7 Actuarial Assumptions

Particulars	As at 15 July 2020	As at 16 July 2019
Discount rate	9%	9%
Salary escalation rate	10%	10%
Withdrawal rate	12%	12%
Expected return on Plan Assets	0%	0%

4.24 Debt Securities Issued

Particulars	As at 15 July 2020	As at 16 July 2019
Debt Securities issued designated as at fair value through profit or loss	-	-
Debt Securities issued at amortized cost	-	-
Total	-	-

The Bank does not have any kind of debt securities as on the reporting date.

4.25 Subordinated Liabilities

Particulars	As at 15 July 2020	As at 16 July 2019
Redeemable preference shares	-	-
Irredeemable cumulative preference shares (liabilities component)	-	-
Other	-	-
Total	-	-

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

Notes forming part of the financial statements

4.26 Share Capital

Particulars	As at 15 July 2020	As at 16 July 2019
Share Capital		
Ordinary Shares	584,430,000	531,300,000
Convertible Preference Shares (equity component only)	-	-
Irredeemable Preference Shares (equity component only)	-	-
Perpetual debt (equity component only)	-	-
Total	584,430,000	531,300,000

4.26.1 Ordinary Shares

Particulars	As at 15 July 2020	As at 16 July 2019
Authorised capital		
6,000,000 Ordinary Shares of Rs 100 each (2018-19)	600,000,000	600,000,000
6,000,000 Ordinary Shares of Rs 100 each (2019-20)		
Issued capital		
53,13,000 Ordinary Shares of Rs 100 each (2018-19)	584,430,000	531,300,000
58,44,300 Ordinary Shares of Rs 100 each (2019-20)		
Paid up capital		
53,13,000 Ordinary Shares of Rs 100 each (2018-19)	584,430,000	531,300,000
58,44,300 Ordinary Shares of Rs 100 each (2019-20)		

Amount in NPR

4.26.2 Ordinary Share Ownership

Particulars	As at 15 July 2020		As at 16 July 2019	
	%	Amount	%	Amount
Domestic Ownership				
Nepal Government				
"A" Class licensed institutions				
Other licensed institutions				
Other institutions	4.80	28,079,176	3.90	20,773,244
Public	95.20	556,350,824	96.10	510,526,756
Other	-	-	-	-
Foreign Ownership				
Total	100 .00	584,430,000	100.00	531,300,000

Notes forming part of the financial statements

4.27 Reserves

Particulars	As at 15 July 2020	As at 16 July 2019
Statutory General reserve	93,188,370	82,171,458
Exchange equalization reserve	-	-
Corporate social responsibility reserve	550,846	1,277,110
Capital redemption reserve	-	-
Regulatory reserve	33,110,673	17,457,215
Investment adjustment reserve	300,000	922,545
Capital reserve	-	-
Assets revaluation reserve	-	-
Fair value reserve	(890,735)	(2,663,897)
Dividend equalization reserve	-	-
Actuarial gain	-	-
Special reserve	-	-
Other reserve	(943,957)	(2,654,833)
Total	125,315,197	96,509,597

General Reserve

General Reserve maintained pertains to the regulatory requirement of the Bank and Financial Institutions Act, 2073. There is a regulatory requirement to set aside 20% of the net profit to the general reserve until the reserve is twice the paid up capital and thereafter minimum 10% of the net profit.

Fair Value Reserves

Fair value Reserves is the difference between market value & cost of the investments net off deferred tax assets/liability maintained as per requirement of NFRS.

Corporate Social Responsibility Reserve

Corporate Social Responsibility reserve of 1% of net profit is maintained as per Nepal Rastra Bank Directive.

Regulatory Reserve

Regulatory reserves includes any amount derived as result of NFRS conversion and adoption with effect in retained earning.

Investment Adjustment Reserve

Investment Adjustment Reserve is created against quoted and unquoted share investments as per Nepal Rastra Bank Directive.

Other Reserves

Other reserves includes the Staff Training Fund , Other Comprehensive Income (OCI) due to actuarial gain/losses.

Notes forming part of the financial statements

4.28 Contingent liabilities and commitments

Particulars	As at 15 July 2020	As at 16 July 2019
Contingent liabilities	29,856,869	33,950,000
Undrawn and undisbursed facilities	277,112,020	270,604,660
Capital commitment	-	-
Lease Commitment	-	-
Litigation	-	-
Total	306,968,889	304,554,660

4.28.1 Contingent liabilities

Particulars	As at 15 July 2020	As at 16 July 2019
Acceptance and documentary credit	-	-
Bills for collection	-	-
Forward exchange contracts	-	-
Guarantees	29,856,869	33,950,000
Underwriting commitment	-	-
Other commitments	-	-
Total	29,856,869	33,950,000

4.28.2 Undrawn and undisbursed facilities

Particulars	As at 15 July 2020	As at 16 July 2019
Undisbursed amount of loans	-	-
Undrawn limits of overdrafts	277,112,020.00	270,604,660
Undrawn limits of credit cards	-	-
Undrawn limits of letter of credit	-	-
Undrawn limits of guarantee	-	-
Total	277,112,020	270,604,660

4.28.3 Capital commitments

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

Particulars	As at 15 July 2020	As at 16 July 2019
Capital commitments in relation to Property and Equipment		
Approved and contracted for	-	-
Approved but not contracted for		
Sub total	-	-
Capital commitments in relation to Intangible assets		
Approved and contracted for		
Approved but not contracted for		
Sub total	-	-
Total	-	-

Notes forming part of the financial statements

4.28.4 Lease commitments

Particulars	As at 15 July 2020	As at 16 July 2019
Operating lease commitments		
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		
Sub total	-	-
Finance lease commitments		
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	-	-
Sub total	-	-
Grand total	-	-

All the operating lease entered by bank are cancellable by giving a notice period and the bank do not have any finance lease commitments as on reporting date.

4.28.5 Litigation

The bank does not have any litigations as on the reporting date.

Notes forming part of the financial statements

4.29 Interest income

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Cash and cash equivalent	70,181,719	55,620,349
Due from Nepal Rastra Bank	-	-
Placement with bank and financial institutions	-	-
Loan and advances to bank and financial institutions	39,879,196	29,914,282
Loans and advances to customers	620,483,418	534,305,054
Investment securities	-	486,853
Loan and advances to staff	3,404,238	6,404,830
Other	-	-
Total interest income	733,948,572	626,731,369

4.30 Interest expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Due to bank and financial institutions	20,802,149	32,378,090
Due to Nepal Rastra Bank	-	-
Deposits from customers	451,171,163	339,925,122
Borrowing	-	383,562
Debt securities issued	-	-
Subordinated liabilities	-	-
Other	-	-
Total interest expense	471,973,312	372,686,773

4.31 Fees and Commission Income

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Loan administration fees	-	-
Service fees	29,298,333	31,247,751
Consortium fees	-	-
Commitment fees	-	-
DD/TT/Swift fees	-	-
Credit Card/ATM issuance and renewal fees	595,440	372,520
Prepayment and swap fees	-	1,177,060
Investment banking fees	-	-
Asset management fees	-	-
Brokerage fees	-	-
Remittance fees	5,298,467	6,356,389
Commission on letter of credit	-	-
Commission on guarantee contracts issued	598,967	484,800
Commission on share underwriting/issue	-	-
Locker rental	-	-
Other fees and commission income	6,124,587	4,553,198
Total fees and Commission Income	41,915,794	44,191,719

4.32 Fees and commission expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
ATM management fees	295,456	111,818
VISA/Master card fees	-	-
Guarantee commission	-	-
Brokerage	55,749	60,338
DD/TT/Swift fees	-	-
Remittance fees and commission	-	-
Other fees and commission expense	147,046	281,510
Total fees and Commission Expense	498,251	453,667

Payouts on account of fee and commission for services obtained by the bank are presented under this account head. This account head includes card related fees, guarantee commission, brokerage expenses etc.

4.33 Net trading income

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Changes in fair value of trading assets	-	-
Gain/loss on disposal of trading assets	-	-
Interest income on trading assets	-	-
Dividend income on trading assets	-	-
Gain/loss foreign exchange transaction	-	-
Other	-	-
Net trading income	-	-

4.34 Other operating income

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Foreign exchange revaluation gain	-	-
Gain/loss on sale of investment securities	1,093,224	1,299,050
Fair value gain/loss on investment properties	-	-
Dividend on equity instruments	1,716,811	799,531
Gain/loss on sale of property and equipment	(667,571)	-
Gain/loss on sale of investment property	(455,689)	-
Operating lease income	-	-
Gain/loss on sale of gold and silver	-	-
Other	-	-
Total	1,686,775	2,098,580

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

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Impairment charge/(reversal) on loan and advances to B/FIs	(286,147)	1,818,477
Impairment charge/(reversal) on loan and advances to customer	57,392,291	7,092,478
Impairment charge/(reversal) on financial investment	-	-
Impairment charge/(reversal) on placement with banks and financial institutions	-	-
Impairment charge/(reversal) on property and equipment	-	-
Impairment charge/(reversal) on goodwill and intangible assets	-	-
Impairment charge/(reversal) on investment properties	-	-
Total	57,106,144	8,910,955

4.36 Personnel Expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Salary	39,497,594	30,917,507
Allowances	18,264,393	16,386,523
Gratuity expense	5,614,366	6,443,428
Provident fund	3,472,197	2,453,849
Uniform	1,233,488	1,201,233
Training & development expense	1,674,795	1,562,439
Leave encashment	6,280,924	5,301,791
Medical	4,380,096	3,555,732
Insurance	443,705	524,983
Employees incentive	543,000	-
Cash-settled share-based payments	-	-
Pension expense	-	-
Finance expense under NFRS	442,498	1,716,672
Other expenses related to staff	7,628,351	1,918,211
Subtotal	89,475,408	71,982,367
Employees bonus	9,017,843	16,345,931
Grand total	98,493,251	88,328,298

Provision for staff bonus is a mandatory requirement under the requirement of the Bonus Act, 2030. All expenses related to employees of a bank has been included under this head. Expenses covered under this head include employees' salary, allowances, pension, gratuity, contribution to provident fund, training expenses, uniform expenses, insurance, staff bonus, finance expense under NFRS, cash-settled share-based payments etc.

