



SAFE GROWTH
FOR TODAY & TOMORROW...

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SAFE GROWTH
FOR TODAY AND TOMORROW...

Customer
Our Care
Religion





ABOUT US



Established in 1996, NMB Bank Limited (NMB) is the first Commercial Bank of Nepal that has been able to upgrade from a Finance Company to a full-fledged Commercial Bank. Nepal Merchant Banking and Finance Ltd., the erstwhile name of the institution, was amongst the leading financial institutions in its category till May 2008 when the transformation process for the up gradation was completed.

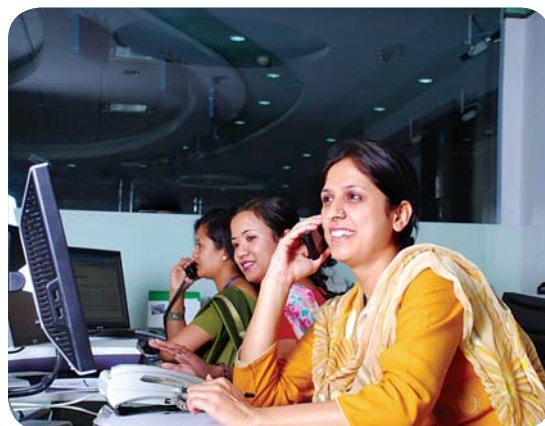
Promoted by members of leading business conglomerates in association with Yong Lian Reality Malaysia and Employee Provident Fund of Nepal, the Bank is the brainchild of leading Nepali entrepreneurs with dream of framing the ultimate in Merchant Banking and Financial Services. Harnessing from its strength on Merchant Banking the Bank has decided to broaden its scope of services by building synergies to its current operations. This unprecedented event has been possible by way of strong commitment and confidence of all the stakeholders viz. customers, promoters, shareholders, regulators, and employees.

SHAREHOLDERS & PROMOTERS

NMB is a public limited company with NPR.1 Billion in paid-up capital including 30% of the shares held by the general public. It has wide and diversified ownership. The Company has been promoted by leading Nepalese economists, businessmen, industrialists and entrepreneurs along with major financial institutions including Employees Provident Fund and Yong Lian

Realty of Malaysia as a foreign joint venture partner. No single groups of shareholders have more than 13% shareholding in NMB.

1. Individual/ Institutional Promoters – 50.28%
2. Employee Provident Fund – 11.56%
3. Foreign Investor – 13.16%
4. Public Shareholders – 25%





VISION | MISSION





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



UPENDRA POUDYAL
CEO

SHARAD GOEL
Director-Representative, Yong
Lian Realty SDN BHD, Malaysia

HARISCHANDRA SUBEDI
Director-Representative, General
Share-holder

SHANTI BYAHUT
Director-Representative,
Employees Provident Fund

MAHABIR PD. GOYAL
Chairman



ATMA RAM MURARKA
Director

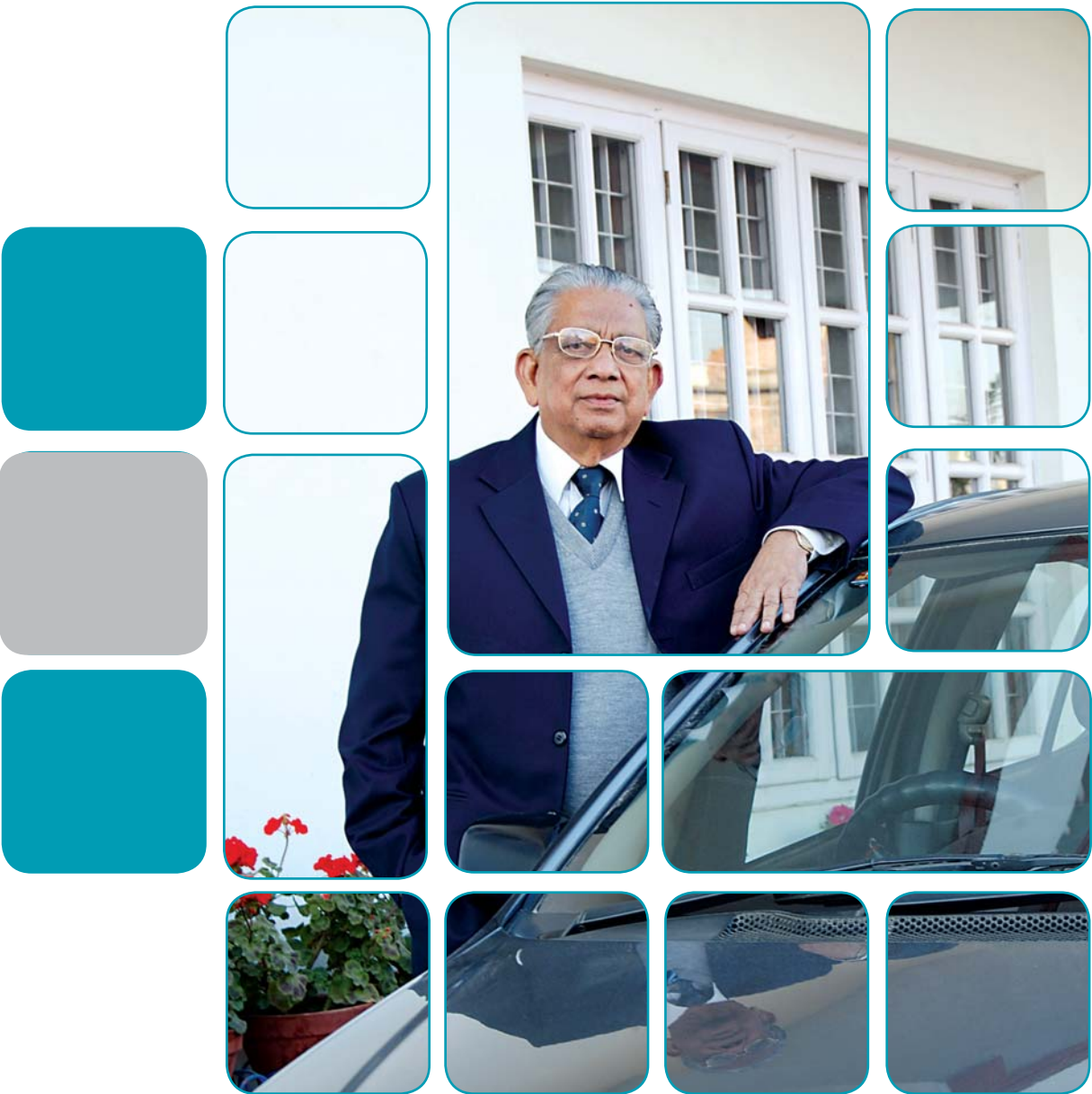
PURUSHOTAM LAL SANGHAI
Director

PRADEEP KUMAR NEPAL
Director-Representative, General
Shareholder

PAWAN KUMAR GOLYAN
Director



CHAIRMAN'S STATEMENT



First of all, I would like to extend my warm welcome to all of you on behalf of the Board of Directors of NMB Bank Ltd. I am very pleased to share that growing from strength to strength, your Bank has successfully managed to upgrade to “A” Class Commercial Bank and commenced commercial banking operation with effect from 30th May 2008 from our own building “NMB Bhawan” at Babarmahal, Kathmandu.

It is indeed the first finance company in Nepal having been awarded “A” Class Commercial Bank License from “C” Class Financial Institution by the Central Bank of Nepal. With the upgradation, we changed the name of the Bank as “NMB Bank Ltd” from erstwhile Nepal Merchant Banking and Finance Ltd as endorsed kindly by you in our last year’s Annual General Meeting.

I am sure you will acknowledge the steady growth the Bank has made in the past 12 years, and I would like to take this opportunity to express our sincere gratitude for your support and patronage during the period which has been the main driving force for our success as of date.

Against this backdrop, I am very pleased to present you with the NMB Bank Ltd. Annual Report, for the Financial Year 2007/2008. This has been an exciting and productive year for the Bank which, we believe has been able to live up to the expectations of its stakeholders in terms of achieving its profitability targets, contribution in the development of the financial sector and maintaining its image as a good corporate citizen.

As you all are aware, overall business environment during FY 2007/08 was challenging due to political uncertainty, security situation and high volatility seen in the international financial markets. Despite difficult market conditions, the Bank marked yet another successful year as reflected in our 2007/08 financial results.

FINANCIAL PERFORMANCE – A SNAPSHOT:

- Overall Deposit volume increased by 28% to NPR 1,662 million compared to NPR 1,296 million in the previous year.
- Risk Assets volume also increased by 39% to NPR 1,940 million.
- Net profit after tax recorded at NPR 73 million.
- Paid up capital increased to NPR 1 billion from NPR 199.54 million..
- Earnings per share lowered to NPR 7.47 due to increase in number of shares last year.
- Non Performing Assets reduced to 1.52% from 1.73%.

I am pleased to inform you that we are proposing 10.5% Bonus Share (Net of TDS 10%) from the accumulated profit which has been already approved by Nepal Rastra Bank.

In accordance with the regulatory requirement of Nepal Rastra Bank we have transferred 20% of total net profit for FY 2007/08 amounting to NPR 14.56 million to General Reserves.

The Bank’s core capital stood at NPR 1,208 million and supplementary capital at NPR 1,256 million. The Tier I and II Capital Adequacy Ratios were 32.66% and 33.96% respectively as at FY 2007/08. This reflects strong capital base of the Bank which significantly exceeds the current Capital Adequacy requirement stipulated by Nepal Rastra Bank both as per Basel I and Basel II provisions.

MACRO ECONOMIC ENVIRONMENT AND OUTLOOK:

The global economy faced numerous challenge in the past 12 months. As problems in U.S. subprime mortgage market spilled over into the other credit markets, the growth prospects in major economic power centers including US, UK and other European countries have slowed down dramatically. Moreover, prices of food and oil surged, adding to inflationary pressures worldwide severely impacting on many smaller countries all over the globe.

On the domestic front successful Constituent Assembly election and selection of first President and Prime Minister of Republic Nepal is the key milestone achieved in the ongoing peace process. Overall, these historical political events have created positive business sentiment and are expected to lead to more stable environment for the economy in the country.

The GDP growth rebounded to 5.6 % in FY 2007/08 from 2.5 % in the preceding year. This remarkable growth is due to weather-induced recovery in agriculture to large extent. The growth revival was also aided by continued expansion of services. However, industrial growth, declined to 1.8 percent from 3.9 percent due to the impact of power and fuel shortages and labor issues.

Whilst total import of the country rose significantly by 16.1% in FY 07/08, the overall export increased marginally by 2.4% in comparison to the corresponding period of the previous year.

On the other hand, inward remittance volume has witnessed significant growth of 42.5% to NPR 142.5 billion. Higher remittance volume and tourism growth helped more than offset a widening trade deficit to bring the current account surplus of NPR 21.7 billion (compared to a deficit of NPR 900 million in the previous year). The overall Balance of Payments (BOP) of the country recorded a surplus of NPR 29.7 billion contributed significantly again by increase in inward remittances.

Country's total gross foreign exchange reserves amounted to NPR 212.6 billion as of mid July 2008 which translates to 28.5% growth from the previous year. This is sufficient to cover import of 11.3 months.

Total government expenditure (cash basis) increased by 18.5% to NPR 146.5 billion in FY 2007/08. This comprises of recurrent and capital expenditure of Rs. 87.5 billion and Rs. 42.7 billion respectively. Likewise, government revenue for FY 2007/08 has increased by a significant margin of 22.6% to Rs.107.6 billion vis-à-vis previous FY.

Average consumer inflation rose to 7.7% in FY 2007/08 against an increase of 6.4% during the preceding year.

Recent positive moves as discussed above in the political front certainly offer ground for cautious optimism. However, overall outlook for Nepalese economy continue to remain fragile as possible



impact of ongoing global financial market crisis is yet to crystallize. Assuming, favorable weather conditions, improved political stability and stabilization of energy prices and supply, the overall economy of the country is expected to grow by about 5% in the current FY 2008/09.

Our key focus has always remained to ensure high return to our shareholders. Due to this drive, the Bank managed to post consistent good performance despite challenging business conditions.

I am confident that your Bank is now poised to make a quantum leap over the next few years. We will now focus on our Capacity building in terms of footprint, people, technology, etc, and prudent Risk Management to achieve Sustainable and Safe Growth for Today and Tomorrow. By virtue of our leading position in Merchant Banking business and strong people strength, we are all set to seize opportunities in the changed political and economic environment in the country.

Acknowledgement:

I on behalf of the Board of Directors would like to thank all our respected shareholders for your continued support and patronage for successful transformation of the company.

We strongly believe that the various steps/measures taken by the Government of Nepal, Ministry of Finance, Nepal Rastra Bank, Securities Board

of Nepal, Nepal Stock Exchange in the past few years for the development and strengthening of financial sector has played a very positive and vital role in the development of banking sector in Nepal. We express our sincere gratitude to all our regulators for their valuable support and guidance. We are committed to ensure high level of corporate governance within the Bank.

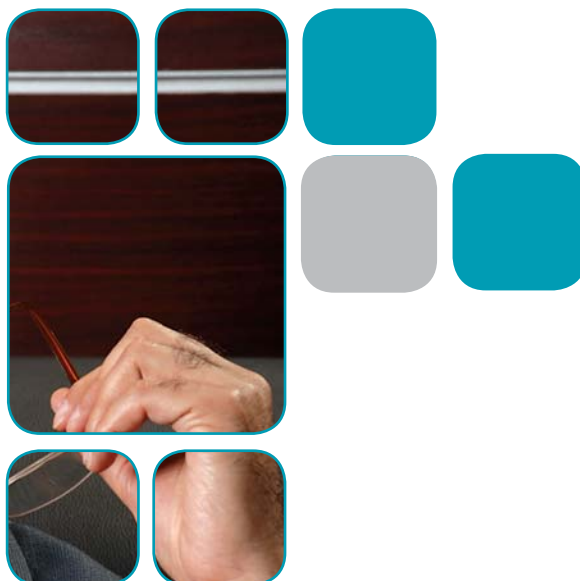
Our management team is balanced with experienced and young professionals with high level of commitment for delivering superior financial performance, corporate governance and fostering leadership to manage change. Highly engaged and committed staffs of the Bank are key driving force behind our consistent good performance and we recognize and value their contribution.

Finally, in particular, we would like to express our sincere gratitude to all our valued customers for their support and patronage which has been the key to our success. We would also like to reiterate our commitment towards providing the best services to our valued customers as per their need and solicit partnership to embark into the journey towards becoming one of the leading financial service providers in the country.

Mahabir P Goyal
Chairman



FROM THE DESK OF CHIEF EXECUTIVE OFFICER



FY 2006/07 remained eventful as well as challenging year for us and this has been perhaps the most significant year in the history of NMB Bank. We successfully managed to transform from a Finance Company to a full fledged Commercial Bank, an unprecedented event in the history of financial sector in Nepal. This has become a reality due to continued support and guidance from all our stakeholders. In 2007 the Bank was also recognized by ICAN and awarded with the best presented Annual Report Award based on our financial disclosures and strong financial performance in the Finance Company category. This gives us more confidence and inspiration to perform better in days to come.

Following up-gradation as Commercial Bank, our Vision now is to establish ourselves 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 interests of all stakeholders and value of a good corporate citizen. We will continue to focus our efforts to maintain and build trust and confidence of our customers. I believe serving beyond their expectation will help us to delight our valued customers. We are striving to exceed past accomplishments everyday in all we do.

We, at NMB strongly believe that loyal customers are key to our success, hence we believe "Customer Care is Our Religion". Easy and Efficient Service, Constant communication/feedback and Solutions based approach as per the customers need are our key focus to build High Level of Service Standard and express our valued customers that "We Care".

We give utmost importance to regulatory compliance and believe in running the organization with strict adherence to fact based principles of management in which all individuals are encouraged to make their contribution making them part of decision making process. We have gained confidence in our governance and risk management system and processes.

The changed political climate of the country is expected to pave the way for making more conducive business environment for sustainable economic growth in the country.

We are also closely watching the recent development in global financial market. From the fourth quarter of 2007, economic activity decelerated in the advanced economies particularly in the USA where the crisis in the sub-prime mortgage market affected a broad range of financial markets. Foreign exchange markets were also affected by the development in the financial markets. The US Dollar declined sharply as foreign investment in

US Securities was dampened by weakening of US growth prospects and expectation of Interest rate cut. While the United States of America remained the epicenter of the crisis, financial institutions in other advanced economies were also affected because of exposure to structured credits and weaknesses in prudential supervision and the risk management system to some extent.

Downside risks to the outlook of global economy have increased significantly. Despite aggressive policy actions aimed at alleviating liquidity strains and preventing systemic events, markets remain under severe stress. There is a clear risk that financial conditions could deteriorate further and more aggressive attempts by financial institutions to deleverage balance sheets could imply severe problems of credit availability. Further, there is risk that emerging market economies that have so far been relatively insulated from the financial turmoil could be subject to large reversals of capital flows, with serious implications for economic activity.

