

NMB BANK LIMITED

As at end of the 3rd Quarter (31/12/2073) of the Fiscal Year 2073/74 (2016/2017)

Rs in '000

S. No.	Particulars	This Quarter Ending Chaitra 31, 2073 April 13, 2017		Previous Quarter Ending Poush 29, 2073 January 13, 2017		Corresponding Previous Year Quarter Ending Chaitra 30, 2072 April 12, 2016	
		Group	NMB	Group	NMB	Group	NMB
1	Total Capital and Liabilities (1.1 to 1.7)	97,510,838	84,478,606	86,438,067	81,072,360	66,527,488	65,558,093
1.1	Paid Up Capital	6,461,774	6,461,774	5,430,062	5,430,062	4,154,559	4,154,559
1.2	Reserve and Surplus	4,070,986	3,955,121	4,634,512	4,544,322	2,431,693	2,372,091
1.3	Debtenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	2,474,370	1,316,671	1,745,337	717,671	773,013	138,368
1.5	Deposits (a+b)	70,657,334	71,150,992	67,725,304	68,797,982	57,560,043	57,453,860
	a.Domestic Currency	66,522,985	67,016,643	65,298,287	66,370,966	55,079,581	54,973,398
	b.Foreign Currency	4,134,349	4,134,349	2,427,017	2,427,017	2,480,462	2,480,462
1.6	Income Tax Liabilities	52,889	-	44,548	-	30,610	-
1.7	Other Liabilities	13,211,936	1,094,048	6,309,418	1,082,322	1,043,139	939,214
1.8	Non Controlling Interest	81,550	-	48,886	-	34,431	-
2	Total Assets (2.1 to 2.7)	97,510,838	84,478,606	86,438,067	81,072,360	66,527,488	65,558,093
2.1	Cash and Bank Balance	22,121,163	10,507,095	12,411,727	8,135,040	7,086,022	6,740,317
2.2	Money at Call and Short Notice	1,321,086	1,321,086	359,451	359,451	592,259	592,259
2.3	Investments	9,819,049	9,900,387	11,405,339	11,461,008	7,543,696	7,617,323
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	61,620,503	60,242,198	59,979,361	58,936,994	49,083,045	48,454,522
	a.Real Estate Loan	4,134,084	4,134,084	4,046,290	4,046,290	3,354,156	3,354,156
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs 10 Million)	1,188,655	1,188,655	1,280,140	1,280,140	962,451	962,451
	2. Business Complex & Residential Apartment Construction Loan	257,461	257,461	299,387	299,387	396,989	396,989
	3. Income generating Commercial Complex Loan	11,529	11,529	11,654	11,654	22,105	22,105
	4. Other Real Estate Loan(including Land purchase & plotting)	2,676,439	2,676,439	2,455,109	2,455,109	1,972,612	1,972,612
	b. Personal Home Loan of Rs. 10 Million or Less	6,610,424	6,610,424	6,397,413	6,397,413	4,739,355	4,739,355
	c. Margin Type Loan	1,198,548	1,198,548	1,295,592	1,295,592	639,530	639,530
	d. Term Loan	9,978,661	9,978,661	10,405,081	10,405,081	9,231,327	9,231,327
	e. Overdraft Loan/ TR Loan/ WC Loan	19,438,737	18,060,432	18,439,927	17,397,560	14,365,505	14,365,505
	f. Others	20,260,048	20,260,048	19,395,058	19,395,058	16,753,172	16,124,650
2.5	Fixed Assets	1,438,855	1,415,356	1,391,618	1,367,671	1,301,381	1,289,484
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	1,190,182	1,092,484	890,571	812,196	921,085	864,188
3	Profit and Loss Account	Upto this Quarter	Upto previous Quarter	Upto previous Quarter	Upto previous Quarter	Upto corresponding Previous Year Quarter	Upto corresponding Previous Year Quarter
3.1	Interest Income	4,392,378	4,206,200	2,695,212	2,605,489	2,908,094	2,821,678
3.2	Interest Expenses	2,387,634	2,349,482	1,353,707	1,344,340	1,468,904	1,447,387
	A. Net Interest Income (3.1-3.2)	2,004,744	1,856,718	1,341,506	1,261,148	1,439,189	1,374,291
3.3	Fees, Commission and Discount	309,841	230,458	199,873	147,813	149,200	131,794
3.4	Other Operating Income	236,332	236,332	146,222	146,222	165,523	132,419
3.5	Foreign Exchange Gain/Loss (Net)	160,434	160,434	110,263	110,263	125,853	125,853
	B.Total Operating Income (A+3.3+3.4+3.5)	2,711,351	2,483,942	1,797,864	1,665,446	1,879,766	1,764,357
3.6	Staff Expenses	476,303	418,696	323,656	285,573	325,422	294,768
3.7	Other Operating Expenses	485,941	457,939	305,789	289,739	324,234	302,608
	C.Operating Profit Before Provision (B.-3.6-3.7)	1,749,107	1,607,306	1,168,419	1,090,134	1,230,110	1,166,981
3.8	Provision for Possible Loss	449,600	437,783	277,367	270,083	306,304	299,719
	D.Operating Profit (C.-3.8)	1,299,507	1,169,523	891,053	820,051	923,806	867,262
3.9	Non-Operating Income/Expenses(Net)	48,013	49,411	53,192	54,139	31,914	29,131
3.10	Write Back of Provision for Possible Loss	499,846	499,846	226,604	226,604	312,151	312,151
	E. Profit from Regular Activities (D+3.9+3.10)	1,847,366	1,718,781	1,170,849	1,100,795	1,267,871	1,208,543
3.11	Extraordinary Income/Expenses(Net)	84,148	78,287	6,761	900	3,331	3,331
	F. Profit before Bonus and Taxes(E+3.11)	1,931,514	1,797,068	1,177,610	1,101,695	1,271,202	1,211,874
3.12	Provision for Staff Bonus	175,592	163,370	107,055	100,154	115,564	110,170
3.13	Provision for tax	523,184	490,109	319,195	300,462	345,457	330,511
	G. Net Profit/Loss (F-3.12-3.13)	1,232,738	1,143,589	751,359	701,078	810,181	771,192
3.14	Share on Non-controlling interest on profit of subsidiary	17,278	-	10,151	-	10,033	-
	H. Net Profit/Loss Attributable to Group (G-3.14)	1,215,459	1,143,589	741,208	701,078	800,147	771,192
4	Ratios	At the end of This Quarter	At the end of This Quarter	At the end of Previous Quarter	At the end of Previous Quarter	At the end of Corresponding Previous Year Quarter	At the end of Corresponding Previous Year Quarter
4.1	Capital Fund to RWA	13.57%	13.63%	13.73%	13.79%	11.37%	11.37%
4.2	Non Performing Loan (NPL) to Total Loan	1.68%	1.70%	1.87%	1.89%	1.69%	1.70%
4.3	Total Loan Loss Provision to Total NPL	130.61%	129.87%	129.02%	128.71%	153.05%	153.69%
4.4	Cost of Funds (YTD Average)	4.69%	4.62%	4.09%	4.04%	4.12%	4.10%
4.5	CD Ratio (Calculated as per NRB Directives)	70.81%	70.81%	78.85%	77.64%	79.72%	79.72%
4.6	Base Rate (Last Month of Quarter)	8.95%	8.95%	7.54%	7.54%	6.47%	6.47%
4.7	Average Interest Spread (Calculated as per NRB Directives) - Last Month of Quarter	4.24%	4.24%	3.87%	3.87%	4.88%	4.77%
Additional Information							
	Average Yield (YTD Average)	8.54%	8.41%	8.02%	7.90%	8.50%	8.36%
	Net Interest Spread (YTD Average)	3.85%	3.79%	3.93%	3.85%	4.38%	4.26%
	Return on Equity (Annualized)	18.14%	17.41%	17.73%	17.06%	19.29%	19.06%
	Return on Assets (Annualized)	1.89%	1.93%	1.84%	1.81%	1.79%	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 net of provisions. Gross Loans and Advances of NMB to 61,603,692 thousands and gross NBA amounts to NPR 84,676 thousands. 6. CD Ratio calculation for quarter ended 2073/12/31 is based on NRB Circular dated 2073/11/19.