4.37 Other operating expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Directors' fee	720,500	614,000
Directors' expense	31,300	279,544
Auditors' remuneration	475,000	339,000
Other audit related expense	413,829	385,653
Professional and legal expense	1,816,004	226,000
Office administration expense	32,231,201	27,928,974
Operating lease expense	13,335,638	8,408,420
Operating expense of investment properties	-	-
Corporate social responsibility expense	1,398,054	809,824
Onerous lease provisions	-	-
Other	6,872,282	7,136,017
Total	57,293,809	46,127,432

All operating expenses other than those relating to personnel expense are recognized and presented under this account head. The expenses covered under this account head includes office administration expense, other operating and overhead expense, directors' emoluments, remuneration and non audit fee paid to auditors, professional and legal expense, expense of corporate social responsibility, onerous lease provisions etc.

4.37.1 Office administration expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Water & Electricity	2,350,020	2,410,938
Repairs & Maintenance		
(a) Building	112,689	-
(b) Vehicles	502,127.59	511,507.37
(c) Computer & Accessories	16,110.00	34,062.07
(d) Office Equipments & Furniture	530,134.34	267,951.00
(e) Others	418,254.15	512,521.96
Insurance	1,301,881.15	796,894.35
Postage, telex, telephone, fax	1,053,182.80	988,860.10
Printing & Stationery	3,710,087.78	3,685,672.64
Newspaper, Books & Journals	93,360.20	110,403.00
Advertisement	510,040.32	660,594.59
Donation	205.00	850.00
Security Expenses	8,993,612.48	7,412,971.10
Deposit & Loan Gaurantee Premium	3,186,675.81	3,471,605.16
Travel Allowances & Expenses	222,503.65	352,810.47
Entertainment	243,756.67	219,231.28
Annual/Special General Meeting Expenses	920,323.51	430,222.41
Others:		
(a) VPN & Internet	3,719,117.54	2,036,647.40
(b) Powers & Fuels	1,116,218.46	1,512,683.42
(c) Business Promotion Expenses	435,263.10	585,694.98
(d) Transportation	26,740.00	39,727.00
(e) Office Tea & Snacks	962,065.42	1,003,067.35
(f) Cleaning & Sanitary Expenses	1,491,224.04	734,160.00
(g) Anniversary Expenses	315,608.39	149,898.00
Total	32,231,201	27,928,974

4.38 Depreciation & Amortisation

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Depreciation on property and equipment	9,500,432	8,161,110
Depreciation on investment property	-	-
Amortisation of intangible assets	1,525,352	1,240,056
Total	11,025,783	9,401,166

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Amortization is the systematic allocation of the depreciable amount of an intangible asset over its useful life. Depreciation measured and recognized as per NFRS on property and equipment, and amortization of intangible assets is presented under this account head.

4.39 Non operating income

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Recovery of loan written off	-	-
Other income	-	-
Total	-	-

4.40 Non operating expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Loan written off	-	-
Redundancy provision	-	-
Expense of restructuring	-	-
Other expense	-	-
Total	-	-

The income and expenses that have no direct relationship with the operation of transactions are presented under this head. The income/expense covered under this account head includes loan written off, recovery of loan, redundancy provision, expense of restructuring etc.

4.41 Income tax expense

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Current tax expense		
Current year	26,850,483	46,860,600
Adjustments for prior years		
Deferred tax expense		
Origination and reversal of temporary differences	(774,450)	(1,861,703)
Changes in tax rate		
Recognition of previously unrecognised tax losses		
Total income tax expense	26,076,033	44,998,897

The amount of income tax on net taxable profit is recognized and presented under this account head. This account head includes current tax expense and deferred tax expense/deferred tax income.

4.41.1 Reconciliation of tax expense and accounting profit

Particulars	Year ended 15 July 2020	Year ended 16 July 2019
Profit before tax	81,160,590	147,113,377
Tax amount at tax rate of 30 %	24,348,177	44,134,013
Add: Tax effect of expenses that are not deductible for tax purpose	7,413,120	6,369,385
Less: Tax effect on exempt income	(4,910,814)	(4,133,483)
Add/less: Tax effect on other items	-	-
Total income tax expense	26,850,483	46,369,915
Effective tax rate	33.1%	31.5%

Comparison Unaudited and Audited Financial Statements as of 2076/77

Amount in NPR

Statement of Financial Position	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Assets					
Cash and cash equivalent	2,083,439,499	2,085,307,133	1,867,633	0.09%	Due to Reclassification
Due from Nepal Rastra Bank	308,320,750	308,368,604	47,853	0.02%	Due to Reclassification
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments.	-	-	-	-	-
Other trading assets	-	-	-	-	-
Loan and advances to B/FIs	240,800,628	240,800,628	-	0.00%	
Loans and advances to customers	5,000,987,648	4,989,360,697	(11,626,951)	-0.23%	NFRS Adjustment
Investment securities	44,696,741	44,696,741	-	0.00%	
Current tax assets	4,373,478	4,330,616	(42,861)	-0.98%	NFRS Adjustment
Investment in subsidiaries	-	-	-	-	-
Investment in associates	-	-	-	-	-
Investment property	14,914,641	14,914,641	-	0.00%	
Property and equipment	121,555,432	121,610,421	54,989	0.05%	Due to subsequent adjustment
Goodwill and Intangible assets	5,944,759	5,944,759	-	0.00%	
Deferred tax assets	-	3,500,174	3,500,174	100.00%	Not Calculated in unaudited
Other assets	33,525,180	34,240,710	715,529	2.13%	Due to Reclassification
Total Assets	7,858,558,756	7,853,075,122	(5,483,635)	-0.07%	-
Capital and Liabilities					
Due to Bank and Financial Institutions	70,019,961	70,019,961	-	0.00%	
Due to Nepal Rastra Bank	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Deposits from customers	6,980,738,852	6,980,738,852	-	0.00%	
Borrowing	-	-	-	-	-
Current Tax Liabilities	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred tax liabilities	3,585,826	-	(3,585,826)	-100.00%	Due to booking of DTA/DTL
Other liabilities	59,493,213	62,488,735	2,995,522	5.04%	Due to Reclassification
Debt securities issued	-	-	-	-	-
Subordinated Liabilities	-	-	-	-	-
Total liabilities	7,113,837,851	7,113,247,548	(590,304)	-0.01%	
Equity					
Share capital	584,430,000	584,430,000	-	0.00%	
Share premium	-	-	-	-	-
Retained earnings	33,806,709	30,082,377	(3,724,332)	-11.02%	Due to Interest Recoverd in Shrawan
Reserves	126,484,196	125,315,197	(1,168,999)	-0.92%	Petty Adjustments
Total equity attributable to equity holders	744,720,905	739,827,574	(4,893,331)	-0.66%	
Total Capital and Liabilities	7,858,558,756	7,853,075,122	(5,483,635)	-0.07%	

Statement of Profit or Loss	As per unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
			In amount	In %	
Interest income	736,169,408	733,948,572	(2,220,837)	-0.30%	Staff Interest income adjustment
Interest expense	471,973,312	471,973,312	-	0.00%	
Net interest income	264,196,096	261,975,259	(2,220,837)	-0.84%	
Fee and commission income	41,781,454	41,915,794	134,340	0.32%	Petty Adjustment after Asar
Fee and commission expense	498,251	498,251	-	0.00%	
Net fee and commission income	41,283,202	41,417,543	134,340	0.33%	
Other operating income	1,725,775	1,686,775	(38,999)	-2.26%	Petty Adjustment after Asar
Total operating income	307,205,073	305,079,577	(2,125,496)	-0.69%	
Impairment charge/(reversal) for loans and other losses	48,430,744	57,106,144	8,675,400	17.91%	Petty Adjustment after Asar
Net operating income	258,774,329	247,973,434	(10,800,895)	-4.17%	
Personnel expenses	99,366,507	98,493,251	(873,256)	-0.88%	Staff Interest income adjustment
Other operating expenses	66,405,445	68,319,592	1,914,147	2.88%	Petty adjustments
Operating profit	93,002,377	81,160,590	(11,841,787)	-12.73%	
Non operating income/expense		-	-		
Profit before tax	93,002,377	81,160,590	(11,841,787)	-12.73%	NFRS & Loan Provision Adjustments
Income tax	33,024,489	26,076,033	(6,948,456)	-21.04%	Change in Deferred tax due to NFRS adjustments & Increase in Income
Profit/(loss) for the period	59,977,888	55,084,557	(4,893,331)	-8.16%	
Other comprehensive income	842,275	842,275	-	0.00%	
Total comprehensive income	60,820,163	55,926,833	(4,893,331)	-8.05%	
Distributable Profit					
Net profit/(loss) as per profit or loss	59,977,888	55,084,557	(4,893,331)	-8.16%	NFRS & Loan Provision Adjustments
Add/Less: Regulatory adjustment as per NRB Directive	28,742,723	28,196,269	(546,454)	-1.90%	NFRS Adjustments
Free profit/(loss) after regulatory adjustments	31,235,165	26,888,288	(4,346,877)	-13.92%	Provision Adjustment

