

SAFE AND SUSTAINABLE GROWTH

ANNUAL REPORT - 2009/10



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NMB BANK LIMITED
एनएमबि बैंक लिमिटेड

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■ ■ ABOUT US

■ ■ Today, with more than 50,000 satisfied customers, 158 experienced and motivated staffs, we boast our reputation as one of the leading financial service providers in the country. ■ ■

Upgraded from a finance company to a full-fledged commercial bank in May 2008, we have been providing superlative financial services to our customers since 1996. Our journey has been filled with remarkable milestones, exponential growth and groundbreaking products. Today, with more than 50,000 satisfied customers, 158 experienced and motivated staffs, we boast our reputation as one of the leading financial service providers in the country with continuous endeavor at delivering the best banking practices and innovating the best products and services.

We are NMB Bank.



■ ■ VISION

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.

■ ■ MISSION

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

- Leveraging and integrating the existing strengths of the institution
- Reaching out and serving 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

BOARD OF DIRECTORS



STANDING (from left to right)

Purushotam Lal Sanghai
Director

Dipak Narsingh Shrestha
Public Director

Upendra Poudyal
Chief Executive Officer

Atma Ram Murarka
Director

Harischandra Subedi
Public Director

Rita Pant
Professional Director

Shanti Byahut
Director - (Representative
Employee Provident Fund)

SITTING (from left to right)

Dr. Hari Prasad Shrestha
Public Director

Pawan Kumar Golyan
Chairman



■ ■ CHAIRMAN'S STATEMENT

■ ■ Despite the same and other various challenges posed by overall macroeconomic environment, NMB Bank has managed to establish its image as one of the safe and well managed financial institutions in the market and achieved a balanced business growth. ■ ■

First of all, I would like to extend my warm welcome to all of you in the 15th Annual General Meeting of NMB Bank Ltd on behalf of the Board of Directors. I am pleased to share with you that your Bank in the very short span of time post its upgradation has managed to achieve significant growth both in terms of business volume and profitability.

Our aspirations remain the same as they were as we set out - to establish ourselves as one of the leading financial institutions in the country. In line with the same, the Bank continued to invest on its capacity building and created its platform with required infrastructures in terms of distribution channels, products, technology, human resources during FY 2009/10. In the process, the Bank has established itself as one of the key players in the Financial markets in Nepal.

I am sure, you will appreciate that your Bank has once again set a new milestone creating a history by being the first ever financial Institutions in Nepal to successfully come out with "Further Public Issue" of its shares with contributing significantly to the shareholders fund.

Likewise, as per Securities Board of Nepal (SEBON) directives, the Bank has also established a separate subsidiary company, NMB Capital Ltd to carry out its investment banking activities. We are confident that we will continue our leading position in Investment Banking space through this new company by way of providing innovative services and products with more focused approach.

As you all are aware, during FY 2009/10, Nepalese financial markets witnessed one of the worst liquidity crisis in its history, your Bank have also not been insulated from the impact of larger crisis. Despite the same and other various challenges posed by overall macroeconomic environment, NMB Bank has managed to establish its image as one of the safe and well managed financial institutions in the market and achieved a balanced business growth. I feel proud to share with you that despite of contracted liquidity conditions in the market, NMB Bank continued to provide credit facilities to its customers for their viable business propositions. This has been possible as the Bank conducted its business with prudence in conformity with the banking fundamentals. I believe that the Bank's strategy to focus on safe credit growth, prudent risk and fund management supported by pragmatic business model to cope with the changing business environment has helped the Bank to deliver the better result.

I am very much delighted to inform you that this year we are proposing 10% Cash Dividend and 10% Bonus Share from the accumulated profit and reserves which has already been approved by the Nepal Rastra Bank.

Against this backdrop, I would like to present you with Annual Report of NMB Bank Ltd. for the FY 2009/2010. A snapshot of the financial performance is as under:

- Overall Deposit volume increased by 47% to NPR 101,106 million compared to NPR 68,799 million in the previous year.
- Risk Assets volume also increased by 50.32% to NPR 79,311 million.
- Net profit after tax recorded at NPR 159.9 million an increase by 154% compared with the last year.
- Paid up capital increased to NPR 150,150 million from NPR 142,464 million.
- Earning per share increased to NPR 10.65 from NPR 4.42 in the preceding year.
- Non Performing Assets marginally increased to 0.70% from 0.51%
- In accordance with the regulatory requirement of Nepal Rastra Bank 20% of total net profit amounting to NPR 31.97 million has been transferred to General Reserves Fund.
- The bank's overall capital base remains strong with Capital Adequacy Ratio of 18.37%.
- Significant decrease in cost to income ratio to 37% from 51%.

Macro Economic Environment and Outlook:

The global recovery is now heading into relatively more stable phase. However, the market nervousness concerning the fiscal positions of several European countries poses a new challenges for the world economy. Financial markets appear to have recovered from their lows in first half of 2009, but conditions

still remain tight. Several short term downside risks remain for the global outlook due to mistimed macroeconomic policy responses by authorities in major industrial economies in Euro zone, continued weakness in US Housing markets, etc., Hence, overall, growth prospects still remain uncertain and GDP growth in US, EURO ZONE and Japan are expected to show only mild growth of about 1.7% in 2010. Developing economies, specially Asia, are however expected to lead the recovery with growth rates around 7%.

During FY 2009/10, Nepalese Financial Markets have gone through one of the most difficult phases in its history. Considerable delay in approval of the Government's budget by the parliament freezing the Government's development expenditures, significant growth in credit off take on account of high demand from booming real estate sector and other consumer sectors, rumors of devaluation of Nepalese currency with the change in peg with Indian rupees is believed to have adversely impacted the financial markets in Nepal during the period resulting one of the worst liquidity crisis the market has witnessed in the past few decades. The liquidity crunch situation pushed Interest rates to historical records in January 2010.

The GDP growth decelerated to 3.5% compared with 4% in the preceding year primarily due to adverse weather conditions impacting agriculture output. The lagged impact of global financial crisis reflected mainly in decelerating remittance inflow and declining export led to unprecedented current account deficit of 2.9% of GDP resulting substantial decline in the country's FX reserve. The overall economic scenario of the country remained relatively unstable during FY 2009/10 owing to reasons discussed above.

Total imports during the period increased by 33.2%, whereas the export declined by 9.7% during the same period. Likewise, the overall trade deficit expanded alarmingly by 46.5% to NPR 317 billion. Consequently, both Balance of Payment and Current Account position of the country recorded a deficit of NPR 2.62 billion and 32.35 billion respectively.

Country's total gross foreign exchange reserves stood at NPR 266 billion as of mid July 2010 which translates to 7% decline from the previous year. The country's foreign exchange reserve is only sufficient to cover import of 8.6 months.

Total government expenditure (cash basis) increased by 20.2% to NPR 248 billion in FY 2009/10. Likewise, government revenue for the period have increased by a significant margin of 25.4% to Rs.179 billion

During FY 2009/10, average consumer inflation recorded at to 10.5% against an increase of 13.2% during the preceding year.

As overall Import have not slowed down as expected and there is no major sign of revival of Exports as yet, the overall current account position of the country is expected to remain in deficit

in the current FY 2010/11 as well. Moreover, the overall business sentiments are expected to dampen further owing to ongoing political impasse, energy crisis, high volatility in the commodity market, etc., This will continue to pose short term downside risks to growth in the overall economy.

On the other hand, Visit Nepal 2011 initiative taken by the government is 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. These are expected to create new opportunities for stable macro economic growth in the FY 2010/11.

I strongly believe that your Bank is now poised to deliver superior financial performance in order to exceed the expectation of all our stakeholders. Whilst, the Bank's primary focus will be on achieving business volume and scale to ensure higher return to our shareholders, we shall also continue to focus on Safe Growth with prudent risk management. As in the past, we will continue to come up with new innovative products and services such as Channel Financing, Warehouse Financing, Prepaid Cards, Local Cash Management, Bank Assurance, etc., to meet our customers changing banking needs.

Acknowledgement:

I on behalf of the Board of Directors would like to thank all our respected shareholders for your continued support and guidance. I would like to take this opportunity to welcome our new Board of Directors Mr. Hari Prasad Shrestha and Mr. Dipak Nar Singh Shrestha representing our Public shareholders. I would also like to inform that Mr. Sagun Pant has resigned from the Board due to his personal reasons. I would also like to record my sincere thanks to Mr. Pant for his support and contribution.

We express our sincere gratitude to all our regulators, the Government of Nepal, Ministry of Finance, Nepal Rastra Bank, Securities Board of Nepal, Nepal Stock Exchange for their valuable support and patronage. We strive to conduct our business in such a manner to reflect our commitment to high level of ethical standards, institutional integrity and sound corporate governance.

I would also like to take this opportunity to congratulate and thank Mr. Upendra Poudyal, Chief Executive Officer, for completing his 10th years of service with the Bank and his commendable performance during the period. I am also pleased to record my appreciation to the management team and all staff for their sincere effort and contribution to successfully manage the Bank and achieve overall business growth amidst the very challenging business conditions prevailed in the market.

Finally, I would like to express sincere gratitude to all our valued customers for their support and patronage. We look forward to your continued support in our journey ahead.

Together, lets make FY 2010/11 more momentous and successful.

Pawan Kumar Golyan
Chairman

■ ■ CEO'S MESSAGE

■ ■ Notwithstanding the unprecedented liquidity constraints faced by the Nepalese economy, NMB achieved a healthy growth in its profitability and balance sheet during the period. The Bank managed impressive growth in deposits as well as risk assets which we consider to be very satisfying given the softness in the economy. ■ ■

FY 2009/10 has been the year of significant achievements for the Bank. Notwithstanding the unprecedented liquidity constraints faced by the Nepalese economy, NMB Bank achieved a healthy growth in its profitability and balance sheet during the period. The Bank managed impressive growth in deposits as well as risk assets which we consider to be very satisfying given the softness in the economy. The banking sector witnessed major surge in interest rate amidst the growing liquidity concerns in the country. There have been constant contentions that Banks were not lending due to liquidity considerations which obviously was not the case with NMB Bank. These, given the deteriorating socio-political and economic situation, demonstrate the Bank's ability to deliver in challenging and difficult environment. We were confronted by significant challenges that tested and confirmed the buoyancy of NMB Bank and its team.

It is our pleasure to mention here that the Bank has accomplished most of its strategic goals set forth in the beginning of the financial year. The Bank has effectively delivered against its financial targets and consolidated operations during the period. Operational efficiency improved significantly as also evidenced by considerable reduction in cost to income ratio.



We have accorded prime importance in positioning the bank robustly in the market, and have therefore worked intensely towards building the foundation for the Bank's brand. The Bank has invested significantly in brand building and will continue to reinforce the strong brand presence. We are committed to work towards our goal by consistently delivering innovative and superior banking products and services that exceed the expectation of our customers.

The Bank continued to expand its footprints with additional branches and ATMs during the period. The Bank is now represented in all development regions of the country through its 15 branches and 11 ATMs. The Bank is committed to further strengthen its distribution channel by way of branches, ATMs, use of technology and strategic alliances. The Bank has now established a solid base for the future growth.

The Bank successfully concluded the Further Public Issue of 715,000 shares at a premium of NPR 185 per share, first time in the history of capital market in Nepal. The share premium amount has contributed considerably to the shareholder's fund.

Nepal Rastra Bank, the Central Bank, formulated and revised a number of policy initiatives in order to improve upon corporate governance, reporting, transparency and risk management in the banking sector including introduction of CD Ratio. Provisions have been made to regulate the exposure of banking sector in real estate and housing, and margin lending. The Bank's ratios remain well within the parameters stipulated by the central bank.

The Bank has strong independent risk and control functions as well as policies aimed at utmost prudence in risk management. Compliance, control and audit functions are accorded due priority in the Bank. The Bank regularly conducts review of control of risk practices in the business, and management oversight is being continually strengthened. These fundamental aspects of banking will continue to remain as an integral part of the Bank's culture.

The Bank has performance management system in place which continues to reinforce goal oriented culture with clear individual accountability at all levels and appropriate reward for the performers. This is expected to contribute considerably to the performance of the Bank.

The Bank maintained its focus on strengthening the investment banking activities. NMB Capital Limited, the wholly owned subsidiary, has been established which, we believe, will continue to maintain the image of preferred institution, and position as a major player in the market. The subsidiary is also expected to contribute positively to our bottom line. The Bank is also contemplating to promote a micro-finance institution jointly with other Banks and financial institutions in order to further diversify the Bank's directed lending requirements to the deprived sector.

The Nepalese capital market declined substantially precipitated chiefly by ongoing liquidity concerns, regulatory changes, and substantial increase in borrowing costs and continued uncertainties in the political scenario in the country.

Continuing uncertainties in liquidity situation in the market could restrict the Bank's targeted growth and margins in the current year. However, strength of the bank's balance sheet along with our proactive approach and adoption of possible mitigating measures, we are confident in achieving our business and bottom line targets.

The Bank is committed to its mission to gain the supremacy in growth, profit, customer care and social response in banking. We have implemented various initiatives and action plans to achieve this goal and also remain strategically well positioned to achieve safe and sustainable growth in days ahead. The Bank's Capital Adequacy remains at very comfortable level. The Bank is therefore well positioned to build incremental momentum on the financial performance and respond to business opportunities in future.

The Bank is also working towards identifying new avenues of business. Several such initiatives are expected to be materialized in the current year.

The Bank remains sensitive to its corporate social responsibility. The Bank involved itself in several CSR activities focused chiefly on the deprived and destitute people.

We believe the Bank is now all set to deliver a robust performance in line with the expectation of all the stakeholders. The Bank has created its platform with all basic infrastructures in terms of branches, products, human resources to achieve:

- Safe and sustainable business growth in line with its plan
- Improve efficiency and productivity
- Implement better ways to serve the customers through automation and tailor made products
- Leverage on investment banking business being undertaken by the subsidiary

As a step towards achieving its goals, key priorities for the Bank are:

- Retail focus on Liability Management to increase our customer base substantially. Develop skill in retail deposit marketing and sales with a view to change the existing deposit mix to increase the sustainable retails deposit base.
- Strengthen correspondent banking relationships
- Encourage the Bank's customers use all its products
- Develop the micro finance unit to broaden its scope to get directly into micro credit and deposit
- Continue to focus on corporate branding and CSR activities to enhance and reinforce the Bank's image
- Strengthen the transaction banking unit setup to research, develop and launch new products and services

- Improve upon the cost /income ratio of the Bank. A dedicated cell has been established to implement the cost reduction strategy for the Bank.

The Bank shall also form and develop strategic alliances and look out for opportunities of mergers and acquisitions with domestic and international financial institutions to supplement its capacity building plan. The Bank is also looking into the possibility of establishing offshore branch.

I am proud of the strong relationships we have developed with our valued customers, many of whom are banking with us since the commencement of our business 15 years ago. We will deepen and treasure these existing relationships as well as win trust of new customers and nurture them as we move ahead.

We express our sincere gratitude and indebtedness to our valued customers for their continued support, patronage and unbendable loyalty to NMB Bank. We are where we are because of your unparalleled contribution and consistent support. We will continue to invest in our people and upgrade our infrastructures in our endeavour to continue to deliver the services that delight you and exceed your expectations. It is our commitment to do everything we can to maintain and augment your trust.

I am grateful to the Chairman and Directors of the Board, promoters and valued shareholders for their continued support, guidance and encouragement which has played pivotal role for the achievements the Bank has made as of date.

I am also thankful to the Nepal Rastra Bank, Securities Board, Government of Nepal, Banker's Association and other apex bodies for their support during the period.

Our people are our foundation and remain the most cherished valuable resources. It is obvious that our enduring success is attributable to the dedication of our staff and their extraordinary willingness to give the best. The year was characterized by one of the very challenging and difficult times in the history of banking in Nepal. And I am proud to state here that NMB Bank team stood by me at all times. I take this opportunity to thank the staff for their individual and team effort and outstanding support during the period.

Finally, as CEO, it is my commitment and pledge to work towards making NMB Bank a better bank and most preferred provider of financial services in the country.

Upendra Poudyal
Chief Executive Officer

■ ■ DIRECTOR'S REPORT

The year 2009/10 was yet another successful year for NMB Bank Ltd after its up-gradation as "A" class commercial bank in May 2008. In FY 2009/10, the Bank has added five new branches to its network and marked its presence in all five development regions of the Country. As per the regulatory requirement, the Bank has also established a separate subsidiary company, NMB Capital Ltd., to carry out its investment banking activities. The Bank expects to continue its leading position in Investment Banking space through NMB Capital and provide more innovative services and products in days to come.

During the review period, the local financial market continues to witness economic slowdown due to the various external and internal factors. Moreover, the Banking Industry in Nepal has also witnessed one of the worst liquidity crisis in its history and the liquidity crunch situation triggered sharp increase in interest rates resulting margin pressure. The growing competition due to entries of new banks and financial institutions has also remained one of the major challenges. Despite the same, NMB Bank during the review period has managed to strengthen its balance sheet and also achieved remarkable 154% growth in net profit.

Economic Review

In 2010, the global recovery process is gradually moving into relatively more stable phase, however high unemployment rate, weakness in housing markets and fiscal deficit in advanced economies have still been the major risks and challenges in the recovery process. The European debt crisis, which emerged from high fiscal deficit in some of the European countries have also created a new challenges for the global economy.

