

# NMB BANK LIMITED

As at end of the 4th Quarter (31/3/2073) of the Fiscal Year 2072/73 (2015/2016)

Rs in '000

S. No.	Particulars	This Quarter Ending Ashad 31, 2073 July 15, 2016		Previous Quarter Ending Chaitra 30, 2072 April 12, 2016		Corresponding Previous Year Quarter Ending Ashad 31, 2072 July 16, 2015	
		Group	NMB	Group	NMB	Group	NMB
<b>1</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>75,682,182</b>	<b>74,659,592</b>	<b>66,527,488</b>	<b>65,558,093</b>	<b>43,105,055</b>	<b>41,340,277</b>
1.1	Paid Up Capital	4,486,924	4,486,924	4,154,559	4,154,559	2,400,000	2,400,000
1.2	Reserve and Surplus	2,536,484	2,463,784	2,431,693	2,372,091	976,833	916,754
1.3	Debtenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	2,148,503	1,487,995	773,013	138,368	438,000	438,000
<b>1.5</b>	<b>Deposits (a+b)</b>	<b>64,941,496</b>	<b>64,781,464</b>	<b>57,560,043</b>	<b>57,453,860</b>	<b>35,361,443</b>	<b>36,722,918</b>
	a. Domestic Currency	61,477,219	61,317,187	55,079,581	54,973,398	32,646,036	34,007,510
	b. Foreign Currency	3,464,276	3,464,276	2,480,462	2,480,462	2,715,407	2,715,407
1.6	Income Tax Liabilities	33,843	-	30,610	-	24,136	-
1.7	Other Liabilities	995,902	939,426	1,043,139	939,214	3,404,642	362,606
1.8	Non Controlling Interest	39,031	-	34,431	-	-	-
<b>2</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>75,682,182</b>	<b>74,659,592</b>	<b>66,527,488</b>	<b>65,558,093</b>	<b>43,105,055</b>	<b>41,340,277</b>
2.1	Cash and Bank Balance	10,497,645	10,180,539	7,086,022	6,740,317	8,076,033	6,305,542
2.2	Money at Call and Short Notice	557,823	557,823	592,259	592,259	722,607	722,607
2.3	Investments	8,424,355	8,504,126	7,543,696	7,617,323	5,930,763	5,983,872
<b>2.4</b>	<b>Loans and Advances (Net) (a+b+c+d+e+f)</b>	<b>53,851,974</b>	<b>53,082,408</b>	<b>49,083,045</b>	<b>48,454,522</b>	<b>27,288,891</b>	<b>27,288,891</b>
	a. Real Estate Loan	4,017,028	4,017,028	3,354,156	3,354,156	1,549,017	1,549,017
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	1,266,418	1,266,418	962,451	962,451	871,726	871,726
	2. Business Complex & Residential Apartment Construction Loan	389,768	389,768	396,989	396,989	114,571	114,571
	3. Income generating Commercial Complex Loan	19,269	19,269	22,105	22,105	-	-
	4. Other Real Estate Loan (including Land purchase & plotting)	2,341,573	2,341,573	1,972,612	1,972,612	562,720	562,720
	b. Personal Home Loan of Rs. 10 Million or Less	5,589,700	5,589,700	4,739,355	4,739,355	2,900,901	2,900,901
	c. Margin Type Loan	815,449	815,449	639,530	639,530	240,078	240,078
	d. Term Loan	9,634,649	9,634,649	9,231,327	9,231,327	4,956,712	4,956,712
	e. Overdraft Loan/ TR Loan/ WC Loan	16,549,845	15,780,279	14,365,505	14,365,505	9,640,585	9,640,585
	f. Others	17,245,302	17,245,302	16,753,172	16,124,650	8,001,598	8,001,598
2.5	Fixed Assets	1,365,674	1,345,519	1,301,381	1,289,484	379,242	374,253
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	984,713	989,177	921,085	864,188	707,518	665,111
<b>3</b>	<b>Profit and Loss Account</b>	<b>Upto this Quarter</b>	<b>Upto previous Quarter</b>	<b>Upto previous Quarter</b>	<b>Upto previous Quarter</b>	<b>Upto corresponding Previous Year Quarter</b>	<b>Upto corresponding Previous Year Quarter</b>
3.1	Interest Income	4,178,700	4,053,341	2,908,094	2,821,678	2,329,232	2,315,441
3.2	Interest Expenses	2,072,152	2,040,059	1,468,904	1,447,387	1,341,441	1,348,074
	<b>A. Net Interest Income (3.1-3.2)</b>	<b>2,106,548</b>	<b>2,013,282</b>	<b>1,439,189</b>	<b>1,374,291</b>	<b>987,791</b>	<b>967,368</b>
3.3	Fees, Commission and Discount	263,045	191,466	149,200	131,794	112,616	112,616
3.4	Other Operating Income	225,825	224,256	165,523	132,419	149,321	112,270
3.5	Foreign Exchange Gain/Loss (Net)	160,269	160,269	125,853	125,853	119,514	119,514
	<b>B. Total Operating Income (A+3.3+3.4+3.5)</b>	<b>2,755,686</b>	<b>2,589,272</b>	<b>1,879,766</b>	<b>1,764,357</b>	<b>1,369,242</b>	<b>1,311,768</b>
3.6	Staff Expenses	539,459	494,306	325,422	294,768	208,564	201,815
3.7	Other Operating Expenses	480,266	456,570	324,234	302,608	294,455	288,112
	<b>C. Operating Profit Before Provision (B.-3.6-3.7)</b>	<b>1,735,960</b>	<b>1,638,395</b>	<b>1,230,110</b>	<b>1,166,981</b>	<b>866,223</b>	<b>821,841</b>
3.8	Provision for Possible Loss	524,842	515,300	306,304	299,719	97,074	97,074
	<b>D. Operating Profit (C.-3.8)</b>	<b>1,211,118</b>	<b>1,123,095</b>	<b>923,806</b>	<b>867,262</b>	<b>769,149</b>	<b>724,767</b>
3.9	Non-Operating Income/Expenses(Net)	54,556	55,844	31,914	29,131	15,470	17,352
3.10	Write Back of Provision for Possible Loss	635,559	635,559	312,151	312,151	41,974	41,974
	<b>E. Profit from Regular Activities (D+3.9+3.10)</b>	<b>1,901,234</b>	<b>1,814,498</b>	<b>1,267,871</b>	<b>1,208,543</b>	<b>826,593</b>	<b>784,093</b>
3.11	Extraordinary Income/Expenses(Net)	3,578	3,578	3,331	3,331	-	-
	<b>F. Profit before Bonus and Taxes( E+3.11)</b>	<b>1,904,812</b>	<b>1,818,076</b>	<b>1,271,202</b>	<b>1,211,874</b>	<b>826,593</b>	<b>784,093</b>
3.12	Provision for Staff Bonus	173,237	165,280	115,564	110,170	75,145	71,281
3.13	Provision for tax	524,575	502,484	345,457	330,511	218,667	209,008
	<b>G. Net Profit/Loss (F-3.12-3.13)</b>	<b>1,207,000</b>	<b>1,150,312</b>	<b>810,181</b>	<b>771,192</b>	<b>532,781</b>	<b>503,804</b>
3.14	Share on Non-controlling interest on profit of subsidiary	14,633	-	10,033.36	-	-	-
	<b>H. Net Profit/Loss Attributable to Group (G-3.14)</b>	<b>1,192,367</b>	<b>1,150,312</b>	<b>800,147</b>	<b>771,192</b>	<b>532,781</b>	<b>503,804</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 Previous Quarter</b>	<b>At the end of Previous Quarter</b>	<b>At the end of Corresponding Previous Year Quarter</b>	<b>At the end of Corresponding Previous Year Quarter</b>
4.1	Capital Fund to RWA	11.08%	11.08%	11.37%	11.37%	11.20%	11.20%
4.2	Non Performing Loan (NPL) to Total Loan	1.74%	1.75%	1.69%	1.70%	0.42%	0.42%
4.3	Total Loan Loss Provision to Total NPL	145.49%	145.65%	153.05%	153.69%	316.26%	316.26%
4.4	Cost of Funds	4.01%	3.99%	4.12%	4.10%	4.55%	4.55%
4.5	CD Ratio (Calculated as per NRB Directives)	78.69%	78.69%	79.72%	79.72%	72.00%	72.00%
4.6	Base Rate	6.68%	6.68%	6.47%	6.47%	7.89%	7.89%
4.7	Average Interest Spread (Calculated as per NRB Directives)	4.56%	4.48%	4.88%	4.77%	3.33%	3.33%
<b>Additional Information</b>							
	Average Yield	8.45%	8.30%	8.50%	8.36%	8.74%	8.74%
	Net Interest Spread	4.44%	4.31%	4.38%	4.26%	4.19%	4.19%
	Return on Equity (Annualized)	19.28%	19.05%	19.29%	19.06%	17.66%	17.37%
	Return on Assets (Annualized)	1.73%	1.73%	1.79%	1.81%	1.34%	1.38%

