



Customer Care - Our Religion

SAFE GROWTH

FOR TODAY & TOMORROW...

14th
ANNUAL
REPORT
FY 2008/09

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Customer Care-Our Religion



NMB BANK LIMITED



About us

“OUR PRIMARY ACTIVITIES INCLUDE PROVIDING FINANCIAL SERVICES TO CUSTOMERS WHILE ENRICHING OUR INVESTORS.”

NMB Bank Ltd - Established and promoted by a group of prominent businessmen, bankers and a dynamic team has built a reputation as Nepal's foremost financial institution from its foundation since 1996. We successfully transformed from a financial company to a full-fledged commercial bank in May 2008. The journey since its inception has been marked with remarkable milestones providing a wide range of banking services and products.

NMB, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal with customer satisfaction measured as a focal objective. The satisfaction of our customers is at the heart of all our activities. We are unreservedly committed to customer satisfaction, and it is by this criterion that our success is measured.

Our capacity building plan has embarked in gaining strong foundation to unleash the best opportunities in the country. We believe in our people and our management team which is balanced with experienced and young professionals with high level of commitments for delivering superior financial performances, corporate governance and fostering leadership to manage change. Highly engaged and committed staffs of the bank are key driving forces behind our consistent good performances and we recognize and value their contribution. Best of brains are working towards fulfilling our motto 'Customer Service – Our Religion'.

Our key strategy is to bind and build our strengths and capabilities. We focus on positive customer service, better product management, continuous product innovation and superior credit quality. Professionalism and experience characterize the consistent work of our team. The bank offers industry leading support to small business owners through a suite of innovative, easy-to-use products and services from

across the Bank's platform. We provide unmatched convenience in the nation, serving thousands of consumers to uniquely position ourselves to deliver values, enrich customer relationship and generate more profitable revenue growth. Diversity of business, revenue streams, risks ideas and perspectives and people bring about strength in NMB that hardly come by any other way.

“OUR BANK IS PROUD OF THE ROLE IT PLAYS IN THE NEPALESE FINANCIAL MARKET DEVELOPMENT.”

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

Vision:



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 a wide range for building up a sound assets base
- Developing a culture of “Giving Extra Care to the Customers”
- Being innovative in the design and delivery of services
- Adopting prudent investment practices for building up a sound assets base
- Developing internal and external efficiency by prudent use of technology.
- Building operational efficiency through smarter process and controls
- Providing exciting and challenging career prospects for its employees
- Placing high priority on stakeholders’ interest and statutory compliance
- Acting responsibly for making contributions to the society at large

Mission:

Board of Directors



PURUSHOTAM LAL SANGHAI
Director

SHANTI BYAHUT
Director

UPENDRA POUDYAL
CEO



PAWAN KUMAR GOLYAN
Chairman

ATMA RAM MURARKA
Director

HARISCHANDRA SUBEDI
Director

RITA PANTA
Director

Chairman's Report

First of all, I would like to welcome you all to the 14th Annual General Meeting of NMB Bank Ltd on behalf of the Board of Directors. It is with immense pleasure, I would like to share with you that your bank has successfully managed the transformation after its upgradation as a commercial bank last year. In this process, the Bank has achieved several milestones which helped the Bank to establish itself as one of the key players in the Banking Industry of the country within a short span of time.

Whilst the Bank has just completed its first year of operation as a commercial bank, it has successfully managed to create the infrastructures in terms of footprints, products, technology, human resources during the period. In spite of difficult business conditions, we continued to invest cautiously on expanding our footprints, introduced more products and services to the market, invested in strengthening and upgrading our infrastructure and technology platform. These activities have paved the way for us and created a platform to achieve the planned growth for future.

I would like to take this opportunity to express my sincere thanks for your continued support and patronage which has always remained source of inspiration for us to deliver superior performance year on year.

I am pleased to present you with the Bank's Annual Report for the Financial Year 2008/2009. I believe overall performance of the Bank during the year was encouraging despite various challenges posed by the macroeconomic environment and political instability. The Bank during the period managed to achieve strong balance sheet growth, remained well positioned from liquidity perspective and capital adequacy. Increase in footprint, introduction of new products and service initiatives after commencement of commercial banking were the key drivers for these achievements.

Key financial highlights:

- Total Deposit volume significantly increased by 314% to NPR 6,877 million compared to NPR 1,661 million in the previous year.



- Risk Assets volume also increased by 163% to NPR 5,281 million.
- Total operating income during the period recorded at NPR 228 million with Net profit after tax of NPR 63 million. Higher cost on account of the Bank's investment on capacity building has curtailed overall profitability.
- Paid up capital increased to NPR 1.424 billion from NPR 1 billion.
- Earning per share lowered to NPR 4.42 due to increase in number of shares subsequent to issue of bonus and Right Shares last year.
- Non Performing Assets to total credits reduced to 0.51% from 1.52% in the preceding year.
- The Bank's overall capital base remains strong with Capital Adequacy Ratio of 19.03%.
- In accordance to Nepal Rastra Bank's requirement, NPR 12.59million i.e. 20% of net profit have been transferred to General Reserves Fund.

Macro-economic Environment and Outlook:

The global economy during the year remained highly turbulent and challenging. The unprecedented financial crisis probably the worst since the great depression has adversely impacted and shaken the foundation of even the strongest economy of the world. Despite the same, the tactful responses to address the issues by the government and central banks of these economy through various stimulus package is considered praiseworthy.

Overall macroeconomic situation in Nepal however remained broadly stable inspite of fluid political situation prevailing in the country and impact of global financial crisis. The strong and continued growth of remittance inflow has had positive impact on the overall economic activities. The GDP growth

remained slightly lower at 4.7% compared with 5.6% in the preceding year. Adverse weather conditions, acute power shortages and labor relations issues have had adverse impact on the overall growth.

Total imports of the country soared by 28.2% in FY 2008/09; likewise the overall export also increased by 13.5% during the same period. The worker's remittance flow into the country continued to exhibit the very satisfactory growth rate recording 47% increase viz-a-viz 42.5% growth in the previous year. Due to higher remittance volume and growth in tourism, Current Account and Balance of Payment remained surplus during the FY 2008/09.

Country's total gross foreign exchange reserves amounted to NPR 280 billion as of mid July 2009 which translates to 31.7% growth from the previous year. This is sufficient to cover import of 11.8 months.

Average consumer inflation rose to 13.2% in FY 2008/09 against an increase of 7.7% during the preceding year.

Overall economic growth prospects of the country is largely dependent on macroeconomic stability, a smooth and rapid political transition and impact of global recession. The commitment from political leadership for creating conducive business environment shall play key role for economic development in the country going forward. The current fragile political situation and adverse external environment poses downside risks for Nepalese economy, however the macro economic situation is expected to remain stable with GDP growth of 4% in 2009/10.

We will continue to focus on Capacity Building in terms of footprint, people, technology to achieve business growth as per the plan. In order to cope with challenges posed by the adverse external environment, our focus will also continue to remain on prudent risk management to ensure Safe and Sustainable Growth of your bank. Your Bank is now on its way towards achieving the benefit of the business growth and scale.

Acknowledgement:

I on behalf of the Board of Directors would like to thank my predecessor, Past Chairman Mr. Mahabir Prasad Goyal for his valuable contribution and guidance. The Bank has managed unprecedented achievement by upgrading itself as "A" class commercial bank from "C" class finance company during his tenure as the Chairman of the Board. I would also like to inform that Mr. Sharad Goyal representing promoter shareholders has resigned from the Board due to his personal reason. I would also like to record my sincere thanks to Mr. Goyal for his support and contribution.

We are grateful to our regulators for their continuous guidance and support. We believe that the proactive role played by Ministry of Finance, Nepal Rastra Bank, Securities Board of Nepal, Nepal Stock Exchange has ensured that the Nepalese financial system has remained relatively unscathed in the current global financial crisis. We would like to reiterate our commitment to continue to ensure high level of corporate governance within the Bank.

I am pleased to record my appreciation for the contribution made by the management team and committed staff of the Bank. Our management team is balanced with experienced and young professionals with high level of commitment for delivering superior financial performance, corporate governance and fostering leadership to manage change.

Before I conclude, I on behalf of NMB Board would like to place on record our sincere gratitude to all our respected shareholders and valued customers for their continued support and patronage which has immensely contributed for the Bank's growth over the past thirteen years. We also look forward for your continued support and patronage in days ahead to accomplish our mission to become one of the leading financial service providers in the country.

**Pawan Kumar Golyan
Chairman**

CEO's Message

FY 2007/08 was yet another eventful year for us. It has indeed been a great journey full of challenges and unmatched experience in the process of evolving the institution as a full-fledged commercial bank. We successfully managed the transformation after up-gradation into commercial bank amidst various challenges and also established ourselves as one of the key players in the financial market in the country. In the process, we set-up and implemented new organization structure along with restructure of business segments and operational units with a view to integrate existing and new functions and align the same with international banking model. We have made significant investment in expansion of footprint, people and technology up-gradation. During the period, we have added 9 new branches in different parts of the nation.

We understand that with growing competition and globalization, our customers are facing complex businesses situations that require sophisticated product solutions and services. Hence, we at NMB always strive to explore, create and adopt new innovations to keep our products and services as per the need of our customers. As a part of our endeavor to offer the same, we introduced various products and services first time in Nepal such as NMB Investment Savings, NMB Online Share Application, NMB Advantage Savings, etc, which we believe has helped us to enhance the brand image of the bank. We always believe in exceeding the expectation of our valued customers to ensure high level of service standard in line with our corporate slogan "Customer Care Our Religion"

The overall business sentiments are expected to dampen further, if the political situation in the country continues to remain fluid. Labor relations issues, energy crisis, high volatility in the market will continue to pose downside risks to growth in Nepalese economy. The banking industry will see few more new play-



ers this year which would further fuel to increase Interest rate in the market, international Financial institutions will also start showing interest in Nepalese market post 2010 which will further enhance competition in the already overcrowded banking market in Nepal. However, on the other hand, we expect remittance inflow into the country to continue to grow along with increasing migration which will help the liquidity in the market. Visit Nepal 2011 initiative taken by the government is also expected to have some positive impact on economic activities with growth in tourist inflow into the country. Likewise, there are number of pipeline green field infrastructure projects in Cement, Hydropower etc, which is also expected to fuel the overall growth in the economy.

Against this backdrop, I am optimistic about the business scenario for the Bank in the short to medium term. I am confident of robust growth path for the country as well as the Bank provided however that the political issues get a peaceful resolution. With the investment we made in the past thirteen years, we are ready to seize the opportunity and deliver superior financial results in the current fiscal year 2009/10.

The ongoing global recession triggered by delinquencies in mortgage loans in USA has had adverse impact for banks

and financial institutions around the globe. As Nepal's financial system has limited exposure in the international financial markets and products, the impact has remained not significant though. Due to various risks and challenges posed by global financial crisis as discussed earlier and lessons learned from the same, we believe that strategy that can deliver long term goal of the Bank is one that is supported by Prudent Risk management that leads to "Safe and Sustainable Growth" of the Bank. In line with the same, our focus will continue to remain on prudent risk management, high standard of corporate governance & compliance culture.

Being the only commercial bank with strong presence and proven track record in investment banking business in the country, we have the strength and expertise to become a dominant market player in the capital market space. We intend to continue our leading position in Investment Banking by way of introducing innovative debt and other financial instruments to give more opportunities of investment for general investors which we believe will help to develop the Capital Markets in the country.

As per the regulatory requirement, we are planning to spin off the Investment Banking Division of the Bank to a subsidiary company this year.

The Way Forward:

In the past few years, we have cautiously invested on infrastructures in terms of footprints, products, technology, human resources as per our Capacity Building plan to remain fit for future growth. We have now positioned ourselves to take advantage from the trends which are shaping our future. This gives us confidence that if the business environment remains stable, we can achieve the business growth exceeding the expectation of all our stakeholders. The Bank is also geared for continual efficiency improvement with the help of the infrastructure developed during the period. Being a customer centric institution, we will continue with our customer focused approach with proactive plan for acquisition and retention of our customers. We understand, the road ahead for us is full of both challenges and opportunities and we are confident that we can deliver as per our commitment with your continued support and guidance.

I on behalf of management team and staff would like to record my sincere gratitude for your continued support and patronage.

We always believe in exceeding the expectations of our valued customers to ensure high level of service standard in line with our corporate slogan "Customer Care Our Religion"

Upendra Poudyal
Chief Executive Officer



“NMB is a progressive bank giving more efficiency compared to other banks. I believe that NMB should be opening more branches in future to reach the untouched consumers.”

N.K Gupta
Director, Varun Beverage Pvt. Ltd ,(PEPSI)

Directors' Report

FY 2008/09 has been a milestone for NMB Bank Ltd. in view of its successful transformation from a finance company to full-fledged commercial bank. The up-gradation has undoubtedly given rise to expand the Bank's scope of services and avenues of generating revenue. At the same time, the move has also placed it in a different segment which demands for more capital, infrastructures, resources, investments, products, services etc. Its past track record as a leading finance company has definitely added value in terms of providing a platform to secure a position in the new market arena. There are future challenges though for the Bank mainly in view of increasing level of competition and less buoyant economic environment.

Macro Economic Environment

The global economy continues to face various challenges and remained highly volatile in the past 12 months. Unemployment continues to rise globally and housing prices in many countries fell significantly during the period. Moreover, majority of financial institution's balance sheets continue to remain weak due to which much more consolidation and recapitalization required for them. Consequently, the timing of the eventual recovery in the global economy remains uncertain. Despite the same, gradually stabilizing stock markets, modest improvements in exports in some countries, a recovery in consumer demand and the still-to-come demand-boosting effects of fiscal stimulus measures are expected to boost recovery process in the financial markets in days to come.

On the contrary to wide spread concern that global recession would adversely impact the overall growth in remittance and tourism growth in Nepal, a major

source of foreign exchange, both the sectors specially remittance sector witnessed robust growth in the FY 2008/09. The strong and continued growth of remittance inflow had positive impact on the overall economic activities. The GDP growth remained slightly lower at 4.7% compared with 5.6% in the preceding year. Moreover, adverse weather conditions, acute power shortages and labor relations issues have had adverse impact on the overall growth.

The workers' remittance flow into the country continued to record the very satisfactory growth rate with 47% increase viz. a viz. 42.5% growth in the previous year. On the back of strong growth in remittance flow in to the country and also satisfactory performance in both exports and tourism sector, overall macroeconomic situation in Nepal remained broadly stable in FY 2008/09, in spite of fluid political situation. Total imports during the period increased by 28.2%, likewise the overall export also increased by 13.5% during the same period. Current Account and Balance of Payment remained surplus during the FY 2008/09 due to significant growth in remittances.

Country's total gross foreign exchange reserves stood at NPR 280 billion as of mid July 2009 which translates to 31.7% growth from the previous year. This is sufficient to cover import of 11.8 months.

Total government expenditure (cash basis) increased by 39.1% to NPR 198 billion in FY 2008/09. This comprises of recurrent and capital expenditure of Rs. 115.5 billion and Rs. 58 billion respectively. Likewise, government revenue for the period have increased by a significant margin of 33.2% to Rs.143.3 billion

Average consumer inflation rose to 13.2% in FY 2007/08 against an increase of 7.7% during the preceding year.

The overall macro economic situation is expected to remain stable in the year 2009/10 with projected GDP growth of about 4%. Apart from remittance, Nepal has considerable scope for exploiting its potential in hydropower and tourism sector. The growth prospects however will remain largely dependent on business environment and timing of recovery in the global economy.

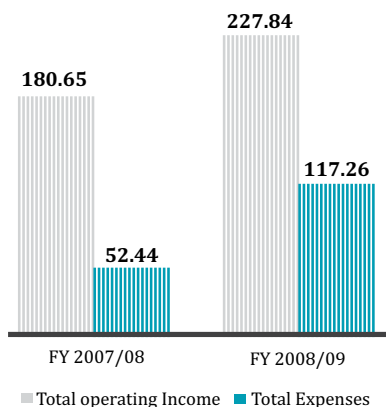
Operating Results and Financial Highlights (in thousands)

	FY 2007/08	FY 2008/09	% Change
Paid-up Capital	1,000,000	1,424,641	42.46%
Total Deposits	1,661,604	6,877,907	313.93%
Total Loans and Advances	1,939,967	5,194,211	167.75%
Total Investments	1,242,902	1,857,563	49.45%
Total Income	180,652	227,841	26.12%
Total Expenses	52,345	117,256	124.01%
Operating Profit	95,822	68,390	-28.63%
Net Profit After Tax	72,822	62,952	-13.55%
Capital Adequacy Ratio	33.96%	19.08%	-43.81%

Business volumes have increased noticeably during FY 2008/09 as a result of the upgradation and wider reach of the Bank. However, new deals have been booked on selective basis after evaluating them in terms of risk and profitability. The upgradation has also necessitated the need for expansion/strengthening its infrastructures viz. setting new branches and delivery channels; upgrading technological platforms; hiring and training of new human resources etc. These have increased the costs which is not unnatural though in view of commencement of commercial banking activities. The Bank is committed towards building a sound and secure base for future growth and therefore increase in costs is an integral component of the process.

Total operating Income and Expenses

RS in Million



Total Income during the year has increased mainly by way of additional source of revenue from commercial banking services. The year saw a major change in some of the regulations related to investment banking activities which has impacted the source of income that had been making significant contribution in the total income of the Bank in the past years. Furthermore, as mentioned before, there has been an increase in cost of operation during the year. Both of these have offset the positive impact of growth. However, even after taking these adversities into account the Bank has been able to record a Net Profit after Tax of Rs 62 million which can be considered a foundation for positive future results.

