

# NMB BANK LIMITED

Unaudited Financial Results (Quarterly)  
As at end of the 3rd Quarter (30/12/2074) of the Fiscal Year 2074/75 (2017/2018)

Rs in '000

S.No.	Particulars	This Quarter Ending Chaitra 30, 2074 April 13, 2018		Previous Quarter Ending Poush 30, 2074 January 14, 2018		Corresponding Previous Year Quarter Ending Chaitra 31, 2073 April 13, 2017	
		Group	NMB	Group	NMB	Group	NMB
<b>1</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>104,648,608</b>	<b>102,190,303</b>	<b>98,716,405</b>	<b>96,387,838</b>	<b>97,510,838</b>	<b>84,478,606</b>
1.1	Paid Up Capital	6,461,774	6,461,774	6,461,774	6,461,774	6,461,774	6,461,774
1.2	Reserve and Surplus	5,762,712	5,635,417	5,341,999	5,232,661	4,070,986	3,955,121
1.3	Debenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	2,400,977	1,243,299	1,879,502	659,559	2,474,370	1,316,671
<b>1.5</b>	<b>Deposits (a+b)</b>	<b>85,761,770</b>	<b>85,296,206</b>	<b>80,954,914</b>	<b>80,552,649</b>	<b>70,657,334</b>	<b>71,150,992</b>
a.	Domestic Currency	82,550,053	82,084,489	77,699,366	77,297,101	66,522,985	67,016,643
b.	Foreign Currency	3,211,717	3,211,717	3,255,548	3,255,548	4,134,349	4,134,349
1.6	Income Tax Liabilities	87,325	-	80,399	-	52,889	-
1.7	Other Liabilities	3,556,983	3,053,605	3,382,532	2,981,196	13,211,936	1,094,048
1.8	Non Controlling Interest	117,067	-	115,285	-	81,550	-
<b>2</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>104,648,608</b>	<b>102,190,303</b>	<b>98,716,405</b>	<b>96,387,838</b>	<b>97,510,838</b>	<b>84,478,606</b>
2.1	Cash and Bank Balance	8,703,204	8,050,828	10,214,644	9,569,281	22,121,163	10,507,095
2.2	Money at Call and Short Notice	239,772	239,772	536,403	536,403	1,321,086	1,321,086
2.3	Investments	15,603,931	15,699,462	11,651,971	11,750,021	9,819,049	9,900,387
<b>2.4</b>	<b>Loans and Advances (Gross) (a+b+c+d+e+f)</b>	<b>75,750,859</b>	<b>74,013,725</b>	<b>72,550,081</b>	<b>70,931,133</b>	<b>61,620,503</b>	<b>60,242,198</b>
a.	Real Estate Loan	3,359,926	3,359,926	3,450,969	3,450,969	4,134,084	4,134,084
1.	Residential Real Estate Loan (Except personal Home Loan upto Rs 15 Million)	1,066,715	1,066,715	1,059,780	1,059,780	1,188,655	1,188,655
2.	Business Complex & Residential Apartment Construction Loan	203,092	203,092	209,849	209,849	257,461	257,461
3.	Income generating Commercial Complex Loan	9,368	9,368	9,735	9,735	11,529	11,529
4.	Other Real Estate Loan (including Land purchase & plotting)	2,080,751	2,080,751	2,171,605	2,171,605	2,676,439	2,676,439
b.	Personal Home Loan of NPR 15 Million or Less	8,326,197	8,326,197	7,897,123	7,897,123	6,610,424	6,610,424
c.	Margin Type Loan	654,902	654,902	672,081	672,081	1,198,548	1,198,548
d.	Term Loan	13,217,280	13,217,280	13,025,464	13,025,464	9,978,661	9,978,661
e.	Overdraft Loan/ TR Loan/ WC Loan	25,510,692	23,773,557	23,772,866	22,153,899	19,438,737	18,060,432
f.	Others	24,681,863	24,681,863	23,731,599	23,731,599	20,260,048	20,260,048
2.5	Fixed Assets	1,580,773	1,545,531	1,537,246	1,501,073	1,438,855	1,415,356
2.6	Non Banking Assets (Gross)	36,601	36,601	20,465	20,465	-	-
2.7	Other Assets	2,733,469	2,604,384	2,205,596	2,079,462	1,190,182	1,092,484
<b>3</b>	<b>Profit and Loss Account</b>	<b>Upto this Quarter</b>		<b>Upto previous Quarter</b>		<b>Upto corresponding Previous Year Quarter</b>	
3.1	Interest Income	6,564,997	6,284,001	4,252,557	4,058,295	4,392,378	4,206,200
3.2	Interest Expenses	4,300,326	4,180,772	2,751,265	2,665,981	2,387,634	2,349,482
	<b>A. Net Interest Income (3.1-3.2)</b>	<b>2,264,671</b>	<b>2,103,229</b>	<b>1,501,292</b>	<b>1,392,315</b>	<b>2,004,744</b>	<b>1,856,718</b>