Principal Indicators

Ratios	Indicators	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
1. Net Profit/Gross Income	Percent	29.19	22.14	15.33	34.05	7.08
2. Earnings Per Share (as per NAS 26 - Earning per Share)	NPR	25.54	20.57	14.60	19.22	9.43
3. Market Value Per Share	NPR	571	271	197	192	283
4. Price Earning Ratio	Ratio	22.36	13.18	13.49	9.99	30.03
5. Dividend (including bonus) on Share Capital	Percent	26.32	16.88	11.29	16.00	-
6. Cash Dividend on Share Capital	Percent	1.58	1.18	7.91	6.00	-
7. Interest Income/Loans and Advances & Investment	Percent	12.45	13.34	13.43	13.56	13.91
8. Staff Expenses/Total Operating Expenses	Percent	53.63	48.14	53.44	61.77	59.04
9. Interest Expenses/Total Deposits and Borrowings	Percent	4.78	4.87	6.40	8.11	6.69
10. Exchange Gain/Total Income	Percent	-	-	-	-	-
11. Total Cost/Total Revenue	Percent	86.66	70.30	78.14	78.14	89.56
12. Staff Bonus/Total Staff Expenses	Percent	35.10	28.20	20.59	18.51	9.16
13. Staff Cost Per Employee	NPR	432,855	395,295	592,807	635,455	708,585
14. Net Profit Per Employee	NPR	810,466	969,034	685,332	734,637	396,292
15. Total Credit/Deposits	Percent	73.19	69.26	71.88	86.59	75.50
16. Total Operating Expenses/Total Assets	Percent	2.10	2.27	2.29	2.14	2.12
17. Capital Adequacy (On Risk Weighted Assets)						
Core Capital	Percent	13.80	15.75	14.01	11.81	12.80%
Supplementary Capital	Percent	0.93	0.94	0.80	0.82	0.99%
Total Capital Fund	Percent	14.72	16.69	14.81	12.63	13.79%
18. Liquidity (CRR)	Percent	26.11	31.63	28.83	27.40	24.50
19. Net Profit / Total Loan	Multiple	3.93	3.14	2.13	2.11	1.03
20. Gross Non-Performing Credit/Total Credit	Ratio	0.99	1.94	1.96	0.06	1.63
21. Net Non-Performing Credit/Total Credit	Ratio	0.41	0.11	0.04	0.01	0.01
22. Weighted Average Interest Rate Spread	Percent	8.37	7.04	5.60	5.45	5.43
23. Return on Total Assets	Percent	0.03	0.02	0.02	1.79	0.70
24. Return on Equity	Percent	22.33	15.75	14.32	15.05	7.45
25. Book Net Worth/No.Shares	Rs.	143	131	119	134	126.59
26. Number of Shares	No.	1,980,000	3,465,000	5,060,000	5,313,000	5,844,300
27. Number of Staff	No.	78	120	149	139	139
28. Number of Branches	No.	9	13	13	15	17
29. Number of ATMs	No.	2	2	2	2	2

Notes to the financial statement for the year ended 31 Asar, 2077

1. Reporting Entity

Kanchan Development Bank Limited ("KDBL" or "the Bank") is a limited liability company domiciled in Nepal which has been in operation in Nepal since 2009. The Bank is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as Class "Kha" licensed institution. It's registered, and head office is at Bhimdatta-04, Kanchanpur, Mahendranagar, Nepal.

The Bank offers banking services as licensed of banking products and services including loans and advances, deposits, trade finance etc. to wide range of clients encompassing individuals, corporates, etc. as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Bank is listed on Nepal Stock Exchange and its stock symbol is "KADBL"

1.1. Subsidiaries

The bank does not have any subsidiaries company during the reporting period.

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2076.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1. Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2076.

These policies have been consistently applied to all the years presented except otherwise stated.

2.2. Approval of Financial Statements

The approval of financial statements accompanied with notes to the financial statements have been adopted by the Board of Directors in its meeting and the Board acknowledges the responsibility of preparation of financial statements of the Bank. The approved financial statements have been recommended for approval by the shareholders in the forthcoming annual general meeting of the Bank.

2.3. Functional and Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4. Use of Estimates, Assumptions and Judgments

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

2.4.1. Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.5. Changes 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 earning & reserves if applicable.

2.5.1. Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) vide its notice dated 20 September 2018 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB). The bank has availed the Carve-outs applicable for the financial year 2019-20, details of which is mentioned as under.

2.5.2. NAS 39: Financial Instruments: Recognition and Measurement

- *Impracticability to determine transaction cost of all previous years which is the part of effective interest rate*

In para 9, The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future 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 (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those

rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

The carve-out is optional and has been provided for the FY 2017-18, 2018-19 & extended upto financial year 2019-20 vide notice of ICAN dated 2077/05/03. Accordingly, the bank has opted the carve-out.

2.6. New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

2.7. New Standards and Interpretations Not adapted

The following amendments are not mandatory for 2020 and have not been early adopted by the bank. The Bank is still currently assessing the detailed impact of these amendments –

2.7.1. IFRS 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. Accounting Standard Board of Nepal endorsed NFRS 9 Financial Instruments with some exceptions, mainly in the Impairment. Currently, Incurred Loss Model as specified in NAS 39 is used. The requirement of IFRS 9 is Expected Credit Loss Model.

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, IFRS 9 recognizes three stage approaches 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.

2.7.2. IFRS-15: Revenue from contract with customers:

The IASB issued 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.

The new standard would be effective for annual periods starting from 1 January 2018 and early application is allowed. The management is assessing the potential impact on its financial statements resulting from application of IFRS 15.

IFRS 15 Revenue from contract with customers has not yet been adopted by the Accounting Standard Board of Nepal.

2.7.3. IFRS 16 'Leases'

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019. IFRS 16 is the new accounting standard for leases and will replace IAS 17 'Leases' and

IFRIC 4 'Determining whether an Arrangement contains a Lease'. The new standard removes the distinction between operating or finance leases for lessee accounting, resulting in all leases being treated as finance leases. All leases will be recognized on the statement of financial position with the optional exceptions for short-term leases with a lease term of less than 12 months and leases of low-value assets (for example mobile phones or laptops). A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The main reason for this change is that this approach will result in a more comparable representation of a lessee's assets and liabilities in relation to other companies and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. The standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

2.8. Discounting

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

3. Significant Accounting Policies

3.1. Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

3.2. Basis of Consolidation

The bank does not have any subsidiaries & group company so the disclosure in this section is not applicable.

3.3. Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.4. Financial Assets and Financial Liabilities

A. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognizes loans and advances & deposits and issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

B. Classification

I. Financial Assets

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows;

i. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

- Financial assets at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

- Financial assets at fair value through other comprehensive income

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

II. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

- Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss

- Financial Liabilities measured at amortized cost

All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

C. Measurement

i. Initial Measurement

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii. Subsequent Measurement

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

Financial assets classified at fair value are subsequently

measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

3.4.1. De-recognition

De-recognition of Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

De-recognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.2. Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk

The fair values are determined according to the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 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.

Level 3 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.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

3.4.3. Impairment

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. 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:

- Significant financial difficulties of the counterparties.
- Breach of contract, such as a default or delinquency in interest or principal payments.
- Granting special concession to the counterparties.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Probability of Bankruptcy or Restructuring of the counterparties.
- Others indicators like death of the counterparties, location could not be located etc

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

- *Impairment losses on assets measured at amortized cost*

As per NAS 39

Financial assets carried at amortized cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) is 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.

Loans and advances to customers with significant value (Top 50 borrowers representing from each 5 categories.) are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics 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. For the purpose of collective assessment of impairment bank has categorized assets in to six broad products as follows:

i. Revolving Loan

ii. Term Loan

iii. HP (Commercial Loans)

iv. Deprived sector Loans

v. Others

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the other reserves and funds (impairment reserve) in other comprehensive income and statement of changes in equity. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

As per Loan Loss Provision of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted

As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

- *Impairment of investment in equity instrument classified as fair value through other comprehensive income*

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is reclassified from equity and recognized in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

3.5. Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

The bank does not have trading assets as on the reporting date so the disclosure in this section is not applicable.

3.6. Derivatives Assets and Derivative Liabilities

The bank does not have trading assets as on the reporting date so the disclosure in this section is not applicable.

3.7. Property and Equipment

A. Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.
- Cost includes expenditure that is directly attributable to the

acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment are not measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Assets with a value of less than NPR 1,000 are charged off to revenue irrespective of their useful life in the year of purchase.

B. Capital Work in Progress

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

The bank does not have a capital work in progress as on the reporting date.

C. Depreciation

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as per management judgment as follows:

Group	Useful Life (In Years)
Computer	6
Furniture& Fittings	10
Office Equipment	10
Vehicle	10
Building	30
Leasehold	Lower of 15 Years or Lease Period

D. De-recognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment shall be included in profit or loss when the item is derecognized (unless on a sale & lease back). The gain shall not be classified as revenue.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.8. Intangible Assets/ Goodwill

Goodwill

The bank does not have goodwill as on the reporting date.

