THINK BUSINESS

NABIL BANK®

28th Annual Report 2011-12

Cover Theme:

"The crossroad we stand at as a nation today we foresee a glowing domestic economy; a bright future for all Nepalese. Our natural resources keep inspiring us to exploit our national competitiveness through developing hydropower, tourism and agri-business. Aligning the Bank's interests with those of the economy, Nabil continues promoting sustainable economic activities and realizing copious entrepreneurial ventures across the national geography."

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CUSTOMER FOCUSED

Customer care and delight came into being with Nabil's arrival in Nepal 28 years ago. This paradigm shift in banking was architected by Nabil in Nepal. To this end products and services are always engineered to customers' expectations and needs. This pre-supposes the fact that at Nabil customers are always at center-stage in all its decision making and work processes.

OVERVIEW

01

ABOUT NABIL BANK

Nabil has successfully completed 28 glorious years since commencement of its operations on 12th of July 1984. Over the years the bank has expanded its outreach across 72 districts of the country through a network of 48 branches, 78 ATMs and 2330 remittance agents. With initial paid up capital of NRs.28 Million the bank has grown to become one of the largest capital based banks in the country today. In terms of asset size, net worth, profitability, deposit and lending portfolios the bank is regarded as one of the leading institutions. For financial year ending July 2012 Nabil Bank is perhaps the highest profit making private sector bank in Nepal posting a net profit of NRs.1,696 Million. As on date the bank's asset base and capital fund stand at NRs.63,200 Million and NRs.6,087 Million respectively.

28 years ago Nabil pioneered professionalism in the banking industry in Nepal giving it a drive. The bank set up well equipped marketing teams conceptualizing the need for identification of customers requirements and designing products and services to their full satisfaction. Since the beginning this culture was so deeply rooted that it has continued over time while we reached to every new locations. It has therefore established brand Nabil for quality banking. This can appropriately be attributed to this culture the bank has instilled from generation to generation and the legacies of professionalism left behind by the predecessors.

Looking back upon a long stretch of time we have had a series of achievements to celebrate. Difficulties and crises were there but Nabil saw a sea of opportunities and worked to cash in on them. Our inexorable endeavours and a clear vision has capacitated us to plough through some of the most testing moments in our nations history.

Chronology of branch expansion is presented as under:

S. NO.	YEAR	BRANCHES	CUMULATIVE NUMBER
1	1984/85	*Tripureshwor, Kantipath	2
2	1985/86	Jorpati, New Road	4
3	1987/88	**Power House Chowk	5
4	1988/89	Birgunj	6
5	1991/92	Biratnagar	7
6	1992/93	Lalitpur	8
7	1995/96	Butwal	9
8	1996/97	Bhalwadi, Pokhara	11
7	2000/01	Itahari	12
8	2001/02	Bhairahawa, Lakeside Pokhara, Nepalgunj	15
9	2003/04	Dharan	16
10	2004/05	Maharajgunj	17
11	2007/08	Baglung, Dhangadhi, Mahendranagar, Damak, Narayangadh, Ghorahi, Tulshipur, Birtamod, Hetauda	26
12	2008/09	New Baneshwar, Halchowk, Thamel, Kaushaltar	30
13	2009/10	Chabahil, Maitidevi, Satdobato, Balaju, Kuleshwar, Khandbari, Charikot	37
14	2010/11	Dhulikhel, Gorkha, Besisahar, Chandragadhi, Teendhara, Dhapashi, Anamnagar, Sinamangal, Gwarko, Attarkhel	47
15	2011/12	Janakpur	48

* Then Kamaladi branch office which was subsequently relocated to World Trade Centre premises at Tripureswor on 27th May 2007.

** Then Sugauli branch office which was subsequently relocated to Birgunj dry port on 21st March 2001 and thereafter to Power House Chowk, Birgunj on 3rd July 2006.

01

VISION, MISSION AND VALUES STATEMENTS

Vision Statement

At Nabil, our Vision is to be a bank for all across all geopolitical zones and socioeconomic strata of the nation that can provide myriads of financial solutions and create values for all our stakeholders, to stand in the community with our economic and civic roles. We look forward to emerging as a first rate bank across all strata of the nation.

Mission Statement

We at Nabil work together up to our vision and to bring it into reality. Our mission is therefore to prove that Nabil is driven by the spirit for realizing those visionary aspirations. With that end in view, we work in partnership with our stakeholders and the community at large. Our roadmap to reaching where we have set our mind on is by maneuvering our strategic action plans through a well-teamed and synergistic workforce into industrial end products – our customized services. Our approaches are to differentiate our products by reengineering them with the best technologies and management philosophy keeping in focus our customers' satisfaction over and above everything else at all times. We have set our goals and objectives to hone the skills of inspired HR force and tailor our products and services to that end. With an all inclusive approach Nabil engages in customizing ranges of products catering to the entire gamut of society from financing megaprojects to underprivileged individuals and promoting enterprises across all segments of society by adding values to nation building endeavours. We are branching out on a national scale through our wide-ranging points of representation representing different geographic and economic zones along with our broad global network as a 1ST CHOICE PROVIDER OF COMPLETE FINANCIAL SOLUTIONS.

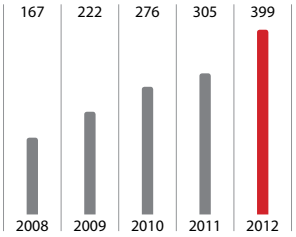
Values Statement

We surge to turn our services and products into economic values for our treasured customers, taking care of their financial needs. We know the world is changing and to keep pace with that we customize our services and re-engineer our products in sync with changing time and technology. We are always geared up for translating great aspirations of our stakeholders into economic and social values. We know our customers expect unparalleled service standards; our community cherises seeing the bank emerging as responsible corporate entity. We go beyond just making profits. Our shareholders value financial returns together with the safety of their investments.

At Nabil, values for its employees are always well-defined, for it always knows that staff are great movers, therefore recognizing their financial, corporate and social values get their spirits always going to the creative end. Nabil fosters corporate governance, realizing the values our regulators always cherish through financial disciplines. The bank has, in essence, set C.R.I.S.P. as its values that it lives by day in and day out in operating its businesses.

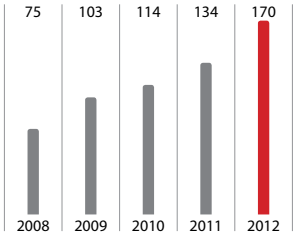
FINANCIAL HIGHLIGHTS

TOTAL OPERATING INCOME:
NRS.3.99 BILLION



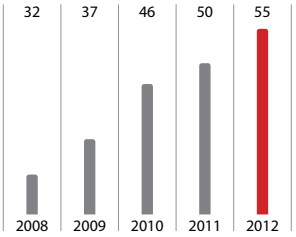
GROWTH RATE OF 2011/12: 31%
5 YEAR CAGR: 22%

NET PROFIT AFTER TAX:
NRS.1.70 BILLION



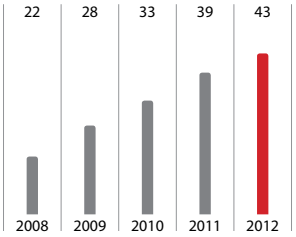
GROWTH RATE OF 2011/12: 27%
5 YEAR CAGR: 20%

TOTAL DEPOSIT:
NRS.55.02 BILLION



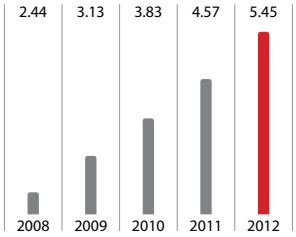
GROWTH RATE OF 2011/12: 11%
5 YEAR CAGR: 19%

GROSS LOANS AND ADVANCES:
NRS.42.87 BILLION



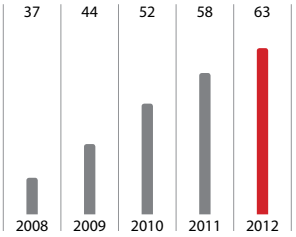
GROWTH RATE OF 2011/12: 10%
5 YEAR CAGR: 22%

SHAREHOLDER'S FUND:
NRS.5.45 BILLION



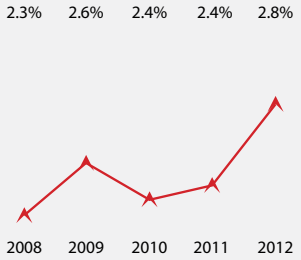
GROWTH RATE OF 2011/12: 19%
5 YEAR CAGR: 22%

TOTAL ASSETS:
NRS.63.20 BILLION

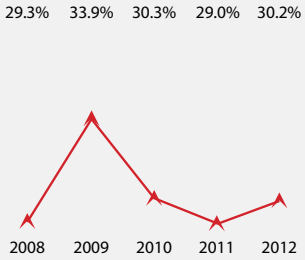


GROWTH RATE OF 2011/12: 9%
5 YEAR CAGR: 18%

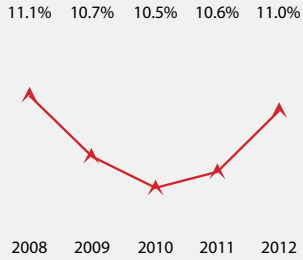
RETURN ON ASSETS: 2.80%



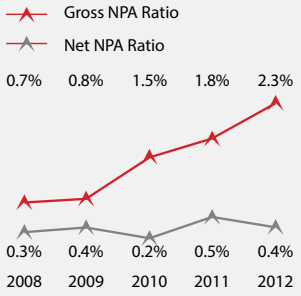
RETURN ON EQUITY: 30.25%



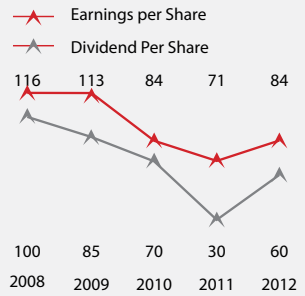
CAPITAL ADEQUACY RATIO: 11.01%



GROSS NPA RATIO: 2.33%
NET NPA RATIO: 0.38%



EARNINGS PER SHARE: NRS.83.57
DIVIDEND PER SHARE: NRS.60.00



01

CHAIRMAN'S MESSAGE

I am privileged to share the Bank's achievement of year 2011/12. The Bank's operating profit before provision is Rs.3.06 billion an impressive growth of 40% over the profit of previous year. Similarly net profit of the Bank is Rs.1.69 billion with 26% growth over the previous year. The Bank improved its efficiency in delivering the result, perhaps the highest profit among private sector Banks.

The Bank has improved the spread, managed asset and liability effectively, expanded the bases of commission/fee, emanated new derivative business. All these actions were taken after assessing the existing business and poor growth potential under lending. It has become possible for the Bank to deliver this impressive result due to its strong infrastructure built by its staff as well as directors over the years. The Bank has harnessed the expertise of its staff, taken suggestions from all the concerned including shareholders and NRB whose invaluable guidance has contributed to overall improvement in the Bank's performance.

The Bank's strengths rest on its strong capital base, diversified clientele base, strong management and network as well as the trust & confidence earned from its stakeholders since the beginning. Year 2011/12 was full with chaos. Market for good lending remained flat during the year. Since country's main focus was towards drafting the new constitution, business activities and new ventures under the circumstances were experienced at lower level. This did not provide ample space for the Banks for robust growth. The Bank, understanding the ground reality, focused more on overall business consolidation and this gave the result which is one of the best in the industry for the year. The Bank, over the stretch of 28 years of experience, has garnered ideas and strategies to overcome such adverse situations. We even visualized opportunity to improve performance under given circumstance. That is the reason Nabil stands here robustly rooted in the Banking industry in terms of its strong financial performance and substantial returns. This speaks of the Bank's strong corporate fundamentals that enabled it to sustain continued growth and deliver a substantial return to our investors.

We take this pride to inform you that the best efforts put in by our staff has enabled us to achieve the status of becoming one of the major tax payers to government. We believe our contribution to the national coffer must have brought smiles in the faces of those people who need government assistance the most. We take it as a pride that we could also extend our hands in the endeavor of government to better the lives of its people.

Nabil is driven by its corporate culture and governance. Nabil goes by international standards accounting and business norms. Nabil Bank has always been disclosure compliant and

"We take this pride to inform you that the best efforts put in by our staff has enabled us to achieve the status of becoming one of the major tax payers to government."

has received Best Presented Accounts Awards continuously for the last three years from the Institute of Chartered Accountants of Nepal, a regulatory body for Accounting and Auditing of the country. The Bank in true sense of term is following the best business practices and prudent Banking norms. Honors conferred on the Bank are proof of these facts. The Bank is always committed to achieve high and set even higher standards on its way of doing business.

It has been possible for the Bank to march with strong footing because of the trust and confidence all our stakeholders have put in the Bank. In any environment Nabil is going far and wide extending its branches and business outlets to large economic zones, thus stimulating industries, trades and agricultures in the nation. This in effect is boosting up entrepreneurial and employment opportunities across diverse socioeconomic segments.

Nabil treasures the patronage of investors and the community it forms part of. There is a mutual and coordinated relation between the board and the management for common objective of the Bank that has always formed a strong bond to uphold the Bank's image. The Bank is entirely managed by local people with both local and international exposure, yet has delivered impressive result. The employees of the Bank form a coordinated team and are given opportunity to be productive. They too grow together with the growth of the organization. The board has encouraged every one for better performance and has also extended its hand at any need of an individual or a group. Thus we all become a great organic corporate entity.

Finally, the year 2011/12 has continued to be a year of achievement for Nabil. I would like to thank all my colleagues, the board members for their incalculable efforts and supports to get the Bank at this corporate height in the nation. My especial thank goes to our regulators for their guidance and suggestion. The modern banking started with the advent of Nabil in the country and former governor late Kalyan Bikram Adhikary had played a key role in shaping its concept. Similarly first chairman of the Bank Mr. Sashi Narayan Shah through his rich knowledge and experience on economics as well as international banking sailed the bank smoothly during the thorny paths of its inception. Mr. G. S. Srivastav and Mr. S. C. Kabadkav, both past Executive Directors of the bank played key roles in taking the bank forward with wide vision and great mission. Our past Board Member late Supriya Gupta, a true banker with rich international banking experience also had great contribution in meticulously drafting strategies that provided momentum in the bank's path to success. I truly put a note of acknowledgement for their untiring efforts and extend my sincere thanks to all of them. I equally appreciate and offer my sincere thanks to shareholders who, at all times, have stood by the bank. The dedicated management team and all the staff are part of this achievement and deserve an appreciation. The patronage and support in these 28 years of journey extended by our valued customers is really noteworthy and I extend my sincere thanks to them for providing an opportunity to serve them. I equally expect the continuation of same in the days ahead from all the stakeholders.

Shambhu Prasad Poudyal
Chairman

BOARD OF DIRECTORS

As of 17 October 2012

Mr. Shambhu Prasad Poudyal, *Board Chairman*

Represents Group 'C' Shareholders

Mr. Poudyal, aged 69, has been there in the Board since 2004. Prior to this also he held the directorship in the Bank during 1986–1994. He has 17 years of banking experience at Nepal Rastra Bank (NRB), the central bank of Nepal. He was the Executive Chairman of Rastriya Beema Sansthan during 1999–2002. He has also served as a director in the Board of Unilever Nepal Limited. He also held the position of chairman of Board of Nepal Housing and Development Finance Co. Ltd. Besides, he has also been associated with non-profit making institutions like Nepal Mountaineering Association in the capacity of vice president, Nepal Red Cross Society (Kathmandu Branch) and Nepal Family Planning Association (Kathmandu Branch) in the capacity of executive member. He was also the Chief Editor of Mirmire, a publication of NRB. Mr. Poudyal has long experience in banking, insurance, journalism and non-profit making institutions.

Mr. Dayaram Gopal Agrawal, *Board Member*

Represents Group 'C' Shareholders

Mr. Agrawal, aged 47, has been serving as Director of the Board since 2004. Prior to this also he held the directorship in the Bank representing Group 'C' shareholders during 1994–2003. Mr. Agrawal is an entrepreneur and has been in business for the last two decades. He brings with him rich experience in financial management, operational management and decision making.

Mr. Krishna Prashad Acharya, *Board Member*
Represents Group 'B' Shareholders

Mr. Acharya, aged 39, was elected as Director of the Board in October 2010, representing Group 'B' shareholders. Prior to this also, he held the directorship in the Bank representing Group 'B' shareholders during 2008–2009 nominated by Nepal Industrial Development Corporation. He is a Chartered Accountant qualified from the Institute of Chartered Accountants of India. He had served as the General Manager in Nepal Industrial Development Corporation (NIDC) and as CEO in United Insurance Company (Nepal) Ltd. Very recently he has been appointed by the Ministry of Finance, Government of Nepal as Administrator of Employees' Provident Fund. Mr. Acharya's rich experience in the accounting profession for over a decade brings expertise in risk management, accounting/audit and corporate governance.

Mr. Nirvana Chaudhary, *Board Member*
Represents Group 'A' Shareholders

Mr. Chaudhary, aged 30, was appointed as Director of the Board in November 2010.
Mr. Chaudhary is an incumbent Managing Director of Chaudhary Group, a Nepali business conglomerate. He also holds directorship in United Insurance Company. He had previously held directorship in United Finance Company. He brings to the Board rich experiences in the areas of overall business management and financial services.

Mr. Krishna Bahadur Manandhar, *Board Member*
Represents Group 'A' Shareholders

Mr. Manandhar, aged 61, was appointed as Director of the Board in April 2011. Prior to this he also held the directorship in the Bank as a representative of Nepal Rastra Bank, Central Bank of the country, during 1999–2002. He was Deputy Governor of Nepal Rastra Bank during 2005–2010 and also held directorship in the Board of Rastriya Banijya Bank Ltd. (1998–1999), Securities Exchange Board of Nepal (2004–2005) and Purbanchal Grameen Bikash Bank Ltd. (2004–2005) representing Nepal Rastra Bank. He holds Master's Degree in Economics from Tribhuvan University, Nepal and Post Graduate Diploma in Development Economics from University of Manchester, England. His banking experience spans over three and a half decade of service in the central bank. He brings to the Board rich experience and expertise in policy level decision making.

Mr. Binaya Regmi, *Company Secretary*

Mr. Regmi, aged 57, has assumed the role and responsibilities of the Bank's Company Secretary since May 1989. He joined the Bank in Dec 1985 and has worked in multiple capacities and functions. Currently Mr. Regmi is the Deputy General Manager of the Bank, where he looks after Company Secretariat including legal and share, administration, support and information technology.

01

CEO'S MESSAGE

The financial performance of the bank, as will be clear in the ensuing pages of this report, for the just concluded FY 2011/12 has been extraordinary. The revenue line has grown by over 31% to reach approximately NRs.4 billion while at the same time continuous focus on expense management has helped us stem expense growth to only 9%.

This helped us close the pre-provision operating profit at over Rs. 3 billion, a growth of 39.74% over prior year number. It gives me great pleasure to state that the market has recognized strong performance of the Bank in FY 2011/12 as very impressive. I would like to thank all the staff for hard work and dedication making it possible for the Bank to ascend this height in the industry even amidst difficult circumstances and unfavorable business environment.

As expressed last year, we have an objective of becoming a bank that will be an example not only in terms of profit but also in terms of service quality, corporate culture, technology and risk management. Recognizing the importance of all round performance for the long term sustainability of the bank we have introduced Balanced Scorecard for performance management. This will entail providing equal focus and importance to all the four pillars- financials and profit growth; product/technology modernization and service quality to cater to the need of customer; improvement in processes and control mechanism of the bank thereby adopting better control and risk management system; and finally overall development of bank's human resources and policies.

"Recognizing the importance of all round performance for the long term sustainability of the bank we have introduced Balanced Scorecard for performance management. "

We continue to strive to make good governance and transparency as the cornerstone of how we do business. In this regard a very comprehensive Employee Code of Conduct Policy and Whistle Blower Policy has been implemented as a part of good governance practices. The bank resultantly has bagged Best Presented Accounts Awards consecutively for the last three years. The bank has also received Certificate of Merit from the South Asian Federation of Accountants. All these accolades drive us to excel further.

Reminiscing Nabil's business commencement on the 12th of July 1984, the birth of Nabil has to do with the herald of professional banking in Nepal that marked how we have differentiated our customer service approach. The story of how we have evolved into a big corporate organization is also reflected in the legacies left by those who set up this bank and worked in this organization at different moments in the span of 28 years.

I would like to take this opportunity to reiterate my commitment to lead the Bank toward achieving the mission of becoming the 1st choice provider of complete financial solutions keeping in mind the long term interest of all the stakeholders. I would also like to express my heartfelt gratitude to the Board, the stockholders, regulators, customers and the communities we work in for continuous support and faith on Nabil Bank to make it truly the First Choice Provider of Complete Financial Solutions.

Anil Gyawali
Chief Executive Officer

01

MACRO-ECONOMIC OUTLOOK

Domestic Outlook

Economic activities have largely been affected by political stalemate in the country. After dissolution of Constituent Assembly without new constitution the government faced serious attack from opposition and full fledge budget could not make its way. As a result government brought 1/3rd through vote of accounts for first four month, based on the budget volume and program and policies of last year. The incumbent government is thriving hard to achieve the agreement of all major parties to bring full budget. There is however huge skepticism in the business community that this will materialize. If the government fails to obtain consensus of key parties, it is more than likely that 2/3rd budget will be proposed for remaining period of current fiscal year, keeping its total size at last year's level and without any new programs and policies. These mechanisms are expected to hurt the sentiment of business community and new venture including outside investment is less likely in the country.

A positive development for business community is reduction of interest rate due to excess liquidity in the market. However business sentiment is still negative and major investment in new sector/ venture seems to be in wait and watch mood. Unless government policies are stable, power crisis is resolved and consensus reached among the major stakeholders of politics the growth and expansion of business at a faster pace is less likely.

The government has projected 5.1% economic growth for the current year. The same last year is assumed to be 4.6%. Rising inflation due to depreciation of NPR with major currencies (except INR), looming power crisis, rising labor issues and poor as well as uneven rainfall is likely to cause a dent to the economy and achievement of projected growth of 5.1% is expected to be a herculean task. Since no new policies and programs are there in place and existing one are also likely to face budgetary constraints, spending under infra and developmental activities from government side will also be at lower level, equally considering the less time remained under current fiscal year. Export competitiveness has also weakened mainly due to rising labor cost, power shortage and poor order from the importer taking stock of the country risk.

Nonetheless, with political stability in the country, tourism sector is likely to experience better business. Similarly BOP surplus, low interest rate and easy process for doing business are key drivers for business growth, which will be there on incremental basis. Remittance inflow which has been key component for the economy to withstand surplus BOP is likely to give further drive as exchange rate of NPR with major currency has gone up. This eventually will lead to consumer spending and domestic consumption from private sector including that for private construction.

Banking industry is expected to face pressure under interest spread. With implementation of base rate the stress is likely to be there for further reduction of lending rates. On the other hand the room for deposit rate reduction is less likely, exerting pressure on ether side. Similarly yield on investment portfolio which used to be as high as 9% has come down to below 2% level. The banks hold about 25% of portfolio under investment and such fall in yield under investment will generate lower income for the bank. Likewise sectoral exposure particularly under real estate, retail etc. will have some more impact. With introduction of new provisions like third party collateral based lending requiring additional 20% provision and individual revolving nature exposure bringing down to Rs.10 million ceiling, the banking sector will face tough time ahead.

In spite of these adversities positive development in political and economic front is possible. The country has geographical advantage of being located in between China and India, two of the world's largest and fastest growing economies. Nepal itself is rich in terms of natural resources and youthful work force. However this largely depends on the political development at home and stability of the situation including government programs and policies.

International Outlook

The global economy is still recovering from the financial crisis of 2008-2009. Major world economies are still healing the scars of crisis. Deepening sovereign debt crisis and a lack of policy consensus in the Eurozone periphery has shaken up investor confidence across financial markets globally. The post-election fiscal debate in the USA, political leadership transition in China and weakening economic growth in major emerging market economies have further spiked uncertainty in the world economy.

The International Monetary Fund (IMF), in its July 2012 update on world economic outlook, has projected growth in global economy at 3.5 percent in 2012 and 3.9 percent in 2013. However, these forecasts are based on two important underlying assumptions. First, there will be sufficient policy action to allow financial conditions in the Euro area periphery to ease gradually. Second, the recent policy easing in emerging market economies will gain traction. Both of these assumptions are highly subjective and the skepticism remains.

In the USA, presidential election has settled in with another term for the existing leadership. Existing policies are therefore likely to continue. However, some of the stimulus packages like tax cuts that were introduced in the past are about to expire. In effect this is likely to increase the budget deficit further and push the economy towards a fiscal cliff. Therefore, priorities in the US will be on raising the debt ceiling, developing a medium-term fiscal plan and avoiding the fiscal cliff. Delayed or insufficient policy action could push the economy into recession, increase unemployment and reduce consumptions.

The IMF outlook has placed Eurozone at the epicenter of a further escalation in financial market stress. Major areas of concern include increasing political and financial uncertainty in Greece; problematic Spanish banking sector; doubts about EU governments' ability to deliver on fiscal adjustment and reforms; and doubts about the extent of partner countries' willingness to help. Leading economic indicators prelude renewed contraction in economic activities in the EU as a whole.

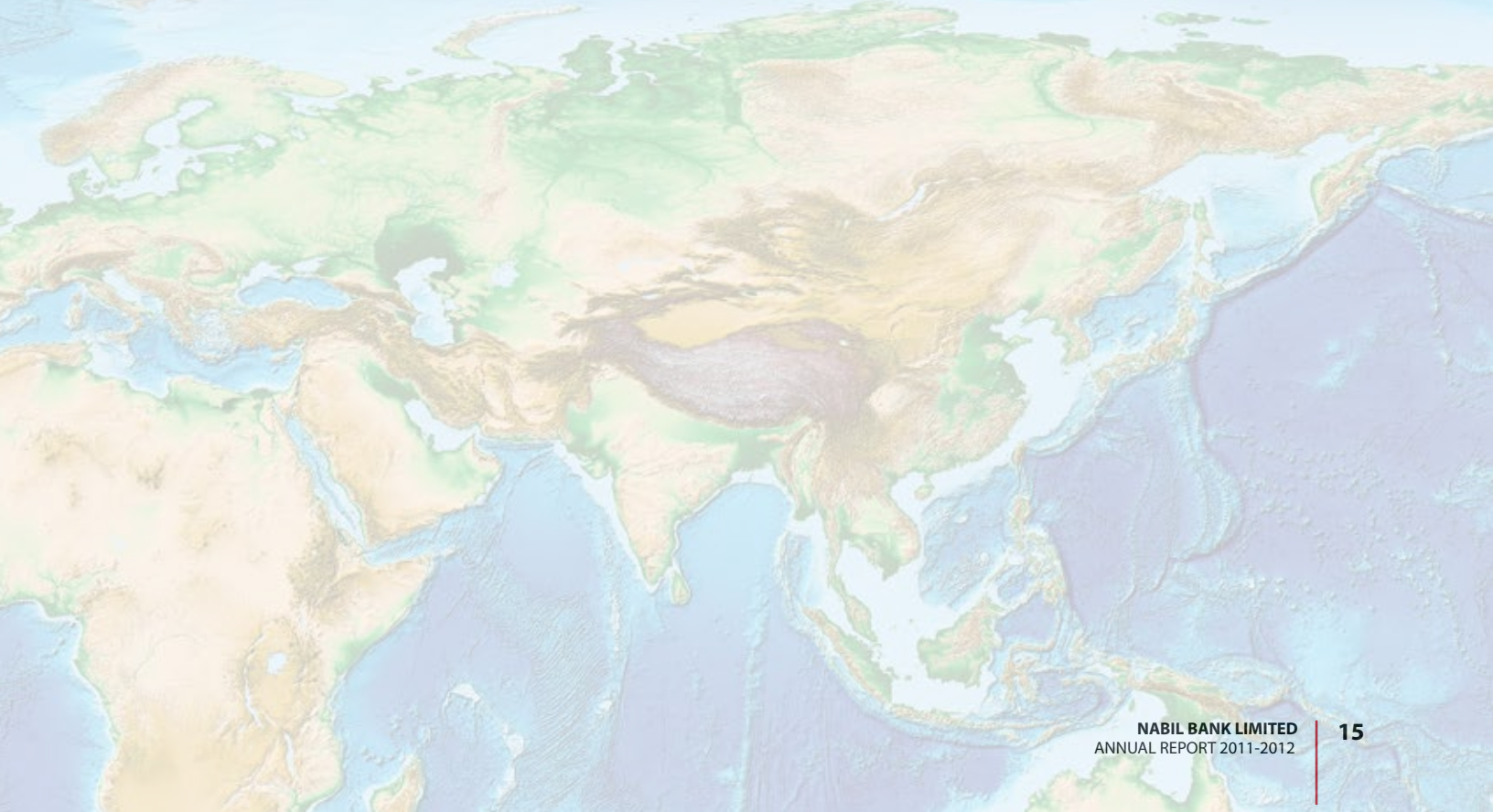
On a positive note though, agreements reached at the June 2012 EU leaders' summit are steps towards the right direction. But leaders and policy makers across the European continent will have to follow up on those agreements and take firm actions notwithstanding the high implementation hurdles. Forming a banking and fiscal union, for example, should be high on the priority list.

A more significant slowdown is expected for emerging market economies like Brazil, India and China. For year 2012 the IMF has revised growth forecast for these economies downwards to 2.5 percent, 6.1 percent and 8.0 percent respectively. However, these economies are expected to perform better in the year 2013. With lower global demands for their products and decreasing foreign direct investments, policy makers in these economies should be prepared to cope with further decline in trade and a high volatility in capital flows. Not only are these signs of a weaker external environment but also of falling domestic demand aggravated by capacity constraints and policy tightening.

Low income countries like Nepal that are dependent on foreign aid face risks of lower than expected budget support from advanced economies. Since our economy is import based and our currency is pegged to the Indian currency, any further depreciation in Indian currency will have detrimental impact on our foreign trade. Also increasing risk aversion among international investors and perceived growth uncertainty could mean lower foreign direct investments flowing into the country. Slowing demand in our export destinations could mean reduction in our export, increase in unemployment and a wider balance of payment deficit.

A positive note for coming year is the reduction in oil price risks. Oil price projections appear more evenly balanced now as a result of improved supply conditions due to increased production by OPEC countries; easing concerns about Iran-related geopolitical oil supply risks; and weaker global oil demand prospects. Petroleum products being major importing commodities in our case, oil prices significantly affect our national balance of payment as well as general price inflation.

In the coming year, amid volatile world economic scenario, policy makers in developing economies like ours should be prepared to adjust policies to address the prospects of slowing export growth, volatile capital flows and negative spillovers from larger economies that are our major trading and development partners.



RESULT ORIENTED

Nabil architects business ideas and designs products and services keeping the end result always in mind. All our commitments and services are intended to yield desired result.

OPERATING AND FINANCIAL REVIEW

02

FIVE YEAR FINANCIAL SUMMARY

Statement of Financial Position

NRs. in '000

AS OF MID JULY	2012	2011	2010	2009	2008
Capital & Liabilities					
Share Capital	2,435,723	2,029,769	2,028,774	1,448,621	689,216
Reserves & Surplus	3,015,162	2,536,748	1,807,933	1,681,620	1,747,983
Debentures & Bonds	300,000	300,000	300,000	300,000	240,000
Borrowings	311,080	1,650,599	74,900	1,681,305	1,360,000
Deposits	55,023,695	49,696,113	46,410,701	37,348,256	31,915,047
Bills Payable	179,142	415,768	425,444	463,139	238,422
Proposed Dividend	811,908	608,931	434,737	338,011	437,373
Income Tax Liabilities	51,107	44,104	24,904	80,232	38,777
Other Liabilities	1,072,481	859,406	644,291	526,214	465,941
Total	**63,200,298**	**58,141,437**	**52,151,684**	**43,867,398**	**37,132,759**
Assets					
Cash Balance	1,050,659	744,592	635,987	674,395	511,427
Balance with Nepal Rastra Bank	3,681,980	1,473,986	549,455	2,648,596	1,829,471
Balance with Banks/Financial Institutions	(456,817)	217,971	214,657	49,521	330,244
Money at Call and Short Notice	826,436	2,452,512	3,118,144	552,888	1,952,361
Investment	14,055,850	13,081,206	13,703,024	10,826,379	9,939,771
Loans, Advances and Bills Purchased	41,605,683	38,034,098	32,268,873	27,589,933	21,365,053
Fixed Assets	887,543	935,089	779,540	660,989	598,039
Non Banking Assets	-	-	-	-	-
Other Assets	1,548,964	1,201,984	882,005	864,696	606,394
Total	**63,200,298**	**58,141,437**	**52,151,684**	**43,867,398**	**37,132,759**

During the last five years Nabil has witnessed a steady and robust growth in the overall balance sheet size. By the end of Mid July 2012, the balance sheet size has grown to NRs.63 billion, which hovered at around NRs.27 billion at Mid July 2007. On the basis of compounding annual growth rate this growth rate accounts around 18% per annum. Deposits recorded compounding annual growth rate of around 19% per annum. Total deposit which hovered at around NRs.23 billion as of Mid July 2007 grew by around NRs.32 billion to reach NRs.55 billion as of Mid July 2012.

During the review period 2011/12 the Banks balance sheet size recorded annual growth of 9% including growth of NRs.5.33 billion or 11% in deposit. As per unaudited financial statements of 4th quarter of year 2011/12 published by the commercial banks, the annual growth rate of total deposit is observed to have remained at around 26% with increment of NRs.174 billion.

In the last five years, the shareholders' fund has also grown significantly. The total shareholders' fund of NRs.2.06 billion in the beginning of year 2007/08 has increased to NRs. 5.45 billion by the end of year 2011/12. This growth is excluding of cash dividend of NRs.2.61 billion proposed by the Bank from year 2007/08 through 2011/12. The growth of shareholders' fund has much to do with the regulatory obligation of raising equity capital up to the prescribed ceiling. The Bank however maintains its position of enhancing capital base and rewarding shareholders with fair return as key factors for long term success. The Bank has therefore in the last 4 years, from year 2007/08 through 2010/11, distributed cash dividend at the rate of 60%, 35%, 30% and 30% respectively to its shareholders while it has also distributed stock dividend during the 3 years starting from year 2007/08 through 2009/10 at the rate of 40%, 50% and 40% respectively. For year 2011/12, the Board has proposed cash dividend of 40% and stock dividend of 20%.

In the asset side, the size of Bank's gross interest earning assets witnessed increment of NRs.32.36 billion to keep compounding annual growth rate of 18% for the last five years. The growth was mainly under net loans and advances with increment of NRs.26.06 billion (CAGR of 22%) and under net investment (including Money at Call and Short Notice) with increment of NRs. 5.37 billion (CAGR of 9%).

During the review period 2011/12, the Bank posted annual growth rate of 10% on gross loans and advances with increment of NRs.3.96 billion. On investment side, the annual growth rate of gross investment remained negative by 4% with a decline of NRs.0.63 billion.

The number of points of representation (branches and extension counter) also grew over these periods from 19 to 52. With expansion, the Bank invested around NRs.1.07 billion in the fixed assets. The carrying amount of fixed assets (after deducting depreciation) witnessed increment from NRs.286.90 million to NRs.887.50 million or by approximately 209%.

Compounded Annual Growth Rate (CAGR) for key balance sheet items is presended as under:

Compound Annual Growth Rate

NRs. in '000

Particulars	Year ending on mid July		CAGR
	2012	2007	
Equity (Shareholder's Fund; excluding Proposed Dividend)	5,450,885	2,057,050	22%
Deposits	55,023,695	23,342,285	19%
Net Investment (Including Money At Call and Short Notice)	14,882,286	9,508,843	9%
Net Loans, Advances and Bills Purchased	41,605,683	15,545,779	22%
Net Fixed Assets	887,543	286,895	25%

Income Statement

NRs. in '000

Year ending on Mid July	2012	2011	2010	2009	2008
Interest Income	6,133,739	5,254,030	4,047,726	2,798,486	1,978,697
Interest Expense	3,155,490	2,955,431	1,960,108	1,153,280	758,436
Net Interest Income	**2,978,249**	**2,298,600**	**2,087,618**	**1,645,206**	**1,220,261**
Commission and Discount	364,075	290,855	215,482	179,693	159,320
Other Operating Income	201,085	180,570	169,548	144,164	94,359
Exchange Income	447,070	276,103	291,441	251,920	196,487
Total Operating Income	**3,990,479**	**3,046,128**	**2,764,088**	**2,220,983**	**1,670,427**
Staff Expense	500,713	454,042	366,940	339,898	262,908
Other Operating Expense	428,597	401,425	334,186	265,158	220,751
Exchange Loss	-	-	-	-	-
Operating Profit before Provision for Possible Losses	**3,061,169**	**2,190,661**	**2,062,962**	**1,615,927**	**1,186,769**
Provision for Possible Losses	413,949	109,470	355,829	45,722	64,055
Operating Profit	**2,647,221**	**2,081,190**	**1,707,133**	**1,570,205**	**1,122,714**
Non Operating Income /(Expense)	13,840	6,981	6,455	2,190	24,084
Provision for Possible Losses Write Back	-	7,101	39,792	10,618	11,101
Profit from Regular Activities	**2,661,060**	**2,095,273**	**1,753,379**	**1,583,013**	**1,157,898**
Income/(Expense) from Extra-ordinary Activities	(3,036)	3,148	34,322	43,522	39,991
Profit from All Activities	**2,658,024**	**2,098,421**	**1,787,701**	**1,626,534**	**1,197,889**
Provision for Staff Bonus	241,639	190,943	162,518	147,867	108,899
Provision for Income Tax	720,109	569,733	486,083	447,615	342,522
Net Profit	**1,696,276**	**1,337,745**	**1,139,099**	**1,031,053**	**746,468**

Nabil has been a consistent performer in the last five years. In those periods, the Bank has achieved CAGR of 20% on net profit. Comparing with the growth rate of overall commercial banks, the growth achieved by the Bank is one of the highest in industry. During the review year 2011/12 alone, the Bank posted annual growth of 27% on net profit with increment of NRs.359 million.

In last five years the Bank's interest income and interest expense have grown by NRs. 4.55 billion (growth of 286%) and NRs. 2.6 billion (growth of 468%) respectively over these periods with rise in interest earning assets and interest bearing liabilities. The CAGR of interest income and interest expense are recorded at 31% and 42% respectively. In comparison to last financial year, Bank's net interest income has increased by approximately NRs. 680 million with annual growth rate of 29.6%.

Fees, commission and other income has also posted a growth of NRs.327 million (growth of 137%) in these periods due mainly to the growth of LCs and guarantees businesses, fees from remittance services, credit cards and debit cards, loan management and other new avenues like insurance agencies and bullion operations. 5 years CAGR of this head is 19%. In comparison to last financial year, the growth in this head during the review year 2011/12 is NRs.93.7 million maintaining annual growth of 20%.

Foreign exchange income of the Bank has increased by NRs.237.1 million or 113% during the last 5 years. CAGR under this head is 16%. In comparison to last financial year, the growth in this head during the review year 2011/12 is NRs.171.0 million maintaining annual growth rate of 62%.

Coming to the end of the current financial year, HR expense has increased significantly by NRs.260.6 million (growth of 108%) with CAGR of 16%. This growth is below the CAGR of 20% in net profit. In comparison to last financial year, the annual growth in this head is NRs.46.7 million or 10% and is mainly attributed to the

rise in the number of staff as a result of expansion, rise in pay due to annual appraisal and bi-annual collective bargaining followed by promotions at different levels and hierarchies. On top of that, Nabil's employees were also benefited by good amount of bonuses as a result of steady increment in profits posting growth of NRs.50.7 million or 27% in comparison to last financial year. CAGR of bonus for last five years is 19%.

With the expansion of business, other operating expenses have also jumped by NRs.240.4 million or 128% with CAGR of 18%. In comparison to last financial year, the growth in this head during the review year 2011/12 is NRs.27.2 million with annual growth rate of 7%. This is mainly attributed to rise in communication costs, insurance, stationeries, depreciation and amortization, fuel and lubricants and occupancy costs viz. rental costs, water and electricity, maintenance, utilities and janitorial. Despite growing expenses, the management has always been conscious about managing costs. Efforts are being made to keep expenses within budget.

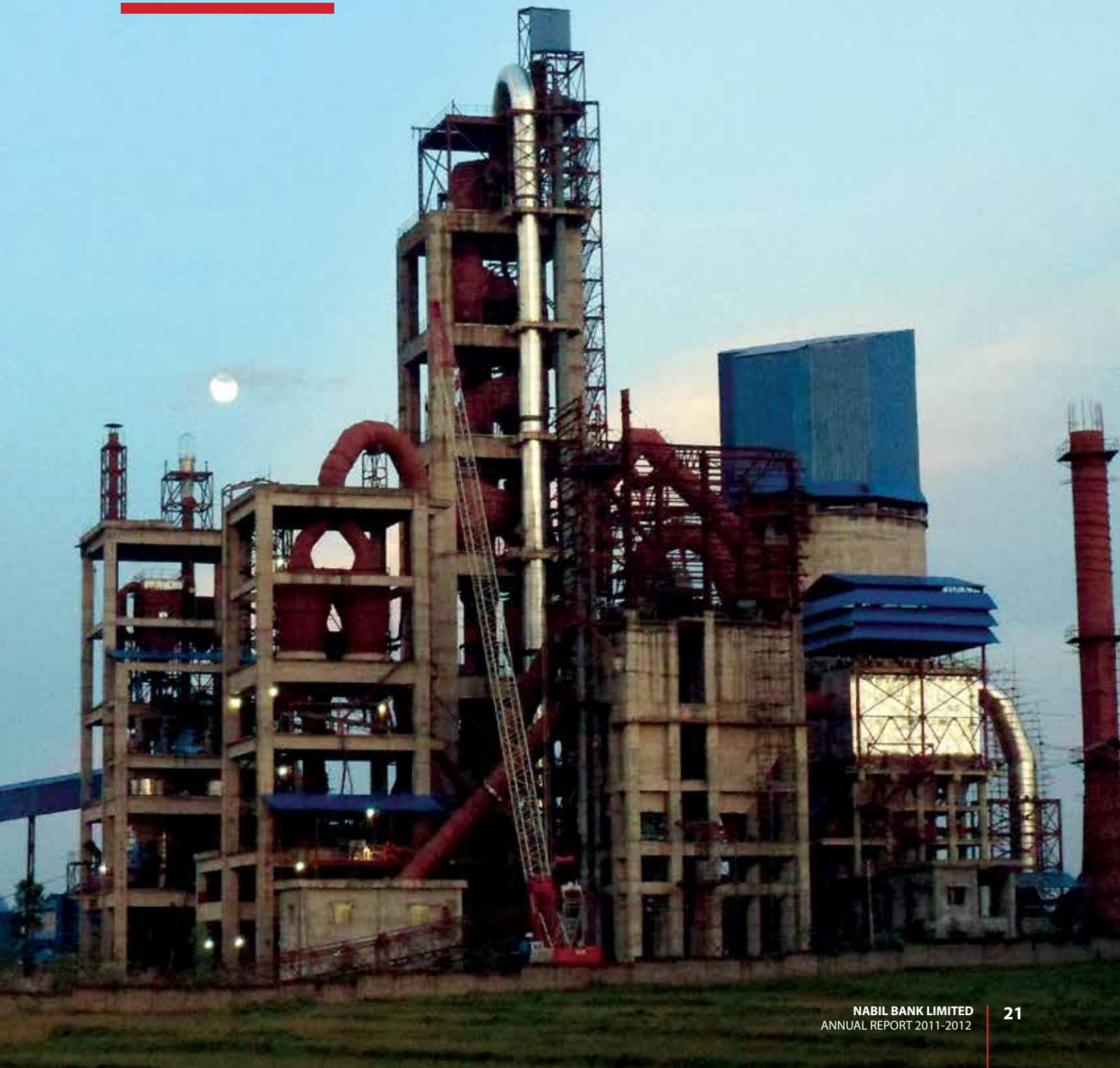
Compound Annual Growth Rate (CAGR) for key income statement items is presented as under:

Compound Annual Growth Rate

NRs. in '000

Particulars	Year ending on mid July		CAGR
	2012	2007	
Net Interest Income	2,978,249	1,032,049	24%
Fees, Commission and Other Income	565,160	238,183	19%
Exchange Income	447,070	209,926	16%
Staff Expense	500,713	240,161	16%
Other Operating Expense	428,597	188,183	18%
Provision for Possible Losses (Net of provision write back)	413,949	3,280	163%
Provision for Staff Bonus	241,638	99,505	19%
Provision for Income Tax	720,109	321,086	18%

"Shivam Cement is one of many cement manufacturing projects financed by Nabil. As a financier our priorities are aligned with those of the national economy and cement is an important industry that harnesses our natural reserves, replaces import and generates a much larger multiplier effect."



02

ACHIEVEMENTS OF CURRENT YEAR

The year 2011/12 has been a satisfactory year and completed the 4th year of 5 years' strategic plan implemented in year 2007/08. The Bank was able to post profit with improved balance sheet size. Taking into account the changes in business and political environment, the Bank framed new 3 years strategic plan effective from financial year 2012/13.

As per unaudited financials of commercial banks published for year 2011/12, the growth of total deposits and loans during the review year is 25% and 16% respectively. Comparing to this, the growth of Nabil Bank is 11% and 10% respectively for the corresponding period. The relatively lower growth rate may be attributed to Bank's measured steps taken cautiously considering the liquidity flush in the market and availability of limited investment opportunities.

On the income side, the Bank was able to post significant growth as much as 30% under net interest income, which is encouraging compared to overall growth of 4% of entire commercial banking sector.

Interest Income

The interest income on loans and investments for the review year are presented in tables that follow in this page and the next page.

During the review year, the interest earnings on loans and advances increased marginally. On the other hand, the earnings on investments declined marginally. Due to excessive liquidity in the money market and limited investment opportunities, the interest rates on deposits decreased continuously. The interest rates on T-Bills and Inter-Bank Lending, one of the major instruments for managing liquidity, also declined alarmingly and plunged below 1%. As a result of declining interest rates throughout the year and expiry of higher yielding T-Bills only during the latter part of the review year, the interest earnings from investments witnessed marginal decline. The replacement of currently available higher rates investment instruments by the comparatively lower rates investment instruments upon their maturity in year 2012/13 is likely to further reduce interest earnings from investments.

NRs. in '000

Year ending on mid July	2012	2011	Changes
Average Loans and Advances (Including staff loans)	**41,705,600**	**36,406,603**	**14.6%**
Interest Income from loans and advances including staff loans	5,315,822	4,509,470	17.9%
Yield	**12.7%**	**12.4%**	**2.9%**
Average Investment	15,695,287	13,541,034	15.9%
Interest Income from Investment	817,917	744,561	9.9%
Yield	**5.2%**	**5.5%**	**-5.2%**
Aggregate Volume of Interest earning assets	57,400,887	49,947,637	14.9%
Aggregate Interest Income	6,133,739	5,254,031	16.7%
Weighted Average Yield	**10.7%**	**10.5%**	**1.6%**

Loans and Advances

NRs. in '000

Year ending	2012			2011		
on mid July	Average Volume	Interest	Yield	Average Volume	Interest	Yield
Business Loan	31,667,189	3,955,901	12.5%	26,795,470	3,303,945	12.3%
Retail Loan (Including Staff loan)	10,038,411	1,359,921	13.5%	9,611,133	1,205,525	12.5%
Total	**41,705,600**	**5,315,822**	**12.7%**	**36,406,603**	**4,509,470**	**12.4%**

Investment NRs. in '000

Year ending on mid July	2012			2011		
	Average Volume	Interest	Yield	Average Volume	Interest	Yield
Treasury Bills	5,540,180	412,618	7.4%	4,208,460	357,465	8.5%
Bonds	2,700,713	202,947	7.5%	2,275,668	173,375	7.6%
Placement and Other Investments	7,454,394	202,352	2.7%	7,056,906	213,721	3.0%
Total	**15,695,287**	**817,917**	**5.2%**	**13,541,034**	**744,561**	**5.5%**

The yield on business loans and consumer loans remained at around 12.5% and 13.5% respectively. Comparing with that of last year, the yield during the current year has increased slightly. Business loans comprised of overdrafts, import/export loans, bills purchased/discounted and other short and long terms loans while consumer loans included housing loan, mortgage loans, automobile loans, personal loans, educational loans, credit cards loans and loans disbursed to employees in line with Employees' Bylaws. The yield on consumer loans excluding loans disbursed to employees during the current year was 14.1% as against 13.0% last year.

