

NMB BANK LIMITED

INTERIM FINANCIAL STATEMENTS

As on
Asar End 2078 (July 15, 2021)
(Unaudited)



NMB Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended Asar 31, 2078 (July 15, 2021)

NPR in Thousand

Particulars	Group		NMB	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and cash equivalent	13,019,151	12,261,848	12,433,017	11,098,349
Due from Nepal Rastra Bank	19,248,519	15,271,029	19,218,519	15,249,999
Placement with Bank and Financial Institutions	2,717,149	3,304,234	2,717,149	3,304,234
Derivative financial instruments	17,161,392	10,066,296	17,161,392	10,066,296
Other trading assets	2,670	266,900	2,660	266,890
Loan and advances to B/FIs	4,210,215	4,665,865	5,210,215	4,665,865
Loans and advances to customers	156,094,677	118,325,756	150,998,435	115,668,473
Investment securities	19,112,406	15,267,544	18,907,214	14,998,756
Current tax assets	105,757	68,255	98,487	61,461
Investment in subsidiaries	-	-	372,488	372,488
Investment in associates	-	-	-	-
Investment property	97,942	79,648	97,942	79,648
Property and equipment	1,782,019	1,785,246	1,741,915	1,755,794
Goodwill and Intangible assets	115,430	127,275	112,949	125,849
Deferred tax assets	252,865	270,087	248,887	264,421
Other assets	2,439,915	1,502,481	2,224,721	1,473,393
Total Assets	236,360,107	183,262,462	231,545,990	179,451,915
Liabilities				
Due to Bank and Financial Institutions	2,038,337	3,150,015	2,045,653	3,150,015
Due to Nepal Rastra Bank	7,597,982	4,832,502	7,597,982	4,832,502
Derivative financial instruments	17,127,036	10,008,213	17,127,036	10,008,213
Deposits from customers	166,165,008	132,285,880	164,408,149	131,660,368
Borrowing	9,239,426	4,718,152	7,443,810	3,416,310
Current Tax Liabilities	-	-	-	-
Provisions	13,558	2,126	-	-
Deferred tax liabilities	23,026	14,876	-	-
Other liabilities	3,934,459	4,327,968	3,673,447	3,169,288
Debt securities issued	5,293,994	2,279,834	5,293,994	2,279,834
Subordinated Liabilities	-	-	-	-
Total liabilities	211,432,827	161,619,565	207,590,071	158,516,530
Equity				
Share capital	16,325,961	13,950,987	16,325,961	13,950,987
Share premium	37,216	157,384	-	120,167
Retained earnings	2,620,687	1,978,985	2,247,129	1,737,220
Reserves	5,474,935	5,183,065	5,382,830	5,127,011
Total equity attributable to equity holders	24,458,798	21,270,421	23,955,919	20,935,385
Non-controlling interest	468,482	372,476	-	-
Total equity	24,927,281	21,642,897	23,955,919	20,935,385
Total liabilities and equity	236,360,107	183,262,462	231,545,990	179,451,915

NMB Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the quarter ended Asar 31, 2078 (July 15, 2021)

NPR in Thousand

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	3,811,825	14,705,969	3,741,179	15,048,722	3,612,895	14,001,572	3,568,565	14,442,973
Interest expense	2,297,990	8,508,425	2,403,789	9,148,041	2,243,375	8,323,034	2,368,122	8,946,753
Net interest income	1,513,836	6,197,544	1,337,390	5,900,681	1,369,519	5,678,537	1,200,443	5,496,220
Fees and Commission Income	258,323	1,441,736	187,412	1,060,674	187,980	1,176,850	171,537	914,370
Fees and commission expense	60,681	138,075	25,584	107,917	60,681	138,075	25,584	107,917
Net fee and commission income	197,642	1,303,661	161,829	952,756	127,299	1,038,776	145,954	806,452
Net interest, fee and commission income	1,711,478	7,501,205	1,499,219	6,853,438	1,496,818	6,717,313	1,346,397	6,302,672
Net trading income	110,501	364,108	67,007	384,157	110,501	364,108	67,007	384,157
Other operating income	164,759	366,687	16,002	218,072	163,742	359,349	17,195	215,365
Total operating income	1,986,738	8,232,001	1,582,229	7,455,667	1,771,061	7,440,771	1,430,600	6,902,194
Impairment charge/(reversal) for loans and other losses	727,798	407,303	231,981	1,681,992	763,344	382,355	189,896	1,627,165
Net operating income	1,258,940	7,824,697	1,350,247	5,773,675	1,007,717	7,058,416	1,240,704	5,275,029
Operating expense				-				
Personnel expenses	549,777	2,330,953	449,923	1,848,456	484,988	2,096,709	400,847	1,647,498
Other operating expenses	264,918	948,315	277,441	998,159	238,136	858,510	261,606	935,574
Depreciation & Amortisation	71,081	279,313	66,392	252,420	68,084	269,070	64,802	241,683
Operating Profit	373,164	4,266,117	556,491	2,674,640	216,508	3,834,127	513,449	2,450,274
Non operating income	33,808	39,770	799	20,419	33,752	39,072	-	18,513
Non operating expense	(25,391)	15,213	(16,112)	33,982	(25,391)	15,213	(16,031)	33,982
Profit before income tax	432,362	4,290,674	573,402	2,661,077	275,651	3,857,986	529,481	2,434,805
Income tax expense								
Current Tax	160,255	1,308,897	162,152	782,189	113,242	1,179,090	160,258	725,589
Deferred Tax expense/(Income)	(51,698)	(51,698)	93	93	(51,698)	(51,698)	(3,561)	(3,561)
Profit for the period	323,805	3,033,476	411,158	1,878,795	214,107	2,730,594	372,785	1,712,777