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank and are amortized on the basis of their expected useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years. Software assets with costs less than Rs. 1,000 are charged off on purchases as revenue expenditure.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9. Investment Property/Non-Current Assets Held for Sale

Investment Property

The separate disclosure is made for investment property in financials. The investment property was presented at cost.

Non-Current Assets Held for Sale

The bank does not have any noncurrent assets held for sale as on the reporting date.

3.10. Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

A. Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

B. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.11. Deposits, debts securities issued and subordinated liabilities

A. Deposits

The Bank accepts deposits from its customers under saving account, current, term deposits and margin accounts which allow money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

B. Debt Securities Issued

It includes debentures, bonds or other debt securities issued by the Bank. Bank does not have any debt securities issued as on the reporting date.

C. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

3.12. Provisions

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for 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.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.13. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, cards income, remittance income, etc. and the bases of incomes recognition are as follows:

A. Interest Income

For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over

the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

B. Fees & Commission

Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing fees and commissions on an accrual basis exceeds the benefit in determining such value, the fees and commissions are charged off during the year.

C. Dividend Income

Dividend income is recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

D. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

Bank does not have such kind of income.

E. Net Income from other financial instrument at fair value through Profit or Loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

Bank does not have such kind of income.

3.14. Interest expense

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method.

3.15. Employees Benefits

A. Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

B. Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and
- non-monetary benefits

C. Post-Employment Benefits

Post-employment benefit plan includes the followings;

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that is due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution. The bank is considering 8.33% of basic salary or gratuity as per bank's policy whichever is more beneficial to the employees.

ii. Defined Benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The Bank recognizes all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Bank recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognized.

iii. Termination Benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.16. Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or

3.17. Foreign Currency Translation

The financial statements are presented in Nepalese Rupees (NPR).

The bank does not have carried out foreign currency transactions during the reporting period.

3.18. Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.19. Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The reserves include retained earnings and other statutory reserves such as general reserve, capital redemption reserve, regulatory reserve, investment adjustment reserve, staff training and development fund, CSR reserve etc.

The amount transfer to regulatory reserve during the year is as of the bank is as follows:

Particulars	As at 31 Asar 2077	As at 31 Asar 2076
Accrued Interest on Loans and Advances recognized as Income	93,60,145	42,91,745
Provision of Non - Banking Assets (Investment Property)	93,96,224	-
Deferred Tax Assets	(7,28,196)	42,28,369
Actuary Losses	(17,33,010)	36,52,020
Fair value adjustment of Equity Shares	(6,41,704)	52,85,080
Bargain Gain	-	-
Total	1,56,53,459	1,74,57,215

3.20. Earnings per share including diluted

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21. Segment Reporting

The Bank is organized for management and reporting purposes into segments such as Retail Banking, Corporate Banking, Deprived Sector Banking, Treasury and Other Banking. The segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common assets, head office expenses, and tax assets and liabilities.

4. Disclosures and Additional Information

4.1. Risk Management

The bank does not have a separate risk management department considering the size of the organization. However the Assets & Liabilities Committee (ALCO) oversees global, macro, micro and departmental level risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Senior Management, Risk Management Committee and the Board to discuss the reports thereon and issue instructions as appropriate.

i. Risk Management Committee

Board of Directors is the supreme authority of the Bank and is responsible to frame and implement robust policies and framework for effective compliance of regulation and direction issued by the regulatory authority. BOD ensures the strategies, policies and procedure is in accordance with the risk appetite/tolerance limit for effective management of risk within the Bank. The board understands the nature of risk of the bank, and periodically reviews reports on risk management, including policies and standards, stress testing, liquidity and capital adequacy through the reporting by the Risk Management Committee and the Asset- Liabilities Management Committee.

Pursuant to the NRB directive on corporate governance, the Bank has established Risk Management Committee with well-defined terms of reference in line the NRB directive. At least four meeting is conducted on annual basis however number of meeting can be increased as per the requirement. The committee supervises overall risk management of the Bank broadly classified as liquidity risk, market risk, operational risk and credit risk

ii. Risk Governance

Bank has a policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture.

Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to management risk, supply risk, production risk, demand risk and collection risk.

The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and interest rate exposure and tax exposure.

The bank's risk governance structure is such that the responsibility for maintaining risk within the banks risk blanket is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

iii. Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank.

The effectiveness of the bank's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department or branches.

4.1.1. Credit Risk

Credit risk is the probability of loss of principle and reward associated with it due to failure of counterparty to meet its contractual obligations to pay the Bank in accordance with agreed terms. The Credit Risk Monitoring and Reporting Framework/ have been prepared in order to mitigate/minimize the credit risk of the Bank through appropriate monitoring and reporting framework established within the Bank.

Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For the purpose of assessment of credit risk of the bank, following activities were carried out:

- Current system/ policies/ procedures/ guidelines formulated were gone through;
- Actual Exposure of credit limit product wise, segment wise were checked against Risk Appetite, tolerance limit mentioned in Respective Product Paper Guidelines, Credit Policy and Credit Risk Management Policy;
- Review of various reports prepared by the Departments such as Account Monitoring Report, Loan Overdue Report, Loan Report, and NRB reports.

Credit Risk Management is ultimately the responsibility of the Board of Directors hence Overall strategy as well as significant policies has to be reviewed by the board regularly. Further, Senior Management is responsible for implementing the bank's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

i. Maximum exposure to credit risk

The bank has financial assets consisting mainly of loans & advances and investments at amortized cost. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

ii. Credit quality of neither past due nor impaired and past due or impaired

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

NPR in 000.

Particulars	Neither past due nor impaired	Past due less 90 days	Past due 91 to 180 days	Past due More than 180 days	Individually impaired	Total
Financial Assets						
Assets carried at Amortized Cost						
Cash and cash equivalent	20,85,307.13	-	-	-	-	20,85,307.13
Due from Nepal Rastra Bank	308,368.60	-	-	-	-	3,08,368.60
Placement with Bank and Financial Institutions		-	-	-	-	
Loans and advances to customers	39,57,708.53	5,38,989.61	3,77,053.40	1,42,892.05	-	50,16,643.59
Loan and advances to B/FIs	243,232.96	-	-	-	-	2,43,232.96
Fair Value through Profit and Loss (FVTPL)		-	-	-	-	
Derivative financial instruments.		-	-	-	-	
Fair Value through Other	-	-	-	-	-	
Comprehensive Income (FVTOCI)		-	-	-	-	
Investment securities	44,696.74	-	-	-	-	44,696.74
Investment in subsidiaries		-	-	-	-	
Total	66,39,313.96	5,38,989.61	3,77,053.40	1,42,892.05	-	76,98,249.02

4.1.2. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

i. Currency Risk:

Foreign exchange risk is the potential for the Bank to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of changes in value between the currencies of its assets and liabilities and its reporting currency.

The Bank does not have carried out any transactions in foreign currency & do not owned any assets in foreign currency.

ii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The major interest rate risk that the Company is exposed to is the discount rate for determining

iii. Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The bank's equity price risk exposure relates to financial investment held at FVTOCI, whose values fluctuate as a result of changes in market prices.

4.1.3. Liquidity Risk

Bank recognize Market Risk as the possibility for loss of earnings or economic value to the Bank caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and commodity price fluctuation, as well as the volatilities, of those prices. While Liquidity risk is chances of failure of a bank to meet obligations as they become due. Effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of developing of an adverse situation.

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

The following table depicts the maturity profile of the investment portfolio on an undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

Amount in '000

Particulars	Less than 3 month	3 to 6 months	6 to 1 year	More than 1 year	Total
Assets					
Cash and cash equivalent	20,85,307.13	-	-	-	20,85,307.13
Due from Nepal Rastra Bank	3,08,368.60	-	-	-	308,368.60
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments.		-	-	-	-
Other trading assets	-	-	-	-	-
Loan and advances to B/FIs	2,43,232.96	-	-	-	243,232.96
Loans and advances to customers	44,96,698.14	3,77,053.40	1,29,770.63	13,121.42	50,16,643.59
Investment in subsidiaries		-	-	-	-
Total	71,33,606.83	3,77,053.40	1,29,770.63	13,121.42	76,53,552.28
Liabilities					
Due to Bank and Financial Institutions	70,019.96	-	-	-	70,019.96
Due to Nepal Rastra Bank					
Derivative financial instruments		-	-	-	-
Deposits from customers	46,14,727.05	1,86,417.17	4,75,499.05	17,04,095.58	69,80,738.85
Borrowing	-	-	-	-	-
Other liabilities	62,488.74	-	-	-	62,488.74
Debt securities issued	-	-	-	-	-
Total	47,47,235.75	1,86,417.17	4,75,499.05	17,04,095.58	71,13,247.55

i. Operational risk

Operational Risk is defined as the risk of potential loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks for the bank. Operational Risk is pervasive across all the functions of the Bank and is influenced by all resources, including human resource, systems and procedural designs, deployed by the Bank to carry out those functions. Operational Risk can be caused by both internal and external sources such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products, customers, inadequacy in procedures or flawed process designs, and business practices. The risk can occur in any business function or the business supporting functions.

