

# NMB BANK LIMITED

## Unaudited Financial Results (Quarterly)

### As at Second Quarter ending on 30/09/2075 (14/01/2019) of Fiscal Year 2075/76

Rs. in '000

Statement of Financial Position	This Quarter Ending		Previous Quarter Ending		Corresponding Previous Quarter Ending	
	Group	NMB	Group	NMB	Group	NMB
<b>Assets</b>						
Cash and cash equivalent	8,146,759	8,146,746	8,711,858	8,711,815	5,579,681	5,579,661
Due from NRB and placements with BFIs	7,422,375	6,700,797	8,157,531	7,337,344	7,253,779	6,608,436
Loans and advances	87,130,580	85,375,659	84,452,778	82,779,303	71,865,094	70,223,120
Investments Securities	10,520,253	10,357,498	8,887,124	8,701,669	9,695,844	9,542,514
Investment in subsidiaries and associates	-	248,552	-	248,552	-	248,552
Goodwill and intangible assets	22,679	22,578	23,199	22,590	14,581	14,213
Other assets	5,595,630	5,381,224	4,859,056	4,659,739	3,547,123	3,415,997
<b>Total Assets</b>	<b>118,838,276</b>	<b>116,233,054</b>	<b>115,091,546</b>	<b>112,461,012</b>	<b>97,956,101</b>	<b>95,632,492</b>
<b>Capital and Liabilities</b>						
Paid up Capital	8,743,784	8,743,784	8,743,784	8,743,784	6,461,774	6,461,774
Reserves and surplus	9,379,327	9,243,227	8,932,320	8,726,463	5,524,385	5,404,846
Non-controlling Interest	126,921	-	134,325	-	123,183	-
Deposits	88,773,299	88,070,975	86,484,363	85,832,090	80,954,914	80,552,649
Borrowings	6,795,532	5,688,088	7,067,635	5,914,003	1,879,502	659,559
Bond and Debenture	500,000	500,000	500,000	500,000	500,000	500,000
Other liabilities and provisions	4,519,412	3,986,979	3,229,120	2,744,672	2,512,343	2,053,664
<b>Total Capital and Liabilities</b>	<b>118,838,276</b>	<b>116,233,054</b>	<b>115,091,546</b>	<b>112,461,012</b>	<b>97,956,101</b>	<b>95,632,492</b>
<b>Statement of Profit or Loss</b>	<b>Up to this Quarter</b>		<b>Up to Previous Quarter</b>		<b>Up to Corresponding Previous Year Quarter</b>	
	<b>Group</b>	<b>NMB</b>	<b>Group</b>	<b>NMB</b>	<b>Group</b>	<b>NMB</b>
Interest income	5,481,040	5,284,076	2,713,163	2,609,875	4,209,305	4,009,890
Interest expense	(3,365,508)	(3,278,543)	(1,679,211)	(1,633,580)	(2,751,265)	(2,665,981)
<b>Net interest income</b>	<b>2,115,532</b>	<b>2,005,533</b>	<b>1,033,951</b>	<b>976,294</b>	<b>1,458,039</b>	<b>1,343,909</b>
Fee and commission income	274,062	248,229	142,246	129,645	249,774	218,802
Fee and commission expense	(41,260)	(41,260)	(15,631)	(15,631)	(24,692)	(24,692)
<b>Net Fee And Commission Income</b>	<b>232,802</b>	<b>206,969</b>	<b>126,615</b>	<b>114,014</b>	<b>225,082</b>	<b>194,110</b>
Other operating income	567,649	529,095	263,611	244,697	478,412	448,988
<b>Total operating income</b>	<b>2,915,983</b>	<b>2,741,597</b>	<b>1,424,177</b>	<b>1,335,005</b>	<b>2,161,533</b>	<b>1,987,007</b>
(Impairment charge)/reversal for loans and other losses	(113,703)	(91,428)	(50,465)	(37,499)	89,942	104,568
<b>Net operating income</b>	<b>2,802,280</b>	<b>2,650,169</b>	<b>1,373,712</b>	<b>1,297,506</b>	<b>2,251,475</b>	<b>2,091,575</b>
Personnel expenses	(758,051)	(679,914)	(370,210)	(327,515)	(522,340)	(458,740)
Other operating expenses	(438,931)	(408,612)	(202,601)	(188,291)	(344,032)	(318,417)
<b>Operating profit</b>	<b>1,605,298</b>	<b>1,561,643</b>	<b>800,901</b>	<b>781,700</b>	<b>1,385,103</b>	<b>1,314,417</b>
Non operating income/expense	5,469	5,469	3,529	3,529	36,212	36,212
<b>Profit before tax</b>	<b>1,610,767</b>	<b>1,567,112</b>	<b>804,430</b>	<b>785,228</b>	<b>1,421,315</b>	<b>1,350,629</b>
Income tax	(470,267)	(457,170)	(240,433)	(234,673)	(405,520)	(387,839)
<b>Profit/(loss) for the period</b>	<b>1,140,500</b>	<b>1,109,942</b>	<b>563,997</b>	<b>550,556</b>	<b>1,015,795</b>	<b>962,790</b>

