



SAFE AND SUSTAINABLE GROWTH

ANNUAL REPORT - 2009/10



NMB BANK LIMITED
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NMB BANK LIMITED
एनएमबि बैंक लिमिटेड

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■ ■ ABOUT US

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

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

We are NMB Bank.



■ ■ VISION

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

■ ■ MISSION

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

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

BOARD OF DIRECTORS



STANDING (from left to right)

Purushotam Lal Sanghai
Director

Dipak Narsingh Shrestha
Public Director

Upendra Poudyal
Chief Executive Officer

Atma Ram Murarka
Director

Harischandra Subedi
Public Director

Rita Pant
Professional Director

Shanti Byahut
Director - (Representative
Employee Provident Fund)

SITTING (from left to right)

Dr. Hari Prasad Shrestha
Public Director

Pawan Kumar Golyan
Chairman



■ ■ CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

Macro Economic Environment and Outlook:

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

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

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

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

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

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

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

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

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

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

On the other hand, Visit Nepal 2011 initiative taken by the government is expected to have some positive impact on economic activities with growth in tourist inflow into the country. Likewise, there are number of pipeline green field infrastructure projects in Cement, Hydropower, etc., which is also expected to fuel the overall growth in the economy. These are expected to create new opportunities for stable macro economic growth in the FY 2010/11.

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

Acknowledgement:

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

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

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

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

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

Pawan Kumar Golyan
Chairman

■ ■ CEO'S MESSAGE

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upendra Poudyal
Chief Executive Officer

■ ■ DIRECTOR'S REPORT

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

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

Economic Review

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

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

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

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

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

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

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

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

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

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

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

Financial Highlights

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

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

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

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

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

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

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

Deposits

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

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

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

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

Credit Flow and its Management

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

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

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

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

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

Investment and Treasury related activities

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

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

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

Non-Funded activities and Income

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

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

Foreign Exchange and exchange fluctuation income

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

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

Human Resource and Operating cost

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

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

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

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

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

Branch Network

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

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

Plans ahead

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

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

service level of the Bank.

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

Risk Management

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

Operation Risk Management

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

Credit Risk Management

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

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

Balance Sheet Risk and Market Risk

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

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

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

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

Corporate Governance

The Board and Management

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

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

Altogether 22 Board Meetings were held during the year:

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

The Board of Directors is represented by a mix of prominent business personalities and experts/ professionals and are non-executive. This has therefore helped in maintaining structural balance between management and the policy makers. The Board has been actively involved in formulating various policies and strategies/ plans. It has also been involved in approving annual financial plans, regular monitoring of the performance, overseeing general compliance level and matters related to capital structure. The Board has also been involved in approving large value business arrangements which ensures certain top level oversight in key business affairs of the Bank. The management is led by Mr. Upendra Poudyal, Chief Executive Officer. He has been associated with the Bank since 2000. He is ably supported by a team of professionals. Mr. Poudyal is also playing the role of Company Secretary as well.

Audit Committee

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

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

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

Policy Formulation Committee

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

Additional Disclosure as per Section 109 of the Company Act

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

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

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

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

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

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

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

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

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

■ ■ MANAGEMENT TEAM

Sunil KC
General Manager

Upendra Poudyal
Chief Executive Officer

Sameer Chhetry
Head Investment Banking

Pratibha Lohani
Head Compliance

Pradeep Pradhan
Chief Operations Officer

Bijay Giri
Head Human
Resource Management

Suman Sharma
Head Business
and Retail Banking



■ ■ CORPORATE GOVERNANCE

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

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

Board and Management

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

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

Audit Committee

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

Executive Committee

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



■ ■ RISK MANAGEMENT

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

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

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



Liquidity Risk

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

Credit Risk

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

Market Risk

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

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

Operational risk

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

We have Operations Risk Management (ORM) as a separate and independent function which basically entails Operational hazard identifications and takes reasonable measures to minimize those risks. Operation Risk Management function of the bank is designed to minimize risks in order to reduce mishaps, preserve assets and safeguard the wealth and welfare of the bank.