As I write this message, there is growing concern in the local market with respect to possible impact of ongoing global financial crisis in the Nepalese economy. As a country that has been largely insulated from the immediate effects of the global melt down, Nepal may not necessarily face the kind of problems in terms of bank failures that is currently happening in the USA and Europe. As per the NRB sources the indicators of Tourism, Remittances and Exports, the key factors that could be impacted by the current crisis are still in positive mode. We maintain our view that Nepalese Banks are immunized to a large extent against upheaval in the global banking system due to their very minimal exposure in foreign assets because of highly regulated environment in the country. In this context, Nepal is not expected to face immediate direct impact in strict financial terms. However, aggravation

of the global financial crisis, the speed of its spread and its move from finance to economic circle will undoubtedly lead to shrinking world demand for Nepalese products and services and also curtail tourist inflow. Even though we may escape the immediate negative impact of the crisis, there could be long term consequences of the same. As such, the situation demands for detailed analysis of the cause of the crisis and effective policies & regulations from the government to safeguard our financial system.

With the ongoing financial crisis and global economic slowdown, the commodity and energy prices have plunged in the international market in the past couple of months. This has adversely impacted the local importers and manufacturing industries as they were unable to hedge their risks. Lack of financial instruments in the local market to hedge price movement risk and long lead time for import have been the two key factors for such loss. Given the current scenario, we expect significant decline in trade related business volume in the next 6-12 months. This could at the same time, challenge the financial soundness of the corporate sector in the country.

Soundness of Banking sector is important for the overall economic development of a country. Well developed institutions, well integrated system and high innovative capacity positively contribute to the sound financial health of the banking sector.

The Capital Market in Nepal is going through a fundamental change in the recent years as the Securities Board of Nepal (SEBON) has introduced new regulations and policies. The change has brought about challenges. But we believe it also

presents opportunities for future innovation. Following our upgradation, we have strengthened our Corporate Banking Division to reinforce our corporate client base. It is also our focus to work towards achieving synergies between Investment (Merchant) Banking and Corporate Banking from connected sales. We will constantly endeavor to leverage our strength in Investment Banking and effectively integrate the same with Commercial Banking activities.

We at NMB, strongly believe that the banking service and products should be based on the needs of customer's business. We would like to reiterate our commitment that we will continue to provide more innovative and value added financial products and a superior banking services to all our valued customers.

Investment for future through Technology, Products and People, increase in foot print and enhancement of prudent risk management and compliance culture are the key priorities of the Bank to become ready for the challenges of today's marketplace and enhance shareholders value. I am confident that, with experienced & professional management team and highly engaged staff, the Bank can achieve a Sustainable and Safe Growth for today and tomorrow.

On behalf of the Management team and staff, I would like to thank you for your confidence and continued support and look forward to another successful year ahead.

Sincerely,
Upendra Poudyal
Chief Executive Officer

Ajay Shrestha
General Manager



“The transformation of NMB from a successful finance company to a commercial bank is taking place amidst rising global and local challenges. We are conscious and cautious of the volatile environment. The process however is presenting us with an opportunity to be innovative in building a sound base of the Bank.”



MANAGEMENT TEAM

Left to right

Upendra Poudyal,
Chief Executive Officer

Sunil KC,
Deputy General Manager

Pravin Raman Parajuli,
Head-Investment Banking

Bijay Giri
Head-Human Resources

Ajay Shrestha
General Manager

Pradeep Pradhan
Chief Operating Officer

Suman Sharma
Head-Retail & Business Banking







DIRECTOR'S REPORT

This report reviews the activities of NMB Bank Limited during the financial year 2064/65 (2007/08) along with the performance, key achievements, business environment, challenges and future plans. The report is in conformity with the provisions of the Companies Act 2063, Banks & Financial Institutions Related Act 2063 and the directives issued by Nepal Rastra Bank

FINANCIAL HIGHLIGHTS – FY 2064/65 (2007/08)

NMB Bank Ltd. managed to continue its strong performance during the year reflecting successful implementation of its strategies. Despite challenging business environment and increase in operating expenses, primarily on account of investment in new infrastructure, the Bank has managed to post satisfactory financial results. We are confident that the trend will continue coming years as well.

The Bank has recorded a growth of 39% in Risk Assets as compared to the preceding year. Likewise, Deposits also witnessed an impressive growth of 28% during the period. Despite the strong growth in Risk Assets, the Non-Performing Assets reduced to 1.52% from 1.73% in the preceding year. The capital base of the Bank remains to be strong which is reflected by high Capital Adequacy Ratio of 38.16%

NPR (in Million)	2064/65	2063/64	% CHANGE
Share Capital	1,000	200	401
Deposits	1,662	1,296	28
Borrowings	278	937	(70)
Loans & Advances	1,940	1,396	39
Investment	1,243	855	45
Total Loan Loss Provision	70	56	25
Non - performing assets %	1.52	1.73	(0.21)
Total Income	181	169	7
Net Interest Income	112	98	14
Other Operating Income	68	71	(4)
Total Operating Expenses	52	28	86
Net Profit	73	75	(3)
Earnings Per Share	7.28	37.57	(81)

Capital Adequacy

Banks are required to measure/maintain their capital under the standards laid down by BASEL I and BASEL II (for the current year). NMB's capital base remains to be strong as per both the standards. A snapshot on the capital of the Bank is as follows:

NPR (in Million)		BASEL I		BASEL II	
Core Capital		1,208		1,208	
Capital Fund		1,256		1,228	
Minimum capital fund required to be maintained on the basis of Risk Weighted Assets					
Core Capital	5.5%	203	6%	208	
Capital fund	11%	407	10%	347	
Excess Core Capital		1,005		1,000	
Excess Capital Fund		849		881	
Excess Core Capital %		27.16 %		28.79%	
Excess Capital Fund %		22.96 %		25.35%	

It is evident that the Bank has sufficient capital and exceeds the capital adequacy requirement stipulated by Nepal Rastra Bank. The Bank is therefore strongly equipped in terms of capital to support its growth plans.

FIRST QUARTER OF CURRENT FINANCIAL YEAR 2065/66 (2008/09)

NPR (in Million)	QUARTER I 2065/66	FULL YEAR 2064/65	QUARTER I 2064/65
Deposit and Borrowings	3,165	1,939	2,762
Loans & Advances	2,634	1,940	1,741
Investment	1,315	1,243	985
Total Operating Income	61.39	180.65	25.91
Total Operating Expense	22.16	52.44	8.42
Operating Profit	46.59	118.88	13.57
Net Profit	29.65	72.82	8.44

During the first quarter of the current financial year 2065/66 (2008/09), the Bank posted a Profit Before Tax of NPR 46.6M, recording an impressive growth of 243% vis-à-vis the same period of preceding year. Whilst, there has been a significant growth of 83% in Deposits, Loans and Advances have also recorded an increase of 51%. Introduction of new products and other business initiatives of the Bank have propelled this growth. The Bank has also been able to register a noticeable increase in Non fund based income during the period.

Along with the sound business growth, the Bank has also improved its efficiency by managing its Operating Costs. Despite challenging business conditions, it has managed to maintain the quality of the assets as evidenced by low NPA of 1.41%. The Bank's overall liquidity position has also remained at comfortable level. With the

Capital Adequacy Ratio of 28.57 % as at mid October, 2008, it is strongly placed to compete and manage its future growth plans.

Future Plans

Political environment of the country remains to be fluid. However, there are optimisms about the prospects of investments in infrastructure such as hydropower, roads, bridges, telecommunications, etc. Growing trends in influx of tourists and foreign currency remittances are expected to further assist expansion of consumer segment and positively contribute in achieving the targeted economic growth of about 5% during the current financial year.

The Bank will primarily focus on new products and services to seize the opportunities in the changing environment. Against this backdrop, its major thrust will be on raising low cost deposits, increasing quality SME loans, increasing fee based income from other services viz. Remittances, Trade Finance, Gold Trading, etc.

Although there is some hope of revival of the economy on the local front, the outlook however remains to be fragile because of the ongoing global financial crisis. The Bank will therefore give emphasis on sustainable and safe growth. It will continue to focus on giving high level of confidence to the depositors by maintaining sound capital base and comfortable liquidity to mitigate against the potential strains that the economy may face due to the global recession.

The Bank will continue to invest for future primarily on technology, people and products. Its primary objective will be on increasing the revenue streams and providing effective value added financial solutions to the customers.

Branch Network:

As at 16th July 2007, the Bank was operating from its single office at Babar Mahal, Kathmandu. In line with its strategy to increase footprints and provide access to services 3 new branches have been opened in Banepa, Durbar Marg and Butwal during the last five months. It has also installed two ATMs at- Norvic Hospital Thapathali and Babar Mahal.

With a view to expand its network, the Bank will continue to focus on increasing its points of representation and expanding footprints in 4-5 additional locations during the next 6 months. Likewise, new ATMs will be added in strategic locations.

Issue of Share on Right Basis

The Board of Directors has proposed the issuance of additional shares on rights basis in the ratio of 10:3 after the issuance of 10% Bonus Shares which is in line with the regulatory requirement to increase the capital base to NPR 2 billion by mid July 2010. The Board requests the General Meeting to approve the same.

Change in Capital Structure

The Board of Directors has proposed to change the capital structure of the Bank. As allowed by NRB it has been proposed to divest the promoters' share from 70 percent to minimum 51 percent in line with its objective to broaden the investors' base. With this the ratio of promoters to public shares will change from 70:30 to 52.04:47.96. The Board requests the respected shareholders to approve the same.

Industrial or Professional Business Relationship of the Bank

The Bank maintains a good 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.

Alterations in the Composition of Board of the Bank

There has been no change in the composition of Board of Directors during the year. However, as per the proposed change in the capital structure of the Bank the Board requests the respected shareholders to approve a Board composition of 5:3:1 (Promoter : Public : Professional Director) as detailed under the proposed changed in the Articles of Association.

Board of Directors' Response to the Remarks made, if any, in the Audit Report

There are no material adverse remarks made in the audit report. The Bank is committed to rectify the general comments raised in the report.

Profit Distribution/ Issue of Bonus Shares

The Board of Directors of the Bank has proposed to distribute 10% Bonus Shares for which NPR 105 million (inclusive of applicable tax payable) has been set aside. The Board requests the honorable shareholders to approve the same.

Details of Forfeiture of Shares

No shares have been forfeited during the year.

Transactions between the Bank and its Subsidiary and Progress made in the Business

The Bank does not have a subsidiary company.

Disclosures made by the Basic Shareholders to the Bank

There have been no disclosures made by the Bank's substantial shareholders to the Bank during the year.

Details of Shareholding by the Directors and Officers of the Bank

S.N.	Name of Directors	Number of shares
1.	Mr. Mahabir Prasad Goyal (Gayatri Investments & management P Ltd)	525,700
2.	Mr. Purushottam Lal Shanghai	525,700
3.	Mr. Pawan Kumar Golyan	525,700
4.	Mr. AatmaRam Murarka	525,700
5.	Mrs. Shanti Byahut, Employees Provident Fund	1,155,699
6.	Mr. Sharad Goel, Yong Lian Realty SDN BHD, Malaysia	1,316,207
7.	Mr. Pradeep Nepal	500
8.	Mr. Harish Chandra Subedi	500

Out of 187,742 nos. of shares that remained unsubscribed from the Rights Issue post allotment during FY 2064/65 the employees of the Bank were sold 82,382 shares at a book value of NPR 142 each during the year.

Details of Disclosures Made about the Personal Interest of any Director and his Close Relative in any Agreement related with the Bank during the Year.

There are no such disclosures made by the Directors or any of their close relatives.

Buy Back of Shares

There were no transactions of buy back of shares during the year

Internal Control System of the Bank

The Bank strictly follows an internal control system and procedures in line with its policies, procedures and regulatory requirements. The Bank has appointed a professional accounting firm JBRH & Co to carry out independent internal audit function. They directly report to the Audit Committee. The Bank has also established a Compliance Department headed by a Chartered Accountant to manage/oversee its compliance and risk related matters.

Management Expenses

Total management expense of the Bank during the financial year was NPR 52.35 million. (Detail breakdowns of staff and other operating expenses have been provided in Schedule 4.23 and Schedule 4.24 of Financial Statements)

Audit Committee

The Board of Directors has formed an Audit Committee with specific delegated authorities and clear Terms of Reference. The committee meets at least once every quarter to review the Bank's financial condition, internal controls and audit issues. It also provides guidance to the Management of the Bank.

The Bank's Audit Committee currently comprises of Non - Executive Directors namely Mrs. Shanti Byahut (as the Convener of the Committee), Mr Pradeep Nepal and Mr Haris Chandra Subedi. The Compliance Officer of the Bank has been designated as the ex - officio Member Secretary of the Committee.

All the members of the Audit Committee are either non-executive directors or staff independent of business functions. The responsibilities of the Committee are in line with the framework defined by Nepal Rastra Bank and the Company Act.

The Committee met 6 times during the financial year 2064/65 (2007/08). The Chairman and member of the Committee are paid NPR 9,000 and Member Secretary is paid NPR 2,353 per meeting by way of the meeting fee.

Payment due, from any Director, Managing Director, Chief Executive or Basic Shareholder

There are no dues from any of these members.

Remuneration, Allowance and Facilities to the Directors, Managing Director, Chief Executive and other Office Staff

Remuneration, Allowance and Facilities paid to Directors, Managing Director and Chief Executive are in accordance with the provisions made in the Memorandum and Articles of Association of the Company. Likewise, remuneration and other facilities to the employees are paid according to the provisions made in the Staff By Law of the Bank.

	CEO (NPR)	Other Executives (NPR)
Basic salary	2,160,000	2,553,176
Allowances	1,440,000	4,415,939
Dashain Allowances	300,000	240,750
Provident fund	216,000	169,950
Total	4,116,000	7,379,815

Dividend Yet to be Collected by Shareholders

Total dividend that is yet to be collected by the shareholders till the end of the Financial year 2064/65 amounts to NPR 8,506,759.94

Details of Sale and Purchase of Properties

The Bank has booked the cost of its head office "NMB Bhawan" at Babarmahal as Fixed Assets amounting to NPR 76.80 million during the year. It has not disposed any property during the year.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS.

The following discussion and analysis of the financial statements is presented to provide insight into Management's assessment of financial results.

General Overview:

NMB Bank Ltd continues to make overall good progress and financial performance remained satisfactory during FY 2007/08 in spite of challenging business environment both internally and externally. After its up gradation to "A" Class commercial bank, the Bank is now well positioned to seize the new opportunities as well as minimize the risk presented by the recent economic developments.

The Bank has recorded a significant growth of 39% in Risk Assets as compared to the preceding year. Likewise, Deposits also witnessed an impressive growth of 28% during the period. In spite of strong growth in Risk Assets, the ratio of Non-Performing Assets to total credit reduced to 1.52% from 1.73% in the preceding year due to effective credit risk management and recoveries of past dues. The provisions made are adequate to cover all the potential credit losses of the Bank as of the Balance sheet date. The strong capital base of the Bank with Capital Adequacy Ratio of 38.16% supports the future business growth of the Bank.

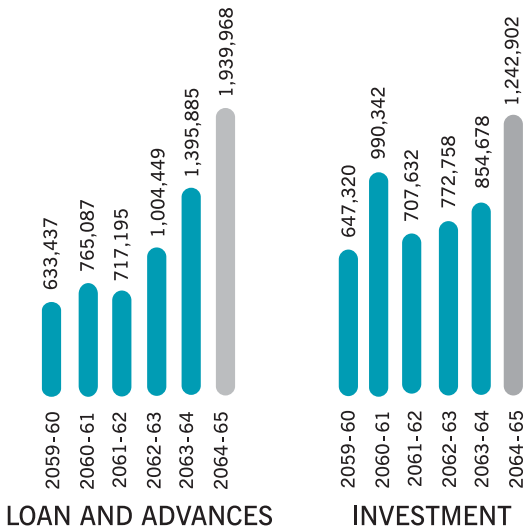
The Bank has laid a good foundation in the past 12 years for the Safe and Sustainable growth. We believe

the out look is positive and expect continued growth momentum. The bank shall focus on both income growth and expense management in tandem.

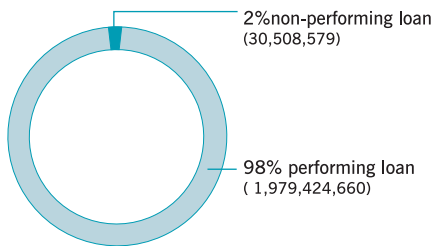
Five Years Financial Data

Overview of balance sheet





The Risk Assets volume registered a growth of 39% and reached to NPR1,939 million. The Bank continues its efforts to increase its risk assets volumes while preserving credit quality and maintaining minimum levels of non-performing assets.