Majority of the business activities have seen two-fold growths during the year compared to the preceding year. Deposits have increased by 5 billion, which is an increase by 314%. Risk assets have also increased by Rs 4 billion, which is an increase by 168%. Investment portfolio, which is dominated by government securities, has also increased by 46.22% (Rs 358 million). This has helped the Bank in maintaining sound liquidity which is equally important in managing the liquidity risk for the Bank that is starting up and trying to grow as well.

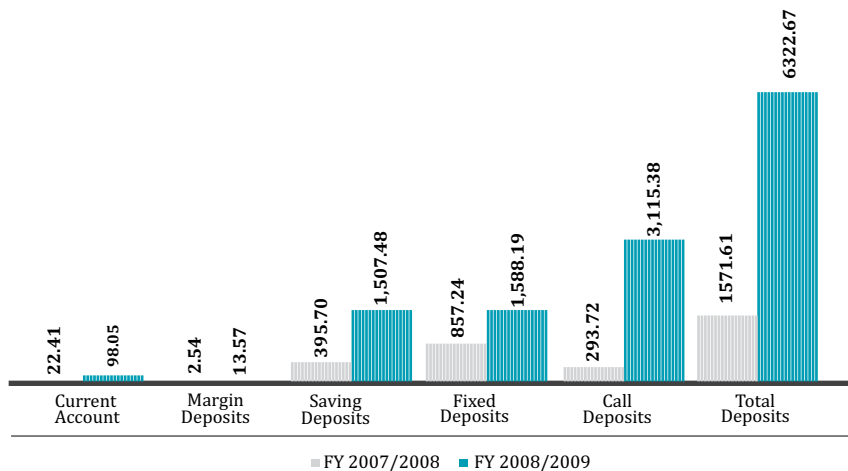
Footprints and Service Delivery Channels

Apart from the upgradation and starting its base activity from the owned premises at Babar Mahal, Kathmandu the Bank has also been able to increase

its service delivery outlets by opening nine additional branches during the year - four at Kathmandu valley i.e. Durbar Marg, Lubhu, Thaiba and Thamel and five outside the valley i.e. Pokhara, Butwal, Banepa, Dharan and Biratnagar. Furthermore, five ATMs have also been installed within Kathmandu valley to augment the service. Major economic centres of the country have been the primary basis for selection of the branch locations. Some of them can be used as the strategic controlling points for other outlets that will be opened around its periphery in future. Infrastructures of these branches have been specifically designed for the purpose. Service arrangement with one of the largest ATM service providers - SCT has been the basis of the ATM operation.

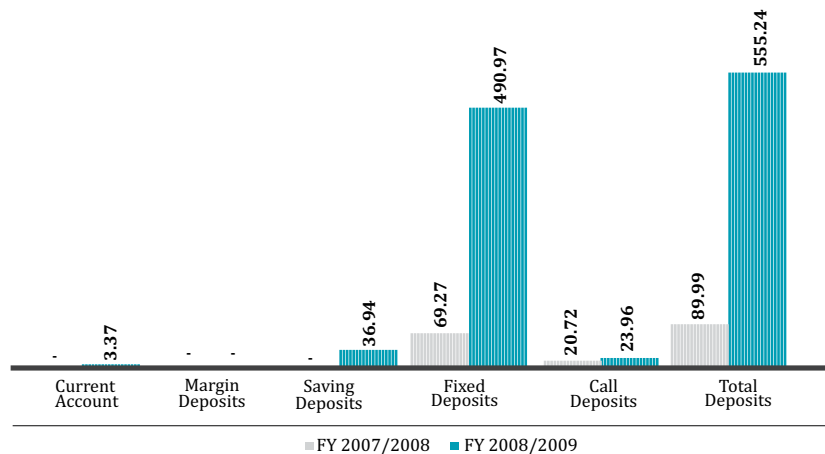
NPR Deposits

RS in Million



FCY Deposits

RS in Million



Deposit Mobilization

Overall deposit of the Bank has increased by Rs 5216 million (314 %) and reached Rs 6877 million during FY 2008/09. However, increased level of competition emanating mainly from new financial institutions in pursuit of growing their market shares coupled with balance sheet correction initiatives taken by some of the older banks have raised the barriers for collecting low cost deposits.

The Bank has been able to increase its local currency deposits by way of a mix of fixed and floating types of deposits from institutional and retail customers. During the period savings, call and term deposits have increased by Rs 1149 million (290 %), Rs 2824 million (898 %) and Rs 1152 million (124 %) respectively. Interest free deposits have also seen a marginal growth of Rs 90 million.

On the foreign currency deposits from the Bank has been booking deals as and when there are opportunities as well as requirements. Institutional short term depositors have been its major source.

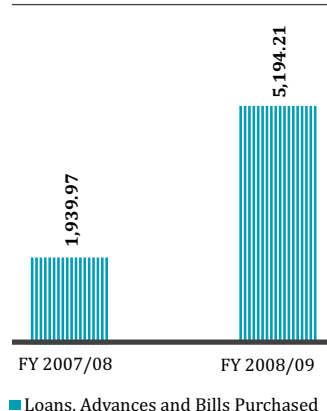
Average cost of local currency deposits has increased from 5.51. % achieved during last year to 6.48% this year which is also the trend in the industry.

Innovative retail and large value savings deposit products viz. NMB Investors Savings Account, NMB Advantage Savings Account, NMB Absolute Savings Account has been developed during the year. Some of these have been aided by customized software applications in order to augment service delivery and provide value added service. The NMB Investors Savings Account has definitely added value to the investors as it has eased the application and refund processes of IPOs.

New branches have also been the major source of deposits. On one hand they have broadened the market access and on the other they have been useful in cross-selling investment banking services.

Loans and Advances (net)

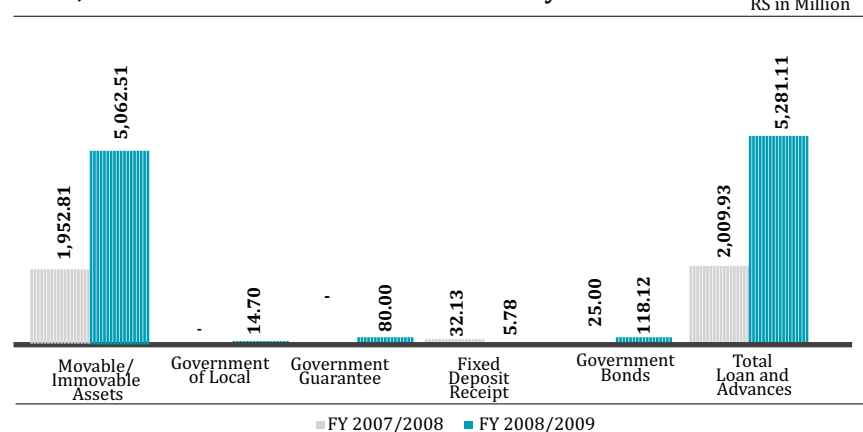
Loans, Advances and Bills Purchased



ary trend of almost all the banks and financial institutions especially the new ones have fueled this growth. Lending activities have been driven primarily by construction and property related transactions. Considering the recent global experiences on these sectors chances of slowdown cannot be overruled in the market as well.

NMB Bank has also expanded its credit portfolio by more than 167% compare to the size of FY 2007/08. The growth is natural as the Bank has been on

Loan, Advances and Bills Purchased Security Wise



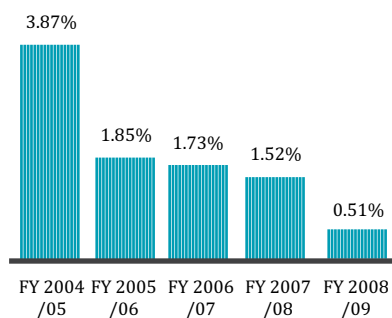
Credit portfolio has been managed under segment basis. The segmentations have been based on the size of exposure and/or borrowing entity. Corporate, Business and Retail Bank are the three major segments. During the later part of the year, the Bank has also started gaining experience on wholesale Micro-Finance for which a separate unit is established. Plans are underway to make this unit a self-sustaining one, which not only aids in meeting the deprived sector requirement of the Bank, but also takes initiatives in becoming a significant contributor in its bottom line.

the lookout for corporate customers requiring larger volumes following its up gradation. The expansion has been balanced by proper risk controls though. Basic rationale and controls have been assessed and put in place while advancing credits with a view to build safe and sound base of the Bank.

Statistics on loans and advances of the Bank indicates that it has increased by Rs 3254 million (168%) and reached Rs 5194 million during the year. Expansion-

Thrust to build credit portfolio by the banks and financial institutions have been creating resistance on raising interest rates of lending activities. This phase has posed challenges in maintaining interest spread especially for the new institutions that are trying to grow both sides of their books. NMB Bank has been conscious about it and selective in booking deals that offer adequate margins.

Non Performing Loan

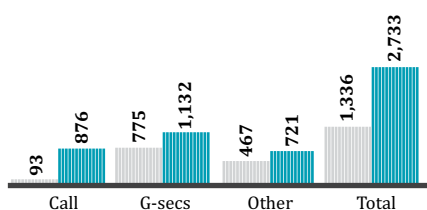


The Bank's Non-Performing Assets during the year has improved to 0.51% from 1.52% of last year. Recovery of some exposures classified as high risk during the previous year has made significant contribution in the performance of the Bank. Total write-back of provisions on loan and other losses during the year was Rs 27 million.

Investments and Treasury Related Activities

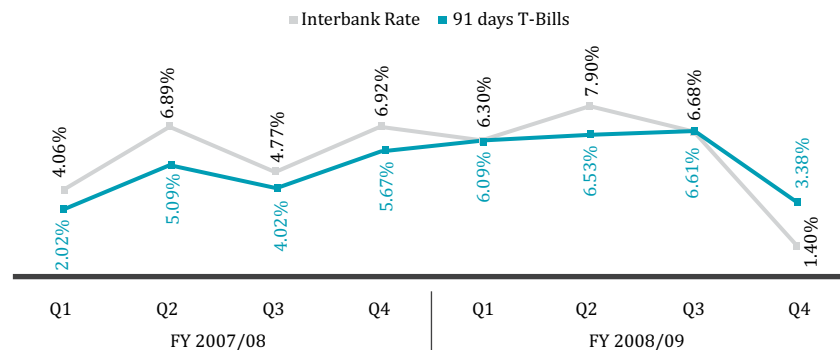
Investments and Treasury Related Activities

RS in Million



Investment portfolio of NMB Bank has been primarily dominated by government securities (G-SECS). There have been occasions of tightening liquidity in the market during the year and therefore the Bank feels the need to build safety in its books. These investments allow easy access to funds. Total investment in government securities has reached Rs 1134 million during the year which is 41.48% of the total investment portfolio. The balance portfolio comprise of inter-bank loans and placements. Interest rates have been closely tracked and satisfactory yields are maintained in the investment portfolio.

Market Rate



The Bank has been an active participant in the money market. The market showed signs of tightening up particularly at the time of Initial Public Offerings (IPO) of various companies and Tax payments. However, these have been short-term phenomena. Overall, the liquidity has not shown signs of tightening up as inter-bank lending rates have remained low during most part of the year. The Bank has utilized this opportunity to bridge short-term financing gaps. Total borrowings at the end of FY 2008/09 was Rs 313 million which was Rs 278 million same time of the preceding year.

Efforts have also been made towards increasing foreign currency transactions by way of tying up with remitting companies, importers, foreign currency dealers etc. There are fair indications of a major surge increase in exchange income in the coming years.

Investment Banking

NMB Bank was the only commercial bank that was involved in providing Investment Banking services during the year. Management of issuance of various types of marketable securities viz. primary issue, rights issue, debentures issue etc, and other services like registrar to share, advisory etc have been its major scope of activities. Frequent change in regulatory environment has been posing challenges in increasing

income from the activity as well as aligning its products and service delivery mechanisms. Interest to be provided to investors in case of Initial Public Offering (IPO) and shortening its processing time are some of the pertinent examples.

Despite managing more number of public issues of shares, income from this segment has witnessed a fall by Rs 24 million. However, the dynamism in external environment has been forcing the Bank towards making its service more efficient. During the year, initiatives were taken to re-engineer some of the processes by way of automation and improved project management techniques. Successful implementation of e-share application has been a major achievement of the year. This can bring about revolution in the future of managing IPOs.

The Bank has also been evaluating yields of the deals and focusing on the ones that have satisfactory earning potential.

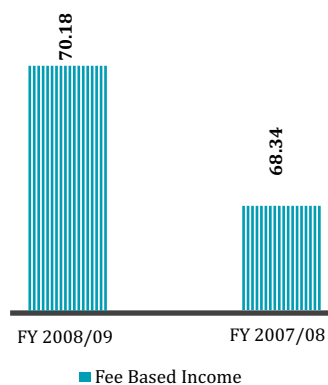
We through our services have been able to garner a good clientele which always encourages us to enhance our services through introduction of innovative products, technological upgradation in the existing workflow and strict adherence to the existing regulatory provisions. We enjoy the role of key player in the Nepalese capital market and always strive to protect the interest of all stakehold-

ers through dissemination of quality information on time so that the investors can make informed investment decisions and have the benefits of balanced growth over the years. This will not only increase the confidence of the masses towards the capital market but will also expand the entire market pie.

With all of the above initiatives turn-around time of projects has improved which has increased the appetite of taking more business volumes in future.

Other Fee Based Activities

Fee Based Income RS in Million

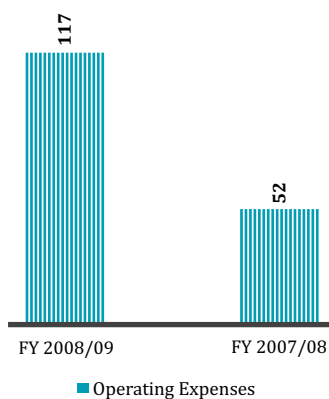


Increase in credit related activities has also brought collateral gains in the form of credit processing fees. The Bank has been making attempts in diversifying other sources of based income viz. trade finance, account services, remittances, exchange etc. Increasing transactions is a fundamental element in achieving this goal. The Bank has been trying to leverage by cross-selling Investment Banking with other services as well as additional initiatives viz. making collaborative arrangements with remitting and other foreign currencies dealers; booking lucrative trade related deals; promoting retail remittances viz. demand drafts, travelers cheques etc. High competition has been the limiting factor on

this as well. The Bank has been making attempts to increase its share of wallet by providing value added services from automation and personalized dealings and cross-selling services to deposit, credit and investment banking customers. Total fee based earnings during the year have increased to Rs 35 million from Rs 7 million achieved during the preceding year.

Operating Costs

Operating Expenses RS in Million

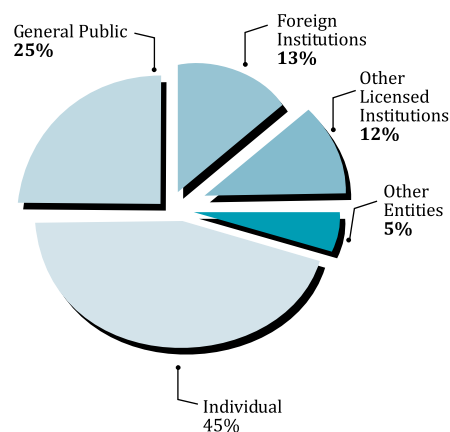


Costs have increased from Rs 52 million in FY 2007/08 to Rs 117 million during FY 2008/09. The increase has been disproportional vis-à-vis the growth in income. Set up costs related to the basic infrastructures following the upgradation has been the primary reason for it. Irrespective of its background there has been a need to incur additional costs on human resource, trainings, branches and its support infrastructures, service delivery channels, software, IT networks, share issue etc. in order to expand its scale of operations. The benefits of these start up expenses will accrue in the coming years. The Bank is conscious on lowering cost to income ratio both by way of accelerating the income and slowing down the pace of increase in costs. The ratio has been at around 51% during the year.

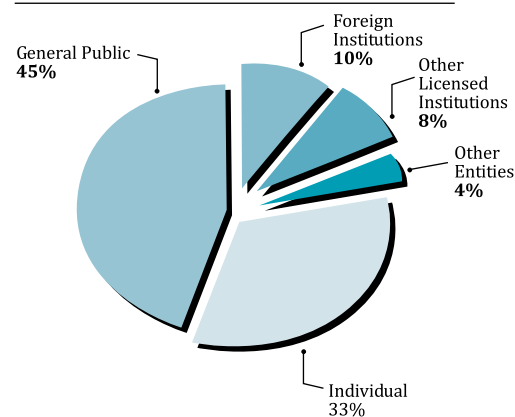
Capital Plan and Issue of Shares

Additional capital of Rs 424,641,350 has been raised during FY 2008/09 by way of issue of right shares in order to achieve the phased capital growth plan.

Share Ownership Structure FY 2007/08



Share Ownership Structure FY 2008/09



The unsubscribed shares of 53586.5 nos. have been auctioned post the close of the financial year. This has raised the shareholders fund by way of share premium in the current financial year.

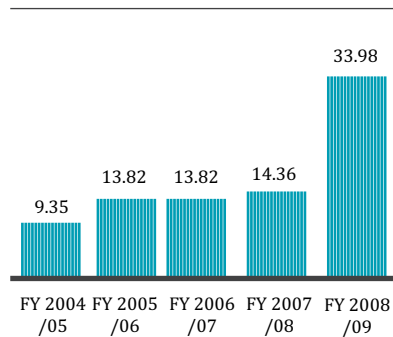
During the year there has been a change in the shareholding structure of the Bank in terms promoters and public shares. Following the approval of Nepal Rastra

Bank the promoters have divested 20.15% of their shares to public. This divestment has revised shareholding mix between promoters and public from 75% and 25% to 54.85% and 45.15% respectively.

