

NMB BANK LIMITED

As at end of the 3rd Quarter (30/12/2072) of the Fiscal Year 2072/73 (2015/2016)

Rs in '000

S. No.	Particulars	This Quarter Ending Chaitra 30, 2072 April 12, 2016		This Quarter Ending Poush 30, 2072 January 14, 2016		Corresponding Previous Year Quarter Ending Chaitra 30, 2071 April 13, 2015	
		Group	NMB	Group	NMB	Group	NMB
1	Total Capital and Liabilities (1.1 to 1.7)	66,527,488	65,558,093	82,035,745	60,493,859	37,721,608	37,581,114
1.1	Paid Up Capital	4,154,559	4,154,559	4,154,559	4,154,559	2,400,000	2,400,000
1.2	Reserve and Surplus	2,431,693	2,372,091	2,085,017	2,037,036	856,781	813,455
1.3	Debtenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	773,013	138,368	878,123	338,368	70,000	70,000
1.5	Deposits (a+b)	57,560,043	57,453,860	50,368,320	52,488,327	33,401,578	33,435,926
	a. Domestic Currency	55,079,581	54,973,398	46,889,803	49,009,810	30,101,083	30,135,430
	b. Foreign Currency	2,480,462	2,480,462	3,478,517	3,478,517	3,300,495	3,300,495
1.6	Income Tax Liabilities	30,610	-	28,181	-	14,477	-
1.7	Other Liabilities	1,043,139	939,214	23,991,218	975,569	478,771	361,734
1.8	Non Controlling Interest	34,431	-	30,328	-	-	-
2	Total Assets (2.1 to 2.7)	66,527,488	65,558,093	82,035,745	60,493,859	37,721,608	37,581,114
2.1	Cash and Bank Balance	7,086,022	6,740,317	29,673,924	8,851,995	6,130,134	5,977,639
2.2	Money at Call and Short Notice	592,259	592,259	1,001,931	872,752	533,946	533,946
2.3	Investments	7,543,696	7,617,323	6,155,119	6,228,745	3,275,075	3,328,301
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	49,083,045	48,454,522	43,362,120	42,764,589	26,587,254	26,587,254
	a. Real Estate Loan	3,354,156	3,354,156	2,739,706	2,739,706	1,598,646	1,598,646
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	962,451	962,451	902,417	902,417	899,871	899,871
	2. Business Complex & Residential Apartment Construction Loan	396,989	396,989	375,742	375,742	108,598	108,598
	3. Income generating Commercial Complex Loan	22,105	22,105	20,967	20,967	-	-
	4. Other Real Estate Loan (including Land purchase & plotting)	1,972,612	1,972,612	1,440,580	1,440,580	590,177	590,177
	b. Personal Home Loan of Rs. 10 Million or Less	4,739,355	4,739,355	4,191,302	4,191,302	2,901,870	2,901,870
	c. Margin Type Loan	639,530	639,530	572,477	572,477	200,916	200,916
	d. Term Loan	9,231,327	9,231,327	8,400,770	8,400,770	4,609,885	4,609,885
	e. Overdraft Loan/ TR Loan/ WC Loan	14,365,505	14,365,505	12,220,720	12,220,720	9,156,264	9,156,264
	f. Others	16,753,172	16,124,650	15,237,146	14,639,614	8,119,673	8,119,673
2.5	Fixed Assets	1,301,381	1,289,484	1,294,133	1,282,410	385,732	381,412
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	921,085	864,188	548,518	493,368	809,467	772,562
3	Profit and Loss Account	Up to this Quarter		Up to previous Quarter		Up to corresponding Previous Year Quarter	
3.1	Interest Income	2,908,094	2,821,678	1,763,150	1,709,331	1,665,759	1,660,399
3.2	Interest Expenses	1,468,904	1,447,387	957,059	944,121	883,029	887,938
	A. Net Interest Income (3.1-3.2)	1,439,189	1,374,291	806,090	765,210	782,730	772,461
3.3	Fees, Commission and Discount	149,200	131,794	93,318	85,728	85,577	85,577
3.4	Other Operating Income	165,523	132,419	84,468	62,726	117,489	92,243
3.5	Foreign Exchange Gain/Loss (Net)	125,853	125,853	77,759	77,759	86,927	86,927
	B. Total Operating Income (A+3.3+3.4+3.5)	1,879,766	1,764,357	1,061,635	991,423	1,072,724	1,037,209
3.6	Staff Expenses	325,422	294,768	208,534	187,725	162,887	158,391
3.7	Other Operating Expenses	324,234	302,608	174,711	165,920	209,529	205,673
	C. Operating Profit Before Provision (B.-3.6-3.7)	1,230,110	1,166,981	678,389	637,778	700,308	673,145
3.8	Provision for Possible Loss	306,304	299,719	252,179	242,653	88,589	88,589
	D. Operating Profit (C.-3.8)	923,806	867,262	426,210	395,125	611,719	584,555
3.9	Non-Operating Income/Expenses(Net)	31,914	29,131	19,273	21,447	15,491	16,903
3.10	Write Back of Provision for Possible Loss	312,151	312,151	251,900	245,331	27,906	27,906
	E. Profit from Regular Activities (D+3.9+3.10)	1,267,871	1,208,543	697,383	661,903	655,116	629,364
3.11	Extraordinary Income/Expenses(Net)	3,331	3,331	-	-	-	-
	F. Profit before Bonus and Taxes(E+3.11)	1,271,202	1,211,874	697,383	661,903	655,116	629,364
3.12	Provision for Staff Bonus	115,564	110,170	63,398	60,173	59,556	57,215
3.13	Provision for tax	345,457	330,511	189,447	180,519	177,497	171,645
	G. Net Profit/Loss (F-3.12-3.13)	810,181	771,192	444,538	421,211	418,062	400,505
3.14	Share on Non-controlling interest on profit of subsidiary	10,033	-	5,930	-	-	-
	H. Net Profit/Loss Attributable to Group (G-3.14)	800,147	771,192	438,607	421,211	418,062	400,505
4	Ratios	At the end of This Quarter		At the end of Previous Quarter		At the end of Corresponding Previous Year Quarter	
4.1	Capital Fund to RWA	11.37	11.37%	12.20%	12.24%	11.46%	11.46%
4.2	Non Performing Loan (NPL) to Total Loan	1.69%	1.70%	1.65%	1.67%	0.47%	0.47%
4.3	Total Loan Loss Provision to Total NPL	153.05%	153.69%	177.40%	176.61%	298.79%	298.79%
4.4	Cost of Funds	4.12%	4.10%	4.30%	4.27%	4.32%	4.32%
4.5	CD Ratio (Calculated as per NRB Directives)	79.72%	79.72%	78.95%	78.95%	78.06%	78.06%
4.6	Base Rate	6.47%	6.47%	7.64%	7.64%	7.66%	7.66%
4.7	Average Interest Spread (Calculated as per NRB Directives)	4.88%	4.77%	4.55%	4.47%	3.76%	3.76%
Additional Information							
	Average Yield	8.50%	8.36%	8.52%	8.41%	8.76%	8.76%
	Net Interest Spread	4.38%	4.26%	4.22%	4.14%	4.43%	4.43%
	Return on Equity (Annualized)	19.29%	19.06%	17.72%	17.51%	18.42%	18.42%
	Return on Assets (Annualized)	1.79%	1.81%	1.41%	1.66%	1.58%	1.58%