NMB Bank Limited
Consolidated Statement of Other Comprehensive Income
For the quarter ended Asar 31, 2078 (July 15, 2021)

NPR in Thousand

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the period	323,805	3,033,476	411,158	1,878,795	214,107	2,730,594	372,785	1,712,777
Other comprehensive income								
a) Items that will not be reclassified to profit or loss								
- Gains/(losses) from investments in equity instruments measured at fair value	42,040	276,271	64,022	52,110	36,235	265,325	59,863	49,114
- Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	(15,698)	(15,698)	(25,088)	(25,088)	(15,698)	(15,698)	(25,672)	(25,672)
- Income tax relating to above items	(7,903)	(78,172)	4,533	8,106	(6,161)	(74,888)	3,808	7,032
Net other comprehensive income that will not be reclassified to profit or loss	18,440	182,402	43,467	18,915	14,376	174,739	37,998	16,409
b) Items that are or may be reclassified to profit or loss								
- Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-
- Income tax relating to above items	-	-	-	-	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of income tax	18,440	182,402	43,467	18,915	14,376	174,739	37,998	16,409
Total comprehensive income for the period	342,245	3,215,877	454,625	1,897,711	228,484	2,905,333	410,782	1,729,185
Total comprehensive income attributable to:								
Equity holders of the Bank	306,435	3,117,789	453,345	1,858,805	228,484	2,905,333	410,782	1,729,185
Non-controlling interest	35,810	98,089	1,279	38,906	-	-	-	-
Total	342,245	3,215,877	454,625	1,897,711	228,484	2,905,333	410,782	1,729,185
Earnings per share								
Basic earnings per share		18.04		12.01		16.78		11.18
Annualized Basic earnings per share		18.04		12.01		16.78		11.18
Diluted earnings per share		18.04		12.01		16.78		11.18

NMB Bank Limited
Condensed Consolidated Statement of cash flows
For the period (Shrawan 1, 2077 to Asar 31, 2078) ended Asar 31, 2078

NPR in Thousand

Particulars	Group		NMB	
	Upto This Quarter	Corresponding Previous Year Upto This Quarter	Upto This Quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	14,145,045	13,217,437	13,687,651	12,797,705
Fees and other income received	1,407,082	1,068,913	1,160,785	936,304
Dividend received	-	1,806	-	-
Receipts from other operating activities	333,304	490,487	327,833	418,676
Interest paid	(8,380,199)	(9,401,931)	(8,221,669)	(9,158,482)
Commission and fees paid	(138,075)	(106,923)	(138,075)	(106,923)
Cash payment to employees	(1,881,601)	(1,778,835)	(1,756,104)	(1,637,293)
Other expense paid	(898,619)	(986,296)	(829,010)	(921,178)
Operating cash flows before changes in operating assets and liabilities	4,586,937	2,504,659	4,231,410	2,328,809
		-		-
(Increase)/Decrease in operating assets		-		-
Due from Nepal Rastra Bank	(6,983,140)	(3,014,721)	(6,979,640)	(3,011,221)
Placement with bank and financial institutions	(1,398,055)	1,481,769	(1,398,055)	1,481,769
Other trading assets	264,230	73,500	264,230	73,500
Loan and advances to bank and financial institutions	(381,073)	(757,538)	(381,073)	(757,538)
Loans and advances to customers	(33,356,129)	(8,037,428)	(31,386,071)	(7,587,006)
Other assets	(1,140,228)	(134,372)	(804,554)	(158,214)
Total	(42,994,395)	(10,388,790)	(40,685,163)	(9,958,711)
Increase/(Decrease) in operating liabilities		-		-
Due to bank and financial institutions	(1,245,176)	1,836,642	(1,245,176)	1,836,642
Due to Nepal Rastra Bank	3,705,451	939,971	3,705,451	939,971
Deposit from customers	26,844,876	9,440,895	26,210,328	9,813,590
Borrowings	4,862,876	274,129	4,027,500	(51,750)
Other liabilities	39,475	2,349,787	117,423	1,806,033
Net cash flow from operating activities before tax paid	34,207,502	14,841,424	32,815,526	14,344,485
Income taxes paid	(1,287,907)	(800,706)	(1,227,907)	(740,000)
Net cash flow from operating activities	(5,487,863)	6,156,587	(4,866,134)	5,974,583
		-		-
CASH FLOWS FROM INVESTING ACTIVITIES		-		-
Purchase of investment securities	(6,124,890)	(14,081,939)	(6,073,486)	(14,005,481)
Receipts from sale of investment securities	7,030,510	7,503,050	7,030,510	7,503,050
Purchase of property and equipment	(130,047)	(206,803)	(129,680)	(205,153)
Receipt from the sale of property and equipment	30,913	17,948	30,913	14,393
Purchase of intangible assets	(21,059)	(37,404)	(19,856)	(37,349)
Receipt from the sale of intangible assets	-	146	-	-
Purchase of investment properties	(17,799)	-	(17,799)	-
Receipt from the sale of investment properties	-	25,352	-	25,352
Investment in subsidiaries, associates & joint ventures	-	-	-	-
Interest received	851,295	697,947	851,295	697,947
Dividend received	87,631	89,339	87,631	89,339
Net cash used in investing activities	1,706,554	(5,992,362)	1,759,527	(5,917,901)
		-		-
CASH FLOWS FROM FINANCING ACTIVITIES		-		-
Receipt from issue of debt securities	3,500,000	-	3,500,000	-
Repayment of debt securities	(500,000)	-	(500,000)	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	315,982	-	-
Dividends paid	(462,328)	(1,614,164)	(462,328)	(1,614,164)
Interest paid	-	-	-	-
Other receipt/payment	97,339	34,581	-	-
Net cash from financing activities	2,635,011	(1,263,600)	2,537,672	(1,614,164)
		-		-
Net increase (decrease) in cash and cash equivalents	(1,146,299)	(1,099,375)	(568,935)	(1,557,482)
Cash and cash equivalents at the beginning of the year	12,261,848	8,801,747	11,098,349	8,096,355
Cash and cash equivalents acquired from the merger	1,812,575	4,463,437	1,812,575	4,463,437
Effect of exchange rate fluctuations on cash and cash equivalents held	91,027	96,039	91,027	96,039
Cash and cash equivalents at the end of the year	13,019,152	12,261,848	12,433,017	11,098,349