The Bank's Compliance unit ensures compliance with the internal as well as external regulations. The unit along with ORM is involved in implementing Anti Money Laundering (AML) and Know Your Customer (KYC) guidelines and also carries out the reporting function related to KYC. Similarly we have devised process guidelines for different operational activities in order to standardize the process throughout the bank. The basic objective of these manuals is to set the minimum control standards that are basically based on the banks policy. Supervising and periodic review of the process shall be evaluated to ensure the effectiveness of those set guidelines. In the mean time participative approach in development and implementation of operational procedures has been encouraged for developing a sense of ownership.

■ ■ ■ MICRO FINANCE

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

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

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

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

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



DEPARTMENT HEADS

Sanju Shrestha
Sr. Relationship Manager
- Liability and Branch

Sizen Pudasaini
Relationship Manager -
Micro Finance Unit

Govind Ghimire
Manager - Newroad

Sushama Sharma
Relationship Manager -
Liability Management

Shreejesh Ghimire
Sr. Relationship Manager
- Corporate Banking

Madhav Pradhan
Head - Central
Administration

Puspa Aryal
Head - Trade Finance and
Correspondent Banking

Neeraj Man Sainju
Head - Treasury

Dinesh Chand
Officer - Operations Risk
Management

Deepa Shrestha
Officer - Software
Development

Alok Shrestha
Head - Finance, Planning
and IB Operations

Pramod Dahal
Head - Credit Risk
Management



■ ■ SOCIAL RESPONSIBILITIES

“Shaping a better tomorrow beyond banking”

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

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

To contribute towards the enhancement of social wealth and betterment of society the Bank has always tried to maintain a true partnership in the progress of the community it serves. It is not only conscious in maximizing its profitability but also equally conscious about its responsibility towards the society where it carries out business and generates income. We took a number of initiatives in the discharge of the broad social responsibility. The main services being rendered by the bank on its front basically include those related to education, healthcare, sports, culture, natural calamities and other social services like every other corporate Entity to contribute to the enhancement of social wealth and betterment of society.

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

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

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

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

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



■ ■ HUMAN RESOURCE MANAGEMENT



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

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

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

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

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

■ ■ INVESTMENT BANKING



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

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

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

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

BRANCH MANAGERS



STANDING
(from left to right)

Nishit Sharma
Branch Manager,
Babarmahal Branch

Hansha Bd. Dhami
Branch Manager,
Nepalgunj Branch

Dibir Bikram Shah
Branch Manager,
Banepa Branch

Rabi Chandra Gurung
Branch Manager,
Pokhara Branch

Milan Udas
Branch Manager,
Dharan Branch

Parsuram Uprety
Branch Manager,
Lubhu Branch

Yubraj Dhakal
Branch Manager,
Butwal Branch

Shailesh Hamal
Branch Manager,
Biratnagar Branch

Suraj Shrestha
Branch Manager,
Thamel Branch

SITTING
(from left to right)