The Bank is required to raise its paid-up capital and free reserves to Rs. 2 billion within FY 2009/10 which will be achieved by way of further capitalization attempts.

Contingent Liabilities

Contingent Liabilities



NMB Bank has expanded its activities in trade finance during the year. Contingent liabilities on account of Letters of Credit has increased from Rs 31 million as at the end of FY 2007/08 to Rs 300 million during the reported year. The liabilities on account of Guarantees have also increased from Rs 112 million as at the end of FY 2007/08 to Rs 137 million during the reported year. The transactions were mainly related to import of commodities, metals, vehicles, equipment etc and guarantees related to con-

struction. Longer working capital cycles of the importers have been a limiting factor in growing the volume though.

Future Plans

NMB Bank believes in safe and sustainable growth as the major driving factor behind all its future plans. Some of the important goals that the Bank would be looking to achieve in the medium term are as follows:

- Continue to reinforce NMB as a franchise in order to supplement its business and reputation in the market.

- Raise the size of the balance sheet to generate advantage of scale. However, the expansion will be based upon judicious selection of business both in terms of deposit and loans.

- Focus on high yield lending opportunities i.e. small and medium scale borrowers with appropriate risk controls.

- Extend credit lines to basic and infrastructure related projects viz. power, cement, agricultural products, educational and health related institutions etc. that have lower external vulnerabilities.

- Increase customer base to over 100,000 within five year's span. Achievement of this can provide opportunities in selling transaction banking products and services.

- Promote a subsidiary company mainly for Investment Banking purpose. This is also a regulatory requirement now.

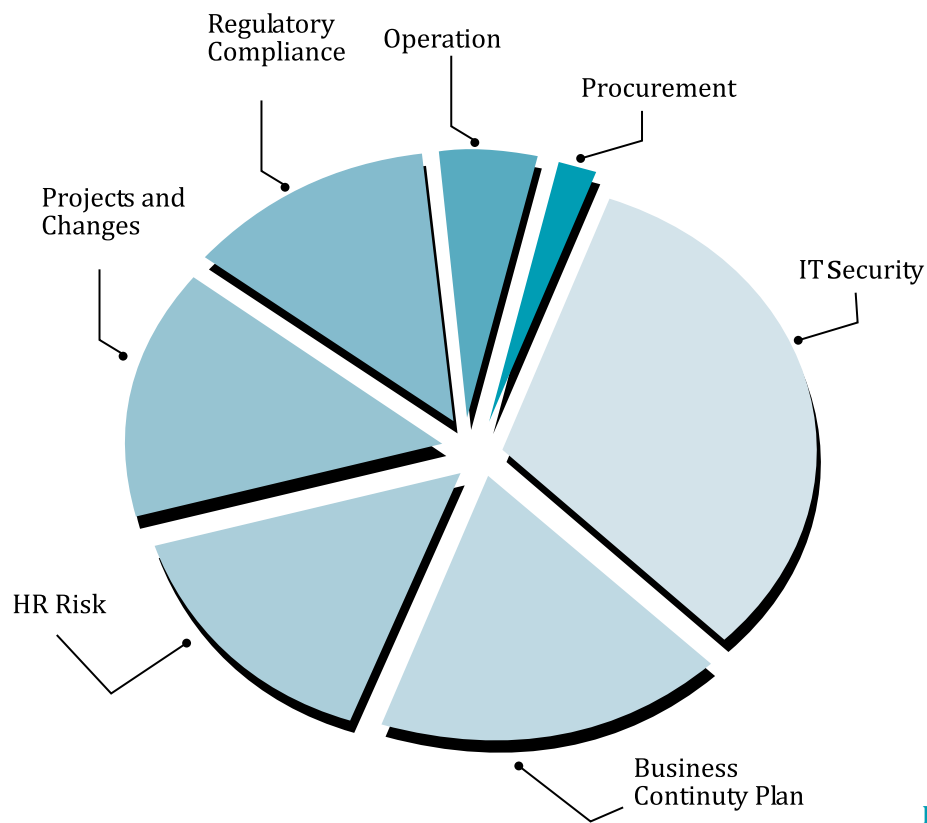
Establishing a separate entity for the reason can add value in terms of raising efficiencies as well as having focused approach to the business.

- Increase core capital to Rs. 2 billion which is also the regulatory requirement.

- Raise efficiency of operations and reduce cost to income ratio. Human resource management, process streamlining and automation will be the important tools to achieve this objective.

- Increase point of presence in important locations within the country. In this connection the Bank plans to establish branches in all development regions in the near future. A sustainable plan will be adopted in terms of opening of new branches.

- Emphasis on transaction banking and trade finance business will continue. Commodity trading activities mainly on precious metals will be introduced in the near future.



Risk Management

Adverse local and global economic environments have lowered the number of sound business deals available in the market. Increasing number of financial institutions has further added to the challenge mainly in terms of maintaining risk to return and also proper risk controls. During the year the Bank has been able to set-up proper structures and mechanisms on all the areas that are exposed to risks.

Liability management and interest rate risk

FY 2008/09 has witnessed increase in interest rates of deposits in general, particularly in one year term category. Slow-down in the growth of deposit volume added by aggressive sales initiatives of new financial institutions are considered

to be the primary reasons for it. This has also increased the negotiating power of large value depositors as they possess the ability to bring immediate impact in the liability books, particularly of the new banks and financial institutions. On the other hand, lack of availability of sound business deals did not allow automatic adjustments of the impact in the lending rates. Furthermore, there have been changes in regulatory environment viz. payment of interest on quarterly basis to savings depositors; requirement of Statutory Liquidity Ratio (SLR) etc. that have also posed challenges in managing the liability portfolio. Spreads of each business deals are critically evaluated in order to ensure adequate margins.

NMB Bank has introduced deposit products particularly in savings category to mitigate against the risk of reliance on few depository relationships. NMB Inves-

tors Savings is one of them. As per the new regulation of Securities Board of Nepal (SEBON) investors are required to use bank account for depositing funds for applying in any IPO as well as getting its refund. NMB Bank was the first in the market to introduce a customized product for the purpose. Furthermore, the Bank is also the premier in introducing high yielding savings account of 7% p.a. suited to large value depositors. Apart from these NMB payroll and NMB Bachat, the standard savings account product, have also contributed in broadening its customer base.

Balance Sheet and Maturity Risk

In view of the increasing competition in the deposit market demand for high yielding liquid products has increased. Liquidity back-up of the banks will be one of the important mitigations against such balance sheet risk. Despite of being a new entrant in the commercial banking industry, NMB Bank has adopted a policy of maintaining comfortable Credit Deposit (CD) Ratio. As of the end of FY 2008/09 the Bank's CD ratio was 75.52 %. Furthermore, the Bank has also maintained a sound liquid investment portfolio with satisfactory yield. Both of these provide a safe platform in terms of management of liquidity while carrying out business in volatile environment. The Bank believes that overstretched risk asset portfolio and operating at lower liquidity margins can yield short-term gains but it also exposes the risk of maturity profile mismatches and also pose difficulty in managing the balance sheet.

The Bank monitors the Asset Liability maturity profiles and interest rate risks through an Asset Liability Management Committee (ALCO) represented by



Directing our policies, plans and procedures towards minimizing the financial risk, we ensure your financial gain.

senior level management officials including the Chief Executive Officer.

Credit Risk

Overall demand for credit has remained positive during the year. However, most of these have been in higher risk category either for consumption or property related. This has increased the need for strengthening the credit risk control mechanisms of the financial institutions. The credit management policies and guidelines of NMB Bank emphasizes on the need to adopt standard mechanisms as well as additional control norms in view of the emerging risks in the market. Control mechanisms such as portfolio ceilings, internal credit grading, automated credit administration tools etc. have added value in this regard.

The Bank has an independent Credit Risk Management (CRM) unit for evaluation of credit risk and administration as well. The independency of CRM helps in taking a balanced view as well as effective monitoring of credits. The CRM is

also involved in management of inferior credit exposures. This has ensured regular follow-ups on weak credit cases and recovery as well.

Market Risk

The Bank has automated its margin lending portfolio control mechanisms during the year which facilitates to take appropriate steps on time in case of movements of stock prices in the market.

Operational Risk

Expansion of outlets, delivery channels and transactions; changing regulatory environment; establishment of new customer relationships etc. have been increasing the level of operational risks of the Bank. Furthermore, aggressive growth in the industry has not been well matched by availability of trained human resources which has also added to the risk. NMB Bank has been sensitive on the matter and devising operational procedures scanned particularly on the related risks and control mechanisms. The Bank's independent Compliance Unit ensures compliance with the internal as

well as the external regulations. The unit is also carrying out the coordination and reporting functions related to Know Your Customer (KYC) guidelines of the country. The Bank also has its own KYC Policy which extensively covers the means to manage the risk.

In the mean time, the Bank considers developing its human resource through a flatter operating structure. Extensive participation in development and implementation of operational procedures is encouraged for developing their ownership and interest.



Corporate Governance

The Board and Management

The Board of NMB Bank is represented by seven non executive directors. Mr. Pawan Golyan took over the role of the chairman in April 2009. He is a promoter of the Bank and has succeeded this position from Mr. Mahabir Prasad Goyal. Mr. Goyal led the Board of the Bank for almost four years. An election of Directors represented by the promoters was also held during FY 2008/09. Mr. Pawan Golyan, Mr. Atma Ram Murarka, Mr. Purushottam Lal Sanghai, Mr. Sharad Goyal (representing Yong Lian Realty Ddn. Bhd, Malaysia), Mrs. Shanti Bhyahut (representing Employee Provident Fund) have been re-elected from this process. Mrs. Rita Pant, an independent specialist director, was also appointed on 25 February 2009. Mr. Pradeep Kumar Nepal and Mr. Harishchandra Subedi continued to represent the Board as public directors. Mr. Sharad Goyal has resigned from the Board on 2 April 2009.

At NMB, we are firmly committed to highest standards of the Governance. The Board of Directors is represented by mix of prominent business personalities and experts/professionals. All of them are non-executive directors and therefore has helped in maintaining a structural balance between the management and the policy makers. The Board has been actively involved in formulating various policies and strategies/plans. It has also been involved in approving annual financial plans, regular monitoring of the performance, overseeing general compliance level and matters related to capital structure. The Board has also been involved in approving large value business arrangements which ensures certain level of top level participation in the key business affairs of the Bank. The management is lead by Mr. Upendra Poudyal, Chief Executive Officer. He has been with the Bank since 2000. He is ably supported by a team of local professionals. There is an adequate level

of independency and authority with the management to carry out the function. There are sufficient mechanisms in place to oversee their performances and activities by the Board though.

Audit Committee

With the increase in the scope of operation the Audit Committee of the Bank has been strengthened with more representations from the Board of Directors. Whilst Mrs. Shanti Bhyahut continued to be the convener of the committee with Mr. Harishchandra Subedi and Mr. Pradeep Nepal are the members. All of them are non-executive members which ensure complete independency of the activities carried out by the committee. Compliance Officer of the Bank carries out the secretarial work of the Committee. The Committee is governed by a detailed regulation approved by the Board. It reviews all audit reports viz. internal, external and Nepal Rastra Bank inspection and submits their recommendations



to the Board of Directors. It also provides guidelines and feedbacks to the management. There were 15 meetings held by the committee during the financial year for which total meeting fee allowance of Rs 385,339 was paid to the members. The Secretary of the Committee is not entitled to meeting fee allowance.

Policy Formulation Committee

The Board also constituted a Policy Formulation Committee in order to invent all the required guidelines for running commercial banking operations. It has been represented by non-executive directors Mr. Pradeep Nepal and Mr. Harishchandra Subedi. The committee was involved in formulating and recommending policies related to Credit, Investment, Deposit, Anti Money Laundering, Information Technology and Investment Banking. It was also involved in preparation of By-laws related to Employee Terms of Service, Financial Administration and Loan Write-off.

Our management team is balanced with experienced and young professionals with high level of commitment for delivering superior financial performance, corporate governance and fostering leadership to manage change. NMB top level management well understands that every decision taken must benefit the all stakeholders.

NMB Beyond Banking

Contributing to the society and nation in all possible means, NMB regularly takes initiatives for the betterment of society.

Delivering on our social responsibility

From its commencement, NMB bank has been discharging its social responsibilities, made available physical and financial help for various purposes through financial and allied institutions. The main services being rendered by the bank on its front basically include those related to education, healthcare, sports, culture, natural calamities and other social services like every other corporate entity to contribute to the enhancement of social wealth and betterment of society. As a true corporate citizen NMB bank has contributed towards the bet-



Blood Donation Program

terment of the society in every possible way. We took a number of initiatives in the discharge of this broad social responsibility. Many activities that do a

common good to the society have been undertaken by NMB in the past and this happens at NMB on an ongoing basis.

This year the Bank along with the employees provided contributions to two orphanages-Parvananda Ashram and Helpless Children Mother Centre with financial and logistic support. In order to support under-privileged children with their education, the Bank provides support to Bal Mandir Foundation. NMB Bank was very proactive in mobilizing funds and resources for various calamities. The Bank contributed Nepalese Rupee 100,000 cash for the relief fund in order to help the people of Jajarkot affected by the cholera and dysentery. Further, as a part of its support to the Blind Welfare Society, 2 computers were donated. NMB also renovated "Dhun-



Renovation of 'Amritdhara' at Iubhu

gedhara” at Lubhu, “Hanuman Than” temple at Babarmahal in addition to direct donations it provides every year. In addition, the bank annually organizes a Blood donation Program. NMB is also proud of its employees who have contributed in different sectors of the society through their individual effort and various charitable institutions.

We encourage our employees to participate in social, recreational and sports activities as a means of overall development. Such activities not only give them a respite from their routine course of official assignments, but also help in interactive enhancement of management skills, fostering teamwork and whetting knowledge-sharing and communication skills.



Renovation of “Hanuman Than” Temple at Babarmahal

We encourage our staff to come forth with proposals to participate in such activities. We are aware of the integral bond between the society and the bank. We believe this brings about opportunities for the staffs to interact with other individuals of different organization. This builds a spirit of team, encourages co-ordination and co-operation among

the colleagues and members participating in such interaction activities. NMB bank feels that the contribution it is making is subtle and is willing to bestow more in the years to follow.



Donation to Jajarkot Dysentery Pandemic victims

NMB Bank has a comprehensive selection of products that features some innovative new accounts and plenty of options to choose the banking that's right for its customers.

We have a number of variants of our savings accounts customized to suit individual needs. Our range of accounts includes:

NMB –BACHAT KHATA.

NMB Bank's Bachat Khata is a complete financial package customised to suit individual banking needs at a very comfortable balance requirement.

NMB –ABSOLUTE SAVINGS ACCOUNT

NMB Bank's Absolute Savings A/C has been targeted towards all the depositors who want risk free return on saving. This product caters to the need of high net worth customers and all others who are sensitive towards return.

NMB-INVESTORS' SAVINGS ACCOUNT

NMB Bank's Investors' Savings Account is an account packed with powerful features that is accessible to common depositors that work as a supplement for investment activities. The basic objective of this deposit account is ease in operation of shares transaction managed by NMB as an issue manager or even as collection centre or registrar, thus minimizing the risk of carrying cash. Information regarding issuance of shares and capital market through SMS/email is an added advantage to this.

NMB –ADVANTAGE SAVINGS ACCOUNT

NMB Bank's Advantage Savings Account is a high return account which offers the depositors, opportunity to multiply their savings and maximise earnings through cash bonus.

PRODUCT & SERVICES

NMB PAYROLL ACCOUNT

NMB Bank's Payroll Savings A/C has been designed exclusively for employers and employee. It's a power packaged offering that benefits organization. It enables easy disbursement of salaries and provides numerous added benefits. Besides employees will automatically become account holders with NMB Bank and enjoy range of services and products offered by Bank.

NMB-SAFE DEPOSIT LOCKERS

NMB offers safe deposit locker facilities for customers in order to safeguard their documents, jewellery and other valuables. NMB lockers are amongst the safest place in town. The lockers are available in various sizes and the rates are competitive.



RETAIL REMITTANCE

NMB has linked itself with money transfer agencies to provide reliable and time bound service. It offers remittance facility through Western Union, Hulas Remittance and Krishi Premura Money Transfer. This enables our customers to receive funds from any part of the world instantly.

This year NMB has signed the business partnership agreement with Manakamana Money Express – one of the leading remittance companies in Nepal for handling inward remittance in the country. With an aim to contribute on the remittance services, NMB and Manakamana Money Express have mutual understanding and agreement to facilitate customers which enables receiving funds from any part of the world instantly.

REMITTANCE AND TRANSFER

NMB offers a range of services for retail or online money transfer with low fees for our account holders as well as non account holders.



A man and a woman are smiling from inside a silver car. The man is in the driver's seat, wearing a grey suit jacket and a red tie. The woman is in the passenger seat, wearing a brown and green patterned sari. They are looking towards the camera. The background shows a house with a balcony and lush greenery with red flowers.

Taking up every challenges in
this highly competitive and vol-
atile market, we move ahead
securing your financial interest.

“It’s always pleasant revelation
when we bank with NMB.”

In addition to the above products and services, we also provide arrays of various other lending products and services. NMB offers wide and complete range of Trade Finance services and products. Our services range from issuing of your Letters of Credit, Advising export letters of credit, pre-shipment finance, import finance etc. We facilitate our customers with prompt processing of transactions, detailed advice on structuring the instruments to meet import/export requirements and comprehensive guidance on the UCP DC terms and conditions and NRB Regulations.