3.3	Fees, Commission and Discount	372,368	323,528	280,128	218,802	309,841	230,458
3.4	Other Operating Income	358,427	311,989	197,301	197,301	236,332	236,332
3.5	Foreign Exchange Gain/Loss (Net)	216,774	216,774	146,284	146,284	160,434	160,434
	<b>B. Total Operating Income (A+3.3+3.4+3.5)</b>	<b>3,212,241</b>	<b>2,955,520</b>	<b>2,125,006</b>	<b>1,954,702</b>	<b>2,711,351</b>	<b>2,483,942</b>
3.6	Staff Expenses	662,142	576,812	436,558	379,512	476,303	418,696
3.7	Other Operating Expenses	572,344	530,727	368,724	343,109	485,941	457,939
	<b>C. Operating Profit Before Provision (B.-3.6-3.7)</b>	<b>1,977,755</b>	<b>1,847,981</b>	<b>1,319,723</b>	<b>1,232,081</b>	<b>1,749,107</b>	<b>1,607,306</b>
3.8	Provision for Possible Loss	183,005	157,831	110,243	95,617	449,600	437,783
	<b>D. Operating Profit (C.-3.8)</b>	<b>1,794,750</b>	<b>1,690,150</b>	<b>1,209,480</b>	<b>1,136,464</b>	<b>1,299,507</b>	<b>1,169,523</b>
3.9	Non-Operating Income/Expenses(Net)	106,872	110,054	104,472	105,402	48,013	49,411
3.10	Write Back of Provision for Possible Loss	349,632	349,632	256,531	256,531	499,846	499,846
	<b>E. Profit from Regular Activities (D+3.9+3.10)</b>	<b>2,251,254</b>	<b>2,149,837</b>	<b>1,570,483</b>	<b>1,498,397</b>	<b>1,847,366</b>	<b>1,718,781</b>
3.11	Extraordinary Income/Expenses(Net)	17,671	17,671	36,212	36,212	84,148	78,287
	<b>F. Profit before Bonus and Taxes (E+3.11)</b>	<b>2,268,925</b>	<b>2,167,508</b>	<b>1,606,694</b>	<b>1,534,609</b>	<b>1,931,514</b>	<b>1,797,068</b>
3.12	Provision for Staff Bonus	206,266	197,046	146,063	139,510	175,592	163,370
3.13	Provision for tax	585,053	560,446	405,520	387,839	523,184	490,109
	<b>G. Net Profit/Loss (F-3.12-3.13)</b>	<b>1,477,606</b>	<b>1,410,016</b>	<b>1,055,111</b>	<b>1,007,259</b>	<b>1,232,738</b>	<b>1,143,589</b>
3.14	Share on Non-controlling interest on profit of subsidiary	10,686	-	8,903	-	17,278	-
	<b>H. Net Profit/Loss Attributable to Group (G-3.14)</b>	<b>1,466,921</b>	<b>1,410,016</b>	<b>1,046,208</b>	<b>1,007,259</b>	<b>1,215,459</b>	<b>1,143,589</b>
<b>4</b>	<b>Ratios</b>	<b>At the end of This Quarter</b>		<b>At the end of Previous Quarter</b>		<b>At the end of Corresponding Previous Year Quarter</b>	
4.1	Capital Fund to RWA	12.88%	12.93%	13.03%	13.06%	13.57%	13.63%
4.2	Non Performing Loan (NPL) to Total Loan	1.15%	1.10%	1.24%	1.20%	1.68%	1.70%
4.3	Total Loan Loss Provision to Total NPL	152.96%	158.29%	154.32%	157.83%	130.61%	129.87%
4.4	Cost of Funds (YTD Average)	7.47%	7.41%	7.14%	7.07%	4.69%	4.62%
4.5	CCD Ratio (Calculated as per NRB Directives)	75.33%	75.33%	76.61%	76.61%	70.81%	70.81%
4.6	Base Rate (Last Month of Quarter)	10.92%	10.92%	10.35%	10.35%	8.95%	8.95%
4.7	Average Interest Spread (Calculated as per NRB Directives) - Last Month of Quarter	3.16%	3.16%	3.70%	3.70%	4.24%	4.24%
	<b>Additional Information</b>						
4.8	Average Yield (YTD Average)	10.89%	10.74%	10.89%	10.73%	8.54%	8.41%
4.9	Net Interest Spread (YTD Average)	3.42%	3.34%	3.75%	3.66%	3.85%	3.79%
4.10	Return on Equity (Annualized)	17.13%	16.95%	18.61%	18.42%	18.14%	17.41%
4.11	EPS (Annualized)	28.96%	29.09%	31.02%	31.18%	30.87%	29.81%
4.12	PE Ratio (Annualized)	15.29	15.29	14.66	14.66	21.57	21.57
4.13	Net-worth per Share (NPR)	185.08	187.21	178.87	180.98	161.33	161.21
4.14	Assets per Share (NPR)	1,550.09	1,581.46	1,462.64	1,491.66	1,853.49	1,651.58
4.15	Liquidity Ratio (NLA)	25.36%	25.36%	24.32%	24.32%	27.62%	27.62%
4.16	Return on Assets (Annualized)	2.03%	2.00%	2.22%	2.19%	1.89%	1.93%