NMB Bank Limited
Condensed Consolidated Statement of changes in equity
For the period (Shrawan 1, 2077 to Asar 31, 2078) ended Asar 31, 2078

NPR in Thousand

NMB												
Attributable to equity holders of the Bank												
Particulars	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Shrawan 1, 2076	9,618,163	2,512,799	2,123,307	78,377	818,733	(5,544)	-	1,780,327	476,854	17,403,014	-	17,403,014
Profit for the year	-	-	-	-	-	-	-	1,712,777	-	1,712,777	-	1,712,777
Other comprehensive income	-	-	-	-	-	34,379	-	-	(17,971)	16,409	-	16,409
Total comprehensive income	-	-	-	-	-	34,379	-	1,712,777	(17,971)	1,729,185	-	1,729,185
Transfer to reserves	-	-	343,626	24,010	-	-	-	(468,636)	101,000	-	-	-
Transfer from reserves	-	-	-	-	(397,928)	(5,353)	-	428,879	(26,598)	(1,000)	-	(1,000)
Contribution from and distributions to owner												
Share issued	1,911,579	-	-	-	-	-	-	-	603,657	2,515,236	-	2,515,236
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,421,246	(2,421,246)	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(1,614,164)	-	(1,614,164)	-	(1,614,164)
others (Merger)	-	28,615	543,947	40	463,328	(33,592)	-	(101,963)	2,740	903,114	-	903,114
Total contributions by and distributions	4,332,825	(2,392,631)	543,947	40	463,328	(33,592)	-	(1,716,127)	606,397	1,804,186	-	1,804,186
Balance at Asadh end 2077	13,950,987	120,167	3,010,880	102,426	884,133	(10,110)	-	1,737,220	1,139,682	20,935,385	-	20,935,385
-												
Balance at Shrawan 1, 2077	13,950,987	120,167	3,010,880	102,426	884,133	(10,110)	-	1,737,220	1,139,682	20,935,385	-	20,935,385
Prior Period Adjustments	-	-	-	-	-	-	-	(18,443)	-	(18,443)	-	(18,443)
Adjusted/Restated balance at Shrawan 1, 2077	13,950,987	120,167	3,010,880	102,426	884,133	(10,110)	-	1,718,777	1,139,682	20,916,942	-	20,916,942
Profit for the period	-	-	-	-	-	-	-	2,730,594	-	2,730,594	-	2,730,594
Other comprehensive income	-	-	-	-	-	185,727	-	-	(10,988)	174,739	-	174,739
Total comprehensive income	-	-	-	-	-	185,727	-	2,730,594	(10,988)	2,905,333	-	2,905,333
Transfer to Reserves	-	-	546,119	22,757	176,909	-	-	(745,785)	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-	-	298,534	(297,873)	661	-	661
Transfer from Merger	-	-	93,188	-	56,790	(1,033)	-	(138,279)	87,879	98,545	-	98,545
Contribution from and distributions to owner												
Share issued to merged entity	496,766	-	-	-	-	-	-	-	-	496,766	-	496,766
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,878,208	(120,167)	-	-	-	-	-	(1,154,384)	(603,657)	0.00	-	0
Cash dividend paid	-	-	-	-	-	-	-	(462,328)	-	(462,328)	-	(462,328)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	2,374,973	(120,167)	-	-	-	-	-	(1,616,712)	(603,657)	34,437	-	34,437
Balance at Poush end 2077	16,325,961	-	3,650,187	125,183	1,117,833	174,584	-	2,247,129	315,043	23,955,919	-	23,955,919

NMB Bank Limited
Condensed Consolidated Statement of changes in equity
For the period (Shrawan 1, 2077 to Asar 31, 2078) ended Asar 31, 2078