As summarized in the above table, the yield on various categories of investments during the current year witnessed decline. Consequently, the yield on gross investments fell to 5.2% from 5.5% last year. Observing the trend of decline in the government securities which occupies major chunk in the Bank's investment book, the average yield on total investments is likely to decline further in financial year 2012/13.

Exchange Income

In comparison to last financial year, the total exchange earning during the current financial year increased significantly by 61.9%. Such a significant growth may be attributed to the Bank's decision of maintaining favourable currency positions and also taking appropriate strategies for trading foreign currencies. In year 2011/12, the US Dollar vis-à-vis NPR appreciated significantly and increased approximately by 20%.

Exchange Gain / Loss NRs. in '000

Year ending on mid July	2012	2011	*Changes*	
			Amount	*%*
Revaluation income	114,933	64,022	50,911	79.5%
Trading income	332,138	212,081	120,056	56.6%
Total Income	**447,070**	**276,103**	**170,968**	**61.9%**

Commission and Other Operating Income NRs. in '000

Year ending on mid July	2012	2011	*Changes*	
			Amount	*%*
Total Income	**565,160**	**471,425**	**93,735**	**19.9%**
Major Income Heads				
Letters of Credit	54,675	52,830	1,845	3.5%
Guarantees	64,505	48,501	16,004	33.0%
Remittance Fees	76,322	69,920	6,402	9.2%
Cards	111,378	74,765	36,613	49.0%
Remittance-Rebate	33,278	22,770	10,508	46.1%
Insurance Agency Commission	11,975	7,783	4,192	53.9%
Safe Deposit Lockers Rental	6,222	5,312	910	17.1%
Issue and Renewals of Debit Cards	24,500	18,665	5,836	31.3%
Loan Service Charges	118,921	105,482	13,439	12.7%

Commission and Other Operating Income

In the review year, Bank has been able to increase commission, fees and other income by 19.9% in comparison to last financial year. As presented in the preceding table, the Bank has achieved significant growth in income under trade finance, cards, bancassurance, remittance, credit service, and rebates from correspondent banking relationships. The Bank shall augment a plan to generate more income from these avenues in coming days.

Interest Expense

On the cost side, the average cost of deposits during the review year declined by 36 basis points while average cost of borrowing declined by whopping 320 basis points. Liquidity flush in entire financial system and limited investment opportunities pressurized deposit rates to decline continuously. Declining rates on deposits in the entire financial system has supported banking industry to reduce the costs of deposit thereby enhancing net interest margin.

Other Operating Expense

Operating expense of the Bank grew by 6.8% in comparison to that of last financial year. As presented in the table below growth in expenses during the current financial year comprised of growth under repair and maintenance, communication expense (postage, telephone and telex), depreciation and security expense. The reason for increment under depreciation head was due to accounting of depreciation on additional fixed assets acquired during

Interest Expense

NRs. in '000

Year ending on mid July	2012			2011		
	Average Volume	Int. Expense	Cost	Average Volume	Int. Expense	Cost
Deposits	54,101,374	3,121,055	5.8%	47,472,587	2,911,699	6.1%
Borrowings	884,621	34,435	3.9%	616,586	43,732	7.1%
Total	**54,985,995**	**3,155,490**	**5.7%**	**48,089,173**	**2,955,431**	**6.1%**

Other Operating Expenses

NRs. in '000

Year ending on mid July	2012	2011	*Changes*	
			Amount	*%*
Total Expenses	**428,597**	**401,425**	**27,172**	**6.8%**
Major Expense Heads				
House Rent	52,486	51,511	975	1.9%
Repair & Maintenance	16,795	13,387	3,408	25.5%
Postage, Telex, Telephone & Fax	25,221	22,158	3,063	13.8%
Depreciation on Fixed Assets	130,516	113,550	16,966	14.9%
Technical/Consultancy Services Fee	25,336	23,889	1,447	6.1%
Security Expenses	39,833	30,765	9,068	29.5%
Credit Guarantee Premium	1,227	127	1,101	867.7%
Fuel Expenses	25,171	23,228	1,943	8.4%
Contract Service Expense	10,969	9,037	1,932	21.4%
Membership Fees	1,909	626	1,283	205.0%
Janitorial	7,455	5,695	1,761	30.9%
Printing & Stationery	21,184	22,534	(1,350)	-6.0%
Advertisements	9,345	16,729	(7,383)	-44.1%
Expenses relating to Board of Directors	3,244	5,089	(1,845)	-36.3%
Customer Relations and Sponsorship	4,749	7,714	(2,964)	-38.4%
Others	53,156	55,388	(2,232)	-4.0%

the review year for office expansion and renovation. Due to rise in pay and number of security guards, drivers and messengers under outsourcing arrangement, the security expense and contract service expense also increased significantly. Nonetheless, Bank was able to reduce expense under printing and stationery, advertisement, expenses relating to board and customer relationship headings.

Staff Expenses

In the review year, total staff expenses have increased by 10.3% when compared to that of previous year. As presented in the table below, this increment was driven by significant growth under salary, allowance and provident fund. 120 trainee assistants recruited during the previous year were confirmed into permanent payroll of the bank in the review year. The raise in their pay and benefits had considerable incremental impact on overall salary expenses for the review year. Staff uniform, which is provided bi-annually, was accounted for in the previous and hence was not expensed in the review year. Gratuity and leave expenses in the previous year were on a higher side due to the cumulative impact of staff promotion in various levels effected that year. For the review year there was no such impact and hence expense under these headings was at a lower side when compared to that of previous year.

Provision for Possible Losses

The Bank accounted NRs.413.95 million as additional loan loss provision for the year. The total loan loss provisions of the Bank is NRs.1.26 billion. The problems in real estate sector have directly or indirectly affected Bank's credit exposure. The problems witnessed in some big credit accounts and delays in instalments of retail loan accounts caused extraordinary growth of provision for possible loss expenses. The mandatory provision for possible loss at the rate of 1% on incremental loan volume of approximately NRs.4 billion for the year is NRs.40 million.

In addition, the impairment loss NRs.21.78 million was accounted in respect of foreign currency bond due to the decline of market value at the end of financial year. Similarly, impairment loss of NRs.1.47 million was also accounted for Bank's share investment in domestic licensed financial institutions computed on the basis of equity method.

Staff Expenses — NRs. in '000

Year ending on mid July	2012	2011	Changes	
			Amount	*%*
Salary, Allowances and Provident Fund	377,680	315,940	61,740	19.5%
Training Expenses	8,935	7,467	1,467	19.7%
Uniform	-	12,907	(12,907)	-100.0%
Pension and Gratuity Contribution	48,570	53,219	(4,649)	-8.7%
Dashain Expense	25,455	17,956	7,499	41.8%
Leave Encashment / Provision	31,212	37,663	(6,451)	-17.1%
Others	8,861	8,890	(29)	-0.3%
Total Staff Expense	**500,713**	**454,042**	**46,671**	**10.3%**

Provision for Possible Losses — *NRs. in '000*

Year ending on mid July	2012	2011	Changes	
			Amount	*%*
Loan Loss Provision	390,695	109,470	281,224	256.9%
Investment Provision	23,254	-	23,254	∞
Total Provision Expense	**413,949**	**109,470**	**304,478**	**278.1%**

Non Operating Income

The Bank has earned total dividend NRs.16.62 million from its share investment during the current financial year. This amount is 53.5% higher than that of last financial year. On the other hand, the Bank incurred losses NRs.2.78 million on the disposal of its old/obsolete fixed assets. This amount of loss is 27.8% lower than that of last financial year. Overall non operating income has increased from last year's NRs.6.98 million to NRs.13.84 million this year, a growth of 98.2%.

Recovery from Written Off Loans

As presented in the table below, total amount of loan written-off till the end of current financial year is NRs.680.88 million. Of this, the Bank has abandoned its rights to recover to the extent of NRs.16.01 million while it has recovered NRs.449.63 million. The Bank has been able to recover NRs.16.77 million during the review financial year. The recovery ratio over the total recoverable amount is approximately 67.6%, which can be considered satisfactory.

Income Tax and Staff Bonus

The income tax and staff bonus provided for from the profit of current financial year is NRs.720.1 million and NRs.241.6 million respectively. In comparison to last financial year, the amount provided for staff bonus and income tax is higher by 26.55% and 26.39%, respectively. With the growth in major income heads, the operating profit before provision and net profit after tax during the review financial year 2011/12 has totaled NRs.3.06 billion and NRs.1.70 billion with growth of 39.74% and 26.80% respectively. The profit earned during the review year is among the highest in the entire Nepalese banking industry.

Non-Operating Income/(Loss) NRs. in '000

Year ending on mid July	2012	2011	Changes	
			Amount	*%*
Total	**13,840**	**6,981**	**6,859**	**98.2%**
Profit/(Loss) on Sale of Fixed Assets	(2,780)	(3,848)	1,069	-27.8%
Dividend	16,619	10,829	5,790	53.5%

Detail on written off loans NRs. in '000

	Principal	Interest	Total
Total loan written off from the book till Mid July 2012	**680,876**	**275,520**	**956,396**
- written off in current year	3,006	2,814	5,820
- written off till previous year	677,870	272,706	950,576
Recovery from written off loan			
Book write off (recoverable accounts)	**664,866**	**236,793**	**901,659**
- recovered till Mid July 2012	449,630	85,025	534,655
- not recovered till Mid July 2012	215,236	151,768	367,004
Actual write off (non recoverable accounts)*	**16,010**	**38,727**	**54,737**
recovery ratio (on total recoverable amount)	67.63%	35.91%	59.30%
recovery ratio (on total written - off amount)	66.04%	30.86%	55.90%

* The bank has relinquished its recovery rights considering remote possibility of loan recovery.

INNOVATIVE

We know through our long experience that business is in a perpetual flux and understanding our customers' changed needs pursuant to time we always reengineer our product ranges taking on the latest IT choice in sync with the up-to-date evolution in banking.

02

GROSS VALUE ADDITION AND APPLICATION

Nabil, along with it stakeholders, created a value of NRs.3.74 billion during the review financial year, a growth of NRs.946.54 million (33.9%) against that of last financial year. Value addition from financial intermediation occupied 72.9% of total value addition while financial services occupied 27.1%.

Value creation during the review financial year has been applied in the interests of all stakeholders. While allocating the value Bank has addressed the interests of its stakeholders in a reasonable manner by prioritizing its long term business interests.

Gross value addition during the year and its application has been presented in detail in the tables below.

Around 20.2% of the total value is applied to employees in the form of employees' benefits and bonuses in lieu of the services rendered while around 19.5% is applied to the Government towards payment of corporate tax (current tax and prior period tax). The share of corporate tax demonstrates the significance of Bank's contribution towards the development of the nation. Similarly, around 21.7% of the total value has been applied towards the investors in the form of dividend. Bank, in order to maintain and extend its business for long term sustainability, retained around 38.0% of the total value created.

The growth of 33.3% of the total value applied towards the investors reveals the fact that the Bank is capable of providing reasonable return and also maintains and meets enthusiasm and expectation of the shareholders. Significant growth of 50.2% on application towards the business expansion and maintenance is mainly due to increase in provision for possible losses during the current financial year by NRs.311.58 million in comparison to last financial year.

NRs. in '000

Gross Value Addition	Year ending on Mid July		Changes	
	2012	2011	*Amount*	*%*
Interest Income	6,133,739	5,254,030	879,709	16.7%
Interest Expense	(3,129,990)	(2,929,931)	(200,060)	6.8%
Operating Cost	(308,951)	(306,969)	(1,982)	0.6%
Other Income from Financial Intermediation	33,390	29,223	4,167	14.3%
Value Addition from Financial Intermediation	**2,728,188**	**2,046,354**	**681,834**	**33.3%**
Income from Financial Service	1,012,231	747,528	264,702	35.4%
Total Value Addition	**3,740,418**	**2,793,882**	**946,536**	**33.9%**

NRs. in '000

Application of Value Addition	Year ending on Mid July				Changes	
	2012	Share %	2011	Share %	*Amount*	*%*
To Employee	754,069	20.2%	644,985	23.1%	109,084	16.9%
To Governments	728,302	19.5%	568,721	20.4%	159,581	28.1%
To Long term Financier	25,500	0.7%	25,500	0.9%	-	0.0%
To Investor	811,908	21.7%	608,931	21.8%	202,977	33.3%
To Provide for maintenance and expansion	1,420,640	38.0%	945,746	33.9%	474,894	50.2%
Depreciation and Amortization	130,516	3.5%	113,550	4.1%	16,966	14.9%
Provision for Loan Loss and Investment Loss	413,949	11.1%	102,369	3.7%	311,580	304.4%
Deferred Tax	(8,193)	-0.2%	1,012	0.0%	(9,205)	-909.8%
Retained Earnings / Reserves	884,368	23.6%	728,815	26.1%	155,554	21.3%
Total Value Addition	**3,740,418**	**100.0%**	**2,793,882**	**100.0%**	**946,536**	**33.9%**

SEGMENTAL PERFORMANCE ANALYSIS

Basis of Segmentation

For the purpose of assessing segmental performance the bank has identified business based segmentation as its primary segment and geography based segmentation as its secondary segment.

By their nature the different businesses operated by the bank can be grouped into distinct business segments. Product portfolio under each of these segments has noticeable variations in their nature and also in terms of the involved risk and reward. As such this segmentation predominantly affects the banks business risks and its pricing strategies.

Branches and business units can also be grouped into distinct geographic segments based on their location. However, this factor does not predominantly affect the banks business risks and its pricing strategies. The bank takes account of social, economic and political factors while assessing the impact of geographic location in its businesses.

Primary Segment

The bank has identified four primary segments based on the nature of business operations viz. Banking, Treasury, Cards and Remittance. Each of these business segments has a contribution ratio of 73.23%, 19.23%, 5.13% and 2.41% respectively in the overall net profit of the bank for year ending mid July 2012. Detail segmental performance is set out in the table below.

The banks business is mainly concentrated in Banking segment. The core business of deposit mobilization and lending activities along with other auxiliary banking services apart from card operations, treasury operations and remittance business are reported under the Banking segment. Treasury segment comprise of entire treasury operations including the banks investment portfolio, foreign currency transactions, bullion business and overall fund management. Card segment comprise of all card related operations including debit and credit card issuance, merchant relationships, e-banking, m-banking and ATM management. Remittance segment comprise

Primary Segment based on Business

NRs. in '000

	Banking	Treasury	Cards	Remittance	Total
Total Revenue	**8,600,866**	**3,385,907**	**195,768**	**96,543**	**12,279,085**
Interest Income (Including Transfer Pricing)	8,105,048	3,093,267	19,966	34,733	11,253,014
Fee Income	387,942	14,851	135,590	26,777	565,160
Forex Income	110,656	261,169	40,213	35,033	447,070
Non Operating Income	(2,780)	16,619	-	-	13,840
Total Expense	**6,654,325**	**2,874,718**	**59,470**	**32,547**	**9,621,061**
Interest Expense (Including Transfer Pricing)	5,404,093	2,849,018	6,641	15,014	8,274,766
Staff Expense	469,312	9,663	13,615	8,122	500,713
Operating Expense	383,430	2,711	33,045	9,412	428,597
Provision for possible Loss	400,597	13,326	26	(1)	413,949
Non Operating Expense	(3,107)	-	6,144	-	3,037
Segment Result	**1,946,541**	**511,189**	**136,298**	**63,996**	**2,658,024**
Staff Bonus					241,639
Profit before Tax					2,416,385
Income Tax					720,109
Net Profit for the Year					1,696,276
Contribution Ratio (%)	**73.23%**	**19.23%**	**5.13%**	**2.41%**	**100.00%**

of entire remittance business including foreign currency inward remittance, western union business and domestic Nabil Remit business. This segment also incurs interest expense on deposit accounts maintained by remittance sub agents and earns interest income by lending such fund to treasury segment.

Secondary Segment

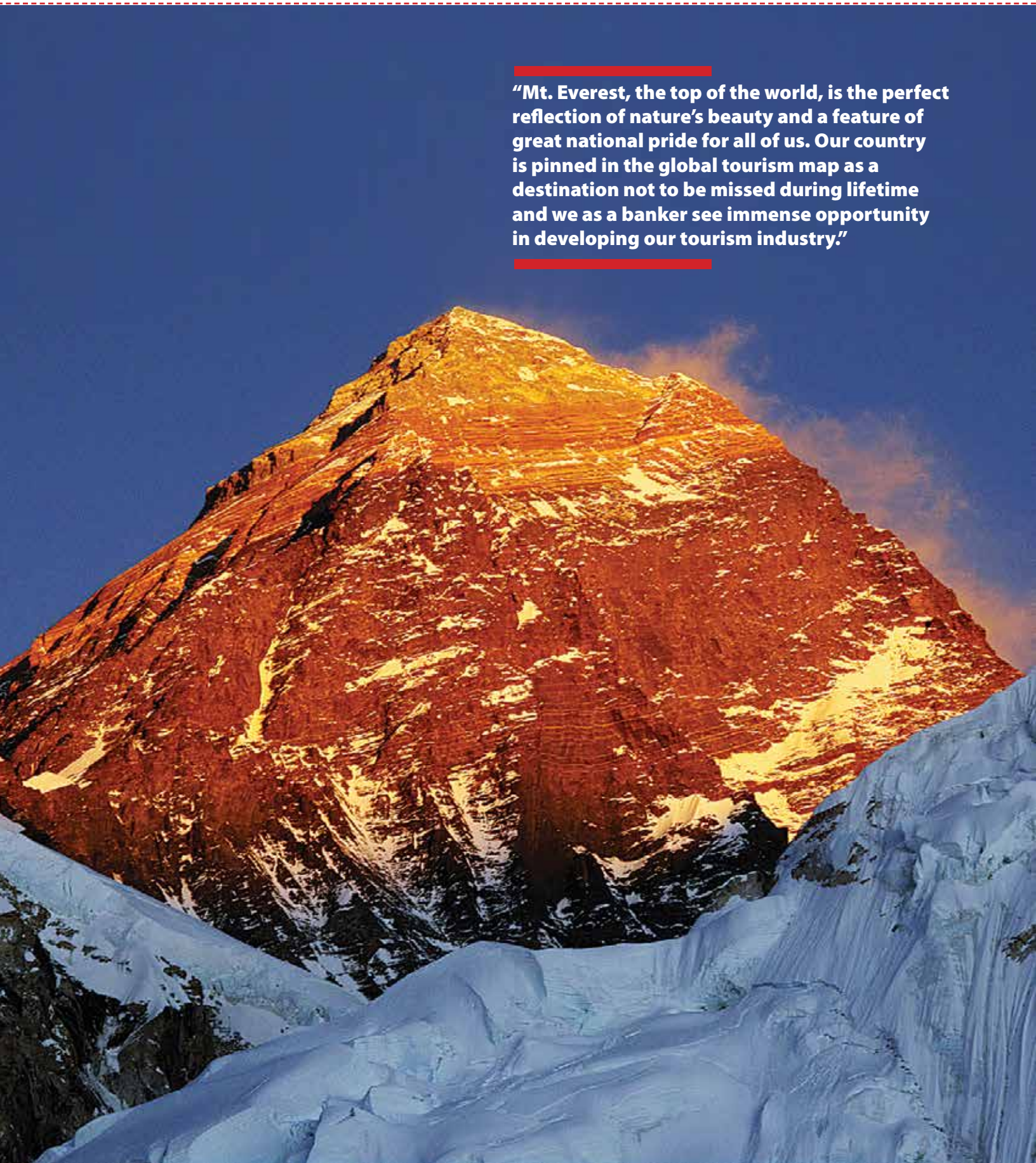
The bank has identified five secondary segments based on the geographic locations of its business viz. Eastern, Central, Western, Mid-Western and Far-Western. For year ending mid July 2012 each of these geographical segments has a contribution ratio of 12.15%, 78.18%, 4.78%, 2.86% and 2.03% respectively in the overall net profit of the bank. Detail segmental performance is set out in the table below.

This regional segmentation follows the name of five development regions of the county. For segmentation purpose all business transactions of offices and business units located in a particular development region are grouped together. As set out in the table below, Central region has the largest contribution in overall profitability of the bank. All strategic business units are located in the Central region and it has the highest number of branch offices in comparison to other geographic regions.

Secondary Segment based on Geography

NRs. in '000

	Eastern	Central	Western	Mid Western	Far Western	Total
Total Revenue	**791,337**	**10,773,211**	**444,207**	**163,030**	**107,299**	**12,279,085**
Interest Income (Including Transfer Pricing)	737,155	9,855,222	411,562	151,391	97,684	11,253,014
Fee Income	42,979	475,031	28,304	10,269	8,577	565,160
Forex Income	11,202	429,119	4,341	1,370	1,037	447,070
Non Operating Income	-	13,840	-	-	-	13,840
Total Expense	**468,353**	**8,695,255**	**317,228**	**86,947**	**53,278**	**9,621,061**
Interest Expense (Including Transfer Pricing)	388,272	7,592,513	196,727	59,467	37,786	8,274,766
Staff Expense	33,437	418,750	32,338	10,184	6,005	500,713
Operating Expense	35,157	337,177	34,033	13,301	8,929	428,597
Provision for possible Loss	11,484	343,782	54,130	3,995	558	413,949
Non Operating Expense	3	3,034	-	-	-	3,037
Segment Result	**322,984**	**2,077,956**	**126,979**	**76,083**	**54,021**	**2,658,024**
Staff Bonus						241,639
Profit before Tax						2,416,385
Income Tax						720,109
Net Profit for the Year						**1,696,276**
Contribution Ratio (%)	**12.15%**	**78.18%**	**4.78%**	**2.86%**	**2.03%**	**100.00%**



"Mt. Everest, the top of the world, is the perfect reflection of nature's beauty and a feature of great national pride for all of us. Our country is pinned in the global tourism map as a destination not to be missed during lifetime and we as a banker see immense opportunity in developing our tourism industry."

02

QUARTERLY INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Interim Financial Position

During the year under review, amid liquidity flush and limited opportunities for quality investments, the bank took cautious steps towards deposit mobilization. Proactive strategies taken by the bank in deposit mobilization front played a significant role in framing the banks financial position and performance throughout the year.

The quarter to quarter growth rate in balance sheet size was recorded at 8.21%, 2.03%, -0.13% and 0.59% respectively in the 1st, 2nd, 3rd and 4th quarters of the year. These corresponded to absolute change in volume of NRs.4,772 million, NRs.1,275 million, NRs.86 million negative and NRs.379 million respectively during these quarters.

In absence of political stability, business sentiment continued to be on the lower side throughout this year. As a consequence major additional investments in production and infrastructure sectors as well as sectors identified as new ones under government policies could not accelerate at desired pace. The bank moved along cautiously while entertaining new credit proposals. The focus remained more towards business consolidation, risk reduction and product pricing.

Statement of Financial Position

NRs. in '000

S.N.	Particulars	As of Quarter ending			
		Mid Oct 11	Mid Jan 12	Mid Apr 12	Mid Jul 12
1.	**Total Capital and Liabilities (1.1 to 1.7)**	**62,913,004**	**64,187,888**	**64,101,595**	**64,480,184**
1.1	Paid up Capital	2,029,769	2,029,769	2,029,769	2,029,769
1.2	Reserve and Surplus	2,841,335	3,195,410	3,666,498	4,254,759
1.3	Debenture and Bonds	300,000	300,000	300,000	300,000
1.4	Borrowings	336,767	261,835	582,023	311,080
1.5	Deposits (a+b)	54,142,089	55,618,892	54,639,589	55,023,695
	Domestic Currency (a)	45,506,168	48,635,458	47,004,967	47,563,771
	Foreign Currency (b)	8,635,921	6,983,435	7,634,622	7,459,924
1.6	Income Tax Liability	129,184	14,845	16,501	60,396
1.7	Other Liabilities	3,133,860	2,767,138	2,867,214	2,500,484
2.	**Total Assets (2.1 to 2.7)**	**62,913,004**	**64,187,888**	**64,101,595**	**64,480,184**
2.1	Cash and Bank Balance	3,927,064	4,662,215	4,254,661	4,275,822
2.2	Money at Call and Short Notice	260,648	608,243	338,439	826,436
2.3	Investments	15,915,898	14,702,507	15,310,380	14,083,667
2.4	Loans and Advances	40,350,738	41,616,461	41,589,343	42,867,768
	a. Real Estate Loan	4,796,549	5,011,972	4,965,024	4,671,457
	1. Residential Real Estate Loan	309,579	282,629	367,348	353,620
	2. Business Complex & Residential Apartment Construction Loan	913,517	1,083,912	780,135	786,269
	3. Income generating Commercial Complex Loan	252,562	396,756	620,259	610,300
	4. Other Real Estate Loan (Including Land purchase & Plotting)	3,320,890	3,248,674	3,197,281	2,921,267
	b. Personal home loan up to 1 crore	2,491,150	2,516,885	2,426,209	2,446,109
	c. Margin Type Loan	-	-	-	-
	d. Term Loan	5,618,365	5,733,196	5,762,342	5,832,773
	e. Overdraft Loan/TR Loan/WC Loan	20,785,923	21,594,887	22,178,016	22,402,265
	f. Others	6,658,750	6,759,520	6,257,752	7,515,164
2.5	Fixed Assets	912,818	901,149	900,584	888,730
2.6	Non Banking Assets	-	-	-	-
2.7	Other Assets	1,545,838	1,697,313	1,708,188	1,537,762

Interim Financial Performance

Amid liquidity flush scenario, interest rate on bank deposits across the industry witnessed a continuous decline throughout the year. The banks interest expense also decreased, thereby reducing the overall cost of fund and increasing net interest spread. Weighted average interest spread for the year increased to 4.95% level from 4.37% level in the previous year.

The quarter to quarter growth rate in net interest income was recorded at -4.05%, 18.09%, 2.21% and 17.93% respectively in the 1st, 2nd, 3rd and 4th quarters of the year. These corresponded to absolute change in net interest income of NRs.26 million negative, NRs.112 million, NRs.16 million and NRs.134 million respectively during these quarters. Total net interest income for the year was recorded at 29.57% or NRs.680 million higher than that of previous year.

Apart from interest earnings, performance improvement under headings like possible loss provisioning, foreign exchange gains and other operating income particularly during the last two quarters enabled the bank to post year end net profit at a level significantly higher than that of previous year. Significant recovery of NRs.105 million was made from loan loss provision in the 3rd quarter.

Quarterly net profit after tax increased at -11.76%, 16.25%, 33.05% and 24.87% respectively in each of 1st, 2nd, 3rd and 4th quarters respectively. These corresponded to absolute change in net profit after tax of NRs.41 million negative, NRs.49 million, NRs.117 million and NRs.117 million respectively. Year end net profit after tax was recorded at 26.80% or NRs.359 million higher than that of previous year.

Income Statement NRs. in '000

S.N.	Particulars	For Quarter ending				
		Mid Oct 11	Mid Jan 12	Mid Apr 12	Mid Jul 12	Total
3.	**Profit and Loss Account**					
3.1	Interest Income	1,466,239	1,556,102	1,518,875	1,592,523	6,133,739
3.2	Interest Expense	847,220	825,111	771,749	711,410	3,155,490
A	**Net Interest Income (3.1-3.2)**	**619,019**	**730,991**	**747,127**	**881,112**	**2,978,249**
3.3	Fees, Commission and Discount	94,948	99,652	101,578	67,897	364,075
3.4	Other Operating Income	33,455	42,045	28,995	96,590	201,085
3.5	Foreign Exchange Gain/Loss (Net)	87,171	110,952	113,552	135,395	447,070
B	**Total Operating Income (A+3.3+3.4+3.5)**	**834,593**	**983,640**	**991,251**	**1,180,995**	**3,990,479**
3.6	Staff Expense	123,677	120,766	128,475	127,795	500,713
3.7	Other Operating Expense	99,794	96,583	108,254	123,966	428,597
C	**Operating Profit Before Provision (B-3.6-3.7)**	**611,122**	**766,291**	**754,523**	**929,233**	**3,061,169**
3.8	Provision for Possible Losses	140,374	240,859	135,355	(0)	516,588
D	**Operating Profit (C-3.8)**	**470,748**	**525,432**	**619,168**	**929,233**	**2,544,581**
3.9	Non Operating Income/(Expenses) (Net)	5,374	3,799	7,639	(2,972)	13,840
3.10	Write Back of Provision for Possible Loss	-	24,358	105,374	7,066	136,798
E	**Profit from Regular Activities (D+3.9+3.10)**	**476,122**	**553,589**	**732,181**	**933,328**	**2,695,219**
3.11	Extra Ordinary Income/Expense (Net)	637	519	4,447	(8,640)	(3,037)
F	**Profit before Bonus and Taxes (E+3.11)**	**476,759**	**554,108**	**736,627**	**924,688**	**2,692,182**
3.12	Provision for Staff Bonus	43,342	50,373	66,966	84,063	244,744
3.13	Provision for Tax	128,829	149,660	198,573	252,365	729,427
G	**Net Profit/(Loss) (F-3.12-3.13)**	**304,588**	**354,074**	**471,089**	**588,261**	**1,718,012**

02

SUBSIDIARY'S PERFORMANCE REVIEW

About the Subsidiary

Nabil Investment Banking Ltd. ("Nabil Invest") is a subsidiary incorporated on 07th of February 2010 as a public limited company as per the Companies Act 2006. It is a Merchant Banker licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Rules, 2064. Nabil Bank, as at the Balance Sheet date, holds 74.29% controlling interest in the total paid up capital of Nabil Invest. The detailed capital structure of the Company is presented in Schedule 33 "Notes to Accounts" point number 2.5.2.9 of the financial statement annexed herewith. The financial year of the subsidiary has a common financial year with that of Nabil Bank (parent company) that ended on July 15, 2012.

The principal activities of its subsidiary are to provide merchant banking services that include management of public offerings, portfolio management, underwriting of securities, administration and record keeping of securities of its clients, management of mutual fund, depository participants, and corporate advisory.

In the review financial year 2011/12, the major activities performed by the Company are as under:

- Management of Initial Public Offerings: Of "B" Class Financial Institution (Total NRs.1.2 billion);
- Management of sale of unsubscribed right shares (on public offerings) through tender: "C" class licensed institution – 1 and "D" class license institution – 1 (Total NRs.10 million);
- Management of bond issue: "A" class licensed institution – 3 (total NRs.1.2 billion);
- Total asset of the customer managed under Investment Management Service at the end of financial year 2011/12: NRs.250 million;
- Drafting of Product Paper and Standing Instruction Manual for operating Nabil Mutual Fund sponsored by the Bank;
- Drafting of Product Paper and Standing Instruction Manual for operating advisory services like loan syndication and merger & acquisitions under Corporate Advisory Services;
- Application forwarded to Securities Board of Nepal to work as Fund Manager and Depository of Mutual Fund;
- Receipt of Certificate of Depository Participant from Securities Board of Nepal under Central Depository Services, a service indispensable for operation of securities market. In relation to this, instruction from CDS and Clearing Ltd. received for setting up essential infrastructure. Membership of depository participant has been granted by CDS and Clearing Ltd. after inspection of infrastructure raised by the Company;
- Successful implementation of accounting system and portfolio management system;
- Setting up of necessary infrastructure in Anamnagar, Kathmandu as well as recruitment of skilled manpower to start as depository participant and registrar to shares services in the forthcoming financial year.

The Nabil Invest has been rendering its services from its registered office located at Chabahil, Kathmandu. For this purpose, the Company has established its office in the building taken in lease by Nabil Bank on cost to cost sharing basis. The Company has executed Management Service Agreement and Service Level Agreement with the Bank, which also cover provision of occupancy by the subsidiary in the building leased by Nabil Bank.

The Bank has deputed its staff in the Nabil Invest under Management Service Agreement. They are undertaking responsibilities in various levels including CEO. The Bank also provides various administrative nature services necessary for service operations of the subsidiary under Service Level Agreement. The administrative services include general administration, accounting, finance and planning, information technology, cheque

clearing, human resource administration, legal advisory, and fund management service.

The transactions between Bank and its subsidiary during the review financial year 2011/12 have been presented in point 9.5 of Schedule 33 "Notes to Accounts" of financial statements annexed herewith.

Financial Position

For the review year 2011/12 balance sheet size of subsidiary company has expanded by 108% or Rs.132 million. As set out in the below table the single largest growth factor is accounts payable which comprise of mostly the application money refundable to share applicants under public issue. This has also increased the bank balance likewise. Besides this reserves and surplus of the company has increased by 74.00% due to profit generation. Out of current year's profit the company has proposed for distribution of 10% cash dividend on paid up capital.

Three-Year Statement of Financial Position

NRs. in '000

As of Mid July	2012	2011	2010
Share Capital	105,000	105,000	70,000
Reserves and Surplus	12,975	7,457	(529)
Accounts Payable	109,208	7,218	2,628
Provision for Staff Bonus	1,436	1,065	-
Deferred Tax Liability	47	60	-
Other Liabilities and Provisions	24,427	694	17
Total Capital and Liabilities	**253,093**	**121,494**	**72,117**
Balance with banks	128,243	26,337	70,000
Investments	107,000	83,400	-
Advance tax (net of income tax liabilities)	4,527	4,453	-
Fixed assets (net of depreciation)	6,952	6,169	1,941
Deferred tax assets	-	-	176
Other assets	6,371	1,135	-
Total Assets	**253,093**	**121,494**	**72,117**

Financial Performance

For review year 2011/12 net profit of subsidiary company has increased by 34.87% or NRs.2.8 million compared to that of previous year. While gross income of the company increased by 46.42% or NRs.9 million gross expenses has increased by 63.85% or NRs.5 million.

As set out in the table below the company was able to achieve significant increment in income from management services which mainly comprise of bullion business management services the company renders to Nabil Bank. Issue management business of the company is gaining momentum and the increment in income from Initial Public Offering (IPO) fees is encouraging. Effective fund management by the company enabled it to earn higher interest income from bank deposits amidst declining bank deposit rates.

Increasing business volume has necessitated higher expenses in human resource, business software, rental expense and other fixed assets. Since business of the company is just picking up these expense are likely to rise further in coming periods. However, management focus will be to ensure that any rise in expense results in even higher rise in income.

Three-Year Income Statement

NRs. in '000

Year Ending on Mid July	2012	2011	2010
IPO Fees	3,601	305	-
Interest Income	14,633	12,979	-
Management Services	10,288	6,196	-
Gross Income	**28,522**	**19,480**	**-**
Personnel Expenses	4,296	1,574	222
General Operating Expenses	6,647	4,927	482
Depreciation Charge	1,714	1,267	-
Gross Expenses	**12,728**	**7,768**	**705**
Operating Profit	**15,794**	**11,712**	**(705)**
Staff Bonus	1,435	1,065	-
Profit Before Tax	**14,358**	**10,647**	**(705)**
Tax Expense	3,590	2,662	(176)
Profit after Tax	**10,769**	**7,985**	**(529)**
Opening Retained Earning	7,457	(529)	-
Closing Retained Earning	**12,975**	**7,457**	**(529)**

NABIL BANK LIMITED
ANNUAL REPORT 2011-2012

"In 2012 Nabil started financing long term USD loans with Buddha Air as our first client. In the days ahead we look forward to supporting the competitiveness of domestic aviation industry by providing low cost financing."

02

PRODUCTS AND SERVICES

Nabil Bank has always been concerned about how it can create value for its customers through the portfolio of products and services it has on offer. Over the time Nabil has incorporated developments in market trends, customer preferences and technological advancements in innovation and enhancement of its products and services.

Lending Products

Corporate Banking

Nabil has constituted a specialized Corporate Financing unit to deliver a range of corporate financing products through one window solution. Nabil has a wealth of experience and expertise in this segment and therefore focuses on co-creating value through lending to industries, trading houses and service enterprises that fall under the corporate ambit. Having worked with almost entire range of business segments across industries the bank has garnered deep understanding of customers businesses.

In view of diversified customer base and their differing needs the bank has included a range of corporate financing products in its portfolio. Major products on offer at our corporate financing unit are working capital loan, fixed term loan, real estate loan, mortgage loan, import / export loan, pre / post shipment loan, bills discounting, bills purchase, import / export Letter of Credit, Bank Guarantee, LC advising/ confirmation / negotiation, Forward Contracts and Currency Swaps.

Infrastructure and Project Financing

Construction of large infrastructural projects is indispensable for national development and even more so in case of developing country like Nepal. Being a leader in private banking Nabil is aware of its role in fostering infrastructure developments in the country and has constituted a specialized Infrastructural Project Financing unit.

Having a highly spirited team and excellent business networks within and outside of the country this unit is focused in arranging and funding entire credit lines and other banking requirements for establishing infrastructure projects like hydro-electricity generation projects, telecommunication projects, cement production plants and airlines. These mega projects foster many smaller ancillary projects augmenting overall business clime in the nation. Needlessly to say, these economic activities breed an array of employment opportunities and give an impetus to the overall economic development of the nation.

SME Banking

In our developing nation economic growth largely depends on the contribution of Small and Medium Enterprises. This segment is a platform for medium scale entrepreneurs where ideas are transformed into sustainable businesses. They also stand auxiliary to bigger corporate ventures and play a significant role in the overall economic chain. In order to foster entrepreneurship and cater to the unique banking requirements of this segment the Bank has constituted a specialized SME financing unit.

Our relationship managers, experts in SME segment, are stationed across all of our branch offices and a central SME hub in Kathmandu. They are trained to understand clients' banking requirements and provide practical suggestions for clients' business success. Our SME product portfolio includes all kind of working capital financing, import / export financing, capital assets financing, business start-up funding, bank guarantees and letter of credits.

Microfinance

Vast majority of our population reside in rural areas and do not have easy access to banking facility. The only viable route to reaching them is through microfinance. Microfinance is indeed a product specially designed to extend financial support to the socio-economically disadvantaged people, to develop entrepreneurial skills within them and to uplift their living standard.

Our Microfinance unit works in close coordination with our partner organizations viz. microfinance institutions, cooperatives and non-governmental organizations operating as financial intermediaries. We select our partner organizations through standardized credit appraisal process covering their financial health, service outreach and their management expertise. Under indirect lending arrangements the Bank provides bulk funding to partner organizations. They in turn disseminate the fund to the targeted end users in the form of micro-credit. Thus synergistic effect is achieved through bank's funding and expertise of partner organizations.

In addition the bank also invests in promoter equity of microfinance institutions in line with government's priorities and policies.

Retail Lending

Our Retail Lending segment is designed for fixed income earning customers whereby they can avail financing to fulfill a number of their credit requirements such as for purchasing a home or a car; for covering educational expenses; or discharging a social financial obligation. Repayments under these loans are structured in Equated Monthly Installments to match the customers earning pattern. Major products under segment are as follows:

Nabil Housing

We always are attentive to our customers' needs and expectations and owning a home is a dream of the many who qualify for credit but for want of funds cannot realize their aspirations. Nabil Housing is a easy home loan financing scheme with features of competitive interest rates, extended loan tenures, flexible repayments and partial payment facilities. Our customers can avail this facility for purchasing ready homes, residential plots of land or for construction / renovation / extension / refurbishing of existing homes.

Nabil Properties

This is an all-inclusive scheme to cater to diverse financial needs of our customers and the arrangement is done by mortgaging properties in order to finance varied needs like education, marriage, travel, equity infusion or any other funding requirement. The loan application is easy, and the process is simple, and the sanction and delivery of loans are prompt.

Nabil Auto

Nabil Auto is an easy vehicle loan financing scheme with features of competitive interest rates, extended loan tenures, flexible repayments and partial payment facilities. Our customers can avail this facility for purchasing brand new vehicles for commercial or personal use. Alternatively financing for purchasing used vehicles can also be made available upon meeting the standard qualification criteria. Facilities to withdraw cash by pledging vehicles in the bank's name are also available under the Cash for Car scheme.

Nabil Sikshya

Keeping in focus the growing numbers of students aspiring for abroad studies we have tailored trouble-free and convenient education loans with the option of repayment in equated monthly installments or in full single payment. This facility is not limited to meeting the tuition fees of the students alone but covers for other expenses like travelling and accommodation as well.

Personal Overdraft

This is a quick solution to our customers' immediate and contingent fund requirements with the loan processes simplified and expedited featuring convenient payback facilities together with the option of reinstatement and / or enhancement of credit lines.

Deposit Products

Nabil values its customers' needs and expectations and at different intervals comes up with diverse deposit products keeping in tone with their specific needs. Major deposit products of the Bank are as follows:

Normal Savings

This is the conventional savings account which customers maintain to save their money now so that they can use it at the time of need in future. Cheque books and statement of accounts are provided to account holders free of charge. Customers can avail all other services on standard terms and pricing. Account holders earn minimum published rate of interest on this deposit.

Nabil Lok Bachat

This savings deposit product is designed to inculcate banking habits and encourage savings among general people. Any individual citizens can open this account without the need to maintain any minimum balance. Account holders earn minimum published rate of interest on this deposit. They are provided with a debit card instead of a cheque book so as to encourage use of ATMs for cash withdrawal and electronic payments at merchant outlets using POS terminals.

Nabil Bachat

This is a premium savings deposit product in which account holders earn attractive rate of interest. Account holders are entitled to a number of freebies and discounts on other services offered by the Bank. Some salient features attached to this product are free issuance of cheque book, debit cards, internet banking, account statements, balance confirmation certificates, good for payment and stop payment services.

Nabil Bal Bachat

This savings deposit product is designed to promote the habit of savings amongst parents for a secured future of their children.This account is equally useful to inculcate banking concept amongst children from their early ages. Account holders earn interest at the minimum published rate of interest. Cheque book and debit cards are issued on this account but parents have the option to restrict or allow withdrawal. An important optional feature is "Standard Instruction" which allows automatic monthly transfer of a fixed specified amount from the account of the parent to the Nabil Bal Bachat account.

Nabil Nari Bachat

This savings deposit product is designed especially for female customers. Account holders are offered custom designed debit card which is bundled with special discount offers from a number of partner merchants including shops, restaurants, hotels, beauty saloons, etc. They are also entitled to a number of freebies and discounts on other services offered by the Bank.

Nabil Edu Save

This savings deposit product is designed especially for students who can open this account at zero balance and enjoy a host of exclusive facilities including discounts in service charges and interest rates on education loans. Account holders are also entitled to discounts on issuance of Travellers Cheque, Bank Draft or Swift transfer.

Nabil Jestha Bachat and Nabil Jestha Muddati

These savings and fixed deposit products are designed especially for senior citizens in the age group of 50 years or above. These schemes offer attractive interest rate paid on a monthly basis which helps account holder manage their monthly cash flows more conveniently. There is no minimum balance requirement under Nabil Jestha Bachat where as under Nabil Jestha Muddati there is a specified minimum deposit amount and account holders can avail overdraft facility up to 90% of the deposit amount.

Fixed Deposits

These accounts are meant for those individuals and corporates who choose to lock their idle fund for a specified term. Deposit period, amount and interest rates are fixed upfront and remain locked until maturity. Time deposit accounts are opened for periods ranging from two weeks to more than a year. The Bank offers attractive interest rates on these deposits and publishes its offered interest rates periodically.

Call deposits

This is a unique structured deposit scheme under which account holders can park high-volume short term deposits. Interest rates offered on these accounts are based on mutual negotiation between the Bank and the customer. Cheque book is provided to the call account holders to withdraw cash from bank counter.

Card Products

Nabil is a principal member of internationally renowned Payment Agencies: Visa Inc., MasterCard International and Union Pay and operates with state-of-art technology. Nabil issues credit, debit and prepaid cards in Visa and MasterCard brands that are accepted directly for purchase of goods and services at merchant outlets and for cash withdrawals at ATMs. Rupee cards are widely accepted at merchant outlets and ATMs throughout Nepal and India while the USD cards are accepted globally. Nabil also accepts payment cards of Visa, MasterCard and Union Pay brands issued by banks all around the world at its ATMs and merchant members across Nepal.

MasterCard International cards

MasterCard International credit card is accepted at merchant outlets and ATMs worldwide (except India) against the FCY accounts maintained in Nabil or under a guarantee of reputed financial institutions. It is a convenient mode of payment and serves as a single currency across borders. Nabil MasterCard Prepaid International is also a convenient mode of availing travel quota facilities provisioned by foreign exchange regulations of NRB. Carrying Nabil MasterCard Prepaid International is hassle free and more convenient than carrying cash or Traveler's Cheques while travelling to foreign destinations.

Nabil Visa and MasterCard Rupee Credit Cards

Nabil Visa and MasterCard rupee credit cards are accepted for purchase of goods/services and cash withdrawals throughout Nepal and India. We offer flexible repayment option at the choice of card holders.

Nabil Installment

Nabil installment, a supplementary service introduced by Nabil for its rupee credit cardholders offers services with simplicity and ease of access. The Bank collaborates with selected merchants and offers its Credit Card holders the option to purchase goods from them on credit. The credit amount is loaded in credit card which the card holder repays under flexible equated monthly installments. Nabil installment offers a 0% interest and 0% down payment arrangement. Customers have subscribed to this facility for purchasing smart phones, laptops, jewelries, electronic goods, etc.

Nabil Visa debit/Prepaid Cards

Today, Nabil Visa debit and prepaid cards are the most reliable and convenient mode of payment duly acknowledged by our customers. Free from the hassles of interests and penalties, any customer maintaining a bank account with Nabil can subscribe to Nabil Visa Debit cards. To simplify the process further, Nabil Visa Prepaid cards can be availed without having to open bank account with Nabil. Nabil Visa debit and prepaid card is accepted at merchant outlets and ATMs all over Nepal and India.

Remittance Products

Nabil's remittance products are intended to cover maximum population and has a diverse service range designed to cater to the different and exclusive requirements of our customers.

Western Union

Nabil is one of the principal agents for Western Union Money Transfer Services in Nepal. Since 1999 Nabil is associated with Western Union and now through more than 1,160 authorized subagents located at different parts of the country, Nabil ensures its services reach one and all no matter what geographic regions our customers come from.

Nabil Remit

Nabilremit is a product designed to cater to domestic remittance services for money transfers from one place to another in Nepal and the bank has selected over 1,170 Nabilremit agents established in different parts of the country that delivers domestic money transfer services and the location numbers have been increasing day by day.

Demand Draft and SWIFT Transfers

Drafts and SWIFT transfers are the expedited fund transfer services our customers are facilitated across all of our branches. The bank, through wide network of correspondent banking relationship, can arrange fund transfer through demand draft and swift to and from different countries.

Bancassurance

This arrangement between the Bank and insurance companies to sell insurance products to the Bank's customers benefits mutually both at the same time. The Bank acts as an agent for selling diverse products/ schemes under life insurance and non-life insurance segments providing speedy and professional services to our customers. Nabil has arrangements with several insurance companies with a distribution model through its branches. Bancasurrance Division coordinates with the insurers for expeditious settlement of claims in compliance with the standard procedures.

Other products and services

Nabil M-Banking

The bank offers menu based Nabil M Banking Services, a mobile banking solution first time introduced in Nepal. Using this service our account holders can perform fund transfers, avail account information, view account statements, receive transaction alerts all in their mobile phones.