We also provide Corporate banking products and services to meet the ready requirement of large corporates. We have a range of solutions designed to help our customers with their banking needs and our Relationship Managers have expertise knowledge to create a

tailored financial solutions catering to ready requirements of our customers. NMB's Corporate Banking understands our customer business and works mutually with them to realize the advancement. In the part of funding requirements we offer working capital finance including overdraft, export finance, Pre and post shipment export financing, import financing, LCM financing, discounting and trade service.

We also target SMEs and resources to meet the ready requirements of our customers' business with a touch and responsiveness. We provide a diversified range of products and services to individuals and small business through multiple delivery channels. The segment also includes commercial lending and treasury management services primarily to middle market companies. These services are available through

relationship management teams as well as through alternative channels such as telephone, internet thereby accessing NMB Bank directly. NMB Business Banking also provides and offers real estate funding which includes project financing and treasury management to private developers, homebuilders and commercial real estate and investing services in Nepal.

With the Retail Banking, we provide wide range of facilities to individuals to satisfy various needs of our customers. We have suitable solutions for customers who approach us for any type of individual borrowing needs. The Retail Banking products of NMB comprises of Personal Loan, Auto Loan, Home Loan, Mortgage Loan and Education Loan.

Operational Risk Management

Operational risk involves potential losses arising from various types of human and technical error which an organization encounters in its day to day practices. Operational risk management is becoming an important feature of sound risk management practices in modern financial markets. It identifies hazards, assesses possible risks, analyzes risk control measures, makes and implements risk controls. Banks now a days have been focusing in this area and have regarded it as a formal discipline. Awareness of operational risk as separate risk category has been relatively new to the banking sector of Nepal.

We have established Operations Risk Management as a separate and independent function which basically entails operational hazard identifications and takes reasonable measures to minimize those risks. The main objective of this unit is to identify operational risk and hazards that have real and potential that can cause losses to the Bank or potential risk degradation, injury, illness and damage or loss of the Bank's assets. Operational Risk Management function of the Bank is designed to minimize risks in order to reduce mishaps, preserve assets and safeguard the wealth and welfare of the Bank. We at NMB, assess the potential cost of

Operational Risks against the possible benefits of allowing those risks to stand uncontrolled whereas benefits are not limited to reduce mishaps rates but also to be realized as increase in efficiency. No one best solution exists; normally there are varieties of solutions, each of which may reduce a different degree of risk. So Operations Risk Management unit of the Bank not only entails to identification and reduction of hazards but also looks the best possible option for getting things done so that we can capitalize on our resources to the best way possible.

The Bank has devised process guidelines for different operational activities in order to standardize the process throughout the bank. The basic objective of these manuals is to set the minimum control standards that are basically based on the bank's policy. Supervising and periodic review of the process shall be evaluated to ensure the effectiveness of those set guidelines. Further to control the computer systems of the Bank different system administrator are appointed, dual control mechanism (Preparer and Approver) is in place for initiating transaction in the system of the Bank. In addition, we have separate independent unit which monitors the compliance issues & reporting activities to the Central Bank.

Micro Finance



NMB believes that to uplift the overall economic condition of the nation, individual economic status plays the most crucial role.

A key objective in development economics is to work out ways to lift people out of poverty. Access to finance has been seen as a critical factor in enabling people to transform their production and employment activities and to exit poverty. In line with that, our Bank has set up a Micro Finance Unit to provide access to the formal financial services to the unbanked segments of the economy. The Unit has been set up with the view to provide

financial services for the development of the economy that is sustainable and commercially profitable. The unit aims to provide both direct loans to borrowers and wholesale lending to MFIs.

There has been various ways of lending to the poor people by the Bank. The Bank recently tied up with one of the largest Dairy companies in the country to provide subsidized rate of loan and

easy repayment structure to the individual farmers. We have also launched a program to finance micro/small entrepreneurs to encourage self employment activities. Deprived Sector Lending portfolio as on mid July 2009 has been built in the form of wholesale lending to microfinance institutions (MFI) who on-lend to individuals.

Management Team



Bijay Giri
Head Human Resources

Ajay Shrestha
General Manager

Uendra Poudyal
CEO

Pradeep Pradhan
Chief Operating Officer



Suman Sharma
Head Retail & Business Banking

Sunil K.C.
Deputy General Manager

Sameer Chhetry
Head-Investment Banking



Department Heads

A. Dinesh Chand

Officer-Operations Risk Management

B. Sizen Pudasaini

Relationship Manager- Micro Finance Unit

C. Deepa Shrestha

Officer-Software Development

D. Sushama Sharma

Relationship Manager- Institutional and Retail Liability Management

E. Sanju Shrestha

Senior Relationship Manager-Liability and Branch Operations Management

F. Alok Shrestha

Head-Finance, Planning and IB Operations

G.Ujwal B Pradhan

Manager-IT and Data Centre

H.Puspa Aryal

Head-Trade Finance and Correspondent Banking

I. Pramod Dahal

Head-Credit Risk Management

J. Madhav Pradhan

Chief Central Administration

K. Pratibha Lohani

Head Compliance, Reconciliation and Reporting

L. Shreejesh Ghimire

Sr. Relationship Manager, Corporate Banking

M. Neeraj Man Sainju

Head - Treasury

Branch Manager



Suraj Shrestha
Branch manager
Thamel Branch



Manju Neupane
Branch In-Charge
Babarmahal Branch



Dibir Bikram Shah
Branch manager
Banepa Branch



Samjana Pokhrel
Branch In-Charge
Durbarmarg Branch



Parsuram Uprety
Branch In-Charge
Lubhu Branch



Govind Ghimire
Manager Eastern Region
Biratnagar Branch



Yubraj Dhakal
Branch In-Charge
Butwal Branch



Upendra Manandhar
Branch manager
Thaiba Branch



Milan Udas
Branch manager
Dharan Branch



Ravi Gurung
Branch manager
Pokhara Branch

Discovering Our Genius - Human Capital To The Level Of Best

One of the major problems faced by many companies in today's fast paced market is how to identify and retain their employees that is of the best caliber. The Bank considers that it is important to stay on track by utilizing the best talent management programs available. In order to foster human resourcefulness through enlightened and cohesive policies in education, training, health and employment at all levels, from corporate to national consisting of staff abilities, aptitudes, talent, attitudes, business routines, work ethics, mindsets, sentiments and thoughts we create a mutual understanding environment between NMB management and employees.



NMB's Challenge

Two things are vital for a vibrant human capital: a constant replenishment of new people with new ideas and new energy and a polishing of existing skills through an exposure to new training and new knowledge. We have managed to adapt our policies so that we do both of these smartly and efficiently. Competent and committed staff ensure excellent customer service standards.

As a financial services organization, we believe to be nothing but the best. We want to be a great place to bank at, a great place to work in and a great place to invest in. We want to be the most appreciated brand that engages in entrepreneurship according to our strong corporate values. We also want to be a leader in social and corporate transformation creating new opportunities for all people and adding value wherever we are.

NMB treats human capital - the best assets of the Bank.

The full impending of a human resource pool can only thrive in an environment in which they are comfortable and inspired. While inspiring NMB human resource base, we made an effort at all times to ensure that they enjoy the optimum benefits and rewards for their imagination and efforts. Like all relationships and networks, we have taken care of a win-win scenario for both employer and employee. Anxiety and uneasiness are not catalysts of productivity and innovation. Our aspiration is to make NMB a great place to work in.

NMB Management interviews regularly with the employees for a better communication. We believe employer and employees are joint partners in raising the Bank's high level of performance.

NMB believes that employees can only sail the organizational ship to the height of success.

Our sporting events, competitions and other events have succeeded in building

a solid team spirit among all categories of staff and provided opportunities to grow within NMB with high level of self satisfaction.

Minimizing the gap of 'big shoes'-actions on Succession Planning.

NMB Succession planning enables NMB to identify talented employees and provide education to develop them for future higher level and broader responsibilities. NMB Succession Planning helps NMB to "build bench strength" and to decide where people belong on the bus

'Succession Planning' is now an important part of any Human Capital management strategy. NMB has taken steps to put together a systematic approach to 'succession' to ensure that key organization gaps are easily filled and the exit of any one or more persons does not create transition problems. Succession gaps and future staffing gaps are quickly identified and processes soon put in place to respond to these needs. .

NMB's Succession Plan is matched with the Bank's business strategy and the Bank's short and long-term objectives.

Our plan seeks to motivate employees to achieve specified business results, attract and retain the high quality talent for sustained business growth, promote a stronger team based performance culture and reinforce prioritized business strategies.

At NMB, we are committed to talent development of our staff by identifying

NMB highly values its human power and goes the extra mile to foster them.



their strengths, and help them to perform at their best by capitalizing on them.

We have Performance appraisal process for reviewing and recording the performance of individual employee against the performance target set for him/ her. The objective of regular performance appraisal is to develop a performance culture within the organization through effective development of employee. Through this process, the Bank aims to help the employee to plan their careers and reward them through various development program, mentoring, career moves, etc.,

Objectives of NMB Performance appraisal:

- To review the performance of the employees over a given period of time.
- To minimize and judge the gap between the actual and the desired performance.

- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- Through SWOT analyzing of the individuals so as to identify the training and development needs of the future.
- To provide feedback and correcting steps to the employees regarding their past performance.
- Provide clarity of the expectations, responsibilities and authorities of the functions to be performed by the employees.
- To judge the efficiency and effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.



Customer C

T. R. Upadhya & Co.
Chartered Accountants

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E-mail: trunco@ntc.net.np

**THE SHAREHOLDERS OF
NMB BANK LIMITED**

INDEPENDENT AUDITOR'S REPORT

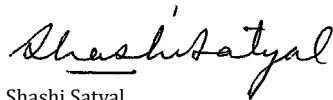
We have audited the accompanying Balance Sheet of NMB Bank Limited, as of 15 July 2009 (Corresponding to 31 Ashad 2066), the related Profit and Loss Account and the Cash Flow Statement for the year then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As per the requirement of the Companies Act, 2063 and Bank and Financial Institutions Act, 2063 we also report that:

- a) we have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of such books;
- c) in our opinion, the returns received from branches of the Bank were adequate for the purpose of the audit;
- d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in the format prescribed by Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank;
- e) in our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;
- f) in our opinion, so far as appeared from our examination of the books, the business of the Bank has been conducted satisfactorily;
- g) to the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Bank as of 15 July 2009 (Corresponding to 31 Ashad 2066), the results of operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards except for the issues reported in Notes 2.3, 2.15(c) and 2.16(b) of schedule 4.32 to the Financial Statements, Generally Accepted Accounting Principles and comply with the provisions of the Companies Act, 2063 and Bank and Financial Institutions Act, 2063.



Shashi Satyal
Partner

For and on behalf of
T R Upadhya & Co.
Chartered Accountants



2 November 2009 (16 Karthik 2066)
Kathmandu

Balance Sheet

As at Ashad 31, 2066

Capital & Liabilities		Schedule	Current Year Rs.	Previous Year Rs.
1	Share Capital	4.1	1,424,641,350	1,000,000,000
2	Reserve and Funds	4.2	167,412,057	213,480,775
3	Debentures and Bonds	4.3	-	-
4	Borrowings	4.4	313,960,548	278,112,396
5	Deposits	4.5	6,877,907,436	1,661,604,750
6	Bills Payables	4.6	5,447,286	24,102,913
7	Proposed and Dividend Payable		7,587,620	8,506,760
8	Income Tax Liabilities		-	-
9	Other Liabilities	4.7	7,059,708,030	5,742,084,026
Total Liabilities			15,856,664,327	8,927,891,620

Assets		Schedule	Current Year Rs.	Previous Year Rs.
1	Cash Balance	4.8	201,846,943	17,914,698
2	Balance with Nepal Rastra Bank	4.9	717,404,165	506,383,599
3	Balance with Banks/Financial Institutions	4.10	6,561,098,013	4,926,119,174
4	Money at Call and Short Notice	4.11	875,527,378	93,404,507
5	Investments	4.12	1,857,563,476	1,242,902,362
6	Loans, Advances and Bills Purchased	4.13	5,194,210,667	1,939,967,542
7	Fixed Assets	4.14	223,813,976	132,720,008
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	225,199,709	68,479,730
Total Assets			15,856,664,327	8,927,891,620

Contingent Liabilities	Schedule	4.17
Declaration of Directors	Schedule	4.29
Capital Adequacy Table	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
Details of Promoter's Loan	Schedule	4.34
Unaudited Financial Result	Schedule	4.35
Comparative Report of Unaudited and Audited Financial Result	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

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Shashi Satyal, FCA
Partner
T.R. Upadhyaya & Co.
Chartered Accountant

Pradeep Pradhan
Chief Operating Officer

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Shanti Byahut
Director

Alok Shrestha
Chief - Accounts

Rita Pant
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Date : 16 Kartik, 2066,

Place : NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Account

For the period from 1st Srawan 2065 to 31st Ashad 2066

	Particulars	Schedules	Current Year Rs.	Previous Year Rs.
1	Interest Income	4.18	402,582,568	251,409,352
2	Interest Expenses	4.19	254,260,906	139,095,730
	Net Interest Income		148,321,662	112,313,622
3	Commission and Discount	4.20	27,261,774	27,614,017
4	Other Operating Income	4.21	42,914,334	40,724,406
5	Exchange Fluctuation Income	4.22	9,343,425	-
	Total Operating Income		227,841,195	180,652,045
6	Staff Expenses	4.23	40,273,507	20,123,208
7	Other Overhead Expenses	4.24	76,982,747	32,222,239
8	Exchange Fluctuation Loss	4.22	-	97,130
	Operating Profit Before Provision for Possible Loss		110,584,941	128,209,468
9	Provision for Possible Losses	4.25	42,194,852	32,387,045
	Operating Profit		68,390,089	95,822,423
10	Non-operating Income/Loss	4.26	1,712,450	600,400
11	Loss Provision Written-Back	4.27	27,563,129	22,461,999
	Profit from Regular Operations		97,665,668	118,884,822
12	Profit/Loss from extra-ordinary activities	4.28	-	-
	Net Profit after considering all activities		97,665,668	118,884,822
13	Staff Bonus Provision		8,878,697	10,807,711
14	Provision for Income Tax		25,834,194	35,255,069
	Current Year		28,742,437	33,676,276
	Previous Year		-	-
	Deferred Tax		(2,908,243)	1,578,793
	Net Profit/Loss		62,952,777	72,822,042

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

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

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Chairman

Shashi Satyal, FCA
Partner
T.R. Upadhy & Co.
Chartered Accountant

Pradeep Pradhan
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Purushotam Lal Sanghai
Director

Shanti Byahut
Director

Alok Shrestha
Chief - Accounts

Rita Pant
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Date : 16 Kartik, 2066,
Place : NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Appropriation Account

For the period from 1st Srawan 2065 to 31st Ashadh 2066

	Particulars	Schedules	This Year Rs.	Previous Year Rs.
	Income			
1	Accumulated profit up to the last year		7,265,142	5,683,810
2	Current Year's Profit		62,952,777	72,822,042
3	Exchange Equalization Fund		-	-
	Total		70,217,919	78,505,852
	Expenses			
1	Accumulated Loss up to the last year		-	-
2	Current Year's Loss		-	-
3	General Reserve		12,590,555	14,564,409
4	Contingent Reserve		-	-
5	Institutional Development Fund		-	-
6	Dividend Equalization Fund		-	-
7	Staff Related Reserve Fund		-	-
8	Proposed Dividend		-	-
9	Proposed issue of Bonus Shares		-	52,917,964
10	Special Reserve Fund		-	-
11	Exchange Equalization Fund		320,494	-
12	Capital Redemption Reserve Fund		-	-
13	Capital Adjustment Fund		-	-
14	Deffered Tax Reserve		4,709,933	-
	Total		17,620,982	67,482,373
15	Accumulated Profit/(Loss)		52,596,937	11,023,479

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

Shashi Satyal, FCA
Partner
T.R. Upadhyaya & Co.
Chartered Accountant

Pradeep Pradhan
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Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Shanti Byahut
Director

Alok Shrestha
Chief - Accounts

Rita Pant
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Date : 16 Kartik, 2066,
Place : NMB Bhawan, Babar Mahal, Kathmandu

Statement of Changes in Equity

For the period from 1st Srawan 2065 to 31st Ashad 2066

Particulars	Amount in Rs.								
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Other Reserve and Fund	Deferred Tax Reserve	Total Amount
Opening Balance	1,000,000,000	11,023,479	97,194,138	-	-	-	105,263,158	-	1,213,480,775
Adjustments: Fundamental Error (Development Bond Premium)		(3,758,337)							(3,758,337)
Restated Balance as at 15th July, 2008	1,000,000,000	7,265,142	97,194,138	-	-	-	105,263,158	-	1,209,722,438
Adjustments									
Right Share	324,641,350	-	-	-	-	-	-	-	324,641,350
Bonus Shares	100,000,000	-	-	-	-	-	-	-	100,000,000
Share Premium	-	-	-	-	-	-	-	-	-
Current Year's Net Profit	-	62,952,777	-	-	-	-	-	-	62,952,777
General Reserve	-	(12,590,555)	12,590,555	-	-	-	-	-	-
Exchange Equalization Fund	-	(320,494)	-	-	-	320,494	-	-	-
Proposed Bonus Share	-	-	-	-	-	-	(105,263,158)	-	(105,263,158)
Deferred Tax Reserve	-	(4,709,933)	-	-	-	-	-	4,709,933	-
Closing Balance	1,424,641,350	52,596,937	109,784,693	-	-	320,494	-	4,709,933	1,592,053,407