Other comprehensive income	(23,483)	(23,067)	21,030	19,556	1,496	1,569
<b>Total Comprehensive income</b>	<b>1,117,017</b>	<b>1,086,875</b>	<b>585,026</b>	<b>570,112</b>	<b>1,017,290</b>	<b>964,359</b>
<b>Share of Non Controlling Interest</b>	<b>(5,058)</b>	<b>-</b>	<b>(1,578)</b>	<b>-</b>	<b>(11,428)</b>	<b>-</b>
<b>Net Comprehensive income attributable to the Group</b>	<b>1,111,958</b>	<b>1,086,875</b>	<b>583,449</b>	<b>570,112</b>	<b>1,005,862</b>	<b>964,359</b>

Ratios	This Quarter Ending		Previous Quarter Ending		Corresponding Previous Quarter Ending	
	Group	NMB	Group	NMB	Group	NMB
Capital fund to RWA	15.32%	15.44%	15.26%	15.36%	13.03%	13.06%
Non performing loan (NPL) to total loan (As per NRB Directive)	0.82%	0.76%	0.81%	0.76%	1.24%	1.20%
Total loan loss provision to Total NPL (As per NRB Directive)	194.11%	203.79%	193.26%	202.54%	154.32%	157.83%
Cost of Funds (YTD)	7.40%	7.32%	7.46%	7.38%	7.14%	7.07%
CCD Ratio (As per NRB Directive)	78.95%	78.95%	78.31%	78.31%	76.61%	76.61%
Base Rate	10.11%	10.11%	10.68%	10.68%	10.35%	10.35%
Basic Earning Per Share (NPR)	25.21	25.55	25.14	25.51	25.58	25.33
Diluted Earning Per Share (NPR)	25.21	25.55	25.14	25.51	25.58	25.33
<b>Additional Informations:</b>						
Average Yield (YTD Average)	10.83%	10.69%	10.76%	10.62%	10.89%	10.73%
Average Interest Spread (Calculated as per NRB Directives) - Last Month of Quarter	3.99%	3.99%	3.78%	3.78%	3.70%	3.70%
Return on Equity (Annualized)	12.66%	12.69%	11.86%	11.93%	17.41%	17.24%
Return on Assets (Annualized)	1.94%	1.95%	1.91%	1.92%	2.08%	2.04%
PE Ratio (Annualized)	12.72	12.72	13.51	13.51	18.04	18.04
Net-Worth per share (NPR)	203.15	205.71	198.74	199.75	181.66	183.64
Assets per share (NPR)	1,317.28	1,329.32	1,349.75	1,360.62	1,451.46	1,479.97
Liquidity Ratio (NLA)	22.37%	22.37%	21.55%	21.55%	24.32%	24.32%

#### Notes to Unaudited Financial Highlight

- Above financial highlight is prepared as per Nepal Financial Reporting Standards(NFRS), Nepal Accounting Standards(NAS) and certain carve-outs issued by Institute of Chartered Accountants of Nepal (ICAN)
- Above figures are subject to change from Supervisory Authority and/or External Audit.
- The figures of previous periods have been regrouped/rearranged wherever necessary.
- Loans and Advances is presented along with accrued interest, staff loan (net off staff loan prepayment benefit) and net off impairment charges.
- The Group has measured impairment loss on loan and advances only as per the norms prescribed by Nepal Rastra Bank and is higher than the impairment determined as per paragraph 63 of NAS 39.
- The Group has opted for ICAN Carve-out no. 6 and hence the upfront fees and commission are recognized as income in the same period the loan is approved.
- The Group has opted for ICAN Carve-out no. 7 and hence has recognized interest income on impaired financial asset by applying the original effective interest rate to the gross carrying amount of a financial asset.
- The Property, Plant and Equipment has been included in other assets and Intangible Assets has been disclosed separately.
- Personnel Expenses include staff bonus as per Bonus Act, 2030 and amortization of prepaid staff loan granted at subsidized rate as per Bank's policy.
- The provision of gratuity and leave for the interim period has been done as per existing norms of the bank and may differ from the actuary valuation report at the year end.
- Group represents NMB Bank Limited (NMB) and its subsidiaries NMB Capital Limited and NMB Microfinance Bittiya Sanstha Limited.
- The intra-group related figures have been excluded for presentation of the financial statements of the Group.

