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ANNUAL REPORT - 2011/12



NMB BANK LIMITED
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CONTENTS

- 3 ABOUT US
- 3 VISION & MISSION
- 4 BOARD OF DIRECTORS
- 6 CHAIRMAN'S STATEMENT
- 10 CEO'S MESSAGE
- 13 ADDING VALUES TO SERVICES
- 14 DIRECTOR'S REPORT
- 22 MANAGEMENT TEAM
- 24 CORPORATE GOVERNANCE
- 26 RISK MANAGEMENT FRAMEWORK
- 28 MICRO FINANCE
- 30 TOWARDS SUSTAINABLE SOCIAL GROWTH
- 32 PEOPLE OUR STRENGTH
- 34 NMB PRIORITY BANKING
- 36 PRODUCTS & SERVICES



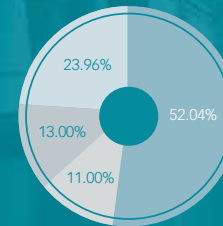
About Us

NMB Bank Limited commenced its operations as a "A" class commercial bank from 2008. In a relatively short period of time of four years, we have firmly established ourselves as one of the leading financial institutions of the country. Since our founding, the Bank is continuously working towards being innovative in product designs and development to delight the customers.

In NMB we believe in providing tailor made financial solutions to our customers and business partners alike, all the while striving towards fulfillment of their financial needs. Further, our vision to establish ourselves as the leading commercial bank of Nepal internally motivates us to incessantly strive towards maintaining effective customer relationship, upholding proper corporate governance, providing good return to all stakeholders of the Bank and contributing to well-being of society through our various corporate social initiatives.

Shareholders & Promoters:

NMB Bank is a Public Limited company with NPR 2 billion in Paid-up capital, promoted by members of prominent business houses, successful businessmen, leading financial institution of the country -Employees Provident Fund and a foreign company Yong Lian Reality from Malaysia.



- Individual/Institutional Promoters
- Public Shareholders
- Foreign Investor
- Employee Provident Fund

Vision

To establish ourselves as a leader in banking by providing a range of financial services suitable to the needs to the market with high priority on customer care while simultaneously embracing the interests of all stakeholders and value of a good corporate citizen.

Mission

To gain supremacy in growth, profit, customer care and social response in banking by way of:

- Leveraging and integrating the existing strengths of the institution
- Reaching out and serving wide range of customers within and outside the country
- Developing a culture of 'Giving Extra Care to the Customers'
- Being innovative in designing and delivering services
- Adopting prudent investment practices for building up a sound assets base
- Developing internal and external efficiencies by prudent use of technology
- Building operational efficiency through smarter processes and controls
- Providing exciting and challenging career prospects for the employees
- Placing high priority on stakeholders' interest and statutory compliance
- Acting responsibly for making contributions to the society at large

BOARD OF DIRECTORS



STANDING
(from left to right)

Upendra Poudyal
Chief Executive Officer

SITTING
(from left to right)

Rajendra Kafle
Director, Representative
Employee Provident Fund

Rita Pant
Director, Professional

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Harischandra Subedi
Director, Representative
Public Shareholders

Purushotam Lal Sanghai
Director

Prof. Dr. Hari Prasad Shrestha
Director, Representative
Public Shareholders



CHAIRMAN'S STATEMENT

First of all, I would like to welcome you all to the 17th Annual General Meeting of NMB Bank Ltd and extend my best regards on behalf of the Board of Directors.

As you all are aware, overall business environment during FY 2011/12 continued to remain very challenging due to prolonged political uncertainty in the country and high volatility seen in the financial markets. The business confidence has further dampened specially after dissolution of Constituent Assembly without the promulgation of much awaited new constitution of the country.

Local market during FY 2011/12 has witnessed reversal trend in liquidity scenario with significant increase in liquidity on the back of strong remittance inflow into the country. Due to the same and slow credit growth, interest rates have declined sharply during the period. The banking industry in Nepal currently faces significant challenge in terms of deploying excess funds as there are limited avenues available for investment within the country.

Despite the challenges and unfavorable business conditions prevailed in the country, overall health of your Bank continued to remain sound with all key ratios at satisfactory level. The Bank continued to maintain very comfortable liquidity position and remained well capitalized. The Bank during the year has taken the decision to allocate additional provisions on its doubtful assets resulting the lower net profit in the year. The prudent decision taken by your bank to allocate such loan loss provisions during the fiscal year though impacted on shareholders return this year, I believe will enable us to provide our shareholders with steady returns in the long term as well as help to strengthen overall financial health of the Bank to cope with the challenges arising due to uncertainties prevailed in the market.

I am sure you will appreciate the overall steady business performance of the Bank over the past 17 years, and I would like to take this opportunity to express our sincere gratitude for your support and patronage throughout.

Overview of Financial Performance FY 2068/69 (2011/12)

- We recorded about 24% growth in the Bank's overall Deposits to NPR 15.9 billion compared with NPR 12.86 billion in the previous year. Likewise, we achieved Loans and Advances of NPR 12.07 billion by the end of the year which translates to about 8% growth. The balance sheet growth is in line with the overall Industry growth rate.
- We closed the financial year 2011/12 with an Operating Profit (before provision) and Net Profit of NPR 339.4 million and NPR 52.1 million respectively. Higher loan impairment charge and significant decline in yield on Investment portfolio due to the change in market scenario as explained above have adversely impacted the profitability during the period. Consequently, Earnings per Share of the Bank dropped to 2.77.
- The Bank continues to remain well capitalized with a comfortable capital adequacy ratio of more than 13%. Though overall assets quality of the Bank remained sound, NPA level has increased to 2.70% due to default in payment by two major accounts for which the loan loss provision has been adequately provided for. We expect to recover majority of the dues during the current FY 2012/13 through sale of assets mortgaged to us and other means.
- The liquidity position of the Bank also remained at comfortable position with Net Liquid Assets Ratio at 27% and CD Ratio well within the NRB's 80% requirement.
- Cost to Income Ratio maintained at 42.61%

Based on the first four months performance of the Bank, I am very much confident that your Bank will deliver better financial results in the current FY 2012/13 without compromising on its prudent approach on credit and corporate governance.

Global growth prospects both in advanced and emerging economies have weakened and the Euro zone troubles have adversely affected business confidence and caused deceleration in global trade. The debt crisis in the recession-hit euro zone is the major threat to the world economy. At present, economic prospects appears to be very uncertain and highly dependent on the risks associated with the nature and timing of policy decisions related to the euro crisis, and the US fiscal problems.

In Nepal, overall macroeconomic performance during FY 2011/12 remained relatively better in spite of fluid political situation. The strong and continued growth of remittance inflow had positive impact on the overall economic activities. The GDP growth during the period recorded at 4.6% compared with 3.81% in the preceding year. The growth is attributed to increase in overall agriculture input owing to favorable weather conditions, expansion in service sector. However, industrial sector performance remained sluggish with growth rate declined to 1.7 percent from 2.9 percent due to the adverse impact of power and fuel shortages.

Political instability prevailed in the country post dissolution of Constituent Assembly which coupled with ongoing energy crisis and delay in adopting full budget is expected to have negative impact on the overall growth in the current FY 2012/13. The ongoing political crisis poses obstacle to create conducive business environment in the country unless the current political impasse finds immediate resolution through consensus among political parties. Against the backdrop, the projected growth rate of 5.5% by the Government for the current FY 2012/13 appears optimistic target to achieve.

These challenges notwithstanding, I am optimistic about long term prospects of Banking Industry in Nepal. Your Bank is well positioned for long term sustainable growth and we have a proven track record of excellence for the past 17 years which I believe will continue to drive our success in days to come. I take this opportunity to assure that your Bank will continue to invest in its business by expanding Branch Network and enhancing technology platform for creating other alternative delivery channels to expand our business activities to bring ourselves closer to customers in untapped new markets. We will continue to invest in our people and products to ensure that we are better prepared to deal with the change in customers' needs in the current market context. We will also continue to keep our all option open for inorganic growth opportunities through 'Merger and Acquisition' to seize the opportunities in the market place.

Acknowledgement:

I on behalf of the Board of Directors would once again like to thank all our respected shareholders for your continued support and guidance. I would like to take this opportunity to welcome our new Board Director Mr. Rajendra Prasad Kafle representing Employee Provident Funds in place of Mrs. Shanti Byahut. Mrs. Byahut after completion of her service tenure with Employee Provident Fund retired from the job in August 2012. I would like to record my sincere thanks to her for a significant contribution in the past 4 years to the NMB Board as a member and also a coordinator of Audit Committee. I would also like to inform that Mr. Deepak Narasingh Shrestha has resigned from the Board due to his personal reasons. I would also like to record my sincere thanks to Mr. Shrestha for his contribution.

We would also like to thank our regulators, Ministry of Finance, Nepal Rastra Bank, Securities Board of Nepal, Nepal Stock Exchange for their continued support and guidance. We once again pledge our commitment to continue to contribute for overall development of the country as a responsible financial institution. We are also very grateful to Media, FNCCI, C&I, Nepal Chamber of Commerce, product partners and all our well wishers for their support.

Finally, I would like to express our sincere gratitude to all our valued customers for their unwavering support and patronage.

As I reach the end of my 4 years term as a Chairman of your Bank, I would like to take this opportunity to record my special thanks to my fellow Board Directors, Promoters, Shareholders, Management and the entire NMB Team for their support and invaluable guidance during my tenure.

Thank you..

Pawan K. Golyan

Chairman

“Based on the first four months performance of the Bank, I am very much confident that your Bank will deliver better financial results in the current FY 2012/13 without compromising on its prudent approach on credit and corporate governance.”



CEO'S STATEMENT

The year continued to remain difficult for businesses in Nepal as ongoing political uncertainties, under achievement of government development expenditure, power crises and high volatility in financial markets, increasing risk in businesses challenged the performance and growth momentum of the Bank and its customers. Despite this challenging business environment and worries prevalent in the economy in general, the Bank remained committed to its fundamental strategies of growth. We continued to increase our product base and strengthened the distribution networks and delivery channels. We have always kept our fundamentals right.

The Bank has always been taking various initiatives in developing and providing the range of products and services tailor made for its customers that can meet their needs. We are continuously working towards improving the quality level of our services which is the key to enhancement of the customer satisfaction in line with our tag line "Customer Care – Our Religion". We believe that the most important factor for us to succeed is to remain closest to our clients and placing customers at the heart of everything we do and winning their trust and loyalty. Apart from fostering the client relationship, we believe in listening to our customers and also work towards providing them with consulting based services to meet their needs and assisting to understand and protect themselves from risk.

During the FY 2011/12, the Bank concentrated on building liquidity cushions in view of the high volatility witnessed during the past couple of years and future outlook. While the Bank's deposit grew by almost 25% to NPR 16 billion from NPR 12.8 billion, growth in loans and advances was just around 8% thereby consolidating the liquidity position for the future growth. The Bank's deposit growth has been much better than the industry average. The Bank's Operating Profit from core activities declined chiefly due to significant reduction in yield on investment portfolio with the liquidity improvement followed by sluggish and dampened demand for credit. Net income was also down considerably due to the decline in income from investment portfolio and additional loan loss provisioning on a couple of accounts. The Bank decided to be conservative in this front in view of continuing indication of pressures on loan delinquencies due to worsening business environment in the country including the non-financial factors. We have therefore made aggressive provisioning against loans. This would enable the Bank to initiate corrective measures well in advance.

“ Apart from fostering the client relationship, we believe in listening to our customers and also work towards providing them with consulting based services to meet their needs and assisting understand and protect themselves from risk. ”

The Bank initiated priority banking for the customers requiring specialized personal services which has been very well appreciated. We aim to enhance contribution of business from the retail banking in the coming period for which various new products have been introduced and existing products re-packaged. The Bank's penetration in the mid-market continues to remain strong and the business from the Business Banking constitutes a major portion with persistent focus on deepening the customer relationship in the segment. The share of business from the corporate banking is getting better as we are one of the preferred bankers for the majority of the country's leading business conglomerates in the country. The Bank has been successful in garnering various institutional banking deals mainly in non-funds based activities during the period. The Bank considers micro finance as one of the thrust areas and has therefore laid emphasis on funding the deprived section of the people for which it has strategic alliances with local cooperatives and communities in place. The Bank has also made exclusive arrangements with international agencies for capacity building in micro finance.

In line with our policy of maintaining a strong capital position, the Bank continues to remain adequately capitalized and the ratio stands comfortable at 14.84% against the risk weighted assets signifying sufficient cushion for undertaking additional future businesses.

It is our pleasure to mention here that the Bank has transformed itself during the period, and has achieved firm progress and is poised to perform better against the five year strategic plan and priorities put into action by the Bank in 2008. The achievements shall be reviewed and another plan (effective 16 July 2013) shall be formulated and rolled out as appropriate. The Bank remains fully committed towards implementation of the Bank's strategic plans.

The Bank's priorities shall be to further grow its business volume, maintaining balance sheet strength, reducing cost/income ratio, improvement in technology and enhancing the Bank's brand image. In line with our growth strategy, the Bank aims to expand organically and also explore opportunities for strategic merger and acquisition based entirely on synergies that can provide platform for the Bank to strengthen its position.

There is a strong sense of corporate governance culture within the Bank at all levels including the Board.

The Bank accords due priorities to remain closer to the community through various worthwhile Corporate Social Responsibility initiatives chiefly in the areas of heritage preservation, sports, education, health, orphanages etc. The Bank is the sponsor of NMB Machhindra, a leading 'A' level football team in the country. NMB has also been organizing Heritage walk aimed at raising awareness in the areas of heritage conservation. It has also selected a pool of heritage sites for renovation and conservation.

Going forward, the banking industry in Nepal is likely to continue to face a prolonged period of non-economic factors including the political uncertainties impacting on the performance. The business environment in the country for the Bank and its stakeholders including the customers is not expected to improve. The industry will have to face challenges ahead of slow economic growth, pressures on interest spread and assets quality, increased operating risk, growing competition and mounting regulatory demands for gradual implementation of BASEL III.

Despite all odds, NMB is prepared to firmly deal with the challenges ahead. The Bank shall accord priorities towards growth in business volume, increase fee based income, further strengthen recovery drive, manage credit and operational risk, improving productivity, ensuring high level of compliance and corporate governance. The Bank shall continue to take appropriate steps to minimise the possible impact of liquidity crunch and environmental impact on quality of risk assets. We will also focus on further improving the quality and structure of the deposit. The Bank has formulated and implemented various policies and procedures for effective and prudent risk management. The Bank has continued its drive for finding new revenue sources to improve upon fee based income which is expected to help broaden the Bank's revenue stream. We will make every effort on leveraging on our core strength of FX business skill and Micro Finance. We will also capitalize on any such opportunities in capital market through our subsidiary unit, NMB Capital.

The Team NMB is fully committed to record a superior performance during FY 2012/13 and beyond in terms of operational indicators and financial results. I am confident of our strategic intent, capability of our management team, positive attitude and dedication of our staff to see NMB through these challenging times. The Bank has always believed in maintaining and enhancing staff engagement. With the growth in business, we firmly believe that the Bank needs to further enhance skill and capabilities of its staff hence the Bank is committed to invest in training and development of its people. We have time and again taken appropriate initiatives in this regard. High performing staff get due recognition and get rewarded as appropriate.

I am thankful to Mr. Pawan Golyan, the Chairman of the NMB Board and Board Members for their exemplary support and guidance throughout. Our sincere thanks goes to our shareholders for their invaluable support during the period. I also take this opportunity to thank the members of the Executive Committee for their effective support in implementing the Bank's strategies. The Bank shall remain grateful to the regulatory authorities including Nepal Rastra Bank, Securities Board Companies Registrar Office for their constructive support and guidance. I appreciate the contribution of all staff members for their commitment, hard work and dedication in making NMB a successful and better Bank.

The Bank shall remain indebted to its customers for their tremendous support and trust and look forward to the same in future.

Upendra Poudyal
Chief Executive Officer

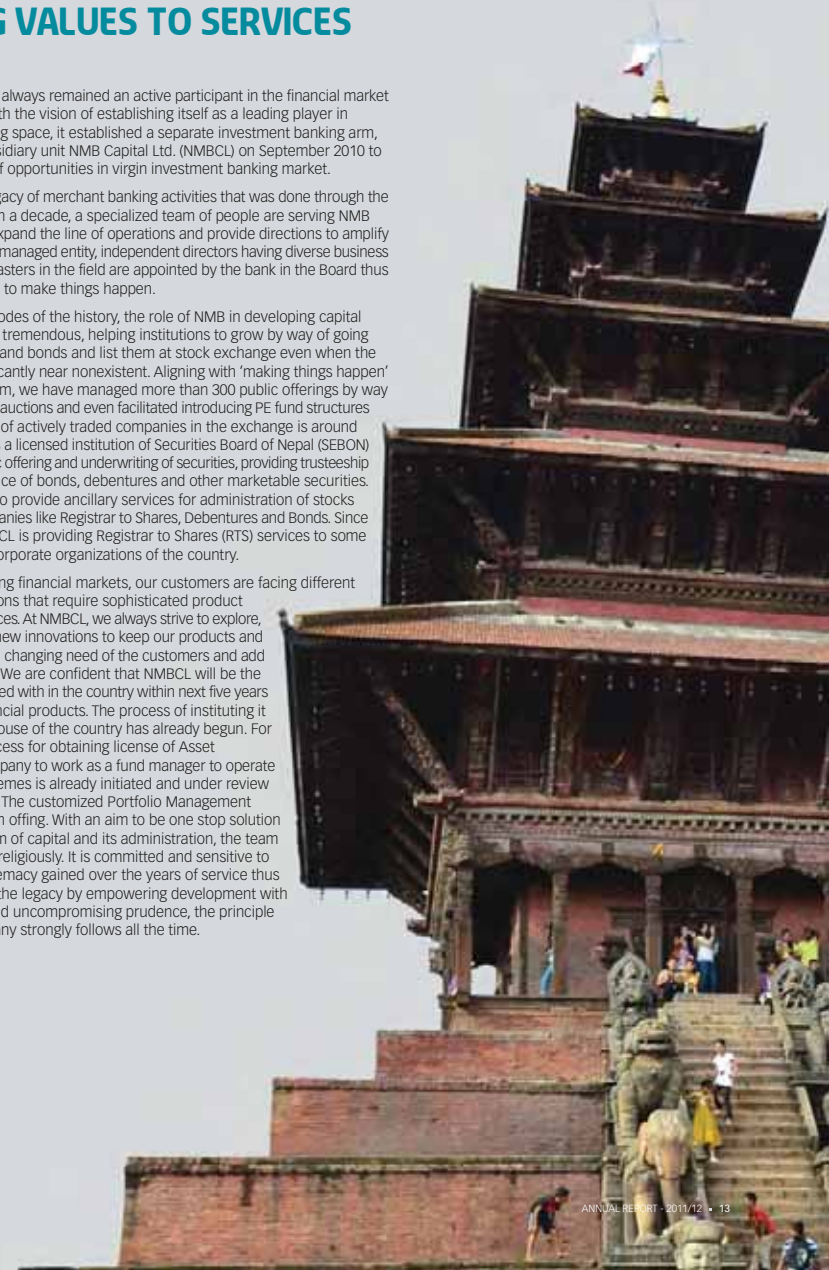
ADDING VALUES TO SERVICES

NMB Bank Ltd has always remained an active participant in the financial market in the country. With the vision of establishing itself as a leading player in investment banking space, it established a separate investment banking arm, a fully owned subsidiary unit NMB Capital Ltd. (NMBCL) on September 2010 to explore plethora of opportunities in virgin investment banking market.

To maintain the legacy of merchant banking activities that was done through the bank for more than a decade, a specialized team of people are serving NMB Capital today. To expand the line of operations and provide directions to amplify as a professionally managed entity, independent directors having diverse business experience and masters in the field are appointed by the bank in the Board thus creating value and to make things happen.

Touching few episodes of the history, the role of NMB in developing capital market of Nepal is tremendous, helping institutions to grow by way of going public on equities and bonds and list them at stock exchange even when the market was significantly near non-existent. Aligning with 'making things happen' and justify our claim, we have managed more than 300 public offerings by way of IPO, Rights, FPO, auctions and even facilitated introducing PE fund structures when the number of actively traded companies in the exchange is around 250 only. NMBCL is a licensed institution of Securities Board of Nepal (SEBON) for managing public offering and underwriting of securities, providing trusteeship services for issuance of bonds, debentures and other marketable securities. It is also licensed to provide ancillary services for administration of stocks to the public companies like Registrar to Shares, Debentures and Bonds. Since its inception, NMBCL is providing Registrar to Shares (RTS) services to some of the big public corporate organizations of the country.

In a rapidly changing financial markets, our customers are facing different businesses situations that require sophisticated product solutions and services. At NMBCL, we always strive to explore, create and adopt new innovations to keep our products and services as per the changing need of the customers and add value to Services. We are confident that NMBCL will be the name to be reckoned with in the country within next five years for managing financial products. The process of instituting it as a strong fund house of the country has already begun. For the same, the process for obtaining license of Asset Management Company to work as a fund manager to operate Mutual Funds schemes is already initiated and under review with the regulator. The customized Portfolio Management Services is soon on offing. With an aim to be one stop solution for raising any form of capital and its administration, the team has been created religiously. It is committed and sensitive to maintain the supremacy gained over the years of service thus strongly maintain the legacy by empowering development with financial justice and uncompromising prudence, the principle that parent company strongly follows all the time.