**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 54,473,931 thousands and gross NBA amounts to NPR 69,969 thousands.

## Related Party Disclosures

The Bank owns 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	Amounts in NPR Thousands	
		NMB Capital	NMB Microfinance
1	Investment by NMB Bank	100,000	20,400
2	Deposits in NMB Bank	29,468	3,235
3	Borrowing from NMB Bank	-	200,000
4	Interest Payment by NMB Bank	3,260	-
5	Interest Payment to NMB Bank	-	5,921
6	Rent Payment to NMB Bank	1,442	-
7	Management Fee Payment to NMB Bank	2,400	-
8	Dividend Distribution to NMB Bank	21,053	-
9	RTS Fee paid by NMB Bank to NMB Capital	1,063	-

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 28.66	Price Earnings Ratio (Annualized) – 27.49 times
Assets per Share – NPR 1,663.92	Net-worth per Share – NPR 154.91
Liquidity Ratio (NLA) – 27.45%	

### 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 third instance of publishing quarterly result post joint operations.
- The Bank, for the FY 2015/16 posted a net profit of NPR 1,150 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 64,781 million and NPR 53,082 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 27.45% and 11.05% respectively. NPA level has increased to 1.75% from 1.70% 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-833	Minimum Price - 389	Closing Price - NPR 810
Trading number-13,539	Days of Trading-162	

### 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.
  - 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.

### 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.
- The Bank has Audit Committee, Risk Management Committees, 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.

### 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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