Any Branch Banking Services (ABBS)

Harnessing the potential of CBS (core banking software - Finacle) and IT connectivity, the Bank offers uninterrupted 24 hour ABBS services through all points of representations, be it branches or ATMs or merchant establishments across the country. The salient feature of this facility is that customers, having their accounts at one branch, can operate it from any branches or withdraw cash from any ATM throughout the country without any hassles. Our customers are privileged to carry out their transactions with ease and convenience at all times.

Extended Banking Hours

In order to serve those of our customers who cannot visit our branches during the standard business hours we have arranged flexible transaction hours beyond the normal business hours. Our selected branches are operating extended banking hours and 365 days banking service so that customers can benefit from the flexibility of banking with us.

Internet Banking

The Bank offers internet banking solutions to encourage e-banking behavior among its customers. Customers can login to e-banking page in the Bank's website and execute multiple tasks including limited fund transfer, view account statements, avail account information, pay utility bills, pay credit card bills and top up mobile phone balance. Customers can use this platform to perform such tasks wherever they are, within the reach of internet, and thus avoid the need to visit our branches.

Privilege lounge

This is a specialized arrangement where our customers can avail service from a dedicated team of Relationship Managers in a hassle free environment. All the banking requirements of our customers is taken care of from a single window.

E – Secure Service

In continuation of the Bank's efforts in enhancing the safety and security of transactions through use of card, we are launching Nabil e-Secure Service very soon. This will be a new value addition in our card services introduced in Nepalese Card Industry for the very first time. Nabil e-Secure is a card member authentication process on the e-commerce platform whereby our card members can use their debit or credit cards to pay for online purchase of goods and services through secured mode. Nabil eSecure is based on 3-D (3 Domain) technology endorsed and certified by our card schemes (Visa Inc. and MasterCard International) and is fully secure.

Products and Services of Subsidiary

Nabil Invest has wide array of services to offer to its institutional and retail clients, some of which are currently rendered while others will be delivered in due course with required exploration and due approval from the regulators. At present, Nabil Invest provides full range of Merchant Banking Services - Management of Public Offers/Further Public Offers, Underwriting, Registrar to Securities (RTS) and limited Investment Banking Services - Portfolio Management and Advisory Services like Investment Advisory, Mergers & Acquisitions etc. In future, Nabil Invest targets to enhance its Investment Banking wing further to render Trusteeship Services, Project Counselling, Loan Syndication, Valuation, Venture Capital/ Private Equity, Fund Management (FM) etc.

SYNERGISTIC

What sets Nabil always in action is the fact that there is a sense of harmony among all its stakeholders. The common mission to get the bank in the lead in everything it does coheres all in togetherness. This intent teams up all stakeholders to work in tune with the great common good.

03 GOVERNANCE

THE BOARD

Nabil Bank Ltd. has a unitary Board Structure. All the Board members are Non-Executive directors. Individual directors exercise their authority in the Board meetings and the Board acts in the collective interests of shareholders.

The core objective of the Board has always been to provide excellent returns to shareholders and enhance their wealth. The Board decides on corporate strategies, approves capital and operational plan and consistently reviews the management's performance ensuring that corporate objectives are always kept in focus.

Directors come from diverse business and service backgrounds with differing levels of knowledge, experiences and expertise. They do not take part in day to day management of banks business operations. The Board members bring about an external perspective on company affairs and provide constructive suggestions to the CEO. The Board sets strategic path for the organization, identifies business objectives, reviews management's performance and provides guidance to the management towards achieving the targeted goals and objectives.

The Board is collectively responsible for long-term success of the Bank. To this end, the Board exercises its authority within the framework of regulatory provisions, Companies Act, Bank and Financial Institutions Act, Memorandum and Articles of Association of the bank and other relevant laws and regulations. The Board delegates executive responsibility for running the Bank's business to the Chief Executive Officer. The CEO heads the executive management team and is empowered to further delegate authority and assign responsibility down the line.

The Board, considering the job requirement and staying within the regulatory provisions, can constitute committees of the Board ascribing specific responsibilities and delegating any of its authorities and powers to such committees. However, the Board keeps certain approving authority to itself including, but not limited to, the approval of strategic plans, performance targets, policy documents, annual budgets, annual financial statements and the authority or the delegation of authority to approve credit and market risk limits to itself.

Board Meeting Attendance record for year 2011/12

	Attendance
S P Shrestha	12/12
S P Poudyal	12/12
D G Agrawal	12/12
S Chatterjee	7/10
K P Acharya	12/12
N Chaudhary	10/12
K B Manandhar	12/12

Total sitting fees paid to directors for attendance in board and committee meetings held during the year was NRs.1,076,000.

Information to the Board

Nabil has a culture of open and relevant communication between the Board of Directors and the Bank's Executive Management. The Board receives reports and presentations from conveners of board committees and the CEO. Such reports include key issues related to credit exposures, risk portfolio, liquidity, financial performance, business expansion, audit and compliance. The Board regularly reviews management performance against approved budget targets and goals.

All Board Committees have a Member Secretary from senior management team who is engaged in the concerned area of business within the Bank. For effective discussions of the items in agenda other members from the bank's management, whose responsibilities relate to the matter in agenda, are also invited as required.

Individual directors are provided with the agenda and accompanying reports and documents well in advance of the Board and Committee meetings. Board members have timely access to adequate information so as to enable them to conduct appropriate review of the agenda and actively participate in discussions during the meetings. They may seek independent professional advice wherever they feel so is needed.

Directors also make offsite visits to branches to obtain a better understanding of the local business operations and environment, participate in business promotion and corporate social responsibility related activities and interact with customers and employees of respective areas.

Director's Appointment and Induction

Appointment, retirement and re-election of directors are conducted as per the provisions laid out in prevailing Companies Act, Bank and Financial Institutions Act, Articles of Association of the bank and other relevant laws and regulations. One professional director is appointed from the roaster of professional experts published by the central bank. Professional directorship remained vacant at balance sheet date.

Section 92 of Companies Act 2063 and section 22 of the Bank and Financial Institutions Act 2063 require following disclosures from directors within 7 days of appointment to the Board.

- Director's or his/her close relatives' financial and personal interest in the Company including any contracts entered thereto, if any.
- Director's personal interest in appointment of Senior Management Officials and Statutory Auditors in the Company, if any.
- Director's existing appointments as director in other Companies, if any.
- Director's or his / her family's dealings in shares or debentures of the Company or its subsidiary companies.
- Director's family members employed as officials in the Company, if any.

None of the directors has service contract with the bank.

Upon appointment the directors are administered Oath of Secrecy and Fidelity. Newly appointed directors are inducted on the Board as per provisions and procedures laid out in the Companies Act, Banking and Financial Institutions Act and other relevant laws and regulations. Throughout their directorship, the directors have access to adequate information and opportunities of interaction with other directors and senior executives to obtain understanding of the bank's business, strategies, operations and risk culture.

Relations with Shareholders

The Board has always encouraged active participation of shareholders in every Annual General Meeting. The meeting has always been a very important platform for the Board to interact with many shareholders, both individual and institutional, communicating the objectives and strategic plans, clarifying on shareholders concerns and sharing the collective vision.

Directors, most of whom represent institutional shareholders, engage in regular dialogues with institutional shareholders, continuously conveying on business strategies and apprising them of the bank's performance based on mutual understanding of organizational objectives.

03

BOARD COMMITTEES

Pursuant to Section 5 of NRB Unified Directive No. 6 banks and financial institutions are only allowed to constitute board committees for Audit, Risk Management and Human Resource Management. Any other committee can only be constituted for specific purpose and for specified time duration. Following were the principal committees of the board that were in operation during the year:

1. Board Audit Committee (BAC)
2. Risk Management Committee (RMC)

Committee Memberships

Directors	Audit Committee	Risk Management Committee
D G Agrawal	●	
K B Manandhar	●	
S Chatterjee		●
K P Acharya	●	●
N Chaudhary		●

● Convener ● Member

Board Audit Committee (BAC)

Audit Committee of the Bank was formed in line with provisions of NRB Directives and the Company Act. The Committee has been functioning and discharging its duties and responsibilities in line with the provisions laid down in Section 5 of NRB Directives 6/2069, Section 6 of NRB Directive 7/2069 and Sections 164 and 165 of the Company Act 2063.

Internal Auditors and Statutory Auditors have direct access to the Audit Committee.

Currently Director Mr. K B Manandhar is the Convener with Directors Mr. D G Agrawal and Mr. K P Acharya as members of the Audit Committee. Bank's Head of Internal Audit is the secretary of the Committee.

Role of Audit Committee

The committee's role is extensive and strongly supports the board in dealing with aspects of good corporate governance, internal control, risks management, financial reporting, legal and regulatory compliance and ethical conduct of business.

The Committee's major responsibilities include:

1. Reviewing the Banks' overall system of internal controls.
2. Reviewing observations and recommendations made in reports of auditors (statutory, regulatory and internal).
3. Reviewing the bank's financial statements, ensuring its accuracy and the required level of compliance in relation to financial reporting standards.
4. Reviewing compliance in relation to bank's internal policy and prevailing regulatory and legal provisions.
5. Reviewing risk management systems and security position of the bank in respect of exposure to credit risk, operations risk and market risk.
6. Advising and recommending the Board on management actions required for achieving the desired level of effectiveness and compliance in response to above reviews.
7. Recommending to the Board on appointing statutory auditor, auditor's remuneration and reviewing that the auditor's actions in course of bank's audit, do not contravene with applicable laws and provisions.

BAC Meeting Attendance

	Attendance	Fees (NRs.)
Total meetings held	12	296,000
Convener - K B Manandhar	12/12	120,000
Member - D G Agrawal	12/12	96,000
Member - K P Acharya	8/12	64,000
Member - S Chatterjee	2/5	16,000

Committee Secretary attended 11 of the 12 BAC meetings held during the year.

Committee Activities

During the year 12 BAC meetings were held. These meetings reviewed and discussed a number of internal audit reports and statutory report of the bank and NRB Inspection Report of the Bank. The BAC updates the Board of its actions by way of sending copies of its minutes which is reviewed by the Board in its Meeting. It issues recommendations for strengthening bank's system of internal controls and its effectiveness in practice.

A number of agenda items were discussed in the meetings and numerous recommendations were given by the BAC for strengthening overall risk management systems of the Bank. For effective discussions of the agenda, members from senior management team of the bank are also invited to BAC meetings on need basis.

Agenda discussed during meetings

1. Report on Past Dues Corporate Loans & Retail Lending for 12 months.
2. Status report on Nostro Accounts for 12 months.
3. Audit report on Operations of Branches - 24 reports.
4. Preliminary audit report of newly opened Branch - 10 reports.
5. Audit report on SME & Corporate Banking of Branches - 24 reports.
6. Audit report on PLU of Branches - 27 reports.
7. Audit report on Export L/C at CTO – 1 report.
8. Audit report on Guarantee Business at CTO – 1 report.
9. Audit report on Bancassurance Unit – 1 report.
10. Audit report on Nabil Investment Banking – 1 report.
11. Audit report on Remittance Business Unit – 1 report.
12. Audit report on Deposit Relationship Management Unit – 1 report.
13. Audit report on SME & Micro Lending Unit – 1 report.
14. Semi-Annual verification of Cash and Cash Value Items in all Branches.
15. Review of Compliances and Branch Responses on Audit reports - 107 reports.
16. Investigations & Inspections on Specific Events.
17. Memorandum dated 07.08.2011 on Adoption of Policies for Selection of Statutory Auditors and Short Listings of Auditors.
18. Memorandum dated 23.08.2011 on Submission of Annual Financial Statements and Preliminary Statutory Audit Reports (with Management Response) of the Bank for FY 2067/68 (2010/11).
19. Memorandum dated 13.12.2011 and 22.12.2011 on NRB Inspection Report 2068 along with Management Response.
20. Memorandum dated 02.03.2012 on Revised Concept on Risk Based Internal Audit - 2012.
21. Memorandum dated 03.04.2012 on Draft Offsite Risk Assessment Format.
22. Memorandum dated 12.06.2012 on Third Party Process Audit.
23. Miscellaneous

i. Memorandum dated 10.08.2011 on Disclosure of information, (with regard to Audit Committee) in line with stipulation of the Company Act 2063, in Directors' Report of the Bank for FY 2067- 68.

ii. Memorandum on various dates in relation to Updates on various investigations and inspections.

iii. Certification of Unaudited Financial Results as at 4th Quarter of FY 2010 -11, 1st Quarter of FY 2011-12, 2nd Quarter of FY 2011-12, 3rd Quarter of FY 2011-12.

iv. Semi-annual review of Investments Portfolio of the Bank as on 16.07.2011 and 14.01.2012.

v. Certification of Capital Adequacy Ratio and Risk Weighted Assets of the Bank as on 16.07.2011, 17.10.2011, 16.11.2011, 15.12.2011, 14.01.2012, 12.02.2012, 13.03.2012, and 12.04.2012.

vi. Memorandum dated 08.08.2011 on Annual Audit Plan for FY 2068/69.

Recommendations issued to Management

1. Measures were advised to deal with and keep a watch on overdue loan accounts.
2. Directions were issued to keep the old and un-reconciled items in Nostro accounts of the Bank under control.
3. Review the compliance of branches in regard to NRB directives, Bank's credit policy, internal rules and guidelines and compliance of prevailing laws of the country.
4. Advised appropriate measures to be taken by the Management for full compliance of irregularities pointed out in the inspection report of NRB.
5. Advised appropriate measures for compliance to the points noted in preliminary statutory audit report and recommended the Board for adoption of annual financial statements of the Bank.
6. Advised measures on mitigation of various risks, effectiveness of internal check and control and strengthening security position in respect of lending portfolio, branch operations, treasury operations, trade finance operations, card operations and management of non-performing assets.

Risk Management Committee (RMC)

Directors' Risk Management Committee was constituted by 341st board meeting held on 17th December 2010 with due consideration to the spirit of Risk Management Guidelines (RMG) issued by NRB in October 2010. The committee was reconstituted by 349th board meeting held on 11th August 2011. The RMG highlighted on risk governance and identified the need of a strong risk management framework, well defined risk management processes and effective risk assessment and measurement mechanism.

Role and responsibilities

The Committee oversees overall risk governance framework of the Bank. It ensures that proper risk management policy and procedures are in place and effectively practiced at all levels within the Bank. In doing so it ensures that Internal Audit reviews the overall business operations to assess whether or not the Bank's policies and procedures are adequate and implemented. It reviews the effectiveness of Management Information System and Internal Control Systems of the Bank.

The Committee, on an ongoing basis, defines and reviews risk appetite of the bank in relation to overall business risk with specific focus on credit risk, market risk, operation risk and liquidity risk. RMC advises the Board on the overall risk tolerance levels of the bank throughout the strategic implementation process. Risk appetite of the Bank is determined based on the following:

- strength of capital base
- quality and growth of earning assets base
- brand reputation and perceived customer value
- balanced approach to business risks and returns
- risks diversification

A major role of the committee is to assess business and profit risks of all lines of businesses of the bank. RMC ensures that managerial and operational level officials of the Bank, responsible in risk management and decision making processes, possess adequate knowledge of their specific job area and of the corporate risk culture. The Committee also reviews trends in portfolio quality and the adequacy of provisioning for possible credit losses.

Risk Governance

Bank practices risk governance applying the principles of good governance to the identification, assessment, management and communication of risk. The Bank equally takes into account of participation, transparency, and accountability within the procedures and structures by which risk related decisions are made and implemented.

Within the bank, RMC is responsible for overseeing the risk governance structure and monitoring the effectiveness of risk management and internal control systems. Chief Risk Officer, member secretary of RMC, ensures that emerging risks and changing behavior of key risks are brought forward for discussions in the committee meetings. Invitees from major functional and business areas participate in RMC meetings and highlight the key risks faced in their specific areas. This helps the Board, together with RMC, to ensure that a strong risk management frame work is maintained.

RMC Meeting Attendance

	Attendance	Fees (NRs.)
Total meetings held	5	114,000
Convener - S Chatterjee	5/5	50,000
Member - K P Acharya	3/3	24,000
Member - Nirvana Chaudhary	5/5	40,000

Mr. Kapil Sharma, COO of the bank, attended the first four meetings in capacity of committee secretary. Thereafter, CRO of the bank, Mr. Anil Khanal took over as the committee secretary as per the decision of 355th meeting of the board held on 27th December 2011.

Committee activities

The Committee discussed on the following agenda and issued recommendations to the management.

1. Review of existing Risk Management practices in the Bank.
2. Review of reporting formats especially credit proposals.
3. Review of legal risks pertaining to security documents obtained by the bank to safeguard from credit risk.
4. Review of existing policies and Standard Instruction Manuals.
5. Review of internal control system on Cards Operation.
6. Review on Non Performing Accounts.

Instructions given to management

1. Development of MIS reports which will inform status of how risk policies have been implemented along with details on nature of risk, risk concentration and movement of risks.
2. Implementation of Risk Policy which incorporates various components such as risk appetite, risk grading and risk based pricing.
3. Adoption of revised credit proposal format for better presentation.
4. Monitor process of documentation and carry out verification of legal documents to ensure their validity and legal enforceability.
5. Implement forceful PIN change for all newly issued/ replaced cards.
6. Expedite and take appropriate action to regularize NPAs.

Following each meeting, the Committee instructs necessary actions to the management and reports to the Board, informing of its decisions.

03

INTERNAL CONTROLS

Effective internal control system is the responsibility of the Board. Audit Committee reviews reports from internal auditors, statutory auditors and regulatory inspection teams and provides the Board with independent assurance on the effectiveness of control environment.

Every aspect of our business involves some degree of risk. Risk and reward are inherently linked and each of our decisions involves a trade-off between these two elements. While we accept the need to take risk for achieving our business objectives, we are also aware of the need to mitigate adverse consequences of taking the risk. We have implemented key procedures designed in such ways to provide effective internal controls across the organization. These procedures for continuous assessment, identification, evaluation and management of key risks have been in place throughout the entire financial year. Following were the key internal control procedures in place during the year:

- The Board has delegated the authority to operate bank's business and assigned responsibilities for regular functioning of the Bank to CEO.
- The CEO is empowered to further delegate authority and assign responsibility including specific business targets to management. The functional responsibility line is clearly defined in organization structure.
- Primary responsibility for effective compliance to internal control procedures rests on branches, strategic business units and operational managers. Internal Auditors, as per their approved annual work plan, conduct detail inspection and verification on effectiveness of internal control procedures at all branches and operational units at least once each year.
- Management is responsible to ensure Internal Auditor's recommendations are implemented within a reasonable time frame. Bank's audit policy specifies 60 days period for closure of each audit report from the date of its issue. Closure of audit report is approved by CEO upon full satisfaction that the audit irregularities have been duly addressed and complied.
- Executive committee headed by CEO comprise of SBU heads and heads of other functional departments. Weekly Excom meeting reviews the Bank's performance and the developments in it operating environment at length. It also discusses measures to be taken for improvement of operating system and procedures.
- Credit marketing unit and Credit risk unit are independent. Credit marketing unit conducts marketing activities and forward credit proposal for approval. Then onwards credit risk unit independently analyze each credit proposal in light of inherent and external risks involved in the business. Under co-signing / dual approval arrangement both marketing and risk units have to approve each credit proposal within their authority.
- Credit Administration and Support unit, directly reporting to CEO and independent from credit marketing and credit risk units, is assigned with specific responsibilities of conducting periodic on-site inspection of credit customers, examining credit documentation and ensuring all the terms of credit approvals are complied with throughout the life of a credit account.
- The Board has delegated foreign currency dealing and investment decision limits to CEO. CEO has further delegated the authority to Chief Investment Officer, Head of Treasury and individual dealers. Treasury back office, having reporting line to COO, is responsible to ensure that treasury front office operates within the authorized limits and in compliance to the Bank's investment policy.
- CEO has approved a number of Standard Instruction Manuals (SIM) which, in essence, are standardized detail procedural guidelines for specific areas of banking business. Activities at all level confirm to the procedures in SIM.
- Standard budgeting and variance reporting mechanism is in place with regard to Bank's

performance review on monthly basis. CFO and CEO review budget variances and issue appropriate instructions to functional heads.

- Financial Administration Bylaws specifies centralized functional control over all expenses of the Bank. All expenses within the budget are approved by CEO upon recommendation of management level Fiscal Directive Committee. All expenses in excess of budget are approved by CEO on urgent basis and are periodically placed before the Board for its post ratification.
- IT Policy specifies centralized functional control over all IT operations including defining access authority in Core Banking Software, MIS and hardware facilities including data centre. Access authority to any staff is given at the request of department head and approval from Senior Manager - Operations. All decisions on procuring IT equipment and services are reviewed by IT Department for technical feasibility before hand.
- The Bank publishes notice periodically for public awareness in order to safeguard from fraudulent activities through our internet banking platform. Similar instructions are regularly issued to all employees. Customers are required to execute forceful password (PIN) change in order to activate transactions through new or replacement ATM card.
- Compliance unit, reporting to COO, operates as guided by the Bank's Know Your Customer and Anti Money Laundering policies. Reporting mechanism requires branches to confirm compliance to these policies. Transactions above a threshold limit are periodically reported to the Compliance unit which scans and ensures compliance is maintained at transaction level.
- Standardized mechanisms are in place for business and operational units to periodically report on business volumes and outstanding balances with specific reporting requirements on exceptional transactions, overdue transactions, foreign currency transactions, un-reconciled balances, etc. Report generation is automated in MIS. Reports are reviewed at different levels within the management and appropriate instructions are issued to concerned operation managers.
- Mechanisms are in place to comply with all regulatory reporting requirements. Such requirements, among other things, include periodic reporting on capital adequacy (as per Basel II), balance of payment, cash reserve requirement, credit portfolio, foreign currency assets, deposit portfolio, gap reporting (ALM), statutory liquidity ratio and monthly provisional statements of financial position and income Statements. Functional managers are accountable for complying with the reporting requirements.
- Audit Committee ensures that required disclosures are made properly in financial statements. The Committee obtains reasonable assurance from statutory auditors on the reliability of financial information presented in the annual financial statements and recommends the Board for its adoption.
- CFO ensures that quarterly interim financial statements of the Bank are filed with the regulatory authority, the security exchange board and published in national daily newspaper in public information within the prescribed time periods.
- Centralized functional control is exercised over all transactions involving tax deductions at source. All such transactions are administered and authorized directly under Senior Manager - Operations. Payroll tax is administered by Human Resource department. Tax deducted at source is timely deposited with Large Tax Payers Office. Responsibilities are clearly defined and distributed to COO and CFO.

Audit Committee has been regularly reporting to the Board on effectiveness of Internal Control Systems. Similarly the Risk Management Committee has been providing the Board with oversight on risk governance.

The key processes used by these committees in carrying out their roles include: regular assessment of business and operational risks, review of risk management policies and practices, review of risk appetite, internal audit reports, external audit reports and regulatory reports. Additionally, in course of running banking operations, such events may occur that indicate a gap in the internal control framework or in adherence to the established policies and procedures. In such case the Audit Committee reviews special investigative internal audit reports, commissioned by management, which analyze the cause of the event and management actions proposed for addressing such issues.

GLIMPSE OF EMPLOYEE ACTIVITIES

GLIMPSE OF EMPLOYEE ACTIVITIES

Every year the bank conducts different programs involving employee paticipation. Annual staff picnic program is held across all of our branches wherein maximum number of staff participate eagerly and get losen off the daily office routine. The event is an eagerly awaited one in our office calender. At corporate level we also participate in a number of sporting and intellectual events. Our staff union also organizes blood donation program every year.

03

EMPLOYEES

Good management of human resources is critical for implementing business strategies and meeting corporate goals. To this end carefull attention and devotion from all senior staff is necessary. In our organizational set up all senior staff members enjoin to act as HR managers in their areas of operations by implementing policies and guidelines of the Bank, by nurturing talent, sharing knowledge and putting in place strong ethical practices while conducting Bank's businesses. On the other hand, the HR Department is responsible for monitoring and ensuring that Bank's HR policies are interpreted consistently across the Bank.

Employee Bylaws acts as a framework that guides Human Resource Management practices within the Bank. Both Staff Union and Management have expressed concurrence to this document. This document is approved by the Board and also by the Regulatory Authority. Principles of ethical work culture, open communication, objective career development, transparency in remuneration and pay - performance correlation support HR practices employed within the Bank.

The good practices that the bank has adopted consistently have never been affected by the growing size of HR strength. As at 15th July 2012 the Bank has employed 650 permanent employees and 604 contract employees. Contract employees include 595 outsourced staff (clerical staff - 182 and support staff - 413) and 9 staff under direct contract with the Bank (support staff - 8 and CEO). The following table provides level wise permanent employees head count:

Staff Category	Male	Female	Total
Senior Manager	8*	-	8
Middle Manager	36	5	41
Officers	134	39	173
Assistants	195	116	311
Support Staff	103	14	117
Total	**476**	**174**	**650**

*excluding CEO

Over the years we have witnessed that employees are the ones shaping a high performance culture. We encourage managers to promote open communication at all levels, both vertical and lateral. Communication strengthens sharing of knowledge, ideas and viewpoints. Issues affecting individual job areas and the overall financial performance of the Bank are regularly communicated to our staff.

Our core corporate values CRISP – Customer Focused, Result Oriented, Innovative, Synergistic and Professional are embedded in our daily work culture. Operating in a service industry we believe every of our actions should create some value to our customers. Recently we have implemented a staff Code of Conduct which follows this very essential theme and is abided by all staff in action.

The strength of our HR rests in its diversity and fair treatment. Our culture respects individual differences and learning aptitudes. We do not allow discrimination on any grounds be it social, religious, hierarchical or gender. Any kind of discrimination or any form of harassment is dealt with as per disciplinary provisions in the Employee By-Laws. At Nabil employees perceive that their views are heard, their concerns are attended and their career progression is based on objective performance assessment.

We have a recognized Staff Union in the Bank. The management and the union execute a collective bargaining exercise once every two years. Collective Bargaining exercises have been harmonious throughout and has never resulted disruption in normal banking operations and customer service.

Recruitment and Development

The Bank employs a fair recruitment policy. All new appointments and promotions are planned and approved as part of the annual HR budget. Fresh appointments are made at support, assistant and management trainee levels. However, Board has the authority to make appointments at other levels in order to bring in appropriate set of skills in existing or new areas of businesses. Based on the requirements of business expansion the bank may outsource its staff requirement to external party. All appointed staff, whether permanent or contracted, will

adhere to employment standards as stipulated by the Employees Bylaws of the Bank.

Staff placements are assigned as best suited for ones abilities and growth potential. Performance appraisal system is fair and career progression is based on objective assessment of one's performance and team work. Placement transfer, job rotation, job enrichment, succession planning and cross functional teams are some of the tools we employ for employee development. Individual training and development needs form an important component of annual performance appraisal of all staff.

Remuneration and Benefits

The quality of our Human Capital defines the scale of our business success. Our business stands on trust, relationships and ethical conduct. Our strategy is in being proactive to attract, recruit, develop and retain the best people. We need to constantly ensure that we have the required set of skills, knowledge and expertise in our Human Pool. We believe staff commitment and motivation towards the job is achieved over time, which is affected by multiple factors among which financial benefits is a very important one.

Market forces constantly pose a challenge to our HR strategy and retaining the best brains is not easy. Remuneration is one of the major factors affecting one's decision about joining, continuing or leaving an organization and we appreciate this fact. However, our experiences over the years suggest that other important factors do affect in making the choice of employment. Accordingly we attract the best people who wish to work in an organization having solid corporate values, ethical work culture, reputed brand performance and the one offering excellent work experience and career development opportunities. Our remuneration policy covers the following:

- Salary structure comprises of fixed basic pay and variable incremental pay.
- Salary structure is maintained based on documented position grades of individual employee as per his / her annual performance appraisal ratings. The grade earned in annual performance appraisal ratings have an incremental impact in the basic pay.
- Salary structure is reviewed every two years with reference to national economic scenario, bank's business performance and market practice. Any one or both the basic and variable component may be revised as appropriate.
- The bonus element of annual pay is tied up to the overall performance of the Bank at the end of each financial year. This instills a winning spirit in our employees, drives business performance and coincide their own interests with the interest of our shareholders.
- Bank's contribution to employees Gratuity Fund and Provident Fund is proportionately linked to the number of years in employment and the last drawn salary at the time of making such contribution.

Besides, our employees receive the benefit of housing loan, vehicle loan and personal loan facilities as per their individual eligibility in line with the Integrated Staff Loan Policy approved by the Board.

Taxation on Remuneration

All pay and benefits paid to the employees are taxed at source as per the provisions of Income Tax Act 2002. During the year total NRs. 91,361 thousands was taxed at source in respect of employee benefits.

Payment to employees in the form of salary, allowances, leave encashment, overtime payment, incentives, commission, bonus, gifts, retirement benefits etc. constitute their taxable income from employment. In line with the provisions in Income Tax Act, employees' taxable income is taxed applying the following tax rates:

Income Tax Rate	Annual Income Slab NRs.	
	Single	Couple
1%#	160,000	200,000
15%	160,001 – 260,000	200,001 – 300,000
25%	260,001 – 2,500,000	300,001 – 2,500,000
35%*	Above 2,500,000	Above 2,500,000

Social Security Tax.
* The Act provisions 40% surcharge on tax calculated on taxable income above NRs.2,500,000 applying tax rate of 25% resulting effective tax rate of 35% for that slab.

The Act allows certain deductions from taxable income, the most relevant in case of our employees being contribution to approved retirement fund up to NRs.300,000 or 1/3rd of total assessable income whichever is lower and life insurance premium expenses of self and spouse upto NRs.20,000. Additionally, donation up to NRs.100,000 or 5% of total assessable income, whichever is lower, is also available for deduction.

The Act offers female employees the benefit of 10% tax discount on their total tax liability for a given year. Similarly, in case of physically disabled employees the base slab for 1% taxation is raised by additional 50% to NRs.240,000 for single and NRs.300,000 for couple.

Taxation on Retirement Benefits

Income Tax Act 2002 applies the following tax rates in payment of post-retirement benefits i.e. when the Gratuity and Pension Fund is paid to the employee upon his / her retirement from employment.

Tax Rate	Accumulated Fund
Tax Free	Higher of NRs. 500,000 or 50% of Total Fund
5%	Balance Amount

Prior to pronouncement of Income Tax Act 2002, the fund accumulated in gratuity and provident fund was tax free. All such amount held in gratuity and provident fund and contributed by employer before the Act came into effect will not be taxed at the time of making payment to concerned employees.

Human Capital Valuation

The Bank operates in a service industry and Human Capital is the most important of all assets for the Bank. It is the Bank's human resource that mobilizes all other static resources, interacting with market conditions and coordinating with our stakeholder groups, in driving our businesses ahead in the path of success. In our endeavors to further recognize the value of our human resource, the Bank has calculated the economic value of our human capital using the Lev and Schwartz Model of valuing Human Capital.

As at 15th July 2012 the total Economic Value of our Human Capital is NRs.7,743 Million. The valuation has been arrived using the Bank's cost of capital of 11.90%.

NRs. in Million

Employment Level*	Human Capital Value
Management Level	1,249
Officer Level	2,912
Assistant and Support Level	3,582
Total Value	**7,743**

* Permanent Payroll

The basic premise of Lev and Schwartz model is valuing Human Capital by arriving at the present value of future earnings of each individual employees in return for his or her services to the company until his or her retirement age. In arriving at future earnings, effects of factors like promotion and resignation are ignored while regular pay rises to compensate for normal inflation have been factored. The model requires some critical assumptions and estimations to be made. Estimates were required in determining the growth rate in employees' future earnings and the discount rate applied in arriving at the present values. Any changes in these estimates can have significant impact on the total value.

Contribution to National Level Welfare Fund

The prevailing Bonus Act 1974 (2030 B.S.) requires the bank to deposit 30% of the residuary amount, after distribution of bonus from the allocated amount for staff bonus, at National Level Welfare Fund (NLWF) operated by the Government of Nepal. Remaining 70% is to be deposited at Welfare Fund established in accordance with Section 37 of the Labour Act 1991 (2048 B.S.).

The Bank has deposited a total of NRs.210,056 thousands with NLWF in respect of staff bonus allocated for up to Financial Year 2010/11. In respect of undistributed staff bonus for current financial year, the Bank will be depositing NRs.47,944 thousands at NLWF.

Voluntary Retirement Scheme

Pursuant to the provisions laid down in Employee Bylaws of the Bank, a Voluntary Retirement Scheme was launched in September 2011. Staff having completed a minimum of 15 years of service in the Bank and having reached age of 40 years were eligible to apply for retirement under the scheme. Following the receipt of applications during the month of September, the Bank accepted the applications from seven staff who were released from the services of the Bank effective end of October 2011.

Following compensation was paid to the staff retiring under this scheme.

NRs. in '000

Level of Staff	Head Count	Ex-Gratia Payment	Leave Encashment	Total Payment
Management Level	2	7,707	1,895	9,602
Assistant and Support Level	5	4,010	471	4,480
Total	**7**	**11,717**	**2,366**	**14,083**

As per Income Tax Act 2002, tax was deducted @ 15% on above payments.

03

CORPORATE SUSTAINABILITY

Banking institutions play integral role in economic development of a nation effectively channeling idle deposit resources to value generating enterprises in the form of credit. They support to establish, operate and expand business ventures which otherwise would not have been possible for the want of funding. They ignite production, distribution and consumption in the economic system. The whole economic system achieve much needed multiplier effect through these institutions as they promote capital formation, employment generation, international trade and government revenue.

Myriad of risks continually pose a threat to the success of a Bank which, at times, can even wipe out the existence of an entire institution. To be a successful institution calls for a sustainable business model. This requires forward thinking on part of the management and a business approach that creates long term stakeholder value while harnessing opportunities and managing risks arising out of developments in our economy, society and environment.

At Nabil we have always kept a longer term perspective on our business practices building them around our social and environmental considerations. We have, long before, recognized that our business goals are inseparable from the society and environment where we operate in. The results of our operations must be sowed back into our environment and that our communities must be rewarded for our business success. This approach has helped us achieve long term shareholder value by profiting from positive public perception, sustainable branding, higher employee satisfaction and overall productivity.

We ensure that our business goals continue to remain sustainable through the following key areas within our operations.

Contribution to National Economy

Our commitment of arranging finances to national priority projects like those in renewable energy sector and to export based industries is high. We also prioritize financing sectors that use local materials, generate employment and replace imports. Retail consumer loans that keep the domestic economy vibrant and stable also occupies a significant portion in our total lending portfolio.

The recognition we hold from the national treasury as one of the highest contributors in the form of payments in taxes gives us a great satisfaction. The proliferation of commercial activities we have facilitated through extending credit and arranging foreign trade also generate significant tax revenues to the government. The total corporate tax payment to national treasury since the establishment of Nabil sums up to NRs.5,043 Million. Corporate tax provision in respect of our business operations in FY 2011/12 alone is NRs.728 Million. Within our national economy Nabil desires to function as a great multiplier.

Spreading Formal Banking Channels

It is a well accredited fact that middle and low income group constitute major portion of our communities. As a leading commercial bank we acknowledge we have a role in bringing this segment into the formal banking ambit. To maintain a focus on this segment we have constituted a separate SME and Microfinance division. This division is specialized in catering to the specific financial requirements of fresh entrepreneurs and the economically disadvantaged communities.

Our SME project is implemented through all our branch offices. Our relationship managers are experts in this businesses segment and share best business practices and management skills to ensure success of such entrepreneurial ventures. As a financing partner our contribution has increased economic activities at local level generated employment, fostered investment and increased consumptions.

Our Microfinance project is operated through selected partner organizations (MFIs) viz. microfinance institutions, cooperatives and non-governmental organizations working as financial intermediaries. We have also invested on promoter equity in selected

MFIs and extended our managerial expertise through representation on their Board. We have also extended credit to Youth Self Employment Project of the government. Our target end users are economically disadvantaged population and they receive micro credit through our partner organizations to which we are extending credit in bulk.

Environmental Initiative

Our commitment towards facilitating development of clean energy including large hydropower projects, micro hydro and solar energy amply speak of our priorities. By mid-July 2012 we have arranged a total financing commitment of NRs.5.5 billion for construction of a number of hydropower projects. Projects where we have participated as financing partners hold a combined installed capacity of 96.28 Megawatt of clean energy.

In our daily business operations we have reduced consumption of paper, water and fossil fuel energy through application of technological developments and energy efficient equipment. Investment in Core Banking System, Management Information System and various application software has helped us reduce paper consumption to a greater extent. Up-gradation in our e-banking channels including mobile, internet and cards has allowed our customer to execute a number of banking transactions without visiting our offices thereby saving significant time and fuel which would otherwise have been consumed.

Human Resource Management

Human resources are the drivers of bank's success. Employees, as stakeholders, are core to every activities as their serving attitude and perfect job knowledge creates value for the customer and ultimately for the bank. We encourage a learning culture throughout the organization and motivate them through enrollment in various training programs for upgrading their job skills, personality development and emotional intelligence.

We equally implement excellent compensation and benefits to the employees instilling in them the vital feeling of social and financial security for them, their children and their families. During review year 2011/12 the average financial benefits paid to permanent staff was NRs.913 thousands per head, which is amongst the highest pay in domestic banking industry.

Today we can find a number of CEOs in different Banks and Financial Institutions who, at some point in their career, have worked at Nabil Bank. We are proud that we have not only done banking over these years but also contributed in developing human resource pool in the financial industry.

The results of our "Employee Survey" indicated very high degree of employee commitment and satisfaction on working conditions. Employees also expressed high ratings for their present job experience and organizational leadership. The Bank understands these as essential drivers of success.

03

CORPORATE SOCIAL RESPONSIBILITY

Nabil stands as a good corporate citizen serving the diverse interests of multiple stakeholders within its operating environment. It is valid for our broader stakeholder groups to expect the Bank perform beyond profitability. We also live up to the discretionary expectations of our society wherein they expect us to extend philanthropic support to various social causes that benefit our communities and our nation at large.

Nabil has, directly or through partner organizations, extended a hand of benevolence where society has needed its support in benefit of those in dire need. Contributions, big or small, do make a big difference when we look at things from the eyes of those in need. Towards its philanthropic endeavors Nabil has fostered a three pillar approach viz. health, environment and education. During the review year the Bank contributed in following social activities.

The Bank donated Rs.500,000 to Brahamasthani Awareness Society towards land acquisition at Maharajgunj, Kathmandu. It is a philanthropic institution constituted to meet the travelling and accommodation need of disadvantaged and abandoned patients before, during and after their treatment. The Bank is obliged to have been given a chance to extend its helping hand and positively impact the lives of those patients in dire need.

The Bank sponsored activities of Family Planning Association of Nepal (FPAN). FPAN is a leading NGO providing reproductive healthcare and family planning services across Nepal since 1959 A.D. It contributes about 25-30% in national family planning programs and about 2 million citizens benefit from its services annually. A large segment of underprivileged population wouldn't have been able to access such services if FPAN was not operational. This sponsorship recognizes the fact that services of such organizations play vital role in improving the living standards of our communities.

The Bank has signed a Memorandum of Understanding with Lumbini Area Development Trust to plant 1,000 trees at designated sites within the Lumbini Development Project to contribute towards broader annual target of planting 100,000 trees. Lumbini, the birthplace of Gautam Buddha, is a great pride of Nepal and all Nepalese. Our contribution goes towards promoting the project and the partnerships involved therein through available resources and means.

The Bank sponsored annual blood donation program organized by Nabil Staff Union in Kathmandu and Butwal. Staff turnout at the program was encouraging. Even some of our customers attended the program and donated their blood. A total of 199 pints of blood was collected and donated to Nepal Army Hospital. In our country the scarcity of blood is encountered often due to limited number of donors. Programs like this encourage awareness on blood donation and helps save lives, hence are worthy of receiving our support.

The Bank supported various eye camps organized by Nepal Netra Jyoti Sangh (National Society for Comprehensive Eye Care). These free check-up and treatment camps are largely organized in rural communities who normally cannot afford proper treatment due to poverty or lack of awareness.

The Bank has also been providing shuttle service to the doctors volunteering their service at free health camps that are organized weekly at Indrawati Community Health Centre, Sipaghat Dhat Khola, Sindhupalchowk, Nepal.

These all speak about Nabil's commitment towards social causes since it always treasures social values going beyond profit figures. Since it feels integral to the society it is delighted in doing something creditable by creating values for the community it is a part of.

SENIOR MANAGEMENT

From left to right...

Dripu Dhoj Adhikary - Head Corporate Banking & Infrastructure
Binaya Kr. Regmi - Head Deposit Relationship Management
Deepak Shrestha - Head NPA & Credit Administration & Support
Kapil Sharma - Chief Operating Officer
Anil Gyawali - Chief Executive Officer
Binaya Regmi - Company Secretary and Head Legal & Support
Bhuvan Dahal - Chief Investment Officer
Anil Khanal - Chief Risk Officer
Ramesh Pd Lohani - Head Retail, SME and Microfinance

From left to right...
Neelam Tuladhar – Head Branches & Distribution Network
Rajendra Bahadur Malla – Head Retail Credit
Gyanendra Pd. Shah – Senior Relationship Manager
Yagya Pd. Sharma – Branch Manager, Birgunj Branch
Rajesh Upadhaya – Head Information Technology
Mohan Subba – Head Treasury
Namita Dixit – Senior Relationship Manager
Krishna D. Bhattarai - Chief Financial Officer (seated)

From left to right...
Saroj Pyakurel – Head Retail Lending Unit
Pravin R. Parajuli – CEO, Nabil Investment Banking Ltd.
Binaya Neupane – Senior Credit Risk Analyst
Jyoti B. KC – Head Central Trade Operations
Neena Thapa – Head Credit Risk
Sanjay Nepal – Senior Relationship Manager
Gyaneshwar Aacharya – Head SME & Microfinance (seated)

FINANCIAL STATEMENTS AND OTHER INFORMATION

04

STATEMENT OF DIRECTOR'S RESPONSIBILITY

The statement of directors' responsibilities which should be read in conjunction with the Auditor's Report addressed to the shareholders of the Bank is introduced in order to distinguish the respective responsibilities of the Board from that of auditors in relation to the preparation and presentation of financial statements of the Bank. The Board of Directors are responsible for preparing Annual Report, the separate financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiary(ies) in accordance to the prevailing laws and regulations of Nepal.

Section 108 together read with Section 109 of the Companies Act 2006 of Nepal prescribes the ultimate responsibilities of the Board of Directors to prepare the financial statements of the Company to its shareholders for presentation in AGM. Further, Section 2(4) of Directive 20 of NRB Unified Directive 2012 prescribes preparation and presentation of consolidated financial statements of the Bank and its subsidiary(ies) in addition to the preparation of separate financial statements in line with Directive 4.

Though the Accounting Standard Board (ASB) of the Institute of Chartered Accountants of Nepal (ICAN) has not implemented the accounting standard on "Consolidated Financial Statement" as yet, the Bank takes the guidance of IFRS 10 for the preparation of consolidated financial statements. NAS 1 Presentation and Preparation of Financial Statements and Section 109(2) of Companies Act 2006 require companies to prepare financial statements that achieve fair presentation of its financial position, financial performance and cash flows of the relevant period.

In preparing the consolidated and separate financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with NAS.

The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the directors are satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future and there are no indicators that casts the Bank's and its subsidiary's going concern assumption in doubt, the financial statements is continued to be prepared on the going concern basis. It is fundamental that the directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the NAS. Section 1(7) of Directive 6 of NRB Unified Directives 2012 specifies the requirement of maintaining records up-to-date at all times. Moreover, it restricts the directors to add/modify official accounting records in the personal capacity. Further, the directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. As such, the Bank and its subsidiary have implemented policies, procedures and mechanisms that are intended to mitigate the risks that may arise due to control lapses. Any fraud detected during the relevant financial period is reported in Notes to Accounts along with the impact of such frauds in the financial statements. The Bank has constituted Audit Committee that comprises of three non-executive directors and a secretary who is the Head Internal Audit of the Bank.

The Audit Committee functions independently and reports directly to the Board of Directors.

On behalf of the Board

Shambu Prasad Poudyal
Chairman

PROFESSIONAL

What differentiates Nabil's products from the rest in the industry is it is delivered with an air of proficiency garnered through a long partnership with our customers. It builds on the wealth of experiences it has earned its 28 years of business in nation. Nabil has an exemplary role in generating a pool of professionals and the erstwhile Nabil staff teeming in the banking sector supports this fact.

CSC & Co

Chartered Accountants

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To the Shareholders of Nabil Bank Limited

Financial statements and management's responsibility

We have audited the accompanying consolidated financial statements of Nabil Bank Limited and tis subsidiary which comprise of the consolidated balance sheet as of July 15, 2012 (Ashadh 31, 2069) and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended and 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 the audit; the returns received from the branch offices of the bank were adequate for the purpose of the audit though the statements were not independently audited; 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 misappropriations 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 July 15, 2012 (Ashadh 30, 2069), and it financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing laws, the directives from Nepal Rastra Bank, Banks and Financial Institutions Act 2063 and Company Act 2063.

CSC & Co Kathmandu Chartered Accountants

LD Mahat
Partner
CSC & Co.
Chartered Accountants

Date: Tuesday, September 11, 2012
Place: Kathmandu

Consolidated Balance Sheet

as at 15 July 2012 (31 Ashadh 2069)

Capital & Liabilities	This Year NRs.	Previous Year NRs.
1. Share Capital	2,435,723,280	2,029,769,400
2. Reserves & Surplus	3,024,800,828	2,542,286,819
3. Non Controlling Interest	30,336,486	28,917,414
4. Debentures & Bonds	300,000,000	300,000,000
5. Borrowings	311,080,000	1,650,599,178
6. Deposits	54,905,676,208	49,608,376,346
7. Bills Payable	179,142,358	415,767,753
8. Proposed Dividend	811,907,760	608,930,820
9. Income Tax Liabilities	51,106,490	44,104,071
10. Other Liabilities	1,207,599,073	868,442,935
Total	**63,257,372,483**	**58,097,194,736**

Assets	This Year NRs.	Previous Year NRs.
1. Cash Balance	1,050,668,504	744,592,259
2. Balance with Nepal Rastra Bank	3,681,980,327	1,473,986,407
3. Balance with Banks/Financial Institutions	(438,602,825)	239,970,924
4. Money at Call and Short Notice	826,435,677	2,452,511,778
5. Investment	14,076,850,055	13,003,205,527
6. Loans, Advances and Bills Purchased	41,605,682,634	38,034,097,554
7. Fixed Assets	894,495,291	941,257,815
8. Non Banking Assets	-	-
9. Other Assets	1,559,862,820	1,207,572,472
Total	**63,257,372,483**	**58,097,194,736**

Consolidated Profit and Loss Account

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

Particulars	This Year NRs.	Previous Year NRs.
1. Interest Income	6,145,750,888	5,258,269,627
2. Interest Expense	3,152,940,354	2,946,691,281
Net Interest Income	**2,992,810,534**	**2,311,578,346**
3. Commission and Discount	367,676,396	290,855,057
4. Other Operating Income	207,295,626	183,444,757
5. Exchange Income	447,070,485	276,102,798
Total Operating Income	**4,014,853,041**	**3,061,980,958**
6. Staff Expense	505,008,894	455,616,099
7. Other Operating Expense	432,880,991	403,992,554
8. Exchange Loss	-	-
Operating Profit before Provision for Possible Losses	**3,076,963,156**	**2,202,372,305**
9. Provision for Possible Losses	413,948,680	109,470,414
Operating Profit	**2,663,014,476**	**2,092,901,891**
10. Non Operating Income /(Expense)	9,939,751	6,981,078
11. Provision for Possible Losses Write Back	-	7,101,374
Profit from Regular Activities	**2,672,954,227**	**2,106,984,343**
12. Income/(Expense) from Extra-ordinary Activities	(3,036,749)	3,148,475
Profit from All Activities	**2,669,917,478**	**2,110,132,818**
13. Provision for Staff Bonus	243,074,316	192,007,714
14. Provision for Income Tax	723,698,440	572,394,411
Current Tax	731,904,979	570,933,629
Prior Period Tax	-	212,364
Deferred Tax	(8,206,539)	1,248,418
15. Share of Non-Controlling Interest in the Profit of Susbsidiary	2,769,072	1,551,273
Net Profit/(Loss)	**1,700,375,650**	**1,344,179,420**

Consolidated Profit & Loss Appropriation Account

Fiscal Year 2011/12 (2068/2069)

Particulars	This Year NRs.	Previous Year NRs.
Income		
1. Accumulated Profit up to Last Year (Restated Balance)	498,933,103	3,782,061
2. Current Year's Profit	1,700,375,650	1,344,179,420
3. Exchange Equalization Fund	-	-
4. Capital Adjustment Reserve	-	-
5. Deferred Tax Reserve	-	1,187,987
6. Investment Adjustment Reserve	-	-
7. Dividend Equalisation Fund	-	100,000,000
8. Contingent Reserve	226,430	-
Total	**2,199,535,183**	**1,449,149,468**
Expense		
1. Accumulated Loss up to Last Year	-	-
2. Current Year's Loss	-	-
3. General Reserve	340,000,000	268,000,000
4. Contingent Reserve	1,000,000	1,000,000
5. Institution Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Employees Related Reserve	-	-
8. Proposed Cash Dividend	811,907,760	608,930,820
9. Proposed Stock Dividend (Bonus Shares)	405,953,880	-
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	28,800,000	16,100,000
12. Capital Redemption Reserve	-	-
13. Capital Adjustment Fund	-	-
14. Deferred Tax Reserve	8,193,129	-
15. Investment Adjusment Reserve	34,211,760	55,819,404
16. Share of Non Controlling Interest in the Profit of Subsidiary (before induction)	-	366,141
Total	**1,630,066,529**	**950,216,365**
16. Accumulated Profit/(Loss)	**569,468,654**	**498,933,103**

Consolidated Statement of Changes in Equity

Fiscal Year 2011/12 (2068/69)

NRs.