During FY 2009/10, Nepalese Financial Markets witnessed one of the worst liquidity crisis in its history and, the period is considered one of the most difficult one in the past few decades. Overall macro economic situation of the country during the review period remained unstable posing various challenges to the banking industry. Deceleration of remittance inflow into the country, under achievement of government's development expenditure, sharp decline in export resulting wider trade deficit, deficit in Current Account, negative balance of payment situation and deceleration in GDP growth were the major concerns.

The nation budget of FY 2009/10 had targeted economic growth of 5.5%. According to the preliminary estimate of the

Central Bureau of Statistics, the gross domestic product (GDP) is estimated to grow by 3.5% at basic prices and 4.6% at producer's prices in 2009/10. The GDP growth rates in basic and producer's prices in 2008/09 were 4.0 and 4.9% respectively.

The overall imports increased by 33.2%, whereas the export declined by 9.7% during FY 2009/10 resulting the trade deficit of NPR 317 billion. Consequently, both Balance of Payment and Current Account position of the country recorded a deficit of NPR 2.62 billion and NPR 32.35 billion respectively.

Total gross foreign exchange reserves of the country as at mid July 2010 stood at NPR 266 billion, 7% decline from the previous year. The foreign exchange reserve is only sufficient to cover import of 8.3 months of import.

Overall Government expenditure recorded NPR 248 billion, an increase of 20.2% compared to last year. Likewise, government revenue for the period also increased by 25.4% to NPR 179 billion. Consumer inflation was recorded at 10.5% which is less by 2.7% than that of the preceding year.

The nominal economic growth rate has affected the economic development and double digit inflation has shrunk the purchasing power of the people which ultimately has negative impact in the economy. Declaration of Nepal Tourism Year 2011 by the government is expected to increase the inflow of tourists amplifying improvement in economic activities. Infrastructure industry has shown signs of improvement with several projects having been undertaken by the private sector. However, frequent strikes, energy crisis, labor problems etc, are major hurdles on its path to economic development.

An elevated inflow of remittances and an expansion of bank branches in the remote areas contributed to an increase in access to finance and is believed to have contributed an in the deposit mobilization of commercial bank. Deposit mobilization of commercial banks increased by 12.2% to NPR 617 billion during the year 2009/10. Similarly lending to the private sector is estimated to have increased by 17.8% to NPR 476 billion during 2009/10.

In FY 2009/10, there is marginal increase in the number of banks and financial institutions in the country. The total number of banks and financial institutions reached 203 with 27 commercial banks, 79 development banks, 79 finance companies and 18 micro finance development banks. As of mid-July 2009, the total number of banks and financial

institutions was 181 comprising 26 commercial banks, 63 development banks, 77 finance companies and 15 micro finance development banks. Similarly, the number of commercial banks' branches reached to 966 as at mid-July 2010 compared to 752 in the same period last year.

Financial Highlights

	NPR in Million		
	FY 2007/08	FY 2008/09	FY 2009/10
Total Deposit	1,661.6	6,877.9	10,110.6
Total Loans and Advances	1,940	5,194.2	7,808.1
Total Investment	1,242.9	1,857.6	2,716
Gross Operating Income	180.6	227.8	446.1
Gross Operating Expenses	52.4	117.2	164.3
Operating Profit	95.8	68.4	241.6
Net Profit	72.8	63	159.9
Paid up Capital	1,000	1,424.6	1,501.5
Primary Capital Reserve	1,208.2	1,587	1,736.3
Capital Reserve Ratio %	34.79	20.41	18.37

Compared to FY 2008/09, the Total Deposit and Loans and Advances of the Bank increased by 47 and 50.32% amounting to NPR 10,110.6 and 7,808.1 million respectively. Liquidity crisis was the main hindrance that affected the overall growth of the banking sector. Due to overall deteriorating macro economic situation in the country for the reasons discussed elsewhere, the banking sector has not been able to grow as expected during the period.

Despite of unfavorable business environment, the Bank has successfully posted net profit of NPR 159.9 million with an impressive growth of 154% compared to that of FY 2008/2009. Focus on new avenues of revenue generation and effective cost management are the key drivers for such significant achievement. Likewise, the Bank recorded an increase in its operating profit by 253% to NPR 446.1 million.

The Bank managed to sell 53,586.50 units of unsubscribed rights shares through auction at an average price of NPR 370 per share and on an average the Bank has been able to realise NPR 270 as premium per share. Further, the Bank has successfully sold 715,000 units of public shares at a premium price collecting share premium of NPR 132.2 million through further public offering. The Bank's further public offering is the first of its kind in the history of the country's security market.

The Bank is proposing to declare 10% bonus share and 10% cash dividend to its shareholders from the accumulated profit and reserves which has already been approved by the Central Bank (Nepal Rastra Bank). Once approved by this Annual

General Meeting (AGM), the same shall be formalized. The Bank's total paid up capital will be NPR 1.65 billion including the proposed Bonus share. The Bank is also proposing to issue for issuing Rights shares of NPR 350 million to meet the regulatory requirement of NPR 2 billion paid up capital as stipulated by the Central Bank.

The overall position of the Bank continued to remain sound and comfortable from liquidity perspective. Credit to Deposit ratio (CD Ratio) as at 15th July 2010 stood at 78.44%, and the same ratio calculated on the basis of directives of Nepal Rastra Bank (NRB) of 70% remain stronger in relation to the regulatory requirement. The Bank's investment portfolio is constantly dominated by liquid assets constituting chiefly by government treasury bills and bonds and treasury bills. Investment on such assets increased by 41% compared to the preceding FY.

Deposits

Deposits	NPR in Million		
	FY 2007/08	FY 2008/09	FY 2009/10
Local Currency	1,571.6	6,322.6	9,371.1
Foreign Currency	90.0	555.3	739.5
Total deposit	1,661.6	6,877.9	10,110.6

Overall deposit of the Bank increased by 47% amounting to NPR 10,110.6 million compared to that of the last FY. The Bank has been able to increase its local currency and foreign currency deposits by 48 and 33% respectively. However, the increased level of competition and overall slowdown in deposit mobilization in the market has resulted in an unprecedented increase in cost of funds. Institutional and high value depositors dominated the market this year. There is a substantial growth of 93% in fixed deposit amounting to NPR 4,020 million.

The Bank has continued its offering of innovative retail liability products and added few more to its basket this year viz. NMB Bank Lavansha Bachat Khata, NMB Bank Prudent Investment, NMB Swarnim Nari Bachat, NMB Sulav Muddati. Further with an objective to empower the rural people & increase their banking habit the Bank is planning to introduce micro finance related retail products. This initiation is expected to explore and develop new avenues for deposits mobilization in future. Restricting savings account only to natural person by the Nepal Rasta Bank has resulted in a decline in saving accounts portfolio of the bank by 8% to NPR 1,421.6 million. However, the fresh NRB directive which has allowed non-profit organizations to open saving accounts in banks is expected to improve savings account portfolio. Likewise, current and call deposits have increased by 520% (NPR 628.8 million) and 27% (NPRs 3,998.2 million) respectively during the period.

On the foreign currency deposits, the Bank has been able to post 33% growth to NPR 739.3 million. The increases are well above the industry averages.

Credit Flow and its Management

Total Loan & Advances and Bills Purchased	NPR in million		
	FY 2007/08	FY 2008/09	FY 2009/10
Performing	1,979.4	5,255	7,875.3
Non performing	30.5	25.7	55.8
Total Loan & Advances and Bills Purchased	2,009.9	5,281.1	7,931.1

During the review period, the bank managed to increase the net risk assets portfolio by 50.32 % amounting to NPR 7808.1 million. The growing urbanization and remittance inflow has increased the transaction in consumer finance, housing and other real estate sector during the period. To mitigate the emerging market risk the Bank is continuously emphasizing on standard mechanism and control norms. The Bank's risk exposure to the real estate & housing sector is well within the prescribed ceiling of Nepal Rastra Bank.

The Bank is continuously serving to entire range of Corporate, medium size SME and Retail customer base from individuals to corporates, Exporters, Importers, Traders, Multinationals, etc. Cement, Iron & Steel, Hotel, Hydropower, Agriculture, Cottage Industries, etc are the main segments of the Bank's Risk Assets Portfolio. The Bank recognizes the Micro-credit as an important sector of the economy. Hence, the bank has aimed to expand its involvement in micro-credit sectors not only as minimum criteria prescribed by the central bank but also as the major credit sector. The Bank is also planning to invest in a national level micro finance bank jointly with other Banks and Financial Institutions.

Due to the high volatility of interest rate in the local market, the bank has made adjustment in its pricing from time to time by revising the interest rate of both risk assets and deposits. Such adjustments has helped maintain the Bank's interest rate spread of cost of fund of loan/investment and deposits/ borrowings.

During the review period, provisions for loan loss increased by NPR 9.5 million that have marginally increased the Banks Non-Performing Assets to 0.70% compared to 0.51% of last year.

Investment and Treasury related activities

Investment	NPR in million		
	FY 2007/08	FY 2008/09	FY 2009/10
Treasury Bills and Government Bonds	775.40	1,133.80	1,598.20
Banks and Financial Institutions.			
(interbank and deposits)	432.80	687.8	1,011.90
Shares and debentures	34.70	36.00	105.90
Total net Investment	1,242.90	1,858.6	2,716.00

Due to adverse market conditions, Inter Bank Lending Rates and Standing Liquidity Facility and REPO rate (Rate at which the banks can Borrow from Nepal Rastra Bank) which are considered Bench Mark rates in the market, have moved as high up to 14% p.a. during the review period. The overall increase in Interest rates in the money market has also impacted the Bank's Deposit and borrowing rates thereby increasing the Cost of Fund.

Likewise, due to better liquidity position, the Bank has been able to increase its interbank lending to NPR 651.9 million which was NPR 463.1 million last year. Tightening liquidity situation has raised the interbank lending rate. Capitalizing on the surging interbank rate and sufficient currency reserve, the Bank has increased interbank lending by 40.76 % during the review period. Similarly, the Banks' total borrowing (including interbank and other borrowing) increased by 21.11 % to NPR 380.30 million which was NPR 314 million during the preceding year.

Non-Funded activities and Income

During the review period, the Bank has significantly increased its non-fund based activities resulting in considerable increase in fee based income. The increase in the income is attributed chiefly to trade finance, gold trading, remittance, credit transactions and other customer service related activities.

Non funded income	NPR in million		
	FY 2007/08	FY 2008/09	FY 2009/10
Commission and Discounts	27.6	27.2	50.0
Other Operating Income	40.7	42.9	66.5
Total Non-funded Income	68.3	70.1	116.5

Foreign Exchange and exchange fluctuation income

Particulars	NPR in million		
	FY 2007/08	FY 2008/09	FY 2009/10
Foreign Exchange fluctuation income	-0.1	9.3	23

The bank has achieved significant growth in foreign exchange transaction during the year, and with this foreign exchange income increased significantly by 147% (to NPR 23 million from NPR 9.3 million).

Human Resource and Operating cost

With the significant increase in business volume and controlled operations cost, the Bank managed to achieve significant growth in its profitability compared to the last year. Cost to Income

Ratio of the Bank has also improved significantly from 51 % to 37 % during the year. The Bank is still planning to gradually bring down this ratio to optimum.

The total number of staff increased to 159 at the end of the year. Likewise, Staff expenses increased by 39 percent to Rs 56 million this year. As skilled manpower crunch is hitting hard to the Nepalese banking sector; managing quality staff retention has remained one of the major challenges for the Bank. The Bank is focusing on human resource development which emphasizes on proper sourcing, mentoring, training and development, etc.

Other operating expenses also increased by 41 % to NPR 108.3 million attributed by cost of new branch during the period.

The fixed asset of the Bank is slightly on higher side compared to industry peer which is due the Bank owning its own corporate building at Kathmandu. The fixed assets net of depreciation have increased by 14 % from NPR 223.8 million to NPR 255.3 million in the current FY due mainly to cost related to branch expansion.

Branch Network

As per the Banks strategic plan, to provide wider array of product and services; the Bank added 5 more branches to its network two outside Kathmandu valley i.e. Nepalgunj and Dhangadhi and 3 inside valley i.e. at New Road, Chababil and Kumariapati. With the addition of the branches, the Bank has been able to mark its presence in all five development regions of the country.

Furthermore, six more ATMs have been installed which sums up the total ATM outlet of the bank to nine. These infrastructures are expected to facilitate better customer services as well as support future growth in business.

Plans ahead

As a step towards achieving medium and long term strategic goals, key priorities for the Bank in FY 2010/11 are as under -

- Continue strengthening the brand "NMB Bank" by consolidating brand equity
- Augment the size of balance sheet to generate advantage of scale. However, the expansion will be based upon judicious selection of business both in terms of deposits and loans.
- Focus on diversified lending opportunities i.e., small and medium scale borrowers with appropriate risk controls.
- To coordinate with the subsidiary company and correspondingly increase the transaction base of both the companies.
- Develop the existing Microfinance unit to enhance its scope to directly micro credit and micro deposit. Further, the Bank has joined hands with other Banks and Financial institution for establishment of national level microfinance institution.
- Emphasize on Information and Technology to improve the

service level of the Bank.

- Explore new avenues for fees based Income.
- Extend credit lines to basic infrastructure related projects viz. power, cement, agricultural products, educational and health related institutions etc that have lower external vulnerabilities.
- Retail Focus on Liability Management with a goal to increase the low cost sustainable deposit base by increasing penetration in the segment of customers who are not in the banking system.
- Increase Paid up capital to Rs 2 Billion in order to support the capacity building plan of the bank.
- Raise efficiency of operations and reduce cost to income ratio. Human resource management, process reengineering and automation will be important tools to achieve this objective.
- Increase point of Representation in other strategically important locations within the country. A sustainable plan will be adopted in terms of opening of new branches. Also open branches in NRB specified backward districts of the country.
- Explore and expand the cash management services.
- Introduce new and innovative products to meet the customers changing need.

Risk Management

The Bank has continuously focused on robust risk management. Current scenario in banking industry has increased the importance of risk based audit, stress testing, etc. Considering current situation of the Nepalese banking industry, the cautious approach needs to be adopted for fund mobilization and credit disbursement. Following measures have been adopted by the Bank for Operation Risk, credit Risk and market Risk management.

Operation Risk Management

The Bank has separate Operation Risk Management (ORM) unit for managing operation risk and a dedicated officer has been appointed for this purpose. This independent unit develops and monitors implementation of operating policies and procedures. The Bank has been providing services related to investment banking as well which has helped manage the operation level risk related to investment banking activities. The Bank has developed proper internal control mechanism for this including a reconciliation unit, outsourced internal audit, etc. In addition, an independent compliance unit monitors the compliance check with all applicable legislation, rules and regulations applicable to the Bank. The Bank has also been conducting regular training sessions related to operation risks to the staff.

Credit Risk Management

The Bank has strengthened its credit risk control mechanism and set up independent Credit Risk Management (CRM) unit

that independently scrutinizes each borrower and evaluates credit risk. The independency of CRM has helped in taking a balanced view as well as effective monitoring of risk assets. The current liquidity crunch and slowdown in deposit mobilization has constrained the lending capacity of commercial banks. If the same situation prevails in future it can paralyze the credit creation capacity. Such scenario may increase the default risk and have negative effects on the financial results of Banks and Financial Institutions in coming years. Similarly by imposing ceiling on real estate portfolio, Nepal Rastra Bank has taken positive steps towards discouraging excessive risk taking by the by the Banks and Financial Institutions.

Balance Sheet Risk and Market Risk

The security market as well as the money market has exhibited bearish trend during the review period. The Nepal Stock Exchange (NEPSE) index has declined sharply to 478 points as at the close of the FY 2009/2010 which was at 749 points during the same period last year. Overall, decline in the security market has had adverse impact on the margin lending portfolio. However the Bank managed to maintain the quality of such portfolio by early exit of the problem accounts through its focused credit monitoring, follow up and recovery procedures. The exposure on margin lending is 7 % of the total loan.

The Banking industry faced challenge for liquidity management during the year due to contraction observed in the money market. The interbank lending rate was highly volatile which was around 3 % towards at the beginning of FY, soared to 14 % towards in the middle and then dropped down to 2 % towards the year end. The money market volatility has raised the cost of fund of the banks and constrained deposit mobilization.

The Bank has managed the fund and liquidity efficiently in such situation by cautiously keeping eye open on the market scenario. The Central Bank has prescribed credit to deposit ratio at 95 %. Core Capital fund of the Bank is also included on computation of this ratio as prescribed by NRB and NMB Bank is in comfortable position to comply with this requirement.

The Banks Asset/ Liability management committee and pricing committee chaired by Chief executive officer of the Bank continuously monitors and takes decision in this regard.

Corporate Governance

The Board and Management

The Board of NMB Bank Limited currently comprises of 8 non executive directors chaired by Mr. Pawan Kumar Golyan. Board of Directors includes Mr. Aatma Ram Murarka, Mr. Purushottam Lal Shanghai and Ms. Shanti Byahut (representing Employees Provident Fund). Ms. Rita Pant continued to represent the Board as independent professional Director.

Three public Directors Mr. Harischandra Subedi, Mr. Sagun Prasad Pant and Dr. Hari Prasad Shrestha were elected unanimously by the Bank's 14th Annual General Meeting held on 8th January 2009. Mr. Harischandra Subedi has been reelected for the second term as a director from among public after successfully completing his first four years tenure. Mr. Sagun Pant has resigned from the Board due to his personal reasons, and subsequently Mr. Deepak Narsinha Shrestha has been appointed by the Board in his place for the remaining period.