DIRECTOR'S REPORT

The Board of Directors of NMB Bank Ltd is pleased to present the Balance sheet, Profit and Loss Account, Cash Flow statement for the fiscal year 2011/12. The financial performance of NMB Bank Ltd. for the fiscal year 2011/12 along with the bank's key achievements, business environment, challenges and future plans are also included in this report.

This report is in conformity with provisions of the Company Act 2063, Banks & Financial Institutions Act 2063 including the directives issued by Nepal Rastra Bank.

Summary of economy of Nepal in 2011/12

The macroeconomic indicators of the country remained satisfactory in FY 2011/12. Economic growth remained higher in comparison to the past two years. Inflation stood at lower level and the government revenue mobilization remained higher. Export growth remained higher compared to previous year and import growth also remained at desired level. Despite favorable economic scenario, the expansion of credit toward productive sector however, did not remain at desired level.

Even though the US economy, which had been reeled in the financial crisis, is gradually recovering, the economic growth of EuroZone and other developed countries is still in feeble condition. Accordingly, the pace of global economic growth is still at risk. The economic or financial crises faced by the West do affect Nepali economy indirectly.

According to the preliminary estimates of the Central Bureau of Statistics, the real gross domestic product (GDP) at basic price grew by 4.6 percent in FY 2011/12 compared to 3.8 percent last year. In FY2011/12, the growth rates of agriculture and non-agriculture sector are estimated at 4.9 percent and 4.3 percent respectively as against 4.5% and 3.4% respectively in previous year. Better performance of agriculture sector was attributed to favorable weather condition along with the increased use of chemical fertilizer, improved seeds and technology. However, the adverse impacts of various structural bottlenecks including power and fuel shortage, political instability, among others constrained the growth rate of industrial sector. The growth rate of industrial sector is estimated at 1.7 percent compared to 2.9 percent in the previous year. Improvement in the growth rate of service sub-sectors like hotel and restaurant, transport, storage and communication, health and social services contributed to the better performance of non-agriculture sector.

The overall balance of payments (BOP) recorded its highest ever surplus of Rs.113.22 billion during the eleven months of FY 2011/12 due to the noteworthy improvement in the external sector transactions. The overall BOP surplus stood at its historic high during the review period mainly due to the improvement in world economic outlook, high surplus (Rs. 61.56 billion) in the current account arising from the amelioration in merchandise exports and inflows of remittances due to the depreciation of Nepalese rupee against the US dollar and surplus in the net services coupled with the substantial surplus (Rs. 15.15 billion) in the capital account. In dollar terms, remittance income grew by 25.8 percent to US\$4 billion in the review period from growth of 13.5 percent in corresponding period of last year in dollar terms. Remittance income increased significantly during the review period mainly because of sharp increment in the number of

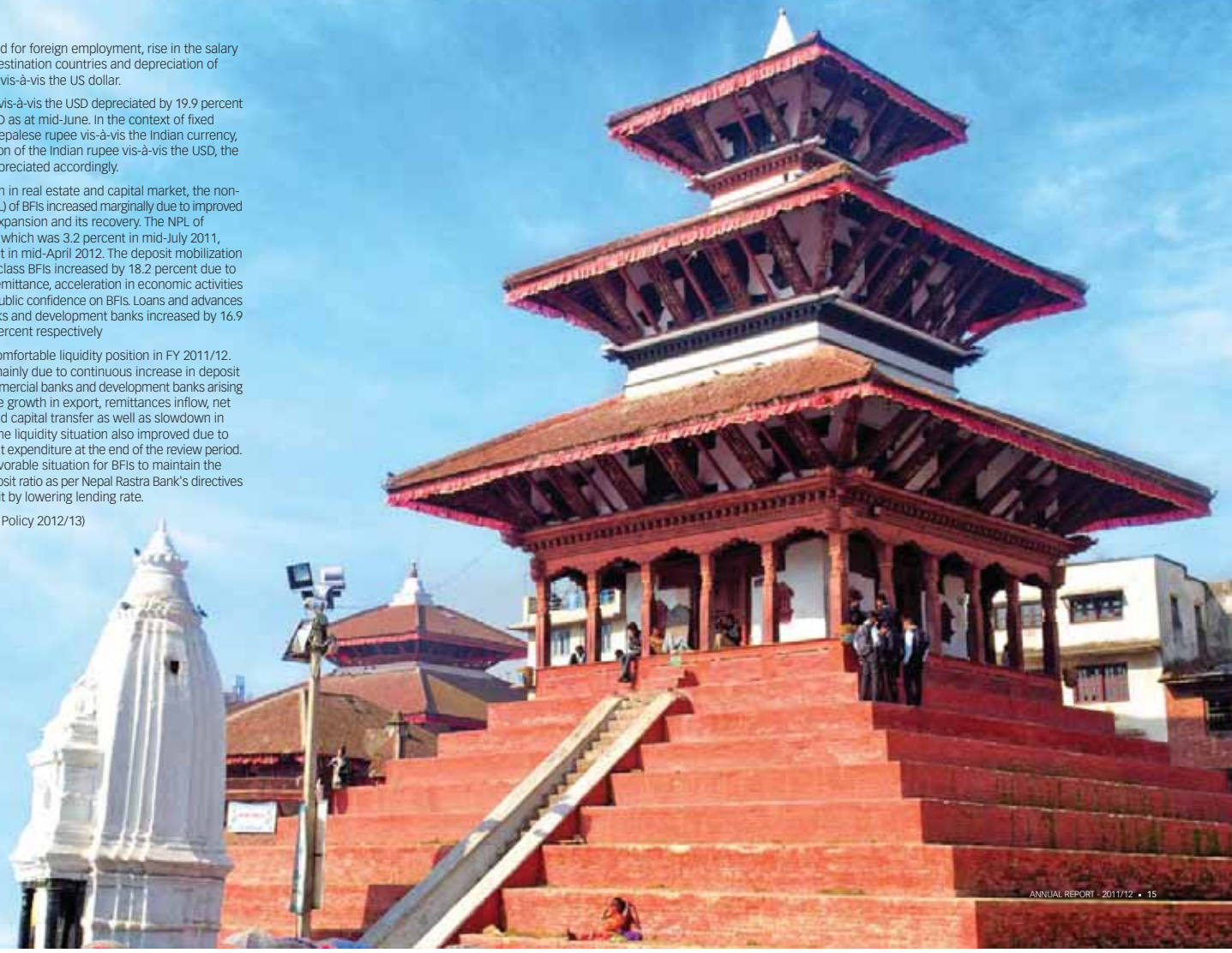
people going abroad for foreign employment, rise in the salary of workers in the destination countries and depreciation of Nepalese currency vis-à-vis the US dollar.

Nepalese currency vis-à-vis the USD depreciated by 19.9 percent to Rs. 88.60 per USD as at mid-June. In the context of fixed exchange rate of Nepalese rupee vis-à-vis the Indian currency, with the depreciation of the Indian rupee vis-à-vis the USD, the Nepalese rupee depreciated accordingly.

Despite a slowdown in real estate and capital market, the non-performing loan (NPL) of BFIs increased marginally due to improved policies on credit expansion and its recovery. The NPL of commercial banks, which was 3.2 percent in mid-July 2011, reached 3.5 percent in mid-April 2012. The deposit mobilization of "A", "B" and "C" class BFIs increased by 18.2 percent due to increased flow of remittance, acceleration in economic activities and strengthened public confidence on BFIs. Loans and advances of commercial banks and development banks increased by 16.9 percent and 17.9 percent respectively.

BFIs remained in comfortable liquidity position in FY 2011/12. This position was mainly due to continuous increase in deposit mobilization of commercial banks and development banks arising from the impressive growth in export, remittances inflow, net services income and capital transfer as well as slowdown in credit expansion. The liquidity situation also improved due to surge in government expenditure at the end of the review period. This has created favorable situation for BFIs to maintain the required credit-deposit ratio as per Nepal Rastra Bank's directives and to extend credit by lowering lending rate.

(Excerpt: Monetary Policy 2012/13)

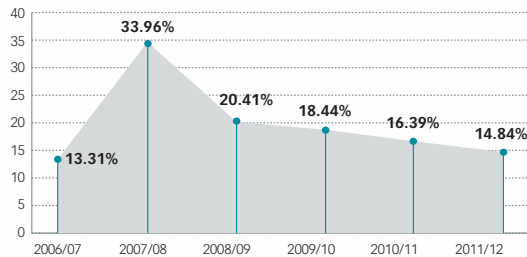


Important Financial Highlights

	15-Jul-12	16-Jul-11	% change
Total Deposits	15,983	12,866	24.22%
Total Loan and Advances	12,468	11,343	9.92%
Total Investments	2,443	2,617	-6.65%
Total Operating Income	592	574	3.14%
Total Operating Expenses	252	212	18.87%
Operating Profit before provision	339	362	-6.35%
Net Profit	52	222	-76.58%
Paid Up Capital	2,000	2,000	0.00%
Capital Adequacy Ratio	14.84%	16.39%	9.46%

During the fiscal year 2011/12 the deposits witnessed a growth of 24.22% to reach NPR15,983M which signifies growing confidence of the customers with the Bank. The cost of deposit was reduced as share in saving accounts was increased vis a vis fixed deposit. The gross loans & advances increased by 9.92% over last fiscal year to reach NPR12,468M. The loan portfolio is diverse with a mix of different sectors such as home loan, auto loan, professional loan, small & medium enterprises, micro finance, corporate lending etc. The bank managed to achieve foreign exchange income of NPR 49.77M during the FY 2011/12 despite tough competition in the market. Significant growth of 37.60% was achieved in Fees, Commission and Discount mainly due to reclassification of some of the income heads. Overall operating expenses during the period increased by 18.90% compared with the preceding year due to the Bank's investment for capacity building in line with the business growth. During the period 2 new branches, 1 extension counter and 10 ATMs were installed. Due to higher Loan loss charges on account of few impaired assets and significant decline in yield on the Bank's investment portfolio, the net profit during the review period was adversely impacted. Total Net Profit of the Bank during the FY 2011/12 recorded at NPR52M vis a vis NPR221M in 2010/11.

Capital Adequacy Ratio



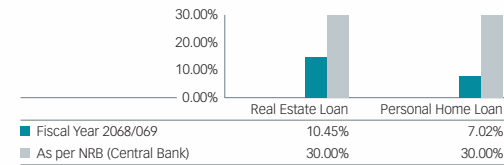
Capital Adequacy

The Capital position remains strong as per the standards laid down by BASEL II with the capital adequacy Ratio of 14.84% as on 15th July 2012 exceeding the 10% capital adequacy requirement stipulated by Nepal Rastra Bank.

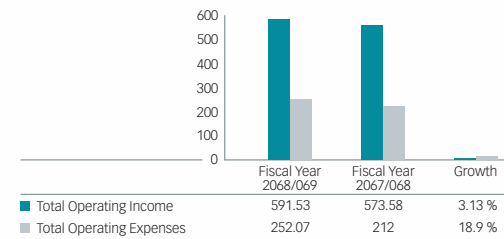
Exposure on Real estate is 10.45% of total loan exposure which is well below NRB's maximum permitted ceiling of 30%, similarly, exposure on Personal Home Loan is 7.02% of total loan exposures which is well within the prescribed requirement of NRB.

The CD ratio (LCY) of the bank stood at 65.76% at the end of FY 2011/12, wherein the CD ratio prescribed by the Central Bank for the fiscal year is 80%. Likewise, the liquidity ratio and the capital fund ratio of the bank stood at 36.62% and 14.84% respectively, well within the prescribed limit of NRB.

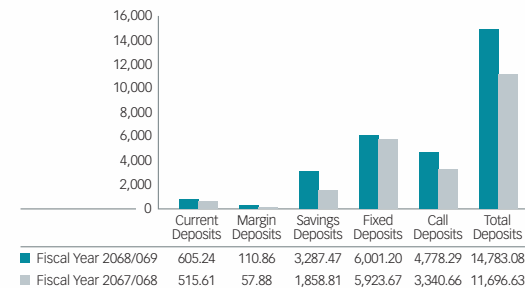
Real Estate and Personal Home Loan



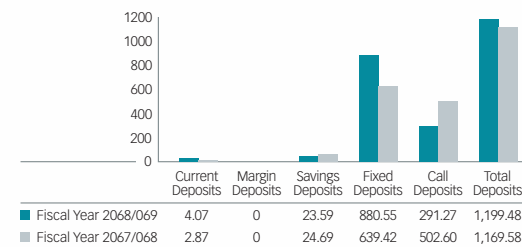
Total Operating Income vs Expenses



Rupee Deposits



FCY Deposits Equivalent to NPR



Impact of National and International events on the Bank Nepal witnessed GDP growth of 4.6% during the year owing to increased agricultural productivity along with growth in the service sector. Industrial expansion though did not make marked growth as economy continued to be hindered by political instability, fragile security coupled with power shortage and labor unrest. Lack of enough investment avenues was also responsible for stunted economy growth. However, remittance remained one of the biggest contributors in Nepal's economy. In the face of EURO crisis, US Dollar strengthened worldwide which had its positive impact on remittance inflow. There was a marked growth on tourism sector which sent an encouraging signal for the investors.





Footprints

The Bank during the fiscal year 2011/12 successfully opened 2 rural branches at Dailekh and Manthali and an extension counter inside B.P. Koirala Institute of Health Sciences Dharan. The opening of the branch in remote area as Dailekh in the far west is a testimony of the Bank's commitment towards economic upliftment of the rural area. The Bank thus has successfully given local people in the far west the flavor of the banking never experienced before. With the opening of 2 branches and 1 extension counter, NMB Bank now has 20 branches and 1 extension counter across the country.

We were successful in adding 10 more ATMs in diverse geography as Dharan, Manthali, Doti, Dailekh. The adverse geographical location such as Dailekh was a challenge for an installation of ATM yet keeping with the customer's satisfaction in view, despite all odds ATMs were installed much to the joy of local residents. With additional 10 ATMs this fiscal year, NMB Bank now has 23 ATMs spread across the country.

Entire banking system depend on technology, keeping in view of the importance and urgency of the maintenance of the system platform, the Bank has prepared 'The Disaster Recovery Plan' which includes provisions for implementing and running essential applications at an alternate site or provisions for equivalent alternate processing in the event of a disaster or other interruption that renders normal processing inoperable. The alternate site is at Bhiarahawa.

Future Plans

The Bank will continue to carve a niche for itself in terms of superior services, customer oriented products, superior financial solutions and giving a good return to its stakeholders. The bank will reach out to more rural population through its micro-finance product and branchless banking. Branchless banking was launched at 2 locations in Thaiba and Kirne. The local residents have greatly benefitted by the service as the banking is now at their door steps literally. More locations will be opened for branchless banking in the coming years. Banking services will be expanded to areas where commercial banking has not reached before. Small & Medium enterprises are the mainstay of the economy hence the bank will continue to encourage such investments. NMB Bank firmly believes in being complaint to Nepal Rastra Bank's directives hence NMB Bank will make an effort to achieve the target of investing 20% of its total loan portfolio in Agriculture, energy, tourism and cottage industry within prescribed deadline. The bank firmly believes that the staff are its core strength hence it will invest on people through various trainings /workshops. Technology platform will be updated to cater to customers' fast growing demands.

Internal Control System

NMB Bank firmly stands tall on its belief that compliance cannot be compromised. Risk management is essential for well being of the overall business. 3 components of risk Credit, Market and Operational Risk are managed independently at NMB Bank. Credit Risk Unit reviews risk related to credit prior to disbursement of all loans, it is independent of a loan approver. Market risk is closely monitored all time. Operational risk unit identifies, assesses and monitors risk around the process in all operational areas of

the bank such as operation, human resource, IT etc. The unit also prepares policy/process to mitigate the risks. Effective implementation of process/controls are periodically reviewed. Operational Risk Unit also carries out assurance reviews of the units to evaluate control weakness, recommends robust controls around the risk areas and monitors execution of control in an ongoing basis.

Audit Committee

Audit Committee is formed in line with NRB Directive. The committee is made up of 3 members, 2 Non-Executive Directors and Head Compliance, Operational Risk and Audit. The Audit Committee meetings are held in line with 'Terms of Reference' prescribed by NRB.

The committee reviews internal/external/NRB audit reports, recommends stringent controls and ensures they are followed. The reports are then escalated to the Board with recommendations for necessary actions. Unaudited quarterly financial results are analyzed each quarter and escalated to the Board with recommendation.

During the fiscal year, Audit Committee met 13 times for which total meeting fee allowance of NPR 234,000.00 was paid to 2 members of the committee. Secretary of the Committee is not entitled to the fees/allowance for Audit Committee meeting.

Internal Audit is outsourced to a reputed firm M/S G.P. Rajbahak & Co. Internal audit is carried out each quarter, all units/branches are audited once every year. Head Compliance, Operational Risk and Audit coordinates for the internal audit.

Sundar & Co. is appointed a statutory audit in 16th AGM for the fiscal year 2068/69.

Risk Management Committee

Risk Management Committee with view of ensuring better risk management in the bank and in line of NRB's requirement is formed with 5 members, is chaired by Non-Executive Director Mr. Rajendra Kafle. The remaining 4 members are Mr. Harishchandra Subedi, Non Executive Director (Coordinator of Audit Committee), Chief Operating Officer, Head Credit Risk and Head Compliance, Operational Risk and Audit. The committee reviews high risk issues escalated by operational and credit risk committees (management level), deliberates on the risks with recommendation of the mitigations. Stress testing, Capital adequacy, impact of regulatory requirements, liquidity position of the Bank are also some of the few topics discussed at the committee with recommendation to the Board as appropriate.

Industrial or professional Business Relationship of the Bank

'Customer care' being the mission of the bank, we at NMB make relentless effort to satisfy the financial needs of our customers. The new products are continuously introduced keeping the demand of our customers. We are committed towards service excellence. Our client base is a mixture of individuals, non-personal, government, non-governmental entities, international entities. The continuous growth in deposit base is also the testimony of our well maintained relationship with our satisfied customers.

We maintain cordial and professional relationship with the regulators. All directives, circulars, regulations are followed and in case of doubt the regulators are directly approached. Money Laundering risk being one of the main concerns of the regulators, NMB Bank fully supports the regulator in managing Money Laundering risk by having a robust Customer Due Diligence (CDD) procedures in place. The CDD procedures dictates screening of the customers at entry level and refrain from establishing the relationship until all information such as details of all directors, shareholders and beneficial owners of the customers are established. The transactions are monitored and reviewed on a periodic basis.

Corporate Governance

We firmly believe that for a bank to be successful, corporate governance play a vital role. Our stakeholders' interest is our topmost priority hence each staff, Board members diligently follow the regulatory requirement. The staff and Board Members are committed towards 'code of ethics'. The Management maintains 'check & balance' for each business deals, transactions so that there is no room for breach of compliance.

Corporate Social Responsibility

The bank owes its existence to the society. It firmly believes in giving back to the society for what the bank has received from the people. Preservation of 'heritage' is one of the activities we at NMB Bank have pursued wholeheartedly. Events such as NMB Heritage Walk, cleaning of heritage sites, Inter school heritage painting competitions were held to promote awareness on importance of heritage. Renovation of Gorakhnath Temple in Thapathali is testimony of our commitment towards preservation of heritage sites.

One of the saving products is named after the local heritage sites and for each account opened under the product, NPR5/- is contributed toward preservation of heritage fund. NMB Social Initiative is registered for operation of CSR activities.

Changes in the 'Board of Directors'

Ms Shanti Byahut, representative from Employee Provident Fund retired after 30 years of long service hence was replaced by Mr. Rajendra Kafle as a non-executive Director.

Mr. Deepak N Shrestha (public Director), resigned from the Board owing to his personal reasons.

During the fiscal year there were altogether 15 Board meetings held and the total allowance paid to the Directors were NPR 1,087,000.00.

Details of shareholdings by the Directors of the Bank is as follows:

Name	Total Shares
Mr. Pawan Kumar Golyan(Chairman)	770,258
Mr. Atma Ram Murarka	770,258
Mr. Purushotam Lal Sanghai	770,258
Ms. Rita Pant	477
Mr. Harischandra Subedi	952
Prof. Dr. Hari Prasad Shrestha	381

The Management Team

Mr. Upendra Poudyal, Chief Executive Officer, is also the Company Secretary of the bank. He along with 6 senior staff members namely Sunil KC, General Manager, Pradeep Pradhan, AGM, Suman Sharma, Head Business Bank, Sharad Tegi, Head Corporate Bank, Bijay Giri, Head Human Resources and Shabnam L. Joshi, Head Compliance, Operational Risk and Audit are the core Management Team at NMB Bank. The remuneration, allowance paid to the Management Team during the FY is as follows:

Details	Chief Executive Officer	Other Officials of Executive Committee
Salary	5,040,000	7,030,632
Allowances	3,360,000	3,375,667
Dashain Bonus	700,000	718,886
Provident fund	504,000	703,063
Total Amount	9,604,000	11,828,248

New Business Initiatives:

The bank endeavors to introduce business initiatives on a continuous basis to fulfill the growing demands of the customers. To this end the bank was successful in introducing new products/services as follows during the FY:

- Visa Debit Card was launched in association with VISA worldwide. VISA worldwide is a global payment technology that connects consumers, businesses and banks in more than 200 countries, with more than 1.7 million ATMs and Point of Sales (POS). This association will enable our customers to travel light and wide.
- NMB Priority Card: Priority Cards was issued to Priority Customers. With the card, the customers enjoys discount facilities at several shopping outlets, restaurants etc.
- Branchless Banking: With an objective to reach banking services to the rural population, the branchless banking was launched at 2 locations in Thaba and Kirne. The local population have greatly benefitted by the service as the banking is now at their door steps literally. More locations will be opened for branchless banking in the coming years.
- Call Center: Call center was set up at Head Office, Babar Mahal with 2 attendants throughout the banking hours to service the

queries of customers on a prompt efficient manner. Customers' complaints too are received at Call center which are reviewed on a daily basis with an intention of resolving customers issues promptly.