Particulars	Share Capital	Accumulated Profit/(Loss)	General Reserve	Proposed Bonus Share	Capital Reserve Fund	Share Premium	Contingent Reserve	Dividend Equalization Fund	Capital Adjustment Reserve	Exchange Equalization Fund	Interest Spread Reserve	Deferred Tax Reserve	Investment Adjustment Reserve	Total Amount
Balance as on 16 July 2011	**2,029,769,400**	**498,933,103**	**1,836,500,000**	**-**	**-**	**74,000**	**12,500,000**	**-**	**-**	**97,500,000**	**2,578,000**	**34,382,312**	**59,819,404**	**4,572,056,219**
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equivalent Amount of Medical Expense under Hospitalisation Scheme	-	226,430	-	-	-	-	(226,430)	-	-	-	-	-	- -	
Fraction Share Adjustment from Cash Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Tax Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments in Fixed / Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	**2,029,769,400**	**499,159,533**	**1,836,500,000**	**-**	**-**	**74,000**	**12,273,570**	**-**	**-**	**97,500,000**	**2,578,000**	**34,382,312**	**59,819,404**	**4,572,056,219**
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Currency Translation Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gains and Losses not recognised in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the period	-	1,700,375,650	-	-	-	-	-	-	-	-	-	-	-	1,700,375,650
Adjustments:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issuance of Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend	-	(811,907,760)	-	-	-	-	-	-	-	-	-	-	-	(811,907,760)
Proposed Stock Dividend	-	(405,953,880)	-	405,953,880	-	-	-	-	-	-	-	-	-	-
General Reserve Fund	-	(340,000,000)	340,000,000	-	-	-	-	-	-	-	-	-	-	-
Contingent Reserve	-	(1,000,000)	-	-	-	-	1,000,000	-	-	-	-	-	-	-
Dividend Equalization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Adjustment Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Reserve	-	(28,800,000)	-	-	-	-	-	-	-	28,800,000	-	-	-	-
Interest Spread Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	(8,193,129)	-	-	-	-	-	-	-	-	-	8,193,129	-	-
Investment Adjustment Reserve	-	(34,211,760)	-	-	-	-	-	-	-	-	-	-	34,211,760	-
Closing Balance	**2,029,769,400**	**569,468,654**	**2,176,500,000**	**405,953,880**	**-**	**74,000**	**13,273,570**	**-**	**-**	**126,300,000**	**2,578,000**	**42,575,441**	**94,031,164**	**5,460,524,109**

Consolidated Cash Flow Statement

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
(a) Cash Flow from Operating Activities	**3,511,182,006**	**1,704,881,086**
1. Cash Received	**6,967,668,304**	**5,914,927,570**
1.1 Interest Income	5,873,693,127	5,102,107,709
1.2 Commission and Discount Income	419,236,920	334,878,482
1.3 Income from Foreign Exchange Transaction	447,070,485	276,102,798
1.4 Recovery of Loan Written Off	16,770,964	18,393,824
1.5 Other Incomes	210,896,808	183,444,757
2. Cash Payment	**(4,709,192,637)**	**(4,236,331,002)**
2.1 Interest Expenses	(3,154,542,659)	(2,941,890,911)
2.2 Staff Expenses	(508,569,523)	(441,901,603)
2.3 Office Operating Expenses	(304,303,047)	(290,254,175)
2.4 Income Tax Paid	(724,976,186)	(556,399,601)
2.5 Other Expenses	(16,801,222)	(5,884,712)
Cash Flow before changes in Working Capital	**2,258,475,667**	**1,678,596,568**
(Increase)/Decrease in Current Assets	**(2,412,117,132)**	**(4,736,642,144)**
1. (Increase)/Decrease in Money at Call and Short Notice	1,626,076,101	665,632,222
2. (Increase)/Decrease in Other Short Term Investment	173,944,342	801,311,534
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(3,965,286,395)	(5,883,879,838)
4. (Increase)/Decrease in Other Assets	(246,851,180)	(319,706,062)
Increase/(Decrease) in Current Liabilities	**3,664,823,471**	**4,762,926,662**
1. Increase/(Decrease) in Deposits	5,221,899,862	3,197,675,718
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	(1,315,519,178)	1,575,699,178
4. Increase/(Decrease) in Other Liabilities	(241,557,213)	(10,448,234)
(b) Cash Flow from Investment Activities	**(1,073,104,512)**	**(196,933,836)**
1. (Increase)/Decrease in Long-term Investment	(1,195,442,726)	(94,566,989)
2. (Increase)/Decrease in Fixed Assets	(88,247,024)	(278,443,181)
3. Interest income from Long term Investment	197,670,874	165,246,943
4. Dividend Income	12,914,364	10,829,391
5. Other	-	-
(c) Cash Flow from Financing Activities	**(602,581,078)**	**(449,495,465)**
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	-
2. Increase/(Decrease) in Share Capital*	-	995,800
3. Increase/(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5. Dividend Paid	(602,581,078)	(450,491,265)
(d) Income/(Loss) from change in exchange rate in Cash & Bank balance	**-**	**-**
(e) Current Year's Cash Flow from All Activities	**1,835,496,416**	**1,058,451,786**
(f) Opening Cash and Bank Balance	**2,458,549,590**	**1,400,097,804**
(g) Closing Cash and Bank Balance	**4,294,046,006**	**2,458,549,590**

*Increment in share capital by virtue of issuance of bonus shares have not been reflected.
However, fraction share adjusted with Cash Dividend is disclosed as increment.

Balance Sheet

As at 15 July 2012 (31 Ashadh 2069)

Capital & Liabilities	Schedule	This Year NRs.	Previous Year NRs.
1. Share Capital	1	2,435,723,280	2,029,769,400
2. Reserves & Surplus	2	3,015,162,091	2,536,747,621
3. Debentures & Bonds	3	300,000,000	300,000,000
4. Borrowings	4	311,080,000	1,650,599,178
5. Deposits	5	55,023,695,253	49,696,112,934
6. Bills Payable	6	179,142,358	415,767,753
7. Proposed Dividend		811,907,760	608,930,820
8. Income Tax Liabilities		51,106,490	44,104,071
9. Other Liabilities	7	1,072,481,023	859,405,624
Total		**63,200,298,255**	**58,141,437,401**

Assets	Schedule	This Year NRs.	Previous Year NRs.
1. Cash Balance	8	1,050,658,504	744,592,259
2. Balance with Nepal Rastra Bank	9	3,681,980,327	1,473,986,407
3. Balance with Banks/Financial Institutions	10	(456,816,781)	217,970,918
4. Money at Call and Short Notice	11	826,435,677	2,452,511,778
5. Investment	12	14,055,850,055	13,081,205,527
6. Loans, Advances and Bills Purchased	13	41,605,682,634	38,034,097,554
7. Fixed Assets	14	887,543,274	935,088,667
8. Non Banking Assets	15	-	-
9. Other Assets	16	1,548,964,565	1,201,984,291
Total		**63,200,298,255**	**58,141,437,401**

Contingent Liabilities	Schedule 17
Directors' Declaration	Schedule 29
Table of Capital Fund	Schedule 30(A1)
Credit Risk	Schedule 30(B)
Credit Risk Mitigation	Schedule 30(C)
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Statement of Promoters' Loan	Schedule 34
Comparison of Unaudited and Audited Financial Statement	Schedule 35

Schedules 1 to 17 form integral part of the Balance Sheet.

Profit and Loss Account

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

Particulars	Schedule	This Year NRs.	Previous Year NRs.
1. Interest Income	18	6,133,739,091	5,254,030,458
2. Interest Expense	19	3,155,490,469	2,955,430,746
Net Interest Income		**2,978,248,622**	**2,298,599,712**
3. Commission and Discount	20	364,075,214	290,855,057
4. Other Operating Income	21	201,084,866	180,570,347
5. Exchange Income	22	447,070,485	276,102,798
Total Operating Income		**3,990,479,187**	**3,046,127,914**
6. Staff Expense	23	500,712,844	454,041,892
7. Other Operating Expense	24	428,597,152	401,425,357
8. Exchange Loss	22	-	-
Operating Profit before Provision for Possible Losses		**3,061,169,191**	**2,190,660,665**
9. Provision for Possible Losses	25	413,948,680	109,470,414
Operating Profit		**2,647,220,511**	**2,081,190,251**
10. Non Operating Income /(Expense)	26	13,839,751	6,981,078
11. Provision for Possible Losses Write Back	27	-	7,101,374
Profit from Regular Activities		**2,661,060,262**	**2,095,272,703**
12. Income/(Expense) from Extra-ordinary Activities	28	(3,036,749)	3,148,475
Profit from All Activities		**2,658,023,513**	**2,098,421,178**
13. Provision for Staff Bonus		241,638,501	190,943,019
14. Provision for Income Tax		720,108,902	569,732,674
Current Tax		728,302,031	568,508,522
Prior Period Tax		-	212,364
Deferred Tax		(8,193,129)	1,011,788
Net Profit/(Loss)		**1,696,276,110**	**1,337,745,485**

Schedules 18 to 28 form integral part of the Profit and Loss Account.

Profit & Loss Appropriation Account

Fiscal Year 2011/12 (2068/2069)

Particulars	This Year NRs.	Previous Year NRs.
Income		
1. Accumulated Profit up to Last Year (Restated Balance)	493,393,905	4,486,856
2. Current Year's Profit	1,696,276,110	1,337,745,485
3. Exchange Equalization Fund	-	-
4. Capital Adjustment Reserve	-	-
5. Deferred Tax Reserve	-	1,011,788
6. Investment Adjustment Reserve	-	-
7. Dividend Equalisation Fund	-	100,000,000
8. Contingent Reserve	226,430	-
Total	**2,189,896,445**	**1,443,244,129**
Expense		
1. Accumulated Loss up to Last Year	-	-
2. Current Year's Loss	-	-
3. General Reserve	340,000,000	268,000,000
4. Contingent Reserve	1,000,000	1,000,000
5. Institution Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Employees Related Reserve	-	-
8. Proposed Cash Dividend	811,907,760	608,930,820
9. Proposed Stock Dividend (Bonus Shares)	405,953,880	-
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	28,800,000	16,100,000
12. Capital Redemption Reserve	-	-
13. Capital Adjustment Fund	-	-
14. Deferred Tax Reserve	8,193,129	-
15. Investment Adjusment Reserve	34,211,760	55,819,404
Total	**1,630,066,529**	**949,850,224**
16. Accumulated Profit/(Loss)	**559,829,916**	**493,393,905**

Statement of Changes in Equity

Fiscal Year 2011/12 (2068/69)

NRs.

Particulars	Share Capital	Accumulated Profit/(Loss)	General Reserve	Proposed Bonus Share	Capital Reserve Fund	Share Premium	Contingent Reserve	Dividend Equalization Fund	Capital Adjustment Reserve	Exchange Equalization Fund	Interest Spread Reserve	Deferred Tax Reserve	Investment Adjustment Reserve	Total Amount
Balance as on 16 July 2010	**2,029,769,400**	**493,393,905**	**1,836,500,000**	**-**	**-**	**74,000**	**12,500,000**	**-**	**-**	**97,500,000**	**2,578,000**	**34,382,312**	**59,819,404**	**4,566,517,021**
Changes in Accounting Policy														-
Equivalent Amount of Medical Expense under Hospitalisation Scheme	-	226,430		-			(226,430)							-
Fraction Share Adjustment from Cash Dividend														-
Changes in Tax Accounting Policy														-
Adjustments in Fixed / Other Assets														-
Restated Opening Balance	**2,029,769,400**	**493,620,335**	**1,836,500,000**	**-**	**-**	**74,000**	**12,273,570**	**-**	**-**	**97,500,000**	**2,578,000**	**34,382,312**	**59,819,404**	**4,566,517,021**
Surplus on Revaluation of Properties														-
Deficit on Revaluation of Properties														-
Currency Translation Difference														-
Net Gains and Losses not recognised in the Income Statement														-
Net Profit for the period		1,696,276,110												1,696,276,110
Adjustments:														-
Issuance of Share Capital														-
Deficit on Revaluation of Properties														-
Surplus on Revaluation of Properties														-
Deficit on Revaluation of Properties														-
Cash Dividend		(811,907,760)												(811,907,760)
Proposed Stock Dividend	-	(405,953,880)		405,953,880					-					-
General Reserve Fund		(340,000,000)	340,000,000											-
Contingent Reserve		(1,000,000)					1,000,000							-
Dividend Equalization Fund		-						-						-
Capital Adjustment Fund									-					-
Exchange Fluctuation Reserve		(28,800,000)								28,800,000				-
Interest Spread Reserve											-			-
Deferred Tax Reserve		(8,193,129)										8,193,129		-
Investment Adjustment Reserve		(34,211,760)											34,211,760	-
Closing Balance	**2,029,769,400**	**559,829,916**	**2,176,500,000**	**405,953,880**	**-**	**74,000**	**13,273,570**	**-**	**-**	**126,300,000**	**2,578,000**	**42,575,441**	**94,031,164**	**5,450,885,371**

Cash Flow Statement

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
(a) Cash Flow from Operating Activities	**3,487,131,888**	**1,755,385,226**
1. Cash Received	**6,949,365,318**	**5,907,813,991**
1.1 Interest Income	5,865,202,083	5,097,868,540
1.2 Commission and Discount Income	419,236,920	334,878,482
1.3 Income from Foreign Exchange Transaction	447,070,485	276,102,798
1.4 Recovery of Loan Written Off	16,770,964	18,393,824
1.5 Other Incomes	201,084,866	180,570,347
2. Cash Payment	**(4,701,200,341)**	**(4,235,318,024)**
2.1 Interest Expenses	(3,157,092,774)	(2,950,630,377)
2.2 Staff Expenses	(504,273,473)	(440,327,396)
2.3 Office Operating Expenses	(301,733,260)	(288,954,319)
2.4 Income Tax Paid	(721,299,612)	(549,521,220)
2.5 Other Expenses	(16,801,222)	(5,884,712)
Cash Flow before changes in Working Capital	**2,248,164,977**	**1,672,495,967**
(Increase)/Decrease in Current Assets	**(2,406,880,684)**	**(4,735,507,238)**
1. (Increase)/Decrease in Money at Call and Short Notice	1,626,076,101	665,632,222
2. (Increase)/Decrease in Other Short Term Investment	173,944,342	801,311,534
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(3,965,286,395)	(5,883,879,838)
4. (Increase)/Decrease in Other Assets	(241,614,732)	(318,571,156)
Increase/(Decrease) in Current Liabilities	**3,645,847,595**	**4,818,396,497**
1. Increase/(Decrease) in Deposits	5,327,582,319	3,285,412,306
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	(1,339,519,178)	1,575,699,178
4. Increase/(Decrease) in Other Liabilities	(342,215,546)	(42,714,987)
(b) Cash Flow from Investment Activities	**(1,046,823,344)**	**(269,437,982)**
1. (Increase)/Decrease in Long-term Investment	(1,171,842,726)	(172,566,989)
2. (Increase)/Decrease in Fixed Assets	(85,750,103)	(272,947,327)
3. Interest income from Long term Investment	194,150,121	165,246,943
4. Dividend Income	16,619,364	10,829,391
5. Other	-	-
(c) Cash Flow from Financing Activities	**(601,036,078)**	**(449,495,465)**
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	-
2. Increase/(Decrease) in Share Capital*	-	995,800
3. Increase/(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5. Dividend Paid	(601,036,078)	(450,491,265)
(d) Income/(Loss) from change in exchange rate in Cash & Bank balance	**-**	**-**
(e) Current Year's Cash Flow from All Activities	**1,839,272,466**	**1,036,451,780**
(f) Opening Cash and Bank Balance	**2,436,549,584**	**1,400,097,804**
(g) Closing Cash and Bank Balance	**4,275,822,050**	**2,436,549,584**

Share Capital and Ownership

Schedule 1

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Share Capital		
1.1 Authorized Capital	2,100,000,000	2,100,000,000
a) 21,000,000 Ordinary Shares of NRs. 100 each	2,100,000,000	2,100,000,000
b) ……...Non-redeemable Preference Shares of NRs…….. each		
c) ……Redeemable Preference Shares of NRs…….. each		
1.2 Issued Capital	**2,029,769,400**	**2,029,769,400**
a) 20,297,694 Ordinary Shares of NRs. 100 each	2,029,769,400	2,029,769,400
b) ……...Non-redeemable Preference Shares of NRs…….. each		
c) ……Redeemable Preference Shares of NRs…….. each		
1.3 Paid Up Capital	**2,029,769,400**	**2,029,769,400**
a) 20,297,694 Ordinary Shares of NRs. 100 each	2,029,769,400	2,029,769,400
b) ……...Non-redeemable Preference Shares of NRs…….. each		
c) ……Redeemable Preference Shares of NRs…….. each		
1.4 Proposed Bonus Shares	405,953,880	-
1.5 Calls in Advance	-	-
1.6 Total (1.3 + 1.4 + 1.5)	**2,435,723,280**	**2,029,769,400**

*Share Capital at the face includes paid up capital and proposed bonus shares.

Share Ownership

S.No.	Particulars	%	This Year NRs.	Previous Year NRs.
	1. Local Ownership	**50.00**	**1,014,884,700**	**1,014,884,700**
-	1.1 Government of Nepal	-	-	-
-	1.3 "Ka" Class Licensed Institutions	-	-	-
6.15	1.4 Other Licensed Institutions	6.15	124,846,400	124,846,400
10.00	1.5 Other Entities	10.00	202,996,800	202,996,800
30.00	1.6 General Public	30.00	608,930,800	608,930,800
3.85	1.7 Others*	3.85	78,110,700	78,110,700
50.00	**2. Foreign Ownership**	**50.00**	**1,014,884,700**	**1,014,884,700**
100.00	**Total**	**100.00**	**2,029,769,400**	**2,029,769,400**

*Others include promoters shares divested by NIDC, which is freely traded in stock exchange, NEPSE.

Details of Shareholders Holding ≥ 0.5% Shares

S.No.	Particulars	This Year	
		%	Rs.
1	NB International Limited	50.00	1,014,884,700
2	Rastriya Beema Sansthan	9.67	196,218,900
3	Nepal Industrial Development Corporation	6.15	124,846,400
4	Mr. Arjun Bandhu Regmi	0.95	19,278,300
5	Mr. Nirvana Kumar Chaudhary	0.89	18,097,700
6	Mr. Barun Chaudhary	0.85	17,253,900
7	Mrs. Sarika Chaudhary	0.78	15,883,800
8	Nepal Trust	0.59	12,039,300
9	Mr. Rahul Chaudhary	0.59	12,023,400

Reserves & Surplus

(As at 15 July 2012)

Schedule 2

Particulars	This Year NRs.	Previous Year NRs.
1. General Reserve	**2,176,500,000**	**1,836,500,000**
2. Capital Reserve	**74,000**	**74,000**
a. Share Premium	74,000	74,000
3. Capital Redemption Reserve	**-**	**-**
4. Capital Adjustment Fund	**-**	**-**
5. Other Reserve and Fund	**152,458,175**	**109,279,716**
a. Contingent Reserve	13,273,570	12,500,000
b. Institution Development Fund	-	-
c. Dividend Equalization Fund	-	-
d. Special Reserve Fund	-	-
e. Assets Revaluation Reserve	-	-
f. Deferred Tax Reserve	42,575,441	34,382,312
g. Other Free Reserve (Interest Spread Reserve)	2,578,000	2,578,000
h. Other Reserve (Investment Adjustment Reserve)	94,031,164	59,819,404
6. Accumulated Profit/(Loss)	**559,829,916**	**493,393,905**
7. Exchange Fluctuation Fund	**126,300,000**	**97,500,000**
Total	**3,015,162,091**	**2,536,747,621**

Debentures & Bonds

(As at 15 July 2012)

Schedule 3

Particulars	This Year NRs.	Previous Year NRs.
1. 8.5% Bond of NRs. 1000 each Issued in July / August 2008 with maturity in July / August 2018 (Redemption Reserve till date:NRs…….)	300,000,000	300,000,000
2. …….% Bond/Debentures of NRs……..…each Issued on …… with maturity on ……. (Redemption Reserve till date:NRs…….)	-	-
Total (1+2)	**300,000,000**	**300,000,000**

Borrowings
(As at 15 July 2012)

Schedule 4

Particulars	This Year NRs.	Previous Year NRs.
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank (SLF)	-	-
3. Repo Liability	-	-
4. Inter-Bank and Financial Institutions	311,080,000	1,650,599,178
5. Other Organized Institutions	-	-
6. Others	-	-
Total	**311,080,000**	**1,650,599,178**
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total	**-**	**-**
Total (A+B)	**311,080,000**	**1,650,599,178**

Deposits
(As at 15 July 2012)

Schedule 5

Particulars	This Year NRs.	Previous Year NRs.
1. Interest Free Deposits		
A. Current Deposits	**6,572,215,166**	**5,456,894,633**
1. Local Currency	**5,139,289,623**	**4,124,121,945**
1.1 Nepal Government	9,916,978	-
1.2 "Ka" Class Licensed Institutions	170,855,227	106,378,251
1.3 Other Licensed Financial Institutions	284,707,641	43,027,272
1.4 Other Organized Institutions	3,992,576,131	3,642,797,169
1.5 Individuals	681,233,646	331,919,253
1.6 Others	-	-
2. Foreign Currency	**1,432,925,543**	**1,332,772,688**
2.1 Nepal Government	-	-
2.2 "Ka" Class Licensed Institutions	12,681,359	47,714,314
2.3 Other Licensed Financial Institutions	-	-
2.4 Other Organized Institutions	1,333,179,156	1,261,010,404
2.5 Individuals	87,065,028	24,047,970
2.6 Others	-	-
B. Margin Deposits	**682,910,236**	**581,913,590**
1. Employees	4,377,307	3,465,036
2. Guarantee	268,782,546	251,324,503
3. Letter of Credit	400,272,273	318,498,127
4. Others	9,478,110	8,625,924
C. Others	**162,252,012**	**417,910,840**
1. Local Currency	**158,371,112**	**417,304,790**
1.1 Financial Institutions	10,000,000	10,000,000
1.2 Other Organized Institutions	13,260,399	315,198,790
1.3 Individual	135,110,713	92,106,000
2. Foreign Currency	**3,880,900**	**606,050**
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	3,880,900	606,050
Total (A+B+C)	**7,417,377,414**	**6,456,719,063**

Deposits contd.
(As at 15 July 2012)

Schedule 5

Particulars	This Year NRs.	Previous Year NRs.
2. Interest Bearing Deposits		
A. Savings Deposits	**17,994,746,591**	**14,288,520,136**
1. Local Currency	**16,651,890,755**	**13,140,057,465**
1.1 Institutions	505,997,148	551,746,033
1.2 Individuals	16,145,893,607	12,588,311,432
1.3 Others	-	-
2. Foreign Currency	**1,342,855,836**	**1,148,462,671**
2.1 Institutions	418,825,972	350,023,710
2.2 Individuals	924,029,864	798,438,961
2.3 Others	-	-
B. Fixed Deposits	**14,044,887,821**	**16,840,831,154**
1. Local Currency	**12,805,029,718**	**15,266,615,580**
1.1 Institutions	3,149,951,635	6,744,869,284
1.2 Individuals	9,655,078,083	8,521,746,296
1.3 Others	-	-
2. Foreign Currency	**1,239,858,103**	**1,574,215,574**
2.1 Institutions	1,110,872,953	1,441,972,929
2.2 Individuals	128,985,150	132,242,645
2.3 Others	-	-
C. Call Deposits	**15,566,683,427**	**12,110,042,581**
1. Local Currency	**12,142,966,918**	**9,763,193,997**
1.1 "Ka" Class Licensed Institutions	-	-
1.2 Other Licensed Financial Institutions	220,332,060	273,226,978
1.3 Other Organized Institutions	9,879,939,330	5,847,368,412
1.4 Individuals	2,042,695,528	3,642,598,607
1.5 Others	-	-
2. Foreign Currency	**3,423,716,509**	**2,346,848,584**
2.1 "Ka" Class Licensed Institutions	659,281	-
2.2 Other Licensed Financial Institutions	70,748	2,658,948
2.3 Other Organized Institutions	3,406,021,458	2,186,253,079
2.4 Individuals	16,965,022	157,936,557
2.5 Others	-	-
D. Certificate of Deposit	**-**	**-**
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total (A+B+C+D)	**47,606,317,839**	**43,239,393,871**
Total Deposits (1+2)	**55,023,695,253**	**49,696,112,934**

Bills Payable

Schedule 6

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Local Currency	70,813,386	38,424,768
2. Foreign Currency	108,328,972	377,342,985
Total	**179,142,358**	**415,767,753**

Other Liabilities

Schedule 7

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Gratuity Fund	78,441,012	87,626,265
2. Employees Provident Fund	-	-
3. Employees Welfare/ Leave Fund	64,892,721	59,337,671
4. Provision for Staff Bonus	241,638,501	190,943,019
5. Interest Payable on Deposits	38,399	1,108,860
6. Interest Payable on Borrowings	3,856,189	4,388,033
7. Unearned Discount and Commission	109,805,125	54,643,419
8. Sundry Creditors	488,594,009	403,171,562
9. Branch Reconciliation Account	-	-
10. Provision for Audit Expense	1,002,000	950,000
11. Deferred Tax Liabilities	-	-
12. Dividend Payable	35,197,741	27,302,999
13. Others	49,015,326	29,933,796
Total	**1,072,481,023**	**859,405,624**

Cash Balance

Schedule 8

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Local Currency (Including Coins)	1,013,649,263	701,900,368
2. Foreign Currency	37,009,241	42,691,891
Total	**1,050,658,504**	**744,592,259**

Balance with Nepal Rastra Bank

Schedule 9

(As at 15 July 2012)

Particulars	Local Currency	Foreign Currency			This Year NRs.	Previous Year NRs.
		INR	Convertible FCY	Total		
1. Nepal Rastra Bank	**3,660,753,423**	**-**	**21,226,904**	**21,226,904**	**3,681,980,327**	**1,473,986,407**
a. Current Account	3,660,753,423	-	21,226,904	21,226,904	3,681,980,327	1,473,986,407
b. Other Account	-	-	-	-	-	-

Note: Balance as per the confirmation statements is NRs. 3,024,483,716

Balance with Banks / Financial Institutions

Schedule 10

(As at 15 July 2012)

Particulars	Local Currency	Foreign Currency			This Year NRs.	Previous Year NRs.
		INR	Convertible FCY	Total		
1. Local Licensed Institutions	**53,031,610**	**-**	**-**	**-**	**53,031,610**	**33,565,978**
a. Current Account	53,031,610	-	-	-	53,031,610	33,565,978
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	**-**	**(450,562)**	**(509,397,829)**	**(509,848,391)**	**(509,848,391)**	**184,404,940**
a. Current Account	-	(450,562)	(509,397,829)	(509,848,391)	(509,848,391)	184,404,940
b. Other Account	-	-	-	-	-	-
Total	**53,031,610**	**(450,562)**	**(509,397,829)**	**(509,848,391)**	**(456,816,781)**	**217,970,918**

Note: Balance as per the confirmation statements is NRs. 720,175,443. Reconcilation is presented in Schedule 33 "Notes to Accounts" point 2.2.

Money at Call and Short Notice

Schedule 11

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Local Currency	-	725,000,000
2. Foreign Currency	826,435,677	1,727,511,778
Total	**826,435,677**	**2,452,511,778**

Investments

Schedule 12

(As at 15 July 2012)

Particulars	Purpose		This Year NRs.	Previous Year NRs.
	Trading	Others		
1. Nepal Government Treasury Bills	-	4,494,594,116	4,494,594,116	6,489,954,971
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Other Securities	-	3,505,383,187	3,505,383,187	2,255,275,527
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Bonds	-	220,280,173	220,280,173	178,059,588
6. Local Licensed Institutions	-	1,080,450,000	1,080,450,000	305,352,000
7. Foreign Banks	-	4,578,658,390	4,578,658,390	3,661,739,877
8. Organized Institutions' Shares	-	201,284,800	201,284,800	192,489,000
9. Organized Institutions' Bonds and Debentures	-	-	-	-
10. Other Investments:	-	-	-	-
10.1. NCM Mutual Fund (100,000 units @ NRs.10 & 100,000 units issued subsequently @ NRs. 2.57. Market Value per unit NRs. 27.20)		1,257,000	1,257,000	1,257,000
10.2. SWIFT Investment (denominated in)	-	1,759,054	1,759,054	1,640,373
Total Investment	**-**	**14,083,666,720**	**14,083,666,720**	**13,085,768,336**
Provision	**-**	**27,816,665**	**27,816,665**	**4,562,809**
Net Investment	**-**	**14,055,850,055**	**14,055,850,055**	**13,081,205,527**

Investment in Shares, Debentures and Bonds

Schedule 12(A)

(As at 15 July 2012)

Particulars	Cost Price	Market Value	Provision	This Year NRs.	Previous Year NRs.
1. Investment in Shares	**201,284,800**	**302,402,790**	**3,781,492**	**197,503,308**	**190,177,804**
1.1 Rural Microfinance Development Centre Limited (507,200 ordinary shares of NRs. 100 paid up)	50,720,000	Not Listed	-	50,720,000	50,720,000
1.2 Nirdhan Utthan Bank Limited [266,455 ordinary shares of NRs. 100 paid up (Including Bonus Shares 99,343)]	16,711,200	43,698,620	-	16,711,200	16,711,200
1.3 Chhimek Laghu Bitta Bikash Bank Limited [151,202 ordinary shares of NRs. 100 paid up (Including Bonus Shares 77,401)	7,380,100	47,477,428	-	7,380,100	7,380,100
1.4 Deprosc MicroFinance Development Bank Limited [137,111 ordinary shares of NRs. 100 paid up (Including Bonus Shares 39,844)	9,726,700	38,391,080	-	9,726,700	9,726,700
1.5 Sudur Paschimanchal Grameen Bikash Bank Limited (15,000 ordinary shares of NRs. 100 paid up)	1,500,000	Not Listed	1,500,000	-	-
1.6 Purbanchal Grameen Bikash Bank Limited (Refer Note 2) (30,000 ordinary shares of NRs. 100 paid up)	3,000,000	28,950,000	727,400	2,272,600	2,589,400
1.7 Madhya Paschimanchal Grameen Bikash Bank Limited (35,000 ordinary shares of NRs. 100 paid up)	3,500,000	Not Listed	1,554,092	1,945,908	3,099,404
1.8 Sanakisan Bikash Bank Limited (60,708 ordinary shares of NRs. 100 paid up)	6,070,800	Not Listed	-	6,070,800	2,000,000
1.9 Swabalamban Bikash Bank Limited [143,055 ordinary shares of NRs. 100 paid up (Including Bonus Shares 18,150)]	12,490,500	34,190,145	-	12,490,500	12,490,500
1.10 NADEP Laghubitta Bittiya Sanstha Ltd. (400,000 ordinary shares of NRs. 5 each)	2,000,000	Not Listed	-	2,000,000	2,000,000
1.11 Mahila Sahayatra MicroFinance Bittiya Sanstha Ltd. (40,000 ordinary shares of NRs. 100 paid up)	4,000,000	Not Listed	-	4,000,000	400,000
1.12 Jeevan Laghu Bittiya Bikas Bank Ltd. (25,000 ordinary shares of NRs. 50 paid up)	1,250,000	Not Listed	-	1,250,000	125,000
1.13 Karja Suchana Kendra Limited [30,499 ordinary shares of NRs. 100 paid up (Including Bonus Shares 18,144)]	1,235,500	Not Listed	-	1,235,500	1,235,500
1.14 National Banking Training Institute (12,000 ordinary shares of NRs. 100 paid up)	1,200,000	Not Listed	-	1,200,000	1,200,000
1.15 Nepal Clearing House Limited (25,000 ordinary shares of NRs. 100 paid up)	2,500,000	Not Listed	-	2,500,000	2,500,000
1.16 Nabil Investment Banking Limited (780,000 ordinary shares of NRs. 100 each)	78,000,000	Not Listed	-	78,000,000	78,000,000
1.17 Visa Inc. (6,166 units of Class C Common Stock)	-	67,485,255	-	-	-
1.18 MasterCard Incorporated (1114 units Class B Common Stock)	-	42,210,262	-	-	-
2. Investment in Debentures and Bonds	**220,280,173**	**196,245,000**	**24,035,173**	**196,245,000**	**176,021,875**
2.1 ICICI Bank Bonds (Bonds of face value USD 2,500,000 at coupon rate 6.375% maturing on 30 April 2022)	220,280,173	196,245,000	24,035,173	196,245,000	176,021,875
3. Investment in Derivatives Instruments	**441,000,000**	**462,203,280**	**-**	**441,000,000**	**570,186,100**
3.1 Index Linked Deposit (denominated in US $)	441,000,000	462,203,280	-	441,000,000	356,500,000
3.2 Crsedit Linked Deposit (denominated in US $)	-	-	-	-	213,686,100
Total Investment	**862,564,973**	**960,851,070**	**27,816,665**	**834,748,308**	**936,385,779**
4. Provision for Loss					
3.1 Up to Previous Year	4,562,809	-	-		11,488,700
3.2 Addition/(Writeback) This Year	23,253,856	-	-		(6,925,891)
Total Provision	**27,816,665**	**-**	**-**		**4,562,809**

Note:

1 Sudur Paschimanchal Grameen Bikash Bank Limited, Madya Paschimanchal Grameen Bikash Bank Limited, National Banking Training Institute, Nepal Clearing House Limited have not declared and distributed cash dividend in the last three years.

2 Shares of Purbanchal Grameen Bikash Bank Ltd. was last traded on 25th November 2009.

3 Index Linked Deposits is reported in "7. Foreign Banks" net of impairment provision.

Held for Trading Investments

Schedule 12.1

(As at 15 July 2012)

NRs.

Particulars	Cost Price	Market Price As At		Profit / Loss		Remarks
		15-Jul-2012	16-Jul-2011	This Year	Previous Year	
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other Securities	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Bonds	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-			
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Debentures and Bonds of Local Organised Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Inter Bank Lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investments	**-**	**-**	**-**	**-**	**-**	

Held to Maturity Investments

Schedule 12.2

(As at 15 July 2012)

NRs.

Particulars	Cost Price	Impaired Amount till		Profit / Loss		Remarks
		15-Jul-2012	16-Jul-2011	This Year	Previous Year	
1. Nepal Government Treasury Bills	4,494,594,116					
2. Nepal Government Saving Bonds	-					
3. Nepal Government Other Securities	3,505,383,187					
4. Nepal Rastra Bank Bonds	-					
5. Foreign Bonds (denominated in $)	220,280,173	24,035,173	4,562,809	(23,253,856)	6,925,891	
6. Shares of Local Licensed Institutions	-					
7. Debentures and Bonds of Local Licensed Institutions	-					
8. Shares, Debentures and Bonds of Local Organised Institutions	-					
9. Placement in Foreign Banks	4,578,658,390	-	-			
10. Other Investments	1,080,450,000					
Total Investments	**13,879,365,866**	**24,035,173**	**4,562,809**	**(23,253,856)**	**6,925,891**	

Available for Sale Investments

Schedule 12.3

(As at 15 July 2012)

NRs.

Particulars	Cost Price	Market Price As At		This Year Investment Adjustment Reserve (B -A)	Last Year Profit / Loss	Remarks
		16-Jul-2011(A)	15-Jul-2012 (B)			
1. Nepal Government Treasury Bills	-					
2. Nepal Government Saving Bonds	-					
3. Nepal Government Other Securities	-					
4. Nepal Rastra Bank Bonds	-					
5. Foreign Bonds	-					
6. Shares of Local Licensed Institutions	111,099,300	226,888,539	192,707,273		-	
7. Debentures and Bonds of Local Licensed Institutions	-					
8. Shares, Debentures and Bonds of Local Organised Institutions	90,185,500	-	-		-	
9. Placement in Foreign Banks	-					
10. Other Investments	3,016,054	66,272,852	115,135,517		-	
Total Investments	**204,300,854**	**293,161,391**	**307,842,790**	**-**	**-**	

Classification of Loans, Advances and Bills Purchased & Provisioning

(As at 15 July 2012)

Schedule 13

Particulars	Loans & Advances					Bills Purchased and Discounted			This Year NRs.	Previous Year NRs.
	Domestic			Foreign	Total	Domestic	Foreign	Total		
	Deprived Sector		Other							
	Insured	Uninsured								
1. Performing Loans	**3,982,194**	**1,424,959,724**	**37,550,757,121**	**2,807,815,374**	**41,787,514,413**	**41,180,159**	**39,014,083**	**80,194,242**	**41,867,708,655**	**38,215,636,116**
1.1 Pass	3,982,194	1,424,959,724	37,550,757,121	2,807,815,374	41,787,514,413	41,180,159	39,014,083	80,194,242	41,867,708,655	38,215,636,116
2. Non-Performing Loans	**7,041,440**	**31,568,613**	**959,825,538**	**1,318,192**	**999,753,783**	**35,119**	**270,236**	**305,355**	**1,000,059,138**	**689,851,773**
2.1 Restructured / Rescheduled	-	-	17,204,234	-	17,204,234	-	-	-	17,204,234	22,142,973
2.2 Sub-Standard	-	508,009	161,932,659	-	162,440,668	-	-	-	162,440,668	170,212,819
2.3 Doubtful	-	1,109,004	35,675,469	-	36,784,473	-	-	-	36,784,473	104,659,216
2.4 Loss	7,041,440	29,951,600	745,013,176	1,318,192	783,324,408	35,119	270,236	305,355	783,629,763	392,836,765
A. Total Loan (1+2)	**11,023,634**	**1,456,528,337**	**38,510,582,659**	**2,809,133,566**	**42,787,268,196**	**41,215,278**	**39,284,319**	**80,499,597**	**42,867,767,793**	**38,905,487,889**
3. Loan Loss Provision										
3.1 Pass	9,955	14,249,597	377,293,364	28,078,154	419,631,070	411,802	390,141	801,943	420,433,013	384,882,171
3.2 Restructured / Rescheduled	-	-	4,301,058	-	4,301,058	-	-	-	4,301,058	2,713,671
3.3 Sub-Standard	-	127,002	40,483,165	-	40,610,167	-	-	-	40,610,167	42,553,205
3.4 Doubtful	-	554,502	17,837,735	-	18,392,237	-	-	-	18,392,237	52,329,608
3.5 Loss	1,760,360	29,951,600	745,013,177	1,318,192	778,043,329	35,119	270,236	305,355	778,348,684	388,911,680
B. Total Provisioning	**1,770,315**	**44,882,701**	**1,184,928,499**	**29,396,346**	**1,260,977,861**	**446,921**	**660,377**	**1,107,298**	**1,262,085,159**	**871,390,335**
4. Provisioning up to previous year										
4.1 Pass	8,685	12,017,360	362,460,506	9,768,593	384,255,144	100,807	526,220	627,027	384,882,171	335,416,997
4.2 Restructured / Rescheduled	-	-	2,713,671	-	2,713,671	-	-	-	2,713,671	157,510
4.3 Sub-Standard	-	385,712	42,129,993	-	42,515,705	37,500	-	37,500	42,553,205	14,755,095
4.4 Doubtful	-	-	52,329,608	-	52,329,608	-	-	-	52,329,608	11,365,430
4.5 Loss	1,234,755	29,951,600	357,594,768	130,557	388,911,680	-	-	-	388,911,680	400,400,372
C. Total Previous Year's Provision	**1,243,440**	**42,354,672**	**817,228,546**	**9,899,150**	**870,725,808**	**138,307**	**526,220**	**664,527**	**871,390,335**	**762,095,404**
D. Written Back This Year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**175,483**
E. Addition This Year	**526,875**	**2,528,029**	**367,699,953**	**19,497,196**	**390,252,053**	**308,614**	**134,157**	**442,771**	**390,694,824**	**109,470,414**
F. Changes This Year	**526,875**	**2,528,029**	**367,699,953**	**19,497,196**	**390,252,053**	**308,614**	**134,157**	**442,771**	**390,694,824**	**109,294,931**
Net Loan (A-B)	**9,253,319**	**1,411,645,636**	**37,325,654,160**	**2,779,737,220**	**41,526,290,335**	**40,768,357**	**38,623,942**	**79,392,299**	**41,605,682,634**	**38,034,097,554**

Securitywise Loans, Advances and Bills Purchased

Schedule 13(A)

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
A. Secured	**42,711,024,657**	**38,776,963,462**
1. Movable/Immovable Assets	38,291,102,150	36,503,082,696
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	-	-
4. Internationally Rated Bank Guarantee	-	-
5. Export Documents	92,457,261	122,737,566
6. Fixed Deposit Receipts	423,402,074	380,275,268
a. Own	393,924,741	370,856,182
b. Other Licensed Institutions	29,477,334	9,419,087
7. Government Securities	76,563,975	45,784,781
8. Counter Guarantee	-	-
9. Personal Guarantee	8,086,337	12,923,676
10. Other Securities	3,819,412,861	1,712,159,475
B. Unsecured	**156,743,136**	**128,524,426**
Total	**42,867,767,793**	**38,905,487,889**

Note: Unsecured Loans, Advances and Bills Purchased represent credit card loans.