#### Statement showing Net Profit after Regulatory Adjustments:

Rs. in '000

Particulars	Up to this Quarter
<b>Profit or (loss) before regulatory adjustment</b>	1,109,942
<b>Regulatory adjustment :</b>	
a. Interest receivable (-)/previous accrued interest received (+)	(60,739)
b. Short loan loss provision in accounts (-)/reversal (+)	-
c. Short provision for possible losses on investment (-)/reversal (+)	
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	(47,900)
e. Deferred tax assets recognised (-)/ reversal (+)	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-
g. Bargain purchase gain recognised (-)/resersal (+)	-
h. Acturial loss recognised (-)/reversal (+)	-
i. Other (+/-)	(26,447)
<b>Total Adjustments</b>	(135,087)
<b>Distributable profit or (loss) after regulatory adjustment</b>	974,855

#### Segment Reporting

The Bank is organised for management and reporting purposes into segments such as: Retail, SME & MSME, Corporate, Deprived, Treasury and Others. The Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income tax is managed on a group basis and are not allocated to operating segments. All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in "Others". Support costs are also allocated to Retail, Corporate, SME & MSME, Deprived, Treasury and Others based on Management's estimates of the benefits accruing to these segments for the costs incurred. The summarized segmental performance is given below:

Particulars	Retail	SME & MSME	Corporate	Deprived	Treasury	Others	Total
Revenues from external customers	1,087,206,762	1,585,005,339	2,496,425,569	233,812,469	619,323,565	45,095,102	6,066,868,806
Intersegment revenues/(Expenses)	1,129,595,871	(787,440,547)	(102,012,548)	(120,203,656)	(167,345,690)	47,406,571	-
Net revenue	2,216,802,633	797,564,793	2,394,413,020	113,608,813	451,977,874	92,501,673	6,066,868,806
Interest revenue	2,082,735,270	683,494,304	2,180,901,120	110,602,104	178,936,616	47,406,571	5,284,075,985
Interest expense	(1,791,507,405)	(2,733,655)	(1,385,280,075)	(8,423,802)	(90,597,937)	-	(3,278,542,874)
Net interest revenue	291,227,865	680,760,649	795,621,045	102,178,303	88,338,679	47,406,571	2,005,533,111
Depreciation and amortisation	(12,834,835)	(23,986,930)	(30,454,269)	(3,174,342)	(9,457,004)	(1,703,994)	(81,611,373)
Segment profit/(loss) before tax	214,865,113	465,304,707	531,361,138	56,206,745	230,462,002	68,912,455	1,567,112,161
<b>Entity's interest in the profit or loss of associates accounted for using equity method - Not Applicable</b>							
Other material non-cash items	-	-	-	-	-	-	-
Impairment of assets	201,769,489	452,677,104	617,399,580	52,234,173	-	5,544,336	1,329,624,681
Segment assets	15,950,189,181	24,971,834,210	41,974,026,003	4,065,717,716	25,319,028,928	3,952,257,631	116,233,053,668
Segment liabilities	48,884,179,175	1,187,525,018	40,681,483,482	446,067,658	6,407,888,881	18,625,909,453	116,233,053,668

#### 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:

Rs. in '000

S. No.	Particulars	NMB Capital	NMB Micro Finance
1	Investment by NMB Bank	200,000	48,552
2	Deposits in NMB Bank	155,995	3,043
3	Borrowing from NMB Bank	-	700,000
4	Interest Payment by NMB Bank	5,682	-
5	Interest Payment to NMB Bank	-	34,581
6	Rent Payment to NMB Bank	1,069	-
7	Management Fee Payment to NMB Bank	1,200	-
8	Share Registrar Fee payment by NMB Bank	475	-
9	Dividend Distribution of NMB Sulav Investment Fund-1 to NMB Bank	22,105	-
10	Dividend to NMB Bank by NMB Capital Ltd.	38,000	-

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, 2073

##### 1. Management Analysis

- The Bank, upto the second quarter of FY 2018/19, posted a net profit of NPR 1,109.94 Million. During most part of the quarter, the Bank had witnessed stiff margin pressure due to increase in cost of deposits.
- Overall deposits and loans and advances to customers of the Bank stand at NPR 88.07 Billion and NPR 85.37 Billion 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 15.44%. NPA level has remained static at 0.76% from the preceding quarter. CCD Ratio has been calculated as per NRB Directives.
- 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.

##### 2. 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.

##### 3. 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 – 398	Minimum Price – 315	Closing Price - NPR 325
Trading number – 10,049	Days of Trading – 60	

#### 4. Problems and Challenges

##### Internal problems and challenges

- Sourcing and retention of quality manpower in the increased competitive market.
- Increasing cost of operations.

##### External problems and challenges

- Decelerating Remittance growth
- Highly volatile liquidity conditions.
- Lack of clarity on policies in the Federal Structure.
- 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, Energy and Agricultural sector, 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.
- Upgradation of core banking system as a part of modernization to provide enhanced service to customers
- Focus on introducing various human resource development plans.

##### 5. 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.

##### 6. Disclosure of the Chief Executive Officer

I am personally responsible for the correctness of the facts and figures disclosed 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.