



## Unaudited Financial Results (Quarterly)

As at Fourth Quarter (32/03/2068) of the Fiscal Year 2067/68 (2010/2011)

Rs in '000

S.No	Particulars	This Quarter Ending 32nd Ashad 2068 16-July-11		Previous Quarter Ending 30th Chaitra 2067 13-Apr-11	Corresponding Previous Year Quarter Ending 32nd Ashad 2067 16-July-10 (Audited)
		Group	NMB Bank		
1	Total Capital and Liabilities(1.1 to 1.7)	16,129,553	16,094,852	15,810,216	13,349,600
1.1	Paid Up Capital	2,000,000	2,000,000	1,651,650	1,651,650
1.2	Reserve and Surplus	410,399	402,646	336,679	159,879
1.3	Debtenture and Bond	-	-	-	-
1.4	Borrowings	497,200	497,200	412,500	380,255
1.5	Deposits(a+b)	12,799,494	12,866,222	12,932,313	10,110,690
a	Domestic Currency	11,629,903	11,696,631	11,752,289	9,371,079
b	Foreign Currency	1,169,591	1,169,591	1,180,024	739,611
1.6	Income Tax Liability	-	-	75,772	-
1.7	Other Liabilities	422,460	328,784	401,302	1,047,126
2	Total Assets (2.1 to 2.7)	16,129,553	16,094,852	15,810,216	13,349,600
2.1	Cash and Bank Balance	1,517,224	1,493,887	679,098	1,729,834
2.2	Money at Call and Short Notice	259,167	259,167	418,379	582,309
2.3	Investment	2,612,446	2,614,946	2,539,791	2,715,957
2.4	Loans and Advances (Gross)(a+b+c+d+e+f)	11,343,092	11,343,092	11,443,908	7,931,139
a	Real Estate Loan	1,625,830	1,625,830	1,806,424	1,520,671
1	Residential Real Estate Loan (Except personal Home Loan upto Rs. 80 Lacs)	292,978	292,978	322,129	60,400
2	Business Complex & Residential Apartment Construction Loan	563,889	563,889	585,049	354,642
3	Income generating Commercial Complex Loan	-	-	-	-
4	Other Real Estate Loan (including Land purchase & plotting)	768,963	768,963	899,246	1,105,629
b	Personal Home Loan of Rs. 80 Lacs or Less	697,940	697,940	665,264	482,224
c	Margin Type Loan	456,933	456,933	455,206	557,237
d	Term Loan	1,326,399	1,326,399	1,207,384	707,123
e	Overdraft Loan/ TR Loan/ WC Loan	3,249,003	3,249,003	3,411,969	2,498,028
f	Others	3,986,987	3,986,987	3,897,661	2,165,856
2.5	Fixed Assets	285,924	276,549	292,814	255,295
2.6	Non Banking Assets	-	-	-	-
2.7	Other Assets	111,700	107,211	436,226	135,066
3	Profit and Loss Account	Upto this Quarter		Upto previous Quarter	Upto corresponding Previous Year Quarter
3.1	Interest Income	1,492,385	1,492,385	1,042,142	866,182
3.2	Interest Expenses	1,048,253	1,053,295	727,386	559,544
A	Net Interest Income (3.1-3.2)	444,132	439,090	314,756	306,638
3.3	Fees, Commission and Discount	30,874	27,965	20,497	49,253
3.4	Other Operating Income	59,472	59,472	45,119	66,524
3.5	Foreign Exchange Gain/Loss (Net)	47,191	47,191	42,119	23,006
B	Total Operating Income(A+3.3+3.4+3.5)	581,669	573,718	422,491	446,121
3.6	Staff Expenses	83,008	79,133	56,508	55,958
3.7	Other Operating Expenses	139,765	136,395	93,510	108,342
C	Operating Profit Before Provision (B-.3.6-3.7)	358,896	358,190	272,473	281,821
3.8	Provision for Possible Losses	36,432	36,432	16,949	40,253
D	Operating Profit (C-.3.8)	322,464	321,758	255,524	241,568
3.9	Non-Operating Income/Expenses(Net)	14,473	3,901	3,407	1,983
3.10	Write Back of Provision for Possible Loss	25,610	25,610	898	4,006
E	Profit from Regular Activities(D+3.9+3.10)	362,547	351,269	259,829	247,557
3.11	Extraordinary Income/Expenses(Net)	14,385	14,385	18,000	1,005
F	Profit before Bonus and Taxes(E.+3.11)	376,932	365,654	277,829	248,562
3.12	Provision for Staff Bonus	34,267	33,241	25,257	22,597
3.13	Provision for tax	102,225	99,724	75,772	66,095
G	Net Profit/Loss(F.-3.12-3.13)	240,440	232,689	176,800	159,870
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	18.39%	17.80%	14.49%	18.37%
4.2	Non Performing Loan(NPL) to Total Loan	0.27%	0.27%	0.28%	0.70%
4.3	Total Loan Loss Provision to Total NPL	445.69%	445.69%	443.24%	220.35%
4.4	Cost of Funds	9.96%	9.96%	9.71%	7.88%
4.5	CD Ratio (Calculated as per NRB Directives)	77.07%	77.13%	79.12%	67.59%
<b>Additional Information</b>					
	Average Yield (Local Currency)	12.45%	12.45%	12.30%	10.71%
	Net Interest Spread	2.49%	2.49%	2.59%	2.83%
	Return on Equity(Annualized)	12.97%	12.55%	12.86%	9.36%
	Return on Assets(Annualized)	1.61%	1.56%	1.66%	1.34%

Note: 1. Above figures are subject to change from Supervisory Authority and External Audit.