Fixed Assets

(As at 15 July 2012)

Schedule 14

Particulars	Assets						This Year NRs.	Previous Year NRs.
	Buildingd	Vehicles	Machinery	Office Equipment	Software	Others		
1. Cost Price								
a. Previous Year Balance	275,109,141	213,166,302	-	539,667,376	67,433,116	-	1,095,375,935	822,716,670
b. Addition during the Year	7,024,501	14,229,500		54,174,700	1,900,757	-	77,329,458	312,802,091
c. Revaluation/Write Back This Year	-	-				-	-	-
d. Sold during the Year	-	(19,701,555)		(1,852,625)		-	(21,554,180)	(26,967,472)
e. Write off during the Year	-	(1,435,852)		(39,946,346)	(196,350)	-	(41,578,548)	(13,175,354)
Total Cost (a+b+c+d+e)	**282,133,642**	**206,258,395**	**-**	**552,043,105**	**69,137,523**	**-**	**1,109,572,665**	**1,095,375,935**
2. Depreciation								
a. Up to Previous Year	54,823,758	73,459,878	-	310,024,966	17,433,709	-	455,742,311	386,746,633
b. For This Year	11,264,265	27,595,398		61,929,049	13,492,547	-	114,281,259	101,560,779
c. Revaluation/Write Back This Year						-	-	-
d. Depreciation on Sold Assets		(10,404,577)		(1,751,363)		-	(12,155,940)	(20,276,969)
e. Depreciation on Writen Off Assets		(1,212,237)		(36,654,033)	(196,350)	-	(38,062,620)	(12,288,132)
Total Depreciation	**66,088,023**	**89,438,462**	**-**	**333,548,619**	**30,729,906**	**-**	**519,805,010**	**455,742,311**
3. Book Value (WDV*) (1-2)	216,045,619	116,819,933	-	218,494,486	38,407,617	-	589,767,655	639,633,624
4. Land	-	-	-	-	-	241,517,149	241,517,149	241,517,149
5. Pending Capitalization	6,553,648	-	-	-	-		6,553,648	2,582,168
6. Leasehold Assets	-	-	-	-	-	49,704,822	49,704,822	51,355,726
Total (3+4+5+6)	**222,599,267**	**116,819,933**	**-**	**218,494,486**	**38,407,617**	**291,221,971**	**887,543,274**	**935,088,667**

***Written Down Value**

Non Banking Assets

(As at 15 July 2012)

Schedule 15

Name & Address of Borrower / Party	Date of Acquisition of Non Banking Assets		Total Amount of Non Banking Assets		Loss Provision		"This Year's Net Non-Banking Assets"	Previous Year
					%	Amount		
							-	
Grand Total			-			-	-	

Other Assets

(As at 15 July 2012)

Schedule 16

Particulars	This Year NRs.		Previous Year NRs.
1. Stock of Stationery		6,963,113	11,770,250
2. Income receivable on Investment		152,535,579	79,395,660
3. Accrued Interest on Loan	371,152,257	-	308,799,734
Less: Interest Suspense Account	(371,152,257)		(272,204,983)
4. Commission Receivable		-	-
5. Sundry Debtors		363,405,605	178,664,280
6. Staff Loans & Advances		813,596,213	721,173,029
7. Pre - Payments		31,639,720	25,630,687
8. Cash in Transit		-	-
9. Other Transit items (including Cheques)		-	-
10. Drafts paid without notice		-	-
11. Expenses not written off		-	-
12. Branch Reconciliation Account		-	-
13. Deferred Tax Assets		42,575,441	34,382,312
14. Others		138,248,894	114,373,322
Total		**1,548,964,565**	**1,201,984,291**

Other Assets (Additional Statement)

(As at 15 July 2012)

Schedule 16(A)

Particulars	This Year NRs.				Previous Year NRs.
	Up to 1 Year	1 to 3 Year	Above 3 Years	Total	
1. Accrued Interest on Loan	272,509,759	48,378,939	50,263,559	**371,152,257**	308,799,734
2. Drafts Paid without notice				-	-
3. Branch Reconciliation Account				-	-

Contingent Liabilities

Schedule 17

(As at 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Claims on Institution but not accepted by the Institution	16,386,500	16,386,500
2. Letter of Credit (Full Amount)	5,622,522,136	4,445,972,833
a. Maturity up to 6 Months	5,510,153,931	2,591,659,079
b. Maturity more than 6 Months	112,368,206	1,854,313,754
3. Rediscounted Bills	-	-
4. Guarantees/Bonds	3,912,222,111	3,352,024,403
a. Bid Bonds	109,362,913	138,597,957
b. Performance Bonds	3,802,859,198	3,213,426,446
c. Other Guarantees/Bonds	-	-
5. Unpaid portion of Partly paid shares	39,250,000	43,975,000
6. Forward Exchange Contract Liabilities	4,224,977,742	248,171,690
7. Bills under Collection	231,357,521	229,404,123
8. Acceptance & Endorsement	682,166,582	510,350,189
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	3,380,746,197	3,168,719,204
11. Guarantee issued against Counter Guarantee of Internationally Rated Banks	5,764,500,481	3,169,228,268
12. Advance Payment Guarantee	444,652,570	325,751,953
13. Financial Guarantee	-	-
14. Income Tax	772,031	772,031
Total	**24,319,553,871**	**15,510,756,194**

Interest Income

Schedule 18

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
A. Loans, Advances and Overdraft	**5,259,587,989**	**4,479,060,057**
1. Loans & Advances	3,454,903,905	2,885,336,193
2. Overdraft	1,804,684,084	1,593,723,864
B. Investment	**635,304,635**	**565,079,088**
1. Government Securities	615,565,108	519,929,456
a. Treasury Bills	412,618,279	357,464,269
b. Development Bonds	202,946,829	162,465,187
c. National Saving Certificates	-	-
2. Foreign Securities	12,865,214	10,910,049
a. Development Bank of Singapore Bond	-	-
b. ICICI Bank Bond	12,865,214	10,910,049
3. Nepal Rastra Bank Bonds	-	-
4. Debenture & Bonds	-	-
a. Bank/Financial Institutions	-	-
b. Other Organizations	-	-
5. Interbank Investment	6,874,313	34,239,583
a. Bank/Financial Institutions	6,874,313	34,239,583
b. Other Organizations	-	-
C. Agency Balances	**54,175**	**68,862**
1. Local Banks/Financial Institutions	-	-
2. Foreign Banks	54,175	68,862
D. Money at Call and Short Notice	**2,969,609**	**48,472,932**
1. Local Banks/Financial Institutions	1,716,789	48,199,992
2. Foreign Banks	1,252,820	272,940
E. Others	**235,822,683**	**161,349,519**
1. Certificate of Deposits	-	-
2. Inter-Bank/Financial Institutions Loan	-	-
3. FCY Placements	179,588,691	130,939,973
4. Staff Loan	56,233,992	30,409,546
Total	**6,133,739,091**	**5,254,030,458**

Interest Expense

Schedule 19

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
A. Deposits	**3,121,055,418**	**2,911,698,514**
1. Fixed Deposits	**1,728,977,624**	**1,581,554,131**
1.1 Local Currency	1,704,065,707	1,549,162,368
1.2 Foreign Currency	24,911,917	32,391,763
2. Savings Deposits	**530,028,570**	**596,104,342**
2.1 Local Currency	522,046,670	589,814,491
2.2 Foreign Currency	7,981,900	6,289,851
3. Call Deposits	**862,049,224**	**734,040,041**
3.1 Local Currency	825,382,960	708,930,290
3.2 Foreign Currency	36,666,264	25,109,751
4. Certificate of Deposits	**-**	**-**
B. Borrowings	**34,435,051**	**43,732,232**
1. Debentures & Bonds	25,500,000	25,500,000
2. Loan from Nepal Rastra Bank	-	7,388,681
3. Inter Bank /Financial Institutions Borrowing	8,935,051	10,843,551
4. Other Organized Institutions	-	-
5. Others	-	-
C. Others	**-**	**-**
Total	**3,155,490,469**	**2,955,430,746**

Commission and Discount

Schedule 20

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
A. Bills Purchase & Discount	**2,939,727**	**3,502,572**
1. Local	767,068	1,043,138
2. Foreign	2,172,659	2,459,434
B. Commission	**308,974,291**	**248,447,132**
1. Letters of Credit	54,675,012	52,829,648
2. Guarantees	64,505,196	48,501,026
3. Collection Fees	2,093,617	2,431,597
4. Remittance Fees	76,322,396	69,920,082
5. Cards	111,378,070	74,764,779
6. Share Underwriting/Issue	-	-
7. Government Transactions	-	-
8. Agency Commission	-	-
9. Exchange Fee	-	-
C. Others	**52,161,196**	**38,905,353**
Total	**364,075,214**	**290,855,057**

Other Operating Income

Schedule 21

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Safe Deposit Lockers Rental	6,221,644	5,311,883
2. Issue & Renewals of Credit Cards	5,239,723	4,975,356
3. Issue & Renewals of Debit Cards	24,500,317	18,664,713
4. Telex / T. T. / Communication Fees	13,366,841	12,658,320
5. Service Charges	129,675,292	127,800,264
6. Renewal Fees	-	-
7. Others	22,081,049	11,159,811
Total	**201,084,866**	**180,570,347**

Exchange Gain/ (Loss)

Schedule 22

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
a. Revaluation	114,932,879	64,021,626
b. Trading (except Exchange Fees)	332,137,606	212,081,172
Total Gain/(Loss)	**447,070,485**	**276,102,798**

Staff Expense

Schedule 23

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Salary	188,078,674	172,316,753
2. Allowances	175,189,788	130,939,665
3. Contribution to Provident Fund	14,411,528	12,683,634
4. Training Expenses	8,934,625	7,467,211
5. Uniform	-	12,906,746
6. Medical	310,394	88,008
7. Insurance	7,332,709	6,587,428
8. Pension and Gratuity Contribution	48,569,949	53,218,677
9. Others	57,885,177	57,833,770
Total	**500,712,844**	**454,041,892**

Other Operating Expense

Schedule 24

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. House Rent	52,486,027	51,510,692
2. Electricity & Water	14,358,884	13,617,793
3. Repair & Maintenance	**6,460,664**	**4,867,021**
a. Building	3,643,552	1,405,044
b. Vehicles	2,817,112	3,461,977
c. Others	-	-
4. Insurance	9,679,225	9,974,774
5. Postage, Telex, Telephone & Fax	25,220,647	22,157,936
6. Office Equipment and Furniture Repair	10,334,251	8,520,166
7. Travelling Allowances & Expenses	4,214,400	4,584,220
8. Printing & Stationery	21,183,711	22,533,907
9. Books & Periodicals	684,340	566,464
10. Advertisements	9,345,385	16,728,799
11. Legal Expenses	1,246,115	1,054,698
12. Donations	57,800	45,500
13. Expenses relating to Board of Directors	**3,244,132**	**5,088,879**
a. Meeting Fees	1,076,000	2,684,000
b. Other Expenses	2,168,132	2,404,879
14. Annual General Meeting Expenses	1,193,788	1,576,634
15. Expenses relating to Audit	**1,002,000**	**950,000**
a. Audit Fees	1,002,000	475,000
b. Other Expenses	-	475,000
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	130,515,883	113,550,107
18. Amortization of Pre-Operating Expenses	-	-
19. Share Issue expenses	-	-
20. Technical/Consultancy Services Fee	25,336,243	23,888,790
21. Entertainment	-	-
22. Written Off Expenses	-	-
23. Security Expenses	39,833,365	30,764,981
24. Credit Guarantee Premium	1,227,414	126,832
25. Commission & Discount	-	-
26. Others	**70,972,878**	**69,317,164**
a. Fuel Expenses	25,170,699	23,227,732
b. Tea/ Coffee/ Snacks	5,248,254	5,335,672
c. Contract Service Expense	10,968,519	9,037,000
d. Prize Expense	-	-
e. Customer Relations and Sponsorship	4,749,372	7,713,674
f. Membership Fees	1,909,050	626,000
g. Janitorial	7,455,298	5,694,650
h. Others	15,471,686	17,682,436
Total	**428,597,152**	**401,425,357**

Provision for Possible Losses

Schedule 25

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Loans and Advances	390,694,824	109,470,414
2. Investments	23,253,856	-
3. Non-Banking Assets	-	-
4. Other Assets	-	-
Total	**413,948,680**	**109,470,414**

Non Operating Income/(Expense)

Schedule 26

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Profit/(Loss) on Sale of Investments	-	-
2. Profit/(Loss) on Sale of Fixed Assets	(2,779,613)	(3,848,313)
3. Dividend	16,619,364	10,829,391
4. Subsidies Received from Nepal Rastra Bank	**-**	**-**
a. Compensation Agreement for Losses of Specified Branches	-	-
b. Interest Indemnity	-	-
c. Exchange Counter	-	-
5. Others	**-**	**-**
Total	**13,839,751**	**6,981,078**

Provision for Possible Losses Write Back

Schedule 27

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Loans and Advances	-	175,483
2. Non-Banking Assets	-	-
3. Investments	-	6,925,891
4. Other Assets	-	-
Total	**-**	**7,101,374**

Income/(Expense) from Extra-Ordinary Activities

Schedule 28

(For the period from 17 July 2011 to 15 July 2012)

Particulars	This Year NRs.	Previous Year NRs.
1. Recovery of Write off Loan	16,770,964	18,393,824
2. Voluntary Retirement Scheme Expenses	(11,717,325)	-
3. Bad Loan Written Off [28 (a)]	(3,006,491)	(9,360,637)
4. Other Income/(Expense)	(5,083,897)	(5,884,712)
Total	**(3,036,749)**	**3,148,475**

Details of Loans Written Off

Schedule 28(A)

(For the period from 17 July 2011 to 15 July 2012)

S.No	Types of Loan	Written off Amount (NRs.)	Type of Security	Basis of Security	Loan Approved by	Efforts made for recovery of Loans	Remarks
1	Working Capital Loan						
2	Project Loan						
3	Fixed Capital Loan					Facility call back, blacklisting and regular follow ups for repayment	
4	Personal Loan	1,917,729					
5	Credit Card Loan	1,088,762					
6	Others						
	Total Loan	**3,006,491**					

Statement of Loans and Advances extended to Directors/ Chief Executive/ Promoters/ Employees and Shareholders with more than 1% Shares

(As at 15 July 2012)

Schedule 29

NRs.

Name of Promoter/Director/ Chief Executive Officer	Outstanding up to Last Year		Recovered in Current Year		Additional Lending in Current Year	Outstanding as of 15 July 2012	
	Principal	Interest	Principal	Interest		Principal	Interest
A. Directors	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
B. Chief Executive Officer	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
C. Promoters	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
D. Employees	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
E. Shareholders	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

***Note:**

Loan provided to employees under provisions of Employees' By laws and those provided against the security of Fixed Deposits and Government Securities are not presented above.

Table of Capital Fund

Schedule 30(A1)

NRs.

Particulars	As at 15 July 2012	As at 16 July 2011
1.1 Risk Weighted Exposures		
a Credit Risk	50,021,684,138	44,468,804,901
b Operation Risk	4,088,674,543	3,383,194,495
c Market Risk	79,167,220	74,441,277
Total Risk Weighted Exposures Before Adjustment	**54,189,525,901**	**47,926,440,673**
Adjustment under Pillar - II		
Add: 2% of the total RWE add by Supervisory Review	1,083,790,518	958,528,813
Add:.. % of the total RWE due to non compliance to Disclosure Requirement	-	-
Add: … % of the total deposit due to insufficient Liquid Assets	-	-
Total Risk Weighted Exposures	**55,273,316,419**	**48,884,969,486**
1.2 Capital Fund		
1.2.1 Core Capital (Tier 1)	**5,139,280,637**	**4,318,697,617**
a Paid up Equity Share Capital	2,029,769,400	2,029,769,400
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	74,000	74,000
d Proposed Bonus Equity Shares	405,953,880	-
e Statutory General Reserves	2,176,500,000	1,836,500,000
f Retained Earnings	559,829,916	493,393,905
g Un-audited current year cumulative profit	-	-
h Capital Redemption Reserves	-	-
i Capital Adjustment Reserves	-	-
j Dividend Equalization Reserves	-	-
k Debenture Redemption Reserves	-	-
l Deferred Tax Reserve	42,575,441	34,382,312
m Other Free Reserves	2,578,000	2,578,000
n Less: Goodwill	-	-
o Less: Fictitious Assets	-	-
p Less: Investment in equity of licensed Financial Institutions	-	-
q Less: Investment in equity of institutions with financial interests	(78,000,000)	(78,000,000)
r Less: Investment in equity of institutions in excess of limits	-	-
s Less: Investments arising out of underwriting commitments	-	-
t Less: Reciprocal crossholdings	-	-
u Less: Other Deductions	-	-
Adjustment Under Pillar - II		
Less: Shortfall In Provision	-	-
Less: Loans & Facilities extended to Related Parties & Restricted Lending	-	-
1.2.2 Supplementary Capital (Tier 2)	**947,460,587**	**854,701,575**
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	300,000,000	300,000,000
c Hybrid Capital Instruments	-	-
d General loan loss provision	413,855,853	384,882,171
e Exchange Equalization Reserves	126,300,000	97,500,000
f Investments Adjustment Reserves	94,031,164	59,819,404
g Assets Revaluation Reserves	-	-
h Other Reserves	13,273,570	12,500,000
Total Capital Fund (Tier 1 and Tier 2)	**6,086,741,224**	**5,173,399,192**
1.3 Capital Adequacy Ratio		
1.3.1 Tier 1 Capital to Total Risk Weighted Exposures	9.30%	8.83%
1.3.2 Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.01%	10.58%

Credit Risk

(As at 15 July 2012)

Schedule 30(B)

NRs.

Assets	As at 15 July 2012						As at 16 July 2011	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposure	Net Value	Risk Weighted Exposure
A. Balance Sheet Exposures	a	b	c	d=a-b-c	e	f=d*e		
Cash Balance	1,050,658,504	-	-	1,050,658,504	0%	-	744,592,259	-
Balance With Nepal Rastra Bank	3,681,980,327	-	-	3,681,980,327	0%	-	1,473,986,407	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	7,999,977,303	-	-	7,999,977,303	0%	-	8,761,235,548	-
All Claims on Government of Nepal	280,267,465	-	-	280,267,465	0%	-	280,267,465	-
Investment in Nepal Rastra Bank Securities	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	1,307,346	-	-	1,307,346	0%	-	1,825,757	-
Claims on Foreign Government and Central Bank (ECA Rating: 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating: 2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating: 3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating: 4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA Rating: 7)	-	-	-	-	150%	-	-	-
"Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognized by the Framework"	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	1,764,434,662	-	318,396,624	1,446,038,038	20%	289,207,608	1,469,098,192	293,819,638
"Claims on domestic banks that do not meet capital adequacy requirements"	44,408,511	-	-	44,408,511	100%	44,408,511	190,372,555	190,372,555
Claims on foreign bank (ECA Rating 0-1)	1,598,647,498	-	-	1,598,647,498	20%	319,729,500	954,666,374	190,933,275
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on foreign bank (ECA Rating 3-6)	42,037,754	-	-	42,037,754	100%	42,037,754	710,346,130	710,346,130
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
"Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement"	4,035,282,052	-	-	4,035,282,052	20%	807,056,410	4,149,506,187	829,901,237
Claims on Domestic Corporates	27,994,374,678	337,049	388,484,998	27,605,552,631	100%	27,605,552,631	23,246,144,986	23,246,144,986
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	2,071,166,528	-	-	2,071,166,528	75%	1,553,374,896	2,551,018,291	1,913,263,719
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	2,839,960,950	-	-	2,839,960,950	60%	1,703,976,570	3,358,348,307	2,015,008,984
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	25,328,848	10,154,702	-	15,174,145	100%	15,174,145	5,410,369	5,410,369
Claims secured by Commercial real estate	4,197,671,386	-	-	4,197,671,386	100%	4,197,671,386	6,473,520,847	6,473,520,847
Past due claims (except for claim secured by residential properties)	1,428,928,293	836,039,424	-	592,888,869	150%	889,333,304	197,933,240	296,899,860
High Risk claims	1,867,562,905	1,698,131	-	1,865,864,774	150%	2,798,797,162	165,058,096	247,587,144
Investments in equity and other capital instruments of institutions listed in the stock exchange	280,743,254	24,035,173	-	256,708,081	100%	256,708,081	214,736,175	214,736,175
Investments in equity and other capital instruments of institutions not listed in the stock exchange	75,735,354	3,781,492	-	71,953,862	150%	107,930,793	76,146,977	114,220,465
Staff loan secured by residential property	640,251,473	-	-	640,251,473	60%	384,150,884	-	-
Interest Receivable/claim on government securities	36,049,252	-	-	36,049,252	0%	-	-	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	4,156,829,952	936,316,741	-	3,220,513,211	100%	3,220,513,211	3,069,974,442	3,069,974,442
TOTAL	**66,113,604,295**	**1,812,362,712**	**706,881,622**	**63,594,359,961**		**44,235,622,844**	**58,094,188,603**	**39,812,139,826**

Credit Risk Contd.
(As at 15 July 2012)

Schedule 30(B)

NRs.

Assets	As at 15 July 2012						As at 16 July 2011	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposure	Net Value	Risk Weighted Exposure
B. Off Balance Sheet Exposures Gross Book	a	b	c	d=a-b-c	e	f=d*e		
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	231,357,521	-	-	231,357,521	0%	-	229,404,123	-
Forward Exchange Contract	4,224,977,742	-	-	4,224,977,742	10%	422,497,774	248,171,690	24,817,169
"LC Commitments With Original Maturity Up to 6 months domestic counterparty"	5,510,153,931	-	795,905,253	4,714,248,677	20%	942,849,735	2,276,528,180	455,305,636
foreign counterparty (ECA Rating: 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating: 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating: 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
"LC Commitments With Original Maturity Over 6 months domestic counterparty"	112,368,206	-	15,705,973	96,662,233	50%	48,331,116	1,828,796,589	914,398,295
foreign counterparty (ECA Rating: 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating: 2)	-	-	-	-	50%	-	-	-
foreign couterparty (ECA Rating: 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating: 7)	-	-	-	-	150%	-	-	-
"Bid Bond, Performance Bond and Counter guarantee domestic counterparty"	3,912,380,292	-	354,985,057	3,557,395,235	50%	1,778,697,617	3,381,360,029	1,690,680,014
foreign counterparty (ECA Rating: 0-1)	823,399,088	-	658,719,271	164,679,818	20%	32,935,964	-	-
foreign counterparty (ECA Rating: 2)	342,574,113	-	171,287,056	171,287,056	50%	85,643,528	-	-
foreign counterparty (ECA Rating: 3-6)	229,855,926	-	-	229,855,926	100%	229,855,926	-	-
foreign counterparty (ECA Rating: 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	1,976,218,260	-	1,129,106,296	847,111,964	100%	847,111,964	395,950,516	395,950,516
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	682,166,582	-	-	682,166,582	100%	682,166,582	510,350,189	510,350,189
Unpaid portion of Partly paid shares and Securities	39,250,000	-	-	39,250,000	100%	39,250,000	43,975,000	43,975,000
Irrevocable Credit commitments (short term)	3,380,746,197	-	161,005,763	3,219,740,434	20%	643,948,087	2,942,076,276	588,415,255
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-		-
Other Contingent Liabilities	-	-	-	-	100%	-	-	-
Guarantee claimed but not accepted / honoured	16,386,500	-	-	16,386,500	200%	32,773,000	16,386,500	32,773,000
TOTAL	**21,481,834,356**	**-**	**3,286,714,669**	**18,195,119,688**		**5,786,061,293**	**11,872,999,093**	**4,656,665,075**
Total RWE for credit Risk (A) +(B)	**87,595,438,651**	**1,812,362,712**	**3,993,596,291**	**81,789,479,648**		**50,021,684,138**	**69,967,187,696**	**44,468,804,901**
Adjustment Under Pillar - II								
Add: 10% of the loan and facilities in excess of Single Obligor Limit	-	-	-	-	-	-	-	-
Add: 1% of the contract(Sale) value in case of the sale of credit with recourse	-	-	-	-	-	-	-	-
Total RWE for Credit Risk (After Bank's Adjustment of Pillar - II)	**87,595,438,651**	**1,812,362,712**	**3,993,596,291**	**81,789,479,648**		**50,021,684,138**	**69,967,187,696**	**44,468,804,901**

Credit Risk Mitigation

(As at 15 July 2012)

Schedule 30(C)

NRs.

Credit exposures	Deposits with Bank	Deposits with other Banks / FIs	Gold	Govt.& NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	a	b	c	d	e	f	g	h	i	
A. Balance Sheet Exposures										
Cash Balance										-
Balance With Nepal Rastra Bank										-
Gold										-
Investment in Nepalese Government Securities										-
All Claims on Government of Nepal										-
Investment in Nepal Rastra Bank Securities										-
All claims on Nepal Rastra Bank										-
Claims on Foreign government and Central Bank (ECA:0-1)										-
Claims on Foreign government and Central Bank (ECA: 2)										-
Claims on Foreign government and Central Bank (ECA: 3)										-
Claims on Foreign government and Central Bank (ECA: 4-6)										-
Claims on Foreign government and Central Bank (ECA: 7)										-
"Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDBs) recognized by the Framework "										-
Claims on Other Multilateral Development Banks										-
Claims on Public Sector Entity (ECA: 0-1)										-
Claims on Public Sector Entity (ECA: 2)										-
Claims on Public Sector Entity (ECA: 3-6)										-
Claims on Public Sector Entity (ECA: 7)										-
Claims on domestic banks that meet capital adequacy requirements				318,396,624						318,396,624
"Claims on domestic banks that do not meet capital adequacy requirements"										-
Claims on foreign bank (ECA Rating: 0-1)										-
Claims on foreign bank (ECA Rating: 2)										-
Claims on foreign bank (ECA Rating: 3-6)										-
Claims on foreign bank (ECA Rating: 7)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates / Individuals	283,043,690	28,877,334		76,563,975						388,484,998
Claims on Foreign Corporates (ECA: 0-1)										-
Claims on Foreign Corporates (ECA: 2)										-
Claims on Foreign Corporates (ECA: 3-6)										-
Claims on Foreign Corporates (ECA: 7)										-
Regulatory Retail Portfolio (Not Overdue)										-
Regulatory Retail Portfolio (Overdue)										
Regulatory Retail Portfolio Except for Granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial real estate										-
Past due claims (except for claim secured by residential properties)										-
High Risk claims										-
Investments in equity and other capital instruments of institutions listed in the stock exchange										-
Investments in equity and other capital instruments of institutions not listed in the stock exchange										-
Staff loan secured by residential property										-
Interest Receivable/claim on government securities										-
Cash in transit and other cash items in the process of collection										-
Other Assets										

Credit Risk Mitigation Contd.

(As at 15 July 2012)

Schedule 30(C)

NRs.

Credit exposures	Deposits with Bank	Deposits with other Banks / FIs	Gold	Govt.& NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	a	b	c	d	e	f	g	h	i	
B. Off Balance Sheet Exposures										
Revocable Commitments										-
Bills Under Collection										-
Forward Exchange Contract Liabilities										-
"LC Commitments With Original Maturity Up to 6 months										
domestic counterparty"	795,905,253									795,905,253
foreign counterparty (ECA Rating: 0-1)										-
foreign counerparty (ECA Rating: 2)										-
foreign counterparty (ECA Rating: 3-6)										-
foreign counterparty (ECA Rating: 7)										-
"LC Commitments With Original Maturity Over 6 months										
domestic counterparty"	15,705,973									15,705,973
foreign counterparty (ECA Rating: 0-1)										-
foreign counterparty (ECA Rating: 2)										-
foreign counterparty (ECA Rating: 3-6)										-
foreign counterparty (ECA Rating: 7)										-
"Bid Bond, Performance Bond and Counter guarantee										
domestic counterparty"	354,985,057									354,985,057
foreign counterparty (ECA Rating: 0-1)									658,719,271	658,719,271
foreign counteparty (ECA Rating: 2)									171,287,056	171,287,056
foreign counterparty (ECA Rating: 3-6)										-
foreign counterparty (ECA Rating: 7)										-
Gurantee claimed but not honored										-
Underwriting commitments										-
Lending of Bank's Securities or Posting of Securities as Collateral										-
Repurchase Agreements										-
Advance Payment Guarantee	31,513,787								1,097,592,509	1,129,106,296
Financial Guarantee										-
Acceptances and Endorsements										-
Unpaid portion of Partly paid shares and Securities										-
Irrevocable Credit commitments (short term)	106,452,071	6,962,667		47,591,025						161,005,763
Irrevocable Credit commitments (long term)										-
Other Contingent Liabilities										-
										3,993,596,291

Operations Risk

(As at 15 July 2012)

Schedule 30(D)

Particulars	This Year NRs.			Previous Year NRs.
	2010-11	2009-10	2008-09	2010-11
Net Interest Income	2,298,599,711	2,089,606,277	1,645,206,144	
Commission and Discount Income	290,855,057	215,481,543	179,693,027	
Other Operating Income	180,570,348	184,024,512	144,164,143	
Exchange Fluctuation Income	276,102,798	276,964,251	251,919,712	
Additional Interest Suspense during the period	51,116,013	69,520,870	23,524,679	
Gross income (a)	**3,097,243,927**	**2,835,597,453**	**2,244,507,705**	
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	**464,586,589**	**425,339,618**	**336,676,156**	
Capital Requirement for operational risk (d) (average of c)			**408,867,454**	**338,319,450**
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
Equivalent Risk Weight Exposure [f=(d×e)]			**4,088,674,543**	**3,383,194,495**
Adjustment Under Pillar - II				
If Gross Income for all the last three years is negative				
Total Credit and Investment (Net of Specific Provision)			-	-
Capital Requirement for operational risk (5%)			-	-
Risk Weight (reciprocal of capital requirement of 10%) in times			10	10
Equivalent Risk Weight Exposure (g)			-	-
Equivalent Risk Weight Exposure (h=f+g)			**4,088,674,543**	**3,383,194,495**

Market Risk

(As at 15 July 2012)

Schedule 30(E)

S.No.	Currency	This Year NRs.			Previous Year NRs.
		Open Position (FCY)	Open Position (NRs.)	Relevant Open Position	Relevant Open Position
1	USD	1,243,228	109,652,725	109,652,725	33,043,897
2	GBP	(26,515)	(3,641,860)	3,641,860	93,498,392
3	EUR	21,048	2,274,283	2,274,283	4,484,170
4	CAD	36,146	3,143,591	3,143,591	1,827,303
5	AUD	(25,353)	(2,286,373)	2,286,373	2,871,231
6	JPY	1,462,339	1,628,899	1,628,899	737,853
7	CHF	33,864	3,047,060	3,047,060	998,951
8	CNY	18,615	258,190	258,190	688,500
9	DKK	189,410	2,812,736	2,812,736	2,364,051
10	HKD	4,220	47,981	47,981	66,544
11	INR	16,514,437	26,435,484	26,435,484	392,081
12	QAR	6,747	163,480	163,480	117,951
13	SAR	20,718	487,287	487,287	8,142
14	SGD	30,875	2,153,243	2,153,243	181,484
15	SEK	120	1,508	1,508	67,104
16	AED	4,545	109,125	109,125	1,086
17	MYR	4,376	121,040	121,040	7,387,413
18	THB	25,120	69,582	69,582	146,400
Total Open Position (a)			**146,477,981**	**158,334,447**	**148,882,553**
Fixed Percentage (b)				5%	5%
Capital Charge for Market Risk [c=(a×b)]				**7,916,722**	**7,444,128**
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
Equivalent Risk Weight Exposure [e=(c×d)]				**79,167,220**	**74,441,280**

Principal Indicators

Schedule 31

S.N.	Particulars	Indic -ators	As at Mid July 2006	2007	2008	2009	2010	2011	2012
1	Net Profit/Gross Income	%	35.32	32.16	29.68	30.56	24.11	22.29	23.74
2	Earnings Per Share	Rs.	129.21	137.08	115.86	113.44	83.81	70.67	83.57
3	Market Value per Share	Rs.	2,240	5,050	5,275	4,899	2,384	1,252	1,355
4	Price Earning Ratio	Times	17.34	36.84	45.53	43.19	28.45	17.72	16.21
5	Dividend (including bonus) on share capital	%	85.00	140.00	100.00	85.00	70.00	30.00	60.00
6	Cash Dividend on Share Capital	%	85.00	100.00	60.00	35.00	30.00	30.00	40.00
7	Interest Income/Loans & Advances	%	8.29	8.14	8.04	8.82	10.41	12.50	12.85
8	Employee Expense/Total Operating Expense	%	28.93	24.41	21.17	23.96	13.79	11.91	12.26
9	Interest Expense on Total Deposit and Borrowings	%	2.09	2.54	2.64	3.22	4.43	6.15	5.74
10	Exchange Gain/Total Income	%	10.31	10.02	7.81	7.47	6.17	4.60	6.26
11	Staff Bonus/ Total Employee Expenses	%	40.86	41.43	41.42	43.50	44.29	42.05	48.26
12	Net Profit/Loans & Advances	%	5.24	4.62	3.96	4.02	3.47	3.73	4.14
13	Net Profit/ Total Assets	%	3.23	2.72	2.32	2.55	2.37	2.43	2.80
14	Total Credit/Deposit	%	68.63	68.13	68.18	73.87	71.17	78.29	77.91
15	Total Operating Expenses/Total Assets	%	3.86	3.97	3.86	4.34	5.54	6.91	6.73
16	Adequacy of Capital Fund on Risk Weighted Assets								
	a. Core Capital	%	10.78	10.40	8.75	8.74	8.77	8.83	9.30
	b. Supplementary Capital	%	1.52	1.64	2.35	1.96	1.73	1.75	1.71
	c. Total Capital Fund	%	12.31	12.04	11.10	10.70	10.50	10.58	11.01
17	Liquidity (CRR)	%	3.26	6.00	8.37	9.03	3.02	4.90	8.60
18	Non Performing Loans/Total Loans	%	1.38	1.12	0.74	0.80	1.48	1.77	2.33
19	Weighted Average Interest Rate Spread	%	4.90	4.15	3.94	4.16	4.40	4.37	4.95
20	Book Net Worth per Share	Rs.	381	418	354	324	265	225	269
21	Total Shares	Number	4,916,544	4,916,544	6,892,160	9,657,470	14,491,240	20,297,694	20,297,694
22	Total Permanent Employees	Number	441	427	416	505	557	657	650
23	Weighted Average Number of Ordinary Shares Outstanding	Number	4,916,544	4,916,544	6,442,910	9,089,256	13,590,702	18,929,598	20,297,694
24	Return on Equity	%	29.84	28.77	29.35	33.93	30.27	29.02	30.25
25	Return on Assets	%	3.23	2.72	2.32	2.55	2.38	2.43	2.80
26	Dividend Payout Ratio	%	65.78	102.13	92.33	79.62	89.05	42.45	71.80
27	Earnings Yield	%	5.77	2.71	2.20	2.32	3.52	5.64	6.17
28	Dividend Yield	%	3.79	2.77	1.90	1.74	2.94	2.40	4.43
29	Cost to Income Ratio	%	44.25	48.34	51.14	52.11	56.31	63.50	57.16
30	Total Assets to Shareholders' Fund	times	11.91	13.25	15.24	14.01	13.59	12.73	10.09
31	Shareholders' Fund to Liability including Contingent Liability	%	7.22	6.66	5.74	5.98	6.21	6.61	7.71
32	Number of Offices	Number	19	19	28	32	39	49	52
33	Number of ATMs	Number	14	20	32	48	63	68	78

Note:

1 Gross Income in S.N. 1 comprises of Interest Income, Commission and Discount, Other Operating Income and Exchange Income.

2 EPS in S.No.2 is computed in line with Nepal Accounting Standard (NAS) 26 Earning Per Share that requires computation of EPS dividing earnings attributable to equity holders by weighted average number of shares. Weighted average number of ordinary shares outstanding (in S.No.23) during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. Bank's basic and diluted EPS is same since there are no potential ordinary shares outstanding as on the balance sheet date.

3 Market Value per Share in S.N. 3 is the closing price quoted in Nepal Stock Exchange on Sunday, the 15th July 2012.

4 The Interest Income in S. N. 7 is the interest income from loans and advances (excluding staff loans) only. The loans and advances are the average loans and advances for the entire financial year. The average balance during the year was NRs.40,941,327,222.

5 Total Operating Expense in S.N. 8 comprises Interest Expense, Staff Expense and Other Operating Expense.

6 The Deposits and Borrowings in S.N.9 are the average deposits and borrowings (including debentures) for the entire financial year. The average balances of deposits and borrowing during the year was NRs.54,101,374,164.20 and NRs.884,620,944.55, respectively.

7 Total Income in S.N. 10 is same as Gross Income in S.N. 1 comprising of Interest Income, Commission and Discount, Other Operating Income and Exchange Income.

8 The Loans and Advances in S.N. 12 is same as Loans and Advances in S.N. 7 and is the average balance for the entire financial year.

9 Total Assets in S.N 13 and S.N. 15 are average balance of assets computed by averaging outstanding balance of previous financial year and current financial year.

10 Credit and Deposit in S.N. 14 is the outstanding balance as of balance sheet date.

11 CRR in the S.N. 17 is computed on the basis of cash and cash equivalents and deposits outstanding on the balance sheet date. The CRR (as per NRB Directives) for the last week of the current financial year is 7.58%.

12 Return on Equity in S.N. 24 is computed by taking average Equity including Proposed Dividend of previous year till the date of AGM and average after-tax net profit of current year. Figures of previous years have been restated accordingly wherever necessary.

13 Earnings Yield represent earning (attributable to equityholders) per market value of share.

14 Dividend Yield represent dividend per market value of share.

1. CORPORATE INFORMATION

1.1 Reporting Entity:Nabil Bank Limited (hereinafter referred to as"the Bank") is a joint venture public limited company, incorporated on 11th May 1984 as per the then Companies Act 1964 of Nepal, and domiciled in Nepal. It is a "Ka" class licensed institution licensed under the Bank and Financial Institutions Act, 2006.The registered office of the Bank is located at Nabil Centre, Durbar Marg, Kathmandu,Nepal. Its ordinary shares (Class C), institutional investor shares (Class B) and promoter shares (Class A) are listed on the Nepal Stock Exchange Limited (the sole stock exchange in Nepal) for public trading.

The Bank has employed 1,254 people in total as at 15 July 2012 that comprises of 650permanent staff (657 as at 16 July 2011) and 604 outsourced and contract staff (625 as at 16 July 2011).

1.2 **Subsidiary**:Nabil Investment Banking Ltd. (herein after referred to as "the Subsidiary") is a subsidiary company of the Bank. It was incorporated on 07th of February 2010 as a public limited company as per the Companies Act 2006. It is a Merchant Banker licensed by Securities Board of Nepal under the Securities Businessperson (Merchant Banker) Regulations, 2008. The Bank,as at the Balance Sheet date,holds 74.29% controlling interest in the Subsidiary.

The Subsidiary has employed 12 people in total as at 15 July 2012 that comprises of 8 permanent staff (7 as at 16 July 2011) and 4 outsourced and contract staff (4 as at 16 July 2011). Additional 3 personnel are deputed by the Bank to work in the Subsidiary.

The financial year of the Subsidiary is common to that of the Bank (parent company). The current Financial Year ended on July 15, 2012.

1.3 The Bank and theSubsidiary are collectively referred to as "the Group".

2. PRINCIPAL ACTIVITIES:

2.1 The principal activities of the Bank are to provide full-fledged commercial banking services including, agency services, trade finance services, card services, e-commerce products and services and commodity trading services to its customers through its strategic business units, branches, extension counters, ATMs and network of agents.

2.2 The principal activities of the Subsidiaryare to providemerchant banking services that include management of public offerings, portfolio management, underwriting of securities andadministration and record keeping of securities of its clients.

3. APPROVAL OF FINANCIAL STATEMENTS BY BOARD OF DIRECTORS

3.1 The accompanied financial statements including consolidated financial statements have been authorized by the Board of Directors, vide its resolution dated September 11, 2012 and recommended for its approval by the Annual General Meeting of the shareholders.

4. RESPONSIBILITY FOR FINANCIAL STATEMENTS

4.1 The Board of Directors,perparagraph 6 of NAS 01, "Presentation of Financial Statements" read in conjunction with Section 108(2) of the Company Act 2006,is responsible for the preparation of financial statements of the Bank. The Board of Directors acknowledges this responsibility as set out in the "Annual Report of the Board of Directors".

4.2 These financial statements include the following components:

a. a Balance Sheet (including Consolidated Balance Sheet) disclosing the information on financial position of the Group and the Bank;

b. a Profit and Loss Account (including Consolidated Profit and Loss Account) disclosing the financial performance of the Group and the Bank for the period under review;

c. a Cash Flow Statement (including Consolidated Cash Flow Statement) disclosing the information on the ability of the Group and the Bank to generate cash and cash equivalents;

d. a Statement of Changes in Equity (including Consolidated Statement of Changes in Equity) showing all changes in equity of the Group and Bank;and

e. Notes to the Financial Statements comprising a summary of principal accounting policies of the Group and the Bank and other relevant explanatory notes that is of material importance to the readers of the financial statements to facilitate informed decision making.

5. STATEMENT OF COMPLIANCE

5.1 Except otherwise stated by Nepal Rastra Bank (NRB) Directives, Bank & Financial Institutions Act 2006 and Company Act 2006, the consolidated financial statementsof the Group and separate financial statements of the Bank have been prepared in accordance with Nepal Accounting Standards ("NAS") as issued by the Nepal Accounting Standard Board (NASB) andin accordance with International Financial Reporting Standards 10 "Consolidated Financial Statements".

5.2 NAS comprise of all accounting standards as well as interpretations issued by the NASB that were effective

at the time of preparation and presentation of financial statements. As of the balance sheet date, NASB has pronounced nineteen accounting standards in effect and six accounting standards for voluntary application.

5.3 NRB Directives comprise of NRB Unified Directives and circulars issued by NRB (the licensing and regulatory authority) relevant for the preparation and presentation of financial statements.

5.4 The Group and the Bank do not adopt accounting treatments that are inconsistent with NRB Directives and NAS and complywith these in all material respects.In case of any inconsistency prevailing between the provisions in NRB Directives and NAS, NRB Directives have been complied with to the extent of such inconsistencies.

6. BASIS OF PREPARATION

6.1 The assets and liabilities reported in the consolidated financial statements of the Group and the separate financial statements of the Bank are presented in functional currency which is Nepalese Rupees (NRs.) and are prepared on historical cost conventionexcept for translated foreign currency value.

6.2 Preparation of financial statements in conformity with NAS requires the use of certain critical accounting estimates and also requires management to exercise judgement in process of applying the Group's and the Bank's accounting policies.

7. BASIS OF CONSOLIDATION

7.1 The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 10 "Consolidated Financial Statements". In preparing the consolidated financial statements, the financial statements of the Bank and the Subsidiary are combined line by line by adding together like items of assets, liabilities, equity, income and expenses.

7.2 The consolidated financial statements of the Bank for the year ended on July 15, 2012 comprise of the accounts of the Bank and the Subsidiary. The Bank consolidates the financial statements of the Subsidiary only when it controls the Subsidiary. An investor controls investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Para 7 of IFRS 10 outlines three conditions to be fulfilled in order to establish control:

a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with theinvestee; and

c. the ability to use its power over the investee to affect the amount of the investor's returns.

In the case of the Bank and the Subsidiary's investor-investee relationship,

a. Power over the Subsidiary exists from the voting rights granted by the equity share. The Bank holds 74.29% of controlling interest in the Subsidiary.

b. The Subsidiary's capital composes only equity instruments and the Bank's returns from the involvement in equity instruments have the potential to vary with the performance of the Subsidiary. The Bank has thus exposure, or rights, to variable returns from its involvement with the Subsidiary.

c. The Bank has deputed its staff as CEO of the Subsidiary and CEO of the Bank represents in the Board of the Subsidiary in the capacity of Chairman. The Bank has thus the ability to exercise its power over the Subsidiary to affect the amount of the Bank's return.

7.3 The financial statements of the Subsidiary are included in the consolidated financial statement from the date that control effectively commences until the date that the control effectively ceases.

7.4 All intra Group transactions and balances, income and expenses and any unrealised gains / losses arising from such inter-company transactions and balances are eliminated in full while preparing the consolidated financial statements.

8. SIGNIFICANT ACCOUNTING POLICIES

8.1 The principal accounting policies applied by the Group and the Bank in the preparation of these financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

A. Equity

Equity is the residual interest of the equity holders in the assets after deducting all its liabilities. It comprises of all funds contributed by equity holders, retained earnings and reserves representing appropriation of retained earnings.

- The Group disclosesall residual interest in the form of Share Capital and Reserves & Surplus on the face of balance sheet except proposed cash dividend, which is separately disclosed as Proposed Dividend on the face in line with the format prescribed by NRB. The proposed cash dividend continues to remain as a part of equity until the date of ratification by AGM.Dividend proposed by the Subsidiary company are eliminated from proposed dividend while consolidation and are restated in the consolidated retained earnings and non-controlling interest.

- As per Section 44 of Bank and Financial Institutions Act 2006, all licensed institutions are required to transfer minimum 20% of net profit after tax to the General Reserve until it becomes double of paid up capital.The Bank consistently transfers the fund from

the profit in the General Reserve to comply with the requirement. There is no such statutory requirement for theSubsidiary.

- As per Section 45 of the aforesaid Act, all licensed institutions are required to transfer minimum 25% of the Total Revaluation Gain (except gain from revaluation of Indian Currency) in the Exchange Fluctuation Reserve. The Bank consistently maintains the Reserve by transferring the fund from the profit to comply with the requirement. There is no such statutory requirement for theSubsidiary.

- As per Directives 4 of NRB Unified Directives, all licensed institutions are required to maintain Deferred Tax Reserve equivalent to the amount of Deferred Tax Asset. The Bank consistently maintains equivalent reserve to the amount of deferred tax asset to comply with the requirement of the Directives. The Subsidiary also maintains equivalent amount in the reserve.

- The Group maintains Investment Adjustment Reserve for Available for Sale Investment which is not made available for distribution to its equity holders.

- The Bank has constituted a Contingent Reserve in line with "Scheme for Payment of Staff Hospitalization Charges" that is primarily intended to fund staff' medical treatment for cases of severe ailments that are not covered by medical insurance policy. According to this Scheme, the Bank appropriates NRs.1,000 thousand from Retained Earning towards this reserve on annual basis and transfers back to Retained Earning to the extent of amount that is contributed to the staff in the year of such contribution. No such reserve is being maintained by the Subsidiary.

B. Assets

Assets are resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. Group's assets include all assets controlled by the Group from which it expects derivation of economic benefits in the future to the Group. The assets of the Group comprise of cash, balances held with the central bank and financial institutions, investments (including derivative investment), loans and advances, fixed assets, non-banking assets and the assets aggregated under other assets.

i Loans and Advances including Bills Purchased

- Loans and advances include direct finance provided to the customers. These comprise of business loans of short term and long term nature, project and infrastructure loans, consumer loans, credit card loans, bills purchased and discounted and loans provided to deprived sectors.

- Loans and advances are recognised when the loans are actually disbursed and are derecognized at the time of their settlement (including settlement by kinds viz. Non Banking Asset).

- Bills purchased or discounted are recognised as loans when the bills are actually purchased or discounted and are derecognized at the time of their settlement by presentation and / or endorsement.

- These are presented at net of loan loss provisions and are not stated on amortised cost basis.

ii Investment

- Investment includes short term and long term placements, money at call and short notice, derivative investments, government securities (development bonds and Treasury Bills), bonds, debentures, mutual fund investments and share investments in subsidiary companies and other organised institutions.

- All investments are initially recognised at cost, being fair value of the consideration given, including acquisition charges associated with the investment. The investments held by the Bank are classified in following 3 categories:

a. Held till Maturity (HTM) Investments: These investments are primarily intended to hold until the maturity and are stated at cost and carried at these values in the Balance Sheet until the maturity. Any impairment losses arising in such investments are provisioned and charged to the Profit and Loss Account (Income Statement). Premiums paid/ discount received while acquiring HTM Investments is recognized as the part of initial cost and subsequently adjusted with the interest income on effective interest basis until the maturity.

b. Held for Trading (HFT) Investments: These are the marketable investments and held with the primary intention of resale over a short period of time. These investments are initially measured at cost and subsequently recognised at market value. Gains or losses arising from trading / revaluation are recognised in Profit and Loss Account (Income Statement).

c. Available for Sale (AFS) Investments: These are the investments held with the primary intention to recover value of investments through sale rather than continuing to hold. These investments are initially measured at cost and subsequently recognised at market value. Any gains or losses arising till the investments are held are recognised on Investment Adjustment Reserve.Any gains or losses are recognised in Profit and Loss accounts only at the time of disposal of such investments.

While assessing the market value, consideration is given to the transaction activities in the stock exchange and conservative approach is adopted in order to avoid overstatement of the equity position. Accordingly, those investments which are not actively traded at the stock market are carried at cost and amount equivalent to at least 2% of such investments are earmarked on Investment Adjustment Reserve from the retained earnings in line with the requirement of NRB.

In case of unquoted investments other than the investments in the Subsidiary, investment adjustment reserve is maintained to the extent of 100% of such investment:

- to the period of maximum 1 year from the date of investment, if the company is already incorporated prior to the investment of the Bank and the shares of such company are not listed in stock exchange within 1 year from the date of investment;

- to the period of maximum 2 years from the date of investment, if the company is newly incorporated and the Bank has also promoted such company and the shares of such company are not listed in the stock exchange within 2 years from the date of investment.

- In case of investment in the Subsidiary, whether listed or not in stock exchange, investment adjustment reserve is maintained to the extent of 100% of such equity investment. Such investment is alsodeducted while determining the Tier 1 Capital for Capital Adequacy calculation purpose in line with the requirement of NRB Directives.

- All investments are subject to periodic review as required by NRB Directives.

iii Property, Plant and Equipment (Fixed Assets)

- Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others, or for administrative purposes and are expected to use during more than one financial year.

- Group's property, plant and equipment comprise of the Bank's and the Subsidiary'sland &premises registered under its ownership, office equipments and furniture, vehicles, leasehold developments, software applications and assets under construction or work-in-progress.

- Cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The cost of an item of property, plant and equipment comprises of purchase prices including taxes, custom duties and any costs that is directly attributable to bring the asset to the location and condition that is necessary for it to be capable for operating in the manner intended by the management. Costs incurred for dismantling / removal and for restoration of site are recognised as a part of the new item of the property, plant and equipment. Cost of an item of an asset includes cost of an asset under construction and work-in-progress.

- Any subsequent cost incurred for the property, plant and equipment is recognised as an asset if it meets the recognition criteria. The cost that does not qualify as an asset is charged off in the Income Statement as repair and maintenance.

- The carrying amount of an asset is derecognised at the time of disposal or when no future economic benefits are expected to flow from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

- The carrying amount of the property, plant and equipment is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

- Non-consumable items having life more than one year and/or costing less than NRs. 5,000 are expensed off during the year of purchase.

- The Bank consistently adopts cost model for entire class of its property, plant and equipment.

iv Inventory

- Stationery

a. Stationery stocks are inventories in the form of materials or supplies held by the Group to be consumed while rendering the services. The Group does not hold any item of the inventory that is in the state which is not readily usable (i.e. raw material or semi-finished) for rendering the services or that for the selling purposes.

b. Stationeries are measured either at the lower of cost or net realisable value (NRV), except for certain items that are specifically used only by the Group and the Bank. Such specific items are measured at the lower of cost or replacement price.

c. The stationeries are written down on an item by item basis, when the inventories are damaged or have become wholly or partially obsolete that affects the effective use while rendering services.

d. Stationeries are recorded at actual cost basis and charged to revenue at the time of its consumption.

- Bullion Stock under Consignment

a. The Bank holds precious metals (gold and silver) in its possession arising from consignment transaction. All risks and rewards pertaining to the assets are vested with the consignor. The Bank merely acts as an agent of the consignor and hence does not recognise the stock in its books as an inventory.

v. Staff Loans

- Staff loans are loans granted to the staff as per the Integrated Staff Loan Policy of the Bank and are recognised as loans at the time of their disbursement. They are derecognised at the time of recovery / settlement.

- Staff loans comprise of housing loan facility, personal loan facility and vehicle loan facility and are presented under "Staff Loans and Advances" in Schedule 16 of the Financial Statements.

vi Interest Receivables

- Interest receivable comprise of interest accrued on loans (including receivables on loans to staff under Integrated Staff Loan Policy of the Bank) and investments and are recognised on daily basis based on the outstanding balance at the end of the day.