NON-PERFORMING LOAN

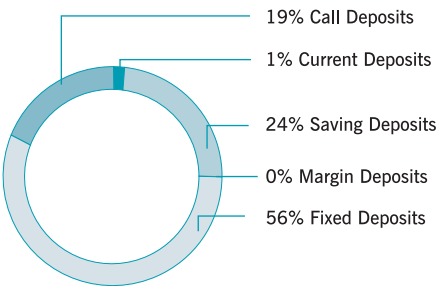
Investment has increased by 45.42% to NPR.1,243 million during the same period. Majority of investments has been in Government Securities.

Fixed assets of the Bank stood at NPR 132 million registering a growth of 65 %. This increase is chiefly attributed to the capitalization of the building and additional infrastructures required following graduation of the Company as a Bank.

There has been substantial increment in Cash and Bank Balances on account of subscription of various shares managed by the Bank towards the close of the financial year.

Deposits.

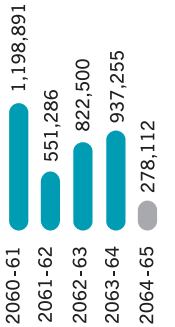
There is an increase of 28 % in Deposits to NPR 1,661 million. As the Bank was previously operating as a finance company it has had high concentration in Fixed Deposit. Now, the Bank's major thrust will be on booking low cost deposits. The Bank, since the graduation as a commercial Bank, has launched 3 new deposit products. Further, the existing deposit products have also been reinforced by added features and facilities including ATM.



DEPOSIT MIX

Borrowings

The Bank has been able to decrease borrowing substantially from NPR 937 million to NPR 278 million reducing its reliance on short term Bank borrowing.

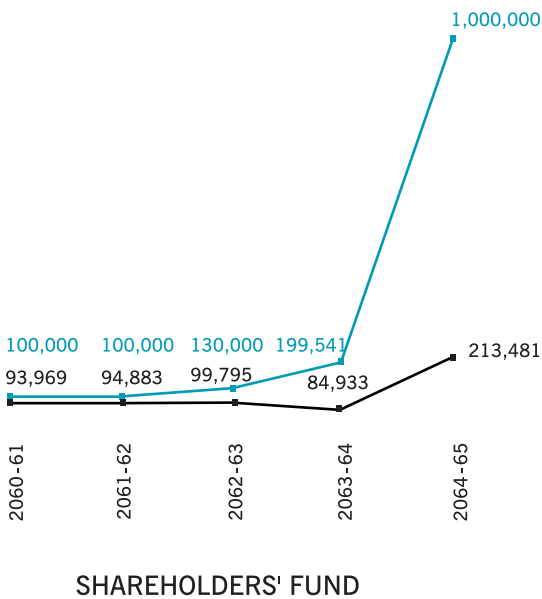


BORROWINGS

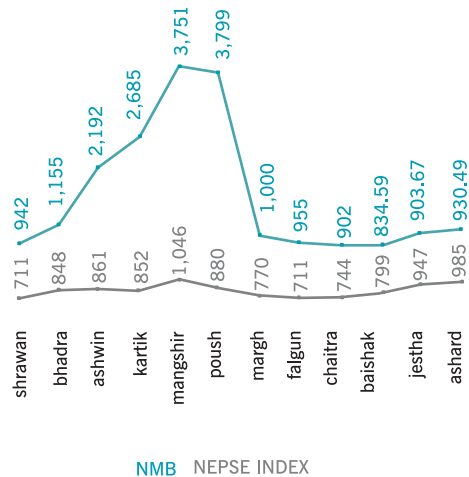
Capital

The capital base of the Bank remains comfortable with the paid-up capital of NPR 1,000 million. The shareholder's equity has been growing steadily as the Bank has consistently been able to set aside reserves out of profit each year.

Total shareholder's fund amounted to NPR 1,213.40 million as at 16th July 2008 compared to NPR 284.40 million in the preceding year. The increased capital base will support the future growth plan of the Bank and provides more financial flexibility.

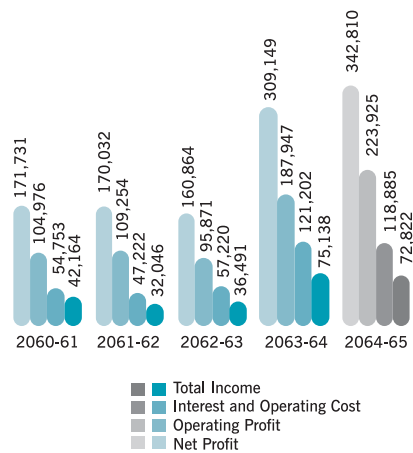


The market price of the share of the Bank has witnessed volatility during the financial year, ranging from NPR 942 to NPR 3799. The market price peaked after announcement of the Right Share to its shareholders in the last year.



Overview of the income statement

The Bank has managed to post Net Profit after Tax of NPR 78.82 mio compared to NPR 75.13 mio in the previous year., though there was significant increase in operating expenses by 86% on account of investment in new infrastructure



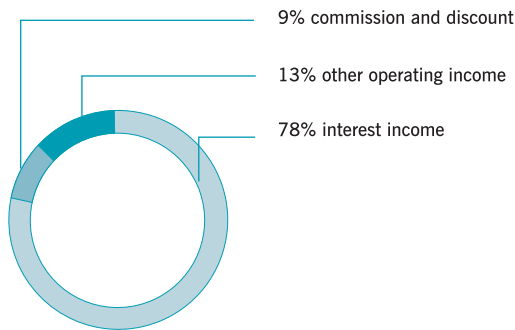
OVERVIEW OF THE INCOME STATEMENT

Interest Income and Expenses

In line with increase in Risk Assets Volume, Net Interest Income increased by NPR 14.63 mio from NPR 97 mio to NPR 112 million, an increase of 15%.

Other Operating Income

Non operating income of the Bank stood at Rs 69 million in 2007/08 as against Rs 71 million in 2006/07. The Commission and Discount income of the Bank rose significantly by 37.9% during the year



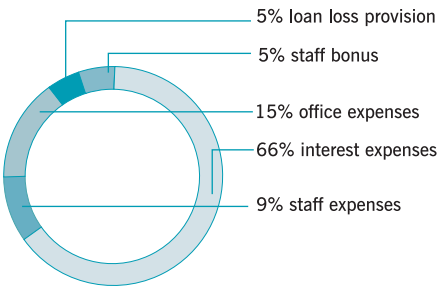
INCOME STRUCTURE

Operating expenses

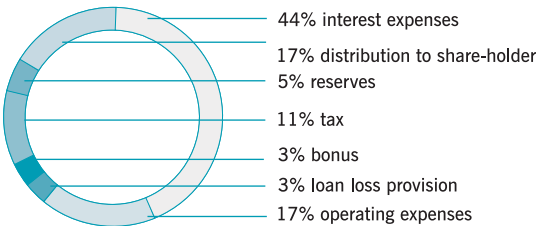
There has been significant increase of 42.85% in staff cost from Rs 14 million to NPR 20 million during the year. This is in line with the Bank’s plan to invest in Capacity Building following the up gradation. Likewise, other overhead expenses rose by 128% from Rs 14 million to Rs 32 million during the year due to the expansion.

Provisions and contingencies

Provisions and contingencies include provision made for possible loan loss as per the directives of Nepal Rastra Bank. Provision for loan loss stood at Rs 32 million as against Rs 19 million in 2006/07. This is due to increment in loans and advances by 38.98%. Further, we have followed a conservative prudent approach in allocating provisions.

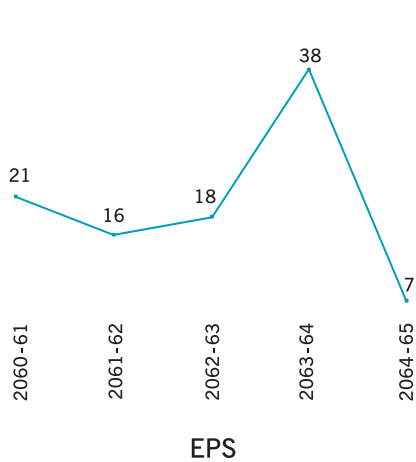


EXPENSE STRUCTURE



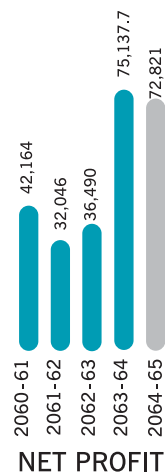
UTILIZATION OF INCOME

Earning per share of the Bank stood at NPR7.28 compared to NPR 37.57 last year. The negative growth is attributed to a substantial increase in shares following the issue of the Right Share of 1:4 the shareholders.



Income Tax

The Bank has already filed its tax return pertaining to the Year 2006/07 and deposited the applicable Tax amount with the Inland Revenue Office including the TDS collected. The Company's total contribution to the Government Treasury amounted to NPR 49 million including corporate tax of NPR 35 Million and TDS of NPR 14 Million during this year.





OUR BUSINESS

Services and Products

NMB believes depositors are the major stakeholders and their interests form the key area of NMB while launching the deposit schemes. We believe in growing together and our innovative team is constantly seeking for best products to serve the customer preference and provide the best returns.

Besides the regular deposit accounts – savings, current and fixed term deposits, NMB has developed and offered specialized products like NMB Investors Savings Account, NMB Advantage Saving Account, Absolute Saving Account, Payroll Saving Deposits in a short span of time and also commits to deliver more that suits their requirement.

NMB Investors Saving

NMB presents a NMB INVESTORS ACCOUNT that is accessible to common depositors that works as a supplement for investment activities. The basic objective of this deposit account is ease in operation of shares transaction managed by NMB as an issue manager or even as collection centre or registrar, thus minimizing the risk of carrying cash. Information regarding issuance of shares and capital market through SMS/email is an added advantage to this.

NMB Advantage Savings Account

NMB ADVANTAGE SAVINGS – NMB's new and

unprecedented initiatives to give extra returns to its depositors. This is a high return account which offers the depositors, opportunity to multiply their savings and maximize earnings through Cash Bonus.

NMB Absolute Savings Account

The latest deposit product offered by NMB is targeted towards all the depositors who want risk free high return on their savings. This product caters the need for high net worth customers and all others who are sensitive towards their interest return.

NMB Payroll Savings Account

NMB payroll savings account is a benefit-rich payroll account for Employers and Employees. As an organization, it will enable easy disbursements of salaries and enjoy numerous other benefits too. Besides, employees will automatically become account holders with NMB Bank and enjoy the range of services and products offered by our Bank.

Lockers

NMB Safe Deposit Locker facility offers invaluable safety for your valuables. NMB provides maximum safety to our customers' valuables that are placed in our Safe Deposit Lockers. The Bank offers a variety of sizes to fit and accommodate the customer's requirements. The lockers can be rented by depositing Security Deposit and annual rental charges



as fixed by the Bank. Be it jewellery, passports, share certificates or title deeds, NMB will take care of valuables while retaining the customer's privacy.

Remittance and Transfer

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

Bank Demand Drafts

NMB offers a demand draft facility in Indian Rupees (INR), US Dollar (USD), Euro (EUR) and Great Britain Pound (GBP) through draft drawing arrangement with Standard Chartered Bank.

Travelers Cheque

NMB accept and sale American Express Travelers Cheques, a medium of payment that is safe and widely accepted virtually anywhere in the world. Travelers Cheques are available in US Dollars (USD), Great Britain Pound (GBP) and Euro (EUR).

Swift Transfer

NMB offers a secure and reliable online service for money transfer to and from any part of the world for both account holders and non account holders of the Banks with low charges.

Retail Remittances

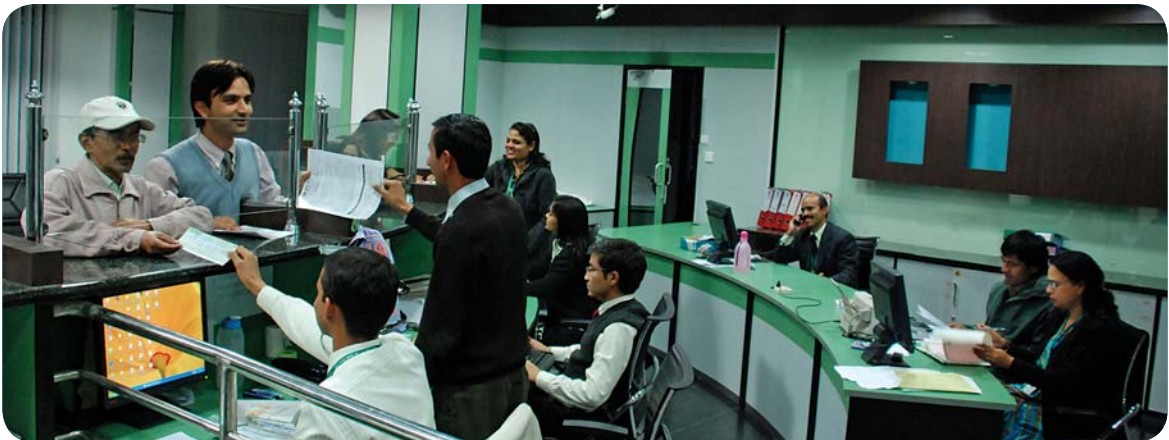
NMB is currently offering remittance facility through Western Union- Hulas Remittance and Krishi Premura Money Transfer. This enables our customers to receive funds from any part of the world instantly.

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



INVESTMENT BANKING DIVISION (IBD)

In the global context, the size of the capital market in relation to the financial market is substantial and its contribution to a country's Gross Domestic Production (GDP) is noteworthy. In our case, it is significantly lower. However, a close scrutiny of the domestic capital market over a period clearly shows instances of growth and the market is likely to attain the regional and global international standards in the long run, thus increasing its importance in the national economy. The statement is further strengthened with the fact that the Securities Board of Nepal (SEBON) – the apex body for the capital market, has issued new Acts & Directives and is likely to introduce additional regulations which increase the scope and breadth of the Nepalese capital market.



NMB Bank Limited (NMB) has built its capacity with regard to investment (merchant) banking over the years and has been able to establish itself as a leading Investment Banker (IB) in the country. NMB is a licensed primary market dealer and is involved in both primary and secondary markets. NMB is also actively involved in the management of public offering of securities (IPO & Right Issues). It underwrites equity and debenture issues and provides trusteeship

services at the time of issuance of bonds/debentures. It also provides Registrar to Shares, Debentures & Bonds Services to its clientele and is also a dealer of T-Bills and Government Bonds both in the primary and the secondary market. The scope of activities of IB Unit also includes managing the portfolio of clients, valuation of securities, operation of mutual funds, management of private placement of equity and providing investment advisory services.



NMB has a team of dedicated staff providing quality and prompt services to its clients. NMB through its services has been able to garner a good clientele which always encourages us to enhance our services through introduction of innovative products, technological up gradation in the existing workflow and strict adherence to the existing regulatory provisions. In today's world of financial deepening, the majority of the markets worldwide have been affected adversely and it is likely to have some adverse impacts in the Nepalese economy. However, as our economy is not so much integrated with the regional and global financial and capital markets, no major impact is expected in this regard. Thus, we as one of the major players in the Nepalese capital market always strive to protect the interest of all stakeholders through dissemination of quality information on time so that the investors can make informed investment decisions and have the benefits of balanced growth over the years. This will not only increase the confidence of the masses towards the capital market but will also expand the entire market pie.

Thus, NMB to the benefit of the stakeholders commits to enhance the service quality and introduce innovative products/services so that the investors at large are benefited in line with our focus on caring our customers.

TREASURY DEPARTMENT

An essential role of NMB Treasury is to ensure the proper controls are put in place as well as efficiently. NMB treasury endeavors to be proactive in achieving



Neeraj Man Sainju
Head - Treasury



Sushama Sharma
RM - Deposit & Retail
Transaction Banking



organizational goal through professional approach to provide value based solutions to customers' need. Treasury is responsible for planning and executing our funding activities and strategy at the Bank.

NMB offers full range of treasury products available on the local market which includes spot and forward buy and sale of foreign currencies. We have international standard fully equipped dealing room which manages money market dealing, FX trade and other interbank transactions. Our treasury department ensures and stays within guidelines set by ALCO while entering into variety of financial transaction, such as interest rate swaps, futures contracts etc. The ALCO Committee, approves limits for various trading activities, as well as oversees Treasury's process of using various financial instruments, both cash and derivative positions to manage interest rate risk inherent in our businesses, otherwise known as the ALM process. Our Treasury also reviews portfolio hedging used for managing liquidity, market and credit portfolio risks as well as interest rate risk inherent in our non-trading financial instruments and trading risk inherent in our customer and proprietary trading portfolio. In connection with foreign exchange currencies activities, the Bank may enter into transactions that contain varying degree of off-balance-sheet market risk that results from their future settlement and counter party credit risk. The Bank controls credit risk by obtaining credit approvals, establishing transaction limits and performing daily monitoring procedures.