Altogether 22 Board Meetings were held during the year:

Directors	Meeting attended	Total Meeting Fee (NPR)
Mr. Pawan Kumar Golyan (Chairman)	19	190,000
Mr. Atma Ram Murarka	20	183,000
Mr. Purushottam Lal Shanghai	16	144,000
Ms. Shanti Byahut	22	198,000
Ms. Rita Pant	19	171,000
Mr. Harischandra Subedi	22	198,000
Dr Hari Prasad Shrestha	7	63,000
Mr. Sagun Pant	6	54,000

The Board of Directors is represented by a mix of prominent business personalities and experts/ professionals and are non-executive. This has therefore helped in maintaining structural balance between 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 top level oversight in key business affairs of the Bank. The management is led by Mr. Upendra Poudyal, Chief Executive Officer. He has been associated with the Bank since 2000. He is ably supported by a team of professionals. Mr. Poudyal is also playing the role of Company Secretary as well.

Audit Committee

The Audit Committee comprises of three non executive Directors - Ms. Shanti Byahut who continues as Convener of the Committee, and the other members include Mr. Harischandra Subedi. All the members are non executive directors which ensure complete independence of the activities of the Committee. Compliance Officer of the Bank is the Member Secretary of the Committee. The Committee is governed by detailed regulation approved by the Board.

The Committee reviews all audit reports viz. internal, external audit reports and NRB inspection reports and submits their recommendations to the Board of Directors. It also provides

guidelines and feedback to the management. The Bank internal and external audits are conducted by reputed firms. G P Rajbahak & Co. has been appointed as internal auditors of the Bank where as Ms T R Upadhyay & Co. continued as external auditors for the second consecutive year.

Policy Formulation Committee

The Board has given continuity to the Policy Formulation Committee in order to prepare and recommend various Policies, Guidelines and procedures for carrying out the day to day operation. It has been represented by non-executive director Mr. Harishchandra Subedi.

Additional Disclosure as per Section 109 of the Company Act

- Details of shareholding taken by the directors and Bank officials in the previous FY and , in the event of their involvement in share transaction of the company, details of information received by the company from them in that respect:

The Directors and Officials of the Bank has purchased unsubscribed shares of further public issue by general public during the year detail of which is as follows:

Details	No of Shares
Director Ms Shanti Byahut	200
Mr Pradeep Pradhan (Chief Operating Officer)	700
Ms Deepika Shamrra (w/o Mr Suman Sharma - Head- Business & Retail Banking)	800
Mr Bijay Giri(Head- HR)	700

- Details of shares forfeited by the Bank- No shares has been forfeited during the year
- Disclosures made by the substantial shareholders of the company to the company in the previous financial year - No such information provided to the Bank.
- Details of disclosures made about the personal interest of any director and his/her close relative in any agreements related with the company during the previous financial year- No such information provided to the Bank.
- Amount, if any, outstanding and payable to the company by any director, managing director, chief executive, substantial shareholder or his/her close relative or by any firm company, corporate body in which he/she is involved;

Outstanding Loan as on FY 2009/10 granted to individual who are close relatives of the Directors and the firm in which the close relatives of the Directors are involved in the capacity of promoters or directors

Details	Outstanding amount as on 16th July 2010
Rameswor Housing and Developers	NPR 66,300,000
Shakti Kumar Golyan	NPR 43,116,531
Himali Pashmina Udyog	NPR 500,000,000

- Major transactions completed by the company and its subsidiary company in the financial year and any material changes taken place in the transactions of the company during that period -

The Bank has established subsidiary company NMB Capital Ltd during the year by investing 70% of the equity capital amounting to Rs 70 million. However, the Company did not receive the operating licence from Securities Board till the year end of the review period hence no financial transaction was conducted between the main company and subsidiary company.

- Details of shares bought back by the company (buy-back)- The Bank did not buy back any of its shares during the review period.
- Details of sale and purchase of properties pursuant to Section 141 - Not Applicable
- Details of transactions carried on between the associated companies pursuant to Section 175 - The Bank does not have any associated Company
- Industrial or Professional Business Relationship of the Bank - The Bank maintains a good professional relationship with its customers, regulators and other stakeholders and firmly believes that it helps in strengthening its business base and corporate image. It carries out its activities based on the existing laws and firmly follows the laws/ directives formulated/ issued by the Government and the Regulators.

MANAGEMENT TEAM

Sunil KC
General Manager

Upendra Poudyal
Chief Executive Officer

Sameer Chhetry
Head Investment Banking

Pratibha Lohani
Head Compliance

Pradeep Pradhan
Chief Operations Officer

Bijay Giri
Head Human
Resource Management

Suman Sharma
Head Business
and Retail Banking



■ ■ CORPORATE GOVERNANCE

- ■ For an institution as large and closely integrated with the national economy as ours, Governance issues could easily impact on the larger economic environment. ■ ■

Effective Corporate Governance is vital not only to assure smooth functioning but also to achieve and maintain public trust and confidence. For an institution as large and closely integrated with the national economy as ours, Governance issues could easily impact on the larger economic environment. At NMB, we are very much aware of these risks and responsibilities and committed to continue to ensure high level of corporate governance within the Bank by maintaining strict compliance with laws, rules and regulations.

Board and Management

To maintain the high standard of corporate governance has always been a key priority for the Bank. The Board of Directors and management of the Bank are committed to govern and maintain the Bank's operations effectively and efficiently within its regulatory environment.

The board members of NMB Bank Ltd. consist of eight non executive directors and six members in management team who are accountable for the good corporate governance of the bank. At present, Mr. Pawan Kumar Golyan is the Chairman of the bank. The other boards of directors are Mr. Atmaram Murarka, Mr. Purushotam Lal Shangai, Ms. Shanti Bhyahut, Mr. Harishchandra Subedi, Mr. Sagun Pant, Dr. Hari Prasad Shrestha and Ms. Rita Panta. Mr. Pant has resigned from the Board due to his personal reasons, and subsequently Mr. Dipak Narsingha Shrestha has been appointed by the Board for the remaining tenure. The Directors are individuals with high integrity who possess the experience, knowledge, expertise and judgment required to make positive contributions and judgments regarding the affairs of the Bank. Board decisions are based on recommendations made by the CEO and General Manager. During the FY 2009/10, the Board held 22 meetings.

Audit Committee

This committee overviews the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance. It evaluates all internal & external audit reports and Nepal Rastra Bank's inspection reports to ensure that appropriate internal controls and sound accounting policies are respectively facilitated, complied with and implemented. The members of audit committee currently consist of Ms. Shanti Bhyahut and Mr. Harishchandra Subedi. The Bank retains a dedicated Compliance Officer who ensures that all applicable laws and regulations are complied with, also acts as member secretary of the committee.

Executive Committee

The Bank has formed a high level Executive Committee to assist the Chief Executive Officer in Strategic Management of the Bank. The Committee also oversees the day to day functioning of the Bank, advises the CEO/Board (through CEO/Company Secretary) on various strategic issues for decision and ensures that these are implemented effectively.



■ ■ RISK MANAGEMENT

- ■ Notwithstanding the fact that banks are in the business of taking risk; assessment of global and local economic environment and identification of possible risks is key for the Bank in maintaining healthy balance between return and risk. ■ ■

Risk is inherent to the banking business. Being into a risk business we invariably face different type of risk that may have potential adverse impact. Notwithstanding the fact that banks are in the business of taking risk; assessment of global and local economic environment and identification of possible risks is key for the Bank in maintaining healthy balance between return and risk.

Risk Management – It is a critical part of the Bank. We have set-up appropriate structure and mechanism in place in all areas that are exposed to the potential risk. With the robust risk management team and prudent risk management mechanism, we optimize risk-return trade off. The specialized risk management team and independent risk management units have helped the Bank in ascertaining its risk appetite, formulating strategies, policies, procedures and also in establishing adequate control system to manage overall risk.



Liquidity Risk

The global economic downturn, domestic liquidity crunch, soaring interest rate, slow down in the growth of deposit volume has exposed interest rate risk to the banking industry and has in fact hit hard the liability books of the Banks and Financial Institutions. The Bank's comfortable Credit Deposit Ratio (CD) 78.44 %, broadening customer base, range of saving and fix deposit products has helped in maintaining liquidity in a volatile business environment. The Bank examines the Asset Liability profiles and interest rate risks on a regular basis through an Asset Liability Management Committee (ALCO) represented by senior level management officials including the Chief Executive Officer (CEO).

Credit Risk

Credit risk is the risk of negative effects on the financial result and capital of the bank caused by borrower's default on its obligations to the bank. For mitigating such risk, the Bank has strengthened its credit risk control mechanism and set up independent Credit Risk Management (CRM) unit that scrutinizes each borrower and evaluate credit risk. The independency of CRM has helped in taking a balanced view as well as effective monitoring of risk assets. The current liquidity crunch and quite slowdown in the growth deposits has virtually stopped the lending capacity of commercial banks. If the same situation prevails in the future it can paralyze the credit creation capacity. Such scenario may increase the default risk and have negative effects on the financial results on Banks and Financial Institutions in coming years. Similarly by imposing ceiling on real estate portfolio, Nepal Rastra Bank has taken positive steps towards possible credit risk.

Market Risk

It is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital. The Banks exposure to the market risk is a function

of trading and asset liability management activities. Vigilant to the changing market environment, movement of stocks price and prompt actions will help in mitigating the market risk. For managing market risk the prime objective must be minimizing the loss on earnings.

Operational risk

It is the risk of loss arising from the potentials like inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities. Increasing footprints, delivery channels and transactions, broadening scope of operations have been increasing the level of operation risks of the Bank.

We have Operations Risk Management (ORM) as a separate and independent function which basically entails Operational hazard identifications and takes reasonable measures to minimize those risks. Operation 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.

The Bank's Compliance unit ensures compliance with the internal as well as external regulations. The unit along with ORM is involved in implementing Anti Money Laundering (AML) and Know Your Customer (KYC) guidelines and also carries out the reporting function related to KYC. Similarly we have 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 banks policy. Supervising and periodic review of the process shall be evaluated to ensure the effectiveness of those set guidelines. In the mean time participative approach in development and implementation of operational procedures has been encouraged for developing a sense of ownership.

■ ■ ■ MICRO FINANCE

■ ■ Further, the Bank also believes that, it is also important to focus on savings mobilization. Providing proper banking channels by reaching rural areas has always been a great challenge. Our Bank aims to focus on other vital activities of micro finance including micro savings, money transfer etc. ■ ■

The sustainable social and economic development of the nation is possible only after the active participation of those who are on the base of the economic pyramid. Any developing nation like ours might be rich in other resources at their disposal but it might not translate into the economic benefit unless the same be passed onto the under privileged and deprived people in the rural areas. In this context, the initiative of the Bank in providing banking services to cater them in sub-urban and rural areas will be a pull factor to other economic sectors and hence contributing in overall economic development of the nation. Further, it is also evident that the movement of poor populace to a middle class level will be observed as a positive indicator of strengthening overall nation's economy.

It is important to focus on micro financing by the banks and other financial institutions to uplift the standard of living of the people under low income group. It will also help them to get access to formal banking services. To achieve these goals our Bank has a Micro Finance Unit (MFU) which focuses on the unbanked segments of the economy. The unit has not only been providing wholesale lending through Micro Finance Institution's (MFI) but has been providing micro credit to the individuals directly. Bank has initiated various channels to provide micro credit services to the people under low income strata. Among those various initiatives, Bank has successfully tied up with different manufacturing companies, especially those companies which are dependent on the raw materials provided by impoverished people. Bank has not only focused on providing micro credit to the poor people but has volunteered for capacity building activities as well. Bank also has a separate program which encourages self employment activities.

Further, the Bank also believes that, it is also important to focus on savings mobilization. Providing proper banking channels by reaching rural areas has always been a great challenge. Our Bank aims to focus on other vital activities of micro finance including micro savings, money transfer etc. We are confident that the initiation taken by our Bank will make a major contribution towards the development of microfinance sector in Nepal.

Noble peace prize Laureate Mr. Mohammed Yunus, with our Head - Micro Finance during her training at Bangladesh.



DEPARTMENT HEADS

Sanju Shrestha
Sr. Relationship Manager
- Liability and Branch

Sizen Pudasaini
Relationship Manager -
Micro Finance Unit

Govind Ghimire
Manager - Newroad

Sushama Sharma
Relationship Manager -
Liability Management

Shreejesh Ghimire
Sr. Relationship Manager
- Corporate Banking

Madhav Pradhan
Head - Central
Administration

Puspa Aryal
Head - Trade Finance and
Correspondent Banking

Neeraj Man Sainju
Head - Treasury

Dinesh Chand
Officer - Operations Risk
Management

Deepa Shrestha
Officer - Software
Development

Alok Shrestha
Head - Finance, Planning
and IB Operations

Pramod Dahal
Head - Credit Risk
Management



■ ■ SOCIAL RESPONSIBILITIES

“Shaping a better tomorrow beyond banking”

- ■ The Bank is not only conscious in maximizing its profitability but also equally conscious about its responsibility towards the society where it carries out business and generates income. ■ ■

Creating long-term values is one of the main objectives of NMB Bank and we fulfill this purpose by providing value-added products and services to the client, promoting a corporate culture. It adheres to high ethical standards, transparency and shouldering on social issues and requirements beyond banking. Contributing to the society and nation in all possible means, the Bank regularly takes initiatives for the betterment of the society.

To contribute towards the enhancement of social wealth and betterment of society the Bank has always tried to maintain a true partnership in the progress of the community it serves. It is not only conscious in maximizing its profitability but also equally conscious about its responsibility towards the society where it carries out business and generates income. We took a number of initiatives in the discharge of the broad social responsibility. 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.

This year NMB Bank carried on several social activities through most of its branches. The Bank supports education in our communities through programs like educational initiatives, charitable donations, in-kind donations and employee volunteerism. This allows us to support deserving organizations in a variety of ways. NMB Bank always stands beside the physically disabled people of the society. It donated amount of Rs 25,000 to support the total expenses of a visually impaired student in Trinetra Foundation for a year. Deaf children and rehabilitee at Adarsha Bal Vikas Kendra and Kavre Deaf Association were provided with stationery and other necessary items.

We are always prepared for an ongoing commitment from the business firms to deal in good faith and to contribute for achieving the economic development. We work for the improvement of the living standard for the masses and the workforce, their families and for the community at large. In line with our effort to show our care, concern and respects to the elderly people we provided woolen shawls and cap to the elderlys of Siddha Baba Durga Bhawani Shiva Kumari Saiju Bridhaasram for winter season and also arranged a day lunch for them. In Biratnagar at 'Shree Birateshwor Bridashram', the group of elderly people enjoyed the same care and support provided by us.

As a leading bank, it is dependent on a strong educational system to prepare students for success in a knowledge-based economy. It distributed stationery to the children of 'Saraswati Bal Ashram' of Dharan where there are 26 children at present.

It granted the students of Shaligram Bal Griha stationery goods and sports materials. It supported the education of class 9 and 10 of government school of Phulchowki and also provided maintenance cost for Pulchoki jatra.

Contributing to the society, NMB Bank renovates 'Hanuman Than' Temple at Anamnagar every year. Through Thamel Branch, the Bank conducted a Blood Donation Campaign in association with Nepal Red Cross Society. The final CSR activity for the fiscal year ended with a campaign named "NMB Clothes Drive" whereby all the staffs from the Bank collected the clothes for the needy and underprivileged people in Doti.



■ ■ HUMAN RESOURCE MANAGEMENT



The bank has always believed that continuous learning, enhancement of skills, work ethics and values and career development leads to win-win situation for both employees and organization. ■ ■

As the human resource takes center stage in today's economy, the human resource function is becoming a strategic powerhouse in each and every organization. Banking - being a service industry, human capital accounts an integral part of the business success. The Bank has always valued human resource as key for sustainable competitive advantage. Expansion of footprints has increased the appetite of bank for staff during the year. The fierce competition, increasing number of banks and lack of skilled human resource has enhanced the challenge in the market place for sourcing and retention of staff. To address the same the Bank is focused in nurturing and enriching young professionals and transform them as future managers. Acquiring young talent with new ideas and energy and blend them with existing skills, on-the-job and external trainings has helped the Bank to get pool of excellent committed staff.

On the basis of job requirements, performance appraisal, training need assessment surveys are carried out in-house along with outstation training programs in the country and abroad. New recruits to executives all are encouraged to participate in appropriate training programs, workshops and seminars. The Bank believes that such approach provides benefits to the staff in a broader perspective besides contributing to the overall development of the workforce in the organization by imparting them with up to date technical and behavioral skills.

In nurturing a healthy working environment full of team spirit ensuring quality of work, employees with leadership skills, motivation and positive attitudes to bring about changes in the organization, The management has always taken the initiative in providing the staff at all levels with one of the best compensation packages in the market which is revised timely. Also several rewards are given to boost the morale of the best performers and to encourage others to mark that level.

The bank has always believed that continuous learning, enhancement of skills, work ethics and values and career development leads to win-win situation for both employees and organization. Succession planning is an essential element of the Bank's Human Resource management strategy which has helped in retaining high quality talent for sustainable business growth.

■ ■ INVESTMENT BANKING



- ■ The department has been one of the major contributors to its profitability and overall business. It is always evident that there has been ample cross selling opportunities created to the type of business that the department does. ■ ■

Investment Banking Department erstwhile Merchant Banking Department has been in operation since the establishment of NMB Bank Limited erstwhile Nepal Merchant Banking and Finance Limited. The department started its operation by marketing and selling National Savings Bonds and has since advanced its services up to Issue Management for IPOs, Debentures and Bonds, and Right Issues. The department has been one of the major contributors to its profitability and overall business. It is always evident that there has been ample cross selling opportunities created to the type of business that the department does.