Cash Flow Statement

For the period from 1st Srawan 2065 to 31st Ashad 2066

Previous Year Rs.	Particulars	This Year Rs.
47,998,482	(a) Cash flow from Operating Activities	(632,355,620)
317,280,888	1 Cash Received	(178,667,559)
226,577,595	1.1 Interest Income	(287,461,722)
27,614,017	1.2 Commission and Discount Income	27,261,774
(97,130)	1.3 Income from foreign exchange transaction	9,343,425
-	1.4 Recovery of Loan written off	-
63,186,406	1.5 Other Income	72,188,964
269,282,406	2 Cash Payment	453,688,061
139,095,730	2.1 Interest Expenses	254,260,906
20,123,208	2.2 Staff Expenses	40,273,507
32,222,239	2.3 Office Overhead Expenses	76,982,747
34,646,473	2.4 Income Tax Paid	31,097,352
43,194,756	2.5 Other Expenses	51,073,549
4,930,423,153	Cash Flow before changes in Working Capital	2,345,764,683
1,351,505,567	Increase/(Decrease) of Current Assets	(4,204,435,390)
1,881,893,311	1 (Increase)/Decrease in Money at Call and Short Notice	(782,122,871)
-	2 (Increase)/Decrease in Short-term Investment	(3,758,337)
(544,082,825)	3 (Increase)/Decrease in Loan and Bills Purchase	(3,254,243,125)
13,695,081	4 (Increase)/Decrease in Other Assets	(164,311,057)
3,578,917,586	Increase/(Decrease) of Current Liabilities	6,550,200,073
365,215,866	1 Increase/(Decrease) in Deposits	5,216,302,686
-	2 Increase/(Decrease) in Certificate of Deposits	-
(659,142,153)	3 Increase/(Decrease) in Short-term Borrowings	35,848,150
3,872,843,873	4 Increase/(Decrease) in Other Liabilities	1,298,049,237
(415,076,704)	(b) Cash flow from Investment Activities	(8,118,764)
(388,224,287)	1 (Increase)/Decrease in Long-term Investment	-
(52,284,574)	2 (Increase)/Decrease in Fixed Assets	(91,093,968)
24,831,757	3 Interest income from Long-term Investment	82,974,254
600,400	4 Dividend Income	950
-	5 Others	-
852,804,594	(c) Cash flow from Financing Activities	324,641,350
-	1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-
800,459,400	2 Increase/(Decrease) in Share Capital	324,641,350
-	3 Increase/(Decrease) in Other Liabilities	-
-	4 Increase/(Decrease) in Refinance/facilities received from NRB	-
52,345,194	5 Increase/(Decrease) in Share Premium	-
-	(d) Income/Loss from change in exchange rate in Cash and Bank Balances	-
5,416,149,525	(e) Current Year's Cash Flow from All Activities	2,029,931,649
34,267,947	(f) Opening Balance of Cash and Bank Balances	5,450,417,472
5,450,417,472	(g) Closing Balance of Cash and Bank Balances	7,480,349,121

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

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Chief - Accounts

Rita Pant
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Date : 16 Kartik, 2066,
Place : NMB Bhawan, Babar Mahal, Kathmandu

Share Capital and Ownership

(As at 31st Ashad 2066)

Schedule 4.1

Previous Year Rs.	Particulars	This Year Rs.
	1 Share Capital	
	1. Authorized Capital	
1,000,000,000	a) 20,000,000 Ordinary Shares of Rs.100 each	2,000,000,000
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs.each	
	1.2 Issued Capital	
1,000,000,000	a) 15,015,000 Ordinary Shares of Rs.100 each	1,501,500,000
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs. each	
	1.3 Paid up Capital	
1,000,000,000	a)14,246,413.50 Ordinary Shares of Rs. 100 each Rs. 100 paid up	1,424,641,350
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs. each	

Share Ownership

Share Capital		Particulars	Share Capital	
Previous Year Rs.	%		%	This Year Rs.
750,000,000	75.00	1 Promoter	54.85	781,443,500
-	-	1.1 Government of Nepal	-	-
131,620,700	13.16	1.2 Foreign Institutions	9.63	137,139,100
-	-	1.3 "A" Class Licensed Institutions	-	-
115,569,900	11.56	1.4 Other Licensed Institutions	8.45	120,415,200
52,570,000	5.26	1.5 Other Entities	3.80	54,233,900
450,239,400	45.02	1.6 Individual	32.97	469,655,300
-	-	1.7 Others	-	-
250,000,000	25	2 General Public	45.15	643,197,850
1,000,000,000	100	Total	100	1,424,641,350

Details of shareholders holding more than 0.5% of Share Capital are mentioned below :

Name of the Shareholders	This Year	
	Amount	% of Total
SAGUN PANT	7,782,500.00	0.55
SHIVARATAN SHARDA	10,432,440.00	0.73
RAJESH AGRAWAL	12,043,070.00	0.85
ANANT KUMAR GOLYAN	12,640,200.00	0.89
SUBHASH CHANDRA SHANGAI	12,640,200.00	0.89
ASHOK KUMAR MURARKA	12,640,200.00	0.89
BISHAL AGRAWAL	12,640,200.00	0.89
NARPAT SINGH JAIN	18,172,770.00	1.28
MANJU TAPADIYA	28,403,490.00	1.99
BALRAM NEUPANE	34,700,720.00	2.44
SANTOSH RATHI	53,672,250.00	3.77
PURUSHTOM LAL SHANGAI	57,827,000.00	4.06
PAWAN KUMAR GOLYAN	57,827,000.00	4.06
ATMA RAM MURARKA	57,827,000.00	4.06
TRILOK CHAND AGRAWAL	57,827,000.00	4.06
M/S. GAYATRI INVESTMENT & MANAGEMENT (P) LTD.	64,927,000.00	4.56
NANDA KISHOR RATHI	77,385,790.00	5.43
KARMACHARI SANCHAYA KOSH	165,264,990.00	11.60
YONG LIAN REALTY, MALAYSIA	188,217,670.00	13.21

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

Reserve And Funds

(As at 31st Ashad 2066)

Schedule 4.2

Previous Year Rs.	Particulars	This Year Rs.
97,194,138	1 General Reserve Fund	109,784,693
105,263,158	2 Proposed Bonus Share	-
-	3 Capital Reserve Fund	-
-	4 Capital Redemption Reserve	-
-	5 Capital Adjustment Fund	-
-	6 Other Reserve Fund	4,709,933
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserves	-
-	h. Deferred Tax Reserve	4,709,933
11,023,479	7 Accumulated Profit/Loss	52,596,937
-	8 Exchange Equalization Fund	320,494
213,480,775	Total	167,412,057

Debentures and Bonds

(As at 31st Ashad 2066)

Schedule 4.3

Previous Year Rs.	Particulars	This 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 31st Ashad 2066)

Schedule 4.4

Previous Year Rs.	Particulars	This Year Rs.
A. Local		
-	1 Government of Nepal	-
-	2 Nepal Rastra Bank	-
-	3 Repo Obligation	-
278,112,396	4 Inter-Bank and Financial Institutions	313,960,548
-	5 Other Organized Institutions	-
-	6 Others	-
278,112,396	Total	
B. Foreign		
-	1 Banks	-
-	2 Others	-
-	Total	-
278,112,396	Total (A+B)	313,960,548

Deposits

(As at 31st Ashad 2066)

Schedule 4.5

Previous Year Rs.	Particulars	This Year Rs.
	1 Non-Interest Bearing Accounts	
22,412,139	A. Current Deposits	101,421,681
22,412,139	1. Local Currency	98,053,135
-	1.1 Government of Nepal	-
160,274	1.2 "A" Class Licensed Institutions	160,274
1,201,871	1.3 Other Licensed Institutions	12,141,158
20,292,496	1.4 Other Organized Institutions	66,330,695
101,010	1.5 Individuals	19,421,008
656,488	1.6 Others	-
-	2. Foreign Currency	3,368,546
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Institutions	47,275
-	2.4 Other Organized Institutions	3,321,271
-	2.5 Individuals	-
-	2.6 Others	-
2,543,349	B. Margin Deposits	13,570,822
-	1 Employees Guarantee	-
2,543,349	2 Guarantee Margin	2,871,072
-	3 Letters of Credit Margin	10,699,750
-	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	-
24,955,488	Total of Non-Interest Bearing Accounts	114,992,503
	2 Interest Bearing Accounts	
395,696,971	A. Saving Deposits	1,544,421,213
395,696,971	1. Local Currency	1,507,477,462
18,157,188	1.1 Organized Institutions	37,015,787
363,314,596	1.2 Individuals	1,470,461,675
14,225,187	1.3 Others	-
-	2. Foreign Currency	36,943,751
-	2.1 Organized Institutions	32,190,949
-	2.2 Individuals	4,752,802
-	2.3 Others	-
926,512,315	B. Fixed Deposits	2,079,158,904
857,237,582	1. Local Currency	1,588,185,701
540,496,355	1.1 Organized Institutions	1,262,873,472
263,367,875	1.2 Individuals	325,312,229
53,373,352	1.3 Others	-
69,274,733	2. Foreign Currency	490,973,203
-	2.1 Organized Institutions	490,971,472
224,733	2.2 Individuals	1,731
69,050,000	2.3 Others	-

Cont....

Cont....

314,439,976	C. Call Deposits	3,139,334,816
293,724,976	1. Local Currency	3,115,375,636
1,741,323	1.1 "A" Class Licensed Institutions	918,285,423
93,428,964	1.2 Other Licensed Financial Institutions	698,263,952
181,534,377	1.3 Other Organized Institutions	1,393,012,316
16,859,998	1.4 Individuals	105,813,945
160,314	1.5 Others	-
20,715,000	2. Foreign Currency	23,959,180
-	2.1 "A" Class Licensed Institutions	-
20,715,000	2.2 Other Licensed Financial Institutions	13,686,729
-	2.3 Other Organized Institutions	10,272,451
-	2.4 Individuals	-
-	2.5 Others	-
-	D. Certificate of Deposits	-
-	1. Organized Institutions	-
-	2. Individuals	-
-	3. Others	-
1,636,649,262	Total of Interest Bearing Accounts	6,762,914,933
1,661,604,750	Total Deposit (1+2)	6,877,907,436

Bills Payable

(As at 31st Ashad 2066)

Schedule 4.6

Previous Year Rs.	Particulars	This Year Rs.
24,102,913	1. Local Currency	5,252,110
-	2. Foreign Currency	195,176
24,102,913	Total	5,447,286

Other Liabilities

(As at 31st Ashad 2066)

Schedule 4.7

Previous Year Rs.	Particulars	This Year Rs.
3,063,333	1 Pension/Gratuity Fund	4,640,906
-	2 Employees Provident Fund	-
-	3 Employees Welfare Fund	-
10,807,711	4 Provision for Staff Bonus	8,878,697
15,735,557	5 Interest Payable on Deposits	20,875,780
27,397	6 Interest Payable on Borrowings	4,024,796
94,500	7 Unearned Discount and Commission	340,934
15,649,697	8 Sundry Creditors	23,486,927
-	9 Branch Account	-
-	10 Deferred Tax Liabilities	-
5,696,705,831	11 Others	6,997,459,990
-	a) NEA Power Bond Interest Payable	54,900,580
5,692,467,901	b) Merchant Banking-IPO Collection	6,874,944,900
-	c) Merchant Banking-Collection Commission payable	22,707,076
82,038	d) Audit fee payable	101,700
4,155,892	e) Others	44,805,734
5,742,084,026	Total	7,059,708,030

Cash Balance

(As at 31st Ashad 2066)

Schedule 4.8

Previous Year Rs.	Particulars	This Year Rs.
17,253,118	1. Local Currency (including coin)	190,737,610
661,580	2. Foreign Currency	11,109,333
17,914,698	Total	201,846,943

Balance with Nepal Rastra Bank

(As at 31st Ashad 2066)

Schedule 4.9

Previous Year Rs.	Particulars	Local Currency Rs.	Foreign Currency			Grand Total Rs.
			INR	Convertible	Total	
506,383,599	1 Nepal Rastra Bank	678,638,704	-	38,765,461	38,765,461	717,404,165
506,383,599	a) Current Account	678,638,704	-	38,765,461	38,765,461	717,404,165
-	b) Other Account	-	-	-	-	-

Balance with Banks/Financial Institutions

(As at 31st Ashad 2066)

Schedule 4.10

Previous Year Rs.	Particulars	Local Currency Rs.	Foreign Currency			Grand Total Rs.
			INR	Convertible	Total	
4,895,769,961	1 Local Licensed Institutions	6,255,612,116	-	-	-	6,255,612,116
41,401,961	a) Current Account	50,405,517	-	-	-	50,405,517
4,854,368,000	b) Other Account	6,205,206,599	-	-	-	6,205,206,599
30,349,213	2 Foreign Banks	-	17,977,277	287,508,620	305,485,897	305,485,897
30,349,213	a) Current Account	-	17,977,277	287,508,620	305,485,897	305,485,897
-	b) Other Account	-	-	-	-	-
4,926,119,174	Total	6,255,612,116	17,977,277	287,508,620	305,485,897	6,561,098,013

Note :

a) Total Balance for which the confirmations are received from respective licensed institutions Rs.6,605,093,669.17. The difference is being reviewed and reconciled.

b) Amount of NPR 6,205,206,599 shown under "Other Account" is IPO Collection money deposited with various Banks in interest bearing accounts.

Money at Call and Short Notice

(As at 31st Ashad 2066)

Schedule 4.11

Previous Year Rs.	Particulars	This Year Rs.
93,404,507	1. Local Currency	875,527,378
-	2. Foreign Currency	-
93,404,507	Total	875,527,378

Investments

(As at 31st Ashad 2066)

Schedule 4.12

Previous Year Rs.	Particulars	Purpose		This Year Rs.
		Trading	Other	
180,422,179	1 Government of Nepal Treasury Bills	-	470,411,740	470,411,740
594,993,508	2 Government of Nepal Savings Bond	-	663,381,365	663,381,365
-	3 Government of Nepal Other Securities	-	-	-
-	4 Nepal Rastra Bank Bonds	-	-	-
-	5 Foreign Securities	-	-	-
146,500,000	6 Local Licensed Institutions	-	554,684,551	554,684,551
69,050,000	7 Foreign Banks	-	133,088,950	133,088,950
18,759,902	8 Corporate Shares	-	18,838,003	18,838,003
20,000,000	9 Corporate Bonds and Debentures	-	20,000,000	20,000,000
217,284,591	10 Other Investment	-	-	-
1,247,010,180	Total Investment	-	1,860,404,609	1,860,404,609
4,107,818	Provision	-	2,841,133	2,841,133
1,242,902,362	Net Investment	-	1,857,563,476	1,857,563,476

Investment in Shares, Debentures and Bonds

(As at 31st Ashad 2066)

Schedule 4.12 (A)

Previous Year Rs.	Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.
18,759,902	1 Investment in Shares	18,838,003	17,043,665	2,841,133
	1.1 Nepal Stock Exchange Ltd.			
5,000	50 Ordinary shares of Rs 100 each fully paid up	5,000	-	5,000
	1.2 Bottlers Nepal (Tarai) Ltd.			
5,387,454	7,900 Ordinary shares of Rs 100 each fully paid up	5,387,454	5,861,800	-
	1.3 United Insurance Co. (Nepal) Ltd.			
489,877	1,800 Ordinary shares of Rs 100 each fully paid up	489,877	529,200	-
	1.4 Neco Insurance Co. Ltd.			
194,408	1491 Ordinary shares of Rs 100 each fully paid up (Right Share 781)	272,508	186,375	86,133
	1.5 National Life & General Insurance Co. Ltd.			
17,509	30 Ordinary shares of Rs 100 each fully paid up	17,509	17,940	-
	1.6 Everest Insurance Co. Ltd.			
13,854	90 Ordinary shares of Rs 100 each fully paid up	13,855	25,650	-
	1.7 Sagarmatha Insurance Co. Ltd.			
7,300	100 Ordinary shares of Rs 100 each fully paid up	7,300	25,200	-
	1.8 Nepal Life Insurance Co. Ltd.			
50,000	500 Ordinary shares of Rs 100 each fully paid up	50,000	647,500	-
	1.9 Credit Information Bureau Ltd.			
94,500	1080 Ordinary shares of Rs 100 each fully paid up (Bonus Share 135)	94,500	-	-
	1.10 Taragaon Regency Hotels Ltd.			
12,500,000	125,000 Ordinary shares of Rs 100 each fully paid up	12,500,000	9,750,000	2,750,000
20,000,000	2 Investment in Debentures and Bonds	20,000,000	-	-
	2.1 Nepal Electricity Authority			
20,000,000	7.75 % 5 Years Power Bond of Rs1,000 each	20,000,000	-	-
-	2.2	-	-	-
-	2.3	-	-	-
38,759,902	Total Investment	38,838,003	17,043,665	2,841,133
	3 Provision for Loss			
8,061,629	3.1 Up to previous year	4,107,818		
(3,953,811)	3.2 Adjustments this year increased/(decreased)	(1,266,685)		
4,107,818	Total Provision	2,841,133		
34,652,084	Net Investment	35,996,870		

Note : Following Company has not declared and distributed dividend for the last three years:

- a) United Insurance Co. (Nepal) Ltd.
- b) National Life & General Insurance Co. Ltd.
- c) Taragaon Regency Hotels Ltd.
- d) Nepal Life Insurance Co. Ltd.
- e) Credit Information Bureau Ltd.
- f) Sagarmatha Insurance Co. Ltd.
- g) Everest Insurance Co. Ltd.
- h) Neco Insurance Co. Ltd.