NMB uses online software of Reuters for dealing and updates on international financial market. The Bank also provides advisory service to its client with a view to assist them with hedging exchange and interest risk associated with the transaction.

TRADE FINANCE

NMB Trade Finance offers wide and complete range of trade finance services and products, with highest level of service delivery standards. Our services range from issuing Letters of Credit, Advising Export Letters of Credit, Pre shipment Finance, Import Finance, etc. While availing Trade products and services through NMB Trade Finance, we help our customer to enjoy the following benefits:

- Prompt processing of transactions.
- Detailed advice on structuring the instruments to meet the customers' import / export requirements
- Comprehensive guidance on the UCP DC terms and conditions and NRB Regulations

CORPORATE AND INSTITUTIONAL BANKING

This segment of the credit department comprises a seasoned team of Relationship Managers to meet the demanding service standards of large and medium Corporate Houses, Multinationals, Government Organization, Financial Institutions etc. For meeting the ready requirements of Customers, we have a range of solutions designed to help them with their banking needs. Our Relationship Managers have expertise knowledge to create a tailored financial solutions catering to requirements of our customers' business. Our corporate banking strategy is to provide value added services and financials.

NMB corporate banking understands our customer business and works in partnership with them to achieve the common goal. Following are the key

services/products we offer:

- Working capital finance, including overdraft, export finance etc
- Pre and post shipment export financing
- Import Financing
- Corporate Advisory
- Receivable Discounting
- Trade service including letter of credit, letter of Guarantee and Standby letter of credit
- Cash Management Services
- Loan Syndication
- Project Financing

BUSINESS AND RETAIL BANKING

NMB's Business and Retail Banking targets medium and small sized enterprises and resources to meet the ready requirements of our customers' business with a personal touch and responsiveness. This segment of the Bank provides wide range of credit facilities to mid-sized business entities, houses and groups that includes financing to Small and Medium Enterprises. The range of facilities are Letter of Credit, Bank Guarantees, Term Loans, and Working Capital Loans that includes Trust Receipt, Clean Bill & Documentary Bill Discounting, Packing Credit, Demand Loan, Overdraft/Cash Credit etc. The customer can avail of these facilities at highly competitive rates/fees with speedy delivery.

We also provide a diversified range of products and services to individuals and small business through multiple delivery channels. These services are available through relationship manager teams as well as through alternative channels such as telephone, internet accessing NMB Bank Direct. We also offer the services /products to meet our customers ready requirements in the form of Auto Loan, Home Loan, Personal Overdraft, Education Loan etc.



CORPORATE GOVERNANCE

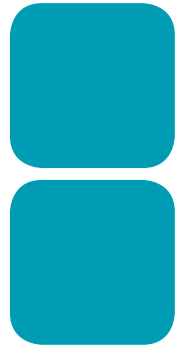
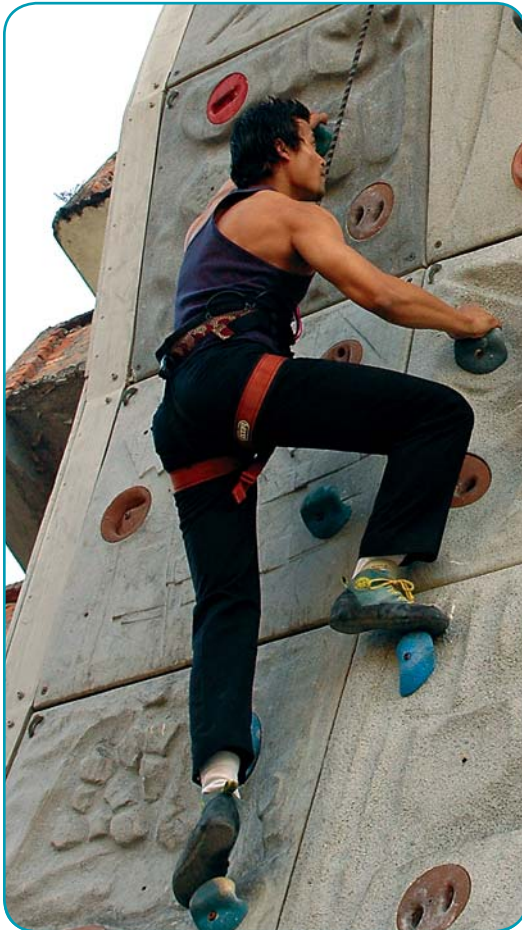
Enterprises Governance; an emerging term that combines Corporate Governance (conformance) and Business Governance (performance), encompassing all factors that lead to governing an organization. NMB Bank's - The Board of Directors remain the catalyst of governance, recognizing that both corporate and business governance are integral to maintain a sustainable Corporate, which displays continued growth performance and value creation for stakeholders.

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which an organization is directed, administered or controlled. It also includes the relationships amongst stakeholders and the goals for which the Bank is governed. Corporate governance concerns the relationships among the management, board of directors, controlling shareholders, minority shareholders and other stakeholders. It has been adopted as one of twelve core best practice standard set by the international financial community. The principal players are the shareholders, management and the Board of Directors. At NMB Bank, the Board of Directors led by the Chairman is responsible for the governance of the Bank, and establishes effective governance practices to meet challenges in the short and long-term and to ensure value creation for stakeholders. The primary role of Board of Directors at NMB bank is to protect and enhance shareholders' value and its growth through strategic supervision. Corporate governance is thus at heart of managerial process at the Bank. The role of the management team includes monitoring compliance within the established governance framework of the Bank, and to ensure that all business activities are conducted in accordance with the legal and

regulatory framework applicable to the Industry. The Bank has formed an Audit Committee, Asset and Liability Committee, Human Resources Committee, and Pricing Committee. The Bank is firmly committed to the highest standard of corporate governance and has complied with good governance practices recommended by various regulatory bodies, including guidelines prescribed in the Code of Corporate Governance for Banks and Financial Institutions issued by the Central Bank and Securities Board of Nepal, and Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Nepal. NMB Bank's good governance has helped the Bank to reduce emerging market vulnerability to financial crises and achieve sustainable and safe growth despite of challenging business environment. Strengthening corporate governance the Bank is also crucial to prepare the Bank for an effective implementation of the new Basel II Framework. Corporate governance at NMB is expected to greatly improve the soundness of the Bank as a whole, which is vital to safeguard interests of depositors and maintain financial stability. The extent of compliance by NMB Bank for the year ended 15 July 2008 with the said principles and best practices are disclosed elsewhere in the report.



RISK MANAGEMENT



The Bank is exposed to a range of risks in fulfilling its responsibilities. Expanding business arenas, deregulation and globalization of financial activities emergence of new financial products and increased level of competition has necessitated a need for an effective and structured risk management in financial institutions. Risk management entails capitalizing on opportunities while avoiding inappropriate exposure. The goal at all times is to maximize not just shareholder value, but value to all the Bank's stakeholders. It is the responsibility of the management to identify, measure, aggregate and manage risks effectively, and to allocate capital among businesses appropriately.

Ujwal Pradhan
Manager
System & IT



Pramod Dahal
Head - Credit Admin,
Control & Recovery

We manage risk and capital through a framework of principles, organizational structures as well as measurement and monitoring processes. Risk management requires continuous monitoring and review and the management ensures that this occurs in a systematic way.

NMB has also identified four key infrastructure components of effective risk management programs: active board and senior management oversight

- adequate policies, procedures, and limits
- adequate risk-measurement, monitoring, and management information systems
- comprehensive internal controls

Each type of risk, in turn, has its own specific types of risk controls

Credit Risk Management

Credit risk is the possibility of a loss arising from a credit event, such as deterioration in the financial condition of a borrower that causes an asset to lose value or even become worthless. For the Bank, transactions involving credit risk are one of the most important sources of earnings from a strategic point of view. The Bank comprehensively manages credit risk on an entire credit portfolio basis as well as individual credit basis for whole credit risk assets. In this way, the Bank appropriately manages the amount of credit risk to secure a steady flow of earnings.

The Bank's credit risk management framework consists of two separate and independent functions, Relationship Management and Credit Administration and Control. Relationship Management function covers booking of exposure, assessment of risks,

pricing for the risk and other terms and conditions and regular monitoring of the risks etc. Credit Administration and Control function mainly entails administration and monitoring of credit facilities based on approved terms, security documentation, valuation and inspection, generation of management information systems, reporting of irregularities and submission of periodic returns.

The Bank has defined policy for assessment of credit proposals, security and collaterals, internal credit risks grading and credit approval process and authorities. Portfolio management and control is performed by Asset Liability Management Committee (ALCO) comprising of senior members of the management of the Bank which meets at least every quarter for monitoring of credit exposures of the Bank. In addition, separate independent and concurrent audit of credit is conducted by internal auditors of the Bank for compliance with the Bank's policy and procedures and prudential guidelines of the Central Bank.

Operational Risk Management

Operational Risk is the potential for incurring losses in relation to employees, legal and regulatory risks, technology, infrastructure failure and disasters, and external influences.

A number of controls and processes are in place to minimize this risk. These include a clear decision-making hierarchy, with all staff involved in financial dealing having limits to their authority to take risk; controls in the computer systems to prevent unauthorized dealing; separation between staff who

initiate transactions and those who settle them; an independent department to monitor compliance; and a strong internal audit function.

Market Risks Management

The Bank deems market risk such as interest risk, foreign exchange risk and equity risk, to be one of the most significant risk factors. It is the philosophy of the Bank to use effective duration, rate shock analysis, as well as total return to analyze and manage the Investment Portfolio and to determine the effect of interest rate movements on the yield and value of the Bank's portfolio.

To ensure the effectiveness of market risk management through the execution process of investments, the Bank ensures the segregation of duties among divisions in charge for decisions on allocation, execution of individual transactions, and monitoring of risk positions. The Bank's portfolio is reviewed by an Asset Liability Management Committee (ALCO) comprising of senior members of the management of the Bank. The ALCO reviews information on the current economic environment and interest rate outlook and review liquidity/credit/deposit forecasts of the Bank.

Further, the Bank also has a pricing committee comprising of higher level management staffs which meets on frequent intervals for deciding the standard interest rates and commission rates as per market scenario.

With the inclusion of foreign currency deposits as part of the Bank's portfolio, managing of exchange risk has become an integral part of market risk management.

NMB accepts risk management to be a fundamental element for successful corporate governance and assurance. NMB believes that governance, risk and assurance are the pillars for building a resilient organization. The best governance, risk and

assurance processes in the world may not be enough for managing the risk, but unless they are integrated so that they directly link with each other and "feed" off each other, we will never achieve optimum results. NMB achieves true business resilience, based on an integrated and fully effective governance, risk and assurance model.

BASEL II

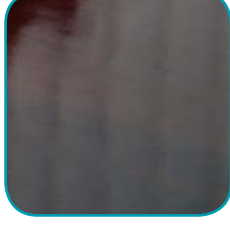
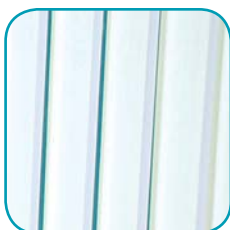
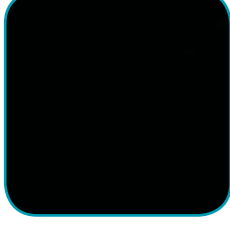
The Basel II, new Capital Adequacy Framework aims to improve the risk management processes of the Banks and Financial Institutions. The Nepal Rastra Bank (NRB) has published implementation date of Basel II for all 'A' class financial institution from 1 Shrawan, 2065 (July 16, 2008). The NRB conducted parallel run during the fiscal year 64/65 during which bank was not upgraded to "A" class institution and therefore BASEL was applicable to us only for the last quarter of the fiscal year 2007/08.

Basel II requires Banks to comply with its three pillars. Pillar I is the introduction of a risk sensitive computational formula for capital adequacy. Pillar II is financial institution's internal capital adequacy assessment process, consistent with its risk profile, followed by supervisory review and an evaluation process. Pillar III is proactive disclosure to secure the proper evaluation of the effectiveness of Pillar I and Pillar II by the market. At present, Nepal Rastra Bank has suggested simple and appropriate approaches for computation of credit risk, market risk and operational risk that shall be practicable and workable in Nepal's context.

The Bank has successfully met the Capital Adequacy requirements as per Pillar I requirements. In addition to meeting Pillar I requirements, the Bank is continuously developing and implementing processes and systems solutions to address the Pillar II and Pillar III requirements in terms of governance, stress testing and scenario planning, internal capital adequacy assessment, regulatory reporting and disclosure.



Sunil KC,
Deputy General Manager»



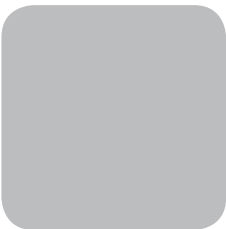
“We at NMB believe that proper understanding of Risks with right approach and techniques to manage the same can ensure Safe and Sustainable Growth of the Bank.”



HR AND COMMUNICATION



NMB Family





NMB believes “Information itself is not efficient and effective, unless it is communicated properly”. We believe in imparting related information not only efficiently but effectively too.

Effective communication in the Bank has created mutual understanding environment between NMB management and employees which has been an effective tool to increase the overall productivity of the Bank.

We believe in effective communication not only because it helps us to understand environment better but also we believe in change management which is possible only through better communication.

Humans are born with the ability to vocalize; but not with the knowledge, attitudes, and skills that define communication competence. The ability to communicate effectively and appropriately is learned and therefore must be taught. Communication is the ultimate people making discipline. NMB believes it will achieve better results than we ever imagined if we work with our disciplined people who are fundamentally committed to our business, our vision and our priorities

People & Communication

Our growth and performance culture and the underlying values are core business drivers and fundamental in reaching our ambitions

NMB emphasizes and believes communication skills are regarded both as essential for employability and

career progression. “Because of the changing nature of today’s employment picture, employers need creative, flexible workers who have a broad range of interpersonal and managerial skills.” We understand being able to communicate effectively is central to these skills.

Our people

We focus on acquiring and developing positive people. We ensure the systematic placement of our employee whom we can inculcate required knowledge for their capacity building in order to stand out in markets, and reward them with appropriate incentives and opportunities to upgrade them as per the career plan in the Bank.

We have understood the necessity of successor development and developing our employees accordingly. We understand the career aspects of our employees as a whole where NMB facilitates to help our employees to uplift their motive in the career development. People entering the workforce are assisted by communication skills and employers endorse communication skills as basic to most jobs. Upward mobility is more probable as communication skills increase. Business and customer interactions are more satisfying and productive with the development of communication skills. Communication skills are essential to those in human resources development.



Puspa Aryal
Manager
Trade Finance



Pratibha Lohani
Compliance Officer



Work diversity in NMB has equally respected and accepted as challenges to manage people. NMB currently employs over 100 people across the country with different ethnicity. Out of which 33% of total human capital is female. We believe in equal opportunity & should be given without discriminating gender. We want to groom all the newcomer staff and develop them on the basis of their core competencies and key behaviors. We value the most of staff having positive attitude so as to develop their career, build them as true professional and care all customers proactively as per our motto "Customer Care-Our Religion".

Our Belief

We believe gaining knowledge is one of the ongoing processes. We create and motivate our employees as we believe ourselves as a learning organization. We emphasize on communication and its relevance for cross-cultural counseling. Cross-cultural counselors can begin to eradicate many misunderstandings and misconceptions by understanding that people and cultures are different, especially concerning their nonverbal communication patterns.

Work Culture

1.Environment

We provide the quality and amount of space available to employees as well as the appropriate level of physical emissions within well made modern infrastructure.

2. Experimentation

Employees are always welcome to express their innovative idea in units and departments. We

encourage our employees to express their own ideas and to learn from mistakes and seek new ways of performing their tasks.

3. Communication Culture

"Information itself is not efficient and effective, unless it is communicated properly". By virtue, our employees to a great extent can openly express their ideas and opinions and give feedback. Quality and scope of the information flow can be observed in both top-down and bottom-up level. Regular departmental, branch, business and executive meetings are being held for smooth dissemination of information. Further, intranet, circulars and emails have been frequent tools of information in the Bank.

4. Transparent Culture

As we are technology driven, everything in Bank has been transparent to the employees. Henceforth, to disseminate all the employee matters, a sophisticated Human Resource Information System (HRIS) being implemented by the Bank to get staff updated of every moment in fingertip or in a click.

5. Support and Trust

Employees among themselves excessively and in healthy manner share their knowledge, support one another and show trust in one another.