NPR in Thousand

Particulars	Group Attributable to equity holders of the Group										Non- controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total		
Balance at Ashar 31, 2076	9,618,163	2,512,799	2,141,571	78,377	818,733	(5,092)	-	1,961,723	485,600	17,611,872	165,397	17,777,269
Adjustment/Restatement	-	-	-	-	-	-	-	45	-	45	-	45
Balance at Shrawan 1, 2076	9,618,163	2,512,799	2,141,571	78,377	818,733	(5,092)	-	1,961,768	485,600	17,611,918	165,397	17,777,315
Profit for the year	-	-	-	-	-	-	-	1,840,191	-	1,840,191	38,604	1,878,795
Other comprehensive income	-	-	-	-	-	36,477	-	-	(17,864)	18,613	303	18,915
Total comprehensive income	-	-	-	-	-	36,477	-	1,840,191	(17,864)	1,858,004	38,906	1,897,711
Transfer to reserves	-	-	349,808	24,010	-	-	-	(484,625)	126,007	15,200	14,307.41	29,508
Transfer from reserves	-	-	-	-	(397,928)	(7,902)	-	432,314	(28,850)	(2,366)	287.68	(2,078)
Contribution from and distributions to owner												-
Transfer from Merger	-	28,615	543,947	40	463,328	(33,592)	-	(101,963)	2,740	903,114	-	903,114
Share issued	1,911,579	37,216	-	-	-	-	-	-	603,657	2,552,452	154,831	2,707,283
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,421,246	(2,421,246)	-	-	-	-	-	(13,233)	-	(13,233)	-	(13,233)
Cash dividend paid	-	-	-	-	-	-	-	(1,655,468)	-	(1,655,468)	(1,253)	(1,656,722)
Total contributions by and distributions	4,332,825	(2,355,415)	543,947	40	463,328	(33,592)	-	(1,770,664)	606,397	1,786,864	153,578	1,940,442
Balance at Asadh end 2077	13,950,987	157,384	3,035,327	102,426	884,133	(10,110)	-	1,978,985	1,171,289	21,270,421	372,476	21,642,897
Balance at Shrawan 1, 2077	13,950,987	157,384	3,035,327	102,426	884,133	(10,110)	-	1,978,985	1,171,289	21,270,421	372,476	21,642,897
Adjustments	-	-	-	-	-	-	-	(18,425)	-	(18,425)	-	(18,425)
Adjusted/Restated balance at Shrawan 1, 2077	13,950,987	157,384	3,035,327	102,426	884,133	(10,110)	-	1,960,560	1,171,289	21,251,995	372,476	21,624,471
Profit for the period	-	-	-	-	-	-	-	2,935,387	-	2,935,387	98,089	3,033,476
Other comprehensive income	-	-	-	-	-	193,390	-	-	(10,988)	182,402	-	182,402
Total comprehensive income	-	-	-	-	-	193,390	-	2,935,387	(10,988)	3,117,789	98,089	3,215,877
Transfer to Reserves	-	-	546,119	22,757	176,909	-	-	(745,785)	-	-	-	-
Transfer from Reserves	-	-	-	-	-	-	-	298,534	(297,873)	661	-	661
Transfer from Merger	-	-	93,188	-	56,790	(1,033)	-	(138,279)	87,879	98,545	-	98,545
Contribution from and distributions to owner										-		-
Share issued to merged entity	496,766	-	-	-	-	-	-	-	-	496,766	-	496,766
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	1,878,208	(120,167)	-	-	-	-	-	(1,154,384)	(603,657)	0	-	0
Cash dividend paid	-	-	-	-	-	-	-	(504,433)	-	(504,433)	-	(504,433)
Others	-	-	-	-	-	-	-	(30,912)	28,388	(2,524)	(2,083)	(4,607)
Total contributions by and distributions	2,374,973	(120,167)	-	-	-	-	-	(1,689,730)	(575,268)	(10,192)	(2,083)	(12,275)
Balance at Poush end 2077	16,325,961	37,216	3,674,634	125,183	1,117,833	182,247	-	2,620,687	375,038	24,458,798	468,482	24,927,281

Ratios as per NRB Directives

Particulars	Group				NMB			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA		15.14%		15.14%		15.09%		15.08%
Non performing loan (NPL) to toatl loan		2.30%		2.67%		2.27%		2.68%
Total loan loss provision to Total NPL (As per NRB Directives)		130.02%		124.90%		131.88%		125.60%
Cost of Funds (YTD)		5.80%		7.05%		5.79%		6.99%
CCD Ratio (Last Day of the quarter)		77.06%		72.68%		77.06%		72.68%
Base Rate (Last Month of the quarter)		7.33%		8.95%		7.33%		8.95%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter		3.09%		4.05%		3.09%		4.05%
Additional Informations:								
Average Yield (YTD Average)		8.90%		10.82%		8.71%		10.67%
Return on Equity (Annualized)		12.51%		8.78%		12.01%		8.94%
Return on Assets (Annualized)		1.38%		1.05%		1.31%		1.09%
PE Ratio (Annualized)		26.22		31.45		26.22		31.45
Net-Worth per share (NPR)		149.82		152.47		146.74		150.06
Assets per share (NPR)		1,444.89		1,313.62		1,418.27		1,286.30
Liquidity Ratio (NLA)		27.52%		27.33%		27.52%		27.33%

NMB BANK LIMITED

Notes to Interim Financial Statements

For the interim period ended 31 Asar, 2078

1. General Information

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

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

1.2 Subsidiary:

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

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

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

2. Basis of preparation

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

with the Bank's last annual financial statements as at and for the year ended 31 Asar 2077. They do not include all of the information required for a complete set of Nepal Financial Reporting Standards ("NFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements. The financial statements have been prepared in accordance with the historical cost convention with some exceptions described in the relevant sections.

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

The Condensed Consolidated Interim Financial Statements comprise of:

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

3. Statement of Compliance with NFRS

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

4. Basis of Consolidation

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

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

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

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

5. Materiality and Aggregation

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

6. Business Combination

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

7. Foreign Exchange Transactions

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

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

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

8. Functional and presentation currency

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

9. Significant accounting judgements and estimates

As part of the process of preparing the interim financial statements in conformity with NFRS, the Bank's management is required to make certain judgements,

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

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

The significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 Asar 2077.

