

NMB BANK LIMITED

As at end of the 2nd Quarter (29/09/2073) of the Fiscal Year 2073/74 (2016/2017)

Rs in '000

S. No.	Particulars	This Quarter Ending Poush 29, 2073 January 13, 2017		Previous Quarter Ending Ashwin 30, 2073 October 16, 2016		Corresponding Previous Year Quarter Ending Poush 30, 2072 January 14, 2016	
		Group	NMB	Group	NMB	Group	NMB
1	Total Capital and Liabilities (1.1 to 1.7)	86,438,067	81,072,360	81,676,059	78,763,017	82,035,745	60,493,859
1.1	Paid Up Capital	5,430,062	5,430,062	5,430,062	5,430,062	4,154,559	4,154,559
1.2	Reserve and Surplus	4,634,512	4,544,322	4,287,429	4,196,960	2,085,017	2,037,036
1.3	Debenture and Bond	500,000	500,000	500,000	500,000	500,000	500,000
1.4	Borrowings	1,745,337	717,671	2,332,504	1,531,657	878,123	338,368
1.5	Deposits (a+b)	67,725,304	68,797,982	63,719,997	65,585,352	50,368,320	52,488,327
	a.Domestic Currency	65,298,287	66,370,966	61,460,381	63,325,737	46,889,803	49,009,810
	b.Foreign Currency	2,427,017	2,427,017	2,259,616	2,259,616	3,478,517	3,478,517
1.6	Income Tax Liabilities	44,548	-	42,728	-	28,181	-
1.7	Other Liabilities	6,309,418	1,082,322	5,319,957	1,518,986	23,991,218	975,569
1.8	Non Controlling Interest	48,886	-	43,382	-	30,328	-
2	Total Assets (2.1 to 2.7)	86,438,067	81,072,360	81,676,059	78,763,017	82,035,745	60,493,859
2.1	Cash and Bank Balance	12,411,727	8,135,040	12,367,230	10,298,892	29,673,924	8,851,995
2.2	Money at Call and Short Notice	359,451	359,451	957,931	957,931	1,001,931	872,752
2.3	Investments	11,405,339	11,461,008	8,988,056	9,070,726	6,155,119	6,228,745
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	59,979,361	58,936,994	56,910,745	56,060,407	43,362,120	42,764,589
	a.Real Estate Loan	4,046,290	4,046,290	4,126,121	4,126,121	2,739,706	2,739,706
	1. Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	1,280,140	1,280,140	1,246,193	1,246,193	902,417	902,417
	2. Business Complex & Residential Apartment Construction Loan	299,387	299,387	354,116	354,116	375,742	375,742
	3. Income generating Commercial Complex Loan	11,654	11,654	15,066	15,066	20,967	20,967
	4. Other Real Estate Loan(including Land purchase & plotting)	2,455,109	2,455,109	2,510,746	2,510,746	1,440,580	1,440,580
	b. Personal Home Loan of Rs. 10 Million or Less	6,397,413	6,397,413	6,028,560	6,028,560	4,191,302	4,191,302
	c. Margin Type Loan	1,295,592	1,295,592	1,108,266	1,108,266	572,477	572,477
	d. Term Loan	10,405,081	10,405,081	9,781,039	9,781,039	8,400,770	8,400,770
	e. Overdraft Loan/ TR Loan/ WC Loan	18,439,927	17,397,560	17,457,713	16,607,375	12,220,720	12,220,720
	f. Others	19,395,058	19,395,058	18,409,046	18,409,046	15,237,146	14,639,614
2.5	Fixed Assets	1,391,618	1,367,671	1,372,354	1,354,936	1,294,133	1,282,410
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	890,571	812,196	1,079,743	1,020,125	548,518	493,368
3	Profit and Loss Account	Upto this Quarter		Upto previous Quarter		Upto corresponding Previous Year Quarter	
3.1	Interest Income	2,695,212	2,605,489	1,318,866	1,274,777	1,763,150	1,709,331
3.2	Interest Expenses	1,353,707	1,344,340	644,424	641,485	957,059	944,121
	A. Net Interest Income (3.1-3.2)	1,341,506	1,261,148	674,441	633,292	806,090	765,210
3.3	Fees, Commission and Discount	199,873	147,813	123,880	61,748	93,318	85,728
3.4	Other Operating Income	146,222	146,222	77,788	77,446	84,468	62,726
3.5	Foreign Exchange Gain/Loss (Net)	110,263	110,263	61,890	61,890	77,759	77,759
	B.Total Operating Income (A+3.3+3.4+3.5)	1,797,864	1,665,446	938,000	834,376	1,061,635	991,423
3.6	Staff Expenses	323,656	285,573	191,572	162,533	208,534	187,725
3.7	Other Operating Expenses	305,789	289,739	145,035	128,383	174,711	165,920
	C.Operating Profit Before Provision (B.-3.6-3.7)	1,168,419	1,090,134	601,393	543,460	678,389	637,778
3.8	Provision for Possible Loss	277,367	270,083	146,181	144,177	179,280	169,755
	D.Operating Profit (C.-3.8)	891,053	820,051	455,212	399,282	499,109	468,024
3.9	Non-Operating Income/Expenses(Net)	53,192	54,139	27,205	27,717	19,273	21,447
3.10	Write Back of Provision for Possible Loss	226,604	226,604	128,791	128,791	179,002	172,432
	E. Profit from Regular Activities (D+3.9+3.10)	1,170,849	1,100,795	611,208	555,791	697,383	661,903
3.11	Extraordinary Income/Expenses(Net)	6,761	900	-	-	-	-
	F. Profit before Bonus and Taxes(E+3.11)	1,177,610	1,101,695	611,208	555,791	697,383	661,903
3.12	Provision for Staff Bonus	107,055	100,154	55,564	50,526	63,398	60,173
3.13	Provision for tax	319,195	300,462	164,852	151,579	189,447	180,519
	G. Net Profit/Loss (F-3.12-3.13)	751,359	701,078	390,792	353,685	444,538	421,211
3.14	Share on Non-controlling interest on profit of subsidiary	10,151	-	4,648	-	5,930	-
	H. Net Profit/Loss Attributable to Group (G-3.14)	741,208	701,078	386,145	353,685	438,607	421,211
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	13.73%	13.79%	14.03%	14.08%	12.20%	12.24%
4.2	Non Performing Loan (NPL) to Total Loan	1.87%	1.89%	1.82%	1.83%	1.65%	1.67%
4.3	Total Loan Loss Provision to Total NPL	129.02%	128.71%	136.58%	136.48%	177.40%	176.61%
4.4	Cost of Funds	4.09%	4.04%	3.83%	3.81%	4.30%	4.27%
4.5	CD Ratio (Calculated as per NRB Directives)	78.85%	77.64%	76.53%	75.45%	78.95%	78.95%
4.6	Base Rate	7.54%	7.54%	6.63%	6.63%	7.64%	7.64%
4.7	Average Interest Spread (Calculated as per NRB Directives)	3.87%	3.87%	3.96%	3.96%	4.55%	4.47%

