

NMB BANK LIMITED

As at end of the 2nd Quarter (30/09/2072) of the Fiscal Year 2072/73 (2015/2016)

S. No.	Particulars	This Quarter Ending Poush 30, 2072 January 14, 2016		Previous Quarter Ending Ashwin 30, 2072 October 17, 2015		Corresponding Previous Year Quarter Ending Poush 30, 2071 January 14, 2015	
		Group	NMB	Group	NMB	Group	NMB
1	Total Capital and Liabilities (1.1 to 1.7)	82,035,745	60,493,859	41,280,455	41,232,197	32,570,030	32,445,633
1.1	Paid Up Capital	4,154,559	4,154,559	2,400,000	2,400,000	2,400,000	2,400,000
1.2	Reserve and Surplus	2,085,017	2,037,036	1,110,021	1,056,794	716,255	683,529
1.3	Debtenture and Bond	500,000	500,000	500,000	500,000	-	-
1.4	Borrowings	870,123	538,368	-	-	-	-
1.5	Deposits (a+b)	50,348,320	52,488,327	36,461,852	36,550,286	28,988,050	29,044,902
a.	Domestic Currency	46,889,803	49,009,810	34,056,419	34,144,853	25,906,165	25,983,018
b.	Foreign Currency	3,478,517	3,478,517	2,405,433	2,405,433	3,081,885	3,081,885
1.6	Income Tax Liabilities	28,181	-	24,439	-	14,477	-
1.7	Other Liabilities	23,991,218	975,569	784,143	725,117	451,249	297,201
1.8	Non Controlling Interest	30,328	-	-	-	-	-
2	Total Assets (2.1 to 2.7)	82,035,745	60,493,859	41,280,455	41,232,197	32,570,030	32,445,633
2.1	Cash and Bank Balance	29,673,924	8,851,995	7,691,870	7,635,153	3,514,352	3,369,812
2.2	Money at Call and Short Notice	1,001,931	872,752	596,319	596,319	489,099	489,099
2.3	Investments	6,155,119	6,228,745	4,227,955	4,281,181	4,352,618	4,406,325
2.4	Loans and Advances (Net) (a+b+c+d+e+f)	43,942,120	42,144,889	27,452,154	27,452,154	23,124,634	23,312,434
a.	Real Estate Loan	2,739,706	2,739,706	1,532,327	1,532,327	1,440,391	1,440,391
1.	Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	902,417	902,417	802,758	802,758	821,042	821,042
2.	Business Complex & Residential Apartment Construction Loan	375,742	375,742	128,414	128,414	36,871	36,871
3.	Income generating Commercial Complex Loan	20,967	20,967	-	-	-	-
4.	Other Real Estate Loan (including Land lease & plotting)	1,440,580	1,440,580	601,155	601,155	582,478	582,478
b.	Personal Home Loan of Rs. 10 Million or Less	4,191,302	4,191,302	2,988,160	2,988,160	2,686,304	2,686,304
c.	Margin Type Loan	572,477	572,477	204,386	204,386	216,397	216,397
d.	Term Loan	8,400,770	8,400,770	5,395,802	5,395,802	4,291,344	4,291,344
e.	Overdraft Loan/ TR Loan/ WC Loan	12,220,720	12,220,720	8,765,346	8,765,346	7,681,923	7,681,923
f.	Others	15,237,146	14,659,614	8,766,133	8,766,133	6,996,275	6,996,275
2.5	Fixed Assets	1,294,133	1,282,410	372,597	368,616	435,584	430,916
2.6	Non Banking Assets (Net)	-	-	-	-	-	-
2.7	Other Assets	548,518	493,368	739,560	698,772	465,744	436,847
3	Profit and Loss Account	Upto this Quarter	Upto previous Quarter	Upto corresponding Previous Year Quarter			
3.1	Interest Income	1,743,150	1,709,331	640,285	638,692	1,074,671	1,070,852
3.2	Interest Expenses	957,059	944,121	393,035	394,950	552,325	555,749
A.	Net Interest Income (3.1-3.2)	806,090	765,210	247,251	243,743	522,347	515,103
3.3	Fees, Commission and Discount	93,318	85,728	42,950	42,950	58,516	58,516
3.4	Other Operating Income	84,468	62,726	33,067	26,681	80,052	65,445
3.5	Foreign Exchange Gain/Loss (Net)	77,759	77,759	32,660	32,660	44,820	44,820
B.	Total Operating Income (A+3.3+3.4+3.5)	1,061,635	991,423	355,928	346,034	707,734	685,884
3.6	Staff Expenses	208,534	187,725	63,020	61,804	112,246	109,208
3.7	Other Operating Expenses	174,711	1,65,920	66,415	62,791	142,975	140,254
C.	Operating Profit Before Provision (B-3.6-3.7)	678,389	637,778	228,493	221,439	452,513	436,422
3.8	Provision for Possible Loss	179,280	169,755	39,819	39,819	42,923	42,923
D.	Operating Profit (C-3.8)	499,109	468,024	188,673	181,620	409,590	393,499
3.9	Non-Operating Income/Expenses(Net)	19,273	21,447	-	471	14,080	15,021
3.10	Write Back of Provision for Possible Loss	179,002	172,432	42,395	42,395	16,676	16,676
E.	Profit from Regular Activities (D+3.9+3.10)	697,383	661,903	231,069	224,486	440,346	425,196
3.11	Extraordinary Income/Expenses(Net)	-	-	-	-	-	-
F.	Profit before Bonus and Taxes(E+3.11)	697,383	661,903	231,069	224,486	440,346	425,196
3.12	Provision for Staff Bonus	63,398	60,173	21,006	20,408	40,031	38,654
3.13	Provision for tax	189,447	180,519	62,719	61,223	119,406	115,963
G.	Net Profit/Loss (F-3.12-3.13)	444,538	421,211	147,343	142,855	280,909	270,579
3.14	Share on Non-controlling interest on profit of subsidiary	5,930	-	-	-	-	-
H.	Net Profit/Loss Attributable to Group (G-3.14)	438,607	421,211	147,343	142,855	280,909	270,579
4	Ratios	At the end of This Quarter	At the end of Previous 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 Previous Year Quarter
4.1	Capital Fund to RWA	12.20%	12.24%	11.09%	11.09%	10.37%	10.37%
4.2	Non Performing Loan (NPL) to Total Loan	1.65%	1.67%	0.40%	0.40%	0.60%	0.60%
4.3	Total Loan Loss Provision to Total NPL	177.40%	176.61%	329.04%	329.04%	242.61%	242.61%
4.4	Cost of Funds	4.30%	4.27%	4.31%	4.31%	4.26%	4.26%
4.5	CD Ratio (Calculated as per NRB Directives)	78.95%	78.95%	72.66%	72.66%	79.75%	79.75%
4.6	Base Rate	7.64%	7.64%	7.01%	7.01%	7.44%	7.44%
4.7	Average Interest Spread (Calculated as per NRB Directives)	4.55%	4.47%	3.73%	3.73%	4.12%	4.12%
Additional Information							
	Average Yield	8.52%	8.41%	7.83%	7.83%	8.91%	8.91%
	Net Interest Spread	4.22%	4.14%	3.52%	3.52%	4.65%	4.65%
	Return on Equity (Annualized)	17.72%	17.51%	15.45%	15.59%	18.17%	18.17%
	Return on Assets (Annualized)	1.41%	1.66%	1.32%	1.28%	1.68%	1.68%