- An extension counter at B.P.Koirala Institute of Health Sciences (BPKIHS) was opened with an objective of giving efficient banking services to employees of BPKIHS as well as to fulfill urgent financial needs of the patients and their relatives at the hospital.
- In order to expand and diversify its microfinance services, the Bank has entered into a memorandum of understanding with Helvetas Nepal to provide easy loan to skilled people who are trained through Employment Fund Services. The Bank introduced 'Seepmulak Karja' to fund the capital requirements to utilize the skills and resources of people who are trained through Employment Fund in various occupations such as: electronics, tailoring, carpentry, mobile phone repairing, handicrafts, wood carving, beautician etc. People esp. in the lower income strata benefit from this service. The Bank takes pride in its commitment towards financially challenged group, and has never failed to meet the deprived sector financing requirements of Nepal Rastra Bank. By providing finances to the people under lower income strata, the Bank pursues to contribute to the improvement of standard of living of people and the overall economic growth of the nation.

Subsidiary

The Bank has established a solely owned subsidiary company – NMB Capital Limited with a capital of NPR 70 million to carry out the investment banking activities during the year 2010/11. Additional capital of NPR 30 Million has been raised to support the merchant banking activities during the year 2011/12. Now total paid up capital of NMB Capital Limited is NPR 100 Million.

Details of shares forfeited by the bank

No shares have been forfeited during the year

Amount, if any, outstanding and payable to the company, any director, managing director, chief executive, substantial shareholder or his/ her close relative or by any firm company, corporate body in which he/she is involved-

Details	Outstanding amount as on 16th July 2012
Vishal Enterprises Nepal Pvt. Ltd.	556,217.91
Rameshwor Housing And Developers	6,234,000.00

Information on unclaimed dividends distributed by the bank

Out of the total dividend distributed by the bank for the fiscal years 2057/58, 2058/59, 2059/60, 2060/61, 2063/64, 2066/67, 2067/68 NPR 24,438,778.74 has remained unclaimed. A notice to collect dividend has been published/posted in a newspaper and NMB's website for the information of the shareholders.

Details of fixed assets purchase/sales as per the requirement of section 141

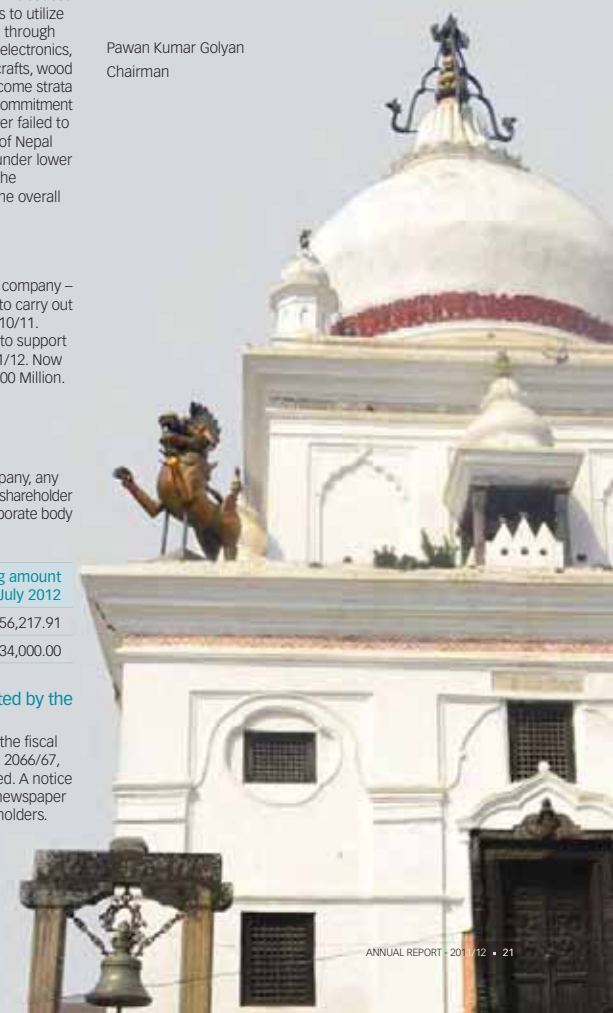
No fixed asset was purchased or sold during the review period.

Acknowledgement

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our valued shareholders, customers and well-wishers for their invaluable support and cooperation. I would also like to thank our Management Team and staff for their relentless effort to deliver excellent performance year after year.

We remain committed toward service excellence and meeting financial needs of our customers today and always.

Pawan Kumar Golyan
Chairman



MANAGEMENT TEAM



From left to right

Suman Sharma
Head Business Banking

Pradeep Pradhan
Asst. General Manager

Sunil KC
General Manager

Shabnam Limbu Joshi
Head Compliance,
Operational Risk & Audit

Upendra Poudyal
Chief Executive Director

Bijay Giri
Head Human Resources

Sharad Tegi Tuladhar
Head Corporate Banking

CORPORATE GOVERNANCE

NMB Bank Ltd. firmly believes that Good Corporate Governance plays a pivotal role in the success of the Bank therefore NMB Bank practices good governance by complying all regulatory requirements and maintaining transparency in all business deals. The Board of Directors and staff are committed towards the 'Code of Conduct/ethic'.

The Board of NMB Bank is represented by a Chairman and seven non Executive Directors. The Board establishes strategy for the Bank which is reviewed periodically to address changes. It provides adequate supervisory oversight on management's strategy.

The Executive Management of NMB Bank is constituted of 7 members , primarily led by Mr. Upendra Poudyal, Chief Executive Officer. The bank maintains sound internal control functions, including an effective compliance function that, among other things, routinely monitors compliance with corporate governance rules, regulations, codes and policies and ensures that deviations are reported to an appropriate level of management or, if appropriate, to the board of directors. The Bank maintains robust risk management framework to manage operational risk, credit risk, market risk, liquidity risk and reputational risk.

In keeping with NRB's Corporate Governance directives and to reinforce on effective governance, NMB Bank in the Board level has formed 3 Committees led by 3 Non Executive Directors namely, Audit Committee, Risk Management Committee and Human Resources Committee.

Audit Committee is formed under the coordination of Non Executive Director Mr. Harish Chandra Subedi, Ms Rita Pant, Non Executive Director as a Member and Head Compliance, Operational Risk and Audit as a secretary. The committee reviews internal/external/NRB audit reports , recommends stringent control process and escalates the audit observations to the Board. The Committee also reviews quarterly unaudited financial reports of the Bank with recommendation to the Board. The committee selects and recommends Internal Auditor and External Auditor to the Board based on their past record. Audit Committee is committed towards maintaining robust control system hence monitors closure of risk issues raised by Internal/External/NRB auditors.

Risk Management Committee with view of ensuring better risk management in the bank is formed with 5 members chaired by Non-Executive Director Mr. Rajendra Kafle, Coordinator of Audit Committee, Head Operations, Head Credit Risk and Head

Compliance, Operational Risk and Audit as members. The committee reviews high risk issues escalated by Operational, Credit risk committees, Asset & Liability Committee (management level) and deliberates on the risks. Stress testing/Capital adequacy/ Monetary Policies, its impact on the Banks are few of the topics discussed regularly at the committee.

Human Resource committee is formed with 5 members under the coordination of Mr. Aatmaram Murarka, Non Executive Director. The committee reviews staff's remuneration, compensation policy and ensures that such remuneration/compensation is consistent with the bank's policies/strategies.

Good corporate governance is practiced in the interest of all stakeholders esp. shareholders. NMB works tirelessly in protecting interest of the depositors hence operates in a safe and sound environment in compliance with applicable laws and regulations. Good governance is in the DNA of every Board members and each staff of NMB Bank.

“ All the member of BOD is non-executive directors who are directly focused in maintaining a structural balance between the management and the policy makers. ”

RISK MANAGEMENT FRAMEWORK

Banking, by its nature, entails taking a wide array of risks such as credit, market and operational risk. NMB Bank understands these risks hence to measure and manage them a robust risk management framework is in place. Identifying, assessing and mitigating risks are ongoing process in NMB Bank.

Credit Risk

The extension of loans is the primary activity of the bank. Lending activities require the bank to make judgement related to the creditworthiness of borrowers based on the submitted financials. Credit risk is one of the major risks that the bank faces every day. It must therefore be assessed, monitored and managed on an ongoing basis. At NMB, credit risk unit is responsible for analysis, assessment and monitoring of credit risk in each loan, the unit is empowered to decline loans if they do not comply to the credit norms. Credit Risk Committee at the Management level meets every month to discuss various credit risks to ward off any surprises in future. Risk arising as a result of market dynamics, political upheavals, customers' behavior are discussed in detail so that loan exposures can be managed better.

Operational Risk

Operational risk is the risk that arises from failure of process, people, system and external events. NMB Bank understands the consequence of not managing operational risk hence an independent operational risk unit has been set up to evaluate/monitor risk, formulate procedures and to build control around the processes. Each month Operational Risk Committee at management level meets to discuss operational risk of entire banking functions. Identified risks are discussed and monitored until it remains no threat to the bank. Operational processes are continuously reviewed to ensure adequate controls are in place. Regulatory requirements are fully complied.

To prepare itself from unknown disasters that may impact the bank and its services, NMB has prepared Business Continuity Plan to tackle such emergencies so that services to the customers are hampered to the minimum.

Market Risk

The bank is exposed to interest rate risk, foreign exchange risk and risk pertaining to investment in equities and commodities on a daily basis. To manage these risks the concerned units are guided by Asset and Liability Policy. Asset Liability Committee (ALCO) meets every month to review the interest /foreign exchange risks so that current as well as forward looking risks are managed timely.

On the Board level, Risk Management Committee (RMC) is formed to oversee the high risk issues that the Bank may be exposed to. The high risk issues identified at the Management Level committees Operational Risk Committees, Credit Risk Committees and Asset Liability Committee are further deliberated at RMC and thus escalated to the Board. Hence with a robust Risk Management Framework in place, risks are managed efficiently/timely at NMB Bank Ltd.



MICROFINANCE

Catering to the financial need of people under low income strata has always been a focus of NMB Bank Limited. The Bank has established an independent Micro Finance Unit (MFU), which is solely responsible for understanding the needs of such people and providing financial services to satisfy those needs. MFU is focused on the unbanked segments of the Nepalese economy, which stands around 60-70 percent of the total population.

NMB Bank has been providing microfinance services in two ways – wholesale lending and retail sales. For wholesale lending, the Bank has entered into agreement with several Micro Finance Institutions (MFIs) in the country. MFIs are the middle men between the Bank and the people, and help to provide the Bank's services to people in rural areas of the country where the Bank is not present. In addition to that, through MFU, the Bank is itself taking the services to people in need. The Bank has mobilized its branches and staff to serve the financial requirements of low income people. The Bank continues to invest in the skills of people by providing collateral/non-collateral loan to clients on group guarantee basis, with reasonable interest rate to provide them the foundation for employing their skills in productive work. Farmers, small household entrepreneurs, and artisans are the major beneficiaries of the Bank's services. Further, the Bank continues to endeavor towards empowerment of women by means of financing their skills and encouraging entrepreneurship to gain semblance of financial independence.

In order to expand and diversify its microfinance services, the Bank has entered into a memorandum of understanding with Helvetas Nepal to provide easy loan to those skilled people who have trained through Employment Fund Services. The Bank

introduced 'Seepmulak Karja' to fund the capital requirements to utilize the skills and resources of people who are trained through Employment Fund in various occupations such as: electronics, tailoring, carpentry, mobile phone repairing, handicrafts, wood carving, beautician etc. People esp. in the lower income strata benefit from this service. The Bank takes pride in its commitment towards financially challenged group, and has never failed to meet the deprived sector financing requirements of Nepal Rastra Bank. By providing finances to the people under lower income strata, the Bank pursues to contribute to the improvement of standard of living of people and the overall economic growth of the nation.

“ The Bank has mobilized its branches and staff to serve the financial requirements of low income people. ”

TOWARDS SUSTAINABLE SOCIAL GROWTH

NMB Bank has since its inception believed in the need to contribute to the society it functions in. Over the period of time, the Bank has supported various causes including healthcare, education and scholarship programs to name a few. This year, NMB Social Initiative (NSI) was formed to give a structured direction to the various social undertakings of the Bank's CSR activities. The organization will be working for social development with primary focus on creating awareness on the preservation of Heritage for the next five years.

Upon initiation, NMB Social Initiative organized the Alakapuri Kantipuri Heritage Walk to mark the 14th Anniversary of the Bank. The proceeds from the Heritage walk will be directed to the renovation of a heritage site. The event saw active participation from stakeholders, business partners and the general public who braved the winter cold to pledge their support for the cause. The Alakapuri Kantipuri Heritage Walk was subsequently followed up with a series of social events that reinforced the Bank's commitment to work on the preservation of heritage.

Moving forward with the drive to create awareness on the importance of heritage, NMB Social Initiative in association with the Kathmandu Municipal Corporation and the Nepal Army organized the Bhadrakali Mandir Clean up Program on the occasion of World Heritage Day. The Bhadrakali Mandir, one of the busiest of temples in Kathmandu has substantial waste generated from offerings each day. Besides cleaning up the temple premises, dust bins were set up in corners around the vicinity of the temple and public awareness messages were put up around the temple periphery to educate on the proper disposal of waste from offerings. NMB Social Initiative plans to organize such clean ups at frequent intervals so as to give momentum and continuity.

The need for the importance of the youth to be involved in efforts towards the preservation of Heritage cannot be over emphasized simply because they are the custodian of the future. In an effort to 'catch them young' NMB Social Initiative sought to involve the youth in an event that would spread this message through a creative outlet-which lead to the 'NMB Bank Inter School Heritage Painting Competition', the first event of its kind where enthusiastic students from schools across the country gathered under the thematically befitting Hanuman Dhoka Museum, a treasure trove of heritage in itself, to paint on the topic of 'Cultural Heritage Sites of Nepal'. A panel comprising of some of Nepal's most prominent figures in Art and Culture including the Head of Office, UNESCO Representative to Nepal selected the award winning Six Best Paintings.

The Bank continued to support all its erstwhile commitments to various causes and organized health camps through its branches in various parts of the country. In an effort to inculcate reading habit amongst school children, book donation drives were organized in branches across the country. The response for the program was overwhelming wherein hundreds of books were donated by customers, staff and the general public. The first lot of the books collected were donated to public schools in Dailekh, Bheri.

The Bank remains committed to upholding the social responsibility it shoulders as a corporate citizen. The formation of NMB Social Initiative marks an important cornerstone and reaffirms the Bank's vision towards sustainable growth in its social endeavours.





PEOPLE OUR STRENGTH

Over the last 17 years, NMB Bank has created an environment that automatically stabilizes the most valuable asset, human capital, and nourishes it in an environment marked by freedom, courage, confidence, competition, equal opportunity and transparency. NMB thus fosters a great work culture, for NMB knows through a stretch of 17 years of banking operation that people are the real movers for growth of the organisation. The Bank also believes that a healthy working environment with satisfied employees is a cornerstone that would insulate the tacit knowledge amongst all staff. What establishes NMB as a bank of precedence and excellence is the fact that NMB has always fostered an open culture as against a marked autocratic chain of commands found in other traditional organizational structures.

NMB's essence is the continuous investment in the trainings both in-house and external as it cares for the career growth of the staff. The number of training programs for staff on Anti Money Laundering, Operational Risk, Credit Risk, Market Risk etc inside and outside Nepal endorses this fact.

NMB is guided by comprehensive internal Human Resources guidelines for staff's promotions, benefits, rewards, welfare. Performance management appraisal system is in place to ensure performing staff are recognized for their invaluable performance. The staff recruitment process is transparent and it has been developed to select the best talent irrespective of caste, creed and gender. Our staff from diverse backgrounds work in synergy to take the Bank to new height of success each year.

NMB BANK *Priority* BANKING

'Service par excellence'

NMB PRIORITY BANKING

Priority Banking is relatively a new service delivery channel for the banking industry in Nepal. However, with the vision of giving extra recognition to the customers who have been banking with us for a very long time and who have continuously believed on us and supported us through every high and lows and also to the new customers who have come to be part of us, we have launched "NMB Priority Banking" in our Head Office Babar Mahal. NMB Priority Banking offers extra valued services to our priority customers who have been maintaining deposit above NPR2M. As a member of exclusive NMB Priority Banking, the customers are entitled to the following privileged services and facilities:

- Dedicated Relationship Manager for one window service
- Home Banking
- Utility bill payments i.e. Telephone, Mobiles
- Investment advices on Bonds, IPOs and Mutual Fund
- Financial advisory services on retail loan

NMB also launched a 'Priority Banking Card' for exclusive use of our Priority Banking customers with which the customers can enjoy attractive discounts at various recreational centers, department stores, hospitals, beauty salons etc.

We at NMB Bank wish to make 'NMB Priority banking' an experience in itself to all customers and are committed towards continuous delivery of premium services to each.





PRODUCTS & SERVICES

We at NMB are continuously striving towards meeting each financial need of our diverse customers. Customer's satisfaction is at the core of our banking strategy. In the past we have introduced several products/services which we believe have benefitted our customers and have helped us establish our position firmly in the market. This FY, we were proud to have introduced the following products/services to our valued customers:



Sulav Remit

NMB Bank introduced its own remittance service from this fiscal year. Branded as Sulav Remit, it is a remittance service through which people can transfer money from one part of the country to another. It is a remittance system developed by the Bank which facilitates people to send and receive money, within minutes, from one place to another inside Nepal. Customers can get Sulav Remit services from all NMB Branches and authorized payout agents distributed throughout the country. Still in its nascent stage, Sulav Remit has already made convenient, authorized domestic remittance a reality in each corner of Nepal for every Nepali.



NMB Visa International Card

NMB International Visa Card is prepaid card which is accepted at all Visa Merchant outlets and 24 hour Visa ATMs worldwide. This card is acceptable in more than 200 countries across the world. This card provides easy payment option while travelling abroad. NMB Visa International Card can be issued to a foreign currency account holder and person travelling abroad using their travelling facility. This card frees up customers with the hassle of carrying cash or travelers cheques while traveling abroad. Further, customers will not have to face the hassle of purchasing travelers cheques or drafts, and the hassle of chasing moneychangers for exchanging the instruments.



NMB Professional Loan

NMB Professional Loan is a collateral free short term finance to meet the general financial needs of people like purchase of equipments, education purposes, furnishing and refurbishing of house and other personal needs. This is a term loan and the mode of repayment is in equated monthly installments consisting of interest and principal. NMB Professional Loan is targeted towards the Nepali citizens of well established organizations in the country – NGOs, INGOS, Hospitals, and Airlines etc., Nepali Professionals with 5 years of service experience.



NMB Visa Debit Cards

NMB Bank successfully acquired the associate membership of Visa International Pte Ltd this fiscal year. And, as an associate member the Bank now issues debit cards to its customers under the worldwide Visa brand. NMB Bank VISA Debit Card enables wider access to more than 400,000 ATMs and 2.5 million Point of Sales Terminals (POS) terminals in India and Nepal. With NMB Bank Visa Debit Card, customers can access their account 24-hours a day, 7 days a week and enjoy greater convenience to facilitate their banking and financial needs.



Sulav Banking

Sulav Banking is the branchless banking service of NMB Bank Limited. It is a new distribution channel recently introduced by the Bank for delivering financial services to people where its branches are not present. Sulav Banking is currently being offered to the people of Thailaba area in Lalitpur and Ramechhap district of Nepal. The Bank uses Point of Transaction machines and Smart Cards technology to identify customers and record transactions electronically, and such transactions are initiated and carried out with the help of Business Correspondents of the Bank who generally are the small retailers of the area. With the help of Sulav Banking service, the Bank offers withdrawal and deposit of cash to people in the remote areas of the country.