The Bank is committed to be governed with a strong culture of risk management and ethical business practices and therefore to averse it from potentially damaging operational risk events and is in a sound position to deal effectively with those events that do occur. The actions of the board and senior management, and policies, processes and systems provide the foundation for a sound risk management culture

Bank seek to minimize our exposure to operational risky use of key control standards, key control self-assessments and key risk indicators as toolkits to identify, assess, monitor and control operational risk events through timely acknowledgement of emerging threats and underlying vulnerabilities. The Bank shall also ensure highest level of governance standards and adherence to Code of Conduct and robust compliance to all regulatory as well as the Bank's internal policy, procedures and guidelines.

Effective policies, procedural guidelines and standard operating procedure are crucial tools for sound risk management. Therefore, adequacy and effectiveness of the policies and procedures and their effective implementation is closely monitored by the department to ensure that they have continuing relevance in line with regulatory requirement and adjusts to dynamic risk environment of the industry.

4.2. Capital Management

4.2.1. Qualitative disclosures

The bank is assessing capital adequacy as per the framework as provided in Unified Directive-2076, directive no.1 as issued by the Nepal Rashtra Bank.

The bank is calculating, assessing, analyzing & monitoring the capital adequacy periodically.

The Board shall be primarily responsible for ensuring the current and future capital needs of the bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the bank is confronting in the course of different business activities and how this risk relates to capital levels and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

4.2.2. Quantitative disclosures

A. Capital Structure and Capital Adequacy

Capital Adequacy Table

At the month end of Ashadh, 2077

(Rs. in '000)

1. 1 RISK WEIGHTED EXPOSURES		Current Period	Previous Period
a	Risk Weighted Exposure for Credit Risk	5,013,735.87	5,545,434.25
b	Risk Weighted Exposure for Operational Risk	365,252.59	335,370.71
c	Risk Weighted Exposure for Market Risk	-	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)		5,378,988.46	5,880,804.96
Adjustments under Pillar II			
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-	-
SRP 6.4a (6)	Add% of the total deposit due to insufficient Liquid Assets	-	-
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 5 % of gross income.	150,801.10	-
SRP 6.4a (9)	If overall risk management policies and precedures are not satisfactory. Add% of RWE	-	-
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add% of RWE	-	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		5,529,789.56	5,880,804.96
1.2 CAPITAL		Current Period	Previous Period
(A) Core Capital (Tier 1)		707,700.75	694,548.34
a	Paid up Equity Share Capital	584,430.00	531,300.00
b	Irredeemable Non-cumulative preference shares		
c	Share Premium	-	-
d	Proposed Bonus Equity Shares		
e	Statutory General Reserves	93,188.37	82,171.46
f	Retained Earnings	30,082.38	85,305.25
g	Un-audited current year cumulative profit/(loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Other Free Reserve	-	-
l	Less: Goodwill	-	-
m	Less: Deferred Tax Assets	-	4,228.37
n	Less: Fictitious Assets	-	-
o	Less: Investment in equity in licensed Financial Institutions	-	-
p	Less: Investment in equity of institutions with financial interests	-	-
q	Less: Investment in equity of institutions in excess of limits	-	-
r	Less: Investments arising out of underwriting commitments	-	-
s	Less: Reciprocal crossholdings	-	-
t	Less: Purchase of land & building in excess of limit and unutilized	-	-
u	Less: Other Deductions	-	-
Adjustments under Pillar II			
SRP 6.4a(1)	Less: Shortfall in Provision	-	-
SRP 6.4a(2)	Less: Loans & Facilities extended to related parties and restricted lending	-	-

(B) Supplementary Capital (Tier 2)		54,737.43	48,466
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	54,437.43	47,543.41
e	Exchange Equalization Reserve		
f	Investment Adjustment Reserve	300.00	922.54
g	Asset Revaluation Reserve		
h	Other Reserves		
Total Capital Fund (Tier I and Tier II)		762,438.18	743,014.30
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		12.80%	11.81%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)		13.79%	12.63%

Risk Weighted Exposure for Credit Risk

At the month end of Ashadh, 2077

(Rs. in '000)

A. Balance Sheet Exposures	Book Value	" Specific Provision "	Eligible CRM	Net Value	Risk Weight	" Risk Weighted Exposures "
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	82,607.19			82,607.19	0%	-
Balance With Nepal Rastra Bank	308,368.60			308,368.60	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)				-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)				-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)				-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)				-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks				-	100%	-
Claims on Public Sector Entity (ECA 0-1)				-	20%	-
Claims on Public Sector Entity (ECA 2)				-	50%	-
Claims on Public Sector Entity (ECA 3-6)				-	100%	-
Claims on Public Sector Entity (ECA 7)				-	150%	-
Claims on domestic banks that meet capital adequacy requirements	2,002,699.94			2,002,699.94	20%	400,539.99
Claims on domestic banks that do not meet capital adequacy requirements				-	100%	-
Claims on foreign bank (ECA Rating 0-1)				-	20%	-
Claims on foreign bank (ECA Rating 2)				-	50%	-
Claims on foreign bank (ECA Rating 3-6)				-	100%	-
Claims on foreign bank (ECA Rating 7)				-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
Claims on Domestic Corporates	827,804.08			827,804.08	100%	827,804.08

Claims on Foreign Corporates (ECA 0-1)					-	-	20%	-
Claims on Foreign Corporates (ECA 2)					-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)					-	-	100%	-
Claims on Foreign Corporates (ECA 7)					-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	4,241,959.76				4,241,959.76		75%	3,181,469.82
Claims fulfilling all criterion of regularity retail except granularity					-	-	100%	-
Claims secured by residential properties	33,789.99				33,789.99		60%	20,273.99
Claims not fully secured by residential properties					-	-	150%	-
Claims secured by residential properties (Overdue)	6,662.32				6,662.32		100%	6,662.32
Claims secured by Commercial real estate					-	-	100%	-
Past due claims (except for claims secured by residential properties)	68,101.40				68,101.40		150%	102,152.10
High Risk claims					-	-	150%	-
Lending Against Securities (Bonds & Shares)	32,226.53				32,226.53		100%	32,226.53
Investments in equity and other capital instruments of institutions listed in stock exchange	34,396.74				34,396.74		100%	34,396.74
Investments in equity and other capital instruments of institutions not listed in the stock exchange	10,300.00				10,300.00		150%	15,450.00
Staff loan secured by residential property	56,524.79				56,524.79		60%	33,914.87
Interest Receivable/claim on government securities					-	-	0%	-
Cash in transit and other cash items in the process of collection					-	-	20%	-
Other Assets (as per attachment)	205,360.99				205,360.99		100%	205,360.99
TOTAL (A)	7,910,802.33				7,910,802.33			4,860,251.43
B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures		
Revocable Commitments				-	0%	-		
Bills Under Collection				-	0%	-		
Forward Exchange Contract Liabilities			-	-	10%	-		
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	-	20%	-		
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			-	-	50%	-		
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	29,856.87								50%	14,928.43
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%	-
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									100%	-
Financial Guarantee									100%	-
Acceptances and Endorsements									100%	-
Unpaid portion of Partly paid shares and Securities									100%	-
Irrevocable Credit commitments (short term)									20%	-
Irrevocable Credit commitments (long term)	277,112.02								50%	138,556.01
" Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement"									20%	-
Other Contingent Liabilities									100%	-
Unpaid Guarantee Claims									200%	-
TOTAL (B)	306,968.89									153,484.44
Total RWE for credit Risk Before Adjustment (A) +(B)	8,217,771.21									5,013,735.87
Adjustments under Pillar II										
SFRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE										-
SFRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE										-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	8,217,771.21									5,013,735.87

Other Assets

At the month end of Ashadh, 2077

(Rs. in '000)

S.No.	Assets	Gross Amount	Specific Provision	Net Balance
1	Cash and Cash Items in Transit	-		-
2	Miscellaneous Expenditure not written off	5,500.05		5,500.05
3	Fixed Assets	127,555.18		127,555.18
4	Interest Receivable on Other Investment	-		-
5	Interest Receivable on Loan	21,669.67		21,669.67
6	Non Banking Assets	14,914.64	-	14,914.64
7	Reconciliation Account	-		-
8	Draft Paid Without Notice	-		-
9	Sundry Debtors	24,854.81		24,854.81
10	Advance payment and Deposits	1,115.46		1,115.46
11	Staff Loan and Advance	6,980.79		6,980.79
12	Stationery	-		-
13	Other	2,770.40		2,770.40
	TOTAL	205,360.99	-	205,360.99

Risk Weighted Exposure for Operational Risk

At the month end of Ashadh, 2077

(Rs. in '000)

S.N.	Particulars	Fiscal Year		
		2073/074	2074/075	2075/076
1	Net Interest Income	165,146.43	188,285.53	254,044.60
2	Commission and Discount Income	9,224.29	37,143.09	43,738.05
3	Other Operating Income	19,168.31	4,857.60	2,098.58
4	Exchange Fluctuation Income			
5	Addition/Deduction in Interest Suspense during the period	6,812.29	(1,734.65)	1,721.06
6	Gross income (a)	200,351.33	228,551.57	301,602.28
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a×b)]	30,052.70	34,282.73	45,240.34
9	Capital Requirement for operational risk (d) (average of c)	36,525.26	-	-
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10	-	-
11	Equivalent Risk Weight Exposure [f=(d×e)]	365,252.59	-	-
SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)				
1	Total Credit and Investment (net of Specific Provision) of releted month	-	-	-
2	Capital Requirement for Operational Risk (5% of net credit and investment)	-	-	-
3	Risk Weight (reciprocal of capital requirement of 10%) in times	10	-	-
4	Equivalent Risk Weight Exposure (g)	-	-	-
5	Equivalent Risk Weight Exposure [h=f+g]	365,252.59	-	-