Note: 1. Above figures are subject to change from Supervisory Authority and External Audit. 2. Figures of previous periods have been regrouped wherever necessary. 3. Group represents NMB Bank Limited (NMB) and its subsidiaries NMB Capital Limited and NMB Microfinance Bittiya Sanstha Limited. 4. The intra-group related figures have been excluded for presentation of the financial statement of the Group. 5. Loans and Advances and Non Banking Assets (NBA) have been reported gross of provisions. Provisions for Loans and Advances and NBA have been categorized under "Other Liabilities". 6. Measurement of Earnings per Share (EPS) is based on NAS 26.7. The Financial Results presented above have been prepared as per the requirement of NRB Directives and are partially compliant to Nepal Financial Reporting Standards (NFRS).

## Related Party Disclosures

The Bank own two subsidiary companies, NMB Capital Limited (NMBCL) and NMB Microfinance Bittiya Sanstha Limited (NMBMF). NMB Capital is a wholly owned subsidiary whereas the Bank owns fifty one percent of the total shares of NMB Microfinance. Related party transactions of both subsidiaries are as follows:  
Amounts in NPR Thousands

S No	Particulars	NMB Capital	NMB Microfinance
1	Investment by NMB Bank	200,000	48,552
2	Deposits in NMB Bank	54,421	5,605
3	Borrowing from NMB Bank	-	400,000
4	Interest Payment by NMB Bank	3,769	-
5	Interest Payment to NMB Bank	-	27,666
6	Rent Payment to NMB Bank	1,603	-
7	Management Fee Payment to NMB Bank	1,800	-
8	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank	22,105	-
9	Dividend Distribution of NMB Capital to NMB Bank	100,000	-

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, upto the third quarter of FY 2017/18, posted a net profit of NPR 1.41 Billion. During most part of the quarter, the Bank had witnessed stiff margin pressure due to increase in cost of deposits.
- Overall deposits and risk assets volume of the Bank stand at NPR 85.30 Billion and NPR 74.01 Billion (gross of provisions) respectively as at the end of the quarter.
- Despite adverse market conditions prevailed in the market, the Bank managed to maintain comfortable liquidity position during the quarter.
- The Bank remained well capitalized with Capital Adequacy Ratio at 12.93%. NPA level has decreased to 1.10% from 1.20% in the preceding 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.
- The Bank has strong independent Risk and Control functions as well as policies in place that do not promote excessive risk taking.

### 2. Details of Legal Action

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

### 3. Analysis of Share Transaction

**Market 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. Details for this quarter are as follows:

Maximum Price - 492	Minimum Price - 384	Closing Price - NPR 445
Trading number - 3,301	Days of Trading - 56	

## 4. Problems and Challenges

### Internal problems and challenges

- Sourcing and retention of quality manpower in the increased competitive market.
- Increasing cost of operations.
- Post-merger integration

### External problems and challenges

- Decelerating Remittance growth
- Highly volatile liquidity conditions.
- Unstable local socio-political situation, uncertainty on government policies/plan.
- Competitive environment with limited opportunities.
- High volatility in FX Market.
- Lack of conducive business environment for investment.
- Uncertainty over global economic outlook.

### Strategy

- Leverage on capabilities in terms of enhancing competencies of the Bank staff and international networking as FMO joins the Bank as JV partner.
- Synergistic benefit out of merger
- Launch new products and services with special focus on non-fund based income.
- Focus on SME, retail lending, Micro deposit opportunities and enhance Microfinance activities.
- Improve on technology platform to enhance product and service capabilities to meet the customer's changing banking needs.
- Continue to focus on Safe Growth through prudent risk management and compliance practices.
- Continue to focus on expansion of footprint at strategically important locations.
- Continue to implement Cost Management Strategy to closely monitor cost line and productivity.
- Focus on continuous process re-engineering so as to increase Operational Efficiency.
- Focus on introducing various human resource development plans.

### 5. Corporate Governance

- The Bank maintains high standard of Corporate Governance by maintaining strict compliance with laws, rules and regulations. Risk management, compliance, control and audit functions are accorded due priority in the Bank.
- Audit Committee, Risk Management Committees, Human Resource Committee, Asset and Liability Committee (ALCO), Executive Committee and other sub-committees ensure high level of standard on corporate governance. The first three committees are chaired by the non-executive Directors of the Bank.
- There are number of policies and procedures in place, including the Code of Conduct and Ethics to ensure highest level of compliance standard within the Bank.
- The Bank has a Corporate Governance Unit under Compliance Department to oversee matters related to corporate governance of the Bank at all levels.

### 6. Disclosure of the Chief Executive Officer

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

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