Consolidated Balance Sheet

As at Ashad 31, 2069 (July 15, 2012)

Capital & Liabilities	Current Year Rs.	Previous Year Rs.
1 Share Capital	2,000,000,000	2,000,000,000
2 Reserve and Funds	269,364,848	219,627,661
3 Debentures and Bonds	-	-
4 Borrowings	-	497,200,000
5 Deposits	15,965,311,135	12,799,493,788
6 Bills Payables	4,506,483	92,816,400
7 Proposed Dividend	-	180,000,000
8 Income Tax Liabilities	4,166,215	2,610,706
9 Other Liabilities	286,145,736	192,276,452
Total Liabilities	18,529,494,417	15,984,025,007
Assets	Current Year Rs.	Previous Year Rs.
1 Cash Balance	323,939,422	264,690,797
2 Balance with Nepal Rastra Bank	2,992,466,135	876,756,594
3 Balance with Banks/Financial Institutions	293,600,837	375,599,898
4 Money at Call and Short Notice	20,912,176	259,166,634
5 Investments	2,416,002,621	2,612,446,359
6 Loans, Advances and Bills Purchased	12,070,838,923	11,208,573,935
7 Fixed Assets	287,830,146	286,372,657
8 Non-Banking Assets	-	-
9 Other Assets	123,904,157	100,418,133
Total Assets	18,529,494,417	15,984,025,007

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 20th November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Movement of Loan Loss Provision & Interest Suspense *Amount (NPR)*

Category	Ashad End 2068	Ashad End 2069	Movement
Pass	113,229,322	124,416,806	11,187,484
Restructured	4,923,801	1,197,376	(3,726,424)
Substandard	2,233,917	5,146,417	2,912,499
Doubtful	1,737,423	12,362,803	10,625,380
Loss	12,393,517	254,516,312	242,122,795
Total Loan Provision	134,517,980	397,639,714	263,121,734

Interest Suspense

As per NRB Directives, all interest accruals on loans and advances, irrespective of loan category, are transferred to interest suspense account until the interest accrued and due is realized in cash. Details of Interest Suspense Movement is as follows:

Particulars	Ashad End 2068	Ashad End 2069	Movement
Interest Suspense	49,220,036	91,025,183	41,805,147

Details of Additional Loan Loss Provision

Category	Amount (NPR)
Pass	11,187,483
Restructured	883,789
Substandard	5,146,417
Doubtful	12,362,803
Loss	248,121,997
Total Additional Loan Loss Provision	277,702,489

Segregation of Investment Portfolio

Particulars	Amount (NPR)
Held for Trading	6,400,000
Held for Maturity	2,322,912,142
Available for Sale	113,450,549
Total Investment Portfolio	2,442,762,691

NOTE: Investment under held for trading category includes NSB Bonds held by the Bank, bought and sold daily as market maker of the same.

Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk mitigant of NPR 155,821,068 for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

Summary of the Bank's internal approach to assess the adequacy of its capital to support current & future activities:

The Bank has prepared and implemented Internal Capital Adequacy Assessment Process (ICAAP) to ensure that the bank understands its risk profile and has systems in place to assess, quantify and monitor risk. One of the objectives of ICAAP is to determine the economic capital required to cover all risks faced. ICAAP enables the bank to ensure that it has adequate overall capital in relation to its risk profile. The bank is responsible for maintaining and implementing ICAAP hence it gets reviewed annually.

UNIT HEADS

Sanju Shrestha, Head Retail & Priority Banking
 Sushama Sharma, Head Institutional Banking & Corporate Affairs
 Pramod Dahal, Head Credit Risk Management
 Madhav Pradhan, Head Central Administration
 Alok Shrestha, Manager Operations & Branch Coordination
 Puspaa Aryal, Head Trade Finance
 Roshan Regmi, Head Information Technology
 Suresh Dhakal, Head Credit Administration
 Neeraj Man Sainju, Head Treasury
 Dinesh Chand, Head Transaction Banking
 Suraj Shrestha, Head Special Asset Management & Credit Recovery
 Rukmini Maharjan, Head Micro Finance
 Mridul Parajuli, Head Finance & Planning
 Madan Dangol, Officer Central Back Office
 Sakar Shrestha, Officer Treasury Back Office
 Bimal Lamsal, Officer Treasury Mid-Office & Correspondent Banking

BRANCH MANAGERS

Chiran Jha, Babar Mahal
 Binay Shrestha, Durbar Marg
 Upendra Manandhar, New Road
 Shradha Amatya, Thamel
 Dibir Bikram Shah, Chabahil
 Yuba Raj Dahal, Kumaripati
 Savin Arjel, Thaiba
 Sunita Nakarmi, Lubhoo
 Yubraj Dhakal, Banepa
 Milan Udas, Dharan
 Rajesh Timsina, Biratnagar
 Rabi Gurung, Pokhara
 Rajiv Malla, Butwal
 Hansha Bahadur Dharmi, Nepalgunj
 Tekraj Bhatta, Dhangadi
 Nabin Bista, Doti
 Lok Raj Paneru, Birgunj
 Dharendra Wagle, Manthali/Kirne
 Suraj Shrestha, Dailekh



Consolidated Balance Sheet

As at Ashad 31, 2069 (July 15, 2012)

Capital & Liabilities		Current Year Rs.	Previous Year Rs.
1	Share Capital	2,000,000,000	2,000,000,000
2	Reserve and Funds	269,364,848	219,627,661
3	Debentures and Bonds	-	-
4	Borrowings	-	497,200,000
5	Deposits	15,965,311,135	12,799,493,788
6	Bills Payables	4,506,483	92,816,400
7	Proposed Dividend	-	180,000,000
8	Income Tax Liabilities	4,166,215	2,610,706
9	Other Liabilities	286,145,736	192,276,452
	Total Liabilities	18,529,494,417	15,984,025,007
Assets		Current Year Rs.	Previous Year Rs.
1	Cash Balance	323,939,422	264,690,797
2	Balance with Nepal Rastra Bank	2,992,466,135	876,756,594
3	Balance with Banks/Financial Institutions	293,600,837	375,599,898
4	Money at Call and Short Notice	20,912,176	259,166,634
5	Investments	2,416,002,621	2,612,446,359
6	Loans, Advances and Bills Purchased	12,070,838,923	11,208,573,935
7	Fixed Assets	287,830,146	286,372,657
8	Non-Banking Assets	-	-
9	Other Assets	123,904,157	100,418,133
	Total Assets	18,529,494,417	15,984,025,007

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 20th November, 2012

Place: NMB Bhawan, Babar Mahal, Kathmandu

Consolidated Profit and Loss Account

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Interest Income	1,717,662,054	1,492,385,078
2 Interest Expenses	1,255,185,555	1,047,082,780
Net Interest Income	462,476,499	445,302,298
3 Commission and Discount	38,505,546	32,412,130
4 Other Operating Income	54,347,506	67,658,019
5 Exchange Fluctuation Income	49,772,786	47,190,859
Total Operating Income	605,102,337	592,563,306
6 Staff Expenses	97,075,072	78,819,128
7 Other Overhead Expenses	162,050,706	138,894,877
8 Exchange Fluctuation Loss	-	-
Operating Profit Before Provision for Possible Loss	345,976,559	374,849,301
9 Provision for Possible Losses	278,299,676	36,531,519
Operating Profit	67,676,883	338,317,782
10 Non-operating Income/Loss	8,303,264	2,398,182
11 Loss Provision Written-Back	15,149,642	25,610,230
Profit from Regular Operations	91,129,789	366,326,194
12 Profit/Loss from extra-ordinary activities	2,125,709	14,384,942
Net Profit after considering all activities	93,255,498	380,711,136
13 Staff Bonus Provision	8,477,772	34,610,103
14 Provision for Income Tax	28,040,538	116,430,423
Current Year	26,428,613	106,006,781
Previous Year	-	-
Current Year Deferred Tax Income/(Loss)	1,611,925	10,423,642
Net Profit/Loss	56,737,188	229,670,610

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 20th November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Consolidated Profit and Loss Appropriation Account

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
Income		
1 Accumulated profit up to the last year	15,298,798	4,432,573
2 Current Year's Profit	56,737,188	229,670,610
3 Exchange Equalization Fund	-	-
Total	72,035,986	234,103,183
Expenses		
1 Accumulated Loss up to the last year	-	-
2 Current Year's Loss	-	-
3 General Reserve	10,444,888	44,300,955
4 Contingent Reserve	-	-
5 Institutional Development Fund	-	-
6 Dividend Equalization Fund	-	-
7 Staff Related Reserve Fund	-	-
8 Proposed Dividend	-	180,000,000
9 Proposed issue of Bonus Shares	-	-
10 Special Reserve Fund	-	-
11 Exchange Equalization Fund	4,357,725	3,011,293
12 Capital Redemption Reserve Fund	-	-
13 Capital Adjustment Fund	-	-
14 Others	492,251	(8,507,863)
a) Deferred Tax Reserve	-	(8,507,863)
b) Investment Adjustment Reserve	492,251	-
Total	15,294,864	218,804,385
15 Accumulated Profit/(Loss)	56,741,122	15,298,798

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 20th November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Consolidated Statement of Changes in Equity

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	(Amount in Rs.)							Total Amount		
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Deferred Tax Reserve		Investment Adjustment Reserve	Other Reserve and Fund
Opening Balance	2,000,000,000	15,298,798	186,059,746	-	10,077,915	6,414,442	-	1,776,760	-	2,219,627,661
Balance	2,000,000,000	15,298,798	186,059,746	-	10,077,915	6,414,442	-	1,776,760	-	2,219,627,661
Adjustments										
Right Shares	-	-	-	-	-	-	-	-	-	-
Auction of Right Shares	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	56,737,188	-	-	-	-	-	-	-	56,737,188
General Reserve	-	(10,444,888)	10,444,888	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(4,357,725)	-	-	-	4,357,725	-	-	-	-
Proposed Bonus Share	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	(492,251)	-	-	-	-	-	492,251	-	-
Closing Balance	2,000,000,000	56,741,122	196,504,634	-	10,077,915	10,772,167	-	2,269,011	-	2,276,364,849

Consolidated Cash Flow Statement

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	(55,928,923)	90,756,904
1 Cash Received	1,771,644,888	1,549,685,785
1.1 Interest Income	1,603,477,371	1,376,023,909
1.2 Commission and Discount Income	38,505,546	31,470,805
1.3 Income from foreign exchange transaction	49,772,786	47,190,859
1.4 Recovery of Loan written off	2,125,709	-
1.5 Other Income	77,763,476	95,000,212
2 Cash Payment	1,827,573,811	1,458,928,881
2.1 Interest Expenses	1,255,185,555	1,056,689,102
2.2 Staff Expenses	97,075,072	78,819,128
2.3 Office Overhead Expenses	162,050,706	139,457,896
2.4 Income Tax Paid	26,485,029	113,891,599
2.5 Other Expenses	286,777,449	70,071,156
Cash Flow before changes in Working Capital	1,846,680,159	(942,091,970)
Increase/(Decrease) of Current Assets	(647,496,555)	(3,117,365,209)
1 (Increase)/Decrease in Money at Call and Short Notice	238,254,457	323,142,157
2 (Increase)/Decrease in Short-term Investment	-	(67,500,000)
3 (Increase)/Decrease in Loan and Bills Purchase	(862,264,987)	(3,400,455,248)
4 (Increase)/Decrease in Other Assets	(23,486,025)	27,447,882
Increase/(Decrease) of Current Liabilities	2,494,176,714	2,175,273,239
1 Increase/(Decrease) in Deposits	3,165,817,347	2,688,804,057
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(497,200,000)	116,944,734
4 Increase/(Decrease) in Other Liabilities	(174,440,633)	(630,475,552)
(b) Cash flow from Investment Activities	309,207,869	280,121,060
1 (Increase)/Decrease in Long-term Investment	196,443,738	171,010,759
2 (Increase)/Decrease in Fixed Assets	(1,457,489)	(31,077,878)
3 Interest income from Long-term Investment	114,184,684	140,187,079
4 Dividend Income	36,936	1,100
5 Others	-	-
(c) Cash flow from Financing Activities	(7,000,000)	358,427,915
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-	-
2 Increase/(Decrease) in Share Capital	-	348,350,000
3 Increase/(Decrease) in Other Liabilities (Last year Dividend Payment)	(7,000,000)	-
4 Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5 Increase/(Decrease) in Share Premium	-	10,077,915
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	-	-
(e) Current Year's Cash Flow from All Activities	2,092,959,105	(212,786,091)
(f) Opening Balance of Cash and Bank Balances	1,517,047,289	1,729,833,380
(g) Closing Balance of Cash and Bank Balances	3,610,006,394	1,517,047,289

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 20th November, 2012

Place: NMB Bhawan, Babar Mahal, Kathmandu

Consolidated Notes to Accounts

Financial Year 17 July 2011 to 15 July 2012 (1 Shrawan 2068 to 31 Ashad 2069)

1. General Information

NMB Bank Limited (the "Bank") is a limited liability company domiciled in Nepal. The registered office of the Bank is G.P.O. Box 11543, Babar Mahal, Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

The Bank carries out commercial banking activities in Nepal under license from Nepal Rastra Bank as Class A licensed institution.

2. Summary of Significant Accounting Policies

The financial statements of the Bank as on 15th July 2013 includes financial statements of its subsidiary NMB Capital Ltd. The financial performance of NMB Capital Ltd was satisfactory during the fiscal year 2011/12.

Merchant banking services is one of the main activities of NMB Capital under the approval of Stock Exchange Board.

The principal accounting policies applied in the preparation of the financial statements of the Bank are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented herein.

2.1 Statement of Compliance

The consolidated financial statements and the Bank's separate financial statement have been prepared in accordance with the Nepal Accounting Standards (NAS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated, the provisions of Bank and Financial Institution Act, 2063 (BAFIA), the requirements of NRB Directives and in compliance with the Companies Act 2063.

Group's consolidated financial statements include both financial statements of NMB Bank Ltd and its subsidiary NMB Capital Ltd.

NMB Bank exercises control over its subsidiary NMB Capital Ltd till the time it enjoys direct or indirect right of such control over any financial institution.

In the consolidated financial statement, asset, liability, income, expense of both NMB Bank and NMB Capital have been consolidated but inter company transactions and deposits, income and expense, yet to be realized profit and loss are not incorporated.

Comments on Consolidated Financial Statement

Financial Year 17 July 2011 to 15 July 2012 (1 Shrawan 2068 to 31 Ashad 2069)

Deferred Tax Liability (Asset)

Details of Temporary differences and Deferred Tax liability are as follows:

Particulars	Carrying Value	As per Tax Act	Net Temporary Difference	Deferred Tax liability as on 15th July 12 @ 30% for the Bank and 25% for the subsidiary
Fixed Assets	279,479,436	238,756,446	40,722,990	12,216,897
Gratuity provision	15,335,603	-	(15,335,603)	(4,600,681)
Sick leave provision	10,524,655	-	(10,524,655)	(3,157,396)
Provision on investment	2,321,070	-	(2,321,070)	(696,321)
Fixed Asset of subsidiary co.	8,350,709	8,346,725	3,984	996
Gratuity Provision of a subsidiary	706,409	-	(706,409)	(176,602)
Sick leave of a subsidiary	236,754	-	(236,754)	(59,188)
Consolidated deferred tax liability				3,527,704
Balance of the Bank's deferred tax liability				(1,987,661)
Balance of the subsidiary's deferred tax liability				71,882
Deferred tax expense/(income) current fiscal year (consolidated)				1,611,925

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NMB BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of NMB Bank Ltd, which comprise the balance sheet as at 31st Ashadh 2069 corresponding to 15th July 2012, and the profit & loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards so far as applicable in compliance with prevailing Acts and laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

On examination of the financial statements as aforesaid, we report that:

- a. We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.

- b. In our opinion, proper books of account as required by law have been kept by the bank, in so far as appears from our examination of those books of account and the financial statements dealt with by this report, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of accounts.
- c. In our opinion, the returns received from the respective branches are adequate for the audit purpose, though the statements are independently not audited.
- d. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any employee of the Bank has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the Bank or committed any misappropriation or violated any directive of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank and its depositors.
- e. In our opinion, adequate capital fund and provisions for losses have been made and the business of the Bank has been conducted within its authority.

Opinion on the Financial Statements

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements referred to above, read together with the notes attached thereon give a true and fair view of the financial position of the bank as of Ashadh 31st, 2069 (July 15th, 2012), and of the results of its financial performances and its cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing Laws.



Sunder Man Shrestha, FCA
Chartered Accountant
Partner
Sundar & Co.



Date: November 21, 2012



Balance Sheet

As at Ashad 31, 2069 (July 15, 2012)

Capital & Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1 Share Capital	4.1	2,000,000,000	2,000,000,000
2 Reserve and Funds	4.2	263,686,267	211,461,825
3 Debentures and Bonds	4.3	-	-
4 Borrowings	4.4	-	497,200,000
5 Deposits	4.5	15,982,555,058	12,866,221,928
6 Bills Payables	4.6	4,506,483	2,838,460
7 Proposed Dividend		-	180,000,000
8 Income Tax Liabilities		-	-
9 Other Liabilities	4.7	244,082,741	190,469,832
Total Liabilities		18,494,830,549	15,948,192,045
Assets	Schedule	Current Year Rs.	Previous Year Rs.
1 Cash Balance	4.8	323,939,422	264,687,523
2 Balance with Nepal Rastra Bank	4.9	2,992,466,135	876,756,594
3 Balance with Banks/Financial Institutions	4.10	250,578,034	352,442,823
4 Money at Call and Short Notice	4.11	20,912,176	259,166,634
5 Investments	4.12	2,440,441,621	2,614,946,359
6 Loans, Advances and Bills Purchased	4.13	12,070,838,923	11,208,573,935
7 Fixed Assets	4.14	279,479,436	276,548,622
8 Non-Banking Assets	4.15	-	-
9 Other Assets	4.16	116,174,802	95,069,555
Total Assets		18,494,830,549	15,948,192,045
Contingent Liabilities	Schedule	4.17	
Declaration of Directors	Schedule	4.29	
Statement of Capital Fund	Schedule	4.30(A)	
Statement of Credit Risk	Schedule	4.30 (B)	
Statement of Credit Risk Mitigation	Schedule	4.30 (C)	
Statement of Operation Risk	Schedule	4.30 (D)	
Statement of Market Risk	Schedule	4.30 (E)	
Principal Indicators	Schedule	4.31	
Principal Accounting Policies	Schedule	4.32	
Notes to Accounts	Schedule	4.33	
Statement of Promoter's Loan	Schedule	4.34	
Comparative Report of Unaudited and Audited Financial Result	Schedule	4.35	
Unaudited Financial Results	Schedule	4.36	

Schedules 4.1 to 4.17 and 4.32, 4.33 are integral parts of this Balance Sheet.

As per our attached report of even date

Uendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Sundar Man Shrestha, FCA
For Sundar & Co.
Chartered Accountants

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 21st November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Account

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
1 Interest Income	4.18	1,705,833,089	1,492,385,078
2 Interest Expenses	4.19	1,256,257,336	1,053,450,938
Net Interest Income		449,575,753	438,934,140
3 Commission and Discount	4.20	38,505,546	27,982,688
4 Other Operating Income	4.21	53,699,689	59,471,772
5 Exchange Fluctuation Income	4.22	49,772,786	47,190,859
Total Operating Income		591,553,774	573,579,459
6 Staff Expenses	4.23	92,443,491	75,614,266
7 Other Overhead Expenses	4.24	159,629,600	136,395,362
8 Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		339,480,683	361,569,831
9 Provision for Possible Losses	4.25	278,299,676	36,531,519
Operating Profit		61,181,007	325,038,312
10 Non-operating Income/Loss	4.26	8,303,264	3,902,526
11 Loss Provision Written-Back	4.27	15,149,642	25,610,230
Profit from Regular Operations		84,633,913	354,551,068
12 Profit/Loss from extra-ordinary activities	4.28	2,125,709	14,384,942
Net Profit after considering all activities		86,759,622	368,936,010
13 Staff Bonus Provision		7,887,238	33,539,637
14 Provision for Income Tax		26,647,942	113,891,599
Current Year		24,873,104	103,396,075
Previous Year		-	-
Current Year Deferred Tax Income/(Loss)		1,774,838	10,495,524
Net Profit/Loss		52,224,442	221,504,774

Schedule No. 4.18 to 4.28 integral parts of this Profit and Loss Account.