Career Prospect

The professional and personal development of our staff is fundamental to the success of our business. We aim to actively support staffs who display potential for development. In order to successfully compete as an employer, we need to encourage the professional

Madhav Pradhan
Chief - General
Administration



Sanju Shrestha
Head - Branches &
Central Operation



Shreejesh Ghimire
Senior RM - C & IB



Alok Shrestha
Head - New Project
Implementation
Planning & Accounts

development of our employees and make a lasting improvement to their profile on the employment market. To this end we regularly appraise the special abilities, development needs, objectives and potential of our staff, with the aim of offering them the opportunity to progress on a professional level and further their personal development.

We have implemented performance management and reward culture at all levels. Likewise, we have been practicing internal vacancies announcements, outsourcing for recruitment, regular resourcing and succession planning.

In our Training Strategy we have implemented Education and Development Process to all the staff. We have established separate training cell in the Bank. The responsibility of the cell is to make sure of smooth running and evaluation of all kinds of training throughout the year for the staff.

Relationship

Relationship is the key in focusing (building) networking among staff and customers. Every newcomer as a staff joins the Bank by receiving with great hospitality in first day and gets introduced to all existing members in the Bank. This practice has been implemented for last so many years in the Bank. This is the culture of good relationship among staff, which continues from the beginning till the end.

Furthermore, for engagement of the staff, frequent get-togethers and parties being held as social

gatherings. Every year, Bank organizes all staff picnic, which includes all spouses and children. This is the unique and much appreciated style of social bonding practice so far implemented for the professionals and associates in the Bank.

NMB driven by information technology:

Information Technology

Customer Care-Our Religion has always been our motto including in case of technological enhancement at NMB Bank Ltd. Our IT initiatives have played a major role in transforming the Bank into a highly responsive organization to meet the challenges of a globalised economy. The Bank is pursuing a complete IT policy as a strategic initiative to meet the growing competition for business, achieve efficiency in internal operations and meet customer expectations. With this end in view, the reach of our IT initiatives was expanded to automate more banking touch points and overall business.

We have essentially used the IT Service Management in our bank for managing information technology (IT) systems, philosophically centered on the customer's perspective of IT's contribution to the business. We have always kept the following quotes in mind while managing the IT services at our bank.

"Providers of (IT) services can no longer afford to focus only on technology and their internal organization, they now have to consider the quality of the services they provide and focus on the relationship with customers".



NMB SOCIAL – BEYOND BANKING

“Building bridges and connecting people towards prosperity”

As one of the recognized commercial banks in Nepal, NMB bank recognizes its responsibility to stakeholders (customers, shareholders, staff, and the community) and the environment and is committed to reducing the cumulative impact of our business and operations.

Alongside NMB's mission to achieve strong returns for shareholders, NMB's priority is also to respond to major social concerns and environment issues. The Bank is committed to making a difference by addressing our day to day operations and having a broader focus on the activities we finance.

At NMB Bank, NMB Social is about commitment towards its community; their development and progression are utmost. We strive to deliver on this promise beyond expectations. Our stakeholders are not limited to the Bank's partners; it encompasses Nepalese at large, our industries and the national economy.

Our role and actions within the community exhibit how corporate could assist and add value to

deserving sections. What we give them as a corporate citizen; they would give back to society and the country. We at NMB Bank are swollen with pride to see the fruit of our efforts and its advantage to society. We accept as true we have aptly demonstrated how NMB Social is sustainable from a corporate and country perspective. The Bank pays mark of respect to its staff that is actively involved in working with the community – purely on a voluntary basis. The teamwork and culture it inspires is truly beyond measure.

NMB Bank and Society



Donation to Flood Victims



Supporting Children at Bal Mandir



Blood Donation Program

Supporting people and progress

NMB Bank has been involved in activities aimed at improving the lives of marginalized sections of the society. It has also helped in the construction of a school building for orphans.

In addition to the donations from the bank, the employees of the bank too have contributed clothing items and their one-day salary to emergency relief causes such as flood victims besides organizing regular Blood Donation Programs.

Annually, the Bank makes contributions to two orphanages, Pravananda Ashram and Helpless Children Mother Centre. NMB Bank, where young ideas meld effortlessly with the experience of senior minds in creating a harmonious work environment, gives high priority to physical education and sports. NMB Bank has been involved in helping under privileged children with their education and by providing other logistic support mainly through the Bal Mandir Foundation.



Pravananda Ashram



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AUDITORS' REPORT

To the Shareholders of NMB Bank Limited

Financial statements and management's responsibility

We have audited the accompanying financial statements of NMB Bank Limited which comprise the balance sheet as of July 15, 2008 (Ashadh 31, 2065) and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Bank's management.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we 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.

Report on the requirements of Banks and Financial Institutions Act 2063 and Company Act 2063

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the returns received from the branch offices of the bank were adequate for the purpose of the audit; the financial statements including the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been prepared in accordance with the methods and format specified by Nepal Rastra Bank, and they are in agreement with the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the bank has taken actions for protection of the interest of depositors and investors; the capital fund and risk bearing fund were adequately maintained; loans have been written off as specified; the business of the Bank was conducted satisfactorily and the Bank's transactions were found to be within the scope of its authority. We did not come across cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated directives of Nepal Rastra Bank

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 Ashad, 2065 (15 July 2008), and its financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards, the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act 2063.

Date: 2 October 2008
Place: Kathmandu

Madan Krishna Sharma
Partner
CSC & Co.
Chartered Accountants

Balance Sheet

As at Ashad 32, 2065

	CAPITAL & LIABILITIES	SCHEDULE	CURRENT YEAR RS.	PREVIOUS YEAR RS.
1	Share Capital	4.1	1,000,000,000	199,540,600
2	Reserve and Funds	4.2	213,480,775	84,933,056
3	Debentures and Bonds	4.3	-	-
4	Borrowings	4.4	278,112,396	937,254,549
5	Deposits	4.5	1,661,604,750	1,296,388,884
6	Bills Payables	4.6	24,102,913	810,776
7	Proposed and Dividend Payable		8,506,760	63,664,359
8	Income Tax Liabilities		-	970,197
9	Other Liabilities	4.7	5,742,084,026	1,837,374,691
	TOTAL LIABILITIES		8,927,891,620	4,420,937,112

	ASSETS	SCHEDULE	CURRENT YEAR RS.	PREVIOUS YEAR RS.
1	Cash Balance	4.8	17,914,698	3,078,310
2	Balance with Nepal Rastra Bank	4.9	506,383,599	12,787,205
3	Balance with Banks/Financial Institutions	4.10	4,926,119,174	18,402,432
4	Money at Call and Short Notice	4.11	93,404,507	1,975,297,818
5	Investments	4.12	1,242,902,362	854,678,075
6	Loans, Advances and Bills Purchased	4.13	1,939,967,542	1,395,884,717
7	Fixed Assets	4.14	132,720,008	80,176,934
8	Non-Banking Assets	4.15	-	258,500
9	Other Assets	4.16	68,479,730	80,373,121
	TOTAL ASSETS		8,927,891,620	4,420,937,112

Contingent Liabilities	Schedule	4.17
Declaration of Directors	Schedule	4.29
Statement of Capital Fund	Schedule	4.30
Statement of Risk weighted Assets	Schedule	4.30 (A)
Principal Indicators	Schedule	4.31
Principal Accounting Policies	Schedule	4.32
Notes to Accounts	Schedule	4.33

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.

Pradeep Pradhan
Chief Operating Officer

Upendra Poudyal
Chief Executive Officer

Mahabir Prasad Goyal
Chairman

Shanti Byahut
Director

Pawan Kumar Golyan
Director

Atma Ram Murarka
Director

Purushotam Lal Sanghai
Director

Sharad Goel
Director

Pradeep Kumar Nepal
Director

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountant

Harischandra Subedi
Director

Date: 16/Aswin/2065

Place: Kathmandu

Profit and Loss Account

For the period from 1st Srawan 2064 to 31st Ashad 2065

PARTICULARS	SCHEDULES	CURRENT YEAR RS.	PREVIOUS YEAR RS.
1 Interest Income	4.18	251,409,352	237,933,473
2 Interest Expenses	4.19	139,095,730	140,253,280
NET INTEREST INCOME		112,313,622	97,680,193
3 Commission and Discount	4.20	27,614,017	20,024,075
4 Other Operating Income	4.21	40,724,406	51,006,279
5 Exchange Fluctuation Income	4.22	-	-
TOTAL OPERATING INCOME		180,652,045	168,710,547
6 Staff Expenses	4.23	20,123,208	14,211,709
7 Other Overhead Expenses	4.24	32,222,239	13,969,837
8 Exchange Fluctuation Loss	4.22	97,130	-
OPERATING PROFIT BEFORE PROVISION FOR POSSIBLE LOSS		128,209,468	140,529,001
9 Provision for Possible Losses	4.25	32,387,045	19,512,262
OPERATING PROFIT		95,822,423	121,016,739
10 Non-operating Income/Loss	4.26	600,400	-
11 Loss Provision Written-Back	4.27	22,461,999	186,140
PROFIT FROM REGULAR OPERATIONS		118,884,822	121,202,879
12 Profit/Loss from extra-ordinary activities	4.28	-	-
NET PROFIT AFTER CONSIDERING ALL ACTIVITIES		118,884,822	121,202,879
13 Staff Bonus Provision		10,807,711	11,018,444
14 Provision for Income Tax		35,255,069	-
Current Year		33,676,276	35,046,381
Previous Year		-	-
Deferred Tax Assets		1,578,793	-
NET PROFIT/LOSS		72,822,042	75,138,054

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

As per our attached report of even date.

Pradeep Pradhan
Chief Operating Officer

Shanti Byahut
Director

Purushotam Lal Sanghai
Director

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Director

Sharad Goel
Director

Mahabir Prasad Goyal
Chairman

Atma Ram Murarka
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountant

Date: 16/Aswin/2065
Place: Kathmandu

Profit and Loss Appropriated Account

For the period from 1st Srawan 2064 to 31st Ashad 2065

	PARTICULARS	SCHEDULES	THIS YEAR RS.	PREVIOUS YEAR RS.
	Income			
1	Accumulated profit up to the last year		5,683,810	2,192,884
2	Current Year's Profit		72,822,042	75,138,054
3	Exchange Equalization Fund		-	-
	TOTAL		78,505,852	77,330,938
	Expenses			
1	Accumulated Loss up to the last year		-	-
2	Current Year's Loss		-	-
3	General Reserve		14,564,409	15,027,611
4	Contingent Reserve		-	-
5	Institutional Development Fund		-	-
6	Dividend Equalization Fund		-	-
7	Staff Related Reserve Fund		-	-
8	Proposed Dividend		-	60,000,000
9	Proposed issue of Bonus Shares		52,917,964	-
10	Special Reserve Fund		-	-
11	Exchange Equalization Fund		-	-
12	Capital Redemption Reserve Fund		-	-
13	Capital Adjustment Fund		-	-
	TOTAL		67,482,373	75,027,611
14	ACCUMULATED PROFIT/(LOSS)		11,023,479	2,303,327

Pradeep Pradhan
Chief Operating Officer

Shanti Byahut
Director

Purushotam Lal Sanghai
Director

Date: 16/Aswin/2065
Place: Kathmandu

Upendra Poudyal
Chief Executive Officer

Pawan Kumar Golyan
Director

Sharad Goel
Director

Mahabir Prasad Goyal
Chairman

Atma Ram Murarka
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountant

Statement of Changes in Equity

For the period from 1st Srawan 2064 to 31st Ashad 2065

PARTICULARS	Amount in Rupees						
	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	CAPITAL RESERVE FUND	SHARE PREMIUM	EXCHANGE EQUALIZATION FUND	OTHER RESERVE AND FUND
Opening Balance	199,540,600	2,303,327	82,629,729	-	-	-	284,473,656
Adjustments: Deferred Tax		3,380,483					3,380,483
Restated Balance as at 17th July, 2007	199,540,600	5,683,810	82,629,729	-	-	-	287,854,139
ADJUSTMENTS							
Right Share	800,459,400	-	-	-	-	-	800,459,400
Share Premium	-	-	-	-	52,345,194	-	52,345,194
Current Year's Net Profit	-	72,822,042	-	-	-	-	72,822,042
General Reserve	-	(14,564,409)	14,564,409	-	-	-	-
Proposed Bonus Share	-	(52,917,964)	-	-	(52,345,194)	-	105,263,158
CLOSING BALANCE	1,000,000,000	11,023,479	97,194,138	-	-	-	1,213,480,775

Cash Flow Statement

From 1st Srawan 2064 to 31st Ashad 2065

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
46,202,336	(A) CASH FLOW FROM OPERATING ACTIVITIES	47,998,482
283,238,194	1 CASH RECEIVED	317,280,888
212,021,700	1.1 Interest Income	226,577,595
20,024,075	1.2 Commission and Discount Income	27,614,017
-	1.3 Income from foreign exchange transaction	(97,130)
-	1.4 Recovery of Loan written off	-
51,192,419	1.5 Other Income	63,186,406
237,035,858	2 CASH PAYMENT	269,282,406
140,253,280	2.1 Interest Expenses	139,095,730
14,211,709	2.2 Staff Expenses	20,123,208
13,969,837	2.3 Office Overhead Expenses	32,222,239
38,070,326	2.4 Income Tax Paid	34,646,473
30,530,706	2.5 Other Expenses	43,194,756
18,143,326	CASH FLOW BEFORE CHANGES IN WORKING CAPITAL	4,930,423,153
(1,791,506,000)	INCREASE/(DECREASE) OF CURRENT ASSETS	1,351,505,567
(1,364,124,176)	1 (Increase)/Decrease in Money at Call and Short Notice	1,881,893,311
-	2 (Increase)/Decrease in Short-term Investment	-
(391,435,157)	3 (Increase)/Decrease in Loan and Bills Purchase	(544,082,825)
(35,946,667)	4 (Increase)/Decrease in Other Assets	13,695,081
1,809,649,326	INCREASE/(DECREASE) OF CURRENT LIABILITIES	3,578,917,586
433,533,032	1 Increase/(Decrease) in Deposits	365,215,866
-	2 Increase/(Decrease) in Certificate of Deposits	-
114,754,527	3 Increase/(Decrease) in Short-term Borrowings	(659,142,153)
1,261,361,767	4 Increase/(Decrease) in Other Liabilities	3,872,843,873
(103,916,575)	(B) CASH FLOW FROM INVESTMENT ACTIVITIES	(415,076,704)
(81,920,197)	1 (Increase)/Decrease in Long-term Investment	(388,224,287)
(47,908,151)	2 (Increase)/Decrease in Fixed Assets	(52,284,574)
25,911,773	3 Interest income from Long-term Investment	24,831,757
-	4 Dividend Income	600,400
-	5 Others	-
39,540,600	(C) CASH FLOW FROM FINANCING ACTIVITIES	852,804,594
-	1 Increase/(Decrease) in Long-term Borrowings (Bond, Debentures etc.)	-
39,540,600	2 Increase/(Decrease) in Share Capital	800,459,400
-	3 Increase/(Decrease) in Other Liabilities	-
-	4 Increase/(Decrease) in Refinance/facilities received from NRB	-
-	5 Increase/(Decrease) in Share Premium	52,345,194
-	(D) INCOME/LOSS FROM CHANGE IN EXCHANGE RATE IN CASH AND BANK BALANCES	-
(30,313)	(E) CURRENT YEAR'S CASH FLOW FROM ALL ACTIVITIES	5,416,149,525
34,298,260	(F) OPENING BALANCE OF CASH AND BANK BALANCES	34,267,947
34,267,947	(G) CLOSING BALANCE OF CASH AND BANK BALANCES	5,450,417,472

Pradeep Pradhan
Chief Operating Officer

Shanti Byahut
Director

Purushotam Lal Sanghai
Director

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Director

Sharad Goel
Director

Mahabir Prasad Goyal
Chairman

Atma Ram Murarka
Director

Pradeep Kumar Nepal
Director

Harischandra Subedi
Director

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountant

Date: 19/Aswin/2065
Place: Kathmandu

Schedule 4.1

Share Capital and Ownership

(As at 31st Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
	1 SHARE CAPITAL	
	1.1 AUTHORIZED CAPITAL	
1,000,000,000	a) 10,000,000 Ordinary Shares of Rs.100 each	1,000,000,000
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs.each	
	1.2 ISSUED CAPITAL	
1,000,000,000	a) 10,000,000 Ordinary Shares of Rs.100 each	1,000,000,000
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs. each	
	1.3 PAID UP CAPITAL	
199,540,600	a) 10,000,000 Ordinary Shares of Rs. 100 each Rs. 100 paid up	1,000,000,000
	b) Non-redeemable preference shares of Rs. each	
	c) Redeemable Preference Shares of Rs. each	

Share Ownership

SHARE CAPITAL		PARTICULARS	SHARE CAPITAL	
PREVIOUS YEAR RS.	%		%	THIS YEAR RS.
150,000,000	75.17	1 PROMOTER	75.00	750,000,000
-	-	1.1 Government of Nepal	-	-
30,000,000	15.03	1.2 Foreign Institutions	13.16	131,620,700
-	-	1.3 "A" Class Licensed Institutions	-	-
22,427,000	11.24	1.4 Other Licensed Institutions	11.56	115,569,900
10,204,000	5.11	1.5 Other Entities	5.26	52,570,000
87,369,000	43.79	1.6 Individual	45.02	450,239,400
-	-	1.7 Others	-	-
49,540,600	24.83	2 GENERAL PUBLIC	25.00	250,000,000
199,540,600	100	TOTAL	100	1,000,000,000

Note : Under General Public, Other Licensed Institutions & Other Entities category, the following 19 Shareholders individually hold more than 0.5% of the shares of NMB Bank Limited.

