

# NMB BANK LIMITED

Unaudited Financial Results (Quarterly)  
As at end of the 2nd Quarter (30/09/2074) of the Fiscal Year 2074/75 (2017/2018)

Rs in '000

S.No.	Particulars	This Quarter Ending Poush 30, 2074 January 14, 2018		Previous Quarter Ending Ashwin 31, 2074 October 17, 2017		Corresponding Previous Year Quarter Ending Poush 29, 2073 January 13, 2017	
		Group	NMB	Group	NMB	Group	NMB
<b>1</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>98,716,405</b>	<b>96,387,838</b>	<b>91,311,283</b>	<b>88,905,269</b>	<b>87,989,780</b>	<b>82,624,073</b>
1.1	Paid Up Capital	6,461,774	6,461,774	6,461,774	6,461,774	5,430,062	5,430,062
1.2	Reserve and Surplus	5,341,999	5,232,661	4,769,307	4,676,754	4,634,512	4,544,322
1.3	Debenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	1,879,502	659,559	4,057,788	2,803,041	1,745,337	717,671
1.5	Deposits (a+b)	80,954,914	80,552,649	72,001,150	71,949,240	67,725,304	68,797,982
a.	Domestic Currency	77,699,366	77,297,101	68,751,763	68,699,853	65,298,287	66,370,966
b.	Foreign Currency	3,255,548	3,255,548	3,249,387	3,249,387	2,427,017	2,427,017
1.6	Income Tax Liabilities	80,399	-	72,143	-	44,548	-
1.7	Other Liabilities	3,382,532	2,981,196	3,337,674	2,514,461	7,861,131	2,634,035
1.8	Non Controlling Interest	115,285	-	111,447	-	48,886	-
<b>2</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>98,716,405</b>	<b>96,387,838</b>	<b>91,311,283</b>	<b>88,905,269</b>	<b>87,989,780</b>	<b>82,624,073</b>
2.1	Cash and Bank Balance	10,214,644	9,569,281	10,803,750	10,085,906	12,411,727	8,135,040
2.2	Money at Call and Short Notice	536,403	536,403	772,641	772,641	359,451	359,451
2.3	Investments	11,651,971	11,750,021	11,333,555	11,331,605	11,405,339	11,461,008
2.4	Loans and Advances (Gross) (a+b+c+d+e+f)	72,550,081	70,931,133	65,820,117	64,265,110	61,446,398	60,404,031
a.	Real Estate Loan	3,450,969	3,450,969	3,347,457	3,347,457	4,175,382	4,175,382
1.	Residential Real Estate Loan (Except personal Home Loan upto Rs 15 Million)	1,059,780	1,059,780	984,510	984,510	1,293,071	1,293,071
2.	Business Complex & Residential Apartment Construction Loan	209,849	209,849	218,372	218,372	338,562	338,562
3.	Income generating Commercial Complex Loan	9,735	9,735	9,354	9,354	11,771	11,771
4.	Other Real Estate Loan (including Land purchase & plotting)	2,171,605	2,171,605	2,135,220	2,135,220	2,531,977	2,531,977
b.	Personal Home Loan of NPR 15 Million or Less	7,897,123	7,897,123	7,431,833	7,431,833	6,474,071	6,474,071
c.	Margin Type Loan	672,081	672,081	856,924	856,924	1,341,611	1,341,611
d.	Term Loan	13,025,464	13,025,464	11,510,706	11,510,706	10,756,640	10,756,640
e.	Overdraft Loan/ TR Loan/ WC Loan	23,772,846	22,153,899	21,598,946	20,043,939	18,935,682	17,893,115
f.	Others	23,731,599	23,731,599	21,074,252	21,074,252	19,763,212	19,763,212
2.5	Fixed Assets	1,537,246	1,501,073	1,509,477	1,479,778	1,391,618	1,367,671
2.6	Non Banking Assets (Gross)	20,465	20,465	19,678	19,678	84,676	84,676
2.7	Other Assets	2,205,596	2,079,462	1,052,065	950,550	890,571	812,196
<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	4,252,557	4,058,295	2,050,562	1,955,508	2,695,212	2,605,489
3.2	Interest Expenses	2,751,265	2,665,981	1,372,525	1,338,436	1,353,707	1,344,340
	<b>A. Net Interest Income (3.1-3.2)</b>	<b>1,501,292</b>	<b>1,392,315</b>	<b>678,036</b>	<b>617,072</b>	<b>1,341,506</b>	<b>1,261,148</b>
3.3	Fees, Commission and Discount	280,128	218,802	154,795	125,836	199,873	147,813
3.4	Other Operating Income	197,301	197,301	91,832	91,832	146,222	146,222
3.5	Foreign Exchange Gain/Loss (Net)	146,284	146,284	72,462	72,462	110,263	110,263
	<b>B. Total Operating Income (A+3.3+3.4+3.5)</b>	<b>2,125,006</b>	<b>1,954,702</b>	<b>997,125</b>	<b>907,201</b>	<b>1,797,864</b>	<b>1,665,446</b>
3.6	Staff Expenses	436,558	379,512	227,686	197,332	323,656	285,573
3.7	Other Operating Expenses	368,724	343,109	169,674	156,045	305,789	289,739
	<b>C. Operating Profit Before Provision (B.-3.6-3.7)</b>	<b>1,319,723</b>	<b>1,232,081</b>	<b>599,765</b>	<b>553,825</b>	<b>1,168,419</b>	<b>1,090,134</b>
3.8	Provision for Possible Loss	110,243	95,617	97,542	90,774	277,367	270,083
	<b>D. Operating Profit (C.-3.8)</b>	<b>1,209,480</b>	<b>1,136,464</b>	<b>502,223</b>	<b>463,051</b>	<b>891,053</b>	<b>820,051</b>
3.9	Non-Operating Income/Expenses(Net)	104,472	105,402	839	1,324	53,192	54,139
3.10	Write Back of Provision for Possible Loss	256,531	256,531	211,706	211,706	226,604	226,604
	<b>E. Profit from Regular Activities (D+3.9+3.10)</b>	<b>1,570,483</b>	<b>1,498,397</b>	<b>714,767</b>	<b>676,080</b>	<b>1,170,849</b>	<b>1,100,795</b>
3.11	Extraordinary Income/Expenses(Net)	36,212	36,212	33,189	33,189	6,761	900
	<b>F. Profit before Bonus and Taxes (E+3.11)</b>	<b>1,606,694</b>	<b>1,534,609</b>	<b>747,956</b>	<b>709,269</b>	<b>1,177,610</b>	<b>1,101,695</b>
3.12	Provision for Staff Bonus	146,063	139,510	67,996	64,479	107,055	100,154
3.13	Provision for tax	405,520	387,839	202,862	193,437	319,195	300,462
	<b>G. Net Profit/Loss (F-3.12-3.13)</b>	<b>1,055,111</b>	<b>1,007,259</b>	<b>477,098</b>	<b>451,353</b>	<b>751,359</b>	<b>701,078</b>
3.14	Share on Non-controlling interest on profit of subsidiary	8,903	-	4,339	-	10,151	-
	<b>H. Net Profit/Loss Attributable to Group (G-3.14)</b>	<b>1,046,208</b>	<b>1,007,259</b>	<b>472,760</b>	<b>451,353</b>	<b>741,208</b>	<b>701,078</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	13.03%	13.06%	13.79%	13.80%	13.73%	13.79%
4.2	Non Performing Loan (NPL) to Total Loan	1.24%	1.20%	1.66%	1.67%	1.87%	1.89%
4.3	Total Loan Loss Provision to Total NPL	154.32%	157.83%	129.33%	129.26%	129.02%	128.71%
4.4	Cost of Funds (YTD Average)	7.14%	7.07%	7.22%	7.14%	4.09%	4.04%
4.5	CCD Ratio (Calculated as per NRB Directives)	76.61%	76.61%	77.84%	77.84%	78.85%	77.64%
4.6	Base Rate (Last Month of Quarter)	10.35%	10.35%	10.21%	10.21%	7.54%	7.54%
4.7	Average Interest Spread (Calculated as per NRB Directives) - Last Month of Quarter	3.70%	3.70%	4.09%	4.09%	3.87%	3.87%
	<b>Additional Information</b>						
	Average Yield (YTD Average)	10.89%	10.73%	10.50%	10.40%	8.02%	7.90%
	Net Interest Spread (YTD Average)	3.75%	3.66%	3.28%	3.26%	3.93%	3.85%
	Return on Equity (Annualized)	18.61%	18.42%	16.57%	16.17%	17.73%	17.06%
	Return on Assets (Annualized)	2.22%	2.19%	2.05%	2.01%	1.84%	1.81%

