

Nepal Bangladesh Bank Limited

ICRA Nepal withdraws the rating for subordinated debenture programme of Nepal Bangladesh Bank Limited

| Instrument | Amount (NPR million) | Rating Action (Nov 2016) |
|--------------------------------|----------------------|-------------------------------------|
| Subordinated debenture Program | 500 | [ICRANP] LBBB- * (Rating Withdrawn) |

ICRA Nepal has withdrawn [ICRANP] LBBB–(pronounced ICRA NP L triple B minus) rating earlier assigned to the NPR 500 million subordinated debenture programme of Nepal Bangladesh Bank Limited as per the request of the bank, as the bank has not raised funds against the rated instrument.

Bank Profile

Nepal Bangladesh Bank Limited (NBBL) was incorporated in 1994 as “A” class Commercial Bank in joint venture with IFIC Bank, Bangladesh. The shares of the bank are held by promoter and public in the ratio of ~52:48. Out of the total promoter holding, ~41% of total shares are held by IFIC Bank, Bangladesh, remaining being held largely by individual promoters under NB Group. Mr. Mohammad Lutfar Rahman, Representative from IFIC Bank is the Chairman of the bank. Board composition of the bank constitutes of 3 representatives (including Chairman) from IFIC Bank, three representatives from among public shareholders and 1 independent director.

NBBL was once a problematic bank mainly due to lack of Corporate Governance among its key promoter group viz. NB Group. As the loans which were provided in various names to the promoter group went non-performing, the NPLs went to ~40% and capital fund became negative by ~24% in 2006-07. Following the same, management of the bank was taken over by NRB for corrective actions. In a bid to revive the bank, IFIC Bank agreed to increase its stake in the bank by purchasing shares from the group, proceeds from which was intended to be utilised for settlement of loans outstanding from promoter groups. Accordingly, IFIC bank purchased shares from NB group and another Bangladeshi partner Bank Asia, which had 15% stake in the bank thereby increasing its total stake from 10% to ~41%. Additionally, NBBL underwent merger in January 2011 with a much smaller class C Finance Company namely Nepal Sri Lanka Merchant Bank promoted by the same group and gradually recovered loans from promoter groups. With concomitant improvement in assets quality and capital adequacy, NRB management handed over the bank to the board on January 2010. As of now, NB group holds around 10% stake in the bank with no representation in board.

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