Now, due to the regulatory requirement issued by Ministry of Finance via Part 59 Number 18 Nepal Raajpatra Bhaag 5 dated 2066/5/1 all existing banks and financial institution need to perform its merchant banking activities by opening its own new subsidiary company. NMB Bank Limited also falls under this regulation and as a result of which opened a new subsidiary company, NMB Capital Limited, to perform the merchant banking activities.

The major objectives of the company will be to act as the Issue manager of companies issuing securities to primary and/or secondary market, to provide portfolio management services, to underwrite primary issued shares and to act as a Registrar to Shares for companies. The capital structure of the subsidiary company is 70:30 viz. 70% owned by NMB Bank Limited and 30% will be offered to general public.

BRANCH MANAGERS



STANDING
(from left to right)

Nishit Sharma
Branch Manager,
Babarmahal Branch

Hansha Bd. Dhami
Branch Manager,
Nepalgunj Branch

Dibir Bikram Shah
Branch Manager,
Banepa Branch

Rabi Chandra Gurung
Branch Manager,
Pokhara Branch

Milan Udas
Branch Manager,
Dharan Branch

Parsuram Uprety
Branch Manager,
Lubhu Branch

Yubraj Dhakal
Branch Manager,
Butwal Branch

Shailesh Hamal
Branch Manager,
Biratnagar Branch

Suraj Shrestha
Branch Manager,
Thamel Branch

SITTING
(from left to right)

Kunjini Rajbhandari
Branch Manager,
Kumaripati Branch

Samjhana Pokhrel
Branch In-Charge,
Durbarmarg Branch

■ ■ GROWING NETWORK



- ■ NMB Bank brought 15 branches into operation including the Main Branch, Babarmahal, Kathmandu. “Customer Care Our Religion” has always been our focal point and we are committed to render banking services throughout the year. ■ ■

Financial well-being plays vital role in the overall economic development of the country. For this, enrichment of financial institution in every nook and corner of the country is more essential. In our endeavor to bring about more convenience and consistency in delivering our services to our valued customers, this year we have expanded our footprints to different parts of the country to mark our presence in all five development regions.

With a view to serve the customers of sub-urban areas and to spread the banking network in the places where people do not have access to banking services, the Bank has taken initiative to reach those potential regions. We are the first private sector commercial bank to serve the people of Thaha and Lubhu, where no other commercial bank has been able to render their services. Moreover, we have taken the responsibility of creating awareness of banking products and services and also have succeeded meeting their personal and business banking needs which has enhanced their banking habit as well.

By the end of the fiscal year FY 2009/10, NMB Bank brought 15 branches into operation including the Main Branch, Babarmahal, Kathmandu. “Customer Care Our Religion” has always been our focal point and we are committed to render banking services throughout the year. We have started Holiday Banking to deliver our services to the valued customers from Durbar Marg Branch. We have plan to open 25 branches across the country by the end of 2012 and in this regards, we have already added 5 new branches in this year in Nepalgunj, Dhangadi, Chabahil, Newroad and Kumaripati. To cater the increasing need of customers and growing transaction volume, bank has also added 5 ATM machines in its network at Newroad, Durbar Marg, Thamel and Pokhara. In order to serve our valued customers, we look forward to spread our wings throughout the nation in days to come.

■ ■ PARTNERSHIP

We highly value partnership so that you achieve your business objective. It is our commitment to provide professional service excellence and ensure your financial goal and prosperity.



- ■ Due to external political disturbance, constraints in the funds flow and employees unrest, Women Development Centre of Nepal (WDCN) had to face serious and stormy hindrance during FY 2056/66. The trust and confidence shown by the management of NMB Bank by providing micro finance support despite our difficult times and weak financial position is what we consider as major factor of our current progress and success.

From our end, we would ensure meeting all financial obligations to the bank while it continues to implement rural finance schemes, considerably outreach services for the disadvantaged rural youths and women in Nepal, and enhance institutional building of WDCN and its collaborating agencies. For this, we would further join hands and win confidence and trust for micro-financing from the NMB Bank.

Women Development Centre of Nepal ■ ■



- ■ NMB Bank has made an unprecedented effort by offering dedicated customer service for the disabled community. It's their initiative, so that a disabled person is not put at a substantial disadvantage compared to non-disabled people in accessing their banking services. I applaud the bank's enterprise by offering such an amicable and favorable environment for the disabled community making us feel proud and equal in the society.

Dhundi Raj Chalisey
Treasurer
Nepal Paralympic Committee ■ ■





■ ■ I have enjoyed an excellent relationship with the NMB Bank, both emotionally and professionally. My association with the bank goes back to the days of its inception.

I am very satisfied with the services received from the bank. I value the cordial and professional efficiency with a personalized touch. Having access to an official dedicated to address my needs goes a long way in retaining customer loyalty. I look forward for a continued and mutually beneficial relation.

Tashi P. Lama
Social Worker ■ ■



■ ■ I have been a customer of NMB Bank for past decade and what I admire most is their innovative mindset, solution oriented approach and confidentiality.

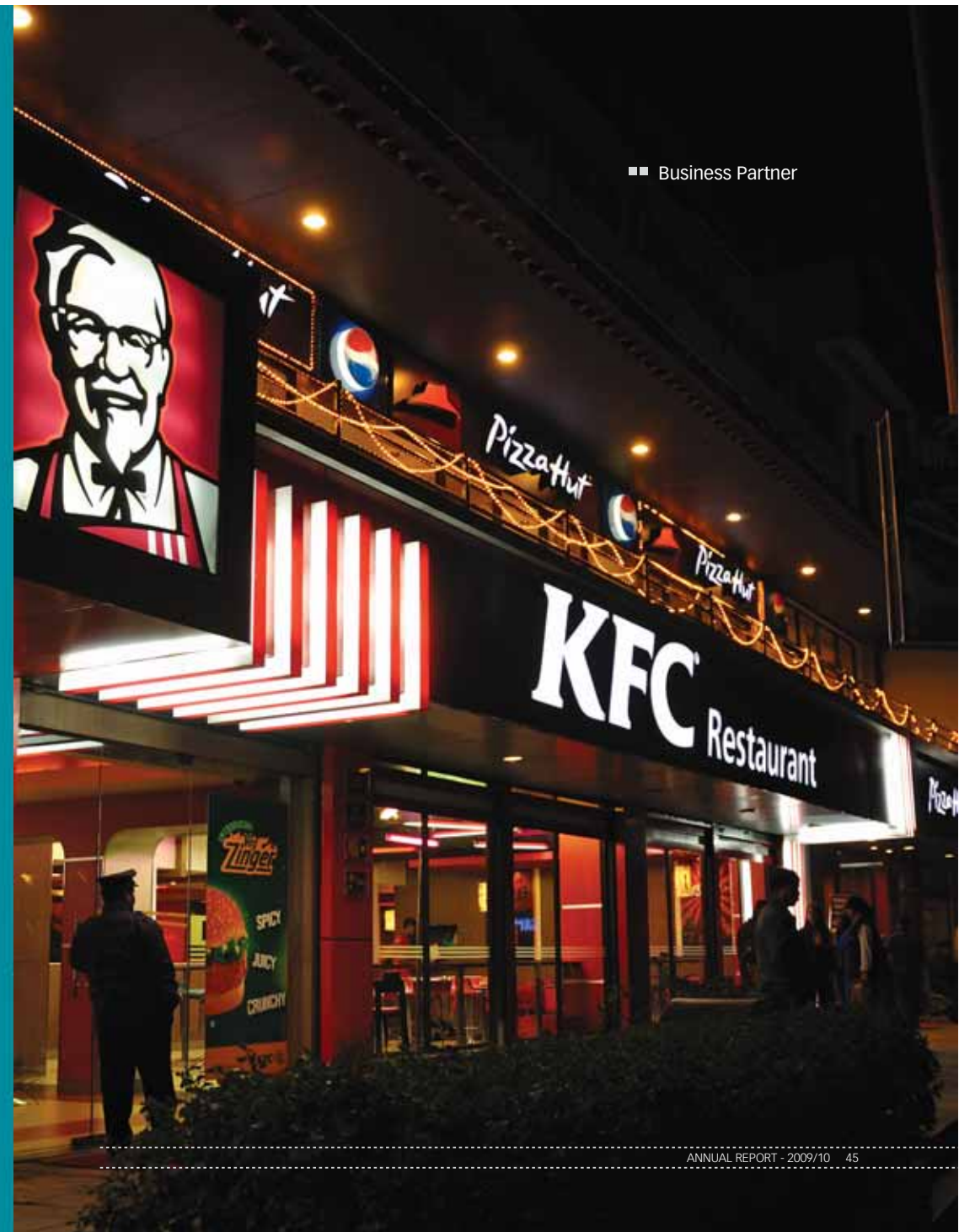
Sujeev Shakya
Author of Unleashing Nepal,
Co-founder of Beed Management ■ ■



■ ■ NMB Bank is one of the safest banks for institutional deposits. I feel the service provided by the bank is well and it truly holds the capacity to be a leader in its industry.

Rameshwor Karmacharya
Dy. Managing Director
Nepal Telecom ■ ■

■ ■ Business Partner





T. R. Upadhy & Co.
Chartered Accountants

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**THE SHAREHOLDERS OF
NMB BANK LIMITED**

INDEPENDENT AUDITOR'S REPORT

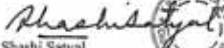
We have audited the accompanying Balance Sheet of **NMB Bank Limited**, as of 16 July 2010 (Corresponding to 32 Ashad 2067), the related Profit and Loss Account and the Cash Flow Statement for the year then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility 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 except matters referred to in Note 19, 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 16 July 2010 (Corresponding to 32 Ashad 2067), the results of operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards except for the matter reported in Note 2.3 of schedule 4.32 to the Financial Statements and the matter stated in the preceding paragraph, Generally Accepted Accounting Principles and comply with the provisions of the Companies Act, 2063, Nepal Rastra Bank Directives and Bank and Financial Institutions Act, 2063.


Shashi Sanyal
Partner



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

8 September 2010 (23 Bhadra 2067)
Kathmandu

Balance Sheet

As at July 16, 2010 (32nd Ashad, 2067)

Capital & Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1 Share Capital	4.1	1,651,650,000	1,424,641,350
2 Reserve and Funds	4.2	159,879,137	167,412,057
3 Debentures and Bonds	4.3	-	-
4 Borrowings	4.4	380,255,266	313,960,548
5 Deposits	4.5	10,110,689,731	6,877,907,436
6 Bills Payables	4.6	9,531,335	5,447,286
7 Proposed Dividend		150,150,000	-
8 Income Tax Liabilities		-	-
9 Other Liabilities	4.7	764,422,924	7,067,295,650
Total Liabilities		13,226,578,393	15,856,664,327
Assets	Schedule	Current Year Rs.	Previous Year Rs.
1 Cash Balance	4.8	239,918,098	201,846,943
2 Balance with Nepal Rastra Bank	4.9	522,557,690	717,404,165
3 Balance with Banks/Financial Institutions	4.10	967,357,592	6,561,098,013
4 Money at Call and Short Notice	4.11	582,308,791	875,527,378
5 Investments	4.12	2,715,957,118	1,857,563,476
6 Loans, Advances and Bills Purchased	4.13	7,808,118,687	5,194,210,667
7 Fixed Assets	4.14	255,294,779	223,813,976
8 Non-Banking Assets	4.15	-	-
9 Other Assets	4.16	135,065,638	225,199,709
Total Assets		13,226,578,393	15,856,664,327
Contingent Liabilities	Schedule	4.17	
Declaration of Directors	Schedule	4.29	
Statement of Capital Fund	Schedule	4.30(A1)	
Statement of Credit Risk	Schedule	4.30(B)	
Statement of Credit Risk Mitigation	Schedule	4.30(C)	
Statement of Operation Risk	Schedule	4.30(D)	
Statement of Market Risk	Schedule	4.30(E)	
Principal Indicators	Schedule	4.31	
Principal Accounting Policies	Schedule	4.32	
Notes to Accounts	Schedule	4.33	
Statement of Promoter's Loan	Schedule	4.34	
Unaudited Financial Results	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. Upadhya & Co. Chartered Accountant
Atma Ram Murarka Director	Purushotam Lal Sanghai Director	Shanti Byahut Director
Rita Pant Director	Dr. Hari Prasad Shrestha Director	Dipak Narsingh Shrestha Director
Pradeep Pradhan Chief Operating Officer	Alok Shrestha Chief - Accounts	

Date: September 8, 2010

Place: NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Account

For the period from July 16, 2009 to July 16, 2010 (1st Sawan, 2066 to 32nd Ashad, 2067)

Particulars	Schedules	Current Year Rs.	Previous Year Rs.
1 Interest Income	4.18	866,182,436	402,582,568
2 Interest Expenses	4.19	559,544,023	254,260,906
Net Interest Income		306,638,413	148,321,662
3 Commission and Discount	4.20	49,952,632	27,261,774
4 Other Operating Income	4.21	66,524,327	42,914,334
5 Exchange Fluctuation Income	4.22	23,006,185	9,343,425
Total Operating Income		446,121,557	227,841,195
6 Staff Expenses	4.23	55,958,441	40,273,507
7 Other Overhead Expenses	4.24	108,342,515	76,982,747
8 Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loss		281,820,601	110,584,941
9 Provision for Possible Losses	4.25	40,253,447	42,194,852
Operating Profit		241,567,154	68,390,089
10 Non-operating Income/Loss	4.26	1,983,377	1,712,450
11 Loss Provision Written-Back	4.27	4,006,036	27,563,129
Profit from Regular Operations		247,556,567	97,665,668
12 Profit/Loss from extra-ordinary activities	4.28	1,005,055	-
Net Profit after considering all activities		248,561,622	97,665,668
13 Staff Bonus Provision		22,596,511	8,878,697
14 Provision for Income Tax		66,094,621	25,834,194
Current Year		69,892,552	28,742,437
Previous Year		-	-
Current Year Deferred Tax Income/(Loss)		(3,797,931)	(2,908,243)
Net Profit/Loss		159,870,490	62,952,777

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	Pawan Kumar Golyan Chairman	Shashi Satyal, FCA Partner T.R. Upadhya & Co. Chartered Accountant
Atma Ram Murarka Director	Purushotam Lal Sanghai Director	Shanti Byahut Director
Rita Pant Director	Dr. Hari Prasad Shrestha Director	Dipak Narsingh Shrestha Director
Pradeep Pradhan Chief Operating Officer	Alok Shrestha Chief - Accounts	

Date: September 8, 2010

Place: NMB Bhawan, Babar Mahal, Kathmandu

Profit and Loss Appropriation Account

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	Schedules	This Year Rs.	Previous Year Rs.
Income			
1 Accumulated profit up to the last year		46,637,588	7,265,142
2 Current Year's Profit		159,870,490	62,952,777
3 Exchange Equalization Fund		-	-
Total		206,508,078	70,217,919
Expenses			
1 Accumulated Loss up to the last year		-	-
2 Current Year's Loss		-	-
3 General Reserve		31,974,098	12,590,555
4 Contingent Reserve		-	-
5 Institutional Development Fund		-	-
6 Dividend Equalization Fund		-	-
7 Staff Related Reserve Fund		-	-
8 Proposed Dividend		150,150,000	-
9 Proposed issue of Bonus Shares		11,294,061	-
10 Special Reserve Fund		-	-
11 Exchange Equalization Fund		3,082,655	320,494
12 Capital Redemption Reserve Fund		-	-
13 Capital Adjustment Fund		-	-
14 Others		5,574,691	4,709,933
a) Deferred Tax Reserve		3,797,931	4,709,933
b) Investment Adjustment Reserve		1,776,760	-
Total		202,075,505	17,620,982
15 Accumulated Profit/(Loss)		4,432,573	52,596,937

As per our attached report of even date

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Chairman

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

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Shanti Byahut
Director

Harischandra Subedi
Director

Rita Pant
Director

Dr. Hari Prasad Shrestha
Director

Dipak Narsingh Shrestha
Director

Pradeep Pradhan
Chief Operating Officer

Alok Shrestha
Chief - Accounts

Date: September 8, 2010

Place: NMB Bhawan, Babar Mahal, Kathmandu

Statement of Changes in Equity

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	(Amount in Rs.)									
	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Deferred Tax Reserve	Investment Adjustment Reserve	Other Reserve and Fund	Total Amount
Opening Balance	1,428,641,350	52,596,937	109,784,693	-	-	320,494	4,709,933	-	-	1,592,053,407
Adjustments										
-Prior period error		(2,088,423)								(2,088,423)
-Changes in accounting policy-Sick Leave		(3,870,926)								(3,870,926)
Balance	1,428,641,350	46,637,588	109,784,693	-	-	320,494	4,709,933	-	-	1,586,094,058
Adjustments										
Further Public Issue	76,858,650	-	-	-	-	-	-	-	-	76,858,650
Bonus Shares	-	-	-	-	-	-	-	-	-	-
Share Premium	-	-	-	-	146,758,571	-	-	-	-	146,758,571
Current Year's Net Profit	-	159,870,490	-	-	-	-	-	-	-	159,870,490
General Reserve	-	(31,974,098)	-	-	-	-	-	-	-	-
Exchange Equalization Fund	-	(3,082,655)	-	-	-	3,082,655	-	-	-	-
Proposed Bonus Share	150,150,000	(161,444,061)	-	-	(146,758,571)	-	-	-	-	(158,052,632)
Deferred Tax Reserve	-	(3,797,931)	-	-	-	-	3,797,931	-	-	-
Investment Adjustment Reserve	-	(1,776,760)	-	-	-	-	-	1,776,760	-	-
Closing Balance	1,651,650,000	4,432,573	141,758,791	-	-	3,403,149	8,507,864	1,776,760	-	1,811,529,137