Net Liquid Assets to Total Deposit Ratio

At the month end of Ashadh, 2077

(Rs. in '000)

Particulars		Amount
A	Total Deposit & Borrowing	7,050,758.81
	1. Total Deposits (as per NRB Ni. Fa. 9.1)	7,050,758.81
	2. Total Borrowings (as per NRB Ni. Fa. 9.1)	
B	Liquid Assets	2,393,675.74
	1. Cash(as per NRB Ni. Fa. 9.1)	82,607.19
	2. Bank Balance (as per NRB Ni. Fa. 9.1)	463,368.60
	3. Money at call and short notice (as per NRB Ni. Fa. 9.1)	1,847,699.94
	4. Investments in government securities (as per NRB Ni. Fa. 9.1)	
	5. Placements upto 90 days	
C	Borrowings payable upto 90 days	
D	Net Liquid Assets (B-C)	2,393,675.74
E	Net Liquid Assets to Total deposit (D/A1)	33.95%
F	Shortfall in Ratio	No Shortfall
G	Percentage of deposit to be added to RWE	
H	Amount to be added to risk weighted exposures	-

i. Summary of Bank's internal approach to assess the adequacy of capital to support current and future activities, if applicable

To achieve the long term plans the Bank prepares annual Budgets/ Operating/ Tactical plans as stipulated in the Budget Policy and strategy Document of the Bank. To ensure that the Bank's capital adequacy commensurate to demand of the Bank's capital required by the business planning, the Management and the Board prudently and proactively engage on ongoing process of capital and risk assessment, scenarios testing, monitoring and reporting as per the bank's policy.

The Bank has also formulated the Assets & Liabilities (ALCO) committee which periodically analyze the capital adequacy, risk & other factors like vulnerability of the Bank under various stress situations typically, application of "what if" scenarios, especially in the problematic identification of low frequency but high severity events and identifying expected and unexpected losses. It focuses on capturing the impact of large, but still plausible events and understanding the overall risk profile in a coherent and consistent framework, including impact analysis on earnings, solvency and liquidity.

Such reports are being prepared on a monthly and quarterly basis and circulated to relevant departments, and tabled in Assets Liability Committee (ALCO) meeting. Further quarterly reports are presented to the Risk Management Committee and the Board for review and discussions.

ii. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

Ordinary share capital: The Bank has only one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Bank, holder of equity shares will be entitled to receive remaining assets of the Bank after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

The bank does not have any subordinate debt & hybrid instruments.

B. Amount of NPAs (both Gross and Net)

NPR in '000'

Particulars	Current Year		Previous Year	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Restructured / Reschedule Loans				
Sub Standard Loans	1,760.65	1,760.65	4.598	4.598
Doubtful Loans	56,045.52	56,045.52	2.934	2.934
Loss	32,815.73	32,815.73	3.666	3.666
Total NPAs	90,621.90	90,621.90	11,198	11,198

4.2.3. Compliance with external requirement

The bank has complied with external requirement of capital as required.

4.3. Classification of financial assets and financial liabilities

NPR in '000.

Financial assets	Notes	As at 15-Jul-20		As at 16-Jul-19	
		Carrying Value	Fair Vale	Carrying Value	Fair value
Assets					
Assets carried at Amortised Cost					
Cash and cash equivalent	4.1	20,85,307	20,85,307	16,29,587	16,29,587
Due from Nepal Rastra Bank	4.2	3,08,369	3,08,369	79,399	79,399
Placement with Bank and Financial Institutions	4.3				
Loans and advances to customers	4.7	52,59,876	52,59,876	4,525,045	4,525,045
		76,53,552	76,53,552	6,234,031	6,234,031
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments.	4.4	-	-	-	-
Fair Value through Other Comprehensive Income					
Investment securities	4.8	45,969	44,697	49,338	45,532
Investment in subsidiaries	4.10				
Total		45,969	44,697	49,338	45,532
Liabilities					
Liabilities carried at Amortised Cost					
Due to Bank and Financial Institutions	4.17	70,020	70,020	389,558	389,558
Due to Nepal Rastra Bank	4.18				
Deposits from customers	4.20	69,80,739	69,80,739	55,36,510	55,36,510
Debt securities issued	4.24				
Total		70,50,759	70,50,759	5,926,068	5,926,068
Fair Value through Profit and Loss (FVTPL)					
Derivative financial instruments	4.19				

4.4. Operating Segment Information

4.4.1. General Information

Reportable Segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organization structure, the internal business reporting system. The Bank operates in the following segments:

Corporate Banking

The loans provided to customers valuing more than NPR 1 Crore are classified under Corporate Banking. The interest income from corporate loans, fee incomes generated out of such loans, earned through LC/BG are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing corporate loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

Retail Banking

The loans provided to other than corporate customers i.e. individuals are classified under Retail Banking. The interest income, fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing Retail loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

Deprived Sector lending (DSL) Banking

The loans provided to deprived sectors of the society directly (say to agricultural sectors) or indirectly (say to the organizations working for the upliftment of poor) are classified under DSL Banking. The interest income, fee incomes generated out of such loans are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for providing DSL loans, personnel expenses and operating expenses as well as provision for loss created for such loans.

Treasury

The balance lying with the banks invested in governmental bonds, treasury bills, placements, forex trading and shares of other Organizations come under this segment. The interest income of bonds and bills, dividend income are revenue items of this segment. Expenses of this segment comprises of interest expenses on deposits used for making investments, personnel expenses and operating expenses as well as provision for loss created for such investments.

Others

All other revenues and expenses which cannot be classified to the above-mentioned segments fall under this segment. The income from sale of assets, other fees and commission are revenue items of this segment. Un-attributable personnel expenses, operating expenses and written off assets are expense items of this segment.

Corporate Banking, Retail Banking, DSL Banking, and Treasury comprise of at least 75% of our total revenue. Hence, these operations are treated as reportable segments and the remaining are classified under other segments

4.4.2. Information about profit or loss, assets and liabilities

NPR in '000

Particulars	Corporate Banking	Retail Banking	Deprived Sector	Treasury	Others	Total
Revenues from external customers	1,00,284	1,06,007	37,281	48,726	13,280	3,05,578
Inter Segment Revenues	17,182	10,751	1,302	2,143	12,225	43,602
Net revenue	83,102	95,256	35,978	46,583	1,055	2,61,974
Interest Revenue	3,75,077	2,18,173	67,102	70,182	3,415	7,33,976
Interest Expense	2,91,975	1,22,916	31,124	23,599	2,360	4,71,973
Net Interest Revenue	83,102	95,256	35,978	46,583	1,055	2,61,974
Depreciation and Amortization	6,760	2,846	721	500	200	11,026
Segment Profit/ (Loss)	48,448	20,397	5,165	3,253	4067	81,330
Entity's Interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-
Other Material Non- Cash Items	-	-	-	-	-	-
Impairment of assets	37,465	15,667	3,974	-	-	57,106
Segment Assets	49,35,456	20,77,677	5,26,088	1,57,064	1,57,064	78,53,349
Segment Liabilities	44,70,286	18,81,913	4,76,519	1,42,265	1,42,265	71,13,248

4.4.3. Measurement of operating segment profit or loss, assets and liabilities

The bank has identified the key segments of business on the basis of nature of operations that assists the Management Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. Intra segment revenue and costs are accounted as per the policy of the bank.

4.4.4. Reconciliation of reportable, segment revenues, profit or loss, assets and liabilities

Revenue

NPR in '000

Total revenue for reportable segments	7,61,911
Other revenues	15,640
Elimination of intersegment revenues	
Entity's revenue	7,77,551

Profit or Loss

NPR in '000

Total profit or loss for reportable segments	77,263
Other profit or loss	4,067
Elimination of intersegment profits	-
Profit before income tax	81,330

Assets

NPR in '000

Total assets for reportable segments	76,96,148
Other assets	1,57,064
Total assets	78,53,212

Liabilities

NPR in '000

Total liabilities for reportable segments	69,71,001
Other assets	1,42,265
Total liabilities	71,13,266

4.4.5. Information about product and services

Amount in '000

S.N.	Departments	Revenue
1	Corporate Banking	3,92,259
A	Working Capital Loan	6,458
B	Business Term Loan	4,556
C	HP Commercial Loan	40,990
D	Overdraft Loan	39,446
E	Kanchan Business Term	46,842
F	Kanchan Business OD	2,09,157
G	Working Capital Revolving	44,207
H	TopUp Business Revolving	602
I	Top Up Business Term	0.93
2	Retail Banking	2,28,924
A	Real Estate Loan	2,423
B	Home Loan	57,089
C	FD Loan	8,345
D	Share Loan	4,858
E	Employment Loan	153
F	Personal Revolving	4,811
G	Personal Installment	4,706
H	Education Loan	2,167
I	Top Up Consumer Revolving	33
J	Top Up Consumer Term	8
K	Personal Loan	440
L	Kanchan Sajilo OD	55,925
	Kanchan Sajilo Term	25,231

S.N.	Departments	Revenue
M	Kanchan Service Loan Revolving	25,056
N	Kanchan Service Loan Term	21,901
O	Fixed Capital Term	13,058
P	Demand Loan	2,530
Q	Short Term Loan	190
3	Deprived Sector Lending	68,404
A	Agricultural Loan	11,817
B	Deprived Agriculture	534
C	Deprived Service Loan	815
D	Deprived Other Loan	554
E	Micro Agriculture	858
F	Micro Service	1867
G	Micro Other	25
H	Micro Seasonal	12
I	Agricultural Revolving	10,960
J	Saral Biu Bijan Loan	8
K	Deprived Indirect	40,953
4	Treasury	72,324
A	Interest on Call Account	70,182
B	Other	2,142
5	Other services	15,640
	Others	15,6340
Total		7,77,551

4.4.6. Information about geographical areas

Revenue from following geographical areas

Amount in '000.