Notes: 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 Clean Village 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 44,068,123 thousands and gross NBA amounts to NPR 114,783 thousands.

Related Party Disclosures

The Bank own two subsidiary companies, NMB Capital Limited and Clean Village Microfinance Bittiya Sanstha Limited. NMB Capital is a wholly owned subsidiary whereas the Bank owns fifty one percentage of the total shares of Clean Village. Related party transactions of both subsidiaries are as follows:

S No	Particulars	NMB Capital	Clean Village
1	Investment by NMB Bank	100,000	20,400
2	Deposits in NMB Bank	2,253,211	24
3	Borrowing from NMB Bank	-	130,000
4	Interest Payment by NMB Bank	2,323	-
5	Interest Payment to NMB Bank	-	2,592
6	Rent Payment to NMB Bank	956	-
7	Management Fee	1,200	-
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 20.28	Price Earnings Ratio (Annualized) – 22.49 times
	Assets per Share – NPR 1,456.08	Net-worth per Share – NPR 149.03
	Liquidity Ratio (NLA) – 28.47%	

2. Management Analysis

- The Bank completed merger of four Financial Institutions; Clean Energy Development Bank Limited, Bhrikuti Development Bank Limited, Pathihara Bkash Bank Limited and Prudential Finance Company Limited with NMB Bank and commenced joint operation as a merged entity from 1 Karthik 2072. This the first instance of publishing quarterly result post joint operations.
- The Bank, till the second quarter of FY 2015/16 posted a net profit of NPR 421.21 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 52,488 million and NPR 42,764 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 28.47% and 12.24% respectively. NPL level has increased to 1.67% from 1.65% in the preceding quarter primarily due to existing NPL levels of partner merging institutions.
- During the quarter, the Bank purchased land with an area of 80 annas (2,543 sq. meter) 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 – 557	Minimum Price – 389	Closing Price – NPR 440
Trading number – 1,118	Days of Trading – 42	

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 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.



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