NAME OF THE SHAREHOLDERS

THIS YEAR

	AMOUNT	% OF TOTAL
SIDDHARTH MANI RAJBHANDARI	5,153,200.00	0.52
SIDDHANTH MANI RAJBHANDARI	5,153,200.00	0.52
DR. PUSHKAR NATH PANT	5,776,700.00	0.58
SAGUN PANT	9,244,800.00	0.92
SHIVARATAN SHARDA	10,012,600.00	1.00
RAJESH AGRAWAL	11,558,500.00	1.16
MANOJ PRASAD DHITAL	11,558,500.00	1.16
NARPAT SINGH JAIN	22,673,900.00	2.27
MANJU TAPADIYA	24,219,900.00	2.42
BALRAM NEUPANE	24,266,200.00	2.43
SANTOSH RATHI	41,029,500.00	4.10
PURUSHTOM LAL SHANGAI	52,570,000.00	5.26
PAWAN KUMAR GOLYAN	52,570,000.00	5.26
M/S. GAYATRI INVESTMENT & MANAGEMENT (P) LTD.	52,570,000.00	5.26
ATMA RAM MURARKA	52,570,000.00	5.26
TRILOK CHAND AGRAWAL	52,570,000.00	5.26
NANDA KISHOR RATHI	54,115,900.00	5.41
KARMACHARI SANCHAYA KOSH	115,569,900.00	11.56
YONG LIAN REALTY, MALAYSIA	131,620,700.00	13.16

Reserve And Funds

(As at 31st Ashad 2065)

Schedule 4.2

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
82,629,729	1 General Reserve Fund	97,194,138
-	2 Proposed Bonus Share	105,263,158
-	3 Capital Reserve Fund	-
-	4 Capital Redemption Reserve	-
-	5 Capital Adjustment Fund	-
-	6 Other Reserve Fund	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserves	-
2,303,327	7 Accumulated Profit/Loss	11,023,479
-	8 Exchange Equalization Fund	-
84,933,056	TOTAL	213,480,775

Debentures and Bonds

(As at 31st Ashad 2065)

Schedule 4.3

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Percent Bond/Debentures of Rs. each Issued on and Matured on (Outstanding balance of Redemption Reserve Rs.)	-
-	2 Percent Bond/Debentures of Rs. each Issued on and Matured on (Outstanding balance of Redemption Reserve Rs.)	-
-	3	-
-	TOTAL (1+2+3)	-

Borrowings

(As at 31st Ashad 2065)

Schedule 4.4

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
	A. LOCAL	
-	1 Government of Nepal	-
-	2 Nepal Rastra Bank	-
-	3 Repo Obligation	-
937,254,549	4 Inter-Bank and Financial Institutions	278,112,396
-	5 Other Organized Institutions	-
-	6 Others	-
937,254,549	TOTAL	278,112,396
	B. FOREIGN	
-	1 Banks	-
-	2 Others	-
-	TOTAL	-
937,254,549	TOTAL (A+B)	278,112,396

Deposits

(As at 31st Ashad 2065)

Schedule 4.5

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
	1 NON-INTEREST BEARING ACCOUNTS	
118,998	A. CURRENT DEPOSITS	22,412,139
118,998	1. LOCAL CURRENCY	22,412,139
-	1.1 Government of Nepal	-
-	1.2 "A" Class Licensed Institutions	160,274
-	1.3 Other Licensed Institutions	1,201,871
118,998	1.4 Other Organized Institutions	20,292,496
-	1.5 Individuals	101,010
-	1.6 Others	656,488
-	2. FOREIGN CURRENCY	-
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Institutions	-
-	2.4 Other Organized Institutions	-
-	2.5 Individuals	-
-	2.6 Others	-
4,526,505	B. MARGIN DEPOSITS	2,543,349
-	1 Employees Guarantee	-
4,526,505	2 Guarantee Margin	2,543,349
-	3 Letters of Credit Margin	-
-	C. OTHERS	-
-	1. LOCAL CURRENCY	-
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
-	1.3 Individuals	-

Cont...

Cont...

-	2. FOREIGN CURRENCY	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
4,645,503	TOTAL OF NON-INTEREST BEARING ACCOUNTS	24,955,488
	2 INTEREST BEARING ACCOUNTS	
444,923,070	A. SAVING DEPOSITS	395,696,971
444,923,070	1. LOCAL CURRENCY	395,696,971
63,360,712	1.1 Organized Institutions	18,157,188
378,146,143	1.2 Individuals	363,314,596
3,416,215	1.3 Others	14,225,187
-	2. FOREIGN CURRENCY	-
-	2.1 Organized Institutions	-
-	2.2 Individuals	-
-	2.3 Others	-
682,412,718	B. FIXED DEPOSITS	926,512,315
682,412,718	1. LOCAL CURRENCY	857,237,582
420,446,946	1.1 Organized Institutions	540,496,355
257,524,377	1.2 Individuals	263,367,875
4,441,395	1.3 Others	53,373,352
-	2. FOREIGN CURRENCY	69,274,733
-	2.1 Organized Institutions	-
-	2.2 Individuals	224,733
-	2.3 Others	69,050,000
164,407,593	C. CALL DEPOSIT	314,439,976
164,407,593	1. LOCAL CURRENCY	293,724,976
-	1.1 "A" Class Licensed Institutions	1,741,323
78,838,773	1.2 Other Licensed Financial Institutions	93,428,964
84,562,727	1.3 Other Organized Institutions	181,534,377
-	1.4 Individuals	16,859,998
1,006,093	1.5 Others	160,314
-	2. FOREIGN CURRENCY	20,715,000
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Financial Institutions	20,715,000
-	2.3 Other Organized Institutions	-
-	2.4 Individuals	-
-	2.5 Others	-
-	D. CERTIFICATE OF DEPOSIT	-
-	1. Organized Institutions	-
-	2. Individuals	-
-	3. Others	-
1,291,743,381	TOTAL OF INTEREST BEARING ACCOUNTS	1,636,649,262
1,296,388,884	TOTAL DEPOSIT (1+2)	1,661,604,750

Bills Payable

Schedule 4.6

(As at 31st Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
810,776	1. Local Currency	24,102,913
-	2. Foreign Currency	-
810,776	TOTAL	24,102,913

Other Liabilities

Schedule 4.7

(As at 31st Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
2,670,063	1 Pension/Gratuity Fund	3,063,333
-	2 Employees Provident Fund	-
-	3 Employees Welfare Fund	-
11,018,444	4 Provision for Staff Bonus	10,807,711
10,449,430	5 Interest Payable on Deposits	15,735,557
-	6 Interest Payable on Borrowings	27,397
170,500	7 Unearned Discount and Commission	94,500
1,813,066,254	8 Sundry Creditors	5,712,355,528
-	9 Branch Account	-
-	10 Others	-
1,837,374,691	TOTAL	5,742,084,026

Cash Balance

Schedule 4.8

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
2,977,783	1. Local Currency (including coin)	17,253,118
100,527	2. Foreign Currency	661,580
3,078,310	TOTAL	17,914,698

Balance with Nepal Rastra Bank

Schedule 4.9

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	LOCAL	FOREIGN			GRAND
		CURRENCY RS.	INR	CURRENCY CONVERTIBLE	TOTAL	TOTAL RS.
12,787,205	1 Nepal Rastra Bank	506,383,599	-	-	-	506,383,599
12,787,205	a) Current Account	506,383,599	-	-	-	506,383,599
-	b) Other Account	-	-	-	-	-

Balance with Banks/Financial Institutions

Schedule 4.10

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	LOCAL CURRENCY RS.	FOREIGN CURRENCY			GRAND TOTAL RS.
			INR	CONVERTIBLE	TOTAL	
18,402,432	1 Local Licensed Institutions	4,895,769,961	-	-	-	4,895,769,961
18,402,432	a) Current Account	41,401,961	-	-	-	41,401,961
-	b) Other Account	4,854,368,000	-	-	-	4,854,368,000
-	2 Foreign Banks	-	8,003,750	22,345,463	30,349,213	30,349,213
-	a) Current Account	-	8,003,750	22,345,463	30,349,213	30,349,213
-	b) Other Account	-	-	-	-	-
18,402,432	TOTAL	4,895,769,961	8,003,750	22,345,463	30,349,213	4,926,119,174

Note : Total Balance for which the confirmations are received from respective licensed institutions Rs.4,966,915,142.42

Money at Call and Short Notice

Schedule 4.11

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
1,975,297,818	1. Local Currency	93,404,507
-	2. Foreign Currency	-
1,975,297,818	TOTAL	93,404,507

Investments

Schedule 4.12

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	PURPOSE		THIS YEAR RS.
		TRADING	OTHER	
-	1 Government of Nepal Treasury Bills	-	180,422,179	180,422,179
477,229,748	2 Government of Nepal Savings Bond	-	594,993,508	594,993,508
-	3 Government of Nepal Other Securities	-	-	-
-	4 Nepal Rastra Bank Bonds	-	-	-
-	5 Foreign Securities	-	-	-
227,000,000	6 Local Licensed Institutions	-	146,500,000	146,500,000
-	7 Foreign Banks	-	69,050,000	69,050,000
18,690,102	8 Corporate Shares	-	18,759,902	18,759,902
-	9 Corporate Bonds and Debentures	-	20,000,000	20,000,000
139,819,854	10 Other Investment	-	217,284,591	217,284,591
862,739,704	TOTAL INVESTMENT	-	1,247,010,180	1,247,010,180
8,061,629	PROVISION	-	4,107,818	4,107,818
854,678,075	NET INVESTMENT	-	1,242,902,362	1,242,902,362

Investment in Shares, Debentures and Bonds

Schedule 4.12(A)

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	COST PRICE RS.	MARKET PRICE RS.	PROVISION AMOUNT RS.
18,690,102	1 INVESTMENT IN SHARES	18,759,902	15,599,842	4,107,818
	1.1 Nepal Stock Exchange Ltd.			
5,000	50 Ordinary shares of Rs 100 each fully paid up	5,000	-	5,000
	1.2 Bottlers Nepal Ltd.(Tarai)			
5,387,454	7,900 Ordinary shares of Rs 100 each fully paid up	5,387,454	5,530,000	-
	1.3 United Insurance Co. (Nepal) Ltd.			
489,877	1,800 Ordinary shares of Rs 100 each fully paid up	489,877	567,000	-
	1.4 Neco Insurance Co. Ltd.			
194,408	710 Ordinary shares of Rs 100 each fully paid up	194,408	91,590	102,818
	1.5 Natioanl Life & General Insurance Co. Ltd.			
17,509	30 Ordinary shares of Rs 100 each fully paid up	17,509	27,000	-
	1.6 Everest Insurance Co. Ltd.			
13,854	90 Ordinary shares of Rs 100 each fully paid up	13,854	26,190	-
	1.7 Sagarmatha Insurance Co. Ltd.			
5,000	77 Ordinary shares of Rs 100 each fully paid up (Right Share 23)	7,300	23,562	-
	1.8 Nepal Life Insurance Co. Ltd.			
50,000	500 Ordinary shares of Rs 100 each fully paid up	50,000	834,500	-
	1.9 Credit Information Bureau Ltd.			
27,000	945 Ordinary shares of Rs 100 each fully paid up	94,500	-	-
	1.10 Taragaon Regency Hotels Ltd.			
12,500,000	125,000 Ordinary shares of Rs 100 each fully paid up	12,500,000	8,500,000	4,000,000
-	2 INVESTMENT IN DEBENTURES AND BONDS	20,000,000	-	-
	2.1 Nepal Electricity Authority			
-	7.75 % 5 Years Power Bond of Rs1,000 each	20,000,000	-	-
-	2.2	-		
-	2.3	-		
18,690,102	TOTAL INVESTMENT	38,759,902	15,599,842	4,107,818
	3 PROVISION FOR LOSS			
2,622,839	3.1 Up to previous year	8,061,629		
5,438,790	3.2 Adjustments this year increased/(decreased)	(3,953,811)		
8,061,629	TOTAL PROVISION	4,107,818		
10,628,473	NET INVESTMENT	34,652,084		

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

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

Classification of Loan and Bills Purchase and Provisioning

(As at 31 Ashad 2065)

Schedule 4.13

PREVIOUS YEAR RS.	PARTICULARS	ADVANCES				BILLS PURCHASED/DISCOUNTED				THIS YEAR RS.	
		DOMESTIC		FOREIGN	TOTAL	DOMESTIC		FOREIGN	TOTAL		
		INSURED	PRIORITY UNINSURED			INSURED	PRIORITY UNINSURED				
1,427,155,656	1 PERFORMING LOAN	-	-	-	1,979,424,660	-	1,979,424,660	-	-	-	1,979,424,660
1,410,996,241	1.1	-	-	-	1,964,937,639	-	1,964,937,639	-	-	-	1,964,937,639
16,159,415	1.2	-	-	-	14,487,021	-	14,487,021	-	-	-	14,487,021
25,074,401	2 NON-PERFORMING LOAN	-	-	-	30,508,579	-	30,508,579	-	-	-	30,508,579
-	2.1	-	-	-	6,133,741	-	6,133,741	-	-	-	6,133,741
-	2.2	-	-	-	3,705,929	-	3,705,929	-	-	-	3,705,929
25,074,401	2.3	-	-	-	20,668,909	-	20,668,909	-	-	-	20,668,909
1,452,230,057	(A) TOTAL LOAN	-	-	-	2,009,933,239	-	2,009,933,239	-	-	-	2,009,933,239
29,251,012	3 LOAN LOSS PROVISION	-	-	-	44,099,510	-	44,099,510	-	-	-	44,099,510
2,019,927	3.1	-	-	-	1,810,878	-	1,810,878	-	-	-	1,810,878
-	3.2	-	-	-	1,533,435	-	1,533,435	-	-	-	1,533,435
-	3.3	-	-	-	1,852,965	-	1,852,965	-	-	-	1,852,965
-	3.4	-	-	-	20,668,909	-	20,668,909	-	-	-	20,668,909
25,074,401	3.5	-	-	-	69,965,697	-	69,965,697	-	-	-	69,965,697
56,345,340	(B) TOTAL PROVISIONING	-	-	-	69,965,697	-	69,965,697	-	-	-	69,965,697
22,091,448	4 PROVISIONING UP TO PREVIOUS YEAR	-	-	-	29,251,012	-	29,251,012	-	-	-	29,251,012
1,229,312	4.1	-	-	-	2,019,927	-	2,019,927	-	-	-	2,019,927
-	4.2	-	-	-	-	-	-	-	-	-	-
-	4.3	-	-	-	-	-	-	-	-	-	-
-	4.4	-	-	-	-	-	-	-	-	-	-
19,395,748	4.5	-	-	-	25,074,401	-	25,074,401	-	-	-	25,074,401
42,716,508	(C) TOTAL PREVIOUS YEAR'S PROVISION	-	-	-	56,345,340	-	56,345,340	-	-	-	56,345,340
-	(D) WRITTEN BACK FROM LAST YEAR PROVISION	-	-	-	18,508,188	-	18,508,188	-	-	-	18,508,188
13,628,832	(E) ADDITIONAL PROVISION THIS YEAR	-	-	-	32,128,545	-	32,128,545	-	-	-	32,128,545
13,628,832	CHANGES IN THIS YEAR	-	-	-	13,620,357	-	13,620,357	-	-	-	13,620,357
1,395,884,717	NET LOAN (A-B)	-	-	-	1,939,967,542	-	1,939,967,542	-	-	-	1,939,967,542

Schedule 4.13(A)

Loan, Advances and Bills Purchased Security Wise

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
1,452,230,057	(A) SECURED	2,009,933,239
1,397,515,628	1 Movable/Immovable Assets	1,952,809,044
-	2 Guarantee of Local Licensed Institutions	-
-	3 Government Guarantee	-
-	4 Internationally Rated Bank Guarantee	-
-	5 Export Documents	-
54,615,429	6 Fixed Deposit Receipts	32,127,947
36,859,059	a) Own FDR	10,351,000
17,756,370	b) FDR of other Licensed Institutions	21,776,947
99,000	7 Government Bonds	24,996,248
-	8 Counter Guarantee	-
-	9 Personal Guarantee	-
-	10 Other Securities	-
-	(B) UNSECURED	-
1,452,230,057	TOTAL	2,009,933,239