(a)	Domestic	7,77,551
	Province 1	0
	Province 2	0
	Gandaki Pradesh	0
	Province 4	0
	Province 5	0
	Karnali Pradesh	0
	Sudur Paschim Pradesh	7,77,551
(b)	Foreign	-
	Total	7,77,551

The bank is providing banking services in the 5 districts of sudurpaschim Pradesh only.

4.4.7. Information about major customers

Revenue from single customer doesn't exceed 10% of total revenue

4.5. Share Options and Share based Payment

The Bank do not have a policy for share options to its employees. Similarly, during the year the Bank has not made any payments or settlements by issuing new shares.

4.6. Contingent Liabilities and Commitment: The Details of contingent liability is given below:

4.6.1. Contingent Liability

NPR in '000

Particulars	As at 15-Jul-20	As at 16-Jul-19
Claims on Bank but not Accepted by the Bank	-	-
Letter of Credit (Full Amount)	-	-
a. Letter of Credit With Maturity Less than 6 Months	-	-
b. Letter of Credit With Maturity More than 6 Months	-	-
Rediscounted Bills	-	-
Unmatured Guarantees/Bonds	-	-
a. Bid Bonds	-	-
b. Performance Bonds	-	-
c. Other Guarantee/Bonds	-	-
Unpaid Shares in Investment	-	-
Forward Exchange Contract Liabilities	-	-
Bills under Collection	-	-
Acceptances and Endorsements	-	-
Underwriting Commitments	-	-
Irrevocable Loan Commitments	277,122.02	270,604.66
Guarantees issued against Counter Guarantee of Internationally Rated Foreign Banks	-	-
Advance Payment Guarantees	-	-
Financial Guarantees	29,856.87	33,950
Contingent Liabilities on Income Tax	-	-
Unpaid Guarantee Claims	-	-
Total	3,06,978.89	3,04,554.66

4.7. Related Party Disclosures

The Bank identifies the following as the related parties under the requirements of NAS 24.

Name	Relationship
Shiv Singh Karki, Chairman	Director
Khageshwar Bohara, Director	Director
Hikmat Bahadur Shah, Director	Director
Bharat Bahadur Rokaya, Director	Director
Bishnu Singh Bist, Director	Director
Niranjana Pandey, Director	Director
Biru Ram Jaishi, CEO	Key Management Personnel
Anoj Saud, Chief Credit Officer	Key Management Personnel
Shankar Bahadur Karki, Chief Operation/GSD Officer	Key Management Personnel
Janma Raj Timilsaina, Chief Finance Officer	Key Management Personnel
Anju Bhatt, Chief Reporting	Key Management Personnel
Kamala Sharma Bhatta, Chief Human Resources and Chief Recovery Officer	Key Management Personnel
Lokendra Bhatta, Chief Credit Administration	Key Management Personnel
Gajendra Narayan Bista, Chief IT	Key Management Personnel

4.7.1. Board Member Allowances and Facilities

The Board of Directors has been paid board meeting fees of NPR 5, 88,500/- during the fiscal year. There were 25 Board Meetings conducted during the fiscal year.

The Chairperson and other members of the Board are paid NPR 4,500 and NPR 4,000 per meeting respectively for Board and Board Level Committees meeting.

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

Amount in NPR

Board Level Committees	No of Meetings	Meeting Allowance
Assets Money Laundering Prevention Committee	7	28,000
Audit Committee Meeting	6	48,000
KarmachariSewa Savidha Meeting	2	8,000
Risk Management Committee	6	48,000
Total		1,32,000

As approved by the 9th Annual General Meeting held on 5th January 2019, each Board Member has been provided with a monthly allowance of NPR 2,000 for telephone, newspaper and mobile expenses. The total amount paid as monthly allowances to the board members during the fiscal year amounted to NPR 1,44,000.

4.7.2. Loans and Advances extended to Promoters:

The Bank has not extended any loans to promoters during the year.

4.7.3. Compensation Details for Key Management Personnel

The compensation paid to the members of management committee except CEO has been depicted in table below;

S.N.	Particulars	Amount in NPR
1	Short Term Employee Benefits	99,68,050.21
2	Post-Employment Benefits	-
3	Other Long-Term Benefits	-
4	Termination Benefits (Gratuity and Sick Leave Encashment)	6,34,674.09-
5	Share Based Payment	-
Total of Key Management Personnel Compensation		1,06,02,724.3

Key management personnel are also provided with the following benefits:

i. Benefits as per the Employee Terms of Service By-laws,

The Salary and benefits paid to the CEO are as follow:

Particulars	Salary and Allowances	Provident Fund	Bonus & Welfare	Other Perquisites	Total Income
Biru Ram Jaishi	36,72,766.66	1,20,000/-	9,34,073.04	63,159.19	47,89,998.89
Total	36,72,766.66	1,20,000/-	9,34,073.04	63,159.19	47,89,998.89

4.7.4. Transaction with Subsidiaries

The bank's does not have subsidiaries.

4.8. Merger and Acquisition

There are no merger or acquisitions transaction during the reporting period. However bank is acquired by the NMB Bank Limited & joint operation is started from 7th of Bhadra, 2077.

4.9. Additional Disclosures of non-consolidated entities

The bank's does not have any subsidiaries.

4.10. Events after reporting date

The Bank monitors and assesses events that may have potential impact to qualify as adjusting and / or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

Bank is acquired by the NMB Bank Limited & joint operation is started from 7th of Bhadra, 2077.

4.11. Rebate & Relaxation due to COVID-19

As per the direction of Nepal Rashtra Bank, the bank has provided the rebate of 2% in the interest rate to the borrower in the last quarter of the financial year by reducing interest rate in CBS. The estimated amount of rebate is Rs.70 Lakh.

As per the circular issued by the Nepal Rashtra Bank regarding the loan which were good category in Paush ,2076 can be classified as Watch List in Asar, 2077 if actual provision to be booked as on Asar, 2077 is higher, the bank has availed this relaxation due to which the actual provision before availing this relaxation is reduced by Rs. 1,62,49,641.93/-

Amendments to the MOA & AOA of the Bank presented as a special resolution in the 25th General Meeting dated 13 January 2021

Article/Section	Existing Arrangements	Proposed Arrangements	Justification to the Amendment
On the MOA Side			
6(a)	The authorized capital of the Bank will be NPR 16,000,000,000 (in words: Sixteen Billion only). This capital is divided into 160,000,000 (in words: One Hundred Sixty Million) units of shares with face value of NPR 100 per share.	The authorized capital of the Bank will be NPR 20,000,000,000 (in words: Twenty Billion only). This capital is divided into 200,000,000 (in words: Two Hundred Million) units of shares with face value of NPR 100 per share.	Due to the increment in the issued capital and paid-up capital of the Bank
6(b)	The issued capital of the Bank will be NPR 14,447,752,966.96 (in words: Fourteen Billion Four Hundred Forty Seven Million Seven Hundred Fifty Two Thousand Nine Hundred Sixty Six and 96/100 only). This capital is divided into 144,477,529.66 (in words: One Hundred Forty Four Million Four Hundred Seventy Seven Thousand Five Hundred Twenty Nine and 66/100) units of shares with face value of NPR 100 per share.	The issued capital of the Bank will be NPR 16,325,960,852.66 (in words: Sixteen Billion Three Hundred Twenty Five Million Nine Hundred Sixty Thousand Eight Hundred Fifty Two and 66/100 only). This capital is divided into 163,259,608.52 (in words: One Hundred Sixty Three Million Two Hundred Fifty Nine Thousand Six Hundred Eight and 52/100) units of shares with face value of NPR 100 per share.	As per the proposal made on 25th Annual General Meeting of the Bank to distribute 13% bonus share on existing paid-up capital
6(c)	The paid-up capital of the Bank will be NPR 14,447,752,966.96 (in words: Fourteen Billion Four Hundred Forty Seven Million Seven Hundred Fifty Two Thousand Nine Hundred Sixty Six and 96/100 only)	The paid-up capital of the Bank will be NPR 16,325,960,852.66 (in words: Sixteen Billion Three Hundred Twenty Five Million Nine Hundred Sixty Thousand Eight Hundred Fifty Two and 66/100 only).	As per the proposal made on 25th Annual General Meeting of the Bank to distribute 13% bonus share on existing paid-up capital



नेपाल राष्ट्र बैंक

बैंक सुपरिवेक्षण विभाग

दरबारमार्ग, काठमाडौं ।
फोन नं.: ४४१९८०५, ७
फ्याक्स नं.: ४४१०१५९
Site: www.nrb.org.np
Email: bsd@nrb.org.np
पोष्ट बक्स: ७३