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 Bank amounts to 49,750,671 thousands and gross NBA amounts to NPR 114,783 thousands

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	20,400
2	Deposits in NMB Bank	51,884	3,530
3	Borrowing from NMB Bank	-	200,000
4	Interest Payment by NMB Bank	2,557	40
5	Interest Payment to NMB Bank	-	3,861
6	Rent Payment to NMB Bank	956	-
7	Management Fee Payment to NMB Bank	1,800	-
8	Dividend Distribution to NMB Bank	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 24.75	Price Earnings Ratio (Annualized) – 24.61 times
Assets per Share – NPR 1,577.98	Net-worth per Share – NPR 157.10
Liquidity Ratio (NLA) – 23.72%	

2. Management Analysis

- The Bank completed merger of four Financial Institutions; Clean Energy Development Bank Limited, Bhrikuti Development Bank Limited, Pathibhara Bikash Bank Limited and Prudential Finance Company Limited with NMB Bank and commenced joint operation as a merged entity from 1 Kartik 2072. This is the second instance of publishing quarterly result post joint operations.
- The Bank, till the third quarter of FY 2015/16 posted a net profit of NPR 771.19 Million. The Bank, during the quarter, witnessed stiff margin pressure due to overall decline in yield on Risk Assets as well as interest rates on Government Securities.
- Overall deposits and risk assets volume of the Bank stand at NPR 57,454 million and NPR 48,454 Million (net of provisions) respectively as at the end of the quarter.
- The market has remained liquid throughout the quarter resulting in decline in G-Sec rates as well as overall cost of deposits. The Bank continued to maintain comfortable liquidity position and also remained well capitalized with NLA and Capital Adequacy ratio at 23.72% and 11.37% respectively. NPA level has increased to 1.70% from 1.67% in the preceding quarter primarily due to existing NPA levels of partner merging institutions.
- During the second quarter, the Bank purchased land with an area of 80 Aanas (2,543 sq meters) for NPR 590 Million in Kamaladi with an intention of constructing Corporate Building.
- 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 trading of shares which had been suspended temporarily till the completion of merger process has resumed since 16 November 2015 upon commencement of joint operations as a merged entity. 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.

Maximum Price – 610	Minimum Price – 389	Closing Price – NPR 609
Trading number – 5,887	Days of Trading – 98	

5. Problems and Challenges

- Internal problems and challenges**
 - Post-merger integration
 - Sourcing and retention of quality manpower in the increased competitive market.
 - Increasing cost of operations.
- External problems and challenges**
 - Unstable local socio-political situation, uncertainty on government policies / plan.
 - Energy crisis and blockades of custom points.
 - Highly competitive environment with limited opportunities.
 - High volatility in FX Market.
 - Highly volatile liquidity conditions.
 - Lack of conducive business environment for investment.
 - Uncertainty over global economic outlook.

Strategy

- Synergistic benefit out of merger
- Leverage on capabilities in terms of enhancing competencies of the Bank staff and international networking as FMO, Development Bank based in the Netherlands, joins the Bank as JV partner due to its shareholding in the erstwhile Clean Energy Development Bank.
- 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.

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.
- The Bank has Audit Committee, Risk Management Committee, Human Resource Committee, Asset and Liability Committee (ALCO), Executive Committee and other sub-committees to 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.

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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