Fixed Assets
(As at 31 Ashad 2065)

Schedule 4.14

PREVIOUS YEAR RS.	PARTICULARS	ASSETS				THIS YEAR RS.
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS
	1 AT COST					
17,625,654	a. Previous Year Balance	263,577	5,773,388	-	10,573,018	3,372,119
2,356,448	b. Addition this year	76,790,038	4,360,564	-	19,157,342	6,690,299
-	c. Revaluation/written back this year	-	-	-	-	-
-	d. This year sold	-	-	-	-	-
-	e. This year written off	-	-	-	-	-
19,982,102	TOTAL COST (A+B+C+D+E)	77,053,615	10,133,952	-	29,730,360	10,062,418
	2 DEPRECIATION					
10,641,876	a. Up to Previous Year	48,892	2,948,670	-	6,842,875	2,740,482
1,939,043	b. For This Year	1,290,568	1,373,098	-	3,402,210	728,480
-	c. Depreciation on revaluation/written back	-	-	-	-	-
-	d. Depreciation adjustment/written back	-	-	-	-	-
12,580,919	TOTAL DEPRECIATION	1,339,460	4,321,768	-	10,245,085	3,468,962
7,401,183	3 Book Value (WDV*) (1-2)	75,714,155	5,812,184	-	19,485,275	6,593,456
25,026,505	4 Land	25,026,505	-	-	-	25,026,505
47,749,246	5 Capital Construction (pending capitalization)	88,433	-	-	-	88,433
-	6 Leasehold assets	-	-	-	-	-
80,176,934	TOTAL (3+4+5+6)	100,829,093	5,812,184	-	19,485,275	6,593,456
						132,720,008

* Written Down Value

Non-Banking Assets

Schedule 4.15

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	NAME AND ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		THIS YEAR RS.
				IN PERCANTAGE	IN AMOUNT	
258,500	Dilip Tamrakar, Biratnagar-14	062/03/31	1,034,000	100%	1,034,000	-
258,500	GRAND TOTAL		1,034,000		1,034,000	-

Other Assets

Schedule 4.16

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
552,141	Stock of Stationery	2,030,940
25,265,281	Income Receivable on Investments	31,242,405
-	Accrued Interest on Loan	18,805,421
-	Less : Interest Suspense Amount	(18,805,421)
-	Commission Receivable	-
44,273,938	Sundry Debtors	11,154,254
5,171,600	Staff Loan and Advances	9,931,875
1,677,633	Prepayments	1,967,738
-	Cash in Transit	-
3,265,093	Other Transit items (including cheques)	2,586,632
-	Drafts Paid without Notice	-
-	Expenses Not Written off	1,451,500
-	Branch Account	-
167,435	Others	8,114,386
	i) Deferred Tax Assets	1,801,690
	ii) Others	6,312,696
80,373,121	TOTAL	68,479,730

Other Assets (Additional Statement)

Schedule 4.16(A)

(As at 31 Ashad 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.			TOTAL
		UP TO 1 YEAR	1 TO 3 YEARS	ABOVE 3 YEARS	
16,425,952	1 Accrued Interest on Loan	9,261,789	826,776	8,716,856	18,805,421
	2 Drafts Paid without Notice				
	3 Branch Account				
	4 Local and Foreign Agency A/C's				

Contingent Liabilities

Schedule 4.17

(As at 31 Ashad, 2065)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Claims on institution but not accepted by the Institution	-
-	2 LETTERS OF CREDIT (FULL AMOUNT)	31,676,630
-	a) Less than 6 months maturity	31,676,630
-	b) More than 6 months maturity	-
-	3 Rediscounted Bills	-
138,217,404	4 UNMATURED GUARANTEES/BONDS	111,926,201
50,000	a) Bid Bonds	50,000
138,167,404	b) Performance Bonds	111,876,201
-	c) Other Guarantee/Bonds	-
-	5 Unpaid Shares in Investment	-
-	6 Forward Exchange Contract Liabilities	-
-	7 Bills under Collection	-
-	8 Acceptance and Endorsements	-
-	9 Underwriting Commitments	-
-	10 Irrevocable Loan Commitments	-
-	11 Counter Guarantee of Internationally Rated Banks	-
-	12 Advance Payment Guarantee	-
-	13 Financial Guarantee	-
3,184,875	14 Contingent Liabilities on Income Tax	3,184,875
-	15	-
-	16	-
-	17	-

Schedule 4.18

Interest Income

Fiscal Year 2064/065

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
139,387,175	A. ON LOAN, ADVANCES AND OVERDRAFT	148,676,933
139,387,175	1 Loan and Advances	148,676,933
-	2 Overdraft	-
25,911,773	B ON INVESTMENT	24,831,757
25,911,773	1 Government of Nepal Securities	24,831,757
841,528	a. Treasury Bills	854,193
24,906,544	b. Development Bonds	23,599,293
163,701	c. National Savings Certificates	378,271
-	2 Foreign Securities	-
-	a.	-
-	b.	-
-	3 Nepal Rastra Bank Bonds	-
-	4 Debenture and Bonds	-
-	5 Interest on Inter-bank Investment	-
-	a. Bank/Financial Institutions	-
-	b. Other Organizations	-
-	C ON AGENCY BALANCES	-
-	1 Local Banks	-
-	2 Foreign Banks	-
16,621,252	D ON MONEY AT CALL AND SHORT NOTICE	30,491,726
16,621,252	1 Local Banks/Financial Institutions	30,491,726
-	2 Foreign Banks	-
56,013,273	E On Others	47,408,936
-	1 Certificate of Deposits	-
41,231,916	2 Inter-Bank Loan	28,969,778
14,781,357	3 Others	18,439,158
237,933,473	TOTAL	251,409,352

Schedule 4.19

Interest Expenses

Fiscal Year 2064/065

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
66,084,056	A. ON DEPOSIT LIABILITIES	91,091,457
40,239,966	1 FIXED DEPOSITS	47,455,671
40,239,966	1.1 Local Currency	47,254,864
-	1.2 Foreign Currency	200,807
24,724,563	2 SAVING DEPOSITS	23,418,172
24,724,563	2.1 Local Currency	23,418,172
-	2.2 Foreign Currency	-
1,119,527	3 CALL DEPOSITS	20,217,614
1,119,527	3.1 Local Currency	20,217,614
-	3.2 Foreign Currency	-
-	4 CERTIFICATE OF DEPOSITS	-
74,169,224	B ON BORROWINGS	48,004,273
-	1 Debentures and Bonds	-
-	2 Loan from Nepal Rastra Bank	23,151
74,169,224	3 Inter Bank/Financial Institutions Borrowing	47,981,122
-	4 Other Corporate Body	-
-	5 Other Loans	-
-	C ON OTHERS	-
-	1	-
-	2	-
140,253,280	TOTAL	139,095,730

Commission and Discount Income

Schedule 4.20

Fiscal Year 2064/065

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	A BILLS PURCHASE AND DISCOUNT	-
-	1 Local	-
-	2 Foreign	-
18,098,869	B COMMISSION	24,750,605
-	1 Letters of Credit	15,350
881,438	2 Guarantee	201,045
-	3 Collection Fee	-
18,807	4 Remittance Fee	34,854
-	5 Credit Cards	-
17,198,148	6 Share Underwriting/Issues	24,499,356
-	7 Government Transactions	-
-	8 Agency Commission	-
476	9 Exchange Fee	-
1,925,206	C OTHERS	2,863,412
20,024,075	TOTAL	27,614,017

Other Income

Schedule 4.21

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Safe Deposit Lockers Rental	-
-	2 Issue and Renewals of Credit Cards	-
-	3 Issue and Renewals of ATM Cards	-
-	4 Telex/T.T.	5,000
5,622,878	5 Service Charges	3,775,076
48,491	6 Renewal Fees	283,456
45,334,910	7 Others	36,660,874
51,006,279	TOTAL	40,724,406

Exchange Gain/Loss

Schedule 4.22

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	(A) Revaluation Gain	(153,055)
-	(B) Trading Gain (except Exchange Fee)	55,925
-	TOTAL INCOME (LOSS)	(97,130)

Expenses Relating to Employees

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
6,689,879	1 Salary	8,942,219
3,876,824	2 Allowances	8,047,466
646,375	3 Contribution to Provident Fund	793,218
363,392	4 Training Expenses	92,894
112,417	5 Uniform	-
1,319	6 Medical	2,575
-	7 Insurance	-
860,130	8 Pension and Gratuity Provision	504,996
1,661,373	9 Others	1,739,840
14,211,709	TOTAL	20,123,208

Office Overhead Expenses

Schedule 4.24

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
2,218,383	1 House Rent	2,562,207
442,605	2 Electricity and Water	862,024
284,752	3 REPAIR AND MAINTENANCE	293,617
-	(a) Building	-
105,309	(b) Vehicles	120,422
179,443	(c) Others	173,195
518,724	4 Insurance	665,275
589,340	5 Postage, Telex, Telephone, Fax	651,442
153,293	6 Office Equipment, Furniture and Repair	248,616
78,033	7 Travelling Allowances and Expenses	44,173
473,225	8 Stationery and Printing	553,707
25,642	9 Periodicals and Books	26,074
734,511	10 Advertisements	1,445,021
185,000	11 Legal Expenses	516,400
76,150	12 Donations	129,867
574,750	13 EXPENSES RELATING TO BOARD OF DIRECTORS	1,415,427
524,000	(a) Meeting Fees	1,219,000
50,750	(b) Other Expenses	196,427
443,776	14 Annual General Meeting Expenses	722,290
74,580	15 EXPENSES RELATING TO AUDIT	82,038
74,580	(a) Audit Fees	82,038
-	(b) Other Expenses	-
-	16 Commission on Remittances	-
1,939,044	17 Depreciation on Fixed Assets	6,794,356
-	18 Amortization of Preliminary Expenses	-
-	19 Share Issue Expenses	2,418,702
-	20 Technical Services Fee	-
677,494	21 Entertainment	732,701
9,256	22 Written Off Expenses	-
166,918	23 Security Expenses	566,149
-	24 Credit Guarantee Premium	-
48,150	25 Commission and Discount	137,081
4,256,211	26 Others	11,355,072
13,969,837	TOTAL	32,222,239

Provision for Possible Losses

Schedule 4.25

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
13,628,832	1 Increase in Loan Loss Provision	32,128,545
5,624,930	2 Increase in Provision for Loss on Investment	-
258,500	3 Provision Against Non-Banking Assets	258,500
-	4 Provision Against Other Assets	-
19,512,262	TOTAL	32,387,045

Non-Operating Income/Loss

Schedule 4.26

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Profit (Loss) on Sale of Investment	-
-	2 Profit (Loss) on Sale of Assets	-
-	3 Dividend	600,400
-	4 SUBSIDIES RECEIVED FROM NEPAL RATRA BANK	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5 Others	-
-	TOTAL NON-OPERATING INCOME (LOSS)	600,400

Loss Provisions Written Back

Schedule 4.27

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Loan Loss Provision Written Back	18,508,188
-	2 Provision against Non-Banking Assets Written Back	-
186,140	3 Investment Provision Written Back	3,953,811
-	4 Provision against Other Assets Written back	-
186,140	TOTAL	22,461,999

Profit/Loss from Extra-ordinary Activities

Schedule 4.28

Fiscal Year 2064/65

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1 Recovery of write off Loan	-
-	2 Voluntary Retirement Scheme Expenses	-
-	3 Loan Write-Offs (4.28) (a)	-
-	4 Other Expenses/Income	-
-	5	-
-	TOTAL	-

Statement of Loans Written-Off

Schedule 4.28(A)

Fiscal Year 2064/65

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

As at 31 Ashad 2065

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

Table of Capital Fund

(Fiscal Year 2064/65)

Schedule 4.30

PARTICULARS	PREVIOUS YEAR RS.	THIS YEAR RS.
A) CORE CAPITAL	284,473,656	1,208,217,617
1 Paid up Capital	199,540,600	1,000,000,000
2 Share Premium	-	-
3 Non-Redeemable Preference Share	-	-
4 General Reserve Fund	82,629,729	97,194,138
5 Cumulative Profit/Loss	2,303,327	11,023,479
6 Capital Redemption Reserve	-	-
7 Capital Adjustment Reserve	-	-
8 Other Free Reserves(Proposed Bonus Share)	-	100,000,000
Less : Goodwill		
- Investment in excess of prescribed limit	-	-
- Fictitious Assets	-	-
- Investment in securities of companies with financial interest	-	-
B) SUPPLEMENTARY CAPITAL	37,312,641	48,207,328
1 Loan Loss Provision on PASS Loans	14,112,845	19,649,376
2 Assets Revaluation Reserve	-	-
3 Hybrid Capital Instruments	-	-
4 Unsecured Subordinated Term Debt	-	-
5 Exchange Equalization Reserve	-	-
6 Additional Loan Loss Provision	15,138,167	24,450,134
7 Investment Adjustment Reserve	-	-
8 Provision for Loss on Investment	8,061,629	4,107,818
C) TOTAL CAPITAL FUND (A+B)	321,786,297	1,256,424,945
D) Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 11 % Percent)	266,026,094	406,928,137
Core Capital (@ 5.50 % Percent)	133,013,047	203,464,069
Capital Fund (Excess) (@ 22.96 % Percent)	55,760,203	849,496,808
Core Capital (Excess) (@ 27.16 % Percent)	151,460,609	1,004,753,548

Table of Risk Weighted Assets Statement

Schedule 4.30(A)

Fiscal Year 2064/65

ON-BALANCE SHEET ASSETS	WEIGHTAGE	PREVIOUS YEAR		CURRENT YEAR	
		AMOUNT RS.	RISK WEIGHTED ASSETS	AMOUNT RS.	RISK WEIGHTED ASSETS
Cash Balance	0%	3,078,310	-	17,914,698	-
Gold (tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	12,787,205	-	506,383,599	-
Investment in Government Securities	0%	477,229,748	-	775,415,687	-
Investment in NRB Bonds	0%	-	-	-	-
Fully secured loan against own					
Fixed Deposit Receipt	0%	36,859,059	-	10,351,000	-
Fully secured loan against Government					
Securities	0%	99,000	-	24,996,248	-
Balance with Domestic licensed banks					
and Financial Institutions	20%	18,402,432	3,680,486	4,895,769,961	979,153,992
Fully secured FDR loan against Fixed					
Deposit Receipt of other licensed banks					
and financial institutions	20%	17,756,370	3,551,274	21,776,947	4,355,389
Balance with foreign banks	20%	-	-	30,349,213	6,069,843
Money at Call	20%	1,975,297,818	395,059,564	93,404,507	18,680,901
Loan against the guarantee of internationally					
rated banks	20%	-	-	-	-
Other Investments with internationally					
rated banks	20%	-	-	-	-
Investments in Shares, Debentures and					
Bonds	100%	18,690,102	18,690,102	18,759,902	18,759,902
Other Investments	100%	366,819,854	366,819,854	452,834,591	452,834,591
Loan, Advances and Bills					
Purchased/Discounted	100%	1,397,515,628	1,397,515,628	1,952,809,044	1,952,809,044
Fixed Assets	100%	80,176,934	80,176,934	132,720,008	132,720,008
All other Assets(excluding advance tax)	100%	59,157,738	59,157,738	37,237,325	37,237,325
Net Interest Receivable(Gross Interest					
Receivable-Interest on Government					
Securities-Interest Suspense)	100%	21,473,883	21,473,883	31,242,405	31,242,405
TOTAL (A)		4,485,344,081	2,346,125,463	9,001,965,135	3,633,863,400

Cont...

Cont...