प.सं.बै.सु.वि./अफसाइट/एजिएम/२०/२०७७-७८

मिति: २०७७/०९/०७

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.१,८७,८२,०७,८८५।७० बराबरको बोनस शेयर तथा रु.४६,२३,२८,०९४।९४ नगद लाभांश (कर प्रयोजन समेत) गरी कुल रु.२,३४,०५,३५,९८०।६४ (अक्षरेपी दुई अर्ब चौतीस करोड पाँच लाख पैतीस हजार नौ सय असी र पैसा चौसठ्ठी मात्र) अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना गर्ने गरी वार्षिक साधारण सभाबाट पारित भएको अवस्थामा मात्र शेयरधनीहरुलाई वितरण गर्न स्वीकृति प्रदान गरिएको तथा आ.व. २०७६/७७ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशनहरु सहित सार्वजनिक गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार जानकारी गराउँदछु ।

१. लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका सम्पूर्ण कैफियतहरु पूर्ण रुपले सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने आवश्यक व्यवस्था मिलाउनु ।
२. यस बैंकबाट जारी गरिएको निर्देशन नं. १० को बुँदा नं. ७ बमोजिम इजाजतपत्रप्राप्त कुनै एक बैंक तथा वित्तीय संस्थाको संस्थापक शेयरमा 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 शेयर धारण गर्ने संस्थापक शेयरधनीहरुलाई सो सीमाभित्र नल्याएसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन ।
३. बैंक तथा वित्तीय संस्था सम्बन्धी ऐन २०७३ को दफा ११ को उपदफा ३ मा बैंकको चुक्ता पूँजीको २ प्रतिशतभन्दा बढी शेयर धारण गरेका संस्थापकहरुले आफुले धारण गरेको शेयर विक्री तथा धितो बन्धक राख्दा नेपाल राष्ट्र बैंकको स्वीकृति लिनु पर्ने व्यवस्था रहेकोले नेपाल राष्ट्र बैंकको स्वीकृति नलिई आफुले धारण गरेको शेयर धितो बन्धक राखी अन्य बैंक तथा वित्तीय संस्थाबाट कर्जा उपयोग गरेका संस्थापक शेयरधनीहरु रहेमा ती संस्थापक शेयरधनीहरुलाई सोको स्वीकृति नलिएसम्म वा शेयर धितो बन्धक राखी उपयोग गरेको कर्जा पूर्ण रुपमा चुक्ता गरी शेयर फुकुवा नगरेसम्म प्रस्तावित नगद लाभांश तथा बोनस शेयर वितरण रोक्का राख्ने व्यवस्था मिलाउनु हुन ।
४. उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नुहुन ।

भवदीय,

(सज्जन ढकाल)
सहायक निर्देशक

बोधार्थ

१. नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. बैंक सुपरिवेक्षण विभाग, प्रतिवेदन कार्यान्वयन इकाई, एनएमबि बैंक लिमिटेड ।



नेपाल राष्ट्र बैंक

विकास बैंक सुपरिवेक्षण विभाग

पत्रसंख्या: वि.वै.सु.वि./गैरस्थलगत/कञ्चन/०७७/७८
च.नं. १२६

एनएमबि बैंक लिमिटेड
साविक कञ्चन डेभलपमेन्ट बैंक लिमिटेड
बबरमहल, काठमाण्डौ ।



केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
हाल पुल्चोक, ललितपुर ।
फोन नं.: ०१-५०१०१६३
Site: www.nrb.org.np
Email: nrdbd@nrb.org.np
पोष्ट बक्स: ७३

मिति: २०७७/०८/२८


विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस बैंकले पेश गरेको साविकको कञ्चन डेभलपमेन्ट बैंक लि.को आ.व. २०७६/७७ को लेखापरीक्षण भएको वित्तीय अवस्थाको विवरण, नाफा वा नोक्सानको विवरण, विस्तृत आयको विवरण, नगद प्रवाह विवरण, इक्विटीमा भएको परिवर्तनको विवरण सोसँग सम्बन्धित अनुसूचीहरु, लेखापरीक्षकको प्रतिवेदन, लङ्गफर्म अडिट रिपोर्ट समेतका आधारमा गैरस्थलगत सुपरीवेक्षण गर्दा देखिएका कैफियतहरुका सम्बन्धमा देहाय बमोजिमका निर्देशनहरु शेरधनीहरुको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित एवं कार्यान्वयन तथा अन्य प्रचलित कानुनी व्यवस्थाको समेत पालना हुने गरी आ.व. २०७६/७७ को वार्षिक वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु। साविक ले पेश गरेको

- यस बैंकबाट जारी एकीकृत निर्देशन नं १९/०७६ बमोजिम सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्थाको पूर्णरूपमा पालना गर्नुहुन ।
- आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याएका थप अन्य कैफियतहरु पुनः नदोहोरिने व्यवस्था गर्नुहुन ।

भवदीय,


(पुष्पा अधिकारी)
उप निर्देशक

बोधार्थ:

श्री नेपाल राष्ट्र बैंक, बैंक तथा वित्तीय संस्था नियमन विभाग ।
श्री नेपाल राष्ट्र बैंक, विकास बैंक सुपरिवेक्षण विभाग, कार्यान्वयन इकाई ।

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 2019/20

All the remarks mentioned in the audit report have been rectified by giving priority and arrangements shall be made to prevent the recurrence of such incidents

Distribution of cash dividend and bonus shares of the promoter shareholders who are not within the prescribed limit as per NRB Directive 10(1) shall be stopped

Pursuant to Section 11 subsection 3 of Banks and Financial Institutions Act 2073 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 will stop distribution of bonus shares and 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 .

Reply to the Instructions Received by NMB Bank from Nepal Rastra Bank Regarding the Publication of Financial Statements of Erstwhile Kanchan Development Bank Ltd. for the Fiscal Year 2019/20

The provisions related to Money Laundering and Prevention of Terrorism Financing shall be full complied with as per prevailing Unified Directive 19/076 issued by Nepal Rastra Bank

All the remarks pointed by Internal Auditors, External Auditors, and Nepal Rastra Bank have been rectified by giving priority and arrangements shall be made to prevent the recurrence of such incidents. Also, the policy and procedures of NMB Bank have been implemented post acquisition.

Present Bank Management Team



Standing from left: Pramod Dahal (Chief Internal Audit, AML Officer and Company Secretary), Sudesh Upadhyaya (Chief Business and Strategy Officer), Govind Ghimire (Chief Business Officer), Shabnam Limbu Joshi (Chief Human Resource Officer), Roshan Regmi (Head Retail Banking), Navin Manandhar (Chief Finance Officer),
Sitting from left: Sharad Tegi Tuladhar (Chief Risk Officer), Sumi KC (CEO), Pradeep Pradhan (Chief Operating Officer)

Branch Network - 180

Province - 1

Dharan
Biratnagar
Birtamod
Urlabari
Belbari
Tarahara
Pathari
Dudhe
Letang
Kerabari
Kanchanbari Brt
Madhumalla
Chandragadhi
Ithari
Kerkha
Phidim
Katari
Taplejung
Salleri
Damak
Gaighat
Ilam
Bhojpur
Chulachuli.
Dhulabari
Gothgaun

Province - 2

Birjung
Janakpur
Lahan
Nijgadh
Golbazar
Bardibas
Bateshwar
Surunga
Sakhuwan
Nawarajpur
Aurahi
Bishrampur
Pachrauta
Mahottari
Sonama

Hanshapur
Tilathi
Kalaiya
Malangwa
Garuda
Jeetpur Simra

Province - 3

Babarmahal
Banepa
Putalisadak
Luboo
Thaiba
Thamel
Newroad
Kumaripati
Chabahil
Kirne
Manthali
Kantipath
Narayanghat
Dhunche
Bhaktapur
Kalanki
Basundhara
Sitapaila
Thapathali
Naxal
Teku
Pulchowk
Timure
Hetauda
Galchi
Tinkune
Kapan
Lions Chowk Ng
Bharatpur
Baghdarbar
Maharajgunj
Golmadi Bhaktapur
Bouddha
Ngt Mainroad
Parsa
Tandi

Chanauli
Gangabu
Satdobato
Baneshwor
Gwarko
Balkhu
Battar

Province - 4

Pokhara
Waling
Burtibang
Beni
Kawasoti
Sardi Bagaicha
Chipledhunga
Pokhara
Bagar
Amarsinghchowk
Hemja
Bhimad
Bhotewodar
Safa Sadak Damauli
Nagdanda
Turture
Manang
Shishuwa
Baglung
Lamachaur
Bandipur
Kushmishera
Besishahar
Rambazar
Bhairabtole
Jomsom
Galyang
Lakeside
Lekhnath
Bank Road Gorkha
Aarughat
Dumre
Dulegaunda
Aabukhareni
Manakamana

Birauta Branch
Zero Kilometer
Gaidakot
Chauthe

Province - 5

Butwal
Nepalgunj
Traffic Chowk -
Butwal
Manigram
Jeetpur
Pharsatikar
Sunawal
Murgiya
Chandrauta
Thutipipal
Chutrabesi
Bhalwari
Charnumber
Gorusinge
Aryabhanjyang
Tamgas
Drivertole
Bangai
Bhairahawa
Palpa
Kohalpur
Tulsipur
Kudiya Susta
Pakadi
Lamahi
Bardaghat
Rolpa
Devinagar
Ramgram

Province - 6

Dailekh
Surkhet
Naumule

Province - 7

Dhangadi
Doti
Lamki
Masuriya
Mahendranagar
Doti K. I. Singh
Beldandi
Attariya
Jhalari
Dhangadhi
Punarbash
Dadeldhura
Daijee
Belauri
Sukhad
Bauniya
Tikapur
Gulariya
Phulbari
Baitadi