As per our attached report of even date

Uendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Sundar Man Shrestha, FCA
For Sundar & Co.
Chartered Accountants

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 21st November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Appropriation Account

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
Income			
1 Accumulated profit up to the last year		7,132,962	4,432,573
2 Current Year's Profit		52,224,442	221,504,774
3 Exchange Equalization Fund		-	-
Total		59,357,404	225,937,347
Expenses			
1 Accumulated Loss up to the last year		-	-
2 Current Year's Loss		-	-
3 General Reserve		10,444,888	44,300,955
4 Contingent Reserve		-	-
5 Institutional Development Fund		-	-
6 Dividend Equalization Fund		-	-
7 Staff Related Reserve Fund		-	-
8 Proposed Dividend		-	180,000,000
9 Proposed issue of Bonus Shares		-	-
10 Special Reserve Fund		-	-
11 Exchange Equalization Fund		4,357,725	3,011,293
12 Capital Redemption Reserve Fund		-	-
13 Capital Adjustment Fund		-	-
14 Others		492,251	(8,507,863)
a) Deferred Tax Reserve		-	(8,507,863)
b) Investment Adjustment Reserve		492,251	-
Total		15,294,864	218,804,385
15 Accumulated Profit/(Loss)		44,062,540	7,132,962

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Sundar Man Shrestha, FCA
For Sundar & Co.
Chartered Accountants

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 21st November, 2012

Place: NMB Bhawan, Babar Mahal, Kathmandu

Statement of Changes in Equity

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	(Amount in Rs.)									
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Other Reserve and Fund	Total Amount
Opening Balance	2,000,000,000	7,132,962	186,059,746	-	10,077,915	6,414,442	-	1,776,760	-	2,211,461,825
Balance	2,000,000,000	7,132,962	186,059,746	-	10,077,915	6,414,442	-	1,776,760	-	2,211,461,825
Adjustments										
Right Shares	-	-	-	-	-	-	-	-	-	-
Auction of Right Shares	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	52,224,442	-	-	-	-	-	-	-	52,224,442
General Reserve	-	(10,444,888)	10,444,888	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(4,357,725)	-	-	-	4,357,725	-	-	-	-
Proposed Dividend	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	492,251	-	492,251
Closing Balance	2,000,000,000	44,062,540	196,504,634	-	10,077,915	10,772,167	-	2,269,011	-	2,263,686,267

Cash Flow Statement

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	(59,124,654)	88,588,097
1 Cash Received	1,752,518,107	1,538,011,418
1.1 Interest Income	1,591,648,406	1,359,469,501
1.2 Commission and Discount Income	38,505,546	27,982,688
1.3 Income from foreign exchange transaction	49,772,786	47,190,859
1.4 Recovery of Loan written off	2,125,709	-
1.5 Other Income	70,465,660	103,368,370
2 Cash Payment	1,811,642,761	1,449,423,321
2.1 Interest Expenses	1,246,734,813	1,053,450,938
2.2 Staff Expenses	92,443,491	75,614,266
2.3 Office Overhead Expenses	159,629,600	136,395,362
2.4 Income Tax Paid	26,647,942	113,891,599
2.5 Other Expenses	286,186,915	70,071,156
Cash Flow before changes in Working Capital	1,839,775,762	(895,636,045)
Increase/(Decrease) of Current Assets	(645,115,777)	(3,037,317,008)
1 (Increase)/Decrease in Money at Call and Short Notice	238,254,457	323,142,157
2 (Increase)/Decrease in Short-term Investment	-	-
3 (Increase)/Decrease in Loan and Bills Purchase	(862,264,987)	(3,400,455,248)
4 (Increase)/Decrease in Other Assets	(21,105,247)	39,996,083
Increase/(Decrease) of Current Liabilities	2,484,891,537	2,141,680,963
1 Increase/(Decrease) in Deposits	3,116,333,131	2,755,532,197
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	(497,200,000)	116,944,734
4 Increase/(Decrease) in Other Liabilities	(134,241,594)	(730,795,968)
(b) Cash flow from Investment Activities	292,445,543	212,673,593
1 (Increase)/Decrease in Long-term Investment	174,504,738	101,010,759
2 (Increase)/Decrease in Fixed Assets	(2,930,814)	(21,253,843)
3 Interest income from Long-term Investment	114,184,683	132,915,577
4 Dividend Income	6,686,936	1,100
5 Others	-	-
(c) Cash flow from Financing Activities	-	358,427,915
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-	-
2 Increase/(Decrease) in Share Capital	-	348,350,000
3 Increase/(Decrease) in Other Liabilities	-	-
4 Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5 Increase/(Decrease) in Share Premium	-	10,077,915
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	-	-
(e) Current Year's Cash Flow from All Activities	2,073,096,651	(235,946,440)
(f) Opening Balance of Cash and Bank Balances	1,493,886,940	1,729,833,380
(g) Closing Balance of Cash and Bank Balances	3,566,983,591	1,493,886,940

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Sundar Man Shrestha, FCA
For Sundar & Co.
Chartered Accountants

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Rita Pant
Director

Harischandra Subedi
Director

Dr. Hari Prasad Shrestha
Director

Rajendra Kafle
Director

Pradeep Pradhan
Chief Operating Officer

Date: 21st November, 2012
Place: NMB Bhawan, Babar Mahal, Kathmandu

Share Capital and Ownership

Schedule 4.1

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorized Capital		
a) 20,000,000 Ordinary Shares of Rs.100 each	2,000,000,000	2,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs.each		
1.2 Issued Capital		
a) 20,000,000 Ordinary Shares of Rs.100 each	2,000,000,000	2,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.3 Paid up Capital		
a) 20,000,000 Ordinary Shares of Rs.100 each	2,000,000,000	2,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.4 Proposed Bonus Share	-	-
1.5 Call in Advance	-	-

Share Ownership	Current Year Rs.		Previous Year Rs.	
	%	Share Capital	Share Capital	%
1 Local Ownership	87.10	1,742,006,023	1,746,673,223	87.33
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	17.22	344,485,450	346,232,260	17.31
1.5 Individual	69.88	1,397,520,573	1,400,440,963	70.02
1.6 Others	-	-	-	-
2 Foreign Ownership	12.90	257,993,977	253,326,777	12.67
Total	100.00	2,000,000,000	2,000,000,000	100.00

LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF SHARE CAPITAL

Name of the Shareholders	Current Year	
	Amount	% of Total
HARIBABU NEUPANE	10,000,000	0.50
SHANKAR ELECTRIC INDUSTRY PVT. LTD.	13,320,100	0.67
SHARAD GOYAL	14,384,300	0.72
SHIVARATAN SHARDA	15,749,866	0.79
RAJESH AGRAWAL	18,181,625	0.91
BISHAL AGRAWAL	19,083,020	0.95
SUBHASH CHANDRA SHANGAI	19,083,020	0.95
ASHOK KUMAR MURARKA	23,107,920	1.16
NARPAT SINGH JAIN	27,435,419	1.37
BALRAM NEUPANE	29,673,402	1.48
DIN BANDHU AGRAWAL	30,097,020	1.50
MANJU TAPADIYA	31,344,689	1.57
ANANT KUMAR GOLYAN	40,996,720	2.05
SANTOSH RATHI	61,491,575	3.07
ATMARAM MURARKA	77,025,800	3.85
PAWAN KUMAR GOLYAN	77,025,800	3.85
PURUSHOTAM LAL SHANGHAI	77,025,800	3.85
TRILOK CHAND AGRAWAL	81,050,700	4.05
M/S. GAYATRI INVESTMENT & MANAGEMENT (P) LTD.	85,147,300	4.26
NANDA KISHOR RATHI	103,078,069	5.15
KARMACHARI SANCHAYA KOSH	220,133,344	11.01
YONG LIAN REALTY, MALAYSIA	257,993,977	12.90

Note : The above detail of shareholders holding more than 0.5% of share capital includes the divested shares also.

Reserve and Funds

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.2

Particulars	Current Year Rs.	Previous Year Rs.
1 General Reserve Fund	196,504,634	186,059,746
2 Capital Reserve Fund	10,077,915	10,077,915
3 Capital Redemption Reserve	-	-
4 Capital Adjustment Fund	-	-
5 Other Reserve Fund	2,269,011	1,776,760
5.1. Contingent Reserve	-	-
5.2. Institution Development Fund	-	-
5.3. Dividend Equalization Fund	-	-
5.4. Special Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Deferred Tax Reserve	-	-
5.7. Other Free Reserves	-	-
5.8. Other Reserves	2,269,011	1,776,760
6 Accumulated Profit/Loss	44,062,540	7,132,962
7 Exchange Equalization Fund	10,772,167	6,414,442
Total	263,686,267	211,461,825

Debentures and Bonds

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.3

Particulars	Current Year Rs.	Previous Year Rs.
1 Percent Bond/Debentures of Rs. each Issued on and Matured on	-	-
(Outstanding balance of Redemption Reserve Rs.)	-	-
2 Percent Bond/Debentures of Rs. each Issued on and Matured on	-	-
(Outstanding balance of Redemption Reserve Rs.)	-	-
3	-	-
Total (1+2+3)	-	-

Borrowings

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.4

Particulars	Current Year Rs.	Previous Year Rs.
A. Local		
1 Government of Nepal	-	-
2 Nepal Rastra Bank	-	256,000,000.00
3 Repo Obligation	-	170,000,000.00
4 Inter-Bank and Financial Institutions	-	71,200,000
5 Other Organized Institutions	-	-
6 Others	-	-
Total	-	497,200,000
B. Foreign		
1 Banks	-	-
2 Others	-	-
Total	-	-
Total (A+B)	-	497,200,000

Deposits

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.5

Particulars	Current Year Rs.	Previous Year Rs.
1 Non-Interest Bearing Accounts		
A. Current Deposits	609,309,051	518,480,341
1. Local Currency	605,241,267	515,611,303
1.1 Government of Nepal	7,901,679	1,206,305
1.2 "A" Class Licensed Institutions	170,998	600,263
1.3 Other Licensed Institutions	371,415,517	350,413,348
1.4 Other Organized Institutions	210,374,281	141,714,752
1.5 Individuals	15,378,792	21,676,635
1.6 Others	-	-
2. Foreign Currency	4,067,784	2,869,038
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Institutions	-	1,424
2.4 Other Organized Institutions	4,067,784	2,867,614
2.5 Individuals	-	-
2.6 Others	-	-
B. Margin Deposits	110,863,183	57,884,508
1 Employees Guarantee	-	-
2 Guarantee Margin	14,596,855	57,884,508
3 Letters of Credit Margin	96,266,328	-
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	720,172,234	576,364,849
2 Interest Bearing Accounts		
A. Saving Deposits	3,311,063,426	1,883,501,165
1. Local Currency	3,287,473,345	1,858,806,445
1.1 Organized Institutions	27,986,869	12,001,080
1.2 Individuals	3,259,486,476	1,846,805,365
1.3 Others	-	-
2. Foreign Currency	23,590,081	24,694,720
2.1 Organized Institutions	11,305,008	-
2.2 Individuals	12,285,073	24,694,720
2.3 Others	-	-
B. Fixed Deposits	6,881,752,498	6,563,092,775
1. Local Currency	6,001,204,748	5,923,668,275
1.1 Organized Institutions	3,792,551,465	3,900,010,398
1.2 Individuals	2,208,653,283	2,023,657,877
1.3 Others	-	-
2. Foreign Currency	880,547,750	639,424,500
2.1 Organized Institutions	880,547,750	639,424,500
2.2 Individuals	-	-
2.3 Others	-	-
C. Call Deposit	5,069,566,900	3,843,263,139
1. Local Currency	4,778,292,512	3,340,660,604
1.1 "A" Class Licensed Institutions	-	8,870
1.2 Other Licensed Financial Institutions	2,182,943,078	1,093,636,735
1.3 Other Organized Institutions	2,566,783,669	1,987,867,934
1.4 Individuals	28,556,895	259,155,935
1.5 Others	-	-
2. Foreign Currency	291,274,388	502,602,535
2.1 "A" Class Licensed Institutions	-	145,850,895
2.2 Other Licensed Financial Institutions	6,682,660	317,079,665
2.3 Other Organized Institutions	284,591,728	39,671,975
2.4 Individuals	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	15,262,382,824	12,289,857,079
Total Deposit (1+2)	15,982,555,058	12,866,221,928

Bills Payable

Schedule 4.6

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Local Currency	4,285,858	2,589,260
2 Foreign Currency	220,625	249,200
Total	4,506,483	2,838,460

Other Liabilities

Schedule 4.7

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Pension/Gratuity Fund	15,335,603	11,588,989
2 Employees Provident Fund	-	-
3 Employees Welfare Fund	-	-
4 Provision for Staff Bonus	7,887,238	33,539,637
5 Interest Payable on Deposits	39,930,039	30,407,515
6 Interest Payable on Borrowings	6	2,960,493
7 Unearned Discount and Commission	1,646,896	5,569,914
8 Sundry Creditors	27,095,112	4,342,720
9 Branch Account	-	-
10 Deferred Tax Liabilities	3,762,499	1,987,661
11 Dividend Payable	24,438,779	14,240,232
12 Others	123,986,569	85,832,671
a) NEA Power Bond Interest Payable *	58,769,311	54,459,572
b) Merchant Banking-IPO Collection	6,779,508	1,497,647
c) Merchant Banking-Collection Commission payable	10,034	14,802
d) Audit fee payable	190,688	152,550
e) Employees Accumulated Sick Leave	10,524,655	8,008,898
f) Others	47,712,373	21,699,202
Total	244,082,741	190,469,832

Note: Total interest received from NEA to be paid to their respective bondholders in semi-annual basis.

Cash Balance

Schedule 4.8

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency (including coin)	310,884,486	250,192,545
2. Foreign Currency	13,054,936	14,494,978
Total	323,939,422	264,687,523

Balance with Nepal Rastra Bank

Schedule 4.9

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Current Year Grand Total Rs.	Previous Year Rs.
		INR	Convertible	Total		
1 Nepal Rastra Bank	2,987,614,161	-	4,851,974	4,851,974	2,992,466,135	876,756,594
a) Current Account	2,987,614,161	-	4,851,974	4,851,974	2,992,466,135	876,756,594
b) Other Account	-	-	-	-	-	-

Note: Balance with Nepal Rastra Bank as per confirmation Rs. 3,002,051,266.17

Balance with Banks/Financial Institutions

Schedule 4.10

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Local Currency Rs.	Foreign Currency Rs.			Current Year Grand Total Rs.	Previous Year Rs.
		INR	Convertible	Total		
1 Local Licensed Institutions	100,648,544	-	-	-	100,648,544	83,110,448
a) Current Account	100,648,544	-	-	-	100,648,544	83,110,448
b) Other Account	-	-	-	-	-	-
2 Foreign Banks	-	11,484,323	138,445,167	149,929,490	149,929,490	269,332,375
a) Current Account	-	11,484,323	138,445,167	149,929,490	149,929,490	269,332,375
b) Other Account	-	-	-	-	-	-
Total	100,648,544	11,484,323	138,445,167	149,929,490	250,578,034	352,442,823

Note :

a) Total Balance for which the confirmations are received from respective licensed institutions Rs. 267,322,064.31 and the differences are reconciled.

Money at Call and Short Notice

Schedule 4.11

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	20,912,176	259,166,634
Total	20,912,176	259,166,634

Investments

Schedule 4.12

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Purpose		Current Year Rs.	Previous Year Rs.
	Trading	Other		
1 Government of Nepal Treasury Bills	-	1,136,654,048	1,136,654,048	863,309,960
2 Government of Nepal Savings Bond	6,400,000	1,015,343,850	1,021,743,850	1,024,243,403
3 Government of Nepal Other Securities	-	-	-	-
4 Nepal Rastra Bank Bonds	-	-	-	-
5 Foreign Securities	-	-	-	-
6 Local Licensed Institutions	-	-	-	501,160,000
7 Foreign Banks	-	150,914,244	150,914,244	124,603,517
8 Corporate Shares	-	113,450,549	113,450,549	83,450,549
9 Corporate Bonds and Debentures	-	20,000,000	20,000,000	20,000,000
10 Other Investment	-	-	-	-
Total Investment	6,400,000	2,436,362,691	2,442,762,691	2,616,767,429
Provision	-	2,321,070	2,321,070	1,821,070
Net Investment	6,400,000	2,434,041,621	2,440,441,621	2,614,946,359

Investment in Shares, Debentures and Bonds

Schedule 4.12 (A)

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	Current Year Amount Rs.	Previous Year Rs.
1 Investment in Shares	113,450,549	11,657,556	2,321,070	113,450,549	83,450,549
1.1 Nepal Stock Exchange Ltd. 50 Ordinary shares of Rs 100 each fully paid up	5,000	-	5,000	5,000	5,000
1.2 United Insurance Co. (Nepal) Ltd. 1,800 Ordinary shares of Rs 100 each fully paid up	489,877	495,000	-	489,877	489,877
1.3 Neco Insurance Co. Ltd. 1,491 Ordinary shares of Rs 100 each fully paid up	272,508	175,938	96,570	272,508	272,508
1.4 National Life Insurance Co. Ltd. 20 Ordinary shares of Rs 100 each fully paid up (Bonus Share 112 Kitta)	17,509	69,828	-	17,509	17,509
1.5 NLG Insurance Company Limited 30 Ordinary shares of Rs 100 each fully paid up	-	-	-	-	-
1.6 Everest Insurance Co. Ltd. 30 Ordinary shares of Rs 100 each fully paid up (Bonus Share 71 Kitta)	13,855	27,068	-	13,855	13,855
1.7 Sagarmatha Insurance Co. Ltd. 73 Ordinary shares of Rs 100 each fully paid up (Bonus Share 53 Kitta)	7,300	43,722	-	7,300	7,300
1.8 Nepal Life Insurance Co. Ltd. 500 Ordinary shares of Rs 100 each fully paid up (Bonus Share 100 Kitta)	50,000	471,000	-	50,000	50,000
1.9 Credit Information Bureau Ltd. 945 Ordinary shares of Rs 100 each fully paid up (Bonus Share 1388 Kitta)	94,500	-	94,500	94,500	94,500
1.10 Taragaon Regency Hotels Ltd. 125,000 Ordinary shares of Rs 100 each fully paid up	12,500,000	10,375,000	2,125,000	12,500,000	12,500,000
1.11 NMB Capital Ltd. 1,000,000 Promotor shares of Rs 100 each fully paid up	100,000,000	-	-	100,000,000	70,000,000
2 Investment in Debentures and Bonds	20,000,000	-	-	20,000,000	20,000,000
2.1 Nepal Electricity Authority 7.75 % 5 Years Power Bond of Rs1,000 each (Maturity Date-14th Chaitra, 2069)	20,000,000	-	-	20,000,000	20,000,000
2.2	-	-	-	-	-
2.3	-	-	-	-	-
Total Investment	133,450,549	11,657,556	2,321,070	133,450,549	103,450,549
3 Provision for Loss					
3.1 Up to previous year				1,821,070	2,966,348
3.2 Adjustments this year increased/(decreased)				500,000	(1,145,278)
Total Provision				2,321,070	1,821,070
Net Investment				131,129,479	101,629,479

Note: 1) The following Companies have not declared and distributed dividend for the last three years:

- United Insurance Co. (Nepal) Ltd.
- Taragaon Regency Hotels Ltd.
- Nepal Life Insurance Co. Ltd.
- Neco Insurance Co. Ltd.
- National Life Insurance Co. Ltd.
- NLG Insurance Company Limited

Investments (Held for Trading)

Schedule 4.12.1

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Profit/(Loss) Rs. (B-A)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	-
2 Government of Nepal Savings Bond	6,400,000	-	-	-	-	-
3 Government of Nepal Other Securities	-	-	-	-	-	-
4 Nepal Rastra Bank Bonds	-	-	-	-	-	-
5 Foreign Securities	-	-	-	-	-	-
6 Shares of Local Licensed Institutions	-	-	-	-	-	-
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	-
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	-
9 Placement in Foreign Banks	-	-	-	-	-	-
10 Inter Bank Lending	-	-	-	-	-	-
11 Other Investment	-	-	-	-	-	-
Total Investment	6,400,000	-	-	-	-	-

Investments (Held to Maturity)

Schedule 4.12.2

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Cost Price Rs. (A)	Accumulated Loss as on date (B)	Current Year Loss (C)	Current Year Profit/(Loss) Rs. (A-B-C)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	1,136,654,048	-	-	1,136,654,048	863,309,960	-
2 Government of Nepal Savings Bond	1,015,343,850	-	-	1,015,343,850	1,021,243,403	-
3 Government of Nepal Other Securities	-	-	-	-	-	-
4 Nepal Rastra Bank Bonds	-	-	-	-	-	-
5 Foreign Securities	-	-	-	-	-	-
6 Shares of Local Licensed Institutions	-	-	-	-	-	-
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	-
8 Shares, Bonds & Debentures of Organized Institutions	20,000,000	-	-	20,000,000	20,000,000	-
9 Placement in Foreign Banks	150,914,244	-	-	150,914,244	124,603,517	-
10 Other Investment	-	-	-	-	501,160,000	-
Total Investment	2,322,912,142	-	-	2,322,912,142	2,530,316,880	-

Investments (Available for Sale)

Schedule 4.12.3

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Adjustment Fund Rs. (B-A)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	-
2 Government of Nepal Savings Bond	-	-	-	-	-	-
3 Government of Nepal Other Securities	-	-	-	-	-	-
4 Nepal Rastra Bank Bonds	-	-	-	-	-	-
5 Foreign Securities	-	-	-	-	-	-
6 Shares of Local Licensed Institutions	113,450,549	11,970,336	11,657,556	(312,780)	1,145,278	-
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	-
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	-
9 Placement in Foreign Banks	-	-	-	-	-	-
10 Other Investment	-	-	-	-	-	-
Total Investment	113,450,549	11,970,336	11,657,556	(312,780)	1,145,278	-

Classification of Loan and Bills Purchase and Provisioning

Schedule 4.13

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Advances		Bills Purchased & Discounted		Current Year Rs.	Previous Year Rs.	
	Domestic		Foreign				Total
	Insured	Deprived	Domestic	Foreign			
1 Performing Loan	-	419,003,387	10,410,452,210	-	10,829,455,597	11,312,932,168	
1.1 Pass Loan	-	419,003,387	10,410,452,210	-	10,829,455,597	11,312,932,168	
2 Non-Performing Loan	-	5,617,919	300,230,641	-	305,848,560	30,159,747	
2.1 Restructured	-	3,512,274	2,508,701	-	6,020,975	5,725,639	
2.2 Substandard	-	316,763	20,268,904	-	20,585,667	8,995,669	
2.3 Doubtful	-	1,788,882	22,936,725	-	24,725,607	3,104,923	
2.4 Loss	-	-	254,516,311	-	254,516,311	12,393,516	
(A) Total Loan	-	424,621,306	10,710,682,851	-	11,135,304,157	11,343,091,915	
3 Loan Loss Provision	-	4,190,034	106,895,027	-	111,085,061	113,229,322	
3.1 Pass	-	4,190,034	106,895,027	-	111,085,061	113,229,322	
3.2 Restructured	-	439,034	758,342	-	1,197,376	4,923,801	
3.3 Substandard	-	79,191	5,067,226	-	5,146,417	2,233,917	
3.4 Doubtful	-	894,441	11,468,362	-	12,362,803	1,737,423	
3.5 Loss	-	-	254,516,312	-	254,516,312	12,393,517	
(B) Total Provisioning	-	5,602,700	378,705,269	-	384,307,969	134,517,980	
4 Provisioning up to Previous Year	-	3,195,134	104,750,332	-	107,945,466	78,619,819	
4.1 Pass	-	3,195,134	104,750,332	-	107,945,466	78,619,819	
4.2 Restructured	-	-	4,923,801	-	4,923,801	10,750,920	
4.3 Substandard	-	-	2,233,917	-	2,233,917	7,413,765	
4.4 Doubtful	-	-	1,737,423	-	1,737,423	5,314,032	
4.5 Loss	-	-	12,393,517	-	12,393,517	20,921,763	
(C) Total Previous Year's provision	-	3,195,134	126,038,990	-	129,234,124	134,517,980	
(D) Written Back from Last year provision	-	2,407,566	277,702,490	-	279,910,056	24,464,952	
(E) Additional Provision This Year	-	2,407,566	263,121,735	-	265,073,845	35,962,632	
Changes in this year	-	419,018,606	10,331,977,582	-	10,750,996,189	11,497,680	
Net Loan (A-B)	-	419,018,606	10,331,977,582	-	10,750,996,189	11,208,573,935	