- Interest receivables on loans (except staff loans) are stated at full value and are disclosed net of interest suspense under "Accrued Interest on Loan" in Schedule 16 of the Financial Statements.Similarly, Interest receivables on staff loans are presented under"Others"in the same Schedule.

- Interest receivables on investments are stated at full value.

vii Prepayments

- Prepayments are the amount paid in advance on account of provision of services in future. Prepayments comprise of amount paid in advance for insurance services, rental of leased premises, communication like internet connectivity, maintenance of services (AMCs) and other miscellaneous services.

- Prepayments are recognised as asset at full value on the date of payment.

- They are derecognised as and when services are received or at the time service accrues or period mature.

viii Security Deposits

- Security deposits are the amount deposited by the Bank or the Group on account of security of fees on services that is being received from the provider.

- They are recognised as security deposits until the receipt of service continues and the Bank and the Group do not haveany intentions to discontinue the service.

ix Non Banking Assets (NBA)

- Non Banking Assets of the Bank comprise of assets or the mortgaged properties realised from the borrowers in lieu of settlement of the loan after exercising all efforts for settlement in cash.

- NBA is recognised lower of recoverable amount from the market (Net Realisable Value) and outstanding dues recoverable from the borrower, immediately after the ownership of assets is transferred to the Bank at the concerned authority. The recoverable amount from the market is estimated on the basis of independent evaluation of the approved Valuator. NBA is derecognized at the time of its disposal.

- 100% loss provision is maintained for NBA and continues to remain until it is disposed off.

C. Liabilities

Liabilities are present obligations of the entity arising from past events, the settlement of which are expected to result in an outflow from the entity of resources embodying economic benefits. Liabilities of the Group and the Bank comprise of borrowings, deposits, bills payable, dividend payable, interest accruals, unearned income, sundry creditors and other liabilities.

i Borrowings

- Borrowings comprise of local and foreign currencies' inter-bank borrowingand the debentures issued to the public.

- Borrowings are recorded at the full value and recognised on the effective dates mentioned in the deed or contract. Borrowings are derecognised at the time of its disposal / settlement.

ii Deposits

- Deposits of the Bank and the Group comprise of local and foreign currencies' current deposits, savings deposits, call deposits, time deposits, margin deposits and other deposits of the customers held by the Bank and the Group.

- Deposits are stated at full value and recognised on the date of deposition. Deposits are derecognised at the time of its withdrawal / maturity.

iii Bills Payable

- Bills payable are negotiable instruments issued / endorsed by the Bank for consideration received in exchange from the customer. Bills payable comprise of manager cheques, travellers cheques, drafts issued in local currency and foreign currencies payable at the counter of the Bank and the cheques realised at Nostro banks on behalf of customer sent for collection by endorsement.

- These are recorded at full value and recognised at the time of its issuance for the consideration received. They are derecognised at the time of its disposal at the Bank's counter or after receipt of information of disposal from other banks and financial institutions.

iv Dividend Payable

- Dividend payables are the dividends, payable to its equity holders duly ratified by the current or earlier AGMs.

- They are stated at full value immediately after AGM ratifies the Board's proposal on dividend. Immediately before the AGM ratification, it retains the status of Equity.

v Interest Accruals

- Interest accruals comprise of interest payables on deposits, borrowings and debenture. They are recognised on the outstanding balance at the end of the day on daily basis.

- Interest accruals are derecognised at the due date i.e. on the date it is credited in customers' account.

vi Unearned Income

- Unearned Income comprise of income received in advance on account of loans under subvention scheme, LC fees and guarantee fees issued with a risk period of more than 1 year period and for fees with more than NRs.50,000 (fifty thousand).

- They are recognised as liability at the time of its receipt and are derecognised as and when income accrues and / or risk period expires.

- Unearned interest income is presented in "13 Others" in Schedule 7.

vii Provisions

- Provisions are liabilities of uncertain timing or amount. They are recognised as liabilities when the Group or the Bank has a present obligation (legal or constructive) as a result of past event and that there are probabilities of outflow of resources embodying economic benefits to settle the obligation and can be estimated reliably.

- While making an estimate, consideration is given to immediate trends, past practices and approved polices. In extremely rare circumstances, where no reliable estimate can be made, a liability exists that cannot be recognised. That liability is disclosed as a contingent liability.

- **Provisions for utility expenses:** Provisions for utility expenses are recognised based on immediate trends. Excess or deficits are adjusted in the subsequent months.

- **Provisions for communication:** Provisions for communication (viz., telephone, swift) are recognised based on immediate trends. Activity log wherever possible is also considered while estimating the provision. Excess or deficits are adjusted in the subsequent months.

- **Provision for audit fees:** Audit fees are provisioned based on the remuneration fixed by the equity holders at the Annual General Meeting.

- **Provision for staff bonus:** Staff bonus is provided as per Bonus Act, 1974.The Bonus Act requires provision at the rate of 10% on the amount of net profit before tax.

- **Employee Leave:**

i Employee leave are compensated absences and comprises of annual leave, sick leave, casual leave, maternity leave, paternity leave, substitute leave and bereavement leave and are compensated as per Employee Bye-Laws of the Bank and the Subsidiary.

ii Entitlement to compensated absences fall into two category:

a. accumulating; and

b. non accumulating

iii The Group recognizes cost of compensated absences as follows:

a. in case of accumulating, when the employees render service that increases their entitlement to future compensated absences; and

b. in case of non accumulating, when the absences occur.

iv Annual leave and sick leave are accumulated to the maximum extent of 60 days and 15 days respectively and is carried forward for the use in future periods. Leave balance in excess of 75 days as on mid April is paid each year. Leave earned and accrued on a proportionate basis as at the balance sheet date (Mid July) is recognized as liabilityduly reduced by the absences availed by the employees.

viii. Gratuity, Insured benefits and Provident Fund

- Gratuity, insured benefits and provident fund are post-employment benefits available only to the permanent employees and after completing designated service periodor probation period.

- The Bank and the Subsidiary make regular contribution to the approved Retirement Fund and to the Insurance Company for the disposal of gratuity, insurance and provident fund obligations.These benefits are defined contributions plans and the Bank and theSubsidiary have limited legal or constructive obligation only to the extent that they agree to contribute to the fund and in consequence, actuarial risk (that benefits will be less than expected) and investment risk (that the assets invested by the independent entity will be insufficient to meet expected benefits) fall on the employee.

- Gratuity, insured benefitsand provident fund obligation to employees are computed as per the approved policy of the Bank and theSubsidiary and are expensed off in the Profit and Loss Account on accrual basis.Provident fund obligation is settled every month while the insured benefits are paid in advance and are recognized as prepayments and settled on monthly basis. Gratuity obligation is determined and settled on the last month of each financial year (i.e. Mid July). Contribution to approved retirement fund against the gratuity obligations (incremental) has been made since Mid July 2004 annually.

- The gratuity obligation disclosed as Gratuity Fund in Schedule 7 of the financial statement is the total gratuity obligationaccrued till Mid July 2003 and payable to the employees of the Bank who are continuing their employment as at the balance sheet date.At the time of retirement (including resignation) of the employee, the obligation is settled by paying the amount from this Fund. The Bank does not bear any further obligation (either legally or constructively) to pay return on this fund to the employees.

D. Income

Incomes are increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income etc.

i Interest Income

- Interest income comprise of interest earnings on foreign currencies and local currency loans & advances, investments in Bonds, Treasury Bills and Placements.

- Interest income on loans and advances (except staff loan under Integrated Staff Loan Policy) are recognised on cash basis as prescribed by NRB Directives, which is not in accordance with NAS that prescribes recognition of interest on effective interest method. The practice followed by the Bank as per NRB Directives is more conservative and prudent.Interest income on staff loans is recognised on accrual basis.

- Interest income on Investments including earnings from call accounts and fixed deposits and staff house loan is recognized on effective interest method. Interest accruals on bonds and debentures at the time of purchase are reduced from the cost of acquisition. Discount or premium on bonds / debentures and transaction costs are adjusted with the cost of investment to determine effective interest rate.

- Interest income received by the Bank from the vendors / dealers under subvention scheme at the beginning of the loan tenure is initially recognised as liability and subsequently charged to Profit or Loss Account (Income Statement) as and when they are earned.

- All interest earnings (including on foreign currencies' assets) are accounted in functional currency.

ii Fees and Commission Income

- Fees and commission on credit service (management/ appraisal) including renewals are recognised as and when credit line is approved or renewed. All other fees ancillary to credit services is recognised as and when services are rendered. The recognition of fees is not in line with NAS 7, Revenue Recognition, which prescribes that the fees that are integral part of the effective interest rate of a financial instrument by making an adjustment in the effective interest rate but is in accordance with NRB Directives which prescribes recognition of interest on loans and advances on cash basis.

- Prepayment fee levied for pre-mature settlement of loans and advances are recognised at the time of credit settlement.

- Commission on guarantee exceeding NRs. 50,000 covering period more than a year is accounted for on accrual basis over the period of guarantee. Commission other than above are recognised immediately after issuance of guarantee.

- Commissions on LC issuance / amendment, LC acceptance, draft issuance, card issuance are recognised at the time of issuance / amendment / acceptance. Ancillary communication fees on LCs (issued, amended, accepted and settlement) are recognised at the time of their issuance, amendment, acceptance and settlement.

- Renewal fees and cancellation charges are recognised as and when services are renewed or cancelled.

- TC sales, bill purchases, remittance are recognised at the time of transactions.

- Rental fees for letting safe deposit lockers are initially recognised when the occupancy right is granted to the customer and subsequent renewal fees are recognised immediately after rental period expires.

- Agency commission on insurance services which do not require rendition of additional services in future are recognised on the effective commencement or renewal dates of the related policies.

- Commission from bullion operation is recognised at the time the risks and rewards attributable to the bullion aretransferred to the buyer.

- Fees for management service rendered to the Subsidiary are recognised at the end of every month in line with the contract executed.

- All other commissions are accounted after rendering the services.

iii Dividend Income

- Cash dividend on equity shares is recognised as and when right to receive is established. Dividend declared from net profit of pre-acquisition period is recognised as a recovery of part of cost unless it is difficult to segregate into pre-acquisition and post-acquisition dividend. In case there is a difficulty in segregation, such dividends are recognised as revenue.

- Cash dividend declared by resident companies are recorded at net of withholding tax, while declared by non resident companies are recorded at gross value. Tax deducted by non resident companies is recognised as Advance Tax to the extent adjustable with the Bank's corporate tax liability.

- Bonus / Stock dividend declared and whose right to receive has been established is not recognised as income. The quantity of shares received as bonus / stock dividend is disclosed in Schedule 12 (A) of the financial statements.

iv Foreign Exchange Transactions

- Foreign currency transactions are initially recognised in functional currency, by applying to the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of transaction.

- Each foreign currency assets and liabilities arising from foreign currency transactionsand outstanding at the end of the day are revaluated by mid exchange rate prevailing at the end of each day.Mid exchange rate is the average exchange rate of Non-Cash Ask Rate and Bid rate.

- Gain or loss realized on trading of foreign currencies is recognized on daily basis and accountedas Trading Gain / (Loss). This is presented under "Trading Gain / (Loss) in Schedule 22 of the financial statements.

- Gains/losses arising due to fluctuation in exchange rates of different foreign currenciesat every point of time (including intra-day fluctuations) is recognized on daily basis and accounted as Revaluation Gain / (Loss). This is presented under"Revaluation Gain/(Loss)" in Schedule 22 of the financial statements.

- Premium/discount on foreign exchange forward contract is accounted for as trading gain or loss at the time of transaction and presented under "Trading Gain / (Loss)" in Schedule 22of the financial statements.

- 25% of such revaluation gain is transferred to Exchange Fluctuation Fund charging Profit and Loss Appropriation Account as per NRB Directives.

v Recovery from Written-Off Loans

- Recovery from written-off loans is recognised as income when the amount is actually received from the borrower.

- All transaction costs viz., legal costs, notice publication expense, negotiation fees etc. incurred for the recovery of written-off loans are reduced from the gross recovery amount and disclosed in Schedule 28 of the financial statements.

vi Gain / (Loss) arising on disposal of assets

- The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

  The carrying amount of an item of property, plant and equipment is derecognised:

a. on disposal; or
b. when future economic benefits are not expected from its use or disposal.

  The gain or loss arising on disposal of Available for Sale Investments is included in the profit or loss when the investments are actually sold.

E. Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

i Interest Expense

- Interest expense comprise of interest expense accrued on foreign currencies and local currency deposits, bonds and borrowings.

- All interest expenses are accounted in functional currency on accrual basis.

ii Employment Benefits

- Employee benefits are all forms of consideration given by the Bank and theSubsidiary in exchange for service rendered by employees.

- This comprises of:

a. short term employee benefits viz., salary and all allowances, short term compensated expenses, (annual leave, sick leave etc.), profit sharing bonuses and perquisites (car facility, subsidized loans) that is payable within twelve months after the end of the period;

b. post employment benefits that is payable after the completion of employment; and

c. termination benefits that is payable as a result of the Bank'sand theSubsidiary's decision to terminate an employee's employment before the normal retirement date or of an employee's decision to accept voluntary retirement in exchange of those benefits.

- Short term employee benefits are recognised as an expense when an employee renders the service or at the time when the entitlement of compensation increases due to rendition of service.

- Post employment benefits are recognised as expense when the entitlement of compensation accrues as a result of rendition of service.

iii Depreciation

- Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

- Each part of an item of property, plant and equipment of the Group which is identifiable separately is depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

- Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. For simplicity, depreciation is charged from the next month it is made

available for use. Depreciation of an asset ceases when it is derecognised at the time of its disposal.

- Depreciationon following assets is charged to Profit and Loss Account on Diminishing Balance method over the estimated useful life of depreciable assets. Land is not depreciated.

Nature of Assets	Useful Life	Depreciation Rate
Furniture	10 years	25%
Equipments	10 years	25%
Vehicles	7 years	20%
Computers	7 years	25%
Building	50 years	5%

- Leasehold assets (improvements) are amortized over the period of lease using Straight Line Method.

- Cost of software licences and are amortized over a period of useful life of the software, estimated as 5 years from the date of acquisition.

iv Impairment Provision

The amount of loss that results due to the reduction of recoverable amount than the carrying amount of an asset or as a result of legal requirement is charged to Profit and Loss Account as an impairment loss. The impairment loss is provided for on the credit portfolios, investments and fixed assets (if any) at every reporting date.

- **Loan Loss Provision**

– Provision for possible losses on loans is made to cover the risks inherent in the Bank's credit portfolio. Provision for possible losses from loans, advances and bills purchased are made at the rates ranging from 0.25% (first slab for insured deprived sector loans) up to 100% (for overdue loans exceeding one year) according to the classification of such risk assets as per NRB Directives. Additional provision in excess of the regulatory requirement (NRB UnifiedDirectives) can alsobe made to ensure comfortable cushion.

- **Provision on Investments**

– Impairment on quoted investments is recognised by assessing the recoverable amount of an investment from the stock exchange and the cost of an investment. In case of investments that are not actively traded at stock exchange, recoverable amount is computed on equity basis. Impairment is determined when the carrying amount exceeds the recoverable amount.

– In case of unquoted investments, recoverable amount of an investment is determined on an equity basis. Impairment loss is recognised if the recoverable amount so calculated on an equity basis is less than the cost of an investment.

- **Impairment on Fixed Assets**

– The Bank does not identify smallest group of fixed assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets and hence no impairment loss is provided unless there is clear evidence that its market value has been reduced.

– The Bank and theSubsidiary assess, at each reporting date, whether there is any indication that an impairment loss recognised in prior periods for an asset no longer exist or may have reduced. If any such indication exists, the Bank and the Subsidiary estimate the recoverable amount of that asset. The Bank and the Subsidiary reverse impairment loss to the extent it has been expensed off in prior years when the recoverable amount exceeds the carrying amount.

v Write Off

- Loan accounts graded "Bad / Loss" in compliance with NRB Directives are written off in the books as per Loan Write off By-Law of the Bank approved by NRB and in compliance with Income Tax Act 2002, without prejudice to the Bank's right to recovery.

- Impairment provisions held for the loss accounts are written back immediately after the loans are written-off.

vi Income Tax Expense

- Income tax expense comprises of current and deferred income tax and additional income tax assessed by the tax auditor and taxation authorities. Disclosure of additional income tax in the Profit and Loss Account is made as required by NRB.

- Current tax liabilities (assets) are the amounts that are expected to be paid to (recovered from) the Inland Revenue Department in respect of income of current year. The tax rates (and tax laws) used for the computation are those that are enacted or substantively enacted by the Balance Sheet date. Accordingly, provision for current tax has been made with reference to the profit of the financial year based on the provisions of the Income Tax Act 2002 and amendments thereto.

- Deferred taxes are recognized and provided for on temporary differences arising between taxable incomes and accounting incomes.

- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

- Deferred tax assets are not recognised unless there is convincing evidence that there will be sufficient future taxable income available to realize such assets. Deferred tax assets & liabilities are netted off and presented either under 'Other Assets' or under 'Other Liabilities'.

- Deferred Tax Reserve is earmarked to the extent of outstanding balance of Deferred Tax Assets as per NRB guidelines.

F Contingent Liabilities

The contingent liabilities comprise of:

a possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

b present obligations that arise from past events but is not recognised because:

i it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii the amount of the obligation cannot be measured with sufficient reliability.

All letter of credit, bank guarantee and forward exchange contract liabilities have been shown in full amount as contingent liabilities in accordance with the directive issued by NRB.

Besides above, all known liabilities wherever material are provided for, and liabilities,which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed under contingent liabilities.

G Events after the Balance Sheet Date

Events after the Balance Sheet Date are those events, favorable and unfavorable, that occur between the Balance Sheet date and the date when the financial statements are authorized for issue.

In this regard, all material and important events that occurred after the balance sheet date have been considered and appropriate disclosures are made in Note 11 to the financial statements.

H Earnings Per Share

Basic Earnings per Share is calculated for profit or loss attributable to the Bank's and the Subsidiary's ordinary equity holders and, if presented, profit or loss from continuing operation attributable to those equity holders. It is calculated by dividing profit or loss attributable to ordinary equity holders (in the numerator) by the weighted average number of ordinary shares outstanding (in the denominator) during the period.

– The earnings attributable to the ordinary equity holders comprise of the earnings of the Bank and the Subsidiary after adjustment of all expenses including tax expense and preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

– Ordinary equity (share) comprises an equity instrument that is subordinate to all other classes of equity instruments of the Bank and the Subsidiary, if any.

– Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

Diluted Earnings per Share is calculated for profit or loss attributable to the Bank's and the Subsidiary's ordinary equity holders and, if presented, profit or loss from continuing operation attributable to those equity holders. It is calculated by dividing profit or loss attributable to ordinary equity holders (in the numerator) by the weighted average number of ordinary shares outstanding (in the denominator) during the period and is adjusted for the effects of all dilutive potential ordinary shares.

– As a result of adjustment for the effects of dilutive potential ordinary shares:

i profit or loss attributable to ordinary equity holders of the Bank and the Subsidiary is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; and

ii the weighted average number of ordinary shares outstanding is increased bythe weighted average number of additional ordinary shares that would havebeen outstanding assuming the conversion of all dilutive potential ordinaryshares.

iii Dilutive potential ordinary share is a financial instrument or other contract that may entitle its holder to ordinary shares. It comprises of convertible instruments like convertible preference shares, convertible debentures, options and warrants and similar such instruments.

I Basis of Interest Computation

Interest expenses on deposits/borrowings/bonds and interest income on loans & local currency investments are computed on the basis of 365 days a year.

Interest on foreign currency investments is computed on the basis of 365 days a year for GBP and 360 days a year for USD, EUR, DKK and JPY.

8.2 The Bank and its subsidiary adopt uniform accounting policies for like transactions and events in similar circumstances.

1 Equity

1.1 Equity Capital position

Nepal Rastra Bank (NRB), the licensing and regulatory authority, has prescribed the minimum amount of equity capital requirement as specified in its circular number 25/063/064 dated 15th April 2007 (B.S. 2064.01.02). No revision to equity capital requirement has been issued after the publication of that circular. The prescribed timeline available for full compliance of this circular is up to Mid July 2013. The Bank is compliant to the regulatory minimum equity capital requirement.

As at balance sheet date, the Bank's equity capital position compared to the regulatory minimum equity capital requirement is as follows:

NRs.(000)

Regulatory minimum requirement of capital as per the circular	Amount
Paid up capital	1,600,000
Reserves recognised as Tier 1 capital	400,000
Total	**2,000,000**
Actual capital position of the Bank	
Paid up capital	2,029,769
Reserves recognised as Tier 1 capital	3,109,511
Total	**5,139,280**

1.2 Proposed changes in paid-up equity capital

The Board of Directors of the Bank, in its meeting dated September 11, 2012 has passed a resolution recommending for distribution of stock dividend at 20% of the paid up equity capital as at year ended July 15, 2012. If the Board's recommendation to this effect is approved by the upcoming shareholder's Annual General Meeting, the Bank's paid up equity capital shall increase by 20%.

1.3 Chronology of stock issuance

Since incorporation, the Bank's paid up equity has been raised to NRs.2,029,769 thousand from NRs.28,182 thousand. The historical data of stock issuance is presented in the following table:

NRs.(000)

Financial Year	Increment in Capital	Note
1984/85	28,182	Initial issuance (469,707 @ NRs.60 per share)
1985/86	229	Additional issuance (3,820 @ NRs.60 per share)
1986/87	11	Additional issuance (180 @ NRs.60 per share)
1987/88	1,400	Additional issuance (23,333 @ NRs.60 per share)
1988/89	177	Additional issuance (2,960 @ NRs.60 per share)
1991/92	20,000	Retained Earnings Capitalized (500,000 @ NRs. 40 per share)*
1992/93	15,426	Issuance of 30% Bonus Shares
1994/95	65,426	Issuance of 100% Bonus Shares
1996/97	130,851	Issuance of 100% Bonus Shares
1997/98	131,094	Issuance of 50% Bonus Shares
2000/01	98,858	Issuance of 25% Bonus Shares
2007/08	197,562	Issuance of 40% Bonus Shares
2008/09	276,531	Issuance of 40% Bonus Shares
2009/10	483,377	Issuance of 50% Bonus Shares
2010/11	580,645	Issuance of 40% Bonus Shares
Total	**2,029,769**	**Paid up Capital as at balance sheet date**

*Rs.40 per share was called to make paid up capital at NRs.100 per share.
The called money was capitalized out of retained earnings.

1.4 General Reserve

In line with Section 44 of Banks and Financial Institutions Act 2006, the Bank has transferred NRs.340,000 thousand in General Reserve from the net profit of current year. As of current financial year end the closing balance in General Reserve is NRs.2,176,500 thousand.

NRs.(000)

Particulars	Amount
Profit after tax	1,696,276
Minimum requirement (@ 20% of the net profit)	339,255
Amount actually transferred	**340,000**

1.5 Contingent Reserve

The Bank, in line with the Scheme, has appropriated NRs.1,000 thousand in the Contingent Reserve from the current year's net profit.

During the current financial year there was one case in which the Bank paid NRs.226 thousand to the staff for medical treatment in India. The payment has been accounted as medical expense and is presented under "Medical" in Schedule 23 of the financial statements. Simultaneously, the amount equivalent to the payment has been transferred from Contingent Reserve to the Retained Earning.

NRs.(000)

Particulars	Amount
Opening Balance	12,500
Add: Addition during the year	1,000
Less: Transferred to Retained Earning	(226)
Total reserve required and maintained	**13,274**

1.6 Deferred Tax Reserve

With creation of deferred tax assets during the current financial year, requirement for deferred tax reserve has also increased.

NRs.(000)

Particulars	Amount
Opening deferred tax reserve	34,382
Adjustment:	
Capital nature expenses charged in Profit and Loss Account	
30% on NRs. 350.13 thousand (net of depreciation)	105
Deferred tax assets on other temporary differences	
30% on 26,960.31 thousand	8,088
Closing deferred tax reserve	**42,575**

1.7 Investment Adjustment Reserve

This year, under investment adjustment reserve, the bank has set aside NRs.951 thousand and NRs.93,080 thousand respectively in compliance to NRB directives 4 and 8. NRs.951 thousand is in respect of Available for Sale investments and NRs.93,080 thousand is in respect of unlisted equity investments.

NRs.(000)

Investments	At Cost	Impairment Provision	Net Investment	Reserve Required
Listed Investments @2%	47,566	-	47,155	951
Unlisted Investments @ 100%	15,080	-	15,080	15,080
Exempted Investments	63,655	3,781	59,874	-
Investment in Subsidiary (Unlisted @ 100%)	78,000	-	78,000	78,000
Total reserve required and maintained				**94,031**

Exempted investments comprise of equity investments (promoter group) in Nepal Clearing House Ltd., National Banking Training Institute, Karja Suchana Kendra Ltd., Rural Microfinance Development Centre and licensed Rural Development Banks. According to Directive 8 of the NRB Unified Directives, investment adjustment reserve is not required to be maintained for these entities. The cost of exempted investments is presented in Schedule 12 (A) of the financial statements.

Equity investment in subsidiary is reduced for determination of Tier 1 Capital of the Bank as per Directives 8 and 20 of NRB Unified Directives. Investment adjustment reserve equivalent to 100% of this investment has also been maintained pursuant to clause 3(1) of NRB Directive 8.

1.8 Exchange Fluctuation Fund

The Bank has set aside NRs.28,800 thousand in the exchange fluctuation fund with regard to exchange earnings due to revaluation of foreign currencies' assets and liabilities.

NRs.(000)

Particulars	Amount
Opening exchange fluctuation fund	97,500
Adjustment:	
25% on exchange earning due to revaluation of foreign currency assets and liabilities (NRs.114,933 thousand)	28,800
Closing exchange fluctuation fund	**126,300**

1.9 Proposed Dividend

1.9.1 Nabil Bank

The Board of Directors of the Bank have recommended the payment of dividend of NRs.60 per share (60%) which consists of a cash dividend of NRs.40 per share (40%) and a stock dividend of NRs.20 per share (20%) for the year ended July 15, 2012. This will be decided at the forthcoming Annual General Meeting of the Bank.

As per terms in NRB Directive 4 on "Accounting Policy and Formats of Financial Statements" the proposed cash dividend has been appropriated from profit for the year and shown separately on the face of balance sheet. Total cash dividend payable for the year amounts to NRs.811,908 thousand.

1.9.2 Subsidiary (Nabil Invest)

The Board of Directors of Subsidiary, in its meeting dated 23rd August 2012, has recommended the payment of cash dividend of NRs.10 per share (10%) for the year ended July 15, 2012. This will be decided at the forthcoming Annual General Meeting of the Subsidiary's shareholders.

In line with NAS 05 on "Events After the Balance Sheet Date", proposed dividend payment has not been recognized as a liability at Balance Sheet date. But it has been disclosed in the notes in accordance with NAS 01 on "Presentation of Financial Statements". Total dividend proposed for the year amounts to NRs.10,500 thousand.

1.9.3 No interim dividends were paid during the year by the Bank or Subsidiary. Withholding tax will be deducted at source at 5% at the time of dividend payment.

1.10 Capital Redemption Reserve

Pursuant to approval of NRB vide Bai.Bi.Ni.Bi./Bi.R 2/Nabil Bank/9/064/65 dated 09th May 2008 (27.01.2065 B.S.) the Bank's requirement to transfer 20% of the value of debenture in the Redemption Reserve every year starts from 6th year i.e. from financial year 2013/14 and therefore, no amount has been transferred to this reserve in the current financial year.

2. Assets

2.1. Balance with Nepal Rastra Bank (NRB)

Reconciliation of NRB Balance (Ledger and Statement Balance) NRs.(000)

Particulars	Ledger	Statement
Unreconciled balance as on 15.07.2012	**3,681,980**	**3,024,484**
We Debit	(857,310)	
They Debit	(26)	
We Credit	47,776	
They Credit	152,064	
Reconciled balance as on 15.07.2012	**3,024,484**	**3,024,484**

Ageing details of pending items are presented as under NRs.(000)

Age	Ledger Debit	Statement Debit	Ledger Credit	Statement Credit
Less than a month	857,310	-	39,859	150,687
1-3 Months	-	26	4,414	274
3-6 Months	-	-	228	1,068
6-12 months	-	-	1001	-
1-2 Year	-	-	297	35
Above 2 year	-	-	1,977	-
Total	**857,310**	**26**	**47,776**	**152,064**

2.2 Balance with Banks/ Financial Institutions

2.2.1 Local Banks / Financial Institutions

Reconciliation of balances (Ledger and Statement Balance) NRs.(000)

Particulars	Ledger	Statement
Unreconciled balance as on 15.07.2012	**53,032**	**60,008**
We Debit	(1)	
They Debit	(1,174)	
We Credit	6,305	
They Credit	1,846	
Reconciled balance as on 15.07.2012	**60,008**	**60,008**

Ageing details of pending items are presented as under: NRs.(000)

Age	Ledger Debit	Statement Debit	Ledger Credit	Statement Credit
Less than a month	1	1,174	5,980	1,845
1-3 Months	-	-	256	-
3-6 Months	-	-	-	-
6-12 months	-	-	-	1
1-2 Year	-	-	69	-
Above 2 year	-	-	-	-
Total	**1**	**1,174**	**6,305**	**1,846**

2.2.2 Foreign Banks / Financial Institutions

Reconciliation of balances (Ledger and Statement Balance) NRs.(000)

Particulars	Ledger	Statement
Un-reconciled balance as on 15.07.2012	**(509,848)**	**660,168**
We Debit	(200,143)	
They Debit	(7,478)	
We Credit	1,352,042	
They Credit	25,595	
Reconciled balance as on 15.07.2012	**660,168**	**660,168**

Ageing details of pending items are presented as under: **NRs.(000)**

Age	Ledger Debit	Statement Debit	Ledger Credit	Statement Credit
Less than a month	200,143	6,785	1,316,757	25,309
1-3 Months	-	36	25,008	7
3-6 Months	-	8	8,400	-
6-12 months	-	649	1,750	94
1-2 Year	-	-	103	8
Above 2 year	-	-	24	177
Total	**200,143**	**7,478**	**1,352,042**	**25,595**

2.3 **Inter-Branch Reconciliation:** There are no un-reconciled entries/balances in case of inter-branch transactions as on balance sheet date.

2.4 Loans, Advances and Discount

2.4.1 The Bank's year-on-year gross loans and advances rose by 10% to reach NRs.42,867,768 thousand. Business Loans comprising of term loans, overdraft, trust receipt and other working capital loans occupy 66% of total lending portfolio. Remaining 34% of the portfolio is occupied by real estate loans, credit card loans and other consumer retail loans.

During the current year major volume growth was achieved under business loans reporting 12% increment. Real estate lending saw a decline of 7%.

NRB Unified Directives 2011specifies real estate loans as residential real estate loans in excess of NRs.10 million, business complex and residential apartment construction loans, income generating commercial complex loans and other real estate loans for land purchasing and plotting.

NRs.(000)

Type of Loan	Current Year	% Share	Previous Year	% Share	y-o-y change	
					Volume	%
a. Real Estate Loan	4,671,457	11	5,015,553	13	(344,097)	(7)
1 Residential Real Estate Loan (Except Personal Home Loan up to NRs.10million)	353,620		332,991		20,628	6
2 Business Complex & Residential Apartment Construction Loan	786,269		914,398		(128,129)	(14)
3 Income generating Commercial Complex Loan	610,300		251,745		358,556	142
4 Other Real Estate Loan (Including Land purchase & Plotting)	2,921,268		3,516,419		(595,152)	(17)
b. Personal Home Loan up to NRs.10Million	2,446,109	6	2,355,162	6	90,946	4
c. Margin Type Loan	-	-	-	-	-	-
d. Term Loan	5,832,773	14	5,715,332	15	117,441	2
e. Overdraft Loan/ TR Loan/WC Loan	22,402,265	52	19,409,326	50	2,992,940	15
f. Others	7,515,164	17	6,410,115	16	1,105,049	17
Total	**42,867,768**	**100**	**38,905,488**	**100**	**3,962,280**	**10**

2.4.2 Following the real estate bubble in year 2008-09 and early 2009-10 NRB,vide circular Bai.Bi.Ni.Bi./Niti/Paripatra/20/066/67 dated 17th December 2009, prescribed limitation on real estate sector exposure as a percentage of total lending portfolios. Then prescribed limit was 25% forreal estate loans and 40% for combined real estate loans and residential housing loans. Subsequent amendments were issued on various dates.

As per Directive 3 of Unified Directives 2011, the limit was fixed at 25% for total real estate loans including residential home loans above NRs.10 Million. Included within this was a limit of 10% for other real estate loan only comprising of land purchase, development and plotting. This provision was effective for the current financial year and has been complied with.

2.5 Investments

2.5.1 Held to Maturity Investments

Overall held to maturity investments of current financial year have increased by 7.50% over the previous financial year. The HTM investment listed on the exchange market is presented net of impairment provision on the balance sheet date.

NRs.(000)

S. No.	Investments	At Cost	Impairment Provision	Net Investment (Current Year)	Net Investment Previous Year)	% Change
1	Treasury Bills	4,494,594	-	4,494,594	6,489,955	(30.75)
	- 28 days	-	-	-	-	
	- 90 days	-	-	-	491,594	
	- 91 days	1,996,147	-	1,996,147	718,393	
	- 182 days	198,428	-	198,428	945,503	
	- 251 days	348,428	-	348,428	-	
	- 363 days	-	-	-	1,577,136	
	- 364 days	1,951,591	-	1,951,591	2,757,329	
2	Development Bonds	3,505,383	-	3,505,383	2,255,275	55.43
3	FCY Bond	220,280	24,035	196,245	176,022	11.49
4	Placements (including derivative investments)	5,659,108	-	5,659,108	3,966,878	42.66
	Total	**13,879,366**	**24,035**	**13,855,331**	**12,888,130**	**7.50**

The Accrued Interest Receivable on treasury bills amounting to NRs.8,687 thousand on the balance sheet date has been capitalised in the value of treasury bills, being amortisation of discount.

The increment reflected on FCY Bond in comparison to last year was due to appreciation of US Dollar vis-à-vis NRs. No FCY bonds were further acquired or disposed during the current financial year.

2.5.2 Available for Sale Investments

2.5.2.1 The Bank's Available for Sale investments comprised of all investments other than held to maturity investments and held for trading investments.

NRs.(000)

S. No.	Investments	At Cost	Impairment Provision	Net Investment	Market Value
1	Listed Securities	50,566	727	49,838	307,843
2	Unlisted Securities	153,735	3,054	150,681	-
	TotalAvailable For Sale Investments	**204,301**	**3,781**	**200,519**	**307,843**

2.5.2.2 Available for Sale investments in Listed Securities

NRs.(000)

S. No.	Investments	At Cost	Impairment Provision	Net Investment	Market Value
1	Equity investments in local licensed Banks and Financial Institutions (BFIs)	49,309	727	48,581	192,707
2	Unit Investments	1,257	-	1,257	5,440
3	Equity investments in foreign entities	-	-	-	109,696
	Total Listed Securities	**50,566**	**727**	**49,838**	**307,843**

2.5.2.3 Equity investments in local licensed BFIs

These comprise of equity investments in promoter shares of licensed rural development banks and micro financial institutions. These investments are intended for compliance of mandatory deprived sector lending requirements as prescribed by the regulator. Such shares have been held since the incorporation of such institutions.

Total market value of these investments as per last traded prices in Nepal Stock Exchange is NRs.192,707 thousands. The price quoted in stock exchange represents price for ordinary shares issued to public equity holders. Pricing for equity shares issued to promoter shareholders tend to be lower than that of public shareholders. This is primarily due to trading restrictions placed on promoter shares by virtue of regulatory provisions and also due to unavailability of adequate number of institutional investors to ensure active trading and a fair market valuation.

The reference of price quoted on the stock exchange cannot be placed so as to estimate the fair market value of this category of investments. The Bank has, with due compliance to regulatory provisions, prudently appropriated fund from retained earnings to investment adjustment reserve for investment in listed securities. In addition, these investments are tested for impairment on equity basis and any impairment loss is recognised in Profit and Loss account as described in Principal Accounting Policies under "Provision on Investment".

2.5.2.4 Unit Investments

The Bank has invested in Units of mutual fund scheme launched by NIDC Capital Markets Ltd. As stated in Schedule 12 of Financial Statements, initial investment was made in 100,000 Units @ NRs.10 per Unit. Additional 100,000 Units were invested in subsequent rights issuance @ NRs.2.57 per Unit. The last traded market price at Nepal Stock Exchange was NRs.27.20 per Unit. Based on this price the market value of this investment is NRs.5,440 thousands.

2.5.2.5 Equity investments in foreign entities

The Bank holds different classes of common stocks in MasterCard International and VISA Inc.

MasterCard International on conversion into a private stock corporation allocated its franchisee class B common stock to its members in recognition of their membership interest. The bank presently holds 1,114 units of Class B Common Stock having a par value of USD 0.0001 each. Holders of Class B common stock are entitled to receive equal amount of dividend declared for Class A stock and confer equity rights but not the voting rights in MasterCard Incorporated. The shares of Class B common stock may be traded privately among the eligible members of MasterCard International Incorporated (subsidiary of MasterCard Incorporated) while Class A common stock is traded in New York Stock Exchange. From June 1, 2010 scheme of conversion was launched whereby Class B common stockholders was entitled to convert shares of their Class B common stock into an equal number of Class A common stock for prompt disposition to public after a transition period of conversion. As on 15th July 2012, the adjusted closing price (for stock splits and dividends) of Class A common stock was USD 429.6 per share. The fair value of the Bank's holding of 1,114 units of common stock is around NRs.42,210 thousand (USD 478,574 @ NRs.88.20 per USD).

Similarly, the Bank currently holds 6,166 units of Class C Common Stock of VISA Inc. having a par value of USD 0.0001 each allocated earlier after its conversion to VISA Inc. This class of stock were also restricted for transfers however, since February 7, 2011 the Board of Directors of Visa Inc. approved the release of all Class C shares from transfer restrictions. The release has automatically made Class C stock eligible for public sale. As on 15th July 2012, the Class A common stock were priced at USD 124.09 per share and the fair value of the Bank's holding on that date is NRs.67,485 thousand (USD 765,139 @ NRs.88.20 per USD).

2.5.2.6 Available for Sale investments in Unlisted Securities

NRs.(000)

S. No.	Investments	At Cost	Impairment Provision	Net Investment	Market Value
1	in local licensed BFIs	61,791	3,054	58,737	-
2	in BFIs under process of licensing	7,250	-	7,250	-
3	in subsidiary	78,000	-	78,000	-
4	in other local institutions	4,936	-	4,936	-
5	in foreign entities	1,759	-	1,759	-
	Total Unlisted Securities	**153,735**	**3,054**	**150,681**	**-**

2.5.2.7 Equity investments in local licensed BFIs

These comprise of equity investments in promoter shares of licensed rural development banks and micro financial institutions. These investments are intended for compliance of mandatory deprived sector lending requirements as prescribed by the regulator. Such shares have been held since the incorporation of such institutions.

The Bank has, with due compliance to regulatory provisions, prudently appropriated fund from retained earnings to investment adjustment reserve in respect of these investments. These investments are tested for impairment on equity basis and any impairment loss is recognised in Profit and Loss account as described in Principal Accounting Policiesunder "Provision on Investment".

2.5.2.8 Equity investments in BFIs under process of licensing

These comprise of equity investments in promoter shares of micro financial institutions which are yet to be licensed by the regulator. Licensing process of these companies is in progress. Following is the company specific position of investment made under this heading:

NRs.(000)

S. No.	Company Name	Equity participation Nabil Bank	Initial date of Investment	Total Equity Invested	Total Equity Commitment
1	NADEP Laghubitta Bittiya Sanstha Ltd.	25%	12.08.2010	2,000	40,000
2	Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.	4%	31.08.2010	4,000	4,000
3	Jeevan Bikash Laghubitta Bittiya Sanstha Ltd.	10%	12.06.2009	1,250	2,500
	Total			**7,250**	**46,500**

Out of above, two companies (S.No. 2 & 3) have already obtained in principle the approval from NRB, the licensing and regulatory authority, for operating as a Microfinance Institution. Subsequent registration of these companies at the Office of Company Registrar has also been completed. These companies are in process for obtaining final operating license from the regulator.

- Mahila Sahayatra Microfinance Bittiya Sanstha Ltd. received in principle the approval from Nepal Rastra Bank on 20th December 2011 and was registered at the Office of Company Registrar on 30th March 2012.

- Jeevan Bikash Laghubitta Bittiya Sanstha Ltd. received in principle approval from Nepal Rastra Bank on 5th December 2011 and has been registered at the Office of Company Registrar on 10th August 2012.

- NADEP Laghubitta Bittiya Sanstha Ltd. is under process of obtaining in principle approval from Nepal Rastra Bank for operating as a Microfinance Institution.

2.5.2.9 Equity investments in Subsidiary

As of balance sheet date, the Bank has invested NRs.78,000 thousand in its subsidiary, holding an effective equity interest of 74.29%. Following is the chronology of equity participation in Subsidiary.

NRs.(000)

Date of Investment	Particulars	Nabil	Non Controlling Interest	Total
04-Aug-2010	Equity injection	70,000	-	70,000
30-May-2011	Equity injection	8,000	27,000	35,000
	Total Paid up Equity	**78,000**	**27,000**	**105,000**
	Effective Interest	74.29%	25.71%	100.00%

2.5.2.10 Equity investments in other local institutions

These comprise equity investments made in local companies complementary to the banking industry. The Bank holds promoter group equity shares in KarjaSuchana Kendra Limited, National Banking Training Institute and Nepal Clearing House Ltd.

2.5.2.11 Equity investments in SWIFT

The Bank holds eight unit shares in SWIFT (Society For Worldwide Interbank Financial Telecommunication) having nominal value of EUR 125 per share. These shares are denominated in EUR. These shares are conferred to the Bank in respect of its membership interest in SWIFT network. These shares are entitled to voting rights at the annual General Meeting of SWIFT shareholders.

SWIFT shares are not listed at any stock exchange and do not confer any dividend payments. Based on net assets valuation the transfer value of one SWIFT share has been fixed at EUR 3,300 at the June 2011 General Meeting of SWIFT shareholders. Per SWIFT By-laws, Article 6, entering the number of shares in the share register of SWIFT is the sole evidence of shareholding. No share certificates are delivered. These shares are recognized at cost being the actual transfer value paid while subscribing to the shares awarded to the Bank.

Per SWIFT By-laws, General Membership Rules - Clause 9, SWIFT shares are re-allocated at least once in every three years. The last re-allocation was held at the beginning of 2012. Re-allocation was based on shareholding at 31 December 2011 and was proportional to the shareholder's participation in the financial contribution from network based services of SWIFT between 1st January 2011 and 31st December 2011.

Re-allocation of shareholding is effected only if the holding changes by minimum five shares. In cases of re-allocation being effective, SWIFT calls for payment of additional shares or reimburses proceeds of reduced shares at the transfer value approved by the recent General Meeting of SWIFT shareholders. In case of reimbursement 10% tax is deducted at source on the increase in transfer value during the period such shares were held by the shareholder and net proceeds thus arrived is reimbursed.

The Bank was last re-allocated additional five shares following February 2003 re-allocation. In June 2005, following General Meeting of SWIFT shareholders, the Bank's advance charges were capitalized and two additional shares were allotted. Including one share provided for initial membership, the Bank's total shareholding in SWIFT is eight as of balance sheet date.

2.6 Fixed Assets

2.6.1 Capital Work in Progress (WIP)

2.6.1.1 Following the termination of contract with the developer and its agent for development of four software modules (Human Resource Management System, Payroll, Fixed Asset Management and Inventory Management),the amount which was recognised as capital work in progress software last year, based on the stage completion method, has been derecognised this year. The Bank shall seek compensation from the developer and the amount paid to the developer is currently recorded as accounts receivable. The developer/agent is associated with the Bank on some other development projects / IT operations and the Bank assesses the chance of recovery of receivable to be high. Accordingly no impairment provision has been made in this regard.

Carrying amount of capital work-in-progress building include costs incurred for construction of the bank's own building for Birgunj Branch and for extension and renovation of Dharan Branch premises occupied on lease. As of balance sheet date, the stage of completion of construction at Birgunj Branch is 18% and that at Dharan Branch is 30%. Accordingly, proportionate project work valuations have been recognized as capital work in progress.

2.6.2 Leasehold Assets

NRs.(000)

Particulars	FY 2011/12			FY 2010/11		
	Bank	Sub-sidiary	Group	Bank	Subsidiary	Group
1. At Cost	**90,009**	**2,458**	**92,467**	**77,375**	**2,458**	**79,833**
a. Upto last year	77,375	2,458	79,833	50,965	41	51,005
b. Addition this year	14,650	-	14,650	33,246	2,417	35,663
c. Deduction this year	(2,016)	-	(2,016)	(6,835)	-	(6,835)
2. Amortization	**40,304**	**808**	**41,112**	**26,020**	**316**	**26,336**
a. Upto last year	26,020	316	26,336	20,830	-	20,830
b. Addition this year	16,234	492	16,726	11,989	316	12,305
c. Deduction this year	(1,950)	-	(1,950)	(6,800)	-	(6,800)
3. Remaining Value	**49,705**	**1,650**	**51,355**	**51,356**	**2,142**	**53,498**

2.7 Other Assets

2.7.1 Inventory

2.7.1.1 Stationery

As at balance sheet date, the Bank has held inventory of NRs.6,963 thousand at the store. No material items that are disposable at the balance sheet date were held in the possession. The details of stationeries are as follows:

NRs. (000)

S. No.	Inventory Type	Current Year	Previous Year
1	Customer account related stationeries	135	164
2	ATM Related Receipts & Roll	317	331
3	Cards & Card Related	1,722	3,006
4	Cheque & Cheque Associated	811	3,508
5	Envelope, File & Register	401	500
6	Pen/Tippex/Board-Marker/Pencil/ Rubber band etc.	270	136
7	Print Related Stationeries (Paper)	1,546	1,905
8	Slip, Forms & Memo	1,045	1,279
9	Others	715	940
	Total	**6,963**	**11,770**

2.7.1.2 Bullion

As at balance sheet date, the Bank has held 160kgs of gold in its possession. The fair market value of the gold as on that date is NRs.717,794 thousand.

USD Rate/oz	USD Rate / kg	Qty (in kg)	Total Value USD (000)	Exchange Rate (NRs./USD)	Total Value NRs.(000)
1,590.00	50,864.10	160	8,138	88.2	717,794

Details of gold and silver traded by the Bank during the current financial year are given as under.

(In Kgs)

Particulars	Gold	Silver
Opening balance	29	0
Add: Consignment received	3,450	14,000
Less: Sold to local commercial banks	2,692	5,000
Less: Sold to local buyer	627	9,000
Closing held	**160**	**0**

As detailed in Schedule 32 on "Significant Accounting Policies", the Bank acts as an agent of the consignor and hence does not recognise bullion stock in its books as an inventory.

2.7.2 Accrued Interest Receivable (AIR)

2.7.2.1 AIR on loans (net of interest suspense)

AIR on loans comprised of interest accrued on loans, advances and bills. The AIR composed of overdue AIR (accrued & due but not received yet) and AIR accrued but not due as at balance sheet date. The AIR accrued but not due totalled NRs.85,863 thousand while overdue AIR totalled NRs. 285,289 thousand as at balance sheet date.

Equivalent amount of Interest Suspense was recognised as per NRB Directives and have been presented in Schedule 16.

2.7.2.2 AIR on Investments

AIR on investments comprised of interest accrued on placements, bonds and derivative instruments (index linked deposits and credit linked deposits) as on balance sheet date. AIR on treasury bills, being amortisation of discount, has been capitalised in the bid value of bills.