10. Basis for classification and measurement

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

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

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

Financial assets at amortised cost

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

Financial assets at fair value

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

Determination of fair value

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

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

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

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

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

11. Financial assets and financial liabilities

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

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

12. Recognition and de-recognition of financial instruments

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

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

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

13. Offsetting

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

14. Cash and cash equivalents

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

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

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

15. Impairment

Impairment of financial assets

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

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

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

Assets carried at amortised cost

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

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

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

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

The Group has applied mandatory ICAN Carve Out No – 5 and 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.

16. Derivative assets and derivative liabilities

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

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

17. Deposits from customers and BFIs and Debt Securities

These are classified as financial liabilities measured at amortized cost.

18. Revenue recognition

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

a. Net interest income

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

b. Fees and commission income

Fees and commission income is generally recognised when the related services are provided or on execution of a significant act. Fees charged for servicing a loan are recognised as revenue as the service is provided. The Group has opted ICAN carve out-6 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.

c. Dividend Income

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

d. Net Trading Gain

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

19. Discounting

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

20. Significant changes from the policies adopted in the past

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

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

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

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

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

22. Investment property

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

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

23. Retirement Benefits

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

a. Provident fund

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

b. Gratuity

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

c. Accumulated sick leave

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

d. Accumulated home leave

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

24. Operating Lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. The Group has applied NAS 17 – “Leases” under cancellable lease as per terms of lease agreement.

25. Income Tax

a. Current Income Tax

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

b. Deferred Tax

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

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

26. Share capital and reserves

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

27. Stationery

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

28. Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present

obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

29. Earnings Per Share

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

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

30. Rounding off and Comparative Figures

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

31. Segment Information

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

a. Information about reporting segment:

NPR in Mio.

Particulars	Retail		SME & MSME		Corporate		Deprived		Treasury		Others		Total	
	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077	Asar end 2078	Asar end 2077
Revenues from external customers	3,563	3,553	4,678	4,769	5,351	5,423	642	767	475	1,435	851	(6)	15,561	15,941
Intersegment revenues/(Expenses)	3,026	2,646	(2,238)	(2,035)	(112)	158	(425)	(356)	430	192	(682)	(605)	-	(0)
Segment profit/(loss) before tax	1,337	327	1,291	1,635	839	351	(173)	166	506	566	58	(610)	3,858	2,435
Segment assets	28,897	31,900	43,817	43,302	60,554	57,829	8,449	7,523	36,212	38,898	53,617	-	231,546	179,452
Segment liabilities	90,043	83,754	1,738	1,938	55,779	63,202	543	538	6,149	6,815	77,294	23,204	231,546	179,452

b. Reconciliation of reportable segment profit or loss:

NPR in Mio

Particulars	Asar End 2078	Asar End 2077
Total Profit before tax for reportable segments	3,858	2,435
Profit before tax for other segments		
Elimination of intersegment profit		
Elimination of discontinued operation		
Unallocated amount:		
-Other Corporate Expenses	-	-
Profit before tax	3,858	2,435

32. Related Party Disclosures

(a) Board Member Allowances and Facilities

The Board of Directors has been paid meeting fees of NPR 1,212,000 during the interim period. There were 14 Board Meeting conducted during the interim 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	6	176,000
Risk Management Committee	7	208,000
Human Resource Service Committee	10	160,000
Assets Laundering Prevention Committee	5	80,000
Other Committee	-	-

As per 23rd AGM held on Poush 26, 2075, monthly allowance of NPR 12,000 is paid. The total amount paid as monthly allowances to the board members during the interim period amounted to NPR 990,735

Existing members of the Board are:

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

vi)	Mr. Sirish Kumar Murarka	Shareholder) Member (Represents Group – Public Shareholder)
vii)	Mr. Pradeep Raj Pandey	Independent Director
viii)	Mr. Nand Kishor Rathi	Alternate Director to Mr. Nico Pijl

(b) Loans and Advances extended to Promoters

There are no such loans extended to promoters.

(c) Compensation Details for Key Management Personnel

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

S.No	Particulars	Amount
A	Short Term Employee Benefits	59,931,143
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	59,931,143

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

Particulars	Basic Salary	Provident Fund	Allowance	Bonus & Welfare	Other Perquisites	Total Income
C.E.O	6,936,000	693,600	6,694,000	2,985,705	100,083	17,409,388

Key management personnel are also provided with the following benefits:

- Benefits as per the Employee Terms of Service By-laws,
- Bonus to staff as per the Bonus Act,

Existing members of Executive Committee includes:

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

(d) Transaction with Subsidiaries

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

Amount in Thousand			
S No	Particulars	NMB Capital	NMB Laghubitta Bittiya Sanstha
1	Investment by NMB Bank Ltd.	200,000	172,488
2	Deposits in NMB Bank Ltd.	299,304	7,316
3	Borrowing from NMB Bank Ltd.	-	1,000,000
4	Interest Payment by NMB Bank Ltd.	7,413	-
5	Interest Payment to NMB Bank Ltd.	-	56,275
6	Rent Payment to NMB Bank Ltd.	2,586	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Share Registrar Fee payment by NMB Bank	1,000	-
9	Debenture Trustee Fee payment by NMB Bank	100	-
10	Dividend Distribution Fee	1,450	-
11	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	12,210	-
12	Dividend Distribution of NMB 50 to NMB Bank	8,851	-
13	Dividend Distribution by NMB Capital to NMB Bank	40,000	-

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

The bank has paid cash dividend of 3.20 % and stock dividend of 13% during the period.