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:

Amounts in NPR Thousands

S No	Particulars	NMB Capital	NMB Microfinance
1	Investment by NMB Bank	100,000	48,552
2	Deposits in NMB Bank	826,181	6,070
3	Borrowing from NMB Bank	-	200,000
4	Interest Payment by NMB Bank	11,639	34
5	Interest Payment to NMB Bank	-	6,822
6	Rent Payment to NMB Bank	1,457	-
7	Management Fee Payment to NMB Bank	1,800	-
8	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank	20,000	-
9	RTS Fee paid by NMB Bank to NMB Capital	-	-
10	Calls in Advance by NMB Bank	-	-
11	Dividend Distribution of NMB Capital to NMB Bank for FY 2072/73	20,000	-

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

Earnings per Share (Annualized) - NPR 29.81	Price Earnings Ratio (Annualized) - 21.57 times
Assets per Share - NPR 1,651.63	Net-worth per Share - NPR 161.21
Liquidity Ratio (NLA) - 27.62%	

2. Management Analysis

- The Bank, upto the third quarter of FY 2016/17 posted a net profit of NPR 1.14 Billion. During the quarter, the Bank witnessed stiff margin pressure due to increase in cost of deposits.
- Overall deposits and risk assets volume of the Bank stand at NPR 71.15 Billion and NPR 60.24 Billion (net 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 13.63% respectively. NPA level has decreased to 1.70% from 1.89% 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 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.

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 the third quarter are as follows:

Maximum Price - 678	Minimum Price - 413	Closing Price - NPR 643
Trading number - 4,051	Days of Trading - 59	

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.



NMB BANK
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(*A) class commercial bank licensed by Nepal Rastra Bank.)

A joint venture with **FMO Netherlands**

NMB Bank Limited
Babarmahal, GPO Box:11543
Kathmandu, Nepal

Tel: 977 1 4246160 | Toll Free No. : 16600125252
Fax: 977 1 4246156 | Web: www.nmb.com.np
swiftcode: NMBBNPKA