2. Figures of previous periods have been regrouped wherever necessary as per NRB Directives.

3. Group represents NMB Bank Limited and its subsidiary NMB Capital Limited. Previous quarter figures and corresponding previous year quarter figures represents transaction of NMB Bank only.

4. The intra-group related figures have been excluded for presentation of the financial statement of the Group.

### Related Party Disclosure

As per the regulatory requirement issued by Ministry of Finance on Nepal Rajapatra, all existing Banks and Financial Institutions need to perform its merchant banking activities by opening its own subsidiary company. In line with the same, the Bank also opened a subsidiary company NMB Capital Limited by investing 70% of the equity capital amounting to NPR 70 Million. The Company received operating license from the Securities Board and started its commercial operation from September 17, 2010.

The Bank has entered into a Service level agreement with NMB Capital Ltd. to provide various operational and strategic support. NMB Capital has paid a sum of NPR 1.4 million during the year as per the agreement.

The Bank has also provided office space to NMB Capital at the corporate office of the Bank for which NMB Capital has paid NPR 0.94 Million during the year.

The Bank has held call deposit and current deposit of NMB Capital which summed up to NPR 66.73 million as of 16 July 2011. NMB Capital earned interest of NPR 5.04 Million during the year.

The Bank has outsourced NMB Capital for various services like payment of NEA Bond interest, dividend of Nepal Telecom, issue of Right shares of the Bank for which the Bank has paid commission of 0.93 Million during the year.

The Bank has appointed NMB Capital as share registrar for which the Bank has paid a fee of 0.12 Million during the year.

The intra-group related figures have been excluded for presentation of the financial statement of the Group.

### Disclosure as per Securities Registration and Issuance Regulation, 2065

#### 1. Major Financial Highlights

	Based on Unaudited Financials ( as at 16/07/2011)
Earnings Per Share	NPR 11.63
Price Earnings Ratio	16.76 times
Return on Total Assets	1.56%
Net Worth Per Share	NPR 120
Liquidity Ratio	29.14%

#### 2. Management Analysis

a. The Bank during the fiscal year posted a net profit of NPR 232 Million recording a growth of 45% compared to the preceding financial year. Overall increase in both Risk Assets and Deposits volume, incremental revenue from FX related products have been the key drivers for the achievement. The group net profit (including NMB Capital) recorded at NPR 240.44 Million. NPA level has further improved to 0.27% from 0.70% despite very difficult business conditions prevailed in the market, exhibiting an effective risk management of the Bank. The Bank remained well capitalized and has maintained good liquidity position throughout the year with Capital Adequacy Ratio of 17.80%, CD Ratio at 77.13% and liquidity ratio of 29.14%.

b. The Bank has successfully managed to increase its paid up capital of NPR 2 billion by way of Rights issue and has generated an additional NPR 10.08 Million as Share Premium on account premium from the auction of unsubscribed shares by the public shareholders under the Right Issue.

c. The management is committed to continuously enhance the customer service standard by introducing innovative and improved products and technologies, identify, plan and execute new business and investment opportunities; reach to serve increased number of customers by opening new branches in strategic locations, and focus on achieving "Safe and Sustainable Growth".

d. There were no major incidents which have had negative impact on the reserve, profit or cash flow position of the Bank.

#### 3. Details of Legal Action

a. Case filed by or against the Bank during the quarter  
During the quarter NIG Insurance Co. have filed the case against the Bank regarding insurance claim of one of the borrowers of the Bank. Though the case has been filed against the Borrower of the Bank, the Bank has also been named as one of the respondents because of the reason that the Insurance Policy is endorsed in the Bank's favor.

b. 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.

c. 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 organized institutions at securities market:

The Market continued to show its bearish trend in the capital market during the period under review which has also impacted the Bank's share price in similar way. 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	NPR 229.00
Minimum Price	NPR 129.00
Closing Price	NPR 195.00
Trading number	60
Days of Trading	51

#### 5. Problems and Challenges

##### Internal problems and challenges

- Pressure on Interest Spread due to constant increase in deposit cost.
- Sourcing and retention of quality manpower.
- Increasing Human Resource Cost and Operating Cost.
- Relatively small network compared to majority of the commercial Banks currently operating in the country.

##### External problems and challenges

- Unstable local socio-political situation, uncertainty on government policies/plan.
- Prolonged liquidity crisis in the market.
- Deteriorating Macro-economic indicators of the country.
- High volatility in FX and Commodity Market.
- Deteriorating share market of the country.
- Lack of conducive business environment for investment.

##### Strategy

- Launch new products and services with special focus on non fund based income.
- Focus on SME, retail lending, deposit opportunities and enhance Microfinance activities.
- Improve on technology platform to enhance product and service capabilities to meet the customers 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, Executive Committee, Asset and Liability Committee (ALCO), Risk Committee, Human Resource Committee, Policy Formulation Committee and other sub-committees to ensure high level of standard on corporate governance.
- 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.

##### 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.