Loan, Advances and Bills Purchased Security Wise

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.13 (A)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Secured	12,468,478,637	11,343,091,915
1 Movable/Immovable Assets	12,156,601,017	10,999,130,106
2 Guarantee of Local Licensed Institutions	181,544,955	198,293,604
3 Government Guarantee	52,811,088	52,811,088
4 Internationally Rated Bank Guarantee	-	-
5 Export Documents	-	-
6 Fixed Deposit Receipts	77,521,577	92,857,117
a) Own FDR	77,521,577	92,857,117
b) FDR of other Licensed Institutions	-	-
7 Government Bonds	-	-
8 Counter Guarantee	-	-
9 Personal Guarantee	-	-
10 Other Securities	-	-
(B) Unsecured	-	-
Total	12,468,478,637	11,343,091,915

Fixed Assets

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.14

Particulars	Assets					Current Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others		
1 At Cost							
a. Previous Year Balance	82,735,742	61,521,798	-	84,104,942	56,929,328	285,291,810	255,168,135
b. Addition this year	5,016,897	9,500,120	-	11,611,035	17,404,251	43,532,303	36,929,188
c. Revaluation/written back this year	-	-	-	-	-	-	-
d. This year sold	-	(83,900)	-	(1,066,748)	-	(1,150,648)	(6,805,513)
e. This year written off	-	-	-	-	-	-	-
Total Cost (a+b+c+d+e)	87,752,639	70,938,018	-	94,649,229	74,333,579	327,673,465	285,291,810
2 Depreciation							
a. Up to Previous Year	6,069,220	17,874,601	-	35,909,444	18,272,239	78,125,504	49,722,508
b. For This Year	2,114,878	11,935,533	-	14,726,397	10,124,532	38,901,340	32,927,027
c. Depreciation on revaluation/written back	-	-	-	-	-	-	-
d. Depreciation adjustment/written back	-	(83,900)	-	(689,726)	-	(773,626)	(4,524,031)
Total Depreciation	8,184,098	29,726,234	-	49,946,115	28,396,771	116,253,218	78,125,504
3 Book Value (SLM*) (1-2)	79,568,541	41,211,784	-	44,703,114	45,936,808	211,420,247	207,166,306
4 Land	25,026,505	-	-	-	-	25,026,505	25,026,505
5 Capital Construction (pending capitalization)	-	-	-	-	-	-	-
6 Leasehold assets (net of amortization)	43,032,684	-	-	-	-	43,032,684	44,355,811
Total (3+4+5+6)	147,627,730	41,211,784	-	44,703,114	45,936,808	279,479,436	276,548,622

* Straight Line Method

Non-Banking Assets

Schedule 4.15

As at Ashad 31, 2069 (July 15, 2012)

Name and Address of Borrower or Party	Date of assuming Non-Banking Assets	Total Amount of Non-Banking Assets	Loss Provision		Current Year Net Non Banking Assets Rs.	Previous Year Rs.
			In Percentage	In Amount		
					-	-
Grand Total		-		-	-	-

Other Assets

Schedule 4.16

As at Ashad 31, 2069 (July 15, 2012)

Particulars		Current Year Rs.	Previous Year Rs.
1 Stock of Stationery		5,084,119	3,943,232
2 Income Receivable on Investments		7,757,840	25,937,221
3 Accrued Interest on Loan	91,025,183	-	49,220,036
Less : Interest Suspense Amount	(91,025,183)		(49,220,036)
4 Commission Receivable		-	-
5 Sundry Debtors	13,965,337	13,868,151	8,593,868
Less : Provision on Other Assets	(97,186)		
6 Staff Loan and Advances		33,811,478	29,752,168
7 Prepayments		7,160,809	8,136,629
8 Cash in Transit		-	-
9 Other Transit items (including cheques)		-	-
10 Drafts Paid without Notice		-	-
11 Expenses Not Written off		-	-
12 Branch Account		-	-
13 Deferred Tax Assets		-	-
14 Others		48,492,405	18,706,437
a) Advance Income Tax (Net of Provisions)		33,030,502	1,759,191
b) Others		15,461,903	16,947,246
Total		116,174,802	95,069,555

Other Assets (Additional Statement)

Schedule 4.16 (A)

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.				Previous Year Rs.
	Up to 1 Year	1 to 3 Years	Above 3 Years	Total	
1 Accrued Interest on Loan	84,161,360	6,204,508	659,315	91,025,183	49,220,036
2 Drafts Paid without Notice					
3 Branch Account					
4 Local and Foreign Agency A/C's					

Contingent Liabilities

Schedule 4.17

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Claims on institution but not accepted by the Institution	-	-
2 Letters of credit (full amount)	1,259,178,886	476,012,348
a) Less than 6 months maturity	774,854,913	323,913,298
b) More than 6 months maturity	484,323,973	152,099,050
3 Rediscounted Bills	-	-
4 Unmatured Guarantees/Bonds	173,919,725	230,252,630
a) Bid Bonds	12,667,200	7,186,000
b) Performance Bonds	161,252,525	223,066,630
c) Other Guarantee/Bonds	-	-
5 Unpaid Shares in Investment	-	-
6 Forward Exchange Contract Liabilities	-	-
7 Bills under Collection	-	-
8 Acceptance and Endorsements	84,039,844	51,742,479
9 Underwriting Commitments	-	-
10 Irrevocable Loan Commitments	1,047,878,821	709,827,358
11 Counter Guarantee of Internationally Rated Banks	424,777,103	16,640,830
12 Advance Payment Guarantee	41,651,819	47,379,488
13 Financial Guarantee	-	-
14 Contingent Liabilities on Income Tax	18,046,333	-
15	-	-
16	-	-
17	-	-

Interest Income

Schedule 4.18

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Loan, Advances and Overdraft	1,586,428,908	1,304,906,560
1 Loan and Advances	1,183,235,159	992,870,064
2 Overdraft	403,193,749	312,036,496
B On Investment	114,184,683	132,915,577
1 Government of Nepal Securities	109,579,481	114,743,045
a. Treasury Bills	39,175,851	58,600,194
b. Development Bonds	69,835,908	55,312,112
c. National Savings Certificates	567,722	830,739
2 Foreign Securities	-	-
a.	-	-
b.	-	-
3 Nepal Rastra Bank Bonds	-	-
4 Debenture and Bonds	1,550,000	1,550,000
5 Interest on Inter-bank Investment	3,055,202	16,622,532
a. Bank/Financial Institutions	3,055,202	16,622,532
b. Other Organizations	-	-
C On Agency Balances	-	-
1 Local Banks	-	-
2 Foreign Banks	-	-
D On Money at Call and Short Notice	157,031	7,772,474
1 Local Banks/Financial Institutions	-	7,772,474
2 Foreign Banks	157,031	-
E On Others	5,062,467	46,790,467
1 Certificate of Deposits	-	-
2 Inter-Bank Loan	-	-
3 Others	5,062,467	46,790,467
Total	1,705,833,089	1,492,385,078

Interest Expenses

Schedule 4.19

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	1,252,800,049	1,004,020,466
1 Fixed Deposits	794,836,215	565,589,561
1.1 Local Currency	760,660,350	544,302,913
1.2 Foreign Currency	34,175,865	21,286,648
2 Saving Deposits	183,301,698	117,314,612
2.1 Local Currency	183,106,843	117,128,005
2.2 Foreign Currency	194,855	186,607
3 Call Deposits	274,662,136	321,116,293
3.1 Local Currency	268,714,204	314,440,635
3.2 Foreign Currency	5,947,932	6,675,658
4 Certificate of Deposits	-	-
B On Borrowings	3,457,287	49,430,472
1 Debentures and Bonds	-	-
2 Loan from Nepal Rastra Bank	-	20,428,852
3 Inter Bank/Financial Institutions Borrowing	3,457,287	29,001,620
4 Other Corporate Body	-	-
5 Other Loans	-	-
C On Others	-	-
1	-	-
2	-	-
Total	1,256,257,336	1,053,450,938

Commission and Discount Income

Schedule 4.20

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
A Bills Purchase and Discount	1,504,936	989,180
1 Local	-	-
2 Foreign	1,504,936	989,180
B Commission	17,411,853	15,284,126
1 Letters of Credit	7,051,001	7,101,602
2 Guarantee	4,835,051	2,456,266
3 Collection Fee	265,860	220,231
4 Remittance Fee	1,709,084	836,296
5 Credit Cards	-	-
6 Share Underwriting/Issues	-	1,523,216
7 Government Transactions	-	-
8 Agency Commission	3,541,831	3,073,618
9 Exchange Fee	9,026	72,897
C Others	19,588,757	11,709,382
1 Income from trading in Gold and Silver	14,922,925	9,403,793
2 Others	4,665,832	2,305,589
Total	38,505,546	27,982,688

Other Operating Income

Schedule 4.21

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Safe Deposit Lockers Rental	380,000	310,000
2 Issue and Renewals of Credit Cards	-	-
3 Issue and Renewals of ATM Cards	4,605,243	715,600
4 Telex/T.T.	1,496,064	1,891,978
5 Service Charges	34,838,061	45,532,230
6 Renewal Fees	205,350	409,001
7 Others	12,174,971	10,612,963
a) Income on subscription share money	5,986,137	1,584,297
b) Others	6,188,834	9,028,666
Total	53,699,689	59,471,772

Exchange Gain/Loss

Schedule 4.22

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
(A) Revaluation Gain	17,430,898	12,045,173
(B) Trading Gain (except Exchange Fee)	32,341,888	35,145,686
Total Income (Loss)	49,772,786	47,190,859

Staff Expenses

Schedule 4.23

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Salary	45,204,262	35,394,888
2 Allowances	29,946,276	24,367,222
3 Contribution to Provident Fund	4,127,023	3,066,004
4 Training Expenses	1,651,492	926,042
5 Uniform	-	-
6 Medical	-	-
7 Insurance	-	-
8 Pension and Gratuity Provision	3,927,675	4,891,130
9 Others	7,586,763	6,968,980
a) Leave Fare	3,580,353	2,727,252
b) Staff Welfare	1,240,111	875,006
c) Accumulated Sick Leave	2,766,299	3,366,722
Total	92,443,491	75,614,266

Other Operating Expenses

Schedule 4.24

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 House Rent	17,901,457	15,360,634
2 Electricity and Water	6,470,831	5,241,440
3 Repair and Maintenance	3,910,013	1,978,762
(a) Building	2,412,304	934,609
(b) Vehicles	964,638	590,593
(c) Others	533,071	453,560
4 Insurance	3,523,408	3,672,479
5 Postage, Telex, Telephone, Fax	12,004,173	9,705,987
6 Office Equipment, Furniture and Repair	1,801,631	1,077,576
7 Travelling Allowances and Expenses	1,979,923	1,992,546
8 Stationery and Printing	5,952,845	4,156,793
9 Periodicals and Books	121,400	84,037
10 Advertisements	13,478,936	14,550,072
11 Legal Expenses	1,623,795	1,661,164
12 Donations	126,136	242,852
13 Expenses Relating to Board of Directors	1,215,192	1,243,867
(a) Meeting Fees	1,087,000	1,043,000
(b) Other Expenses	128,192	200,867
14 Annual General Meeting Expenses	693,725	867,186
15 Expenses Relating to Audit	348,160	351,996
(a) Audit Fees	190,688	152,550
(b) Other Expenses	157,472	199,446
16 Commission on Remittances	-	-
17 Depreciation on Fixed Assets	44,927,870	38,171,775
18 Amortization of Preliminary Expenses	-	-
19 Share Issue Expenses	719,374	1,905,009
20 Technical Services Fee	-	-
21 Entertainment	1,640,477	3,325,260
22 Written Off Expenses	-	-
23 Security Expenses	13,270,000	9,231,873
24 Credit Guarantee Premium	-	-
25 Commission and Discount	-	-
26 Others	27,920,254	21,574,054
(a) Office Expenses	5,634,047	5,309,956
(b) Vehicle fuel	6,592,718	5,478,372
(c) Membership Fee	6,486,651	4,050,211
(d) Merchant Banking Expenses	-	287,964
(e) Others	9,206,838	6,447,551
Total	159,629,600	136,395,362

Provision for Possible Losses

Schedule 4.25

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Increase in Loan Loss Provision	277,702,490	35,962,632
2 Increase in Provision for Loss on Investment	500,000	-
3 Provision Against Non-Banking Assets	-	-
4 Provision Against Other Assets	97,186	568,887
Total	278,299,676	36,531,519

Non-Operating Income/(Loss)

Schedule 4.26

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Profit (Loss) on Sale of Investment	-	321,529
2 Profit (Loss) on Sale of Assets	(266,322)	2,638,572
3 Dividend	6,686,936	1,100
4 Subsidies Received from Nepal Ratra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5 Others	1,882,650	941,325
(a) Rent Income	1,882,650	941,325
Total Non-Operating Income (Loss)	8,303,264	3,902,526

Loss Provision Written Back

Schedule 4.27

Fiscal Year 2068/69

Particulars	Current Year Rs.	Previous Year Rs.
1 Loan Loss Provision Written Back	14,580,755	24,464,952
2 Provision against Non-Banking Assets Written Back	-	-
3 Investment Provision Written Back	-	1,145,278
4 Provision against Other Assets Written back	568,887	-
Total	15,149,642	25,610,230

Profit/(Loss) from Extra-ordinary Activities

Schedule 4.28

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

Particulars	Current Year Rs.	Previous Year Rs.
1 Recovery of write off Loan	2,125,709	-
2 Voluntary Retirement Scheme Expenses	-	-
3 Loan Write-Offs (4.28) (a)	-	(4,543,528)
4 Other Expenses/Income	-	-
5 Write Back from Depreciation adjustment	-	18,928,470
Total	2,125,709	14,384,942

Statement of Loans Written-Off

Schedule 4.28 (A)

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

S.N.	Types of Loan	Written Off Amount	Type of Security & Amount	Basis of Valuation of Collateral	Loan Approved by Name/Designation	Initiation made for recovery	Remarks
1	Working Capital Loan						
2	Project Loan						
3	Fixed Capital Loan						
4	Personal Loan						
5	Other Loan						
	Total Loan	-					

Statement of Loans and Advances Extended to Directors/Chief Executive/Promoter/Employees and Shareholders

Schedule 4.29

As at Ashad 31, 2069 (July 15, 2012)

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individual members of their undivided family or against the guarantee of such persons or to the organizations or companies in which such individuals are managing agent, are as follows :

Name of Promoter/ Director/Chief Executive	Last Year's Balance		Current Year Recovery		This Year Additions	Balance as of Ashad End	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1							
2							
(B) Chief Executive							
1							
2							
(C) Promoters							
1							
2							
(D) Employees							
1							
2							
(E) Shareholders							
1							
2							
Total	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Capital Adequacy Table

Schedule 4.30 (A1)

As at Ashad 31, 2069 (July 15, 2012)

1.1 RISK WEIGHTED EXPOSURES	Current Year Rs.	Previous Year Rs.
a Risk Weighted Exposure for Credit Risk	14,288,536,701	12,830,791,083
b Risk Weighted Exposure for Operational Risk	638,978,410	638,978,410
c Risk Weighted Exposure for Market Risk	188,149,604	13,736,050
Total Risk Weighted Exposures (a+b+c)	15,115,664,715	13,483,505,543
Add : 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)		
Add : 3% of the total deposit due to insufficient Liquid Assets (6.4 a 6)		
Add : 2% of the the total RWE due to Supervisory add up	302,313,294	269,670,111
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15,417,978,009	13,753,175,654

1.2 CAPITAL	Current Period Rs.	Previous Period Rs.
Core Capital (Tier 1)	2,150,645,089	2,133,270,623
a Paid up Equity Share Capital	2,000,000,000	2,000,000,000
b Irredeemable Non-cumulative preference shares		
c Share Premium	10,077,915	10,077,915
d Proposed Bonus Equity Shares	-	-
e Statutory General Reserves	196,504,634	186,059,746
f Retained Earnings	44,062,540	7,132,962
g Un-audited current year cumulative profit	-	-
h Capital Redemption Reserve		
i Capital Adjustment Reserve		
j Dividend Equalization Reserves		
k Other Free Reserve -Deferred Tax Reserves	-	-
l Less: Goodwill		
m Less: Miscellaneous Expenditure not written off		
n Less: Investment in equity in licensed Financial Institutions		
o Less: Investment in equity of institutions with financial interests	(100,000,000)	(70,000,000)
p Less: Investment in equity of institutions in excess of limits		
q Less: Investments arising out of underwriting commitments		
r Less: Reciprocal crossholdings		
s Less: Other Deductions		
Supplementary Capital (Tier 2)	137,457,984	121,420,524
a Cumulative and/or Redeemable Preference Share		
b Subordinated Term Debt		
c Hybrid Capital Instruments		
d General loan loss provision	124,416,806	113,229,322
e Exchange Equalization Reserve	10,772,167	6,414,442
f Investment Adjustment Reserve	2,269,011	1,776,760
g Assets Revaluation Reserve		
h Other Reserves		
Total Capital Fund (Tier I and Tier II)	2,288,103,073	2,254,691,147

1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures	13.95	15.51
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	14.84	16.39

Risk Weighted Exposure for Credit Risk

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.30 (B)

	2069 Ashad End				Amount in Rs.	
	Book Value a	Specific Provision b	Eligible CRW c	Net Value d=a-b-c	Risk Weighted Exposures f=d*e	Previous Fiscal Year Risk Weighted Exposures
A. Balance Sheet Exposures						
Cash Balance	323,939,422	-	-	323,939,422	0%	264,687,522
Balance With Nepal Rastra Bank	2,992,466,135	-	-	2,992,466,135	0%	876,756,594
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	2,158,397,898	-	-	2,158,397,898	0%	-
All Claims on Government of Nepal	85,841,590	-	-	85,841,590	0%	54,570,278
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA-2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA-3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA-7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	20,000,000	-	-	20,000,000	150%	30,000,000
Claims on domestic banks that meet capital adequacy requirements	18,845,007	-	-	18,845,007	20%	3,769,001
Claims on domestic banks that do not meet capital adequacy requirements	81,803,537	-	-	81,803,537	100%	81,803,537
Claims on foreign bank (ECA Rating 0-1)	294,953,954	-	-	294,953,954	20%	58,990,791
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	26,801,956	-	-	26,801,956	100%	26,801,956
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	309,580,441
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates	7,781,891,280	-	-	7,781,891,280	100%	7,376,192,075
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
						cont...
Regulatory Retail Portfolio (Not Overdue)	736,228,273	-	-	736,228,273	75%	552,171,205
Claims fulfilling all criterion of regulatory retail except granularity	88,177,476	-	-	88,177,476	100%	88,177,476
Claims secured by residential properties	649,315,348	-	-	649,315,348	60%	389,589,209
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	8,620,951	401,966	-	8,218,985	100%	8,218,985
Claims secured by Commercial real estate	648,874,317	-	-	648,874,317	100%	648,874,317
Past due claims (except for claim secured by residential properties)	420,126,403	274,003,448	-	146,122,954	150%	219,184,432
High Risk claims	2,082,433,503	-	-	2,004,911,926	150%	3,007,367,889
Investments in equity and other capital instruments of institutions listed in the stock exchange.	13,351,049	2,321,070	-	11,029,979	100%	11,029,979
Investments in equity and other capital instruments of Staff loan secured by residential property	99,500	-	-	99,500	150%	149,250
Interest Receivable/claim on government securities	26,999,319	-	-	26,999,319	60%	16,199,591
Cash in transit and other cash items in the process of collection	6,740,841	-	-	6,740,841	0%	-
Other Assets (as per attachment)	328,786,391	-	-	328,786,391	20%	-
TOTAL	18,794,694,151	276,726,484	77,521,577	18,440,446,088	100%	13,253,005,289
						15,922,263,427
						12,338,595,961

B. Off Balance Sheet Exposures	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	-	-	-	-	0%	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	774,854,913	-	38,287,250	736,567,663	20%	147,313,533	308,576,917	61,715,383
foreign counterparty (ECA Rating 0-1)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	484,323,973	-	20,828,776	463,495,197	50%	231,747,599	143,279,015	71,639,507
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Big Bond, Performance Bond and Counter guarantee domestic counterparty	173,919,725	-	13,228,755	160,690,970	50%	80,345,485	224,009,030	112,004,515
foreign counterparty (ECA Rating 0-1)	61,406,239	-	-	61,406,239	20%	12,281,248	-	-
foreign counterparty (ECA Rating 2)	363,370,864	-	-	363,370,864	50%	181,686,432	13,702,165	6,851,083
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	2,938,665	2,938,665
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	41,651,819	-	1,368,100	40,283,719	100%	40,283,719	46,246,518	46,246,518
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	84,039,844	-	4,586,610	79,453,234	100%	79,453,234	48,833,979	48,833,979
Unpaid portion of Party paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	931,881,937	-	-	931,881,937	20%	186,376,387	709,827,358	141,965,472
Irrevocable Credit commitments (long term)	115,996,885	-	-	115,996,885	50%	57,998,442	-	-
Other Contingent Liabilities	18,046,333	-	-	18,046,333	100%	18,046,333	-	-
TOTAL	3,049,492,532	-	78,299,491	2,971,193,041		1,035,531,412	1,497,413,647	492,195,122
Total RWE for credit Risk (A) +(B)	21,844,186,683	276,726,484	155,821,068	21,411,639,129		14,288,536,701	17,419,677,074	12,830,791,083
Adjustments under Pillar II								
Add : 10% of the loan and facilities in excess of Single Obligor Limits 6.4 a 3)								
Add : 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)								
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)								

Eligible Credit Risk Mitigants (CRM)

As at Ashad 31, 2069 (July 15, 2012)

Schedule 4.30 (C)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	G'tee of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(l)
Balance Sheet Exposures										
Cash Balance	-	-	-	-	-	-	-	-	-	-
Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -7)	-	-	-	-	-	-	-	-	-	-
Claims on BIS, IMF, ECB, EC And Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	-	-	-	-	-	-	-	-	-	-

cont. ...