Cash Flow Statement

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
(a) Cash flow from Operating Activities	53,374,316	(632,355,620)
1 Cash Received	906,163,874	(178,667,559)
1.1 Interest Income	759,915,350	(287,461,722)
1.2 Commission and Discount Income	49,952,632	27,261,774
1.3 Income from foreign exchange transaction	23,006,185	9,343,425
1.4 Recovery of Loan written off	1,005,055	-
1.5 Other Income	72,284,652	72,188,964
2 Cash Payment	852,789,558	453,688,061
2.1 Interest Expenses	559,544,023	254,260,906
2.2 Staff Expenses	55,958,441	40,273,507
2.3 Office Overhead Expenses	108,342,515	76,982,747
2.4 Income Tax Paid	66,094,621	31,097,352
2.5 Other Expenses	62,849,958	51,073,549
Cash Flow before changes in Working Capital	(5,244,129,007)	2,345,764,683
Increase/(Decrease) of Current Assets	(2,236,514,711)	(4,204,435,390)
1 (Increase)/Decrease in Money at Call and Short Notice	293,218,587	(782,122,871)
2 (Increase)/Decrease in Short-term Investment	(5,959,349)	(3,758,337)
3 (Increase)/Decrease in Loan and Bills Purchase	(2,613,908,020)	(3,254,243,125)
4 (Increase)/Decrease in Other Assets	90,134,071	(164,311,057)
Increase/(Decrease) of Current Liabilities	(3,007,614,296)	6,550,200,073
1 Increase/(Decrease) in Deposits	3,232,782,295	5,216,302,686
2 Increase/(Decrease) in Certificate of Deposits	-	-
3 Increase/(Decrease) in Short-term Borrowings	66,294,718	35,848,150
4 Increase/(Decrease) in Other Liabilities	(6,306,691,309)	1,298,049,237
(b) Cash flow from Investment Activities	(783,378,271)	(8,118,764)
1 (Increase)/Decrease in Long-term Investment	(858,393,642)	-
2 (Increase)/Decrease in Fixed Assets	(31,480,803)	(91,093,968)
3 Interest income from Long-term Investment	106,267,085	82,974,254
4 Dividend Income	229,089	950
5 Others	-	-
(c) Cash flow from Financing Activities	223,617,221	324,641,350
1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-	-
2 Increase/(Decrease) in Share Capital	76,858,650	324,641,350
3 Increase/(Decrease) in Other Liabilities	-	-
4 Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5 Increase/(Decrease) in Share Premium	146,758,571	-
(d) Income/Loss from change in exchange rate in Cash and Bank Balances	-	-
(e) Current Year's Cash Flow from All Activities	(5,750,515,741)	2,029,931,649
(f) Opening Balance of Cash and Bank Balances	7,480,349,121	5,450,417,472
(g) Closing Balance of Cash and Bank Balances	1,729,833,380	7,480,349,121

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
Atma Ram Murarka Director	Purushotam Lal Sanghai Director	Shanti Byahut Director
Rita Pant Director	Dr. Hari Prasad Shrestha Director	Dipak Narsingh Shrestha Director
Pradeep Pradhan Chief Operating Officer	Alok Shrestha Chief - Accounts	

Date: September 8, 2010

Place: NMB Bhawan, Babar Mahal, Kathmandu

Share Capital and Ownership

Schedule 4.1

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorized Capital		
a) 20,000,000 Ordinary Shares of Rs.100 each	2,000,000,000	2,000,000,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs.each		
1.2 Issued Capital		
a) 15,015,000 Ordinary Shares of Rs.100 each	1,501,500,000	1,501,500,000
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.3 Paid up Capital		
a) 15,015,000 Ordinary Shares of Rs. 100 each Rs. 100 paid up	1,501,500,000	1,424,641,350
b) Non-redeemable preference shares of Rs. each		
c) Redeemable Preference Shares of Rs. each		
1.4 Proposed Bonus Share	150,150,000	-
1.5 Call in Advance	-	-

Share Ownership	This Year Rs.		Previous Year Rs.	
	%	Share Capital	Share Capital	%
1 Local Ownership	87.47	1,313,282,330	1,287,502,250	90.37
1.1 Government of Nepal	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	11.01	165,265,040	120,415,200	8.45
1.4 Other Entities	6.34	95,200,160	54,233,900	3.80
1.5 Individual	70.12	1,052,817,130	1,112,853,150	78.12
1.6 Others	-	-	-	-
2 Foreign Ownership	12.53	188,217,670	137,139,100	9.63
Total	100.00	1,501,500,000	1,424,641,350	100.00

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

Name of the Shareholders	This Year	
	Amount	% of Total
DINBANDHU AGRAWAL	8,428,200.00	0.56
SHANKAR ELECTRIC INDUSTRY	10,000,000.00	0.67
SAGUN PANT	11,370,180.00	0.76
SHIVARATAN SHARDA	14,318,060.00	0.95
RAJESH AGRAWAL	16,528,750.00	1.10
ANANT KUMAR GOLYAN	17,348,200.00	1.16
ASHOK KUMAR MURARKA	17,348,200.00	1.16
BISHAL AGRAWAL	17,348,200.00	1.16
SUBHASH CHANDRA SHANGAI	17,348,200.00	1.16
NARPAT SINGH JAIN	24,941,290.00	1.66
MANJU TAPADIYA	28,403,490.00	1.89
BALRAM NEUPANE	34,700,720.00	2.31
SANTOSH RATHI	53,672,250.00	3.57
ATMARAM MURARKA	57,827,000.00	3.85
PAWAN KUMAR GOLYAN	57,827,000.00	3.85
PURUSHTOM LAL SHANGAI	57,827,000.00	3.85
TRILOK CHAND AGRAWAL	57,827,000.00	3.85
M/S. GAYATRI INVESTMENT & MANAGEMENT (P) LTD.	64,927,000.00	4.32
NANDA KISHOR RATHI	77,385,790.00	5.15
KARMACHARI SANCHAYA KOSH	165,265,040.00	11.01
YONG LIAN REALTY, MALAYSIA	188,217,670.00	12.54

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

Reserve and Funds

Schedule 4.2

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 General Reserve Fund	141,758,791	109,784,693
2 Capital Reserve Fund	-	-
3 Capital Redemption Reserve	-	-
4 Capital Adjustment Fund	-	-
5 Other Reserve Fund	10,284,624	4,709,933
5.1. Contingent Reserve	-	-
5.2. Institution Development Fund	-	-
5.3. Dividend Equalization Fund	-	-
5.4. Special Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Deffered Tax Reserve	8,507,864	4,709,933
5.7. Other Free Reserves	-	-
5.8. Other Reserves	1,776,760	-
6 Accumulated Profit/Loss	4,432,573	52,596,937
7 Exchange Equalization Fund	3,403,149	320,494
Total	159,879,137	167,412,057

Debentures and Bonds

Schedule 4.3

As at July 16, 2010 (32nd Ashad, 2067)

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

Borrowings

Schedule 4.4

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
A. Local		
1 Government of Nepal	-	-
2 Nepal Rastra Bank	-	-
3 Repo Obligation	-	-
4 Inter-Bank and Financial Institutions	380,255,266	313,960,548
5 Other Organized Institutions	-	-
6 Others	-	-
Total	380,255,266	313,960,548
B. Foreign		
1 Banks	-	-
2 Others	-	-
Total	-	-
Total (A+B)	380,255,266	313,960,548

Deposits

Schedule 4.5

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Non-Interest Bearing Accounts		
A. Current Deposits	628,771,524	101,421,681
1. Local Currency	622,223,052	98,053,135
1.1 Government of Nepal	1,537,947	-
1.2 "A" Class Licensed Institutions	177,870	160,274
1.3 Other Licensed Institutions	410,068,189	12,141,158
1.4 Other Organized Institutions	187,901,196	66,330,695
1.5 Individuals	22,537,850	19,421,008
1.6 Others	-	-
2. Foreign Currency	6,548,472	3,368,546
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Institutions	793,394	47,275
2.4 Other Organized Institutions	5,755,078	3,321,271
2.5 Individuals	-	-
2.6 Others	-	-
B. Margin Deposits	42,040,802	13,570,822
1 Employees Guarantee	-	-
2 Guarantee Margin	7,144,754	2,871,072
3 Letters of Credit Margin	34,896,048	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	-	-
Total of Non-Interest Bearing Accounts	670,812,326	114,992,503
2 Interest Bearing Accounts		
A. Saving Deposits	1,421,594,626	1,544,421,213
1. Local Currency	1,415,068,461	1,507,477,462
1.1 Organized Institutions	-	37,015,787
1.2 Individuals	1,415,068,461	1,470,461,675
1.3 Others	-	-
2. Foreign Currency	6,526,165	36,943,751
2.1 Organized Institutions	-	32,190,949
2.2 Individuals	6,526,165	4,752,802
2.3 Others	-	-
B. Fixed Deposits	4,020,041,753	2,079,158,904
1. Local Currency	3,523,978,419	1,588,185,701
1.1 Organized Institutions	2,557,266,805	1,262,873,472
1.2 Individuals	966,711,614	325,312,229
1.3 Others	-	-
2. Foreign Currency	496,063,334	490,973,203
2.1 Organized Institutions	495,959,974	490,971,472
2.2 Individuals	103,360	1,731
2.3 Others	-	-
C. Call Deposit	3,998,241,026	3,139,334,816
1. Local Currency	3,767,768,383	3,115,375,636
1.1 "A" Class Licensed Institutions	405,099,104	918,285,423
1.2 Other Licensed Financial Institutions	1,307,297,266	698,263,952
1.3 Other Organized Institutions	1,849,426,892	1,393,012,316
1.4 Individuals	205,945,121	105,813,945
1.5 Others	-	-
2. Foreign Currency	230,472,643	23,959,180
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	115,681,169	13,686,729
2.3 Other Organized Institutions	114,791,474	10,272,451
2.4 Individuals	-	-
2.5 Others	-	-
D. Certificate of Deposit		
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	9,439,877,405	6,762,914,933
Total Deposit (1+2)	10,110,689,731	6,877,907,436

Bills Payable

Schedule 4.6

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Local Currency	9,307,785	5,252,110
2 Foreign Currency	223,550	195,176
Total	9,531,335	5,447,286

Other Liabilities

Schedule 4.7

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Pension/Gratuity Fund	7,277,122	4,640,906
2 Employees Provident Fund	-	-
3 Employees Welfare Fund	-	-
4 Provision for Staff Bonus	22,596,511	8,878,697
5 Interest Payable on Deposits	42,722,792	20,875,780
6 Interest Payable on Borrowings	251,539	4,024,796
7 Unearned Discount and Commission	709,966	340,934
8 Sundry Creditors	35,555,683	23,486,927
9 Branch Account	-	-
10 Deferred Tax Liabilities	-	-
11 Dividend Payable	7,294,347	7,587,620
12 Others	648,014,964	6,997,459,990
a) NEA Power Bond Interest Payable	55,300,261	54,900,580
b) Merchant Banking-IPO Collection	534,597,598	6,874,944,900
c) Merchant Banking-Collection Commission payable	9,694,396	22,707,076
d) Audit fee payable	127,125	101,700
e) Employees Accumulated Sick Leave	5,099,843	-
f) Others	43,195,741	44,805,734
Total	764,422,924	7,067,295,650

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

Cash Balance

Schedule 4.8

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (including coin)	231,776,438	190,737,610
2. Foreign Currency	8,141,660	11,109,333
Total	239,918,098	201,846,943

Note: Foreign currency includes Gold amount NPR 3,281,523

Balance with Nepal Rastra Bank

Schedule 4.9

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Local Currency Rs.	Foreign Currency Rs.		Grand Total Rs.	Previous Year Rs.
		INR	Convertible		
1 Nepal Rastra Bank	516,106,447	-	6,451,243	6,451,243	522,557,690
a) Current Account	516,106,447	-	6,451,243	6,451,243	522,557,690
b) Other Account	-	-	-	-	-

Balance with Banks/Financial Institutions

Schedule 4.10

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Local Currency Rs.	Foreign Currency Rs.		Grand Total Rs.	Previous Year Rs.
		INR	Convertible		
1 Local Licensed Institutions	504,395,488	-	-	-	504,395,488
a) Current Account	12,983,644	-	-	-	12,983,644
b) Other Account	491,411,844	-	-	-	491,411,844
2 Foreign Banks	-	21,845,883	441,116,221	462,962,104	462,962,104
a) Current Account	-	21,845,883	441,116,221	462,962,104	462,962,104
b) Other Account	-	-	-	-	-
Total	504,395,488	21,845,883	441,116,221	462,962,104	967,357,592

Note :

a) Total Balance for which the confirmations are received from respective licensed institutions Rs. 996,326,269. The difference is being reviewed and reconciled.
b) Amount of NPR 491,411,844 shown under "Other Account" is IPO Collection money deposited with various Banks in interest bearing accounts.

Money at Call and Short Notice

Schedule 4.11

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	582,308,791	875,527,378
2. Foreign Currency	-	-
Total	582,308,791	875,527,378

Investments

Schedule 4.12

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1 Government of Nepal Treasury Bills	-	837,749,220	837,749,220	470,411,740
2 Government of Nepal Savings Bond	7,800,000	752,670,229	760,470,229	663,381,365
3 Government of Nepal Other Securities	-	-	-	-
4 Nepal Rastra Bank Bonds	-	-	-	-
5 Foreign Securities	-	-	-	-
6 Local Licensed Institutions	-	764,300,000	764,300,000	554,684,551
7 Foreign Banks	-	247,566,014	247,566,014	133,088,950
8 Corporate Shares	-	88,838,003	88,838,003	18,838,003
9 Corporate Bonds and Debentures	-	20,000,000	20,000,000	20,000,000
10 Other Investment	-	-	-	-
Total Investment	7,800,000	2,711,123,466	2,718,923,466	1,860,404,609
Provision	-	2,966,348	2,966,348	2,841,133
Net Investment	7,800,000	2,708,157,118	2,715,957,118	1,857,563,476

Investment in Shares, Debentures and Bonds

Schedule 4.12 (A)

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	This Year Amount Rs.	Previous Year Rs.
1 Investment in Shares	88,838,003	16,698,602	2,966,348	88,838,003	18,838,003
1.1 Nepal Stock Exchange Ltd. 50 Ordinary shares of Rs 100 each fully paid up	5,000	-	5,000	5,000	5,000
1.2 Bottlers Nepal (Tara) Ltd. 7,900 Ordinary shares of Rs 100 each fully paid up	5,387,454	5,751,200	-	5,387,454	5,387,454
1.3 United Insurance Co. (Nepal) Ltd. 1,800 Ordinary shares of Rs 100 each fully paid up	489,877	486,000	3,877	489,877	489,877
1.4 Neco Insurance Co. Ltd. 1491 Ordinary shares of Rs 100 each fully paid up	272,508	159,537	112,971	272,508	272,508
1.5 National Life Insurance Co. Ltd. 132 Ordinary shares of Rs 100 each fully paid up (Bonus Share 102 Kitta)	17,509	64,152	-	17,509	17,509
1.6 NLIG Insurance Company Limited 30 Ordinary shares of Rs 100 each fully paid up	-	-	-	-	-
1.7 Everest Insurance Co. Ltd. 101 Ordinary shares of Rs 100 each fully paid up (Bonus Share 11 Kitta)	13,855	31,613	-	13,855	13,855
1.8 Sagarmatha Insurance Co. Ltd. 100 Ordinary shares of Rs 100 each fully paid up	7,300	31,100	-	7,300	7,300
1.9 Nepal Life Insurance Co. Ltd. 500 Ordinary shares of Rs 100 each fully paid up	50,000	425,000	-	50,000	50,000
1.10 Credit Information Bureau Ltd. 1080 Ordinary shares of Rs 100 each fully paid up	94,500	-	94,500	94,500	94,500
1.11 Taragaon Regency Hotels Ltd. 125,000 Ordinary shares of Rs 100 each fully paid up	12,500,000	9,750,000	2,750,000	12,500,000	12,500,000
1.12 NMB Capital Ltd. 700,000 Ordinary shares of Rs 100 each fully paid up	70,000,000	-	-	70,000,000	-
2 Investment in Debentures and Bonds	20,000,000	-	-	20,000,000	20,000,000
2.1 Nepal Electricity Authority 7.75 % 5 Years Power Bond of Rs1,000 each Maturity Date - March 27, 2013 (14th Chaitra, 2069)	20,000,000	-	-	20,000,000	20,000,000
2.2	-	-	-	-	-
2.3	-	-	-	-	-
Total Investment	108,838,003	16,698,602	2,966,348	108,838,003	38,838,003
3 Provision for Loss					
3.1 Up to previous year				2,841,133	4,107,818
3.2 Adjustments this year increased/(decreased)				125,215	(1,266,685)
Total Provision				2,966,348	2,841,133
Net Investment				105,871,655	35,996,870

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

- United Insurance Co. (Nepal) Ltd.
- Taragaon Regency Hotels Ltd.
- Nepal Life Insurance Co. Ltd.
- Credit Information Bureau Ltd.
- Neco Insurance Co. Ltd.