Classification of Loan and Bills Purchase and Provisioning

(As at 31st Ashad 2066)

Schedule 4.13

	Previous Year Rs.		Advances				Bills Purchased/Discounted				This Year Rs.	
			Domestic		Foreign	Total	Domestic		Foreign	Total	Foreign	Total
			Priority	Uninsured			Insured	Uninsured				
1,979,424,660	1 Performing Loan	94,700,000	4,889,619,912	-	4,984,319,912	-	271,043,858	-	271,043,858	-	271,043,858	5,255,363,770
1,964,937,639	1.1 Pass Loan	94,700,000	4,876,749,161	-	4,971,449,161	-	271,043,858	-	271,043,858	-	271,043,858	5,242,493,019
14,487,021	1.2 Restructured	-	12,870,751	-	12,870,751	-	-	-	-	-	-	12,870,751
30,508,579	2 Non-Performing Loan	-	25,745,001	-	25,745,001	-	-	-	-	-	-	25,745,001
6,133,741	2.1 Substandard	-	1,492,054	-	1,492,054	-	-	-	-	-	-	1,492,054
3,705,929	2.2 Doubtful	-	1,023,262	-	1,023,262	-	-	-	-	-	-	1,023,262
20,668,909	2.3 Loss	-	23,229,685	-	23,229,685	-	-	-	-	-	-	23,229,685
2,009,933,239	(A) Total Loan	94,700,000	4,915,364,913	-	5,010,064,913	-	271,043,858	-	271,043,858	-	271,043,858	5,281,108,771
	3 Loan Loss Provision											
44,099,510	3.1 Pass	947,000	48,767,492	-	49,714,492	-	-	-	2,710,439	-	2,710,439	52,424,931
1,810,878	3.2 Restructured	-	10,358,844	-	10,358,844	-	-	-	-	-	-	10,358,844
1,533,435	3.3 Substandard	-	373,013	-	373,013	-	-	-	-	-	-	373,013
1,852,965	3.4 Doubtful	-	511,631	-	511,631	-	-	-	-	-	-	511,631
20,668,909	3.5 Loss	-	23,229,685	-	23,229,685	-	-	-	-	-	-	23,229,685
69,965,697	(B) Total Provisioning	947,000	83,240,665	-	84,187,665	-	2,710,439	-	2,710,439	-	2,710,439	86,898,104
	4 Provisioning up to											
	Previous Year											
29,251,012	4.1 Pass	-	44,099,510	-	44,099,510	-	-	-	-	-	-	44,099,510
2,019,927	4.2 Restructured	-	1,810,878	-	1,810,878	-	-	-	-	-	-	1,810,878
-	4.3 Substandard	-	1,533,435	-	1,533,435	-	-	-	-	-	-	1,533,435
-	4.4 Doubtful	-	1,852,965	-	1,852,965	-	-	-	-	-	-	1,852,965
25,074,401	4.5 Loss	-	20,668,909	-	20,668,909	-	-	-	-	-	-	20,668,909
56,345,340	(C) Total Previous	-	69,965,697	-	69,965,697	-	-	-	-	-	-	69,965,697
18,508,188	(D) Written Back from											
	Last year provision		25,262,444		25,262,444							25,262,444
32,128,545	(E) Additional Provision											
	This Year	947,000	38,537,413		39,484,413		2,710,439		2,710,439		2,710,439	42,194,852
13,620,357	Changes in this year	947,000	13,274,969	-	14,221,969	-	-	-	2,710,439	-	2,710,439	16,932,408
1,939,967,542	Net Loan (A-B)	93,753,000	4,832,124,248	-	4,925,877,248	-	268,333,419	-	268,333,419	-	268,333,419	5,194,210,667

Loan, Advances and Bills Purchased Security Wise

(As at 31st Ashad 2066)

Schedule 4.13 (A)

Previous Year Rs.	Particulars	This Year Rs.
2,009,933,239	(A) Secured	5,281,108,771
1,952,809,044	1 Movable/Immovable Assets	5,062,505,483
-	2 Guarantee of Local Licensed Institutions	14,700,000
-	3 Government Guarantee	80,000,000
-	4 Internationally Rated Bank Guarantee	-
-	5 Export Documents	-
32,127,947	6 Fixed Deposit Receipts	5,778,420
10,351,000	a) Own FDR	3,911,343
21,776,947	b) FDR of other Licensed Institutions	1,867,077
24,996,248	7 Government Bonds	118,124,868
-	8 Counter Guarantee	-
-	9 Personal Guarantee	-
-	10 Other Securities	-
-	(B) Unsecured	-
2,009,933,239	Total	5,281,108,771

Fixed Assets

(As at 31st Ashad 2066)

	Previous Year Rs.	Particulars	Assets						This Year Rs.
			Building	Vehicles	Machinery	Office Equipment	Others		
		1 At Cost							
19,982,102		a. Previous Year Balance	77,053,615	10,133,952	-	29,730,360	10,062,418	126,980,345	
106,998,243		b. Addition this year	3,288,410	27,712,408	-	28,810,119	27,618,266	87,429,203	
-		c. Revaluation/written back this year	-	-	-	-	-	-	
-		d. This year sold	-	(1,200,000)	-	(386,000)	-	(1,586,000)	
-		e. This year written off	-	-	-	-	-	-	
126,980,345		Total Cost (a+b+c+d+e)	80,342,025	36,646,360	-	58,154,479	37,680,684	212,823,548	
		2 Depreciation							
12,580,919		a. Up to P Previous Year	1,339,460	4,321,768	-	10,245,085	3,468,962	19,375,275	
6,794,356		b. For This Year	3,841,937	5,616,496	-	9,964,676	5,542,728	24,965,837	
-		c. Depreciation on revaluation/written back	-	-	-	-	-	-	
-		d. Depreciation adjustment/written back	-	(383,079)	-	(366,000)	-	(749,079)	
19,375,275		Total Depreciation	5,181,397	9,555,185	-	19,843,761	9,011,690	43,592,033	
107,605,070		3 Book Value (WDV*) (1-2)	75,160,628	27,091,175	-	38,310,718	28,668,994	169,231,515	
25,026,505		4 Land	25,026,505	-	-	-	-	25,026,505	
88,433		5 Capital Construction (pending capitalization)	-	-	-	-	-	-	
-		6 Leasehold assets	29,555,956	-	-	-	-	29,555,956	
132,720,008		Total (3+4+5+6)	129,743,089	27,091,175	-	38,310,718	28,668,994	223,813,976	

* Written Down Value

Schedule 4.14

Contingent Liabilities

(As at 31st Ashad 2066)

Schedule 4.17

Previous Year Rs.	Particulars	This Year Rs.
-	1 Claims on institution but not accepted by the Institution	-
31,676,630	2 Letters of credit (full amount)	300,085,756
31,676,630	a) Less than 6 months maturity	300,085,756
-	b) More than 6 months maturity	-
-	3 Rediscounted Bills	-
111,926,201	4 Unmatured Guarantees/Bonds	99,684,112
50,000	a) Bid Bonds	1,034,500
111,876,201	b) Performance Bonds	98,649,612
-	c) Other Guarantee/Bonds	-
-	5 Unpaid Shares in Investment	-
-	6 Forward Exchange Contract Liabilities	-
-	7 Bills under Collection	-
-	8 Acceptance and Endorsements	5,142,920
-	9 Underwriting Commitments	220,000,000
-	10 Irrevocable Loan Commitments	-
-	11 Counter Guarantee of Internationally Rated Banks	-
-	12 Advance Payment Guarantee	30,187,658
-	13 Financial Guarantee	2,000,000
3,184,875	14 Contingent Liabilities on Income Tax	3,184,875
-	15	-
-	16	-
-	17	-

Interest Income

Fiscal Year 2065/066

Schedule 4.18

Previous Year Rs.	Particulars	This Year Rs.
148,676,933	A. On Loan, Advances and Overdraft	297,139,591
148,676,933	1 Loan and Advances	232,576,084
-	2 Overdraft	64,563,507
53,801,535	B On Investment	82,974,254
24,831,757	1 Government of Nepal Securities	44,040,025
854,193	a. Treasury Bills	15,328,875
23,599,293	b. Development Bonds	25,570,782
378,271	c. National Savings Certificates	3,140,368
-	2 Foreign Securities	-
-	a.	-
-	b.	-
-	3 Nepal Rastra Bank Bonds	-
-	4 Debenture and Bonds	1,550,002
28,969,778	5 Interest on Inter-bank Investment	37,384,227
28,969,778	a. Bank/Financial Institutions	37,384,227
-	b. Other Organizations	-
-	C On Agency Balances	-
-	1 Local Banks	-
-	2 Foreign Banks	-
30,491,726	D On Money at Call and Short Notice	16,365,305
30,491,726	1 Local Banks/Financial Institutions	16,364,525
-	2 Foreign Banks	780
18,439,158	E On Others	6,103,418
-	1 Certificate of Deposits	-
-	2 Inter-Bank Loan	-
18,439,158	3 Others	6,103,418
251,409,352	Total	402,582,568

Interest Expenses

Fiscal Year 2065/066

Schedule 4.19

Previous Year Rs.	Particulars	This Year Rs.
91,091,457	A. On Deposit Liabilities	233,218,308
47,455,671	1 Fixed Deposits	99,672,070
47,254,864	1.1 Local Currency	92,943,305
200,807	1.2 Foreign Currency	6,728,765
23,418,172	2 Saving Deposits	45,788,395
23,418,172	2.1 Local Currency	45,554,546
-	2.2 Foreign Currency	233,849
20,217,614	3 Call Deposits	87,757,843
20,217,614	3.1 Local Currency	84,715,538
-	3.2 Foreign Currency	3,042,305
-	4 Certificate of Deposits	-
48,004,273	B On Borrowings	21,042,598
-	1 Debentures and Bonds	-
23,151	2 Loan from Nepal Rastra Bank	-
47,981,122	3 Inter Bank/Financial Institutions Borrowing	21,042,598
-	4 Other Corporate Body	-
-	5 Other Loans	-
-	C On Others	-
-	1	-
-	2	-
139,095,730	Total	254,260,906

Commission and Discount Income

Fiscal Year 2065/066

Schedule 4.20

Previous Year Rs.	Particulars	This Year Rs.
-	A Bills Purchase and Discount	468,280
-	1 Local	-
-	2 Foreign	468,280
24,750,605	B Commission	24,952,103
15,350	1 Letters of Credit	2,234,027
201,045	2 Guarantee	858,174
-	3 Collection Fee	20,645
34,854	4 Remittance Fee	452,560
-	5 Credit Cards	-
24,499,356	6 Share Underwriting/Issues	18,122,460
-	7 Government Transactions	-
-	8 Agency Commission	3,264,237
-	9 Exchange Fee	-
2,863,412	C Others	1,841,391
27,614,017	Total	27,261,774

Other Income

Fiscal Year 2065/066

Schedule 4.21

Previous Year Rs.	Particulars	This Year Rs.
-	1 Safe Deposit Lockers Rental	119,500
-	2 Issue and Renewals of Credit Cards	-
-	3 Issue and Renewals of ATM Cards	187,600
5,000	4 Telex/T.T.	455,088
3,775,076	5 Service Charges	25,382,690
283,456	6 Renewal Fees	52,500
36,660,874	7 Others	16,716,956
34,525,344	a) Income on subscription share money	16,408,293
2,135,530	b) Others	308,663
40,724,406	Total	42,914,334

Exchange Gain/Loss

Fiscal Year 2065/066

Schedule 4.22

Previous Year Rs.	Particulars	This Year Rs.
(153,055)	(A) Revaluation Gain	1,281,975
55,925	(B) Trading Gain (except Exchange Fee)	8,061,450
(97,130)	Total Income (Loss)	9,343,425

Expenses Relating to Employees

Fiscal Year 2065/066

Schedule 4.23

Previous Year Rs.	Particulars	This Year Rs.
8,942,219	1 Salary	18,302,002
8,047,466	2 Allowances	14,781,139
793,218	3 Contribution to Provident Fund	1,423,198
92,894	4 Training Expenses	420,485
-	5 Uniform	79,920
2,575	6 Medical	1,377
-	7 Insurance	-
504,996	8 Pension and Gratuity Provision	2,226,210
1,739,840	9 Others	3,039,176
555,846	a) Leave Fare	1,764,505
175,013	b) Staff Welfare	1,274,671
1,008,981	c) Others	-
20,123,208	Total	40,273,507

Office Overhead Expenses

Fiscal Year 2065/066

Schedule 4.24

Previous Year Rs.	Particulars	This Year Rs.
2,562,207	1 House Rent	3,707,105
862,024	2 Electricity and Water	2,485,660
293,617	3 Repair and Maintenance	661,789
-	(a) Building	220,230
120,422	(b) Vehicles	348,356
173,195	(c) Others	93,203
665,275	4 Insurance	2,127,693
651,442	5 Postage, Telex, Telephone, Fax	5,912,861
248,616	6 Office Equipment, Furniture and Repair	237,509
44,173	7 Travelling Allowances and Expenses	1,044,817
553,707	8 Stationery and Printing	3,141,747
26,074	9 Periodicals and Books	49,652
1,445,021	10 Advertisements	5,611,294
516,400	11 Legal Expenses	969,452
129,867	12 Donations	256,794
1,415,427	13 Expenses Relating to Board of Directors	2,316,290
1,219,000	(a) Meeting Fees	2,154,000
196,427	(b) Other Expenses	162,290
722,290	14 Annual General Meeting Expenses	854,914
82,038	15 Expenses Relating to Audit	101,700
82,038	(a) Audit Fees	101,700
-	(b) Other Expenses	-
-	16 Commission on Remittances	-
6,794,356	17 Depreciation on Fixed Assets	25,845,468
-	18 Amortization of Preliminary Expenses	-
2,418,702	19 Share Issue Expenses	1,198,890
-	20 Technical Services Fee	-
732,701	21 Entertainment	1,786,860
-	22 Written Off Expenses	449,700
566,149	23 Security Expenses	2,948,658
-	24 Credit Guarantee Premium	-
137,081	25 Commission and Discount	-
11,355,072	26 Others	15,273,894
814,847	(a) Office Expenses	3,005,711
492,072	(b) Vehicle fuel	1,886,399
2,267,214	(c) Membership Fee	832,176
5,984,352	(d) Merchant Banking Expenses	5,470,753
1,796,587	(e) Others	4,078,855
32,222,239	Total	76,982,747

Provision for Possible Losses

Fiscal Year 2065/066

Schedule 4.25

Previous Year Rs.	Particulars	This Year Rs.
32,128,545	1 Increase in Loan Loss Provision	42,194,852
-	2 Increase in Provision for Loss on Investment	-
258,500	3 Provision Against Non-Banking Assets	-
-	4 Provision Against Other Assets	-
32,387,045	Total	42,194,852

Non-Operating Income/Loss

Fiscal Year 2065/066

Schedule 4.26

Previous Year Rs.	Particulars	This Year Rs.
-	1 Profit (Loss) on Sale of Investment	-
-	2 Profit (Loss) on Sale of Assets	-
600,400	3 Dividend	950
-	4 Subsidies Received from Nepal Ratra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5 Others	1,711,500
-	(a) Rent Income	1,711,500
600,400	Total Non-Operating Income (Loss)	1,712,450

Loss Provisions Written Back

Fiscal Year 2065/066

Schedule 4.27

Previous Year Rs.	Particulars	This Year Rs.
18,508,188	1 Loan Loss Provision Written Back	25,262,444
-	2 Provision against Non-Banking Assets Written Back	1,034,000
3,953,811	3 Investment Provision Written Back	1,266,685
-	4 Provision against Other Assets Written back	-
22,461,999	Total	27,563,129

Profit/Loss from Extra-ordinary Activities

Fiscal Year 2065/066

Schedule 4.28

Previous Year Rs.	Particulars	This Year Rs.
-	1 Recovery of write off Loan	-
-	2 Voluntary Retirement Scheme Expenses	-
-	3 Loan Write-Offs (4.28) (a)	-
-	4 Other Expenses/Income	-
-	5	-
-	Total	-

Statement of Loans Written-Off

Fiscal Year 2065/066

Schedule 4.28 (A)

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

Fiscal Year 2065/066

Schedule 4.29

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		This 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	-	-	-	-	-	-	-

Capital Adequacy Table

Fiscal Year 2065/066

Schedule 4.30 (A)

1.1 RISK WEIGHTED EXPOSURES		Current Period Rs.	Previous Period Rs.
a	Risk Weighted Exposure for Credit Risk	7,728,351,691	3,283,891,875
b	Risk Weighted Exposure for Operational Risk	291,059,505	184,147,000
c	Risk Weighted Exposure for Market Risk	15,272,298	5,066,644
Total Risk Weighted Exposures (a+b+c)		8,616,802,505	3,473,105,519
1.2 CAPITAL		Current Period Rs.	Previous Period Rs.
Core Capital (Tier 1)		1,587,022,980	1,208,217,619
a	Paid up Equity Share Capital	1,424,641,350	1,000,000,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	-	100,000,000
e	Statutory General Reserves	109,784,693	97,194,137
f	Retained Earnings	52,596,937	11,023,482
g	Un-audited current year cumulative profit	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Other Free Reserve	-	-
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	-	-
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)		52,745,425	19,649,000
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	52,424,931	19,649,000
e	Exchange Equalization Reserve	320,494	-
f	Investment Adjustment Reserve	-	-
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)		8,034,683,494	1,227,866,619
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures		19.75	34.79
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		20.41	35.35

Risk weighted exposure for credit risk

(31st Ashad, 2066)

Schedule 4.30 (B)
Amount in Rs.