NRs.(000)

Investments Type	Local Currency	Foreign Currency	Total
Placement	-	101,476	101,476
Bonds	36,049	9,898	45,947
Derivative Instruments	-	5,113	5,113
Total	**36,049**	**116,487**	**152,536**

2.7.2.3 Sundry Debtors

Sundry debtors comprised of accounts receivable (from NRB, customers, employees) and deposits at Large Taxpayer's Office on account of disputed additional tax assessed for financial year 2006/07 (2063/64 B.S.). The amount is not clubbed with advance tax so as to make appropriate presentation ofthe Bank's net corporate tax liabilities for current financial year.

NRs.(000)

Particulars	Current Year	Previous Year
Accounts Receivables	363,129	178,387
Nepal RastraBank	1,307	1,826
Customers	346,633	164,847
Employees*	15,159	11,712
Others	30	2
Deposits at Large Taxpayers' Office	277	277
Total	**363,406**	**178,664**

Provision on Accounts Receivable Employees amounting NRs.504 thousand has been set off with Receivables above.

Claims of beneficiary accepted by the applicant customer on account of guarantees issued by the Bank have been recognised as Accounts Receivable Customers. As of balance sheet date, the Bank has recognised claims amounting NRs.9,988 thousand in respect of such receivable.

2.7.4 Prepayments

Following is the details of Prepayments outstanding as on balance sheet date.

NRs.(000)

Particulars	CurrentYear	PreviousYear
Prepaid Insurance	10,905	8,346
Prepaid Rentals	7,614	7,970
Prepaid Communication	4,373	4,464
Prepaid Maintenance	6,290	4,152
Prepaid Others	2,458	698
Total	**31,640**	**25,631**

2.7.5 Staff loans

Eligibility criteria for availing staff loans are directly linked to the period of service under permanent payroll of the Bank. Loans extended to staff have increased during the year as more staff became eligible and actually availed such facilities. The loans outstanding as at the balance sheet date were as under:

NRs.(000)

Particulars	CurrentYear	PreviousYear
Housing Loan	640,251	565,106
Vehicle Loan	25,020	23,785
Personal Loan	148,325	132,282
Total	**813,596**	**721,173**

2.7.6 Others

Items presented under this head are security deposits for availingpublic utility services and interest receivable on staff loans.

NRs.(000)

Particulars	Current Year	Previous Year
Deposit for Utilities (others)	1,592	1,749
Interest Receivable on Staff Housing Loan	136,657	112,624
Total	**138,249**	**114,373**

Interest receivable on Staff Housing Loan are realised out of proceeds from Endowment Life Policy. Before disbursement of each home loan, an endowment life policy is purchased by the Bank for insured sum equivalent to the principal loan amount. The insured policy is purchased for a period earlier of 20 years or remaining service period up to retirement. Each staff pays insurance premium in respect of his / her loan amount on monthly basis. Upon maturity of the endowment policy the proceeds / bonus are applied towards settlement of interest and principal loan amount in a single instalment.

3. Liabilities

3.1 Debentures and Bonds

The Bank allotted Nabil Bank Bond 2075 (2018 AD) of worth NRs.300,000 thousand in July/August 2008, redeemable in July / August 2018. The Bond is listed in Nepal Stock Exchange (NEPSE) with symbol NABILB2075 for public trading since 14th December 2008 (B.S. 29.08.2065).

3.2 Deposits

3.2.1 During the current financial year, amidst competitive market scenario and downward trend in interest rate, the Bank has been able to increase overall deposits by 10.72% or NRs.5,327,582 thousand. Movement in different deposit segments is tabulated below:

NRs.(000)

Particulars	At Mid July		Changes	
	2012	2011	Amount	%
Interest Free Deposits	**7,417,377**	**6,456,719**	**960,658**	**14.88**
LCY	5,963,884	5,105,865	858,019	16.80
FCY	1,453,493	1,350,854	102,639	7.60
Interest Bearing Deposits	**47,606,318**	**43,239,394**	**4,366,924**	**10.10**
LCY	41,599,887	38,169,867	3,430,020	8.99
FCY	6,006,431	5,069,527	936,904	18.48
Total	**55,023,695**	**49,696,113**	**5,327,582**	**10.72**

3.2.2 Deposit Insurance

In line with the statement in Monetary Policy for current financial year and subsequent directions from the regulator regarding insuring deposits of natural persons, the Bank has insured savings and fixed deposits ofall natural person account holders for up to NRs.200 thousand threshold amount. For this the Bank has entered into an agreement with Deposit and Credit guarantee Corporation Pvt. Ltd. on 13th December 2011. As of balance sheet date,the total insured deposit portfolio is NRs.6,571,026 thousands and total number of insured deposit account holders is 164,274.

3.3 Borrowings

As at balance sheet date, the Bank has borrowed Local Currency and Foreign Currency funds from interbank markets, payable within 7 days in case of LCY funds in line NRB Directives.

NRs.(000)

Particulars	Current Year	Previous Year
Local Currency	50,000	1,450,019
Foreign Currency	261,080	200,580
Total	**311,080**	**1,650,599**

3.4 Bills Payable

Bills payable comprise of manager's cheques, demand drafts, traveller's cheques issued by the Bank and bills (cheques) realised on behalf of customers from Nostro banks but not yet credited in customers' accounts. Cheques (drafts) of nostro banks issued for consideration are credited in the nostro accounts instead of bills payable. As at balance sheet date, the value of cheques (drafts) of Nostro banks issued and not presented by the customer stands NRs.234,988 thousand.

NRs.(000)

Particulars	Current Year	Previous Year
Manager's Cheque	29,355	21,570
Demand Draft	41,431	16,807
Bill of Exchange	27	48
Travellers' Cheques	-	-
Total Local Currency	**70,813**	**38,425**
Manager's Cheque	4,771	3,597
Demand Draft	-	-
Bill of Exchange	91,971	370,861
Travellers' Cheques	11,587	2,885
Total Foreign Currency	**108,329**	**377,343**

3.5 Dividend Payable

The Bank's dividend payable as at balance sheet date stands NRs.35,198 thousand, details of which is presented as under:

NRs.(000)

Dividend from profit of financial year	Amount
1989/90 – 2000/01	3,718
2001/02 – 2004/05	4,386
2005/06 – 2009/10	15,978
2010/11	11,116
Total	**35,198**

In consonance of Directive 16 of NRB Unified Directives and Section 82(3) Bank and Financial Institutions Act 2006 the Bank has published a general notice to equity holders on 1st August 2012 calling them to collect unclaimed dividends that have elapsed more than five years since declaration.

3.6 Other Liabilities

3.6.1 Gratuity Fund

The Bank has provisioned a separate Gratuity Fund in respect of gratuity obligation that accrued till Mid July 2003. This obligation is settled when staff retire or resign from the services of the Bank. During the current financial year the Bank settled gratuity obligation NRs.9,185 thousand from this fund.

NRs.(000)

Particulars	Amount
Opening Carrying Amount	87,626
Obligation settled during the current financial year	
- Retired Employees	(6,943)
- Resigned Employees	(2,242)
Closing Carrying Amount	**78,441**

Gratuity obligation accruing after Mid July 2003 is settled in the same year the obligation arose. This is disclosed separately under Note 6.1 "Employment Benefits".

3.6.2 Employees Welfare / Leave Fund

NRs.(000)

Particulars	Average last drawn monthly salary (NRs.)	Weighted average leave accrued (months)	Total Leave obligation
As at previous balance sheet date	40,801	1,454	59,338
As at current balance sheet date	37,813	1,716	64,893
Incremental Leave obligation			**5,555**

Employees leave obligation increased as a result of increase in total number of weighted average leave accrued(in months). Increase in total number of weighted average leave and reduction in average salary was both attributed to eligibility of new staff (at assistant level) recruited last year for leave compensation.

Particulars	Average increase in salary (NRs.)	Average last drawn salary (NRs.)	Increase in leave accrued (months)	Total weighted average leave accrued (months)		Incremental leave obligation NRs.(000)
				Current Year	Previous Year	
Increase due to						
– increase in average salary	(2,989)				1,454	(4,346)
– increase in leave accrued		37,813	262	1,716		9,901
Incremental leave obligation						**5,555**

3.6.3 Staff Bonus

In line with provision of Bonus Act 1974, employee bonus is provided as under:

NRs.(000)

Particulars	Amount
Net profit before bonus and tax	2,658,024
Bonus @ 10% on net profit before tax	(241,639)
Net profit before corporate tax	**2,416,385**

3.6.4 Unearned income

As of balance sheet date the Bank's total outstanding on unearned income stood at NRs.155,077 thousand.

NRs.(000)

Particulars	CurrentYear	PreviousYear
Unearned Income on Guarantee	109,805	54,643
Unearned Income on Letter of Credits	40,369	17,745
Unearned Income on Loans	4,903	4,742
Total	**155,077**	**77,130**

Unearned income on Guarantee is presented under "Unearned Discount and Commission" in Schedule 7 and unearned income on LC and Loans are presented under "Others" in the same schedule of the Financial Statements.

3.6.5 Sundry creditors

NRs.(000)

Particulars	Current Year	Previous Year
TDS Payable	97,846	102,945
VAT Payable	678	336
Stale Instruments	5,364	3,560
Payable to Customer	369,160	293,190
Payable to Staff	826	1,214
Payable Others	14,720	1,927
Total	**488,594**	**403,172**

Claims of beneficiary accepted by the Bank on account of guarantees have been recognised as Payable Others. As of balance sheet date, the Bank has recognised claims amounting NRs.9,988 thousand in Payable Others.

3.6.6 Others

Others NRs.49,015 thousand represented accrued expense payable and unearned income loans and Letter of Credit as at balance sheet date.

NRs.(000)

Particulars	Current Year	Previous Year
Accrued Expense Payable	3,743	7,448
Unearned Income on Loan and Letter of Credit	45,272	22,486
Total	**49,015**	**29,934**

3.6.7 Staff Housing Fund

The Bank has been extending housing loans to its employees and therefore provision for staff housing fund as required by the Labour Act 1992 has not been made. The Bank has recognized interest income on staff housing loan on accrual basis in line with NRB's approval.

4. Contingent Liabilities

4.1 The Bank's outstanding claim at the beginning of current financial year from the beneficiaries of the expired bank guarantees stood at NRs.16,387 thousand. None of these claims were honoured during the year.

4.2 Tax claim of LTPO regarding the assessment of income year 2006-07 (2063/64) contested at Revenue Tribunal is still pending. The Bank has continued recognising total claim of NRs.772 thousand as its contingent liability.

5. Income

5.1 Interest Income

The Bank recognised NRs.6,133,739 thousand as interest income during the current financial year. The Bank did not exercise the option to recognise interest income, accrued during the year but recovered in cash after the year end (from 16th July 2012 to 30th July 2012) as allowed by NRB Circular dated 22th August 2012. This is separately disclosed in Note 11 "Events after the Balance Sheet date".

5.2 Dividend income

The Bank has recognised NRs.16,619 thousand as dividend income during the current financial year that includes dividend earned from domestic entities NRs.16,073 thousand (accounted net of dividend tax) and from foreign entities NRs.546 thousand (NRs.476 thousand from Visa Inc. and NRs.70 thousand from MasterCard Inc.; accounted on gross basis). Tax deducted by foreign entities is claimed at the time of filing income tax returns to the maximum extent available as per tax regulations prevailing in Nepal.

6. Expenses

6.1 Employment Benefits

6.1.1 Gratuity expense

The Bank, during the current financial year, settled NRs.48,570 thousand in respect of gratuity obligation accrued till the balance sheet date by contributing in the approved retirement fund. The Bank does not have any incremental gratuity obligation as of balance sheet date. The gratuity expense is presented under "Pension and Gratuity Contribution" in Schedule 23 of the Financial Statements.

6.1.2 Employee leave

Additional leave expenses of NRs.5,555 thousand accrued as at balance sheet date together with encashment of leave NRs.25,657 thousand on Mid April 2012 has been charged to Profit and Loss Account and is presented under "Others" in Schedule 23.

6.1.3 Others

Employees expense Others NRs.57,885 thousand presented under Others in Schedule 23 comprise of overtime expenses, dashain expense (festival allowance), funeral grant, leave encashment, vehicle maintenance expenses and cash incentives.

NRs.(000)

Particulars	Current Year	Previous Year
Overtime Expenses	798	1,122
Dashain Expense	25,455	17,956
Leave Encashment / Provision	31,212	37,663
Funeral Grant	135	120
Maintenance Allowance	-	-
Cash Incentive Expenses	285	973
Total	**57,885**	**57,834**

6.2 Impairment Loss

Impairment loss on investments was recognised respectively for foreign bonds and equity investments. Impairment loss on foreign bond was recognised as per international market price prevalent on 13th July 2012 (Friday). Impairment on equity investments was recognised on equity basis for three micro-financial institutions based on the provisional financial statement received from these institutions.

NRs.(000)

Particulars		Amount
Impairment loss on loans recognised during current financial year (net of write back)		356,536
Impairment loss on investments recognised during current financial year:		23,254
– On bond		21,998
– On derivative investments (derecognised)		(214)
– On equity investments	1,470	
Total		**413949**

6.3 Income and Deferred Tax

6.3.1 The corporate tax liabilities of Group Companies are computed and assessed individually. As per Income Tax Act 2002, the tax rates enacted and substantively enacted at the balance sheet date are 30% and 25% respectively for the Bank and Nabil Invest.

6.3.2 The Bank and Nabil Invest have computed corporate tax liability of NRs.728,302 thousand and NRs.3,603 thousand respectively for current financial year by adjusting disallowable and tax free items.

NRs.(000)

	Nabil Bank	Subsidiary
Profit from all activities	**2,658,024**	**15,794**
Bonus	(241,639)	(1,436)
Profit before tax and adjustments	**2,416,385**	**14,358**
Adjustments:		
Disallowable Expenses	*37,052*	*142*
Provision on Investments	23,254	-
Provision on Account Receivable	5,055	
Donation	58	-
Accumulated leave provision	5,555	142
Trading loss on fixed assets	2,780	-
Capital nature expense charged on revenue	350	-
Allowable expense / Income inadmissible for tax computation	*(25,763)*	*(88)*
Provision on investments written back	-	-
Gratuity claimed on cash basis	(9,185)	-
Excess depreciation charged for tax computation	(504)	(88)
Previous year's tax loss	-	-
Dividend from domestic companies	(16,074)	-
Taxable Income	**2,427,674**	**14,412**
Corporate @ 30% and 25% respectively	**728,302**	**3,603**

Note: figures stated in parenthesis are deductible balance.

6.3.3 Accounting tax is computed on accounting profit which is profit before tax (before adjustments of temporary difference) less any permanent differences. Permanent difference in the case of Group arose on donation (not paid to tax exempt entity) and dividend received from domestic companies (the tax of which is final withholding tax).

NRs.(000)

	Nabil	Subsidiary	Inter Company Adjustments	Group
Profit from all activities	**2,658,024**	**15,794**	**(3,900)**	**2,669,918**
Bonus	(241,639)	(1,436)		(243,075)
Profit before tax and adjustments	**2,416,385**	**14,358**	**(3,900)**	**2,426,843**
Permanent Difference				
Donation	58	-		58
Dividend from domestic companies	(16,074)	-		(16,074)
Accounting profit after adjustment	**2,400,369**	**14,358**	**(3,900)**	**2,410,827**
Accounting tax (@ respective tax rates)	720,111	3,590		723,701
Tax effect due to erroneous exclusion of taxable difference while computing deferred tax expense of previous year	(2)	-		(2)
Accounting tax (A)	720,109	3,590		723,699
Current tax (B)	728,302	3,603		731,905
Deferred tax income (B – A)	**8,193**	**13**		**8,206**
Adjustment related to previous year	-	-		-
Deferred tax income reported in Profit and Loss Account	**8,193**	**13**		**8,206**

6.3.4 The relationship between tax expense and accounting profit is explained reconciling figures as under:

NRs.(000)

Particulars	Bank	Subsidiary	Group
Profit before tax and adjustments	**2,416,385**	**14,358**	**2,426,843**
Corporate Tax Rate	30%	25%	
Corporate tax	**724,916**	**3,590**	**728,506**
Tax effect on permanent difference			
– donation	17	-	17
– dividend from domestic companies	(4,822)	-	(4,822)
Tax effect due to erroneous exclusion of taxable difference while computing deferred tax expense of previous year	(2)	-	(2)
Total accounting tax expenses	**720,109**	**3,590**	**723,699**
Total accounting tax expenses in Profit and Loss Account			
Current Tax	728,302	3,603	731,905
Deferred Tax	(8,193)	(13)	(8,206)
Prior Period Tax	-	-	-
Total Tax Expenses	**720,109**	**3,590**	**723,699**

6.3.5 The Bank's deferred tax assets (DTA) as at 15th July 2012 rose to NRs.42,575 thousand from last year's NRs.34,382 thousand. The rise in DTA is mainly attributable to increase in leave liability and impairment provision for investments and accounts receivable. On the other hand, Nabil Invest's deferred tax liability as at 15th July 2012 reduced to NRs.47 thousand from last year's NRs.60 thousand. The reduction was due to booking of deferred tax asset on leave provision this year.

Details of temporary differences and deferred tax assets/liabilities as at 15th July 2012 are presented below:

NRs.(000)

Particulars	Current Year			Previous Year		
	Nabil	Subsi -diary	Group	Nabil	Subsi -diary	Group
Provision for leave liability	64,893	142	65,035	59,338	-	59,338
Provision for gratuity	78,441		78,441	87,626	-	87,626
Provision for investment	27,817		27,817	4,563	-	4,563
Provision for other assets	5,560		5,560	506	-	506
Fixed assets:	(34,793)	(330)	(35,123)	(37,425)	(242)	(37,667)
– Carrying Amount	*639,472*	*6,952*	*646 424*	*690,995*	*6,169*	*697,164*
– Tax Base:	*604,679*	*6,622*	*611,301*	*653,570*	*5,927*	*659,497*
– Unused tax losses	-	-	-	-	-	-
Net Temporary Differences*	**141,918**	**(188)**	**141,730**	**114,608**	**(242)**	**114,366**
Deferred Tax Assets@30% presented on Other Assets	42,575		42,575	34,382		34,382
Deferred Tax Liability@ 25% presented on Other Liabilities		(47)	(47)		(60)	(60)

*Net Temporary difference presented in parenthesis represents net taxable difference.

6.3.6 The carrying amount and tax base of fixed assets of the Bank having taxable/deductible differences are presented as under:

NRs

Asset Class	Carrying Amount	Tax Base	Taxable Difference
Building	216,045,619	211,658,794	4,386,825
Vehicle	116,819,933	110,924,801	5,895,132
Office Equipment	218,494,486	203,468,175	15,026,311
Software	38,407,617	34,678,805	3,728,812
Leasehold	49,704,822	43,224,206	6,480,616
Other Assets	-	724,645	(724,645)
Total	**639,472,477**	**604,679,426**	**34,793,051**

6.3.7 The Bank and its subsidiary have deposited tax in advance in line with Income Tax Act 2002. The amount is disclosed in the face of balance sheet by netting with income tax liabilities. The net tax liabilities of the Bank and net advance tax of its subsidiary have not been set off while presenting it in consolidated financial statements.

NRs.(000)

Particulars	Nabil Bank	Subsidiary
Opening Balance: Liability/(Asset)	44,104	(4,453)
Add: Current Tax	728,302	3,603
Less: Advance tax deposited (refer following table)	(677,196)	(3,677)
Less: Previous Years tax Paid (FY 2010/11 paid on 16.10.2011)	(44,104)	-
Closing Balance: Liability/(Asset)	**51,106**	**(4,527)**

NRs.(000)

Particulars	Nabil Bank	Subsidiary	Group
Advance Tax Deposite			
- 1st Instalment	262,000	-	262,000
- 2nd Instalment	176,500	-	176,500
- 3rd Instalment	196,000	-	196,000
- Additional Instalment	40,000	-	40,000
Tax deducted by withholder	2,696	3,677	6,373
Total	**677,196**	**3,677**	**680,873**

6.3.8 Tax reassessment of income year 2007-08 was initiated by Large Taxpayers Office during the current financial year. The Amended Assessment Order was not passed until the balance sheet date, which was however received by the Bank on 29th July 2012. As per the Order, total additional tax assessed for the assessed year is NRs.10,040 thousand. The matter will be appealed to Director General for administrative review.

Till the balance sheet date, the Bank's corporate tax liability up to income year 2005/06 is cleared by the tax authority. Last year we contested Amended Assessment of income year 2006-07 to Revenue Tribunal and the final verdict is pending.

7. Non Controlling Interest (NCI)

7.1 As at balance sheet date, the Bank's effective interest in Nabil Invest remained at 74.29% while that of NCI remained at 25.71%.

7.2 Share of non-controlling interest (NCI) in the profit of subsidiary

For current financial year, the gross earnings of Subsidiary is NRs.15,794 thousand and attributable bonus and corporate tax is NRs.5,025 thousand. Based on NCI's effective interest of 25.71% held in the subsidiary as at balance sheet date the net profit attributable to NCI is shared as under:

NRs.(000)

Particulars	Current Year	Previous Year
Subsidiary's operating earnings during the year	15,794	11,712
Deductions for:		
- Staff Bonus Provision	(1,436)	(1,064)
- Income Tax Provision	(3,589)	(2,662)
Subsidiary's net earnings during the year	10,769	7,985
Share of NCI in Profit of Subsidiary	**2,769**	**1,551**

NCI was inducted into the group in FY 2010/11. Its share of subsidiary's profit NRs.1,551 thousands in that year was in respect of profits generated by the subsidiary after the date of induction. Its share in subsidiary's profits up to the date of induction was NRs.366 thousand after absorption of prior period loss NRs.136 thousand. This was adjusted in Consolidated Profit and Loss Appropriation Account in that year.

7.3 Non-controlling interest (NCI) in consolidated balance sheet

With share in profit and the funds invested, the equity of NCI as at balance sheet date stands NRs.30,336 thousand which is explained as under:

NRs.(000)

Particulars	Current Year		Previous year	
	Share of NCI@ 25.71%	Carrying Amount of Subsidiary	Share of NCI@ 25.71%	Carrying Amount of Subsidiary
Paid Up Equity Capital	27,000	105,000	27,000	105,000
Reserves and Surplus	3,336	12,975	1,917	7,457
Total Carrying Amount for NCI	**30,336**	**117,975**	**28,917**	**112,457**

8. Risk Management and Basel II Disclosure

8.1 Nabil Bank regards Basel II as guiding principal in addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks and fast changing world pose a threat to the business on a long term perspectives. Therefore the Bank takes its decision assessing the long term impact on sustainability of the business. The Bank, in order to address the varieties of risk that keep coming out of business operations, has identified considering business operation under the circumstance. The major risk the Bank faces in our business is credit where about two third of our incomes come from. Looking at the importance of credit risk the Bank has re-aligned its structure and processes in a way whereby such risk can be minimized and assessed in a quantifiable manner. Accordingly theBank has set up a separate credit risk division, which is headed by the Chief Risk Officer, one of the most senior level positions in the Bank. The division oversees global, macro, micro and unit level risk that arises out of daily business operation and equally due to changes in the market conditions. The Bank's credit functions are broadly categorised as Large and Corporate (including infrastructure financing), SME and Retail credit. Credit Risk Division is manned with separate set of skills for analysing risks in these different credit functions, all of whom who report to the Chief Risk Officer. Daily report from central level and periodic review of facilities too gives input for timely action on any relationship which warrant for correction.

8.2 The Bank has prudent practice of business finance where inherent credit risks associated with the business are addressed through better safety margin coverage, additional collateral back up and lower level exposure to keep the business at low leverage. Periodic review of all accounts under credit exposure is one of the prudent practices that the Bank has been following in order to take necessary steps to avert/minimize the risk for timely action. Besides, where any business faces difficulties and poses a risk to the Bank in terms of fall in value of assets, it sufficiently provides for. Any business decision for credit exposure is taken only if it is vetted and approved by the credit risk division. Business generation unit singly cannot take a credit exposure decision except of instrument purchase where security is instrument itself and gets settled once instrument is realized. Single approval is for cards as well and amount of credit card is seemingly low (generally NRs.50K), where no significance of major credit risk is experienced. Processes are well defined where checking and control and independent-ness of the credit risk function is fully complied with.

8.3 The Bank has separate division to oversee operation risk including compliance of KYC and AML. The division is headed by senior level staff with adequate access to the daily report, operational processes and right to recommend the changes in the system and procedures. The head of operation risk directly reports to the Chief Operating Officer. All the activities are undertaken in line with the set criteria in the Standing Instruction Manual, policies and guidelines including Directives and circulars from central bank (the regulatory authority). Similarly daily functions at operations are independently reported through separate reporting line other than business generation and credit risk where checking and control is complied with.

In operations, the Bank has put in place a maker and checker concept in which a transaction has to compulsorily go through two individuals from a control standpoint with proper MIS to capture deviations, if any. The activities of a personnel and division / branch can be viewed and monitored centrally through an integrated system, which helps in minimizing the risk of misconduct, if any. The Bank has an on-line replication Disaster Recovery Site (DRS) which captures the record of each transaction that takes place at the Production Server. Both the sites (Production Server and Disaster Recovery – Back up site) are housed in well-conditioned and high shock resistant buildings. The Bank in line with Basel provisions calculates risk exposure and allocates sufficient capital/cushion for perceived operational risks.

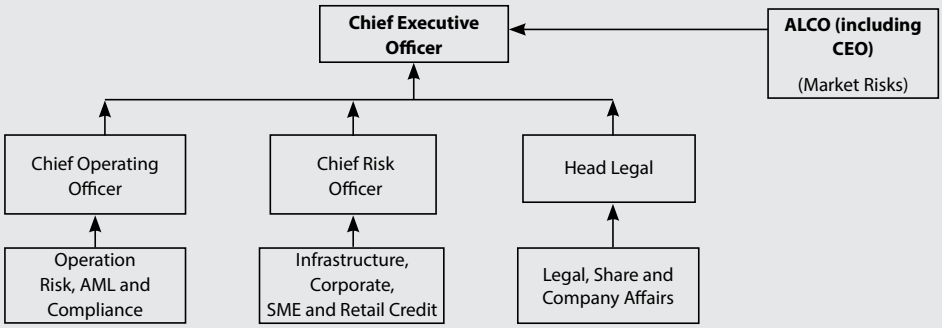
The Bank has a separate legal division which is headed by Deputy General Manager. All legal agreements, deeds and documents including claims and charges are thoroughly studied prior to making any decision involving such documents. Compliance with existing rules and regulations and business practices globally and locally are taken into account before arriving at the decision. The cases where the Bank needs expertise's opinion on any of the issues the same is done through the expert in the respective field.

8.4 Market Risks are addressed through the Asset and Liability position and management of same on daily basis. The limits for open position are controlled level wise which ensures in-depth knowledge of the market and movement before taking decision (by choice). The monthly reports on such aspects are well dealt in ALCO (Asset Liability Management Committee). The committee ensures functioning of the jobs in line with the policies and procedures and suggests/recommended for necessary steps collectively to address the risk on interest rate movement, exchange rate movement and equity price changes. Most of the market operations (investments) are done from the front office which reports to the Chief Investment Officer and exposure accounting including booking of income/expense is done from back office which reports to the Chief Operating Officer. The Bank assesses the open position on daily basis and calculates risk exposure for allocation of required capital in line with Basel provisions.

8.5 Further the Bank takes on the capital adequacy norms pursuant to the central bank's statutory provision for Basel requirement. The determinants to this end are the past experiences with the products and the unpredictable situations. To this effect going by the best international practices the Bank provides for adequate capital to withstand the inherent risks against the assets the Bank finances. The Bank through its annual plans projects the capital adequacy and risk exposure

growth which is reviewed monthly. The Bank also reviews its total risk weightage exposure and Capital Adequacy Ratio (CAR). If growth exposure is higher than the formation of capital in the Bank, the Bank pulls rein on business generation so that CAR can be maintained. However the Bank has not thought of further external collection of capital either through debt instrument or from shareholders, since internal accrual is higher that the risk growth. The adequacy of capital is seriously taken into consideration at regular meetings like ALCO, Ex-Com and board meetings.

Risk Management and Reporting Line are presented as follows:



8.6 Internal audit of the Bank is independent from the management and directly reports to Audit Committee, a board level committee. Internal Audit too has adopted risk based auditing approach and keeps recommending the suggestions for the area needing higher attention. Further the Bank's Strategic Planning Unit assesses macroeconomic indicators both on a national and international level and observes the market trend and suggests for necessary action to minimize the risks involved.

8.7 The Bank has developed a risk assessment culture and has in place the required reports for assessing concentration of risks. Periodical performance reporting, in line with capital strength, to the Board is also in place. These reports are periodically put up to the board. Board also reviews the same and issues instructions, as appropriate, to the Bank's management.

8.8 Pursuant to the guidance of Capital Adequacy Framework 2007 (updated July 2008) issued under NRB Unified Directives, the Bank recognises following credit risk mitigants in order to manage the Bank's credit risks:

a. Deposits with Banks,
b. Deposits with other banks and financial institutions,
c. Securities / instruments issued by the Government and NRB,
d. Guarantee of government of Nepal,
e. Security / guarantee of other sovereigns,
f. Guarantee of domestic banks,
g. Security / guarantee of specified multilateral development banks, and
h. Security / guarantee of foreign banks.

Credit risk mitigants are recognised only when following eligibility criteria is fulfilled:

a. That the Bank holds clear rights over the collateral to liquidate in the event of default,
b. That the credit quality of the borrower (obligor) and the collateral does not have material positive correlation,
c. That the maturity of the collateral is longer than the maturity of the credit exposure being undertaken,
d. That the currency mismatches arising from possible differences in denomination of currencies of collateral and credit exposure is minimized to the extent possible. In case of existence of mismatches, 10% haircut is assigned on the gross value of CRM,
e. That the Bank employs policies and procedures to manage legal, operational, liquidity and market risks that may be exposed from the credit risk mitigants,
f. That the guarantees of domestic and foreign institutions are unconditional whatsoever.

During the current financial year, the Bank has availed the benefits of credit risk mitigation as under:

NRs.(000)

Credit risk mitigants	Amount
Deposits with Bank	1,587,606
Deposits with other banks and financial institutions	35,840
Securities / instruments issued by the Government and NRB	442,551
Security / guarantee of foreign banks	1,927,599
Total	**3,993,596**

While availing the benefits of credit risk mitigation, supervisory haircuts have been assigned on case to case basis by:

- 20%, in case of CRM that is deposits with other banks and financial institutions,
- 20% and 50%, in case of CRM that is security / guarantee of foreign banks with ECA rating 0 - 1 and 2.

8.9 As at balance sheet date, the Bank's capital adequacy status is as under:

8.9.1 Capital Structure and Capital Adequacy:

8.9.1.1 Tier 1 capital and a breakdown of its components:

NRs.(000)

S. No.	Eligible Items	Amount
a	Paid up Equity Share Capital	2,029,769
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	74
d	Proposed Bonus Shares	405,954
e	General Reserves	2,176,500
f	Retained Earnings	559,830
g	Current year Profit/(loss)	-
h	Capital Redemption Reserves	-
i	Capital Adjustment Reserves	-
j	Dividend Equalization Reserves	-
k	Debenture Redemption Reserves	-
l	Deferred Tax Reserve	42,575
m	Other Free Reserves	2,578
n	Less: Goodwill	-
o	Less: Fictitious Assets not written off	-
p	Less: Investment in equity of licensed Financial Institutions	-
q	Less: Investment in equity of institutions having financial interests	(78,000)
	Core Capital (Tier 1)	**5,139,280**

8.9.1.2 Tier 2 capital and a breakdown of its components:

NRs.(000)

S. No.	Eligible Items	Amount
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	300,000
c	Hybrid Capital Instruments	-
d	General loan loss provision Maximum available upto NRs.690,916 thousand (1.25% of Total Risk Weighted Exposure NRs.55,273,316 thousand)	413,856
e	Exchange Equalization Reserves	126,300
f	Investments Adjustment Reserves	94,031
g	Assets Revaluation Reserves	-
h	Other Reserves	13,274
	Supplementary Capital (Tier 2)	**947,461**

8.9.1.3 Details of Subordinated Term Debt:

The Bank has issued Nabil Bank Bond 2075 (2018 AD) for NRs.300 million in July/August 2008. Main features of Nabil Bank Bond 2075 are as follows:

- Maturity period: 10 Years.
- Interest rate: 8.5% per annum.
- Interest Payment frequency: Half Yearly.
- Claim in case of liquidation: After depositors.
- Capital Redemption Reserve shall be created from year 2013/14 (i.e. from 6th year).

8.9.1.4 Deductions from Capital:

The Bank has deducted NRs.78 million,in respect of its equity investment in subsidiary,while calculatingits core capital.

8.9.1.5 Total qualifying capital:

NRs.(000)

Particulars	Amount
Core Capital	5,139,280
Supplementary Capital	947,461
Total Capital Fund	**6,086,741**

8.9.2 Risk Exposures:

8.9.2.1 Risk weighted exposures under each 11 categories of Credit Risk:

NRs.(000)

S.No.	Categorises	Amount
1	Claims on Government & Central Bank	-
2	Claims on Other Financial Entities	-
3	Claims on Banks	1,867,079
4	Claims on Domestic Corporates and Securities Firms	27,605,553
5	Claims on Regulatory Retail Portfolio	1,553,375
6	Claims Secured by Residential Properties	2,088,127
7	Claims secured by Commercial real estate	4,197,672
8	Past due claims	889,333
9	High Risk claims	2,798,797
10	Other Assets	3,220,513
11	Off Balance Items	5,786,061
	Total Risk Weighted Exposure for Credit Risk	**50,021,684**

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

NRs.(000)

Particulars	Amount
Risk Weighted Exposure for Credit Risk	50,021,684
Risk Weighted Exposure for Operational Risk	4,088,675
Risk Weighted Exposure for Market Risk	79,167
Adjustment under Pillar - II	**-**
Add: 2% of the total RWE upon Supervisory Review	1,084,517
Add: … % of the total deposit due to insufficient Liquid Assets	-
Total Risk Weighted Exposures	**55,273,316**

8.9.2.3 Total risk weight exposures calculation table:

NRs.(000)

Particulars	Amount
Total Risk Weighted Exposure	55,273,316
Total Core Capital Fund	5,139,280
Total Capital Fund	6,086,741
Total Core Capital to Total Risk Weighted Exposures	9.30%
Total Capital to Total Risk Weighted Exposures	11.01%

8.10 Reconciliation of guarantee in Schedule 17 and Schedule 30(B)

NRs.(000)

Guarantee as per schedule 17	Amount
Guarantees/Bonds	3,912,222
Guarantee issued against Counter Guarantee of Internationally Rated Banks	5,764,500
Advance Payment Guarantee	444,653
Value of total guarantee	**10,121,375**
Guarantee reported in Schedule 30(B)	
Bid bond, performance bond and counter guarantee	5,308,209
Advance payment guarantee	1,976,218
Counter guarantee not included (exemption of NRB vide letter Bai.Bi.NniBi/BiR.2/Nabil Bank/17/067/68 and Bai.Bi.NniBi/BiR.2/Nabil Bank/5/067/68)	2,836,948
Value of total guarantee	**10,121,375**

8.11 Statement of Liquidity Risk Analysis

As at balance sheet date, the Bank's age-wise assets liabilities status is as under:

NRs.(000)

S.No.	Period:	0 - 7 days	8 - 30 days	31 - 90 days	91 - 180 days	181 - 270 days	271 - 365 days	1 year Above	Total
	Assets								
1	Cash Balances	1,050,659	-	-	-	-	-	-	1,050,659
2	Balances held with Banks and Financial Institutions	(456,817)	-	-	-	-	-	3,681,980	3,225,163
3	Investments in Foreign Banks	-	1,117,950	176,400	1,341,580	1,453,218	357,210	352,584	4,798,942
4	Call Money	826,436	-	-	-	-	-	-	826,436
5	Government Securities	-	-	2,344,575	298,458	-	1,989,241	3,367,703	7,999,977
6	NRB Bonds	-	-	-	-	-	-	-	-
7	Inter-Bank / Financial Lending / Investments in Local Banks	-	352,800	418,950	176,400	44,100	88,200	-	1,080,450
8	Loans and Advances (including staff loans)	808,211	2,088,858	3,839,587	3,397,763	2,725,352	2,733,917	28,087,676	43,681,364
9	Accrued Interest Receivables (including AIR from staff loans)	16,689	118,348	83,046	80,333	69,639	49,819	242,472	660,346
10	Reverse Repo	-	-	-	-	-	-	-	-
11	Receivable under Commitment	-	-	-	-	-	-	-	-
12	Receivable under facility mentioned in S. No. 20, 21 and 22	493,752	1,571,496	5,562,722	3,255,625	1,522,752	1,116,643	5,815,965	19,338,955
13	Others	1,504	84,252	111,630	84,252	-	-	-	281,638
	Total Assets	**2,740,434**	**5,333,704**	**12,536,910**	**8,634,411**	**5,815,061**	**6,335,030**	**41,548,380**	**82,943,930**
	Liabilities								
14	Current Deposits (Including Margin Deposits and Matured TDs)	334,056	501,085	-	-	-	-	6,582,236	7,417,377
15	Savings Deposit	460,915	691,373	-	-	-	-	16,842,459	17,994,747
16	Fixed Deposits	312,575	671,556	2,186,408	3,399,602	3,006,140	3,334,355	1,134,251	14,044,887
17	Bonds / Debentures	-	-	-	-	-	-	300,000	300,000
18	Borrowings:	-	-	138,200	64,830	108,050	-	-	311,080
	Call / Short Notice	-	-	-	-	-	-	-	-
	Inter-Bank / Financial Institutions	-	-	138,200	64,830	108,050	-	-	311,080
	Refinance	-	-	-	-	-	-	-	-
	Others (Standing Liquidity Facility)	-	-	-	-	-	-	-	-
19	Other Liabilities and Provisions	136,750	365,888	417,186	48,867	7,849	7,705	175,829	1,160,074
	Sundry Creditors	-	-	-	-	-	-	-	-
	Bills Payable	35,828	53,743	53,743	35,828	-	-	-	179,142
	Accrued Interest Payable	3,713	38	11	56	76	-	-	3,894
	Provisions	-	-	-	-	-	-	-	-
	Others	97,209	312,107	363,432	12,983	7,773	7,705	175,829	977,038
20	Payable to Institutions under Commitment (Customer Acceptance)	53,393	253,173	319,440	10,556	27,016	-	-	663,578
21	Unutilised Credit Facilities	194,276	559,495	509,033	1,023,722	664,140	428,717	1,364	3,380,747
22	Letter of Credit / Guarantee (Net)	300,944	933,438	5,352,329	1,896,327	675,168	660,185	5,705,711	15,524,102
23	Repo	-	-	-	-	-	-	-	-
24	Payable of facilities under mentioned in S. No. 11	-	-	-	-	-	-	-	-
25	Call Deposit	622,242	933,362	-	-	-	-	14,011,079	15,566,683
26	Others	208	-	-	-	-	-	-	208
	Total Liabilities	**2,415,359**	**4,909,370**	**8,922,596**	**6,443,904**	**4,488,363**	**4,430,962**	**44,752,929**	**76,363,483**
	Net Assets	325,075	424,334	3,614,314	2,190,507	1,326,698	1,904,068	(3,204,549)	6,580,447
	Cumulative Net Assets	**325,075**	**749,409**	**4,363,723**	**6,554,230**	**7,880,928**	**9,784,996**	**6,580,447**	**-**

9. Related Parties Disclosures

9.1 The Bank has not entered into the financial transactions with the parties where the directors have financial interest.

9.2 All related party transactions between the Bank and its subsidiary are disclosed under note 9.5 "Transactions with Nabil Invest". Such transactions are eliminated in Consolidated Financial Statements.

9.3 Key management personnel

Key Management Personnel of the Bank include members of the Board, Chief Executive Officer and all managerial level executives. Following is a list of Board of Directors and CEO bearing office as at 15th July 2012.

Mr. Satyendra Pyara Shrestha	Chairman
Mr. Shambhu Prasad Poudyal	Director
Mr. Dayaram Gopal Agrawal	Director
Mr. Krishna Prasad Acharya	Director
Mr. Nirvana Kumar Chaudhary	Director
Mr. Krishna Bahadur Manandhar	Director
Mr. Anil Gyawali	Chief Executive Officer

9.4 Compensation to key management personnel of the Bank

9.4.1 Compensation to Board of Directors

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

NRs.(000)

Particulars	Current Year	Previous Year
Meeting Fees Paid to Directors	1,076	2,684
Allowance and other expenses relating to Board Meetings	2,168	2,405
Total	**3,244**	**5,089**

Allowances paid to directors include NRs.15 thousand per month paid for covering newspaper and communication expenses. Other expenses include reimbursement of travelling, accommodation and daily allowances paid to directors who do not reside in Nepal and have to come to Nepal for attending board meetings.

9.4.2 Compensation to Management Level Employees

During the current financial year NRs.184,574 thousand was incurred towards compensation to Management Team. This includes NRs.1,743 thousand for additional leave expense accrued during the year.

NRs.(000)

Managerial Level	Number of Staff	Short Term Benefits	Post Retirement Benefits	Total Benefits
Chief Executive Officer	1	12,075	1,140	13,215
Assistant General Manager and above	9	44,522	7,828	52,350
Managers below Assistant General Manager	44	99,647	19,362	119,009
Total	**54**	**156,243**	**28,331**	**184,574**

Other benefits (perquisites) are provided to CEO and managerial level employees as per the Bank's policy.

Above, head count and total benefits paid is including in respect of those management personnel who retired / resigned during the year. As of balance sheet date, total 50 management personnel are in the services of the Bank.

9.4.3 Compensation under Voluntary Retirement Scheme

Out of total compensation of NRs.14,083 thousand paid under Voluntary Retirement Scheme during the current financial year, NRs.9,602 thousand was paid to the managerial level employee who opted to retire under the scheme. This payment was in addition to compensation payment stated above under Note 9.4.2.

NRs.(000)

Managerial Level	Number of Staff	Ex-Gratia Payment	Accumulated Leave Encashment	Gross Compensation under VRS
Assistant General Manager and above	1	6,345	1,361	7,706
Managers below Assistant General Manager	1	1,362	534	1,896
Total	**2**	**7,707**	**1,895**	**9,602**

9.5 Transactions with Nabil Invest

9.5.1 The Bank has entered into a Service Level Agreement (SLA) with Nabil Invest for the provision of management services. Provisions laid in SLA are in line with arms length principle.

9.5.2 In line with the SLA, the Bank received NRs.500 thousand in respect of providing various administrative services and NRs.3,577 thousand in respect of providing technical management services to the Subsidiary.

9.5.3 The Bank paid NRs.2,621 thousand to Nabil Invest as interest on deposit accounts maintained by Nabil Invest with the Bank. Such deposit balances of Nabil Invest as of 15th July 2012 was NRs.118,019 thousand.

9.5.4 The Bank also paid management fee for operating bullion business in line with SLA. The SLA prescribed fees @ 30% on the net gains from bullion business after deduction of all related charges. During the year, the Bank paid NRs.10,161 thousand to Nabil Invest for the operation of bullion business.

9.5.5 All receipt and payment transactions entered into by the Bank with Nabil Invest were made net of TDS. The TDS has been duly deposited at the Large Taxpayer's Office and related Inland Revenue Office.

10. Ratios and other information

10.1 Weighted average interest rate spread

During the current financial year, in line with market rates, weighted average yield on loans and advances has increased. Similarly, weighted average cost on deposits and borrowings has decreased due to similar reasons. Improvement on both fronts has improved the Bank's interest spread significantly this year.

Particulars	Current Year	Previous Year
Weighted Average Interest on Loans & Investment	10.69%	10.52%
Weighted Average Interest on Deposits Bonds & Borrowing	5.74%	6.15%
Net Interest Spread	**4.95%**	**4.37%**

Annual average of loans, investments, deposits and bonds/borrowings have been taken while computing the above data.

10.2 Earnings per Share

The Bank's and the Group's earnings per share has been disclosed in line with Nepal Accounting Standard (NAS) 26 on Earning per Share in Schedule 31 "Principal Indicators". As on balance sheet date, the Bank's and the Group's earnings per share stood at NRs.83.57 and NRs.83.77 respectively. Compared to last year these figures are higher by NRs.12.90and NRs.12.76 respectively. The increment is due to better profit growth and no increment in paid up equity this year.

Particulars	Nabil Bank	Group
Net Profit for the Year (NRs.)	1,696,276,110	1,700,375,650
Total weighted average number of Shares	20,297,694	20,297,694
Earnings per Share (NRs.)	83.57	83.77

The Bank and the Group has not issued any form of capital raising instruments with embedded options of conversion into equity shares. Consequently, the Bank's and the Group's basic and diluted earnings per share stand at NRs.83.57 and NRs.83.77 respectively.

10.3 Non-performing assets

10.3.1 Amount of non-performing assets (NPA)

The Bank's non-performing assets as at balance sheet date amounted NRs.1,000,059 thousand for which provision is NRs.841,652 thousand. The provision (related to non-performing assets) coverage for the non-performing assets is 84.16%. Total provision coverage (NRs.1,262,085 thousand) over the non performing assets is however 126.20%.

NRs.(000)

Particulars	Gross NPA	Loan Loss Provision	Net NPA
Restructured / Rescheduled	17,204	4,301	12,903
Sub-Standard	162,441	40,610	121,831
Doubtful	36,784	18,392	18,392
Loss	783,630	778,349	5,281
Total	**1,000,059**	**841,652**	**158,407**

10.3.2 NPA Ratios

NPA ratio deteriorated during the current financial year in comparison to previous year. The NPA ratio as at balance sheet date is 2.33% against 1.77% in the previous year.

Particulars	(%)
Gross NPA to Gross Advances	2.33
Net NPA to Net Advances	0.38

10.3.3 Movement in non-performing assets

The Bank's non-performing assets have increased in the current financial year to NRs.1,000,059 thousand from NRs.689,852 thousand in previous year.

NRs.(000)

Particulars	Current Year	Previous Year	Changes (%)
Non Performing Assets	1,000,059	689,852	45%

10.4 Write off loans and interest suspense

Written off loans comprised business loans, personal loans and card loans and is presented under Schedule 28(A) of the financial statements.

NRs.(000)

Particulars	Amount
Loan Written-Off	3,006
Interest Suspense (related to loan written-off)	2,814

10.4.1 Movement in loan loss provision and interest suspense

With rise in business volumes and further downgrading of some loan accounts, figures of loan loss provisions and interest suspense has also risen. The rise in loan loss provision of 45% is against a rise of 10% in gross loan volume - Notes 2.4.1.

Similarly, 36% rise in interest suspense is against 17% rise in gross interest income.

NRs.(000)

Particulars	Current Year	Previous Year	Changes (%)
Loan Loss Provision	1,262,085	871,390	45%
Interest Suspense	371,152	272,205	36%

10.4.2 Summaryof book write off

NRs.(000)

Particulars	Principal	Interest
Loans written off in FY 2011/12	3,006	2,814
Loans written off till FY 2010/11	677,870	272,706
Recovered till FY 2011/12	449,630	85,025
Out of above, actual write off made till date is as follows:		
– Principal	16,010	
– Interest	38,727	

Recovery efforts are pursued including referrals to Debt Recovery Tribunal.

10.5 Voluntary Retirement from Service (VRS)

During the current financial year the Board of Directors, as per the provisions laid down in the Bank's Human Resource Bye-laws, approved a VRS Scheme in its meeting dated 11th August 2011. Total seven staff opted to retire under the scheme. Their retirement was approved with effect from 30th October 2011. The retired staff were compensated as under:

NRs.(000)

Level of Staff	Number of Staff	Compensation Paid under VRS (Gross)		
		Ex-Gratia	Leave	Total
Management Level	2	7,707	1,895	9,602
Assistant and Support Level	5	4,010	471	4,480
Total	**7**	**11,717**	**2,366**	**14,083**

Above compensation were paid net of tax applying TDS @ 15% as per Income Tax Act 2002.