2) Thirty ordinary shares in NLIG Insurance Company Ltd. have been obtained as a result of holding of shares in its parent company National Life Insurance Co. Ltd. without paying any amount and hence the cost price is zero.

Investments (Held for Trading)

Schedule 4.12.1

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Profit/(Loss) Rs. (B-A)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	
2 Government of Nepal Savings Bond	7,800,000	-	-	-	-	
3 Government of Nepal Other Securities	-	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	-	-	-	-	-	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	
9 Placement in Foreign Banks	-	-	-	-	-	
10 Inter Bank Lending	-	-	-	-	-	
11 Other Investment	-	-	-	-	-	
Total Investment	7,800,000	-	-	-	-	

Investments (Held to Maturity)

Schedule 4.12.2

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Cost Price Rs. (A)	Accumulated Loss as on date (B)	Current Year Loss (C)	Current Year Profit/(Loss) Rs. (A-B-C)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	837,749,220	-	-	837,749,220	470,411,740	
2 Government of Nepal Savings Bond	752,670,229	-	-	752,670,229	663,381,365	
3 Government of Nepal Other Securities	-	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	-	-	-	-	-	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	20,000,000	-	-	20,000,000	20,000,000	
9 Placement in Foreign Banks	247,566,014	-	-	247,566,014	133,088,950	
10 Other Investment	764,300,000	-	-	764,300,000	554,684,551	
Total Investment	2,622,285,463	-	-	2,622,285,463	1,841,566,606	

Investments (Available for Sale)

Schedule 4.12.3

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Cost Price Rs.	Previous Market Value Rs. (A)	Current Market Value Rs. (B)	Current Year Adjustment Fund Rs. (B-A)	Previous Year Profit/(Loss) Rs.	Remarks
1 Government of Nepal Treasury Bills	-	-	-	-	-	
2 Government of Nepal Savings Bond	-	-	-	-	-	
3 Government of Nepal Other Securities	-	-	-	-	-	
4 Nepal Rastra Bank Bonds	-	-	-	-	-	
5 Foreign Securities	-	-	-	-	-	
6 Shares of Local Licensed Institutions	88,838,003	17,043,665	16,698,602	(345,063)	1,266,685	
7 Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8 Shares, Bonds & Debentures of Organized Institutions	-	-	-	-	-	
9 Placement in Foreign Banks	-	-	-	-	-	
10 Other Investment	-	-	-	-	-	
Total Investment	88,838,003	17,043,665	16,698,602	(345,063)	1,266,685	

Classification of Loan and Bills Purchase and Provisioning

Schedule 4.13

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Advances		Bills Purchased & Discounted		This Year Rs.	Previous Year Rs.
	Total		Total			
	Domestic	Foreign	Domestic	Foreign		
	Insured	Uninsured				
1 Performing Loan	258,634,030	7,193,333,799	7,451,967,829	423,340,647	423,340,647	7,875,308,476
1.1 Pass Loan	258,634,030	7,180,007,261	7,438,641,291	423,340,647	423,340,647	7,861,981,938
1.2 Restructured	-	13,326,538	13,326,538	-	-	13,326,538
2 Non-Performing Loan	-	55,830,511	55,830,511	-	-	55,830,511
2.1 Substandard	-	27,192,925	27,192,925	-	-	27,192,925
2.2 Doubtful	-	7,715,823	7,715,823	-	-	7,715,823
2.3 Loss	-	20,921,763	20,921,763	-	-	20,921,763
(A) Total Loan	258,634,030	7,249,164,310	7,507,798,340	423,340,647	423,340,647	7,931,138,987
3 Loan Loss Provision	-	-	-	-	-	-
3.1 Pass	2,586,340	71,800,073	74,386,413	4,233,406	4,233,406	78,619,819
3.2 Restructured	-	10,750,920	10,750,920	-	-	10,750,920
3.3 Substandard	-	7,413,765	7,413,765	-	-	7,413,765
3.4 Doubtful	-	5,314,032	5,314,032	-	-	5,314,032
3.5 Loss	-	20,921,763	20,921,763	-	-	20,921,763
(B) Total Provisioning	2,586,340	116,200,553	118,786,893	4,233,406	4,233,406	123,020,300
4 Provisioning up to Previous Year	-	-	-	-	-	-
4.1 Pass	947,000	48,767,492	49,714,492	2,710,439	2,710,439	52,424,931
4.2 Restructured	-	10,358,844	10,358,844	-	-	10,358,844
4.3 Substandard	-	373,013	373,013	-	-	373,013
4.4 Doubtful	-	511,631	511,631	-	-	511,631
4.5 Loss	-	23,229,685	23,229,685	-	-	23,229,685
(C) Total Previous Year's provision	947,000	83,240,665	84,187,665	2,710,439	2,710,439	86,898,104
(D) Written Back from Last year provision	3,774,183	-	3,774,183	-	-	3,774,183
(E) Additional Provision This Year	1,639,340	36,734,071	38,373,412	1,522,967	1,522,967	39,896,379
Changes in this year	1,639,340	32,959,888	34,599,228	1,522,967	1,522,967	36,122,196
Net Loan (A-B)	256,047,689	7,132,963,757	7,389,011,446	419,107,241	419,107,241	7,808,118,687
						5,194,210,667

Loan, Advances and Bills Purchased Security Wise

As at July 16, 2010 (32nd Ashad, 2067)

Schedule 4.13 (A)

Particulars	This Year Rs.	Previous Year Rs.
(A) Secured	7,931,138,987	5,281,108,771
1 Movable/Immovable Assets	7,162,471,963	5,062,505,483
2 Guarantee of Local Licensed Institutions	220,522,942	14,700,000
3 Government Guarantee	479,156,972	80,000,000
4 Internationally Rated Bank Guarantee	-	-
5 Export Documents	-	-
6 Fixed Deposit Receipts	20,467,815	5,778,420
a) Own FDR	15,967,815	3,911,343
b) FDR of other Licensed Institutions	4,500,000	1,867,077
7 Government Bonds	48,519,295	118,124,868
8 Counter Guarantee	-	-
9 Personal Guarantee	-	-
10 Other Securities	-	-
(B) Unsecured	-	-
Total	7,931,138,987	5,281,108,771

Fixed Assets

As at July 16, 2010 (32nd Ashad, 2067)

Schedule 4.14

Particulars	Assets					This Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others		
1 At Cost							
a. Previous Year Balance	80,342,025	36,646,360	-	58,154,479	39,132,184	214,275,048	126,980,345
b. Addition this year	2,285,857	16,204,112	-	18,474,477	12,264,904	49,229,350	87,429,203
c. Revaluation/written back this year	-	-	-	-	-	-	-
d. This year sold	-	(2,917,600)	-	(97,700)	(2,300,856)	(5,316,156)	(1,586,000)
e. This year written off	-	-	-	(1,701,879)	(204,422)	(1,906,301)	-
Total Cost (a+b+c+d+e)	82,627,882	49,932,872	-	74,829,377	48,891,810	256,281,941	212,823,548
2 Depreciation							
a. Up to Previous Year	5,181,397	9,555,185	-	19,843,761	9,461,389	44,041,732	19,375,275
b. For This Year	3,843,546	7,155,295	-	12,632,566	7,405,893	31,037,300	24,965,837
c. Depreciation on revaluation/written back	-	-	-	-	-	-	-
d. Depreciation adjustment/written back	-	(1,262,600)	-	(1,775,154)	(2,257,035)	(5,294,789)	(749,079)
Total Depreciation	9,024,943	15,447,880	-	30,701,173	14,610,247	69,784,243	43,592,033
3 Book Value (WDV*) (1-2)	73,602,939	34,484,992	-	44,128,204	34,281,563	186,497,698	169,231,515
4 Land	25,026,505	-	-	-	-	25,026,505	25,026,505
5 Capital Construction (pending capitalization)	-	-	-	-	-	-	-
6 Leasehold assets	43,770,576	-	-	-	-	43,770,576	29,555,956
Total (3+4+5+6)	142,400,020	34,484,992	-	44,128,204	34,281,563	255,294,779	223,813,976

* Written Down Value

Interest Expenses

Schedule 4.19

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
A. On Deposit Liabilities	538,039,202	233,218,308
1 Fixed Deposits	257,527,443	99,672,070
1.1 Local Currency	237,183,900	92,943,305
1.2 Foreign Currency	20,343,543	6,728,765
2 Saving Deposits	88,882,010	45,788,395
2.1 Local Currency	88,645,349	45,554,546
2.2 Foreign Currency	236,661	233,849
3 Call Deposits	191,629,749	87,757,843
3.1 Local Currency	190,216,491	84,715,538
3.2 Foreign Currency	1,413,258	3,042,305
4 Certificate of Deposits	-	-
B. On Borrowings	21,504,821	21,042,598
1 Debentures and Bonds	-	-
2 Loan from Nepal Rastra Bank	10,149,038	-
3 Inter Bank/Financial Institutions Borrowing	11,355,783	21,042,598
4 Other Corporate Body	-	-
5 Other Loans	-	-
C. On Others	-	-
1	-	-
2	-	-
Total	559,544,023	254,260,906

Commission and Discount Income

Schedule 4.20

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchase and Discount	530,339	468,280
1 Local	-	-
2 Foreign	530,339	468,280
B. Commission	29,349,193	24,952,103
1 Letters of Credit	3,249,114	2,234,027
2 Guarantee	1,306,748	858,174
3 Collection Fee	61,123	20,645
4 Remittance Fee	1,782,228	452,560
5 Credit Cards	-	-
6 Share Underwriting/Issues	20,196,679	18,122,460
7 Government Transactions	-	-
8 Agency Commission	2,753,301	3,264,237
9 Exchange Fee	-	-
C. Others	20,073,100	1,841,391
1 Income from trading in Gold and Silver	17,482,255	-
2 Others	2,590,845	1,841,391
Total	49,952,632	27,261,774

Other Income

Schedule 4.21

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Safe Deposit Lockers Rental	181,000	119,500
2 Issue and Renewals of Credit Cards	-	-
3 Issue and Renewals of ATM Cards	322,400	187,600
4 Telex/T.T.	1,006,320	455,088
5 Service Charges	32,374,630	25,382,690
6 Renewal Fees	239,195	52,500
7 Others	32,400,782	16,716,956
a) Income on subscription share money	28,970,189	16,408,293
b) Others	3,430,593	308,663
Total	66,524,327	42,914,334

Exchange Gain/Loss

Schedule 4.22

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
(A) Revaluation Gain	12,330,621	1,281,975
(B) Trading Gain (except Exchange Fee)	10,675,564	8,061,450
Total Income (Loss)	23,006,185	9,343,425

Expenses Relating to Employees

Schedule 4.23

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Salary	24,707,849	18,302,002
2 Allowances	21,024,727	14,781,139
3 Contribution to Provident Fund	2,067,504	1,423,198
4 Training Expenses	999,694	420,485
5 Uniform	-	79,920
6 Medical	1,497	1,377
7 Insurance	-	-
8 Pension and Gratuity Provision	2,659,904	2,226,210
9 Others	4,497,266	3,039,176
a) Leave Fare	1,736,410	1,764,505
b) Staff Welfare	1,121,382	1,274,671
c) Accumulated Sick Leave	1,639,474	-
Total	55,958,441	40,273,507

Office Overhead Expenses

Schedule 4.24

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 House Rent	9,377,450	3,707,105
2 Electricity and Water	4,235,964	2,485,660
3 Repair and Maintenance	1,251,795	661,789
(a) Building	508,577	220,230
(b) Vehicles	501,653	348,356
(c) Others	241,565	93,203
4 Insurance	3,123,829	2,127,693
5 Postage, Telex, Telephone, Fax	7,583,639	5,912,861
6 Office Equipment, Furniture and Repair	483,589	237,509
7 Travelling Allowances and Expenses	1,033,782	1,044,817
8 Stationery and Printing	4,588,485	3,141,747
9 Periodicals and Books	65,111	49,652
10 Advertisements	9,864,430	5,611,294
11 Legal Expenses	1,867,489	969,452
12 Donations	281,787	256,794
13 Expenses Relating to Board of Directors	1,445,838	2,316,290
(a) Meeting Fees	1,363,000	2,154,000
(b) Other Expenses	82,838	162,290
14 Annual General Meeting Expenses	779,721	854,914
15 Expenses Relating to Audit	127,125	101,700
(a) Audit Fees	127,125	101,700
(b) Other Expenses	-	-
16 Commission on Remittances	-	-
17 Depreciation on Fixed Assets	34,193,969	25,845,468
18 Amortization of Preliminary Expenses	-	-
19 Share Issue Expenses	1,358,509	1,198,890
20 Technical Services Fee	-	-
21 Entertainment	1,712,194	1,786,860
22 Written Off Expenses	-	449,700
23 Security Expenses	6,429,798	2,948,658
24 Credit Guarantee Premium	-	-
25 Commission and Discount	-	-
26 Others	18,538,011	15,273,894
(a) Office Expenses	3,592,977	3,005,711
(b) Vehicle fuel	3,779,365	1,886,399
(c) Membership Fee	2,123,539	832,176
(d) Merchant Banking Expenses	3,927,157	5,470,753
(e) Others	5,114,973	4,078,855
Total	108,342,515	76,982,747

Provision for Possible Losses

Schedule 4.25

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Increase in Loan Loss Provision	39,896,379	42,194,852
2 Increase in Provision for Loss on Investment	357,068	-
3 Provision Against Non-Banking Assets	-	-
4 Provision Against Other Assets	-	-
Total	40,253,447	42,194,852

Non-Operating Income/Loss

Schedule 4.26

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Profit (Loss) on Sale of Investment	-	-
2 Profit (Loss) on Sale of Assets	-	-
3 Dividend	229,089	950
4 Subsidies Received from Nepal Ratra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5 Others	1,754,288	1,711,500
(a) Rent Income	1,754,288	1,711,500
Total Non-Operating Income (Loss)	1,983,377	1,712,450

Loss Provisions Written Back

Schedule 4.27

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Loan Loss Provision Written Back	3,774,183	25,262,444
2 Provision against Non-Banking Assets Written Back	-	1,034,000
3 Investment Provision Written Back	231,853	1,266,685
4 Provision against Other Assets Written back	-	-
Total	4,006,036	27,563,129

Profit/Loss from Extra-ordinary Activities

Schedule 4.28

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

Particulars	This Year Rs.	Previous Year Rs.
1 Recovery of write off Loan	1,005,055	-
2 Voluntary Retirement Scheme Expenses	-	-
3 Loan Write-Offs (4.28) (a)	-	-
4 Other Expenses/Income	-	-
5	-	-
Total	1,005,055	-

Statement of Loans Written-Off

Schedule 4.28 (A)

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

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

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

Schedule 4.29

As at July 16, 2010 (32nd Ashad, 2067)

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	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Capital Adequacy Table

Schedule 4.30 (A1)

As at July 16, 2010 (32nd Ashad, 2067)

1. 1 RISK WEIGHTED EXPOSURES	This Year Rs.	Previous Year Rs.
a Risk Weighted Exposure for Credit Risk	9,428,149,895	7,728,351,691
b Risk Weighted Exposure for Operational Risk	434,417,880	291,059,505
c Risk Weighted Exposure for Market Risk	44,828,845	15,272,298
Total Risk Weighted Exposures (a+b+c)	9,907,396,620	8,034,683,494
1.2 CAPITAL	Current Period Rs.	Previous Period Rs.
Core Capital (Tier 1)	1,736,349,228	1,587,022,980
a Paid up Equity Share Capital	1,501,500,000	1,424,641,350
b Irredeemable Non-cumulative preference shares		
c Share Premium	-	-
d Proposed Bonus Equity Shares	150,150,000	-
e Statutory General Reserves	141,758,791	109,784,693
f Retained Earnings	4,432,573	52,596,937
g Un-audited current year cumulative profit	-	-
h Capital Redemption Reserve		
i Capital Adjustment Reserve		
j Dividend Equalization Reserves		
k Other Free Reserve - Deferred Tax Reserves	8,507,864	-
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	(70,000,000)	
p Less: Investment in equity of institutions in excess of limits		
q Less: Investments arising out of underwriting commitments		
r Less: Reciprocal crossholdings		
s Less: Other Deductions		
Supplementary Capital (Tier 2)	83,799,728	52,745,425
a Cumulative and/or Redeemable Preference Share		
b Subordinated Term Debt		
c Hybrid Capital Instruments		
d General loan loss provision	78,619,819	52,424,931
e Exchange Equalization Reserve	3,403,149	320,494
f Investment Adjustment Reserve	1,776,760	-
g Assets Revaluation Reserve		
h Other Reserves		
Total Capital Fund (Tier I and Tier II)	1,820,148,956	1,639,768,405
1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures	17.53	19.75
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	18.37	20.41

Risk Weighted Exposure for Credit Risk

Schedule 4.30 (B)

As at July 16, 2010 (32nd Ashad, 2067)