	A. Balance Sheet Exposures				Eligible CRM	Net Value	Risk Weight	Current Year		Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value				Risk Weighted Exposures	f=dxe	Risk Weighted Exposures	Risk Weighted Exposures
	a	b	c	d=a-b-c	e						
Cash Balance	201,846,943	-	-	201,846,943	0%	-	-	-	-	-	-
Balance With Nepal Rastra Bank	717,404,165	-	-	717,404,165	0%	-	-	-	-	-	-
Gold	-	-	-	-	0%	-	-	-	-	-	-
Investment in Nepalese Government Securities	1,133,793,105	-	-	1,133,793,105	0%	-	-	-	-	-	-
All Claims on Government of Nepal	14,700,000	-	-	14,700,000	0%	-	-	-	-	-	-
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)	-	-	-	-	0%	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	20%	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	50%	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	100%	-	-	-	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	150%	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	0%	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	100%	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	20%	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	50%	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	20,000,000	-	-	20,000,000	100%	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	7,683,850,507	-	-	7,683,850,507	150%	-	-	30,000,000	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	1,973,538	-	-	1,973,538	20%	-	-	1,536,770,101	1,070,893,000	-	-
Claims on foreign bank (ECA Rating 0-1)	315,387,271	-	-	315,387,271	20%	-	-	1,973,538	-	-	-
Claims on foreign bank (ECA Rating 2)	123,187,576	-	-	123,187,576	20%	-	-	63,077,454	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	50%	-	-	61,593,788	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	100%	-	-	-	-	97,894,000	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above regulatory capital requirement	-	-	-	-	150%	-	-	-	-	-	-
Claims on Domestic Corporates	2,645,919,683	10,226,274	21,285,267	2,614,408,142	20%	-	-	2,614,408,142	922,719,000	-	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	100%	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	20%	-	-	-	-	-	-

Cont....

Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	75%	189,522,000
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	100%	-
Claims secured by residential properties	547,075,158	131,250	-	546,943,908	-	328,166,345	60%	307,701,000
Claims not fully secured by residential properties	-	-	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	14,213,896	2,486,911	-	11,726,985	-	11,726,985	100%	19,577,000
Claims secured by Commercial real estate	987,444,002	-	-	987,444,002	-	987,444,002	100%	373,442,000
Past due claims (except for claim secured by residential properties)	26,294,670	21,627,419	-	4,667,251	-	7,000,877	150%	-
High Risk claims	1,045,461,362	1,320	124,096,894	921,363,147	-	1,382,044,721	150%	1,371,000
Investments in equity and other capital instruments of institutions listed in the stock exchange	18,738,503	3,856,043	-	14,882,460	-	14,882,460	100%	21,836,000
Investments in equity and other capital instruments of institutions not listed in the stock exchange	99,500	-	-	99,500	-	149,250	150%	142,000
Other Assets (as per attachment)	448,340,902	-	-	448,340,902	-	448,340,902	100%	200,166,000
TOTAL	15,945,730,781	38,329,217	145,382,161	15,762,019,402	7,487,578,565	3,205,263,000		

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B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Current Year Risk Weighted Exposures	Previous Year Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=dxe	
Revocable Commitments	-	-	-	-	0%	-	-
Bills Under Collection	-	-	-	-	0%	-	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-
LC Commitments With Original Maturity Upto 6 months							
domestic counterparty	300,085,756	-	11,654,800	288,430,956	20%	57,686,191	6,335,000
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	-	-	-	-	50%	-	-
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%	-	-
Bid Bond, Performance Bond and Counter guarantee							
domestic counterparty	131,871,770	-	2,353,490	129,518,280	50%	64,759,140	69,109,000
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%	-	-
Underwriting commitments	220,000,000	-	-	220,000,000	50%	110,000,000	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-
Advance Payment Guarantee	-	-	-	-	100%	-	-
Financial Guarantee	-	-	-	-	100%	-	-
Acceptances and Endorsements	5,142,920	-	-	5,142,920	100%	5,142,920	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-
Irrevocable Credit commitments (short term)	-	-	-	-	20%	-	-
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-
Other Contingent Liabilities	3,184,875	-	-	3,184,875	100%	3,184,875	3,184,875
TOTAL	660,285,321	-	14,008,290	646,277,031		240,773,126	78,628,875
Total RWE for credit Risk (A) + (B)	16,606,016,102	38,329,217	159,390,451	16,408,296,433		7,728,351,691	3,283,891,875

Eligible Credit Risk Mitigants

(31st.Ashad,2066)

Schedule 4.30 (C)
Amount in Rs.

Credit exposures	Deposits with		Gold	Govt.& NRB		G'tee of Govt.		G'tee of MDBs		Sec/G'tee of Foreign Banks	Total
	Bank	other banks/FI		Securities	Other	of Nepal	domestic banks	Sovereigns			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Balance Sheet Exposures											
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 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	1,000,000	12,440,000	-	7,845,267	-	-	-	-	-	-	21,285,267
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	-	-	-	-	-	-	-
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-	-

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Risk Weighted Exposure For Operational Risk

(31st Ashad,2066)

Schedule 4.30 (D)
Amount in Rs.

Particulars	2063/64	2064/65	2065/66
Net Interest Income	97,680,193	112,313,622	148,321,662
Commission and Discount Income	20,024,075	27,614,017	27,261,774
Other Operating Income	51,006,279	40,724,406	42,914,334
Exchange Fluctuation Income			9,343,425
Addition/Deduction in Interest Suspense during the period	623,267	2,379,469	1,912,488
Gross income (a)	169,333,814	183,031,514	229,753,683
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	25,400,072	27,454,727	34,463,052
Capital Requirement for operational risk (d) (average of c)			29,105,951
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure [f=(d×e)]			291,059,505

Risk Weighted Exposure For Market Risk

(31st Ashad,2066)

Schedule 4.30 (E)
Amount in Rs.

S.No.	Currency	Open Position (FCY)	Open Position (NPR)	Current Year Relevant Open Position	Previous Year Relevant Open Position
1	INR	(11,760,369)	(18,825,411)	18,825,411	8,017,516
2	USD	(14,942)	(1,164,012)	1,164,012	1,825,538
3	GBP	(11,856)	(1,521,398)	1,521,398	205,590
4	EUR	(27,025)	(2,980,283)	2,980,283	34,163
5	JPY	(655,433)	(553,186)	553,186	12,880
6	AUD	(54,927)	(3,440,604)	3,440,604	
7	AED	(7,580)	(160,772)	160,772	
8	MYR	(13,160)	(287,678)	287,678	
9	CHF	(2,170)	(156,327)	156,327	
10	QAR	(29,863)	(638,770)	638,770	
11	SGD	(1,506)	(80,887)	80,887	11,299
12	CAD	(800)	(54,992)	54,992	
13	HKD	(1,850)	(18,556)	18,556	
14	SAR	(30,760)	(638,885)	638,885	26,303
15	THB	(1,420)	(3,252)	3,252	
16	CNY	(1,724)	(19,585)	19,585	
Total Open Position (a)				30,544,595	10,133,289
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				1,527,230	506,664
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				15,272,298	5,066,644

Principal Indicators

5 Years

Schedule 4.31

	Indicators	FY 2061/62	FY 2062/63	FY 2063/64	FY 2064/65	FY 2065/66
1	Percent of Net Profit/Gross Income	19.05	22.68	24.30	21.24	12.31
2	Earning Per Share	Rs. 16.02	Rs. 18.25	Rs. 37.57	Rs. 7.28	Rs. 4.42
3	Market Value Per Share	Rs. 250.00	Rs. 276.00	Rs. 840.00	Rs. 930.00	Rs. 499.00
4	Price Earning Ratio	15.60	15.13	22.36	127.71	112.93
5	Dividend (including bonus) on share capital	Percent 31.58	Percent 24.29	Percent 30.00	Percent 10.53	Percent 0.00
6	Cash Dividend on Share Capital	Percent 0.00	Percent 0.00	Percent 30.00	-	Percent 0.00
7	Interest Income/Loan & Advances	Percent 11.22	Percent 8.13	Percent 9.60	Percent 7.40	Percent 5.63
8	Staff Expenses/Total Operating Expenses	Percent 55.53	Percent 59.30	Percent 64.36	Percent 48.98	Percent 38.97
9	Interest Expenses on Total Deposit and Borrowing	Percent 6.10	Percent 4.29	Percent 6.28	Percent 7.17	Percent 3.54
10	Exchange Gain/Total Assets	Percent -	Percent -	Percent -	Percent -	Percent 0.06
11	Staff Bonus/Total Staff Expenses	Percent 51.42	Percent 44.76	Percent 77.53	Percent 53.71	Percent 22.05
12	Net Profit/Loan and Advances	Percent 4.25	Percent 3.48	Percent 5.17	Percent 3.62	Percent 1.19
13	Net Profit/Total Assets	Ratio 2.09	Ratio 1.46	Ratio 1.70	Ratio 0.82	Ratio 0.40
14	Total Credit/Deposit	Percent 100.85	Percent 121.36	Percent 112.02	Percent 120.96	Percent 76.78
15	Total Operating Expenses/Total Assets	Percent 1.81	Percent 1.13	Percent 0.89	Percent 0.71	Percent 0.80
16	Adequacy of Capital Fund on Risk Weighted Assets					
	a) Core Capital	Percent 20.28	Percent 14.65	Percent 11.76	Percent 32.66	Percent 18.42
	b) Supplementary Capital	Percent 0.70	Percent 1.43	Percent 1.54	Percent 1.30	Percent 0.61
	c) Total Capital Fund	Percent 20.98	Percent 16.08	Percent 13.31	Percent 33.96	Percent 19.03
17	Liquidity (CRR)	Ratio 6.11	Ratio 2.04	Ratio 5.29	Ratio 9.28	Ratio 10.12
18	Non-performing credit/Total credit	Percent 3.87	Percent 1.85	Percent 1.73	Percent 1.52	Percent 0.51
19	Weighted Average Interest Rate Spread	Percent 4.00	Percent 3.62	Percent 3.58	Percent 2.41	Percent 3.58
20	Book Net-worth	Rs. in '000 198,488	Rs. in '000 231,374	Rs. in '000 284,474	Rs. in '000 1,213,481	Rs. in '000 1,592,053
21	Total Shares	Nos. in '000 2,000	Nos. in '000 2,000	Nos. in '000 2,000	Nos. in '000 10,000	Nos. in '000 14,246
22	Total Staff	Number 30	Number 32	Number 34	Number 54	Number 126
23	Others	-	-	-	-	-

Details Of Loan Availed By Promoters/ Institutional Promoters By Pledging Shares Of Nmb Bank Ltd With Other Banks & Financial Institutions

Fiscal Year 2065/066

Schedule 4.34

SN	Name of the Promoter/ Institutional Promoter	No of shares held by the promoter		Percentage of Paid up share Capital	Loan Details		Remarks
		No of shares	No of shares mortgaged		Name of Bank/ Financial Institution where loan is availed	Loan Amount	
1	Sagun Pant	77,825.00	77,825	0.55%	ICFC Bittiya Sanstha Limited	22,000,000	Additional security for credit facility of third party
2	Santosh Rathi	536,722.50	207,134	1.99%	Nepal Investment Bank Ltd.	6,850,000	Security for credit facility of third party
3	Manju Tapadiya	284,034.90	47,000	1.99%	United Finance Ltd.	7,699,993	
4	Trilok Chandra Agrawal	578,270.00	421,339	4.06%	Nepal Bank Limited	76,650,000	Security for credit facility of third party
5	Balaram Neupane	347,007.20	5,090	2.44%	Siddhartha Bank Ltd.	634,978	

Unaudited Financial Results

Schedule 4.35

Fiscal Year 2065/66 (4th Quarter)

Rs in '000

S.No.	Particulars	31st Ashad 2066	31st Chaitra 2065	31st Ashad 2065
				AUDITED
1	Total Capital and Liabilities	16,489,967	12,558,520	8,927,892
1.1	Paid Up Capital	1,424,641	1,100,000	1,000,000
1.2	Reserve and Surplus	165,798	164,155	213,481
1.3	Debenture and Bond	-	-	-
1.4	Borrowings	313,961	403,660	278,112
1.5	Deposits	6,904,646	5,313,202	1,661,605
	a.Domoestic Currency	6,349,401	4,833,192	1,571,615
	b.Foreign Currency	555,245	480,010	89,990
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	7,680,921	5,577,503	5,774,694
2	Total Assets (2.1 to 2.7)	16,489,967	12,558,520	8,927,892
2.1	Cash and Bank Balance	8,033,497	6,015,539	5,450,417
2.2	Money at Call and Short Notice	875,527	77,567	93,405
2.3	Investment	1,857,563	2,079,478	1,242,902
2.4	Loans and Advances(Net)	5,194,211	3,995,476	1,939,968
2.5	Fixed Assets	223,814	189,685	132,720
2.6	Non-banking Assets(Net)	-	-	-
2.7	Other Assets	305,355	200,775	68,480
3	Profit and Loss Account	This Year	This Year	Previous Year
		(4th Quarter)	(3rd Quarter)	(4th Quarter)
3.1	Interest Income	402,583	261,353	251,409
3.2	Interest Expenses	254,261	158,316	139,096
	A. Net Interest Income (3.1-3.2)	148,322	103,037	112,313
3.3	Fees, Commission and Discount	27,470	24,790	27,614
3.4	Other Operating Income	42,706	29,252	40,724
3.5	Foreign Exchange Gain/Loss (Net)	9,343	5,323	(97)
	B.Total Operating Income(A+3.3+3.4+3.5)	227,841	162,402	180,554
3.6	Staff Expenses	40,274	29,357	20,123
3.7	Other Operating Expenses	76,983	43,062	32,222
	C.Operating Profit Before Provision (B.-3.6-3.7)	110,584	89,983	128,209
3.8	Provision for Possible Losses	42,195	30,117	32,387
	D.Operating Profit (C.-3.8)	68,389	59,866	95,822
3.9	Non-Operating Income/Expenses(Net)	1,712	1,284	600
3.10	Write Back of Provision for Possible Loss	27,563	26,751	22,462
	E. Profit from Regular Activities(D+3.9+3.10)	97,664	87,901	118,884
3.11	Extraordinary Income/Expenses(Net)	-	-	-
	F. Profit before Bonus and Taxes(E.+3.11)	97,664	87,901	118,884
3.12	Provision for Staff Bonus	8,879	7,991	10,808
3.13	Provision for tax	27,446	23,973	35,254
	G. Net Profit/Loss(F.-3.12-3.13)	61,339	55,937	72,822
4	Ratios	31st Ashad 2066	31st Chaitra 2065	31st Ashad 2065
4.1	Capital Fund to RWA	20.14%	19.59%	35.35%
4.2	Non Performing Loan(NPL) to Total Loan	0.49%	0.94%	1.52%
4.3	Total Loan Loss Provision to Total NPL	338%	197.81%	229.33%

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

Comparative Report of Unaudited & Audited Financial Results

Fiscal Year: 2065/066

Schedule 4.36
Rs in '000

S.No.	Particulars	Unaudited Published		Audited Financial		Difference		Reasons of difference
		Financial Result	Result	Audited Financial Result	Result	Amount	%	
1	Total Capital and Liabilities	16,489,967	15,856,664	15,856,664	583,054			
	1.1 Paid Up Capital	1,424,641	1,424,641	-	-			
	1.2 Reserve and Surplus	165,798	167,412	1,614	0.97%		Amount of Deferred tax and Provision for taxes adjusted.	
	1.3 Debenture and Bond	-	-	-	-			
	1.4 Borrowings	313,961	313,961	-	-			
	1.5 Deposits	6,904,646	6,877,907	(26,738)	-0.39%		Amount of outward clearing cheques, the value date of which was 16th July 2009 is reversed from respective account balances and reflected under others under other liabilities.	
	a. Domestic Currency	6,349,401	6,322,662	(26,739)	-0.42%			
	b. Foreign Currency	555,245	555,245	-	-			
	1.6 Income Tax Liability	-	-	-	-			
	1.7 Other Liabilities	7,680,921	7,072,743	608,178	7.92%		Amount of Right share of Development Credit Bank Ltd's (DCBL) which was already transferred to DCBL Account on was shown on agency balance. Corresponding amount has been adjusted in Sundry Creditors.	
2	Total Assets (2.1 to 2.7)	16,489,967	15,856,664	(633,303)				
	2.1 Cash and Bank Balance	8,033,497	7,480,349	(553,148)	-6.89%		Remaining difference is due to regrouping.	
	2.2 Money at Call and Short Notice	875,527	875,527	-	-			
	2.3 Investment	1,857,563	1,857,563	-	0.00%			
	2.4 Loans and Advances (Net)	5,194,211	5,194,211	-	-		Amount of Right share of Development Credit Bank Ltd's (DCBL) which was already transferred to DCBL Account on was shown on agency balance. Corresponding amount has been adjusted in Sundry Creditors.	
	2.5 Fixed Assets	223,814	223,814	-	-			
	2.6 Non-banking Assets (Net)	-	-	-	-			
	2.7 Other Assets	305,355	225,200	(80,155)	-26.25%		Entry of Deferred Tax Assets has been made on Audited Financial Results.	
							Remaining difference is due to regrouping.	

Cont....

Cont....