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

None

35.Events after interim period

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

However, The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and Nepal, which has contributed to a significant decline and volatility in global and domestic financial markets and a significant decrease in global and local economic activities. On

March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. On March 24, 2020, the government announced a week long nationwide lockdown with series of extensions until May 18, 2020. Although lockdown was lifted on 22 July 2020 and economic had started to gain normality, the government has announced fortnight long prohibitory order on April 27 2021 along with the start of second wave of COVID 19. The extent to which the COVID-19 pandemic will impact the provision on assets and bank's results will depend on future developments, which are highly uncertain at this time.

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

The bank also has also acquired Kanchan Development Bank Limited in Fiscal Year 2077/78 and started joint operations from 7th Bhadra 2077. Kanchan Development Bank Limited (KDBL), is a B Class Licensed Financial Institution with head office at Bhimdatta Nagarpalika-04 Mahendranagar, Kanchanpur and its operation started on 2066/06/03. The working area for the bank is five districts Kailali, Kanchanpur, Dadeldhura, Doti & Baitadi branch. The bank has acquired KDBL as a part of its strategic intent to expand the footprints in province 6 and 7 whereby reaching in every part of the country.

The Bank has issued 4,967,655 units of shares to shareholders of E-KDBL as purchase consideration on the basis of swap ratio of 0.85 shares of NMB Bank Ltd. for each share of E-KDBL 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 14 January 2019 (Poush end 2076). The Bank has deposited SWAP Gain in Capital Reserve amounting NPR 87.7 Mio.

The difference between Paid-Up Capitals of two banks post-acquisition based on share swap ratio 100:85 between NMB and KDBL respectively amounting to NPR 87.67 Million has been recognized as Capital Reserve as required by Merger and Acquisition By-Laws issued by the Nepal Rastra Bank (NRB). Implementation of provisions mentioned in the By-Laws issued by NRB are mandatory and binding for Banks and Financial Institutions. Whilst the Bank has followed the above mandatory guidelines and accordingly recognized NPR 87.67 Million as Capital Reserve in the Interim Financial Statements of 3rd Quarter for FY 2077/78, this treatment differs with the requirement of Nepal Financial Reporting Standards (NFRS) 3 Business Combination and Carve-Out issued by The Institute of Chartered Accountants of Nepal.

NMB BANK LIMITED

Interim Financial Report FY 2077/78

Condensed Consolidated Statement of Financial Position

As on Quarter Ended Asar 31, 2078 (July 15, 2021)

NPR in Thousand

Particulars	Group		NMB	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and cash equivalent	13,019,151	12,261,848	12,433,017	11,098,349
Due from Nepal Rastra Bank	19,248,519	15,271,029	19,218,519	15,249,999
Placement with Bank and Financial Institutions	2,717,149	3,304,234	2,717,149	3,304,234
Derivative financial instruments	17,161,392	10,066,296	17,161,392	10,066,296
Other trading assets	2,670	266,900	2,660	266,890
Loan and advances to B/FIs	4,210,215	4,665,865	5,210,215	4,665,865
Loans and advances to customers	156,094,677	118,325,756	150,998,435	115,668,473
Investment securities	19,112,406	15,267,544	18,907,214	14,998,756
Current tax assets	105,757	68,255	98,487	61,461
Investment in subsidiaries	-	-	372,488	372,488
Investment in associates	-	-	-	-
Investment property	97,942	79,648	97,942	79,648
Property and equipment	1,782,019	1,785,246	1,741,915	1,755,794
Goodwill and Intangible assets	115,430	127,275	112,949	125,849
Deferred tax assets	252,865	270,087	248,887	264,421
Other assets	2,439,915	1,502,481	2,224,721	1,473,393
Total Assets	236,360,107	183,262,462	231,545,990	179,451,915
Liabilities				
Due to Bank and Financial Instituions	2,038,337	3,150,015	2,045,653	3,150,015
Due to Nepal Rastra Bank	7,597,982	4,832,502	7,597,982	4,832,502
Derivative financial instruments	17,127,036	10,008,213	17,127,036	10,008,213
Deposits from customers	166,165,008	132,285,880	164,408,149	131,660,368
Borrowing	9,239,426	4,718,152	7,443,810	3,416,310
Current Tax Liabilities	-	-	-	-
Provisions	13,558	2,126	-	-
Deferred tax liabilities	23,026	14,876	-	-
Other liabilities	3,934,459	4,327,968	3,673,447	3,169,288
Debt securities issued	5,293,994	2,279,834	5,293,994	2,279,834
Subordinated Liabilities	-	-	-	-
Total liabilities	211,432,827	161,619,565	207,590,071	158,516,530
Equity				
Share capital	16,325,961	13,950,987	16,325,961	13,950,987
Share premium	37,216	157,384	-	120,167
Retained earnings	2,620,687	1,978,985	2,247,129	1,737,220
Reserves	5,474,935	5,183,065	5,382,830	5,127,011
Total equity attributable to equity holders	24,458,798	21,270,421	23,955,919	20,935,385
Non-controlling interest	468,482	372,476	-	-
Total equity	24,927,281	21,642,897	23,955,919	20,935,385
Total liabilities and equity	236,360,107	183,262,462	231,545,990	179,451,915

Condensed Consolidated Statement of Profit or Loss

For the quarter ended Asar 31, 2078 (July 15, 2021)