	2067 Ashad End				Amount in Rs.	
	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weighted Exposures f=d*e	Previous Fiscal Year Risk Weighted Exposures
A. Balance Sheet Exposures						
Cash Balance	236,636,574	-	-	236,636,574	0%	201,846,943
Balance With Nepal Rastra Bank	522,557,690	-	-	522,557,690	0%	717,404,165
Gold	3,281,523	-	-	3,281,523	0%	-
Investment in Nepalese Government Securities	1,596,219,449	-	-	1,596,219,449	0%	1,133,793,105
All Claims on Government of Nepal	59,672,009	-	-	59,672,009	0%	14,700,000
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (IMB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-4)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	20,000,000	-	-	20,000,000	150%	30,000,000
Claims on domestic banks that meet capital adequacy requirements	1,851,004,278	-	-	1,851,004,278	20%	370,200,856
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	1,973,538
Claims on foreign bank (ECA Rating 0-1)	464,726,131	-	-	464,726,131	20%	315,387,271
Claims on foreign bank (ECA Rating 2)	245,801,987	-	-	245,801,987	50%	122,900,994
Claims on foreign bank (ECA Rating 3-4)	-	-	-	-	100%	123,187,576
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates	4,165,140,186	9,198,639	1,000,000	4,154,941,547	100%	4,154,941,547
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
						cont....
Regulatory Retail Portfolio (Not Overdue)	273,662,008	-	-	273,662,008	75%	205,246,506
Claims fulfilling all criterion of regulatory retail except granularity	188,802,372	-	-	188,802,372	100%	188,802,372
Claims secured by residential properties	571,041,184	123,428	-	570,917,756	60%	342,550,554
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	3,181,302	1,937,871	-	1,243,431	100%	1,243,431
Claims secured by Commercial real estate	1,473,054,340	-	-	1,473,054,340	100%	1,473,054,340
Past due claims (except for claim secured by residential properties)	40,141,333	31,711,689	-	8,429,644	150%	12,644,467
High Risk claims	1,178,005,174	-	67,452,263	1,110,552,911	150%	1,665,829,367
Investments in equity and other capital instruments of institutions listed in the stock exchange	18,738,503	2,969,277	-	15,769,226	100%	15,769,226
Investments in equity and other capital instruments of institutions not listed in the stock exchange	99,500	-	-	99,500	150%	149,250
Other Assets (as per attachment)	371,412,396	-	-	371,412,396	100%	448,340,902
TOTAL	13,285,177,939	45,940,904	68,452,263	13,170,784,773		9,047,690,632
						15,762,019,402
						7,487,578,565

B. Off Balance Sheet Exposures	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Risk Weighted Exposures f=d*e	cont....
Revocable Commitments	-	-	-	-	0%	-	-	-	
Bills Under Collection	-	-	-	-	0%	-	-	-	
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-	
LC Commitments With Original Maturity Up to 6 months domestic counterparty	527,428,931	-	13,903,166	513,525,765	20%	102,705,153	288,430,956	57,686,191.00	
foreign counterparty (ECA Rating 0-1)	-	-	-	-	50%	-	-	-	
foreign counterparty (ECA Rating 2)	-	-	-	-	100%	-	-	-	
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	150%	-	-	-	
foreign counterparty (ECA Rating 0-1)	-	-	-	-	50%	-	-	-	
foreign counterparty (ECA Rating 2)	-	-	-	-	20%	-	-	-	
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-	
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-	
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	92,749,707	-	1,131,647	91,618,060	50%	45,809,030	129,518,280	64,759,140.00	
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	46,600,000	-	-	46,600,000	50%	23,300,000	220,000,000	110,000,000.00	
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-	
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-	
Advance Payment Guarantee	28,740,658	-	3,905,000	24,835,658	100%	24,835,658	-	-	
Financial Guarantee	2,000,000	-	-	2,000,000	100%	2,000,000	-	-	
Acceptances and Endorsements	1,363,304	-	-	1,363,304	100%	1,363,304	5,142,920	5,142,920.00	
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-	
Irrevocable Credit commitments (short term)	886,306,214	-	-	886,306,214	20%	177,261,243	-	-	
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-	
Other Contingent Liabilities	3,184,875	-	-	3,184,875	100%	3,184,875	3,184,875	3,184,875.00	
TOTAL	1,588,373,689	-	18,939,813	1,569,433,876		380,459,263	646,277,031	240,773,126	
Total RWE for credit Risk (A +B)	14,873,551,629	45,940,904	87,392,076	14,740,218,649		9,428,149,895	16,408,296,433	7,728,351,691	
Adjustments under Pillar II									
Add : 10% of the loan and facilities in excess of Single Obligor Limits 6.4 a 3)									
Add : 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)									
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)									

Eligible Credit Risk Mitigants (CRM)

As at July 16, 2010 (32nd Ashad, 2067)

Schedule 4.30 (C)

Credit exposures	Deposits with Bank (a)	Deposits with other banks/FI (b)	Gold (c)	Govt & NRB Securities (d)	G'tee of Govt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	Total
Balance Sheet Exposures										
Cash/Balance	-	-	-	-	-	-	-	-	-	-
Balance With Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Rastra Bank securities	-	-	-	-	-	-	-	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign government and Central Bank (ECA -7)	-	-	-	-	-	-	-	-	-	-
Claims on BIS, IMF, EC, EC And Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	1,000,000	-	-	-	-	-	-	-	-	1,000,000

cont....

Risk Weighted Exposure for Operational Risk

Schedule 4.30 (D)

As at July 16, 2010 (32nd Ashad, 2067)

Particulars	Amount in Rs.		
	2007/08 (2064/65)	2008/09 (2065/66)	2009/10 (2066/67)
Net Interest Income	112,313,622	148,321,662	306,638,413
Commission and Discount Income	27,614,017	27,261,774	49,952,632
Other Operating Income	40,724,406	42,914,334	66,524,327
Exchange Fluctuation Income		9,343,425	23,006,185
Addition/Deduction in Interest Suspense during the period	2,379,469	1,912,488	9,929,010
Gross income (a)	183,031,514	229,753,683	456,050,567
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	27,454,727	34,463,052	68,407,585
Capital Requirement for operational risk (d) (average of c)			43,441,788
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure [f=(d×e)]			434,417,880
If Gross income for all the last three years is negative (6.4 a & 8)			
Total Credit and Investments (net of specific Provision)			
Capital Requirement for Operational Risk (5%)			
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure (h= f + g)			

Risk Weighted Exposure for Market Risk

Schedule 4.30 (E)

As at July 16, 2010 (32nd Ashad, 2067)

S.N.	Currency	July 16, 2010 (32nd Ashad, 2067)			July 15, 2009 (31st Ashad, 2066) Relevant Open Position(NPR)
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position (NPR)	
1	INR	(13,887,930)	(22,231,104)	22,231,104	18,825,411
2	USD	(252,812)	(18,910,302)	18,910,302	1,164,012
3	GBP	(207,097)	(23,927,978)	23,927,978	1,521,398
4	EUR	(213,934)	(20,719,503)	20,719,503	2,980,283
5	JPY	(1,631,627)	(1,398,794)	1,398,794	553,186
6	AUD	(14,116)	(928,124)	928,124	3,440,604
7	AED	(10,550)	(214,851)	214,851	160,772
8	MYR	(21,697)	(505,866)	505,866	287,678
9	THB	(25,810)	(59,879)	59,879	3,252
10	DKK	(200)	(2,600)	2,600	-
11	CHF	(1,430)	(102,824)	102,824	156,327
12	QAR	(8,059)	(165,653)	165,653	638,770
13	SGD	(50)	(2,721)	2,721	80,887
14	CAD	(650)	(46,803)	46,803	54,992
15	HKD	-	-	-	18,556
16	SAR	(21,680)	(432,299)	432,299	638,885
17	CNY	(760)	(8,390)	8,390	19,585
Total Open Position (a)				89,657,691	30,544,598
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				4,482,885	1,527,230
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				44,828,845	15,272,300

Principal Indicators

Schedule 4.31

For Last Five Years

Particulars	Indicators	FY 2005/06 (2062/63)	FY 2006/07 (2063/64)	FY 2007/08 (2064/65)	FY 2008/09 (2065/66)	FY 2009/10 (2066/67)	
1	Percent of Net Profit/Gross Income	Percent	22.68	24.30	21.24	12.31	15.80
2	Earning Per Share	Rs.	18.25	37.57	7.28	4.42	10.65
3	Market Value Per Share	Rs.	276.00	840.00	930.00	499.00	295.00
4	Price Earning Ratio	Ratio	15.13	22.36	127.71	112.93	27.71
5	Dividend (including bonus) on share capital	Percent	24.29	30.00	10.53	-	10.53
6	Cash Dividend on Share Capital	Percent	-	30.00	-	-	10.00
7	Interest Income/Loan & Advances	Percent	8.13	9.60	7.40	5.63	9.15
8	Staff Expenses/Total Operating Expenses	Percent	59.30	64.36	48.98	38.97	42.03
9	Interest Expenses on Total Deposit and Borrowing	Percent	4.29	6.28	7.17	3.54	5.33
10	Exchange Gain/Total Assets	Percent	-	-	-	0.06	0.17
11	Staff Bonus/Total Staff Expenses	Percent	44.76	77.53	53.71	22.05	40.38
12	Net Profit/Loan and Advances	Percent	3.48	5.17	3.62	1.19	2.02
13	Net Profit/Total Assets	Ratio	1.46	1.70	0.82	0.40	1.21
14	Total Credit/Deposit	Percent	121.36	112.02	120.96	76.78	78.44
15	Total Operating Expenses/Total Assets	Percent	1.13	0.89	0.71	0.80	1.41
16 Adequacy of Capital Fund on Risk Weighted Assets							
a)	Core Capital	Percent	14.65	11.76	32.66	19.75	17.53
b)	Supplementary Capital	Percent	1.43	1.54	1.30	0.66	0.85
c)	Total Capital Fund	Percent	16.08	13.31	33.96	20.41	18.37
17	Liquidity (CRR)	Ratio	2.04	5.29	9.28	10.12	6.02
18	Non-performing credit/Total credit	Percent	1.85	1.73	1.52	0.51	0.70
19	Weighted Average Interest Rate Spread	Percent	3.62	3.58	2.41	3.58	3.19
20	Book Net-worth	Rs. in '000	231,374	284,474	1,213,481	1,592,053	1,811,529
21	Total Shares	Nos. in '000	2,000	2,000	10,000	14,246	15,015
22	Total Staff	Number	32	34	54	126	159
23	Others	-	-	-	-	-	-

Schedule 4.32: Significant Accounting Policies

Financial Year July 16, 2009 to July 16, 2010 (1st Shrawan, 2066 to 32nd Ashad, 2067)

1. General Information

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

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

2. Summary of Significant Accounting Policies

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

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Nepal Accounting Standards (NAS) issued by the Nepal Accounting Standards Board (NASB) except otherwise stated, the 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 judgement in the process of applying the Bank's accounting policies.

2.3 Interest Income

Interest income on Loans & Advances has been recognized on cash basis as per 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 recognised on accrual basis.

2.4 Commission Income

All the commission incomes are accounted for on accrual basis except for commission income less than NPR 1 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 as income when it becomes due on approval of loans.

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

2.5 Dividend Income

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

2.6 Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies as on the balance sheet date have been converted into local currency at mid-point exchange rates 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 realised from the difference between buying and selling rates of Foreign Exchange is accounted for as trading gains and shown as "Trading Gains" under "Exchange Gain" in Schedule 4.22

2.7 Interest Expense

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

2.8 Loans and Advances, Overdrafts and Bills Purchased

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

a. Held for Trading:

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

b. Held to Maturity:

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

c. Available for Sale:

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

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

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

2.13 Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation
- Assets with a unit value of NPR 10,000 or less [NPR 2000 or less till February 2010 (Magh 2066)] are expensed-off during the year of purchase irrespective of its useful life.
- 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%

- Leasehold improvements are capitalised at cost and amortised as per the rates and process prescribed by the Income Tax Act.
- 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.
- 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.

2.14 Retirement Benefits

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

a. Provident fund

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

b. Gratuity

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

c. Accumulated leave

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

2.15 Income Tax

a. Current Income Tax

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

b. Deferred Tax

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

Deferred income tax is determined by using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax related to temporary differences in opening balances

is credited or charged directly to equity and subsequent year differences are recognised in the income statement together with the deferred gain or loss.

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

2.16 Stationery

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

2.17 Non Banking Assets

Non Banking Assets are accounted for as per the Directives of Nepal Rastra Bank. The Bank had booked non banking assets this year which also got settled during the year.

2.18 Lease

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

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

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

2.19 Provisions, Contingent Liabilities and Contingent Assets

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

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs. Liability on account of derivative contracts are reported under Contingent liabilities under subheading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements.

2.20 Merchant Banking

The Bank also carries out merchant banking transactions under license from the Securities Board of Nepal. The income and expense 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 July 16, 2009 to July 16, 2010 (1st Shrawan, 2066 to 32nd Ashad, 2067)

1. Interest Income and Interest Suspense

The interest receivable on loans and advances as at 16 July 2010 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 31,974,098 of the current year's profit has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

25% of the revaluation gain amounting to NPR 3,082,655 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 2001/02 (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 1997/98 (2054/55) to 1999/2000 (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 2,659,904 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 2,496,200.

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
2009-10(2066-67 BS)	1,501,500,000	Auction of 53,586.5 remaining right shares of financial year 2008-09 and public issue of 715,000 shares. Premium of both the shares are accounted for accordingly.

Further public issue of 715,000 ordinary shares was issued to general public at the rate of NPR 285 per share which was fully subscribed. The difference between the face value of NPR 100 and NPR 285 per share as which the shares were issued amounting to NPR 132,275,000 is accounted for as Share Premium under Reserve and Funds.

10. Subsidiary Company

As per the regulatory requirement issued by Ministry of Finance via Part 59 Number 18, Nepal Raajpatra Bhaag 5 dated August 17, 2009 (1st Bhadra, 2066) all existing banks and financial institution need to perform its merchant banking activities by opening its own new subsidiary company. NMB Bank Limited has also opened a new subsidiary company, NMB Capital Limited, to perform the merchant banking activities.

The capital structure of the subsidiary company is 70:30, 70% owned by NMB Bank Limited and 30% will be offered to general public. However, the Company is yet to obtain operating license from Securities Board of Nepal and NMB Bank has received extension from SEBON to carry out merchant banking activities till mid October, 2010 (Aswin end 2067).

11. Advance Income Tax

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

12. Deferred Tax

Carrying amount of Assets and Liabilities where temporary differences arise as on Ashad end 2066 (16.07 2010) are as follows:

Particulars	As per books of accounts	As per Income Tax Act	DTL/DTA	Difference
Development bonds	752,670,229	765,686,461	DTA	(13,016,232)
Sick leave provision	(5,099,843)	NIL	DTA	(5,099,843)
Gratuity provision	(7,277,122)	NIL	DTA	(7,277,122)
Provision on investment	(2,966,348)	NIL	DTA	(2,966,348)
Net temporary differences	737,326,916	765,686,461	DTA	(28,359,545)
Deferred tax asset (30%) as on 15 July 2009				(8,507,863)
Opening deferred tax asset				(4,709,933)
Net movement this year				(3,797,931)

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

Deferred tax reserve for the amount NPR 3,797,931 has been earmarked.

13. Compensation Details for Key Management Personnel

Total of Key Management Personnel Compensation	NPR 13,099,286
A) Short Term Employee Benefits	13,099,286
(Includes Salary, Allowance, PF)	
B) Post Employment Benefits	NIL
C) Other Long Term Benefits	NIL
D) Termination Benefits	NIL
E) Share Based Payment	NIL

Additional information:

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

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

The Board of Directors have been paid board meeting fees of NPR 1,364,500. The bank has not provided any other non cash benefit to directors except board meeting fees.