3 Profit and Loss Account				(1,612)	
3.1 Interest Income	402,583			-	
3.2 Interest Expenses	254,261			-	
A. Net Interest Income (3.1-3.2)	148,322			-	
3.3 Fees, Commission and Discount	27,470			(208)	Regrouping of CIB Fees.
3.4 Other Operating Income	42,706			208	Regrouping of CIB Fees.
3.5 Foreign Exchange Gain/Loss (Net)	9,343			-	
B.Total Operating Income(A+3.3+3.4+3.5)	227,841			-	
3.6 Staff Expenses	40,274			-	
3.7 Other Operating Expenses	76,983			-	
C.Operating Profit Before Provision (B.-3.6-3.7)	110,584			-	
3.8 Provision for Possible Losses	42,195			-	
D.Operating Profit (C.-3.8)	68,389			-	
3.9 Non-Operating Income/Expenses(Net)	1,712			-	
3.10 Write Back of Provision for Possible Loss	27,563			-	
E. Profit from Regular Activities(D+3.9+3.10)	97,664			-	
3.11 Extraordinary Income/Expenses(Net)	-			-	
F. Profit before Bonus and Taxes(E.+3.11)	97,664			-	
3.12 Provision for Staff Bonus	8,879			-	
3.13 Provision for tax	27,446			(1,612)	Amount of Deferred tax booked in the Audited Financial Results. Increase in Provision for taxes rectified as per Audit Recommendation.
G. Net Profit/Loss(F.-3.12-3.13)	61,339			-5.87%	
	62,951				

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

NOTES TO ACCOUNT

SCHEDULE 4.32: SIGNIFICANT ACCOUNTING POLICIES

Financial Year 16 July 2008 to 15 July 2009 (1 Shrawan 2065 to 31 Ashad 2066)

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. The Bank also carries out Merchant Banking activities under license from Securities Board of Nepal.

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 Generally Accepted Accounting Principles (GAAP), the provisions of Bank and Financial Institution Act, 2063 (BAFIA), the requirements of NRB Directives and in compliance with the Companies Act.

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 and GAAP requires use of certain critical accounting estimates. It also requires the management to exercise judgment 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 the Nepal Rastra Bank Directive, 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 recognized 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 lakhs or generated out of a transaction with tenure less than 12 months which are accounted for on cash basis.

Service charges on loans and advances are recognized on cash basis.

All commissions, fees and charges from merchant banking activities are recognized on accrual basis.

2.5 Dividend Income

Dividend is recognized as income when the right to receive the dividend is established. When bonus shares are received, 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 of 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 realized 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 losses.

2.9 Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme and 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 in Treasury Bills and Development Bonds (issued by Government of Nepal) are those which the Bank has purchased with a positive intent and ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortization of premiums

or discounts. Premiums and discounts are capitalized and amortized from the date of purchase to maturity.

Investments in shares held for strategic purpose are stated at cost or market value, whichever is lower with additional provisions for possible diminution in value as estimated by the management on prudence basis.

All investments are subject to regular review according to the directives of Nepal Rastra Bank.

2.13 Fixed Assets and Depreciation

a. Fixed assets are stated at cost less accumulated depreciation.

b. Assets with a unit value of NPR 2,000 or less are expensed-off during the year of purchase irrespective of its useful life.

c. Land is not depreciated. Depreciation of other fixed assets are computed on diminishing balance method as per the rates and process prescribed by the Income Tax Act. Assets are depreciated at the following rates:

Assets	Rate of Depreciation
Buildings	5%
Office Equipment	25%
Computers	25%
Furniture & Fixtures	25%
Vehicles	20%
Other Assets	15%

d. Sale proceeds of fixed assets are deducted from the fixed assets pool as prescribed by the Income Tax Act, 2058 and profit or loss on disposal is not recognized. This practice followed by the Bank is not in accordance with the NAS and the impact on the profit and loss account is not material.

2.14 Software expenses

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.

2.15 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 recognized 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 cash basis which is not in accordance with NAS. NAS requires all liabilities to be accounted for on accrual basis. The total liability on account of leave as on 15th July, 2009 is NPR 3,870,926.

2.16 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. However, actual tax liability of the Bank may change after tax audit of the current income year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

b. Deferred Tax

Deferred tax is recognized 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 realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax related to temporary differences in opening balances is credited or charged directly to equity and subsequent year differences are recognized in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are netted off and presented under 'Other Assets' and profit arising out of the deferred tax assets are stated under earmarked 'Deferred Tax Reserve' as per NRB guidelines which is not as per NAS.

2.17 Stationery

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

2.18 Non Banking Assets

Non Banking Assets are accounted for as per the Directives of Nepal Rastra Bank.

2.19 Merchant Banking

The Bank also carries out merchant banking transactions under license from the Securities Board of Nepal. The income and expenses relating to the merchant banking activities are accounted for on accrual basis.

The assets, liabilities, income and expenses from merchant banking transactions are disclosed in the financial statements as appropriate.

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 16 July 2008 to 15 July 2009 (1 Shrawan 2065 to 31 Ashad 2066)

1. Interest Income and Interest Suspense

The interest receivable on loans and advances as at 15 July 2009 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 per the requirement of Nepal Rastra Bank, 20% equivalent to NPR 12,365,055 of the current year's profit has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

25% of the revaluation gain amounting to NPR 320,494 has been transferred to Exchange Fluctuation Reserve through the Profit and Loss appropriation account as per NRB directives.

6. Income Tax Returns

Tax returns filed by the Company under self-tax assessment procedures since FY 2058/59, are pending for final assessment by the Inland Revenue Office.

Demand of NPR 3,184,875 raised by the Tax authorities on account of non withholding of tax on certain payments for the years 2054/55 to 2056/57 has been contested by the Bank as not payable and a petition filed in the Revenue Tribunal. Decision of the Revenue Tribunal is pending and no provisions there against made in the financial statements.

7. Provision for Gratuity

During the year, the Bank has provided NPR 2,226,210 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 2,583,345.

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
2005-06(2062-63 BS)	130,000,000	Issuance of 24.29% Bonus Shares
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

The face value of the shares of the Bank is NPR 100 per share. As of the balance sheet date, due to issue of the bonus shares and right shares, certain shareholders have been allotted fraction shares. The Bank has not issued any share certificates for the 450 fraction shares allotted.

10. Unsubscribed Shares

The Bank has 53,586.50 unsubscribed portion of right shares which were auctioned to the general public after the Balance sheet date, allotment of which was done on 17 Bhadra 2066 (2 September 2009).

11. Advance Income Tax

Advance income tax paid by the Bank has been net-off with provisions for income tax liability and presented in Schedule 4.16 – “Other Assets”.

12. Deferred Tax

Carrying amount of Assets & Liabilities where temporary differences arise as on Ashad End 2066 (15.07 2009) are as follows:

Particulars	As per Books of Accounts	As per Income Tax Act	DTL/DTA	Difference
Investment – Development Bonds	616,431,365	624,649,101	DTA	(8,217,736)
Gratuity Fund	(4,640,906)	NIL	DTA	(4,640,906)
Provision on Investment	(2,841,133)	NIL	DTA	(2,841,133)
Net Temporary Differences	608,949,326	624,649,101	DTA	(15,699,775)
Deferred tax asset (30%) as on 15 July 2009				(4,709,933)
Opening deferred tax asset				(1,801,690)
Net movement this year				(2,908,243)

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

13. Compensation Details for Key Management Personnel

Total of Key Management Personnel Compensation	NPR 17,921,318
A) Short Term Employee Benefits (Salary, Allowance, PF)	NPR 17,921,318
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 are also provided with the following benefits:

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

The Board meeting fees of NPR 2,154,000 has been expensed off and provided to Directors, the bank has not provided any other non cash benefit to directors except board meeting fees.

14. Operating Lease Commitment

The future minimum lease payment under non-cancellable operating leases, where the Bank is lessee is NIL.

15. Reconciliation Status

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

Particular	Amount in NPR			
	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	51,978,222	-	-	51,978,222
Inter branch	-	-	-	-

16. 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
2,009,933,239	16,939,140,779	13,667,965,247	-	5,281,108,771

17. Summary of Changes in deposit during the year

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

Particulars	Amount in NPR		
	FY 2065/2066	FY 2064/2065	Increase/(Decrease)
Savings Deposits	1,544,421,213	395,696,971	1,148,724,242
Fixed Deposits	2,079,158,904	926,512,315	1,152,646,589
Call Deposits	3,139,334,816	314,439,976	2,824,894,840
Current Deposits	101,421,681	22,412,139	79,009,542
Margin Deposits	13,570,822	2,543,349	11,027,473
Total	6,877,907,436	1,661,604,750	5,216,302,686

18. Weighted Average Interest Rate Spread

PARTICULARS	Percent
Average lending/investment interest rate	9.09
Average deposit/borrowing interest rate	5.51
Net Spread	3.58

19. Summary of amortizable expenses yet to be written off

Particulars	Amount in NPR		
	Original value	Written Off	Book Value
Software Costs	1,451,500	449,700	1,001,800
Deferred Revenue expenditure	Nil	Nil	Nil
Total	1,451,500	449,700	1,001,800

20. Summary of concentration of Exposure

Particulars	Amount in NPR		
	Loans, Advance and Bills Purchased	Deposit and borrowings	Contingent
Total amount as at 15 July 2009	5,281,108,771	7,191,867,984	660,285,321
Highest exposure to single unit	237,269,000	120,000,000	200,000,000
Highest % of exposure to single unit	4.49%	1.67%	30.29%

21. Classification of Assets and Liabilities based on Maturity

PARTICULARS	Amount in NPR Million					
	1-90 Days	91-180 Days	181-270 Days	271 Days- 1 Year	Over 1 Year	Total
a) Assets						
1 Cash Balance	2,018	-	-	-	-	2,018
2 Balance with Banks	81,540	-	-	-	-	81,540
3 Investment in Foreign Banks	1,331	-	-	-	-	1,331
4 NG Securities	2,539	291	561	1,783	6,164	11,338
5 Nepal Rastra Bank Bonds	-	-	-	-	-	-
6 Inter Bank Lending	4,631	-	-	-	-	4,631
7 Loans, Advances & Bills Purchased	17,570	5,059	5,400	7,816	16,966	52,811
Total Assets	109,629	5,350	5,961	9,599	23,130	153,669
a) Liabilities						
1 Borrowings	2,267	873	-	-	-	3,140
2 Current Deposits/ Call Deposits	32,408	-	-	-	-	32,408
3 Saving Deposits	1,553	2,329	2,329	2,329	6,905	15,445
4 Fixed Deposit	1,281	9,512	2,619	4,570	2,809	20,791
5 Debentures	-	-	-	-	-	-
Total Liabilities	37,509	12,714	4,948	6,899	9,714	71,784
Net Financial Assets	72,120	(7,364)	1,013	2,700	13,416	81,885
Cumulative Net Financial Assets/Liabilities	72,120	64,756	65,769	68,469	81,885	

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

The Development Bond of NPR 64,575,000 is pledged as security against the borrowings of NPR 64,575,000 as of 31 Ashad 2066.

23. Details of Gross Non Banking Assets of the Bank

Previous Year	Addition during the year	Sale During the year	Balance at the year end
1,034,000	Nil	1,050,500	Nil

DISCLOSURE AS PER BASEL II REQUIREMENTS

DISCLOSURE UNDER BASEL II

1. Capital structure and capital adequacy:

- **Tier 1 capital and a breakdown of its components:**

- Provided in Schedule No. 4.30 (A) of the Financial Statements

- **Tier 2 capital and a breakdown of its components:**

- Provided in Schedule No. 4.30 (B) of the Financial Statements

- **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:**

- NIL.

- **Total qualifying capital:**

- Provided in Schedule No. 4.30 (A) of the Financial Statements

- **Capital Adequacy Ratio:**

- Provided in Schedule No. 4.30 (A) of the Financial Statements

- **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:**

- Provided in Schedule No. 4.30 (A) of the Financial Statements

- **Risk Weighted Exposures under each of 11 categories of Credit Risk:**

- Provided in Schedule No. 4.30 (B) of the Financial Statements

- **Total Risk Weighted Exposure calculation table:**

- Provided in Schedule No. 30 (A) of the Financial Statements

Category	Amount of Non Performing Assets (NPA)		
	Gross	Provision	Net
Substandard	1,492,054	373,013	1,119,041
Doubtful	1,023,262	511,631	511,631
Loss	23,229,685	23,229,685	NIL
Total	25,745,001	24,114,329	1,630,672

NPA Ratio

Gross NPA to Gross Advances 0.49 %

Net NPA to Net Advances 0.03 %

Movement of Non Performing Assets

Particulars	Opening Balance	Closing Balance	Movement
Substandard	6,133,741	1,492,053	(4,641,688)
Doubtful	3,705,929	1,023,262	(2,682,667)
Loss	20,668,909	23,229,685	2,560,776
Non Performing Loan	30,508,579	25,745,000	(4,763,579)

Write off of Loans & Interest Suspend: NIL

Movement of Loan Loss Provision & Interest Suspend

Category	Opening Balance	Closing Balance	Movement
1. Pass	44,099,510	52,424,930	8,325,420
2. Restructured	1,810,878	10,358,844	8,547,966
3. Substandard	1,533,435	373,014	(1,160,421)
4. Doubtful	1,852,965	511,631	(1,341,334)
5. Loss	20,668,909	23,229,685	2,560,776
Total Loan Provision	69,965,697	86,898,104	16,932,407

Interest Suspend

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

Particulars	Opening Balance	Closing Balance	Movement
Interest Suspend	18,805,421	20,717,909	1,912,488

Details of Additional Loan Loss Provision

Category	Current Period
1. Pass	33,071,510
2. Restructured	357,524
3. Substandard	373,014
4. Doubtful	284,469
5. Loss	8,108,335
Total Additional Loan Loss Provision	42,194,852

Segregation of Investment Portfolio

Particulars	Current Period
Held for Trading	NIL
Held to Maturity	1,133,892,605
Available for Sale	18,738,503
Total Investment Portfolio	1,152,631,108

Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework – Basel II, the bank has claimed all the eligible credit risk mitigant of NPR 159,390,451 for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

Risk Management

Adverse local and global economic environments have lowered the number of sound business deals available in the market. Increasing number of financial institutions has further added to the challenge mainly in terms of maintaining risk to return and also proper risk controls. During the year the Bank has been able to set-up proper structures and mechanisms on the all the areas that are exposed to risks.

Liability Management and Interest Rate Risk

FY 2008/09 has witnessed increase in interest rates of deposits in general, particularly in one year term category. Slowdown in the growth of deposit volume added by aggressive sales initiatives of new financial institutions are considered to be the primary reasons for it. This has also increased the negotiating power of large value depositors as they possess the ability to bring immediate impact in the liability books, particularly of the new banks and financial institutions. On the other hand, lack of availability of sound business deals did not allow automatic adjustments of the impact in the lending rates. Furthermore, there have been changes in regulatory environment viz. payment of interest on quarterly basis to savings depositors; requirement of Statutory Liquidity Ratio (SLR) etc. that have also posed challenges in managing the liability portfolio. Spreads of each business deals are critically evaluated in order to ensure adequate margins.

NMB Bank has introduced deposit products particularly in savings category to mitigate against the risk of reliance on few depositor relationships. NMB Investors Savings is one of them. As per the new regulation of Securities Board of Nepal (SEBON) investors are required to use bank account for depositing funds for applying in any IPO as well as getting its refund. NMB Bank was the first in the market to introduce a customized product for the purpose. Furthermore, the Bank is also the premier in introducing high yielding savings account

of 7% p.a. suited to large value depositors. Apart from these NMB payroll and NMB Bachat, the standard savings account product, have also contributed in broadening its customer base.

Balance Sheet and Maturity Risk

In view of the increasing competition in the deposit market demand for high yielding liquid products has increased. Liquidity back-up of the banks will be one of the important mitigations against such balance sheet risk. Despite of being a new entrant in the commercial banking industry, NMB Bank has adopted a policy of maintaining comfortable Credit Deposit (CD) Ratio. As of the end of FY 2008/09 the Bank's CD ratio was 77%. Furthermore, the Bank has also maintained a sound liquid investment portfolio with satisfactory yield. Both of these provide a safe platform in terms of management of liquidity while carrying out business in volatile environment. The Bank believes that overstretching risk asset portfolio and operating at lower liquidity margins can yield short-term gains but it also exposes the risk of maturity profile mismatches and also pose difficulty in managing the balance sheet.

The Bank monitors the Asset Liability maturity profiles and interest rate risks through an Asset Liability Management Committee (ALCO) represented by senior level management officials including the Chief Executive Officer.

Credit Risk

Overall demand for credit has remained positive during the year. However, most of these have been in higher risk category either for consumption or property related. This has increased the need for strengthening the credit risk control mechanisms of the financial institutions. The credit management policies and guidelines of NMB Bank emphasizes on the need to adopt standard mechanisms as well as additional control norms in view of the emerging risks in the market. Control mechanisms such as

portfolio ceilings, internal credit grading, automated credit administration tools etc. have added value in this regard.

The Bank has an independent Credit Risk Management (CRM) unit for evaluation of credit risk and administration as well. The independency of CRM helps in taking a balanced view as well as effective monitoring of credits. The CRM is also involved in management of inferior credit exposures. This has ensured regular follow-ups on weak credit cases and recovery as well.

Market Risk

The Bank has automated its margin lending portfolio control mechanisms during the year which provides the opportunity to take appropriate steps on time in case of movements stock prices in the market.

Operational Risk

Expansion of outlets, delivery channels and transactions; changing regulatory environment; establishment of new customer relationships etc. have been increasing the level of operational risks of the Bank. Furthermore, aggressive growth in the industry has not been well matched by availability of trained human resources which has also added to the risk. NMB Bank has been sensitive on the matter and devising operational procedures scanned particularly on the related risks and control mechanisms. The Bank's independent Compliance Unit ensures compliance with the internal as well as the external regulations. The unit is also carrying out the coordination and reporting functions related Know Your Customer (KYC) guidelines of the country. The Bank also has its own KYC Policy which extensively covers the means to manage the risk.

In the mean time, the Bank considers developing its human resource through a flatter operating structure. Extensive participation in development and implementation of operational procedures is encouraged for developing their ownership and interest.

Note

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