NPR in Thousand

Particulars	Group				NMB			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	3,811,825	14,705,969	3,741,179	15,048,722	3,612,895	14,001,572	3,568,565	14,442,973
Interest expense	2,297,990	8,508,425	2,403,789	9,148,041	2,243,375	8,323,034	2,368,122	8,946,753
Net interest income	1,513,836	6,197,544	1,337,390	5,900,681	1,369,519	5,678,537	1,200,443	5,496,220
Fees and Commission Income	258,323	1,441,736	187,412	1,060,674	187,980	1,176,850	171,537	914,370
Fees and commission expense	60,681	138,075	25,584	107,917	60,681	138,075	25,584	107,917
Net fee and commission income	197,642	1,303,661	161,829	952,756	127,299	1,038,776	145,954	806,452
Net interest, fee and commission income	1,711,478	7,501,205	1,499,219	6,853,438	1,496,818	6,717,313	1,346,397	6,302,672
Net trading income	110,501	364,108	67,007	384,157	110,501	364,108	67,007	384,157
Other operating income	164,759	366,687	16,002	218,072	163,742	359,349	17,195	215,365
Total operating income	1,986,738	8,232,001	1,582,229	7,455,667	1,771,061	7,440,771	1,430,600	6,902,194
Impairment charge/(reversal) for loans and other losses	727,798	407,303	231,981	1,681,992	763,344	382,355	189,896	1,627,165
Net operating income	1,258,940	7,824,697	1,350,247	5,773,675	1,007,717	7,058,416	1,240,704	5,275,029
Operating expense								
Personnel expenses	549,777	2,330,953	449,923	1,848,456	484,988	2,096,709	400,847	1,647,498
Other operating expenses	264,918	948,315	277,441	998,159	238,136	858,510	261,606	935,574
Depreciation & Amortisation	71,081	279,313	66,392	252,420	68,084	269,070	64,802	241,683
Operating Profit	373,164	4,266,117	556,491	2,674,640	216,508	3,834,127	513,449	2,450,274
Non operating income	33,808	39,770	799	20,419	33,752	39,072	-	18,513
Non operating expense	(25,391)	15,213	(16,112)	33,982	(25,391)	15,213	(16,031)	33,982
Profit before income tax	432,362	4,290,674	573,402	2,661,077	275,651	3,857,986	529,481	2,434,805
Income tax expense								
Current Tax	160,255	1,308,897	162,152	782,189	113,242	1,179,090	160,258	725,589
Deferred Tax expense/(Income)	(51,698)	(51,698)	93	93	(51,698)	(51,698)	(3,561)	(3,561)
Profit for the period	323,805	3,033,476	411,158	1,878,795	214,107	2,730,594	372,785	1,712,777

Condensed Consolidated Statement of Comprehensive Income

Profit/Loss for the period	323,805	3,033,476	411,158	1,878,795	214,107	2,730,594	372,785	1,712,777
Other Comprehensive Income	18,440	182,402	43,467	18,915	14,376	174,739	37,998	16,409
Total Comprehensive Income	342,245	3,215,877	454,625	1,897,711	228,484	2,905,333	410,782	1,729,185

Earnings per Share

Basic earnings per share	-	18.04	-	12.01	-	16.78	-	11.18
Diluted earnings per share	-	18.04	-	12.01	-	16.78	-	11.18

Total comprehensive income attributable to:

Equity holders of the Bank	306,435	3,117,789	453,345	1,858,805	228,484	2,905,333	410,782	1,729,185
Non-controlling interest	35,810	98,089	1,279	38,906	-	-	-	-
Total	342,245	3,215,877	454,625	1,897,711	228,484	2,905,333	410,782	1,729,185

Ratios as per NRB Directives

Ratios	Group				NMB			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA		15.14%		15.14%		15.09%		15.08%
Non performing loan (NPL) to toal loan		2.30%		2.67%		2.27%		2.68%
Total loan loss provision to Total NPL (As per NRB Directives)		130.02%		124.90%		131.88%		125.60%
Cost of Funds (YTD)		5.80%		7.05%		5.79%		6.99%
CCD Ratio (Last Day of the quarter)		77.06%		72.68%		77.06%		72.68%
Base Rate (Last Month of the quarter)		7.33%		8.95%		7.33%		8.95%
Average Interest Spread (Calculated as per NRB Directives)- Last Month of Quarter		3.09%		4.05%		3.09%		4.05%
Additional Informations:								
Average Yield (YTD Average)		8.90%		10.82%		8.71%		10.67%
Return on Equity (Annualized)		12.51%		8.78%		12.01%		8.94%
Return on Assets (Annualized)		1.38%		1.05%		1.31%		1.09%
PE Ratio (Annualized)		26.22		31.45		26.22		31.45
Net-Worth per share (NPR)		149.82		152.47		146.74		150.06
Assets per share (NPR)		1,444.89		1,313.62		1,418.27		1,286.30
Liquidity Ratio (NLA)		27.52%		27.33%		27.52%		27.33%

Notes to Unaudited Financial Highlights

- Above figures are subject to change from Supervisory Authority and/ or External Audit.
- Above financial highlight is prepared as per Nepal Financial Reporting Standards (NFRS), Nepal Accounting Standards(NAS), certain carve-outs issued by Institute of Chartered Accountants of Nepal (ICAN) and other regulatory provisions.
- The figures of previous periods have been regrouped/rearranged wherever necessary.
- During the FY 2077/78, NMB Bank has acquired erstwhile Kanchan Development Bank Limited (KDBL) and commenced joint operations from 7 Bhadra 2077. The difference between Paid-Up Capitals of two banks post-acquisition based on share swap ratio 100:85 between NMB and KDBL respectively amounting to NPR 87.67 Million has been recognized as Capital Reserve as required by Merger

and Acquisition By-Laws issued by the Nepal Rastra Bank (NRB). Implementation of provisions mentioned in the By-Laws issued by NRB are mandatory and binding for Banks and Financial Institutions. Whilst the Bank has followed the above mandatory guidelines and accordingly recognized NPR 87.67 Million as Capital Reserve in the Interim Financial Statements of fourth Quarter for FY 2077/78, this treatment differs with the requirement of Nepal Financial Reporting Standards (NFRS) 3 Business Combination and Carve-Out issued by The Institute of Chartered Accountants of Nepal.