Additional Information							
	Average Yield	8.02%	7.90%	7.93%	7.75%	8.52%	8.41%
	Net Interest Spread	3.93%	3.85%	4.09%	3.94%	4.22%	4.14%
	Return on Equity (Annualized)	17.73%	17.06%	21.39%	20.08%	17.72%	17.51%
	Return on Assets (Annualized)	1.84%	1.81%	1.92%	1.81%	1.41%	1.66%

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 60,404,031 thousands and gross NBA amounts to NPR 84,676 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	1,350,292	1,596
3	Borrowing from NMB Bank	-	200,000
4	Interest Payment by NMB Bank	18,978	-
5	Interest Payment to NMB Bank	-	4,312
6	Rent Payment to NMB Bank	972	-
7	Management Fee Payment to NMB Bank	1,200	-
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	-	28,152
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 28.31	Price Earnings Ratio (Annualized) – 18.02 times
Assets per Share – NPR 1,636.73	Net-worth per Share – NPR 183.69
Liquidity Ratio (NLA) – 25.84%	

2. Management Analysis

- The Bank, from its foreign joint venture with FMO, received additional investment of NPR 2,357,846,000 during the first quarter. FMO is a 51% Netherlands Government owned AAA rated Development Bank.
- The Bank, for the second quarter of FY 2016/17 posted a net profit of NPR 701 Million. 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 68,797 million and NPR 58,936 Million (net of provisions) respectively as at the end of the quarter.
- The market witnessed liquidity pressure during the quarter resulting in slight rise in G-Sec rates as well as overall cost of deposits. The Bank, however, continued to maintain comfortable liquidity position and also remained well capitalized with NLA and Capital Adequacy Ratio at 25.84% and 13.79% respectively. NPA level has slightly increased to 1.89% from 1.83% 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 second quarter are as follows:

Maximum Price – 814	Minimum Price - 474	Closing Price - NPR 510
Trading number – 4,666	Days of Trading – 57	

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

- 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

- Synergistic benefit out of merger
- Leverage on capabilities in terms of enhancing competencies of the Bank staff and international networking as FMO joins the Bank as JV partner.
- 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**

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