Risk Weighted Exposure for Operational Risk

Schedule 4.30 (D)

As at Ashad 31, 2069 (July 15, 2012)

Particulars	Preceding Year of Current Fiscal Year			Amount in Rs. 2068/69(2011/12)
	2065/66(2008/09)	2066/67(2009/10)	2067/68(2010/11)	
Net Interest Income	148,321,662	306,638,413	438,934,140	449,575,753
Commission and Discount Income	27,261,774	49,952,632	27,982,688	38,505,546
Other Operating Income	42,914,334	66,524,327	59,471,772	53,699,689
Exchange Fluctuation Income	9,343,425	23,006,185	47,190,859	49,772,786
Addition/Deduction in Interest Suspense during the period	1,912,488	9,929,010	18,573,117	41,805,147
Gross income (a)	229,753,683	456,050,567	592,152,576	633,358,921
Alfa (b)	15%	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	34,463,052	68,407,585	88,822,886	95,003,838
Capital Requirement for operational risk (d) (average of c)			63,897,841	
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	
Equivalent Risk Weight Exposure [f=(d×e)]			638,978,410	
PILLER -II ADJUSTMENTS				
If gross income for all the last three years is negative (6.4 a 8)				
Total Credit and Investment(Net of specific provision)				
Capital requirement for operational risk				
Risk Weight (reciprocal of capital requirement of 10%) in times				
Equivalent Risk Weight Exposure (h= f + g)				

Risk Weighted Exposure for Market Risk

Schedule 4.30 (E)

As at Ashad 31, 2069 (July 15, 2012)

S.N.	Currency	31st Ashad,2069 (July 15, 2012)			32nd Ashad,2068 (July 16, 2011) Relevant Open Position(NPR)
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position (NPR)	
1	INR	(226,085,943)	(361,963,595)	361,963,595	14,593,152
2	USD	(26,851)	(2,369,626)	2,369,626	1,495,304
3	GBP	3,641	500,533	500,533	283,810
4	CHF	(13,708)	(1,232,891)	1,232,891	87,340
5	EUR	66	7,148	7,148	2,360,719
6	JPY	(1,076,442)	(1,199,156)	1,199,156	1,007,248
7	SEK	(210)	(2,636)	2,636	
8	HKD	(19,610)	(223,064)	223,064	14,525
9	AUD	(24,471)	(2,209,205)	2,209,205	1,162,756
10	DKK	(3,000)	(43,575)	43,575	
11	KRW	(70,000)	(5,376)	5,376	
12	AED	(22,690)	(545,241)	545,241	450,023
13	MYR	(53,250)	(1,476,090)	1,476,090	1,336,689
14	THB	(132,180)	(368,121)	368,121	97,620
15	QAR	(32,623)	(790,782)	790,782	954,783
16	SGD	(4,836)	(337,311)	337,311	901,327
17	CNY	(3,064)	(42,390)	42,390	26,469
18	CAD	(883)	(76,819)	76,819	339,330
19	SAR	(123,487)	(2,905,649)	2,905,649	2,361,008
Total Open Position (a)				376,299,208	27,472,103
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				18,814,960	1,373,605
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				188,149,604	13,736,050

Principal Indicators

Schedule 4.31

For Last Five Years

Particulars	Indicators	FY 2007/08 (2064/65)	FY 2008/09 (2065/66)	FY 2009/10 (2066/67)	FY 2010/11 (2067/68)	FY 2011/12 (2068/69)	
1	Percent of Net Profit/Gross Income	Percent	21.24	12.31	15.80	13.37	2.79
2	Earning Per Share	Rs.	7.28	4.42	10.65	11.08	2.61
3	Market Value Per Share	Rs.	930.00	499.00	295.00	195.00	180.00
4	Price Earning Ratio	Ratio	127.71	112.93	27.71	17.61	68.93
5	Dividend (including bonus) on share capital	Percent	10.53	0.00	20.53	9.00	
6	Cash Dividend on Share Capital	Percent	0.00	0.00	10.00	9.00	
7	Interest Income/Loan & Advances	Percent	7.40	5.63	9.15	11.50	12.72
8	Staff Expenses/Total Operating Expenses	Percent	48.98	38.97	42.03	44.45	38.59
9	Interest Expenses on Total Deposit and Borrowing	Percent	7.17	3.54	5.33	7.88	7.86
10	Exchange Gain/Total Assets	Percent	-	0.06	0.17	0.30	0.27
11	Staff Bonus/Total Staff Expenses	Percent	53.71	22.05	40.38	44.36	8.53
12	Net Profit/Loan and Advances	Percent	3.62	1.19	2.02	1.95	0.42
13	Net Profit/Total Assets	Ratio	0.82	0.40	1.21	1.39	0.28
14	Total Credit/Deposit	Percent	120.96	76.78	78.44	88.16	78.01
15	Total Operating Expenses/Total Assets	Percent	0.71	0.80	1.41	1.54	1.41
16 Adequacy of Capital Fund on Risk Weighted Assets							
a)	Core Capital	Percent	32.66	19.75	17.61	15.31	13.95
b)	Supplementary Capital	Percent	1.30	0.66	0.83	0.90	0.00
c)	Total Capital Fund	Percent	33.96	20.41	18.44	16.39	14.84
17	Liquidity (CRR)	Ratio	9.28	10.12	6.02	6.85	18.91
18	Non-performing credit/Total credit	Percent	1.52	0.51	0.70	0.27	2.45
19	Weighted Average Interest Rate Spread	Percent	2.41	3.58	3.19	3.18	3.56
20	Book Net-worth	Rs. in '000	1,213,481	1,592,053	1,843,503	2,211,462	2,263,686
21	Total Shares	Nos. in '000	10,000	14,246	15,015	20,000	20,000
22	Total Staff	Number	54	126	159	189	218
23	Others	-	-	-	-	-	-

Schedule 4.32: Significant Accounting Policies

Financial Year 17 July 2011 to 15 July 2012 (1 Shrawan 2068 to 31 Ashad 2069)

1. General Information

NMB Bank Limited (the "Bank") is a limited liability company domiciled in Nepal. The registered office of the Bank is G.P.O. Box 11543, Babar Mahal, Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

The Bank carries out commercial banking activities in Nepal under license from Nepal Rastra Bank as Class A licensed institution.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements of the Bank are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented herein.

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Nepal Accounting Standards (NAS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated, the provisions of Bank and Financial Institution Act, 2063 (BAFIA), the requirements of NRB Directives and in compliance with the Companies Act 2063.

2.2 Basis of Preparation

The financial statements are prepared on the historical cost basis. The preparation of the financial statements is in conformity with NAS requires use of certain critical accounting estimates. It also requires the management to exercise judgement in the process of applying the Bank's accounting policies.

2.3 Interest Income

Interest income on Loans & Advances has been recognized on cash basis as per Directive of the Nepal Rastra Bank, although this practice is inconsistent with NAS 7 (Revenue Accounting), which prescribes that the revenue should be recognized on accrual basis.

Interest income on Investments is recognised on accrual basis.

2.4 Commission Income

All the commission incomes are accounted for on accrual basis except for commission income less than NPR 1 lakh or generated out of a transaction with tenure less than 12 month which are accounted for on cash basis.

Service charges on loans and advances are recognized as income when it becomes due on approval of loans.

2.5 Dividend Income

Dividend is recognised as income when the right to receive the dividend is established. For bonus shares, the numbers of shares alone are increased without any changes in the cost price of shares.

2.6 Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies as on the balance sheet date have been converted into local currency at mid-point exchange rates published by Nepal Rastra Bank after adjustment for effective trading rate.

Net difference arising from the conversion of foreign currency assets and liabilities is accounted for as revaluation gain/loss under Exchange Gain in Schedule 4.22. 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per NRB Directives.

Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Trading Gains" under "Exchange Gain" in Schedule 4.22

2.7 Interest Expense

Interest on deposit liabilities and borrowing from other banks are accounted for on accrual basis.

2.8 Loans and Advances, Overdrafts and Bills Purchased

Loans and advances, overdrafts & bills purchased include direct finance provided to the customers such as bank overdrafts, term loans, working capital loan, consumers' loans given to deprived sector, etc. All loans are subject to regular review. They are graded according to the level of credit risk and classified as per Nepal Rastra Bank's Directives. Loans and advances, overdrafts and bills purchased are shown net of provision for possible losses.

2.9 Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme and interest accrued thereon are reflected under "Other Assets" as per the Directives of Nepal Rastra Bank.

2.10 Loan Loss Provision

Provision is made for possible losses on loans and advances & overdrafts at 1% to 100% on the basis of classification of loans and advances and overdrafts in accordance with the directives of Nepal Rastra Bank. Provisions in addition to the minimum requirement as per the directive of Nepal Rastra Bank, have been made by the management on prudence basis.

2.11 Loans & Advances Write off

Unrecoverable loans and advances are written off in accordance with the by-laws of the Bank approved by the Nepal Rastra Bank.

2.12 Investments

Investments are classified as held for trading, held to maturity and available for sale.

a. Held for Trading:

Investments that are made for the purpose of generating profit from short term fluctuations in price are classified under this category. These investments are marked to market and differences reflected in the profit and loss account.

b. Held to Maturity:

The investments made with positive intent and ability of the bank to hold till maturity is classified as held to maturity investments. The held to maturity investments are valued at amortized cost i.e. the cost price less any impairments (if applicable). The impairments are included in the profit and loss accounts for the period.

c. Available for Sale:

All other investments that are neither "held for trading" nor "held to maturity" are classified under this category. These investments are marked to market on a regular basis and the difference adjusted through provision for investments.

Investment Adjustment Reserve of 2% is also created in addition which qualifies for Supplementary Capital.

All Investments are subject to regular review as required by Nepal Rastra Bank Directives.

Investment in Subsidiary Company

As per the regulatory requirement issued by Ministry of Finance in Nepal Raajpatra, 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 100% of the equity capital amounting to NPR 100 Million. The Company received operating license from the Securities Board and started its commercial operation from September 17, 2010.

The investment has been classified under "Available for sale" category as per the direction of the NRB.

2.13 Fixed Assets and Depreciation

a. Fixed assets are stated at cost less accumulated depreciation
b. Land is not depreciated. Depreciation of other fixed assets is charged to Profit and Loss Account on Straight Line method over the useful life of fixed assets. The estimated useful life of the assets are as follows:

Assets	Estimated Life	Rate of Depreciation
Building	40 years	2.5%
Office equipment	7 years	14.28%
Computers	5 years	20%
Furniture & Fixtures	7 years	14.28%
Vehicles	5 to 7 years	20%/14.28%
Intangible Assets	Over the life of assets determinable or estimated	

c. Leasehold improvements are capitalised at cost and amortised over period of lease.

d. Intangible assets are capitalised and amortised over the life of assets determinable or best estimated.

e. Depreciation on fixed assets sold or disposed off during the year is charged upto the date of sales and gain or loss on the sales transaction is accounted for.

f. Software costs are amortized over their estimated useful lives from the period of purchase. These costs are shown under "Others" in the fixed assets schedule 4.14.

g. Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

2.14 Retirement Benefits

The Bank offers retirement benefits to its confirmed employees mainly provident fund and gratuity payable at the time of separation from service.

a. Provident fund

Provident fund is recognised at the time of contribution to the fund which is independent to the Bank.

b. Gratuity

Provision for gratuity is made on accrual basis with the amount of gratuity computed by the Bank as per the Bank's Policy.

c. Accumulated leave

Accumulated leave is accounted for on accrual basis as per NAS.

2.15 Income Tax

a. Current Income Tax

Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules framed there under.

b. Deferred Tax

Deferred tax is recognised on the differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation provided on temporary differences arising between the tax bases of assets and

liabilities and their carrying amounts in the financial statements. Deferred income tax is determined by using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to temporary differences in opening balances is credited or charged directly to equity and subsequent year differences are recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are netted off and presented under "Other Assets" or "Other Liabilities". Profit arising out of the deferred tax assets are stated under earmarked "Deferred Tax Reserve" as per NRB guidelines.

2.16 Stationery

Stationery purchased are stated at cost and charged to revenue at the time of consumption.

2.17 Non Banking Assets

Non Banking Assets are accounted for as per the Directives of Nepal Rastra Bank. The Bank did not have any non banking assets during the year.

2.18 Lease

Assets held under finance leases are initially recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19 Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under Contingent liabilities under subheading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements.

3. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Previous year's figures have been reclassified wherever necessary in order to facilitate comparison.

Schedule 4.33: Notes to Accounts

Financial Year 17 July 2011 to 15 July 2012 (1 Shrawan 2068 to 31 Ashad 2069)

1. Interest Income and Interest Suspense

The interest receivable on loans and advances as at 15 July 2012 has been netted off with interest suspense account as per NRB Directives and disclosed in Schedule 4.16 – "Other Assets".

2. Provision for Bonus

Provision for bonus has been calculated and provided for at 10% of net profit, after making adjustments for loan loss provision and bonus.

3. Staff Housing Fund

As the terms of service of the staff has a provision for extending housing loans to the eligible staff, a separate housing fund has not been created as prescribed by the Labour Act, 2048.

4. General Reserve

As required under the Banks and Financial Institutions Act 2063, 20% of the current year's net profit has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

25% of the revaluation gain amounting to NPR 4,357,725 has been transferred to Exchange Fluctuation Reserve through the Profit and Loss Appropriation Account as per NRB Directives.

6. Income Tax Returns

Bank has filed an appeal at Revenue Tribunal against the assessment order of Rs. 18,046,333 for the financial year 2006-07(2063-64 BS), pending the resolution of the matter, a contingent liability of the equivalent amount has been raised.

7. Provision for Gratuity

During the year, the Bank has provided NPR 3,927,675 on account of gratuity payable to the eligible staff.

8. Unpaid Dividend

As on the balance sheet date, the unpaid dividend over five years amounts to NPR 6,595,421.

9. Paid up Share Capital

Paid up share capital of the Bank has moved over the years as follows:

Financial Year	Cumulative Paid up Capital NPR	Remarks
2006-07 (2063-64 BS)	199,540,600	Issuance of 30% Bonus Shares
2007-08 (2064-65 BS)	1,000,000,000	Issuance of 1:4 Right Shares
2008-09 (2065-66 BS)	1,424,641,350	Issuance of 10% Bonus Shares and 30% Right Shares
2009-10 (2066-67 BS)	1,651,650,000	Auction of 53,586.5 remaining right shares of financial year 2008-09 and public issue of 715,000 shares. Premium of both the shares are accounted for accordingly.
2010-11 (2067-68 BS)	2,000,000,000	Issuance of 10:21.09 right shares and auction of unsubscribed right shares.

10. Advance Income Tax

Advance income tax paid by the Bank amounting to NPR 57,903,606 during the year has been set-off with provisions for income tax liability and presented in Schedule 4.16 – "Other Assets".

11. Deferred Tax

Carrying amount of Assets and Liabilities where temporary differences arise as on Ashad 31, 2069 (July 15, 2012) are as follows:

Particulars	Carrying Value	Tax Base	DTL/DTA	Difference
Fixed Assets	279,479,436	238,756,446	DTL	40,722,990
Gratuity provision	15,335,603	–	DTA	(15,335,603)
Sick leave provision	10,524,655	–	DTA	(10,524,655)
Provision on investment	2,321,070	–	DTA	(2,321,070)
Net temporary differences	251,298,108	238,756,446	DTL	12,0541,663
Deferred tax Liability (30%) as on 15 July 2012				3,762,499
Opening deferred tax liability				1,987,661
Net movement this year				1,774,838
Of which:				
Charged to Profit and Loss Account				1,774,838
Total				1,774,838

Deferred tax (assets)/liabilities have been recognised as per the provision of Nepal Accounting Standard (NAS -09).

12. Compensation Details for Key Management Personnel

Total of Key Management Personnel Compensation	NPR 30,957,843
A) Short Term Employee Benefits	30,957,843
(Includes Gross receipt during the year)	
B) Post Employment Benefits	NIL
C) Other Long Term Benefits	NIL
D) Termination Benefits	NIL
E) Share Based Payment	NIL

Additional information:

Key Management Personnel includes members of Executive Committee of the Bank. Key management personnel are also provided with the following benefits:

- Benefits as per the Employee Terms of Service By-laws,
- Bonus to staff as per the Bonus Act,
- Vehicle Allowance as per the Bank's Staff Vehicle Scheme.

The Board of Directors have been paid meeting fees of NPR 1,087,000. The Bank has not provided any other non cash benefit to directors except board meeting fees.

Note: Members of Executive Committee includes:

Mr. Upendra Poudyal, CEO
 Mr. Sunil KC, GM
 Mr. Pradeep Pradhan, AGM
 Mr. Suman Sharma, Head Business Banking
 Mr. Bijay Giri, Head Human Resource
 Mr. Sharad Tuladhar, Head Corporate Banking
 Ms Shabnam Limbu Joshi, Head Compliance Operational Risk & Audit

13. Lease Payments

Finance Lease

The Bank has not entered into any finance lease and does not have any obligation in respect of finance lease.

Operating Lease

The Bank has entered into a lease arrangement for office premises and ATM space outside of the branch for different periods continuing from previous years, which can be terminated by either party giving 90 days' notice. The future minimum lease payment under non-cancellable operating leases, where the bank is lessee is NIL.

14. Reconciliation Status

The position of agency and inter-branch reconciliation accounts are given below:

Amount in NPR

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	29,259,854	60,000	-	29,319,854
Inter branch	-	-	-	-

15. Loan Disbursed, recovered, written off and outstanding during the year.

The loan disbursed, recovered and outstanding during the year is given below:

Amount in NPR

Opening Balance	Disbursed	Recovered	Written off	Closing balance
11,343,091,915	30,001,681,259	28,876,294,537	-	12,468,478,637

16. Summary of Changes in deposit during the year

The financial growth of the deposits during the year is given below:

Amount in NPR

Particulars	FY 2011/12 (2068/2069)	FY 2010/11 (2067/2068)	Increase/(Decrease)
Savings Deposits	3,311,063,426	1,883,501,165	1,427,562,261
Fixed Deposits	6,881,752,498	6,563,092,775	318,659,723
Call Deposits	5,069,566,900	3,843,263,139	1,226,303,762
Current Deposits	609,309,051	518,480,341	90,828,711
Margin Deposits	110,863,183	57,884,508	52,978,675
Total	15,982,555,058	12,866,221,928	3,116,333,132

17. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	12.58
Average deposit/borrowing interest rate	9.02
Net Spread	3.56

18. Summary of concentration of Exposure

Amount in NPR

Particulars	Loans, Advance and Bills Purchased	Deposit	Contingent
Total amount as at 15 July 2012	12,468,478,637	15,982,555,058	1,983,567,377
Highest exposure to single unit	495,975,078	1,852,905,188	502,033,282
Highest % of exposure to single unit	3.98%	11.59%	25.31%

19. Classification of Assets and Liabilities based on Maturity

Amount in NPR Million

Particulars	1-90 Days	91-180 Days	181-270 Days	271-1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	324	-	-	-	-	324
2. Balance with Banks	3,243	-	-	-	-	3,243
3. Investment in Foreign Banks	107	-	44	-	-	151
4. Call Money	209	-	-	-	-	209
5. NG Securities	976	44	-	129	1,009	2,158
6. Nepal Rastra Bank Bonds	-	-	-	-	-	-
7. Inter Bank Lending	-	-	-	-	-	-
8. Loans, Advances & Bills Purchased	3,622	1,708	1,541	673	4,925	12,469
9. Accrued Interest Receivable	99	-	-	-	-	99
10. Reverse Repo	-	-	-	-	-	-
11. Receivable for Guarantee provided to other Institutions	-	-	-	-	-	-
12. Payment for facilities provided under S. N. 20,21,22	-	-	-	-	-	-
13. Others-Fixed Deposit Placement	-	-	20	-	-	20
Total Assets	8,580	1,752	1,605	802	5,934	18,673
b) Liabilities						
14. Current Deposits	740	-	-	-	-	740
15. Saving Deposits(including call deposits)	1,676	1,676	1,676	1,676	1,676	8,380
16. Fixed Deposit	2,202	1,534	1,348	1,488	290	6,862
17. Debentures	-	-	-	-	-	-
18. Borrowings:						
-Money at call short notice	-	-	-	-	-	-
-Inter Bank	-	-	-	-	-	-
-Refinance	-	-	-	-	-	-
-Others	-	-	-	-	-	-
19. Other liabilities and Provisions:						
-Sundry Creditors	271	-	-	-	-	271
-Bills Payable	45	-	-	-	-	45
-Interest Payable	399	-	-	-	-	399
-Provisions	353	-	-	-	-	353
-Others	1,380	-	-	-	-	1,380
20. Payable for Guarantees	84	-	-	-	-	84
21. Unlisted approved credit limits	877	-	-	-	-	877
22. Letter of Credit/Guarantees	1,547	112	100	70	71	1,900
23. Repo	-	-	-	-	-	-
24. Payment to be made for facilities under S.N. 11	-	-	-	-	-	-
25. Others	-	-	-	-	-	-
Total Liabilities	9,574	3,322	3,124	3,234	2,037	21,291
Net Financial Assets	(994)	(1,570)	(1,519)	(2,432)	3,897	(2,618)
Cumulative Net Financial Assets/Liabilities	(994)	(2,564)	(4,083)	(6,515)	(2,618)	

20. Borrowing by the Bank against the collateral of own assets

Borrowing by the Bank against the collateral of own assets are NIL.