- During the FY 2076/77, NMB Bank had merged erstwhile Om Development Bank Limited (ODBL) and commenced joint operations from 11 Ashwin 2076. The difference between Paid-Up Capitals of two banks post-merger based on share swap ratio 100:76 between NMB and ODBL respectively amounting to NPR 603.66 Million has been reclassified as Capital Reserve in the restated figure as per audited

financial statement of FY 2076/77 which was previously recognized under Non - Operating Income in Interim Financial Statement of Asar end 2077.

- Loans and Advances is presented along with accrued interest, staff loan (net off staff loan prepayment benefit) and net off impairment charges.
- Personnel Expenses include staff bonus as per Bonus Act, 2030 and amortization of prepaid staff loan granted at subsidized rate as per Bank's policy.

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

NPR in Thousand

Particulars	Up to this Quarter
Net Profit for the period ended Asar 31, 2078	2,730,594
1. Appropriations	
1.1 Profit required to be appropriated to statutory reserve	(218,892)
a. General Reserve	(546,119)
b. Capital (Debenture) Redemption Reserve	289,437
c. Exchange Fluctuation Fund	(22,757)
d. Corporate Social Responsibility Fund	(3,364)
e. Employees Training Fund	-
f. Other	63,911
1.2 Profit required to be transfer to Regulatory Reserve	(176,909)
a. Transfer to Regulatory Reserve	(212,760)
b. Transfer from Regulatory Reserve	35,851
Net Profit for the period end Asar 31, 2078 available for distribution	2,334,793

Related Party Disclosures

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

NPR in Thousand

S No	Particulars	NMB Capital	NMB Laghubitta Bittiya Sanstha
1	Investment by NMB Bank Ltd.	200,000	172,488
2	Deposits in NMB Bank Ltd.	299,304	7,316
3	Borrowing from NMB Bank Ltd.	-	1,000,000
4	Interest Payment by NMB Bank Ltd.	7,413	-
5	Interest Payment to NMB Bank Ltd.	-	56,275
6	Rent Payment to NMB Bank Ltd.	2,586	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Share Registrar Fee payment by NMB Bank	1,000	-
9	Debenture Trustee Fee payment by NMB Bank	100	-
10	Dividend Distribution Fee	1,450	-
11	Dividend Distribution of NMB Hybrid Fund L - 1 to NMB Bank	12,210	-
12	Dividend Distribution of NMB 50 to NMB Bank	8,851	-
13	Dividend Distribution by NMB Capital to NMB Bank	40,000	-

These related party transactions have been excluded in Consolidated Financial Statement of the Group. All the contracts and transactions with the subsidiaries have been performed on arms-length basis. Disclosure as per Securities Registration and Issuance Regulation, 2073

1. Management Analysis

- The Bank, up to the fourth quarter of FY 2020/21, posted a net profit of NPR 2,730.59 Million.
- Deposit from customers and loans and advances to customers of the Bank (Net) stood at NPR 164.41 Billion and NPR 150.99 Billion respectively as at the end of the quarter.
- 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. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain at this point of time.
- The Bank managed to maintain comfortable liquidity position during the quarter.
- The Bank remained well capitalized with Capital Adequacy Ratio at 15.09%. NPA level has decreased to 2.27% from 2.68% of the previous year corresponding quarter.
- There were no other significant incidents during the period which have had negative impact on the reserve, profit or cash flow position of the Bank. However, given the country is striving against repeated wave of pandemic COVID 19, the exact financial implication is yet to be assessed.
- The Bank has strong independent Risk and Control functions as well as policies in place that do not promote excessive risk taking.
- During the FY 77/78, the bank has acquired Kanchan Development Bank Limited and started joint operations from 7th Bhadra 2077. Kanchan Development Bank Limited (KDBL), was a B Class Licensed Financial Institution with head office at Mahendranagar, The working area for the bank was five districts Kailali, Kanchanpur, Dadelhdhura, Doti & Baitadi branch. The bank has acquired KDBL as a part of its strategic intent to expand the footprints in province 6 and 7 whereby reaching in every part of the country.

2. Details of Legal Action

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

3. Analysis of Share Transaction

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

Maximum Price- 472	Minimum Price - 395	Closing Price - NPR 440
Trading number - 63,304	Days of Trading - 65	

4. Problems and Challenges

Internal problems and challenges

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

External problems and challenges

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

Strategy

- Keeping employees safe and informed by fostering safe working Culture with security measures
- Keeping the digital channel open and Long Term Digital Adoption
- Deliver Digital Banking education
- Create COVID Sensitive products and services (including mandated by Regulatory Authorities)
- Alternative sources of Fund
- Customer survey for early feedback
- Implement Cost Management/Reduction Strategy to closely monitor cost line and productivity.
- Synergistic benefit out of merger
- Continue to focus on Safe Growth through prudent risk management and compliance practices.
- Continue focus