(Note: Members of Executive Committee includes:

Mr Upendra Poudyal, CEO
 Mr Sunil KC, GM
 Mr Pradeep Pradhan, AGM
 Mr Suman Sharma, Head- Business Banking
 Mr Bijay Giri, Head- Human Resource
 Mr Sameer Chhetry, Head – Investment Banking
 Ms Pratibha Lohani, Head- Compliance

14. Lease Payments

Finance Lease

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

Operating Lease

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

15. Reconciliation Status

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

Particular	Amount in NPR			Total
	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	
Agency Accounts	47,752,372	-	-	47,752,372
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:

Opening Balance	Amount in NPR			Closing balance
	Disbursed	Recovered	Written off	
5,281,108,771	25,095,329,066	22,445,298,850	-	7,931,138,987

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			Increase/(Decrease)
	FY 2009/10 (2066/2067)	FY 2008/09 (2065/2066)		
Savings Deposits	1,421,594,626	1,544,421,213	(122,826,587)	
Fixed Deposits	4,020,041,753	2,079,158,904	1,940,882,849	
Call Deposits	3,998,241,027	3,139,334,816	858,906,211	
Current Deposits	628,771,523	101,421,681	527,349,842	
Margin Deposits	42,040,802	13,570,822	28,469,980	
Total	10,110,689,731	6,877,907,436	3,232,782,295	

18. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	10.21
Average deposit/borrowing interest rate	7.03
Net Spread	3.19

19. Summary of concentration of Exposure

Particulars	Amount in NPR		
	Loans, Advance and Bills Purchased	Deposit	Contingent
Total amount as at 16 July 2010	7,931,138,987	10,110,689,730	702,067,475
Highest exposure to single unit	278,898,109	2,044,506,749	130,189,605
Highest % of exposure to single unit	3.52%	20.22%	18.54%

20. Classification of Assets and Liabilities based on Maturity

Amount in NPR Million

Particulars	1-90 Days	91-180 Days	181-270 Days	271-1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	2,399	-	-	-	-	2,399
2. Balance with Banks	14,899	-	-	-	-	14,899
3. Investment in Foreign Banks	2,476	-	-	-	-	2,476
4. Call Money	5,823	-	-	-	-	5,823
5. NG Securities	274	3,576	1,385	3,221	7,527	15,982
6. Nepal Rastra Bank Bonds	-	-	-	-	-	-
7. Inter Bank Lending	6,519	-	-	-	-	6,519
8. Loans, Advances & Bills Purchased	27,009	13,028	4,473	7,948	26,853	79,312
9. Accrued Interest Receivable	639	-	-	-	-	639
10. Reverse Repo	-	-	-	-	-	-
11. Receivable for Guarantee provided to other institutions	-	-	-	-	-	-
12. Payment for facilities provided under S. N. 20,21,22	13,950	299	235	368	521	15,373
13. Others-Fixed Deposit Placement	100	2,380	-	1,120	-	3,600
Total Assets	74,088	19,283	6,093	12,657	34,902	147,023

b) Liabilities

14. Current Deposits	6,708	-	-	-	-	6,708
15. Saving Deposits	2,122	2,134	2,846	2,846	4,268	14,216
16. Fixed Deposit	5,274	17,646	3,828	7,731	5,721	40,200
17. Debentures	-	-	-	-	-	-
18. Borrowings:						
-Money at call short notice	5,996	5,998	7,997	7,997	11,995	39,983
-Inter Bank	3,803	-	-	-	-	3,803
-Refinance	-	-	-	-	-	-
-Others	-	-	-	-	-	-
19. Other liabilities and Provisions:						
-Sundry Creditors	356	-	-	-	-	356
-Bills Payable	95	-	-	-	-	95
-Interest Payable	430	-	-	-	-	430
-Provisions	40	-	-	-	-	40
-Others	6,500	-	-	-	-	6,500
20. Payable for Guarantees	-	-	-	-	-	-
21. Unlisted approved credit limits	8,863	-	-	-	-	8,863
22. Letter of Credit/Guarantees	5,087	299	235	368	521	6,510
23. Repo	-	-	-	-	-	-
24. Payment to be made for facilities under s.n. 11	-	-	-	-	-	-
25. Others	-	-	-	-	-	-
Total Liabilities	45,274	26,077	14,906	18,942	22,506	127,704
Net Financial Assets	28,814	(6,794)	(8,813)	(6,285)	12,396	19,318
Cumulative Net Financial Assets/Liabilities	28,814	22,020	13,207	6,922	19,318	

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

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

22. Details of Gross Non Banking Assets of the Bank

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

23. Related Party Disclosure

(a) NMB Bank has established subsidiary company NMB Capital Limited to perform merchant banking activities as per latest regulations. The Bank has invested 70% in equity share capital of the Company amounting to NPR 70,000,000.

(b) Key Management Personnel Compensation

Transactions	Nature	Amount (NPR)	
		2009-10	2008-09
CEO	Short Term Employee Benefits	6,360,000	5,512,000
Other Key Management Personnel	Short Term Employee Benefits	6,739,286	12,409,318
		13,099,286	17,921,318

24. Trading in Gold and Silver

The Bank has started trading in gold and silver during the year after obtaining due approval from NRB.

25. Change in Accounting Policy

With effect from 16 July, 2009 (32nd Srawan, 2067) staff leave liability has been accounted for accrual basis against a policy of accounting sick leave liability on cash basis in earlier years. The change in the accounting policy has resulted in decrease in current year profit by NPR 1,639,474 and accumulated profit by NPR 3,870,926.

Details of Loan Availed by Promoters/ Institutional Promoters by Pledging Shares of NMB Bank Ltd with Other Banks & Financial Institutions

Schedule 4.34

For the period from July 16, 2009 to July 16, 2010 (1st Srawan, 2066 to 32nd Ashad, 2067)

S.N.	Name of the Promoter/ Institutional Promoter	No of shares held by the promoter		Loan Details			Remarks
		No of shares	Percentage of Paid up share Capital	Name of Bank/ Financial Institution where loan is availed	Loan Amount	No of shares mortgaged	
1	Anant Kumar Goyal	173,482	0.84%	Kist Bank Ltd.	19,361,805	173,482	Security for credit facility of third party
2	Balram Neupane	347,006	2.31%	DCBL Bank Ltd	4,714,400	58,347	
				Machhapuchhare Bank Ltd	4,610,963	66,892	
				Nepal Bank Ltd	7,500,000	25,000	
				Nepal Investment Bank Ltd	5,489,775	91,677	Security for credit facility of third party
				Prime Bank Ltd	5,000,000	50,000	
			Siddhartha Bank Ltd	4,000,000	55,090		
3	Binoj Prasad Dhital	49,048	0.33%	Prime Bank Ltd	997,535	9,308	
4	Gayatri Investment & Management P Ltd	649,269	4.32%	International Development Bank Ltd	15,021,925	492,339	
5	Manju Tapadia	282,254	1.88%	United Finance	3,777,751	61,200	Security for credit facility of third party
6	Sagun Pant	113,701	0.76%	ICFC Bittiya Sanstha Limited	16,490,000	113,701	Security for credit facility of third party
7	Bishal Agrawal	173,482	1.16%	Nepal Bank Ltd	87,800,000	173,482	
8	Trilok Chandra Agrawal	578,269	3.85%	Nepal Bank Limited		578,269	Security for credit facility of Bishal Agrawal
9	Yong Lian Realty	1,882,176	12.54%	Clean Energy Development Bank	51,700,000	754,916	Security for credit facility of third party
				DCBL Bank Ltd	38,567,250	616,475	

Comparison of Unaudited and Audited Financial Statements

As of FY 2009/10 (2066/67)

Schedule 4.35

Rs in '000

S.No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance in Amount	in %	Reasons for variance
1	Total Capital and Liabilities(1.1 to 1.7)	13,294,035	13,226,578			
1.1	Paid Up Capital	1,501,500	1,651,650	(150,150)	-10.00%	Declaration of Stock Dividend
1.2	Reserve and Surplus	557,897	159,879	(398,018)	-71.34%	Amount of Deferred tax and Provision for taxes adjusted.
1.3	Debiture and Bond	-	-	-	-	-
1.4	Borrowings	380,255	380,255	-	-	-
1.5	Deposits	10,110,690	10,110,690	-	0.00%	-
a.	Domestic Currency	9,371,079	9,371,079	-	0.00%	-
b.	Foreign Currency	739,611	739,611	-	-	-
1.6	Income Tax Liability	-	-	-	-	-
1.7	Other Liabilities	743,693	924,104	(180,411)	-24.26%	-Amount of provision for staff bonus transferred to Other liability. -Remaining difference is due to regrouping.
2	Total Assets (2.1 to 2.7)	13,294,035	13,226,578			
2.1	Cash and Bank Balance	1,729,833	1,729,833	-	0.00%	-
2.2	Money at Call and Short Notice	582,309	582,309	-	-	-
2.3	Investment	2,715,957	2,715,957	-	-	Promoter share portion for NMB Capital Ltd transferred to Other Assets
2.4	Loans and Advances(Net)	7,808,119	7,808,119	-	-	-
2.5	Fixed Assets	256,656	255,294	1,362	0.53%	Adjustment made for depreciation of Leasehold assets as per IRD Circular
2.6	Non-banking Assets(Net)	-	-	-	-	-
2.7	Other Assets	201,161	135,066	(66,095)	-32.86%	-Entry of Deferred Tax Assets has been made on Audited Financial Results. -Remaining difference is due to regrouping
3	Profit and Loss Account					
3.1	Interest Income	866,182	866,182	-	-	-
3.2	Interest Expenses	559,544	559,544	-	-	-
A.	Net Interest Income (3.1-3.2)	306,638	306,638	-	-	-
3.3	Fees, Commission and Discount	47,864	49,953	2,089	4.36%	Write off of prior period items adjusted with opening balance of reserves as per GAAP.
3.4	Other Operating Income	66,524	66,524	-	0.00%	-
3.5	Foreign Exchange Gain/(Loss) (Net)	23,006	23,006	-	-	-
B.	Total Operating Income/(A+3.3+3.4+3.5)	444,032	446,122	(2,090)	-	-
3.6	Staff Expenses	60,067	55,958	4,109	6.84%	Prior period items adjusted with opening balance of reserves as per GAAP.
3.7	Other Operating Expenses	106,981	108,343	(1,362)	-1.27%	Adjustment made for depreciation for Leasehold assets as per IRD Circular.

cont...

C.	Operating Profit Before Provision (B-3.6-3.7)	276,984	281,820	(4,836)		
3.8	Provision for Possible Losses	40,628	40,253	375	0.92%	Investment adjustment reserve for prior period written back.
D.	Operating Profit (C-3.8)	236,356	241,566	(5,210)		
3.9	Non-Operating Income/Expenses(Net)	1,983	1,983	(0)		
3.10	Write Back of Provision for Possible Loss	4,006	4,006	(0)		
E.	Profit from Regular Activities(D+3.9+3.10)	242,345	247,555	(5,210)		
3.11	Extraordinary Income/Expenses(Net)	1,005	1,005	(0)		
F.	Profit before Bonus and Taxes(E+3.11)	243,350	248,560	(5,210)		
3.12	Provision for Staff Bonus	22,123	22,597	(474)	-2.14%	Increase in Provision for Bonus as per corresponding increase in Profit before bonus and taxes
3.13	Provision for tax	66,368	66,095	(273)	-0.41%	-Deferred tax booked in the Audited Financial Results subsequently. - Increase in Provision for Bonus as per corresponding increase in Profit before bonus and taxes
G.	Net Profit/Loss(F-3.12-3.13)	154,859	159,868			

cont...

Unaudited Financial Results (Quarterly)

As at 4th Quarter (July 16, 2010) of the Fiscal Year 2009/10 (2066/67)

Schedule 4.36

Rs in '000

S.No.	Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year Quarter Ending
1	Total Capital and Liabilities	13,417,055	12,815,534	15,943,562
1.1	Paid Up Capital	1,501,500	1,430,000	1,424,641
1.2	Reserve and Surplus	557,897	286,731	167,412
1.3	Debtenture and Bond	-	-	-
1.4	Borrowings	380,255	359,381	313,961
1.5	Deposits	10,110,690	9,230,815	6,877,907
	a.Domestic Currency	9,371,079	8,497,553	6,322,662
	b.Foreign Currency	739,611	733,262	555,245
1.6	Income Tax Liability	-	44,769	-
1.7	Other Liabilities	866,713	1,463,838	7,159,641
2	Total Assets (2.1 to 2.7)	13,417,055	12,815,534	15,943,562
2.1	Cash and Bank Balance	1,729,833	1,562,729	7,480,349
2.2	Money at Call and Short Notice	582,309	657,368	875,527
2.3	Investment	2,715,957	2,135,696	1,857,563
2.4	Loans and Advances(Gross)(a+b+c+d+e+f)	7,931,139	7,422,734	5,281,109
	a. Real Estate Loan	1,408,398	1,428,728	672,964
	b. Home/Housing Loan	594,496	513,069	381,732
	c. Margin Type Loan	557,237	622,887	656,941
	d. Term Loan	707,123	638,170	473,769
	e. Overdraft Loan/ TR Loan/ WC Loan	2,498,028	2,368,482	2,278,636
	f. Others	2,165,857	1,851,398	817,067
2.5	Fixed Assets	256,656	227,038	223,814
2.6	Non-banking Assets	-	-	-
2.7	Other Assets	201,161	809,969	225,200
3	Profit and Loss Account	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
3.1	Interest Income	866,182	584,987	402,583
3.2	Interest Expenses	559,544	379,001	254,261
	A. Net Interest Income (3.1-3.2)	306,638	205,986	148,322
3.3	Fees, Commission and Discount	47,864	31,492	27,262
3.4	Other Operating Income	66,524	43,788	42,914
3.5	Foreign Exchange Gain/Loss (Net)	23,006	17,884	9,343
	B. Total Operating Income(A+3.3+3.4+3.5)	444,032	299,150	227,841
3.6	Staff Expenses	60,067	44,502	40,274
3.7	Other Operating Expenses	106,981	72,499	76,983
	C. Operating Profit Before Provision (B.-3.6-3.7)	276,984	182,149	110,584
3.8	Provision for Possible Losses	40,628	24,272	42,195
	D. Operating Profit (C.-3.8)	236,356	157,877	68,389
3.9	Non-Operating Income/Expenses(Net)	1,983	1,286	1,712
3.10	Write Back of Provision for Possible Loss	4,006	3,984	27,563
	E. Profit from Regular Activities(D+3.9+3.10)	242,345	163,147	97,664
3.11	Extraordinary Income/Expenses(Net)	1,005	1,005	-
	F. Profit before Bonus and Taxes(E.+3.11)	243,350	164,152	97,664
3.12	Provision for Staff Bonus	22,123	14,923	8,879
3.13	Provision for tax	66,368	44,769	25,834
	G. Net Profit/Loss(F.-3.12-3.13)	154,859	104,460	62,951
4	Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1	Capital Fund to RWA	20.68%	18.03%	20.41%
4.2	Non Performing Loan(NPL) to Total Loan	0.70%	0.34%	0.51%
4.3	Total Loan Loss Provision to Total NPL	220.35%	417.80%	338.00%
4.4	Cost of Funds	7.88%	7.50%	6.77%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	70.37%	72.68%	66.73%

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

Disclosure Under New Capital Adequacy Framework

1. Capital structure and capital adequacy:

- Tier 1 capital and a breakdown of its components:

Details	Amount (NPR)
Paid up Equity Share Capital	1,501,500,000
Proposed Bonus Equity Shares	150,150,000
Statutory General Reserves	141,758,791
Retained Earnings	4,432,573
Other Free Reserve-Deferred Tax Reserves	8,507,864
Less: Investment in equity of institutions with financial interests	(70,000,000)
Total Core Capital	1,736,349,228

- Tier 2 capital and a breakdown of its components:

Details	Amount (NPR)
General loan loss provision	78,619,819
Exchange Equalization Reserve	3,403,149
Investment Adjustment Reserve	1,776,760
Total Supplementary Capital	83,799,728

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

- Deductions from capital:

- Investment in equity shares of subsidiary company NMB Capital Ltd amounting to NPR 70,000,000 is deducted from Capital.

- Total qualifying capital:

Details	Amount (NPR)
Core Capital (Tier 1)	1,736,349,228
Supplementary Capital (Tier 2)	83,799,728
Total Supplementary Capital	1,820,148,956

- Capital Adequacy Ratio:

Details	Amount (NPR)
Tier 1 Capital to Total Risk Weighted Exposure	17.53 %
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposure	18.37%

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

2. Risk exposures:

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

Risk Weighted Exposure	Amount (NPR)
Risk Weighted Exposure for Credit Risk	9,428,149,895
Risk Weighted Exposure for Operational Risk	434,417,880
Risk Weighted Exposure for Market Risk	44,828,845
Total Risk Weighted Exposures (a+b+c)	9,907,396,620

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

Particulars	Amount (NPR)
Claims on government and Central Bank	0
Claims on other Official Entities	30,000,000
Claims on Bank	586,047,075
Claims on Domestic Corporate and Securities Firms	4,154,941,547
Claims on Regulatory Retail Portfolio	394,048,878
Claims secured by Residential Properties	343,794,084
Claims secured by Commercial Real Estate	1,473,054,340
Past Due Claims	12,644,467
High Risk Claims	1,665,829,367
Other Assets	387,330,873
Off Balance sheet items	380,459,264
Total Risk Weighted Exposures (a+b+c)	9,428,149,895

- Total Risk Weighted Exposure calculation table:

Particulars	Amount (NPR)
Total Risk Weighted Exposure	9,907,396,620
Total Core Capital Fund (Tier 1)	1,736,349,228
Total Capital Fund (Tier 1 & Tier 2)	1,820,148,956
Total Core Capital to Total Risk Weighted Exposures	17.53 %
Total Capital to Total Risk Weighted Exposures	18.37%

Amount of Non Performing Assets (NPAs)

Category	Gross	Provision	Amount (NPR)
Substandard	27,192,925	7,413,765	19,779,160
Doubtful	7,715,823	5,314,032	2,401,791
Loss	20,921,763	20,921,763	NIL
Total	55,830,511	33,649,560	22,180,951

NPA Ratio

Gross NPA to Gross Advances 0.70 %
Net NPA to Net Advances 0.28 %

Movement of Non Performing Assets

Particulars	Opening Balance	Closing Balance	Movement
Substandard	1,492,053	27,192,925	25,700,872
Doubtful	1,023,262	7,715,823	6,692,561
Loss	23,229,685	20,921,763	(2,307,922)
Non Performing Loan	25,745,000	55,830,511	30,085,511

Write off of Loans & Interest Suspense: NIL

Movement of Loan Loss Provision & Interest Suspense

Category	Opening Balance	Closing Balance	Movement
Pass	52,424,930	78,619,819	26,194,889
Restructured	10,358,844	10,750,920	392,076
Substandard	373,014	7,413,765	7,040,751
Doubtful	511,631	5,314,032	4,802,401
Loss	23,229,685	20,921,763	(2,307,922)
Total Loan Provision	88,898,104	123,020,300	36,122,196

Interest Suspense

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

Particulars	Opening Balance	Closing Balance	Movement
Interest Suspense	20,717,909	30,646,919	9,929,010

Details of Additional Loan Loss Provision

Category	Current Period
Pass	26,194,888
Restructured	392,077
Substandard	7,413,765
Doubtful	5,314,032
Loss	581,617
Total Additional Loan Loss Provision	39,896,378

Segregation of Investment Portfolio

Particulars	Current Period
Held for Trading	7,800,000
Held to Maturity	2,622,285,463
Available for Sale	88,838,003
Total Investment Portfolio	2,718,923,466

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 87,392,076 for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.