Kunjini Rajbhandari
Branch Manager,
Kumaripati Branch

Samjhana Pokhrel
Branch In-Charge,
Durbarmarg Branch

■ ■ GROWING NETWORK



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

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

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

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

■ ■ PARTNERSHIP

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



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

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

Women Development Centre of Nepal ■ ■



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

Dhundi Raj Chalisey
Treasurer
Nepal Paralympic Committee ■ ■





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

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

Tashi P. Lama
Social Worker ■ ■



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

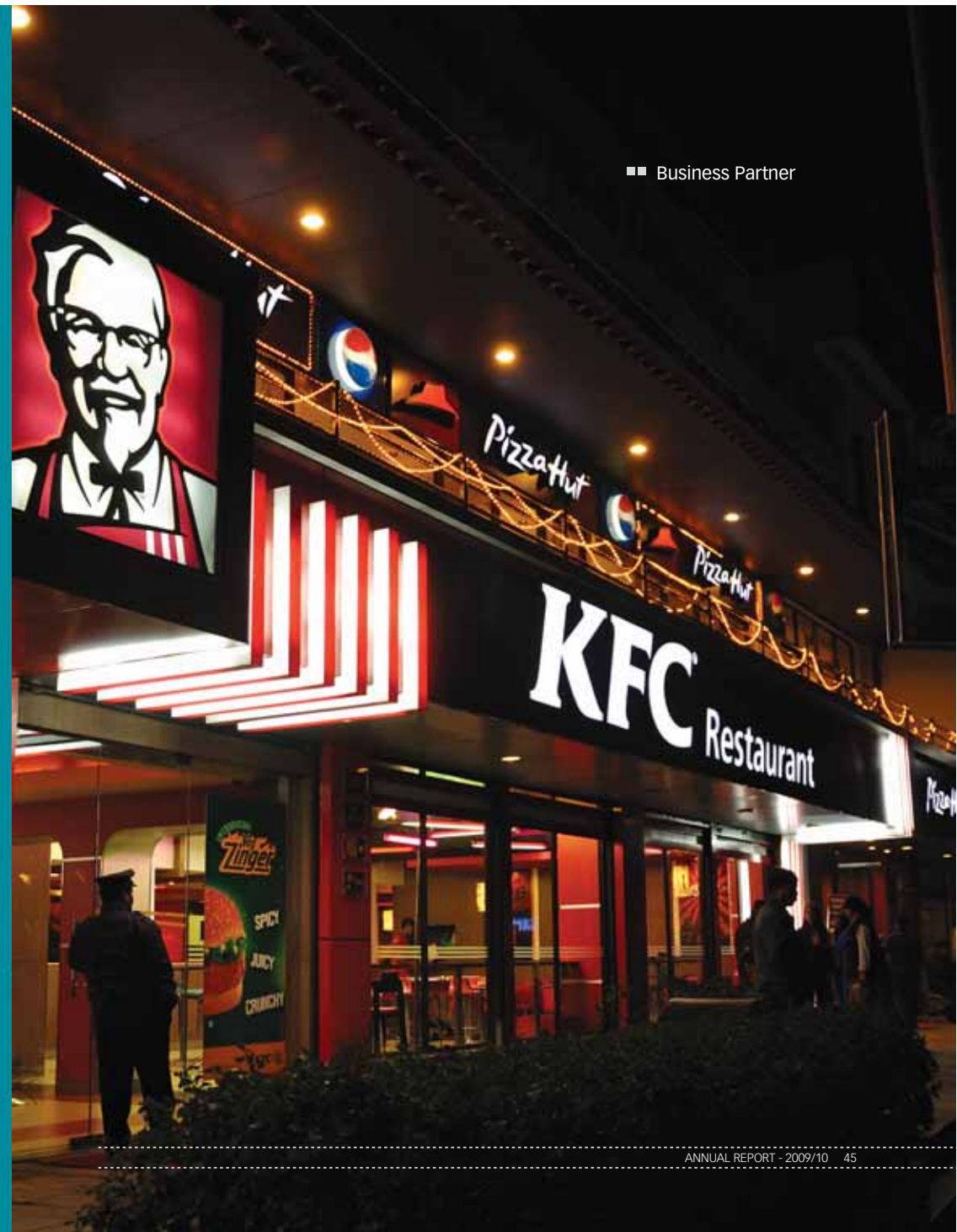
Sujeev Shakya
Author of Unleashing Nepal,
Co-founder of Beed Management ■ ■



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

Rameshwor Karmacharya
Dy. Managing Director
Nepal Telecom ■ ■

■ ■ Business Partner



WE HAVE BOYCOTTED OUR PUBLIC HOLIDAYS

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दुखाने हुने बचत / बचत
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हुन्छ। अलकापुरी बचत
मा २५% अतिरिक्त बचत सुविधा

सुपरमि बचत सुदृढताको साथै

बचतको साथै सुदृढताको साथै
"सुदृढताको साथै बचत"

- अतिरिक्त बचत सुविधा
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