Off Balance Sheet Items					
Bills Collection	0%	-	-	-	-
Forward Foreign Exchange Contract	10%	-	-	-	-
Letters of Credit with Maturity of less than 6 months (full value)	20%	-	-	31,676,630	6,335,326
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	-	-	-	-
Letters of credit with maturity of more than 6 months (full value)	50%	-	-	-	-
Bid Bond	50%	50,000	25,000	50,000	25,000
Performance Bond	50%	138,167,404	69,083,702	111,876,201	55,938,101
Advance Payment Guarantee	100%	-	-	-	-
Financial Guarantee	100%	-	-	-	-
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liability in respect of Income Tax	100%	3,184,875	3,184,875	3,184,875	3,184,875
All other Contingent Liabilities	100%	-	-	-	-
TOTAL (B)		141,402,279	72,293,577	146,787,706	65,483,302
TOTAL RISK WEIGHTED ASSETS		4,626,746,360	2,418,419,040	9,148,752,841	3,699,346,702

Principal Indicators

Schedule 4.31

5 Years

PARTICULARS	INDICATORS	FY 2060/61	FY 2061/62	FY 2062/63	FY 2063/64	FY 2064/65
1 Percent of Net Profit/Gross Income	Percent	24.55	19.05	22.68	24.30	21.24
2 Earning Per Share	Rs.	21.08	16.02	18.25	37.57	7.28
3 Market Value Per Share	Rs.	175.00	250.00	276.00	840.00	930.00
4 Price Earning Ratio	Ratio	8.30	15.60	15.13	22.36	127.71
5 Dividend (including bonus) on share capital	Percent	30.00	31.58	24.29	30.00	10.53
6 Cash Dividend on Share Capital	Percent	30.00	0.00	-	30.00	0.00
7 Interest Income/Loan & Advances	Percent	11.77	11.22	8.13	9.60	7.40
8 Staff Expenses/Total Operating Expenses	Percent	55.96	55.53	59.30	64.36	48.98
9 Interest Expenses on Total Deposit and Borrowing	Percent	4.35	6.10	4.29	6.28	7.17
10 Exchange Gain/Total Assets	Percent	-	-	-	-	-
11 Staff Bonus/Total Staff Expenses	Percent	41.12	51.42	44.76	77.53	53.71
12 Net Profit/Loan and Advances	Percent	5.28	4.25	3.48	5.17	3.62
13 Net Profit/Total Assets	Ratio	1.62	2.09	1.46	1.70	0.82
14 Total Credit/Deposit	Percent	107.07	100.85	121.36	112.02	120.96
15 Total Operating Expenses/Total Assets	Percent	1.02	1.81	1.13	0.89	0.71
16 Adequacy of Capital Fund on Risk Weighted Assets						
a) Core Capital	Percent	14.21	20.28	14.65	11.76	32.66
b) Supplementary Capital	Percent	0.62	0.70	1.43	1.54	1.30
c) Total Capital Fund	Percent	14.83	20.98	16.08	13.31	33.96
17 Liquidity (CRR)	Ratio	44.99	6.11	2.04	5.29	9.28
18 Non-performing credit/Total credit	Percent	4.40	3.87	1.85	1.73	1.52
19 Weighted Average Interest Rate Spread	Percent	4.19	4.00	3.62	3.58	2.41
20 Book Net-worth	Rs. in '000	163,969	198,488	231,374	284,474	1,213,481
21 Total Shares	Nos. in '000	2,000	2,000	2,000	2,000	10,000
22 Total Staff	Number	26	30	32	34	54
23 Others	-	-	-	-	-	-

NMB BANK LIMITED

Schedule 4.32: Significant Accounting Policies

Financial Year 17 July 2007 to 15 July 2008 (1 Shrawan 2064 to 31 Ashad 2065)

1. General Information

Nepal Merchant Banking and Finance Limited was registered as a public limited company and had been carrying out its activities as a finance company under the license from Nepal Rastra Bank (the central bank of Nepal) as Class C financial institution. On 24th Baisak, 2065 it got upgraded into a Commercial Bank. Accordingly, its name has been changed to NMB Bank Limited (the "Bank") and its license has been upgraded to Class A financial institution. The registered office of the Bank is G.P.O. Box 11543, BabarMahal, Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

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 recognition of interest income on loans and advances as stated in paragraph 2.4 below, the generally accepted accounting principles, the provisions of Bank and Financial Institution Act, 2063, the directives issued by Nepal Rastra Bank (Central Bank) and the Company Act, 2063.

2.2 Basis of Preparation

The financial statements have been prepared under the historical cost convention. The preparation of the financial

statements in conformity with NAS and generally accepted accounting principles requires use of certain critical accounting estimates. It also requires the management to exercise judgment in the process of applying the Bank's accounting policies.

2.3 Interest Income

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

Interest income on Investments is recognized on accrual basis.

2.4 Commission Income

Commission earned on guarantees covering less than a year is accounted for on cash basis while commission earned on guarantees covering more than a year is accounted for on accrual basis over the period of the guarantee. Other commissions, fees and charges from merchant banking activities are recognized on accrual basis. Service charges on loans and advances are recognized on cash basis.

2.5 Dividend Income

Dividend is recognized as income when right to receive the payment is established.

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. The Bank has incurred loss in the revaluation.

Income realized from the difference between buying and selling rates of foreign currencies is accounted for as trading gains.

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 include direct finance provided to the customers such as bank overdrafts, personal loans, term loans & hire purchase finance. 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 are net of loan loss provisions.

2.9 Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme are reflected under Other Assets.

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

Book write-off of loans and advances has been made according to the directives of Nepal Rastra Bank and the Bank's write-off policy.

2.12 Investments

Investments in Treasury Bills and Development Bonds (issued by Government of Nepal) are the ones that have been purchased with a positive intent and ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

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

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

2.13 Fixed Assets and Depreciation

a. Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

b. Fixed assets are depreciated on diminishing balance method at the following rates:

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

c. Equipment, furniture and fixtures with a unit value of NPR 2,000 or less are expensed-off during the year of purchase.

d. Amount received from the sale of fixed assets are deducted from the fixed assets category as prescribed by the Income Tax Act, 2058.

2.14 Amortization

Software costs are amortized over a period of five years from the period of purchase.

2.15 Retirement Benefits

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

a. Provident fund

Provident fund is recognized at the time of periodic contribution to the fund.

b. Gratuity

Provision for gratuity is made on accrual basis in terms of the personnel policies laid down in the Employee Terms of Service By-Law of the Bank.

2.16 Income Tax

a. Current Income Tax

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

b. Deferred Income Tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined by using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

2.17 Stationery

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

2.18 Non Banking Assets

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

3. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

Schedule 4.33: Notes to Accounts
Financial Year 17 July 2007 to 15 July 2008 (1 Shrawan 2064 to 31 Ashad 2065)

1. 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.

2. 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 in accordance with Labour Act, 2048.

3. General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current year's profit has been transferred to General Reserve.

4. Tax Settlement Outstanding

Tax returns filed by the Company under self-tax assessment procedure for FY 2058/59, FY 2059/060, FY 2060/61, 2061/62, 2062/63 and 2063/64 are pending for final assessment by the Tax Office.

5. Provision for Gratuity

During the year, the Bank has provided Rs. 504,996 on account of gratuity payable to the eligible staff.

6. Dividend and Bonus

Rs. 52,917,964 has been set aside out of current year's profit for the issue of Bonus Shares including Rs. 5,263,158 for tax on bonus share.

7. Unpaid Dividend

As on the balance sheet date, the unpaid dividend over five years amounts to Rs. 716,772.52.

8. Paid up Share Capital

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

Financial Year	Cumulative Paid up Capital Rs.	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

9. Share premium

The Bank had issued 187,742 shares of Rs. 100 each at premiums ranging from Rs.142 to Rs. 605 on private placement. Accordingly, share premium amounting to Rs. 52,345,194 was collected. This amount was initially shown as share premium account and then fully utilized for issue of bonus shares as per the provision of the section 29 (3) (a) of the Company Act 2063.

10. Deferred Tax

Deferred income taxes are calculated on temporary differences using an effective tax rate of 31.50% (previous year rate: 31.50%)

The items attributable to deferred income tax assets and liabilities and their movement are as follows:

	Balance 16 Jul 2007	Movement during the year	Balance 15 Jul 2008
Deferred Income Tax Assets			
Accelerated Depreciation in Financial Statements	0	0	0
Gratuity Provision	841,069.77	123,880.15	964,949.92
Deferred Expenses	0	(457,222.53)	(457,222.53)
Provision for investment impairment	2,539,413.14	(1,245,450.43)	1,293,962.70
Total Deferred Tax Assets	3,380,482.90	123,880.15	2,258,912.62
Deferred Income Tax Liabilities	-	(1,702,672.97)	(457,222.53)
Net – Deferred Income Tax Asset	3,380,482.90	(1,578,792.81)	1,801,690.09

The net deferred tax asset as on 16 July 2007 has been directly credited to equity (retained earnings) and movement during the year is debited to the profit and loss account.

11. Compensation Details for Key Management Personnel

Total of Key Management Personnel Compensation	Rs. 9,603,299.36
A) Short Term Employee Benefits	Rs. 9,603,299.36 (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 are also provided with the following benefits:

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

12. Operating Lease Commitment

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

13. Reconciliation Status

Company does not have any branch office.

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

Particular	Less than 1 Year	More than 1 year less than 3 years	More than 3 years	Total
Agency Accounts	164,249,539	-	-	

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

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

Opening Balance	Disbursed	Recovered	Written off	Closing balance Rs.
1,452,230,057	2,800,319,182	2,242,616,000		2,009,933,239

15. Summary of Changes in deposit during the year

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

Particulars	FY 2064/2065	FY 2063/2064	Increase/(Decrease)
Savings Deposits	395,696,971	444,923,070	(49,226,099)
Fixed Deposits	926,512,315	682,412,718	244,099,597
Call	314,439,976	164,407,593	150,032,383
Current	22,412,139	118,998	22,293,141
Margin Deposits	2,543,349	4,526,505	(1,983,156)
Total	1,661,604,750	1,296,388,884	365,215,867

16. Weighted Average Interest Rate Spread

Particulars	Percent
Average lending/investment interest rate	7.96
Average deposit/borrowing interest rate	5.55
Net Spread	2.41

17. Summary of amortizable expenses yet to be written off

Particulars	Original value	Written Off Rs.	Book Value Rs.
Software Costs	1,451,500		1,451,500
Deferred Revenue expenditure	Nil		Nil
Total	Nil		

18. Summary of concentration of Exposure

Particulars	Loans, Advance and Bills Purchased	Deposit and borrowings	Contingent
Total amount as at 15 July 2008	2,009,933,239	1,939,717,147	146,787,706
Highest exposure to single unit	90,000,000	246,364,908	80,000,000
Highest % of exposure to single unit	4.48%	12.70%	54.50%

19. Classification of Assets and Liabilities based on Maturity

PARTICULARS	1-90 Days	91-180 Days	181-270 Days	271 Days-1 Year	Over 1 Year	Total
a) Assets						
1 Cash Balance	179	-	-	-	-	179
2 Balance with Banks	55,259	-	-	-	-	55,259
3 Investment in Foreign Banks	691	-	-	-	-	691
4 NG Securities	2,271	-	-	-	5,483	7,754
5 Nepal Rastra Bank Bonds	-	-	-	-	-	-
6 Inter Bank Lending	668	-	-	-	-	668
7 Loans, Advances & Bills Purchased	6,346	2,667	1,743	4,491	4,852	20,099
Total Assets	65,414	2,667	1,743	4,491	10,335	84,650
a) Liabilities						
1 Borrowings	2,000	-	-	-	781	2,781
2 Current Deposits	224	-	-	-	-	224
3 Saving Deposits	1,967	-	-	-	1,990	3,957
4 Fixed Deposits/Call deposits	5,824	2,699	1,437	733	1,716	12,409
5 Debentures	-	-	-	-	-	-
Total Liabilities	10,015	2,699	1,437	733	4,487	19,371
Net Financial Assets	55,399	(32)	306	3,758	5,848	65,279
Cumulative Net Financial Assets	55,399	55,367	55,673	59,431	65,279	

20. Borrowing by the Bittiya Sanstha against the collateral of own assets:

The Bank has NPR 278,112,396 as outstanding on borrowings against its assets as of Ashad end 2065, of which NPR 78,112,396 is of revolving nature and NPR 200,000,000 represent Inter-Bank Borrowings.

DISCLOSURE AS PER BASEL II REQUIREMENTS

1. Capital Structure and Capital Adequacy

- Tier 1 Capital and a breakdown of its components

	Amount in NPR'000
Core Capital (Tier I)	1,208,217
A.Paid up Equity Share Capital	1,000,000
B. Proposed Bonus Equity Share	100,000
C. Statutory General Reserve	97,194
D.Retain Earnings	11,023

- Tier 2 Capital and a breakdown of its components

	Amount in NPR'000
Supplementary Capital (Tier II)	19,649
A.General Loan Loss Provision	19,649

- Detailed information about the Subordinated Term Debts with information of the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds

None

- Deductions from capital

None

- Total qualifying capital;

	Amount in NPR'000
Total Capital Fund (Tier 1 and Tier 2)	1,227,866

- Capital adequacy ratio

Tier 1 Capital to Total Risk Weighted Exposures	34.79
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	35.35

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

- o Regular monitoring of the Capital Adequacy by Internal Auditor and Audit Committee.
- o Periodic supervision by the Top Management/Board

- Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.

None

2. Risk Exposures

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

	Amount in NPR'000 Current Period
1.1 Risk Weighted Exposures	
a. Risk Weighted Exposure for Credit Risk	3,283,891
b. Risk Weighted Exposure for Operational Risk	184,147
c. Risk Weighted Exposure for Market Risk	5,066
Total Risk Weighted Exposures (a+b+c)	3,473,104

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

Particulars	Amount in NPR'000 Risk Weighted Exposure
a. Claims on government & central Bank	-
b. Claims on other official entities	-
c. Claims on banks	1,168,787
d. Claims on corporate & securities	922,719
e. Claims on regulatory retail portfolio	189,522
f. Claims secured by residential properties	327,278
g. Claims secured by commercial real state	373,442
h. Past due claims	
i. High risk claims	1,371
j. Other Assets	222,144
k Off balance sheet items	78,629

- Total Risk weighted exposure calculation table

Attached

- Amount of NPAs (both Gross and Net)

Category	Gross	Provision	Net
Substandard	6,133,741	1,533,435	1,533,435
Doubtful	3,705,929	1,852,965	1,852,965
Loss	20,668,909	20,668,909	-
	30,508,579	24,055,309	3,386,400

- **NPA ratios**

o Gross NPA to Gross Advances	1.52
o Net NPA to Net Advances	0.17

- **Movement of Non Performing Assets**

Particulars	Opening Balance	Closing Balance	Movement
Non Performing Loan	25,074,401	30,508,579	14,245,162
1. Substandard	-	6,133,741	6,133,741
2. Doubtful	-	3,705,929	3,705,929
3. Loss	25,074,401	20,668,909	4,405,492

- **Write off of Loans and Interest Suspense**

Nil

- **Movements in Loan Loss Provisions**

Particulars	Opening Balance	Closing Balance	Movement
Loan Provision			
1. Pass	29,251,012	44,099,510	14,848,498
2. Restructured	2,019,927	1,810,878	(209,049)
3. Substandard	-	1,533,435	1,533,435
4. Doubtful	-	1,852,965	1,852,965
5. Loss	25,074,401	20,668,909	(4,405,492)
Total Loan Provision	56,345,340	69,965,697	13,620,357

- **Interest Suspense**

Particulars	Opening Balance	Closing Balance	Movement
Interest Suspense	16,425,952	18,805,421	2,379,469

- **Details of additional Loan Loss Provisions**

Particulars	Opening Balance	Closing Balance	Movement
Total Loan Loss Provision	13,628,832	32,128,545	18,499,713

3. Risk Management Functions

- For each separate risk area (Credit, Market and Operational risk), Banks must describe their risk management objectives and policies including

o Strategies and processes

Credit risk process is a joint effort of marketing and credit areas. Relationship Managers and Account Officers on one hand are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring security, protection and control of the Bank's assets and collateral, and the Credit Officers on the other independently analyze the proposals on the risk aspect.

o The structure and organization of the relevant risk management function

The Board of Directors (BOD) is the ultimate authority in the decision making process. The process, however, is initiated at the business unit, officers, unit heads/ALCO level, credit quality control and goes through the General Manager, Chief Executive Officer and the BOD. The risk management stops at different levels depending on the Bank's policy relating to approval discretions. Further policy manuals on credit, assets liability, information technology and operations are also available to guide the staff on day to day business.

o The scope and nature of risk reporting and/or measurement systems

Risk reporting/measurement system is done through regular customer interactions, site inspections and annual reviews. These are continuous processes. Further, quarterly review of the Bank's performance is conducted every quarter by independent outsourced internal auditors and the Bank's compliance officer on compliance issues and findings reported to the BOD through Internal Audit Committee.

o Policies for hedging and/or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges/mitigants

Policies for mitigating risks and strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions/visits, during annual reviews, quarterly reviews and at meetings at various levels.

• Types of eligible credit risk mitigates used and the benefits availed under CRM

None

NEPAL RASTRA BANK'S APPROVAL AND DIRECTION

Nepal vides its letter no :-Bai. Su. Bi/offiste/AGM/14/065/066 dated 2065/7/11 permits the Bank to publish its financial statement for the fy 2064/65 as per the direction given below and further distribute the proposed bonus share to its shareholder after its approval from the AGM;

1) Remarks regarding the formation of audit committee and other remarks as identified by the auditor in its preliminary audit report are to be addressed accordingly and inform the NRB about the same.



NMB Bank Ltd.

एनएमबी बैंक लिमिटेड

Customer Care - Our Religion

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