21. Details of Gross Non Banking Assets of the Bank

Previous Year	Addition during the year	Sale During the year	Balance at the year end
Nil	Nil	Nil	Nil

22. Income on Subscription Share Money

Pending settlement of interest claim from the placement of fund on the account of Rights Issue of 11,161,890 Common Stock @ 100.00 Par of Nepal Bangladesh Bank Ltd., to their shareholders received during the year.

23. Transactions in Bullion

The Bank deals in bullion (Gold/Silver) by holding stock on consignment basis on behalf of suppliers as per the arrangement. Transaction of gold and silver are done as per the NRB Directives.

24. Related Party Disclosure

(a) Transaction with subsidiary company NMB Capital Limited

NPR in million

Nature of Services	Particulars	Income to the Bank	Expense to the Bank
Service fees	Service agreement to provide various operational and strategic support to NMB Capital Ltd	2.4	
Office space rental	Space provided by Bank to NMB Capital Ltd	1.88	
Call Deposit of NMB Capital held in the Bank	Interest on NPR 17.24 million as of 15 July 2012		1.07
Services	Commission on Outsourcing of various services e.g. Payment of NEA Bond Interest, Dividend of Nepal Telecom Ltd, Issue of right shares of the Bank		1.24
Share Registrar	Share Registrar of the Bank		0.41

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

(b) Key Management Personnel Compensation

Transactions	Nature	Amount (NPR)	
		2011-12	2010-11
CEO	Short Term Employee Benefits	14,338,800	13,129,612
Other Key Management Personnel	Short Term Employee Benefits	16,619,043	15,130,701
	Total	30,957,843	28,260,313

Details of loan availed by Promoters/ Institutional Promoters by pledging shares of NMB Bank Ltd with other Banks & Financial Institutions

Schedule 4.34

For the period from 1 Shrawan 2068 to 31 Ashad 2069 (July 17, 2011 to July 15, 2012)

S.N.	Name of the Promoter/ Institutional Promoter	No. of shares held by the promoter		Name of Bank/ Financial Institution where loan is availed	Loan Details		Remarks
		No. of shares	Percentage of Paid up share Capital		Loan Amount (NPR)	No of shares mortgaged	
1	Anand Kumar Rungta	2,371	0.01	Nepal SBI Bank Limited.	46,024,000.00	2,193	The credit facility has been sanctioned to M/S Anand Trade Concern and the shares have been held as additional security for the loan.
2	Balaram Neupane	156,114.38	0.78	Siddhartha Bank Limited.	3,997,324.36	97,002	Third Party collateral together with mortgage of shares of Goma Devi Neupane w/o Mr. Balaram Neupane.
3	Bishal Agrawal	139,042.20	0.70	Prime Commercial Bank Limited.	3,450,000.00	54,669	
				Nepal Bank Limited- Dharmapath		12,640	
				NCC Bank Limited.	16,558,494.00	50,000	
4	Gayatri Investment and management pvt.ltd.	642,440.56	3.21	International Development Bank Limited.	-	314,839	
5	Goma Devi Neupane	27,573	0.14	Siddhartha Bank Limited.	4,639,761.73	27,573	Third Party collateral together with mortgage of shares of Mr. Balaram Neupane husband of Ms. Goma Devi Neupane.
6	Hari Babu Neupane	100,000	0.50	Janta Bank Limited.	14,896,227.37	100,000	Mortgage for loan availed by Mr. Bala Ram Neupane.
7	Manju Tapadia	193,677.41	0.97	United Finance Limited.	2,737,500.00	61,200	Mortgage for loan availed by Mr. Alok Tapadia.
8	Sagun Pant	38,935.50	0.19	ICFC Bittiya Sanstha Limited.	16,499,759.02	38,935	Third Party collateral.
9	Binoj Prasad Dhital	39,312.02	0.20	Prime Commercial Bank Limited.	4,700,000.00	39,312	
10	Manoj Prasad Dhital	41,421.93	0.21	ICFC Bittiya Sanstha Limited.	2,500,000.00	37,656	
11	Trilok Chandra Agrawal	590,551.56	2.95	Nepal Bank Limited - Dharmapath		271,339	
12	Yong Lian Realty Sdn Bhd	1,891,249.1	9.46	Grand Bank Nepal Limited.	35,748,310.89	412,376	
13	Prabha Dhital	12,426.70	0.06	ICFC Bittiya Sanstha Limited.	1,200,000.00	12,426	

NOTE: Total number of shares held by Promoters include only Promoter Portion.

Nepal Bank Ltd. did not provide informations despite written request and several follow ups via telephone.

Comparison of Unaudited and Audited Financial Statements

As of FY 2011/12 (2068/69)

Schedule 4.35

Rs in '000

S.No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance In Amount	In %	Reasons for variance
1	Total Capital and Liabilities (1.1 to 1.7)	19,011,028	18,892,470	-	0.00%	
1.1	Paid Up Capital	2,000,000	2,000,000	-	0.00%	
1.2	Reserve and Surplus	266,914	263,686	(3,228)	-1.21%	Transfer of 20% of current year profit to Statutory General Reserve as per IFRB Directives and 25% of the revaluation gain has been transferred to Exchange reserve .
1.3	Debtenture and Bond	-	-	-	-	
1.4	Borrowings	-	-	-	-	
1.5	Deposits (a-b)	15,982,555	15,982,555	-	0.00%	
a.	Domestic Currency	14,775,148	14,775,148	-	0.00%	
b.	Foreign Currency	1,207,407	1,207,407	0	0.00%	
1.6	Income Tax Liability	23,765	-	23,765	-	Set off with Advance Income Tax paid
1.7	Other Liabilities	737,794	646,229	91,565	12.41%	*Amount in Interest Suspense shown under Other Liabilities in Unaudited Financial Results has been netted off with Interest Receivable on Other Assets in Audited Financial Results. *
2	Total Assets (2.1 to 2.7)	19,011,028	18,892,471	-	0.00%	
2.1	Cash and Bank Balance	3,566,897	3,566,984	87	0.00%	Interest capitalized on FCY Current Account (Bank Balance)
2.2	Money at Call and Short Notice	20,912	20,912	(0)	0.00%	
2.3	Investment	2,442,763	2,440,442	2,321	0.10%	Net of Provision in Audited Financials
	Loans and Advances(Gross)(a+b+c+d+e+f)	12,468,479	12,468,479			
a.	Real Estate Loan	1,303,008	1,303,008			
1.	Residential Real Estate Loan (Except personal Home Loan upto Rs. 80 Lacs)	263,117	263,117	-	0.00%	
2.	Business Complex & Residential	411,396	411,396	-	0.00%	
3.	Income Generating Commercial Complex Loan	-	-	-	-	
4.	Other Real Estate Loan (including Land purchase & plotting)	628,495	628,495	-	0.00%	
b.	Personal Home Loan of Rs. 80 Lacs or Less	875,228	875,228	-	0.00%	
c.	Margin Type Loan	275,528	275,528	-	0.00%	
d.	Term Loan	1,740,844	1,740,844	-	0.00%	
e.	Overdraft Loan/ TR Loan/ WC Loan	3,080,966	3,080,966	-	0.00%	
f.	Others	5,192,905	5,192,905	-	0.00%	
2.5	Fixed Assets	279,479	279,479	(0)	0.00%	
2.6	Non-banking Assets	-	-	-	-	
2.7	Other Assets	232,498	116,175	(116,323)	-50.03%	*Amount in Interest Suspense shown under Other Liabilities in Unaudited Financial Results has been netted off with Interest Receivable on Other Assets in Audited Financial Results. *
						cont....
3	Profit and Loss Account					
3.1	Interest Income	1,705,833	1,705,833	(0)	0.00%	
3.2	Interest Expenses	1,256,257	1,256,257	(0)	0.00%	
	A. Net Interest Income (3.1-3.2)	449,576	449,576			
3.3	Fees, Commission and Discount	37,775	38,506	731	1.93%	Reclassification of account head
3.4	Other Operating Income	54,055	53,700	(355)	-0.66%	Reclassification of account head
3.5	Foreign Exchange Gain/Loss (Net)	50,127	49,773	354	0.71%	Omission in booking of FX income rectified.
	B. Total Operating Income (A+3.3+3.4+3.5)	591,533	591,555			
3.6	Staff Expenses	92,443	92,443	(0)	0.00%	
3.7	Other Operating Expenses	159,678	159,630	48	0.03%	Reversal of expenses
	C. Operating Profit Before Provision (B-3.6-3.7)	339,412	339,482			
3.8	Provision for Possible Losses	279,327	278,300	1,027	0.37%	Adjustment of investment and other Assets provision as recommended by the auditors.
	D. Operating Profit (C-3.8)	60,085	61,182			
3.9	Non-Operating Income/Expenses(Net)	8,653	8,303	350	4.04%	Gross income booked under Dividend Income.
3.10	Write Back of Provision for Possible Loss	16,275	15,150	1,125	6.91%	Omission in booking of investment provision written back
	E. Profit from Regular Activities(D+3.9+3.10)	85,013	84,635			
3.11	Extraordinary Income/Expenses(Net)	2,126	2,126	0	0.00%	
	F. Profit before Bonus and Taxes(E+3.11)	87,139	86,761			
3.12	Provision for Staff Bonus	7,922	7,887	35	0.44%	Decrease in Provision for Bonus as per corresponding decrease in Profit before bonus and taxes.
3.13	Provision for tax	23,765	26,648	2,883	12.13%	*Deferred tax booked in the Audited Financial Results subsequently. And due to adjustment required by Income Tax Act. *
	G. Net Profit/Loss(F-3.12-3.13)	55,452	52,224			

Unaudited Financial Results (Quarterly)

Schedule 4.36

As at 4th Quarter (15/07/2012) of the Fiscal Year 2068/69

S.No.	Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year Quarter Ending	Rs in '000
1	Total Capital and Liabilities (1.1 to 1.7)	19,011,028	17,823,703	16,082,710	
1.1	Paid Up Capital	2,000,000	2,000,000	2,000,000	
1.2	Reserve and Surplus	266,914	278,208	211,462	
1.3	Debtenture and Bond	-	-	-	
1.4	Borrowings	-	-	497,200	
1.5	Deposits(a+b)	15,982,555	14,915,357	12,866,222	
a.	Domoestic Currency	14,775,148	13,560,900	11,696,631	
b.	Foreign Currency	1,207,407	1,354,457	1,169,591	
1.6	Income Tax Liability	23,765	28,605	-	
1.7	Other Liabilities	737,794	601,533	507,826	
2	Total Assets (2.1 to 2.7)	19,011,028	17,823,703	16,082,710	
2.1	Cash and Bank Balance	3,566,897	2,675,934	1,493,887	
2.2	Money at Call and Short Notice	20,912	329,448	259,167	
2.3	Investment	2,442,763	1,854,376	2,614,946	
2.4	Loans and Advances(Gross)(a+b+c+d+e+f)	12,468,479	12,356,273	11,343,092	
a.	Real Estate Loan	1,303,008	1,351,972	1,625,830	
1.	Residential Real Estate Loan (Except personal Home Loan upto Rs. 10 Million)	263,117	255,791	292,978	
2.	Business Complex & Residential Apartment Construction Loan	411,396	485,197	563,889	
3.	Income generating Commercial Complex Loan	-	-	-	
4.	Other Real Estate Loan(including Land purchase & plotting)	628,495	610,984	768,963	
b.	Personal Home Loan of Rs. 10 Million or Less	875,228	848,472	697,940	
c.	Margin Type Loan	275,528	293,971	456,933	
d.	Term Loan	1,740,844	1,602,095	1,326,399	
e.	Overdraft Loan/ TR Loan/ WC Loan	3,080,966	3,867,672	3,249,003	
f.	Others	5,192,905	4,392,091	3,986,987	
2.5	Fixed Assets	279,479	313,714	276,549	
2.6	Non-banking Assets	-	2,610	-	
2.7	Other Assets	232,498	291,348	95,069	
3	Profit and Loss Account	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter	
3.1	Interest Income	1,705,833	1,265,179	1,492,385	
3.2	Interest Expenses	1,256,257	940,761	1,053,451	
A.	Net Interest Income (3.1-3.2)	449,576	324,418	438,934	
3.3	Fees, Commission and Discount	37,775	28,125	27,983	
3.4	Other Operating Income	54,055	41,443	59,472	
3.5	Foreign Exchange Gain/Loss (Net)	50,127	45,504	47,191	
B.	Total Operating Income(A+3.3+3.4+3.5)	591,533	439,490	573,580	
3.6	Staff Expenses	92,443	69,670	75,614	
3.7	Other Operating Expenses	159,678	117,627	136,395	
C.	Operating Profit Before Provision (B.-3.6-3.7)	339,412	252,193	361,571	
3.8	Provision for Possible Losses	279,327	170,472	36,532	
D.	Operating Profit (C.-3.8)	60,085	81,721	325,039	
3.9	Non-Operating Income/Expenses(Net)	8,653	8,282	3,903	
3.10	Write Back of Provision for Possible Loss	16,275	12,757	25,610	
E.	Profit from Regular Activities(D+3.9+3.10)	85,013	102,760	354,552	
3.11	Extraordinary Income/Expenses(Net)	2,126	2,126	14,385	
F.	Profit before Bonus and Taxes(E.+3.11)	87,139	104,886	368,937	
3.12	Provision for Staff Bonus	7,922	9,535	33,540	
3.13	Provision for tax	23,765	28,605	113,892	
G.	Net Profit/Loss(F.-3.12-3.13)	55,452	66,746	221,505	
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	14.66%	14.57%	16.39%	
4.2	Non Performing Loan(NPL) to Total Loan	2.45%	2.77%	0.27%	
4.3	Total Loan Loss Provision to Total NPL	130.01%	84.40%	445.69%	
4.4	Cost of Funds	9.02%	9.28%	9.96%	
4.5	Credit to Deposit Ratio(Calculated as per NRB Directives)	65.76%	71.16%	77.07%	

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.

Disclosure Under New Capital Adequacy Framework

As at Ashad 31, 2069 (July 15, 2012)

1. Capital structure and capital adequacy:

■ Tier 1 capital and a breakdown of its components:

Details	Amount (NPR)
Paid up Equity Share Capital	2,000,000,000
Share Premium	10,077,915
Statutory General Reserves	196,504,634
Retained Earnings	44,062,540
Deferred Tax Reserves	-
Less: Investment in equity of institutions with financial interests	(100,000,000)
Total Core Capital	2,150,645,089

■ Tier 2 capital and a breakdown of its components:

Details	Amount (NPR)
General loan loss provision	124,416,806
Exchange Equalization Reserve	10,772,167
Investment Adjustment Reserve	2,269,011
Total Supplementary Capital	137,457,984

■ Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised during the year and amount eligible to be reckoned as capital funds.
- The Bank does not have any Subordinated Term Debts

■ Deductions from capital:

- Investment in equity shares of subsidiary company NMB Capital Ltd amounting to NPR 100,000,000 is deducted from Capital.

■ Total qualifying capital:

Details	Amount (NPR)
Core Capital (Tier 1)	2,150,645,089
Supplementary Capital (Tier 2)	137,457,984
Total Capital Fund	2,288,103,073

■ Capital Adequacy Ratio:

Details	Amount (NPR)
Tier 1 Capital to Total Risk Weighted Exposure	13.95%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	14.84%

■ Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.
- Bank does not have any other capital instruments except fully paid up Equity Shares as qualifying capital.

2. Risk exposures:

■ Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:

Risk Weighted Exposure	Amount (NPR)
Risk Weighted Exposure for Credit Risk	14,288,536,701
Risk Weighted Exposure for Operational Risk	638,978,410
Risk Weighted Exposure for Market Risk	188,149,604
Total Risk Weighted Exposures (a+b+c)	15,115,664,715
Add : 2% of the total RWE due to Supervisory add up	302,313,294
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15,417,978,009

■ Risk Weighted Exposures under each of 11 categories of Credit Risk:

Particulars	Amount (NPR)
Claims on government and Central Bank	NIL
Claims on other Official Entities	30,000,000
Claims on Bank	171,365,285
Claims on Domestic Corporate and Securities Firms	7,781,891,280
Claims on Regulatory Retail Portfolio	640,348,680
Claims secured by Residential Properties	397,808,194
Claims secured by Commercial Real Estate	648,874,317
Past Due Claims	219,184,432
High Risk Claims	3,007,367,889
Other Assets	356,165,211
Off Balance sheet items	1,035,531,412
TOTAL	14,288,536,701

■ Total Risk Weighted Exposure calculation table:

Particulars	Amount (NPR)
Risk Weighted Exposure for Credit Risk	14,288,536,700
Risk Weighted Exposure for Operational Risk	638,978,410
Risk Weighted Exposure for Market Risk	188,149,604
Total Risk Weighted Exposure	15,115,664,715
Add : 2% of the total RWE due to Supervisory add up	302,313,294
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	15,417,978,009
Total Core Capital Fund (Tier 1)	2,150,645,089
Total Capital Fund (Tier 1 & Tier 2)	2,288,103,073
Total Core Capital to Total Risk Weighted Exposures	13.95%
Total Capital to Total Risk Weighted Exposures	14.84%

Category	Gross	Provision	Net
Restructure/Reschedule Loan	6,020,975	1,197,376	4,823,598
Substandard	20,585,667	5,146,417	15,439,250
Doubtful	24,725,607	12,362,803	12,362,804
Loss	254,516,312	254,516,312	NIL
Total	305,848,561	273,222,908	32,625,652

NPA Ratio

Gross NPA to Gross Advances 2.45 %
Net NPA to Net Advances 0.27%

Movement of Non Performing Assets

Particulars	Ashad End 2068	Ashad End 2069	Movement
Restructure/Reschedule Loan	5,725,639	6,020,975	295,336
Substandard	8,935,669	20,585,667	11,649,998
Doubtful	3,104,923	24,725,607	21,620,684
Loss	12,393,517	254,516,312	242,122,795
Total Non Performing Loan	30,159,748	305,848,561	275,688,813

Movement of Loan Loss Provision & Interest Suspense *Amount (NPR)*

Category	Ashad End 2068	Ashad End 2069	Movement
Pass	113,229,322	124,416,806	11,187,484
Restructured	4,923,801	1,197,376	(3,726,424)
Substandard	2,233,917	5,146,417	2,912,499
Doubtful	1,737,423	12,362,803	10,625,380
Loss	12,393,517	254,516,312	242,122,795
Total Loan Provision	134,517,980	397,639,714	263,121,734

Interest Suspense

As per NRB Directives, all interest accruals on loans and advances, irrespective of loan category, are transferred to interest suspense account until the interest accrued and due is realized in cash. Details of Interest Suspense Movement is as follow:

Amount (NPR)

Particulars	Ashad End 2068	Ashad End 2069	Movement
Interest Suspense	49,220,036	91,025,183	41,805,147

Details of Additional Loan Loss Provision

Category	Amount (NPR)
Pass	11,187,483
Restructured	883,789
Substandard	5,146,417
Doubtful	12,362,803
Loss	248,121,997
Total Additional Loan Loss Provision	277,702,489

Segregation of Investment Portfolio

Particulars	Amount (NPR)
Held for Trading	6,400,000
Held for Maturity	2,322,912,142
Available for Sale	113,450,549
Total Investment Portfolio	2,442,762,691

NOTE: Investment under held for trading category includes NSB Bonds held by the Bank, bought and sold daily as market maker of the same.

Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk mitigant of NPR 155,821,068 for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

Summary of the Bank's internal approach to assess the adequacy of its capital to support current & future activities:

The Bank has prepared and implemented Internal Capital Adequacy Assessment Process (ICAAP) to ensure that the bank understands its risk profile and has systems in place to assess, quantify and monitor risk. One of the objectives of ICAAP is to determine the economic capital required to cover all risks faced. ICAAP enables the bank to ensure that it has adequate overall capital in relation to its risk profile. The bank is responsible for maintaining and implementing ICAAP hence it gets reviewed annually.