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 and NMB Microfinance Bittiya Sanstha Limited. 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:

S No	Particulars	NMB Capital	NMB Microfinance
1	Investment by NMB Bank	200,000	48,552
2	Deposits in NMB Bank	128,664	4,449
3	Borrowing from NMB Bank	-	400,000
4	Interest Payment by NMB Bank	2,899	-
5	Interest Payment to NMB Bank	-	18,602
6	Rent Payment to NMB Bank	1,068	-
7	Management Fee Payment to NMB Bank	1,200	-
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, 2065

### 1. Major Financial Highlights

Particulars	Q2 FY 2074/75	Q1 FY 2074/75	Q2 FY 2073/74
Earnings per Share (Annualized)	NPR 31.18	27.94	28.31
Price Earnings Ratio (Annualized)	Times 14.66	17.36	18.02
Assets per Share	NPR 1,491.66	1,354.06	1,636.73
Net-worth per Share	NPR 180.98	172.38	183.69
Liquidity Ratio (NLA)	Percentage 24.32	23.92	25.84

### 2. Management Analysis

- The Bank, upto the second quarter of FY 2017/18, posted a net profit of NPR 1 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 80,55 Billion and NPR 70,93 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 13.06%. NPA level has decreased to 1.20% from 1.67% 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.

### 3. Details of Legal Action

- Case filed by or against the regulated 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.

### 4. 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. Details for this quarter are as follows:

Maximum Price - 495	Minimum Price - 445	Closing Price - NPR 457
Trading number - 2,261	Days of Trading - 57	

## 5. 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.

## 6. 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.

## 7. 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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