10.6 Card Fraud Incident

The Bank received total claim of NRs.5,055 thousand from customers contesting withdrawals through ATMs during September/October 2011. Upon thorough scrutiny of the claims lodged, the Bank settled them instantly. The fraud was perpetrated by a former outsourced staff by withdrawing cash from ATM machines through forged ATM cards. The person and his accomplice responsible for the wrongdoing have since been taken into custody by the police and the case is currently subjudice at Appellate Court. Since the claims of September/October 2011 there has been no further claims received by the Bank.

Following the incident, the Bank replaced the cards free of charge which were believed to be at risk. Additionally the Bank has enhanced its various security and control aspects as well as internal process changes to further enhance its card services related security.

10.7 Disclosure of components of cash and cash equivalents:

10.7.1 From operating activities:

10.7.1.1 Interest Income

NRs.

Particulars	Current Year	Previous Year
Interest Income in Income Statement	**6,133,739,091**	**5,254,030,458**
Interest Income from Long term Investment reported under Interest Income	(222,796,626)	(181,854,252)
Income Receivable on Short Term Investment (Current Year)	(101,475,564)	(56,982,150)
Income Receivable on Short Term Investment (Previous Year)	56,982,150	97,499,723
Interest Receivable on Staff Housing Loan (Current Year)	(136,656,764)	(112,624,270)
Interest Receivable on Staff Housing Loan (Previous Year)	112,624,270	86,293,796
Unearned Interest Income - Loans (Current Year)	45,271,717	22,486,191
Unearned Interest Income - Loans (Previous Year)	(22,486,191)	(10,980,956)
Cash Inflow	**5,865,202,083**	**5,097,868,540**

10.7.1.2 Commission and Discount

NRs.

Particulars	Current Year	Previous Year
Commission and Discount Income in Income Statement	**364,075,214**	**290,855,057**
Unearned Commission - Guarantee (Current Year)	109,805,125	54,643,419
Unearned Commission - Guarantee (Previous Year)	(54,643,419)	(10,619,994)
Cash Inflow	**419,236,920**	**334,878,482**

10.7.1.3 Interest Expense

NRs.

Particulars	Current Year	Previous Year
Interest Expense in Income Statement	**(3,155,490,469)**	**(2,955,430,746)**
Interest Payable on Deposit (Current Year)	38,399	1,108,860
Interest Payable on Deposit (Previous Year)	(1,108,860)	(546,967)
Interest Payable on Borrowing (Current Year)	3,856,189	4,388,033
Interest Payable on Borrowing (Previous Year)	(4,388,033)	(149,557)
Cash Outflow	**(3,157,092,774)**	**(2,950,630,377)**

10.7.1.4 Staff Expense

NRs.

Particulars	Current Year	Previous Year
Staff Expenses as per Income Statement	**(500,712,844)**	**(454,041,892)**
Grauity Fund Balance (Current Year)	78,441,012	87,626,265
Grauity Fund Balance (Previous Year)	(87,626,265)	(90,033,208)
Leave Provision (Current Year)	64,892,721	59,337,671
Leave Provision (Previous Year)	(59,337,671)	(43,216,232)
Other Staff Expenses Payable (Current Year)	69,574	-
Other Staff Expenses Payable (Previous Year)	-	-
Cash Outflow	**(504,273,473)**	**(440,327,396)**

10.7.1.5 Office Operating Expense

NRs.

Particulars	Current Year	Previous Year
Office Operating Expenses as per Income Statement	(428,597,152)	(401,425,357)
Depreciation / Amortisation on Fixed Assets / Intangibles	130,515,883	113,550,107
Amortisation of Preliminary and Pre-operating Expenses	-	-
Accrued Expense Payable (Current Year)	4,745,609	8,397,600
Accrued Expense Payable (Previous Year)	(8,397,600)	(9,476,669)
Cash Outflow	**(301,733,260)**	**(288,954,319)**

10.7.1.6 Income Tax Payments

NRs.

Particulars	Current Year	Previous Year
Income Tax Expense in Income Statement (Current Year)	(728,302,031)	(568,508,522)
Prior Period Tax	-	(212,364)
Current Year Tax Liability	51,106,490	44,104,071
Previous Year Tax Liability	(44,104,071)	(24,904,405)
Cash Outflow	**(721,299,612)**	**(549,521,220)**
Details of Income Tax Paid		
1st Installment of Corporate Tax	262,000,000	220,000,000
Adv. Tax Deposited in request of LTO	20,000,000	-
2nd Installment of Corporate Tax	176,500,000	145,673,000
Adv. Tax Deposited in request of LTO	20,000,000	50,000,000
3rd Installment of Corporate Tax	196,000,000	106,717,000
Payment of Previous Year's Outstanding Tax	44,104,071	24,904,405
Payment of Prior's Year Tax (Tax Assessment)	-	212,364
TDS (Insurance Commission, Technical Service Fee, Dividend)	2,695,541	2,014,451
Cash Outflow	**721,299,612**	**549,521,220**

10.7.1.7 Other Expense

NRs.

Particulars	Current Year	Previous Year
Income/(Expense) from Extra-ordinary Activities as per Income Statement	(3,036,749)	3,148,475
Recovery of Loan Write Off	(16,770,964)	(18,393,824)
Bad Loan Write Off	3,006,491	9,360,637
Cash Outflow	**(16,801,222)**	**(5,884,712)**

10.7.1.8 (Increase)/Decrease in Loans, Advances and Bills Purchase

NRs.

For FY 2011/12	Current Year	Previous Year	Inflow / (Outflow)
Loans and Advances in Balance Sheet (Net of Provision & Loan Write-Off)	41,605,682,634	38,034,097,554	(3,571,585,080)
Net Provision Change	390,694,824		(390,694,824)
Loan Write Off During the Year	3,006,491		(3,006,491)
Cash Inflow (Outflow)	**41,999,383,949**	**38,034,097,554**	**(3,965,286,395)**

For FY 2010/11	Current Year	Previous Year	Inflow / (Outflow)
Loans and Advances in Balance Sheet (Net of Provision & Loan Write-Off)	38,034,097,554	32,268,873,283	(5,765,224,271)
Net Provision Change	109,294,931		(109,294,931)
Loan Write Off During the Year	9,360,637		(9,360,637)
Cash Inflow (Outflow)	**38,152,753,122**	**32,268,873,283**	**(5,883,879,838)**

10.7.1.9 Other Assets

NRs.

For FY 2011/12	Current Year	Previous Year	Inflow / (Outflow)
Other Assets in Balance Sheet	**(1,548,964,565)**	**(1,201,984,291)**	**(346,980,274)**
Income receivable on Investment	152,535,579	79,395,660	73,139,919
Interest receivable from Staff Housing Loan	136,656,764	112,624,270	24,032,494
Deferred Tax	42,575,441	34,382,312	8,193,129
Cash Outflow	**(1,217,196,781)**	**(975,582,049)**	**(241,614,732)**

For FY 2010/11	Current Year	Previous Year	Inflow / (Outflow)
Other Assets in Balance Sheet	**(1,201,984,291)**	**(882,004,715)**	**(319,979,576)**
Income receivable on Investment	79,395,660	103,305,924	(23,910,264)
Interest receivable from Staff Housing Loan	112,624,270	86,293,797	26,330,473
Deferred Tax	34,382,312	35,394,101	(1,011,789)
Cash Outflow	**(975,582,049)**	**(657,010,893)**	**(318,571,156)**

10.7.1.10 Other Liabilities

NRs.

For FY 2011/12	Current Year	Previous Year	Inflow / (Outflow)
Bills Payable as per Balance Sheet	**179,142,358**	**415,767,753**	**(236,625,395)**
Other Liabilities as per Balance Sheet	**1,072,481,023**	**859,405,624**	
Interest Payable on Deposits	(38,399)	(1,108,860)	
Interest Payable on Borrowings	(3,856,189)	(4,388,033)	
Gratuity Fund	(78,441,012)	(87,626,265)	
Employees' Welfare Fund / Leave Fund	(64,892,721)	(59,337,671)	
Provision for Staff Bonus	(241,638,501)	-	
Dividend Payable	(35,197,741)	(27,302,999)	
Unearned Income (Int on Housing/Vehicle Loans and Bills)	(45,271,717)	(22,486,191)	
Accrued Expense Payable	(4,745,609)	(8,397,600)	
Unearned Income (Guarantee)	(109,805,125)	(54,643,419)	
Other Staff Expense Payable	(69,574)	-	
Residual Balance in Other Liabilities	488,524,435	594,114,586	(105,590,151)
Cash Outflow reported for Other Liabilities			**(342,215,546)**

For FY 2010/11	Current Year	Previous Year	Inflow / (Outflow)
Bills Payable as per Balance Sheet	**415,767,753**	**425,443,911**	**(9,676,158)**
Other Liabilities as per Balance Sheet	859,405,624	644,291,045	
Interest Payable on Deposits	(1,108,860)	(546,969)	
Interest Payable on Borrowings	(4,388,033)	(149,557)	
Gratuity Fund	(87,626,265)	(90,033,208)	
Employees' Welfare Fund / Leave Fund	(59,337,671)	(43,216,232)	
Provision for Staff Bonus	(190,943,019)	-	
Dividend Payable	(27,302,999)	(43,057,064)	
Unearned Income (Interest on Housing/Vehicle Loans/ Bills)	(22,486,191)	(10,980,956)	
Accrued Expense Payable	(8,397,600)	(9,476,669)	
Unearned Income (Guarantee)	(54,643,419)	(10,619,994)	
Residual Balance in Other Liabilities	**403,171,567**	**436,210,396**	**(33,038,829)**
Cash Outflow reported for Other Liabilities			**(42,714,987)**

10.7.2 From financing activities:

10.7.2.1 Dividend Payment

NRs.

Particulars	Current Year	Previous Year
Closing Dividend Payable in Balance Sheet	**35,197,741**	**27,302,999**
Proposed Cash Dividend Previous Year	(608,930,820)	(434,737,200)
Opening Dividend Payable in Balance Sheet	(27,302,999)	(43,057,064)
Cash Outflow	**(601,036,078)**	**(450,491,265)**

10.7.3 From investing activities:

10.7.3.1 Fixed Asset

NRs.

Particulars	Current Year	Previous Year
Addition during the Year (Excluding Leasehold)	(77,329,458)	(312,802,091)
Addition during the Year (Leasehold)	(14,649,650)	(33,246,251)
Closing Work In Progress	(6,553,648)	(2,582,168)
Opening Work In Progress	2,582,168	71,918,163
Disposal During the Year	10,200,485	3,765,020
Cash Outflow	**(85,750,103)**	**(272,947,327)**

10.7.3.2 Interest Income from Long Term Investment

NRs.

Particulars	Current Year	Previous Year
Interest Income in Income Statement	**222,796,626**	**181,854,252**
Income Receivable on Long Term Investment (Current Year)	(51,060,015)	(22,413,510)
Income Receivable on Long Term Investment (Previous Year)	22,413,510	5,806,201
Cash Inflow	**194,150,121**	**165,246,943**

11. Events after the Balance Sheet date

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than those discussed below.

11.1 Proposed Dividend

The Board of Directors have recommended the payment of dividend of NRs.60 per share which consists of a cash dividend of NRs.40 per share and a stock dividend of NRs.20 per share for the year ended July 15, 2012. This will be approved at the forthcoming Annual General Meeting of the Bank.

11.2 Recognition of Interest Income on deferred cash basis

On 22th August 2012 (2069.05.06) NRB issued circular no.03/069/70 (as amendment to NRB Directive 4) allowing banks and financial institutions to recognize interest income on loans and advances that was due on or before 15th July 2012 and recovered in cash during the period from 16th July 2012 to 30th July 2012, on a deferred cash basis. The Bank did not exercise this option.

12. Rounding off and regrouping

12.1 All figures have been rounded off to the nearest rupee.

12.2 Previous year's figures have been regrouped/rearranged wherever necessary and explained as under:

12.2.1 Consolidated Balance Sheet

Current tax liability and payment of advance tax related to the subsidiary was presented separately and not netted with each other last year. At the time of consolidation, the current tax liability of Nabil Invest was added with the Bank's income tax liability. This year, the current tax liability has been set off with advance tax and accordingly the net advance tax reported in Other Assets in the balance sheet of subsidiary has been added with Other Assets of the Bank.

NRs.

1. Income Tax Liabilities		Impact on Cash Flow
As stated in Past Year's (PY) Consolidated Balance Sheet	**46,529,177**	
Adjustments:		
– Income tax liability and advance tax of Nabil Invest netted off and restated in Other Assets (FY2010/11)	(2,425,106)	(2,425,106)
Restated Balance in Current Year's (CY) Balance Sheet	**44,104,071**	
2. Other Assets		
As stated in Past Year's (PY) Consolidated Balance Sheet	**1,209,997,578**	
Adjustments:		
– Income tax liability and advance tax of Nabil Invest netted off and restated in Other Assets (FY2010/11)	(2,425,106)	(2,425,106)
Restated Balance in Current Year's (CY) Balance Sheet	**1,207,572,472**	

12.2.2 Consolidated Cash Flow Statement

Components of Consolidated Cash Flow Statement have been regrouped in order to make appropriate and reasonable presentation.

NRs.

1. Interest Income of FY 2010/11		Impact on Cash Flow
As stated in Past Year's (PY) Cash Flow Statement	**5,078,235,012**	
Adjustments:		
– Interest receivable on Long Term Investments (FY 2010/11)	22,413,510	
– Interest receivable on Long Term Investments (FY 2009/10)	(5,806,201)	
– Interest Income from Long Term Investment (Indexed Linked/Credit Linked)	(8,479,016)	
– Unearned Interest Income (FY 2010/11)	22,486,191	
– Unearned Interest Income (FY 2009/10)	(10,980,956)	19,633,528
Restated Balance in Current Year's (CY) Cash Flow Statement	**5,097,868,540**	
2. Commission and Discount		
As stated in PY Cash Flow Statement	**290,855,057**	
Adjustments:		
– Unearned Commission Income (FY 2010/11)	54,643,419	
– Unearned Commission Income (FY 2009/10)	(10,619,994)	44,023,425
Restated Balance in CY Cash Flow Statement	**334,878,482**	
3. Office Operating Expenses		
As stated in PY Cash Flow Statement	**(287,875,250)**	
Adjustments:		
– Accrued Expense Payable (FY 2010/11)	8,397,600	
– Accrued Expense Payable (FY 2009/10)	(9,476,669)	(1,079,069)
Restated Balance in CY Cash Flow Statement	**(288,954,319)**	
4. (Increase)/Decrease in Short Term Investments (STI)		
As stated in PY Cash Flow Statement	**830,111,534**	
Adjustments:		
– Indexed Linked / Credit Linked Deposit (FY 2010/11) reported in STI	570,400,000	
– Indexed Linked / Credit Linked Deposit (FY 2009/10) reported in STI	(599,200,000)	(28,800,000)
Restated Balance in CY Cash Flow Statement	**801,311,534**	
5. Other Liabilities		
As stated in PY Cash Flow Statement	**11,734,604**	
Adjustments:		
– Unearned Income (Loans and Guarantee) (FY 2010/11)	(77,129,610)	
– Unearned Income (Loans and Guarantee) (FY 2009/10)	21,600,950	
– Accrued Expense Payable (FY 2010/11)	(8,397,600)	
– Accrued Expense Payable (FY 2009/10)	9,476,669	(54,449,591)
Restated Balance in CY Cash Flow Statement	**(42,714,987)**	
6. (Increase)/Decrease in Long Term Investments (LTI)		
As stated in PY Cash Flow Statement	**(201,366,989)**	
Adjustments:		
– Indexed Linked / Credit Linked Deposit (FY 2010/11) reported in STI	(570,400,000)	
– Indexed Linked / Credit Linked Deposit (FY 2009/10) reported in STI	599,200,000	28,800,000
Restated Balance in CY Cash Flow Statement	**(172,566,989)**	
7. Interest Income from Long Term Investments		
As stated in PY Cash Flow Statement	**173,375,236**	
Adjustments:		
– Interest Income from Indexed Linked Deposit	5,644,933	
– Interest Income from Credit Linked Deposit	2,834,083	
– Income Receivable on Long Term Investment (FY 2010/11)	(22,413,510)	
– Income Receivable on Long Term Investment (FY 2009/10)	5,806,201	(8,128,293)
Restated Balance in CY Cash Flow Statement	**165,246,943**	
Net Impact on Cash Flow		**0.00**

12.2.3 Security wise Loans, Advances and Bills Purchased

Previous year figures reported under Schedule 13(A) Security wise Loans, Advances and Bills Purchased has been regrouped to arrive at a more reasonable classification.

NRs.(000)

Item No.	Reinstated Items	Published Last Year	Reinstated This Year	Difference	Reference
1.	Movable / Immovable Assets	38,346,880	36,503,083	(1,843,798)	Point 1
5.	Export Documents	36,810	122,738	85,927	Point 2
6.	Fixed Deposit Receipts – Other Licensed Institutions	43,533	9,419	(34,114)	Point 3
7.	Government Securities	94,485	45,785	(48,700)	Point 4
10.	Other Securities	-	1,712,159	1,712,159	Point 5
B.	Unsecured	-	128,524	128,524	Point 6
	Total	**38,521,708**	**38,521,708**	**-**	

Reasoning Reference Points:

1. Contra effect of reinstatement in other headings. Figures reinstated in other headings were previously reported under this heading.
2. Reinstated figure comprise of export bills discounting, document negotiations and pre-shipment loans made against security of export documents.
3. Loans where fixed deposit security of other licensed institutions was held as secondary collateral has been excluded.
4. Loans where government security was held as secondary collateral has been excluded.
5. Following items have been reinstated under this heading:
   a. Indirect deprived sector loans to licensed micro financial institutions against primary security of loan assets.
   b. Bills purchase and discounting.
   c. Foreign employment loans made under Tripartite Agreement with Credit Guarantee Corporation and Labor Ministry, Government of Nepal. Such loans do not have any security of movable / immovable assets.
6. Credit Card loans have been reinstated in this heading.

Statement of Loans availed by promoters / shareholders classified under promoters' group from other banks and financial institutions by pledging shares under their ownership

Schedule 34

S. No.	Promoters / Shareholders classified under Promoters group	Shares registered in the name of promoters		Statement of Loans			Remarks
		Total No. of Shares	% on total paid up capital	Name of Banks / Financial Institution providing loans	Loan Amount	No. of Shares pledged	

Comparison of Unaudited and Audited Financial Statement

Schedule 35

As at 15 July 2012 (31 Ashadh 2069)

NRs.(000)

S.N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance In Amount	Variance In %	Reasons for Variance
1.	**Total Capital and Liabilities (1.1 to 1.7)**	**64,480,184**	**63,200,298**	**(1,279,885)**	**-1.98%**	
1.1	Paid up Capital	2,029,769	2,435,723	405,954	20.00%	Note 1
1.2	Reserve and Surplus	4,254,759	3,827,070	(427,690)	-10.05%	Note 2
1.3	Debenture and Bonds	300,000	300,000	-	0.00%	
1.4	Borrowings	311,080	311,080	-	0.00%	
1.5	**Deposits (a+b)**	**55,023,695**	**55,023,695**	**-**	**0.00%**	
	Domestic Currency (a)	47,563,771	47,563,771	-	0.00%	
	Foreign Currency (b)	7,459,924	7,459,924	-	0.00%	
1.6	Income Tax Liability	60,396	51,106	(9,289)	-15.38%	Note 3
1.7	Other Liabilities	2,500,484	1,251,623	(1,248,860)	-49.94%	Note 4
2.	**Total Assets (2.1 to 2.7)**	**64,480,184**	**63,200,298**	**(1,279,886)**	**-1.98%**	
2.1	Cash and Bank Balance	4,275,822	4,275,822	-	0.00%	
2.2	Money at Call and Short Notice	826,436	826,436	-	0.00%	
2.3	Investments	14,083,667	14,055,850	(27,817)	-0.20%	Note 5
2.4	Loans and Advances	42,867,768	41,605,683	(1,262,085)	-2.94%	Note 6
2.5	Fixed Assets	888,730	887,543	(1,186)	-0.13%	Note 7
2.6	Non Banking Assets	-	-	-		
2.7	Other Assets	1,537,762	1,548,965	11,202	0.73%	Note 8
3.	**Profit and Loss Account**					
3.1	Interest Income	6,133,739	6,133,739	-	0.00%	
3.2	Interest Expense	3,155,490	3,155,490	-	0.00%	
A	**Net Interest Income (3.1-3.2)**	**2,978,249**	**2,978,249**	**-**	**0.00%**	
3.3	Fees,Commission and Discount	364,075	364,075	-	0.00%	
3.4	Other Operating Income	201,085	201,085	-	0.00%	
3.5	Foreign Exchange Gain/Loss (Net)	447,070	447,070	-	0.00%	
B	**Total Operating Income (A+3.3+3.4+3.5)**	**3,990,479**	**3,990,479**	**-**	**0.00%**	
3.6	Staff Expense	500,713	500,713	-	0.00%	
3.7	Other Operating Expense	428,597	428,597	-	0.00%	
C	**Operating Profit Before Provision (B-3.6-3.7)**	**3,061,169**	**3,061,169**	**-**	**0.00%**	
3.8	Provision for Possible Losses	516,588	413,949	(102,639)	-19.87%	Note 9
D	**Operating Profit (C-3.8)**	**2,544,581**	**2,647,221**	**102,639**	**4.03%**	
3.9	Non Operating Income/Expenses (Net)	13,840	13,840	-	0.00%	
3.10	Write Back of Provision for Possible Loss	136,798	-	(136,798)	-100.00%	Note 10
E	**Profit from Regular Activities (D+3.9+3.10)**	**2,695,219**	**2,661,060**	**(34,159)**	**-1.27%**	
3.11	Extra Ordinary Income/Expense (Net)	(3,037)	(3,037)	-	0.00%	
F	**Profit before Bonus and Taxes (E+3.11)**	**2,692,182**	**2,658,024**	**(34,159)**	**-1.27%**	
3.12	Provision for Staff Bonus	244,744	241,639	(3,105)	-1.27%	Note 11
3.13	Provision for Tax	729,427	720,109	(9,318)	-1.28%	Note 12
G	**Net Profit/(Loss) (F-3.12-3.13)**	**1,718,011**	**1,696,276**	**(21,735)**	**-1.27%**	

Note:

1 Increase in Equity Capital as a result of proposed stock dividend @ 20% on paid up equity capital.

2 Impact on reserve of stock dividend declaration NRs.405,954 thousand and of additional loan loss provision NRs.34,159 thousand that had a net impact on retained earnings of NRs.21,737 thousand.

3 Impact on current tax liability due to booking of additional loan loss provision and reversal of depreciation expense pertaining to assets accounted as Leasehold which was subsequently rectified as maintenance expense.

4 Provision on possible losses on Investments and Loans presented under Other Liabilities while publishing fourth quarter unaudited financial results. Also, claims of beneficiary NRs. 9,988 thousand under guarantee accepted by the Bank recognised as other liability from contingent liability.

5 Investments reported on gross basis in fourth quarter unaudited financial results.

6 Loans, Advances and Bills reported on gross basis in fourth quarter unaudited financial results. In addition there was additional booking of provision of NRs.34,159 on some accounts.

7 Capital Work in Progress - Software NRs. 707 thousand derecognised after termination of contract with the software developer. In addition amount NRs.479 thousand incorrectly booked under Capital WIP - Software for advance payment to the software developers restated under Accounts Receivable.

8 Claims of beneficiary NRs. 9,988 thousand accepted by the applicant under guarantee plus the amount paid for software development NRs.1,186 to the developer recognised as Account Receivable and presented under Other Asset.

9 Provision presented on net basis (incremental less writeback) in the Profit and Loss Account. Additional loan loss provision of NRs.34,159 thousand booked.

10 Provision presented on net basis (incremental less writeback) in the Profit and Loss Account.

11 Proportional Impact of additional loan loss provisioning in provision for staff bonus.

12 Proportional Impact of additional loan loss provisioning in provision for tax.

As at 4th Quarter End of FY 2011/12

Unaudited Balance Sheet as at 15 July 2012

Schedule 4(A)

NRs. (000)

S.N.	Particulars	As at					
		15 July 2012		12 April 2012		16 July 2011 (Audited)	
		Group	Nabil	Group	Nabil	Group	Nabil
1	**Total Capital and Liabilities (1.1 to 1.7)**	**64,532,731**	**64,480,184**	**64,124,260**	**64,101,595**	**58,975,573**	**59,012,828**
1.1	Paid up Capital	2,029,769	2,029,769	2,029,769	2,029,769	2,029,769	2,029,769
1.2	Reserve and Surplus	4,264,398	4,254,759	3,673,580	3,666,498	2,542,287	2,536,748
1.3	Debenture and Bond	300,000	300,000	300,000	300,000	300,000	300,000
1.4	Borrowings	311,080	311,080	582,023	582,023	1,650,599	1,650,599
1.5	Deposits (a+b)	54,905,676	55,023,695	54,628,915	54,639,589	49,608,376	49,696,113
	Domestic Currency (a)	*47,445,752*	*47,563,771*	*46,994,293*	*47,004,967*	*43,187,996*	*43,275,732*
	Foreign Currency (b)	*7,459,924*	*7,459,924*	*7,634,622*	*7,634,622*	*6,420,381*	*6,420,381*
1.6	ncome Tax Liability	55,870	60,396	11,801	16,501	46,529	44,104
1.7	Other Liabilities	2,635,602	2,500,484	2,868,720	2,867,214	2,769,095	2,755,495
1.8	Non-Controlling Interest	30,336	-	29,451	-	28,917	-
2.	**Total Assets (2.1 to 2.7)**	**64,532,731**	**64,480,184**	**64,124,260**	**64,101,595**	**58,975,573**	**59,012,828**
2.1	Cash and Bank Balance	4,294,046	4,275,822	4,286,796	4,254,661	2,458,550	2,436,550
2.2	Money at Call and Short Notice	826,435	826,436	338,439	338,439	2,452,512	2,452,512
2.3	Investments	14,104,667	14,083,667	15,292,380	15,310,380	13,007,768	13,081,206
2.4	Loans and Advances	42,867,768	42,867,768	41,589,343	41,589,343	38,905,488	38,905,488
	a. Real Estate Loan	*4,671,457*	*4,671,457*	*4,965,024*	*4,965,024*	*5,015,553*	*5,015,553*
	1.Residential Real Estate Loan (Except Personal Home Loan up to 80 Lacs)	*353,620*	*353,620*	*367,348*	*367,348*	*332,991*	*332,991*
	2.Business Complex & Residential Apartment Construction Loan	*786,269*	*786,269*	*780,135*	*780,135*	*914,398*	*914,398*
	3.Income generating Commercial Complex Loan	*610,300*	*610,300*	*620,259*	*620,259*	*251,745*	*251,745*
	4.Other Real Estate Loan (Including Land purchase & Plotting)	*2,921,267*	*2,921,267*	*3,197,281*	*3,197,281*	*3,516,419*	*3,516,419*
	b. Personal Home Loan up to 80 Lacs	*2,446,109*	*2,446,109*	*2,426,209*	*2,426,209*	*2,355,162*	*2,355,162*
	c. Margin Type Loan	-	-	-	-	-	-
	d. Term Loan	*5,832,773*	*5,832,773*	*5,762,342*	*5,762,342*	*5,715,332*	*5,715,332*
	e. Overdraft Loan/TR Loan/WC Loan	*22,402,265*	*22,402,265*	*22,178,016*	*22,178,016*	*19,409,326*	*19,409,326*
	f. Others	*7,515,164*	*7,515,164*	*6,257,752*	*6,257,752*	*6,410,115*	*6,410,115*
2.5	Fixed Assets	895,682	888,730	906,012	900,584	941,258	935,089
2.6	Non Banking Assets	-	-	-	-	-	-
2.7	Other Assets	1,544,134	1,537,762	1,711,289	1,708,188	1,209,998	1,201,984

As at 4th Quarter End of FY 2011/12 (Contd.)

Schedule 4(A)

Unaudited Profit and Loss Account for the period ending 15 July 2012

NRs.(000)

S.N.	Particulars	As at					
		15 July 2012		12 April 2012		16 July 2011 (Audited)	
		Group	Nabil	Group	Nabil	Group	Nabil
3.	**Profit and Loss Account**	**4 Quarters This Year**		**3 Quarters This Year**		**4 Quarters Last Year**	
3.1	Interest Income	6,145,810	6,133,739	4,550,188	4,541,216	5,258,270	5,254,030
3.2	Interest Expense	3,153,000	3,155,490	2,442,042	2,444,080	2,946,691	2,955,431
A	**Net Interest Income (3.1-3.2)**	**2,992,811**	**2,978,249**	**2,108,146**	**2,097,137**	**2,311,578**	**2,298,600**
3.3	Fees,Commission and Discount	367,676	364,075	297,500	296,178	290,855	290,855
3.4	Other Operating Income	207,296	201,085	109,069	104,495	183,445	180,570
3.5	Foreign Exchange Gain/Loss (Net)	447,070	447,070	311,675	311,675	276,103	276,103
B	**Total Operating Income (A+3.3+3.4+3.5)**	**4,014,853**	**3,990,479**	**2,826,390**	**2,809,484**	**3,061,981**	**3,046,128**
3.6	Staff Expenses	505,009	500,713	376,073	372,918	455,616	454,042
3.7	Other Operating Expenses	432,881	428,597	307,636	304,631	403,993	401,425
C	**Operating Profit Before Provision (B-3.6-3.7)**	**3,076,963**	**3,061,169**	**2,142,681**	**2,131,936**	**2,202,372**	**2,190,661**
3.8	Provision for Possible Losses	516,588	516,588	516,588	516,588	109,470	109,470
D	**Operating Profit (C-3.8)**	**2,560,375**	**2,544,581**	**1,626,093**	**1,615,348**	**2,092,902**	**2,081,190**
3.9	Non Operating Income/(Expenses) Net	9,940	13,840	16,812	16,812	6,981	6,981
3.10	Write Back of Provision for Possible Loss	136,798	136,798	129,732	129,732	7,101	7,101
E	**Profit from Regular Activities (D+3.9+3.10)**	**2,707,113**	**2,695,219**	**1,772,637**	**1,761,891**	**2,106,984**	**2,095,273**
3.11	Extra Ordinary Income/Expenses (Net)	(3,037)	(3,037)	5,603	5,603	3,148	3,148
F	**Profit before Bonus and Taxes (E+3.11)**	**2,704,076**	**2,692,182**	**1,778,239**	**1,767,494**	**2,110,133**	**2,098,421**
3.12	Provision for Staff Bonus	246,180	244,744	161,658	160,681	192,008	190,943
3.13	Provision for Tax	733,016	729,427	479,504	477,062	572,394	569,733
G	**Net Profit/(Loss) (F-3.12-3.13)**	**1,724,880**	**1,718,012**	**1,137,077**	**1,129,751**	**1,345,731**	**1,337,745**
3.14	Share of Non-Controlling Interest on Profit of Subsidiary	2,769	-	1,884	-	1,551	-
H	**Net Profit/(Loss) (G-3.14)**	**1,722,111**	**1,718,012**	**1,135,193**	**1,129,751**	**1,344,179**	**1,337,745**

4.	Ratios & Others (%)	As at					
		15 July 2012		12 April 2012		16 July 2011(Audited)	
4.1	Capital Fund to RWA	12.84	12.71	11.97	11.83	10.75	10.58
4.2	Non Performing Loan (NPL) to Total Loan	2.26	2.33	2.96	2.96	1.77	1.77
4.3	Net Non Performing Loan to Net Loan	0.39	0.38	0.98	0.98	0.53	0.53
4.4	Cost of Funds						
	Local Currency	5.43	5.43	6.19	6.19	7.34	7.34
	All Currencies	4.82	4.82	5.43	5.43	6.52	6.52
4.5	CD Ratio (as per NRB Directive)	74.69	74.65	75.39	75.49	81.89	81.74

04

DISCLOSURE OF INFORMATION UNDER SECTION 109(4) OF COMPANIES ACT 2006

a. Business review of last year - Disclosed in Operating and Financial Review section of Directors Report accompanying this financial statement under heading "*Achievement of Current Year*".

b. Any impact that caused to the business of the Company due to national and international condition – No material impact observed in the business.

c. Current year's (FY 2012/13) achievement until the date of preparation of Report from the Directors and Board of Directors' view on future activities of the Company:

The adverse impact of political deadlock, excessive liquidity and limited investment opportunities experienced by overall financial sector in year 2011/12 is likely to continue in the financial year 2012/13 as well. In addition, the number of financial institutions has invited fierce competition in the industry.

Despite all this, the Bank has overcome the difficulties and posted strong performance during the 1st two months of year 2012/13. In these two months, the Bank has been able to achieve pre-provision operating profit of NRs.557.50 million, which is 24.59% or NRs.111.50 million higher than that it earned during the corresponding period of last financial year 2011/12. Also the Bank was able to post growth of NRs.4.17 billion or 7.8% and NRs.1.56 billion or 3.9% under deposits and lending, respectively.

The major challenges the Bank concedes in year 2012/13 are to improve asset quality, manage appropriately the excess liquidity and to maintain sufficient interest spread amidst decreasing trend of yield. The Bank is poised for business growth and expansion of fee income avenues which will likely to have better business of the bank for the year 2012/13 as well.

d. Industrial and professional relations of the Company – The Bank maintains cordial relationships with all its stakeholders including the staff members. The Bank has been imparting the feeling of belongingness by maintaining harmony amongst employees of all hierarchy. It has always encouraged the management and the employees' union to interact for improvement of Bank's systems and processes. Such an open culture where every individual employee senses his/her role on attaining Bank's common objective is believed to be an essential ingredient for corporate success. The Bank has put in all efforts to drive all employees to work together in the unison with common mission to make the Bank as "1st Choice Provider of Complete Financial Solutions".

e. Main factors that affect business activities:

i. Increased Competition
ii. Adverse political environment that affect stability in the business
iii. Lack of investment opportunities

f. Any remarks and observation stated in the Independent Auditors' Report and Board of Directors' response thereon – No material remarks.

g. Amount recommended for distribution of dividend – NRs.40 per share cash dividend and NRs.20 per share stock dividend (at the rate of 1 share for every 5 shares).

h. Details of shares forfeited (number of share, face value, amount received by the Company prior to forfeiture, amount received by the Company after putting such forfeited shares into subscription and amount refunded on account of forfeited shares) - The bank has not forfeited any shares.

i. Review of the progresses made by the Company and its subsidiary(s) in the current fiscal year 2011/12 and the position of the same at the end of fiscal year – Disclosed in Operating and Financial Review section of Directors Report accompanying this financial statement under heading "*Achievement of Current Year*" and "*Review of Subsidiary's Performance*" sepeartely for the Bank and the Subsidiary.

j. Main activities carried out by the Company and its subsidiary(s) in last fiscal year and any significant changes in the business activities of the Company and its subsidiary during the same period:
Nabil Bank – Commercial banking activities like credit disbursement, investment, deposit mobilization, remittance, card and other financial services.

Subsidiary company – Merchant banking activities like IPO management, wealth management, securities underwriting, share registrar service.

No changes in the transactions of the Bank and subsidiary company during year 2011/12.

k. Any information given to the Company by its principal shareholder (who holds 5% or more shares of the Company) during the financial year – No such information provided by the principal shareholders.

l. Shares held by the directors and officials of the Company and information received by the Company on their involvement in trading of shares:

Shares held by the directors and officials of the Company and their involvement in trading:

Designation	Shareholder No.	Director and Officials	Ownership
Director	6610	Mr. Satyendra Pyara Shrestha	777
Director	2663	Mr. Shambu Prashad Poudyal	3275
Director	90	Mr. Dayaram Gopal Agrawal	1952
Director	14990	Mr. Krishna Prasad Acharya	70
CEO	4664	Mr. Anil Gyawali	3372
Manager	4738	Mr. Dinesh Poudyal	51
Manager	8258	Mr. Kanhaiya Lal Rajwant	58
Manager	5076	Mr. Rajeshwor Lal Shrestha	160
Manager	5761	Mr. Yagya Prasad Sharma	205
Manager	4852	Mr. Yugesh Lal Bijukchhe	408
Manager	2174	Ms. Neena Thapa	551
Manager	4792	Mr. Kapil Sharma	618
Manager	4866	Mr. Deepak Shrestha	618
Manager	4804	Mr. Binaya Regmi	742
Manager	4733	Mr. Rajendra Bahadur Malla	3397
Manager	4821	Mr. Iswar Man Shrestha	3793
Manager	4773	Mr. Babu Ratna Bajracharya	496
Manager	8898 and 11391	Mr. Jaya Krishna Shrestha (206 and 588 units)	794
Shares acquired during 2011/12			
Officer	16118	Mr. Keshab Raj Subedi	100
Officer	5817	Mr. Prakash Basukala	126
Officer	15848	Ms. Meena Basnet	81
Shares disposed during 2011/12			
Manager	15011	Mr. Rajesh Kumar Upadhya	441

m. Information provided on personal interest of Board of Directors and their relatives (nearest kin) regarding contract or agreement done with the Company during the year – There is no record of such event/transaction.

n. Buyback of share by the Company, reason thereof for buyback, number of share bought back, face value of share and amount paid during the buyback – The Bank has not bought back any share.

0. Information on existence of Internal control system and if there is, its detail – Disclosed in Governance section of Directors Report accompanying this financial statement under heading "*Internal Controls*".

p. Details of management expenses incurred during the year – Disclosed in Schedule 23 "Personnel Expense" and Schedule 24 "Office Operating Expense" of financial statement.

q. Name list of members in the audit committee, remuneration, allowance and benefits they have received, the details of activities of the committee and the details of any recommendation by them:

As of 15th July 2012, the committee had following members

1. Director K B Manandhar – Convenor
2. Director D G Agrawal – Member
3. Director K P Acharya – Member
4. Head Internal Audit, Mr. Rajesh K. Das – Secretary

Apart from sitting fee and per diem for outstation visit of foreign directors, all directors receive NRs.15,000 (net of TDS) on monthly basis for newspaper/communication allowance which was approved by 25th AGM held on 22nd September 2009.

Details of committee activities and the recommendation are presented in Governance section of Directors Report accompanying this financial statement under heading "*Board Committees*".

r. Dues payable to the Company by any director, MD, CEO, principal shareholders (holding share more than 5%) or their relatives or firms or institutions in which they have their involvement (interest) – Disclosed in Schedule 29 of the financial statement.

s. Remuneration, allowances and benefits paid to director, MD, CEO and officials – Disclosed in Point 9 "Related Parties Disclosures" of Schedule 33 "Notes to Accounts" of the financial statement.

04

AWARDS

WINNER

National Best Presented Accounts (BPA) Award, 2009
Category: Banking Sector Subject to Prudential Supervision

WINNER

National Best Presented Accounts (BPA) Award, 2010
Category: Banking Sector Subject to Prudential Supervision

WINNER

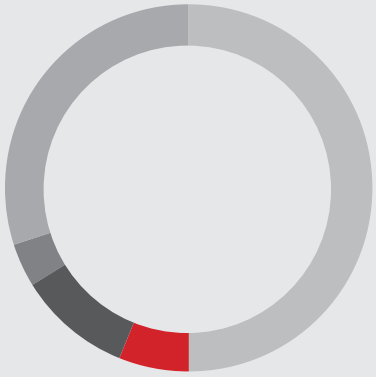
National Best Presented Accounts (BPA) Award, 2011
Category: Banking Sector Subject to Prudential Supervision

Mr. Kapil Sharma, the Chief Operating Officer of Nabil Bank Ltd. receiving the prestigeous BPA award 2011 from honourary Finance Minister Mr. Barsa Man Pun.

SHAREHOLDER INFORMATION

05

STRUCTURE OF SHARE CAPITAL



- 50.00% NB International Ltd. (Ireland)
- 6.15% Nepal Industrial Development Corporation
- 10.00% Other Institutional Investors
- 3.85% Other Promoters Group
- 30.00% Public Share holders

Representation in the Board

Representation of "A" class shareholders
(in relation to 50% interest of NB International Ltd.)

1. Mr. Nirvana Chaudhary
2. Mr. K.B. Manandhar

Representation of "B" class shareholders
(in relation to 20% interest of NIDC, other institutional investors and other promoters group)

1. Mr. K.P. Acharya

Representation of "C" class shareholders
(in relation to 30% interest of public shareholders)

1. Mr. Shambhu Prasad Poudyal
2. Mr. Dayaram Gopal Agrawal

SHAREHOLDER'S PROFILE

As at balance sheet date (15th July 2012), the Bank's the then share registrar, M/s NMB Capital Ltd. has recorded following details of shareholders:

Shareholding Range	No. of Shareholders	Total Shares Held
1-100	4,247	224,230
101-500	4,184	1,054,985
501-1000	851	597,116
1001-2500	1,128	1,730,557
2501-5000	161	554,175
5001-10000	77	498,886
10001-25000	24	357,355
25001-50000	10	376,885
50001-100000	8	600,496
Above 100000	9	14,303,009
Total	**10,699**	**20,297,694**

STOCK SYMBOL

Nabil Bank's shares are traded on the Nepal Stock Exchange Ltd. (NEPSE) with stock symbol "NABIL".

ANNUAL GENERAL MEETING

The 28th Annual General Meeting (AGM) of the Bank will be held on 17th October 2011 at 1:00 p.m. Following agendas will be discussed in the meeting.

(a) Ordinary resolution

1. To receive and adopt Directors' Report – 2011/12;
2. To receive and approve Balance Sheet as of 15th July 2012, Profit/Loss Account and Cash Flow Statement for the year ended thereat, together with Auditor's Report;
3. To approve consolidated books of accounts i.e. including books of accounts of Bank's subsidy Nabil Investment Banking Limited for F.Y. 2011/12;
4. To approve cash dividend @ 40% of the Paid-up Capital (i.e NRs.40/- per share) as proposed by the Board; and
5. To appoint Auditor(s) for the financial year 2012/13 (2069/70) and to fix the auditor's remuneration as per Section 111 of the Companies Act 2006.
   (Proviso to Section 60(2) of the Bank and Financial Institutions Act – 2006 (B.S. 2063), present Auditor M/s CSC & Co. will be eligible for re-appointment)
6. To appoint 2 positions in the post of director representing "C" class shareholders in the Board of Directors as per the Bank's Articles of Association. (As per Section 20(2) of the Bank and Financial Institutions Act – 2006 (B.S. 2063), present directors duo, Mr. Shambhu Prasad Poudyal and Mr. Dayaram Gopal Agrawal are eligible for re-appointment)

(b) Special resolution

1. To ratify the amendment of Bank's Memorandum of Association and to authorize Board of Directors for needful adjustment in case of changes made by the Nepal Rastra Bank in the proposed amendment.
2. To increase authorized capital of the Bank to NRs.2,500,000,000 (in words rupees two billion five hundred million).
3. To increase the issued and paid capital to NRs.2,435,723,280 by issuing bonus shares at the ratio of 5:1 (for every 5 share to issue 1 share or 20% of each share) from the profit of year that ended on July 15, 2012 and to approve the adjustment in paid up capital, keeping intact the shareholding ratio, due to adjustment of fraction share into whole from the cash dividend as a consequence of issuance of bonus shares in such proportion.

All resolutions considered at 27th AGM held on 21st November 2011 were ratified by the shareholders in the meeting.

SHAREHOLDER ENQUIRIES AND COMMUNICATION

Communication

All information related and relevant to shareholders that are necessary and mandatory in accordance to law is communicated via print media (national daily) and electronically through Bank's official website www.nabilbank.com. The detailed information of AGM including agendas that will be discussed is notified publicly through national daily 21 days before the date of AGM. Similarly, interim financial highlights are published within the stipulated deadline of 30 days prescribed by Securities Exchange Board of Nepal. These statements along with Basel II Disclosures as prescribed by Point 7.4(b) of Capital Adequacy Framework 2007 under Directive 1 of NRB Unified Directives are posted in the Bank's official website.

Enquires

Any enquiries related to the shareholders of Nabil Bank on the share register viz., maintenance of shareholder's record, share transfer including domestic transfer in case of death of a shareholder, replacement of lost share certificate, pledge of shares, dividend warrants/bonus shares declared and ratified by the AGM, payment against dividend/ lost warrant should be sent at the address given below:

Nabil Investment Banking Ltd.
Anamnagar, Kathmandu, Nepal
Tel: -977-1-4249884, 4245274
Fax: -977-1-4250339
Email: nabilinvest@nabilbank.com
Web: www.nabilinvest.com.np

All the operations of share registrar, which were carried out by NMB Capital Ltd. earlier, was arranged to provide through Bank's subsidiary, Nabil Investment Banking Ltd., since September 23, 2012.

TAXATION ON DIVIDENDS AND SHARES

Taxation on dividends (cash and bonus dividends)

Pursuant to Section 88(2) of the Income Tax Act 2002, the tax on dividend received by the shareholders of Nabil Bank from the Nabil Bank is subject to withholding tax at the rate of 5%. The tax is final withholding tax as per Section 92(1)(a) of the Act and need not require further assessment while filing annual tax return under Section 96. However, the dividend distributed by the Bank from the dividend earned from the resident company is not subject to tax at the time of its distribution as per Section 54(3). The Bank has received dividend NRs.41,488 thousand from the resident companies from financial year 2001-02 till 2011-12.

S.N.	Year	NRs.
1	FY 2001-02 (2058-59)	323,000
2	FY 2002-03 (2059-60)	418,000
3	FY 2003-04 (2060-61)	456,000
4	FY 2004-05 (2061-62)	476,853
5	FY 2005-06 (2062-63)	469,205
6	FY 2006-07 (2063-64)	720,323
7	FY 2007-08 (2064-65)	1,850,862
8	FY 2008-09 (2065-66)	2,409,200
9	FY 2009-10 (2066-67)	7,764,735
10	FY 2010-11 (2067-68)	10,526,931
11	FY 2011-12 (2068-69)	16,073,799
	Total	**41,488,908**

Capitalization of profits is deemed as distribution under Section 53(1)(b) of the Act and hence, issuance of bonus shares by the Bank from the profits earned (excluding dividend received) is subject to withholding tax at the rate of 5% under Section 88(2).

Capital gains on disposal of shares

Pursuant to clause (a) of Section 95A(2) of the Income Tax Act, 2002 (amended by Finance Act 2011), the gain on disposal of shares listed in Securities Board of Nepal computed as per Section 37 of the Act is subject to withholding tax at the rate of 5%, in case, the beneficiary of the gain is resident natural person and at the rate of 10%, in case of any other person other than resident natural person. Shares of Nabil Bank are listed both in Securities Board of Nepal and Nepal Stock Exchange for the purpose of public trading and therefore the gain on disposal of Bank's shares are subject to withholding tax in accordance to clause (a) of Section 95A(2).

Gain or loss arising from disposal of shares under Section 37 of the Act shall be the amount that is determined by reducing the amount incurred while acquiring the shares with the amount that is received at the time of its disposal. The amount of disposal in case the Nabil Bank's shares are sold through stock exchange shall be the net amount received from the buyer less brokerage and other costs incurred during the transaction. The costs incurred for the shares by the way of an acquisition through stock exchange shall be the amount paid to the beneficiary plus all costs attributable to the acquisition. Further, the costs incurred for the shares by the way of transfer from the deceased person shall be the market value prevailing immediately before the death of the transferor. The tax being withheld on the gains arising from disposal of shares is an advance tax and the tax credit is available at the time of filing annual tax returns.

OFFICE NETWORK

Nabil Bank Ltd.
Head Office

Nabil Center
Beena Marga, Durbar Marg, Kathmandu, Nepal
Tel: 01-4221718, 01-4227181, Fax: 01-4226905
SWIFT: NARBNPKA
Email: info@nabilbank.com
www.nabilbank.com

1. Kantipath Branch
Kantipath, Kathmandu
Phone: 01-4239204, 01-4239205
Fax: 01-4239203
P.O. Box no.: 3729, Kathmandu

2. Tripureshwor Branch
UWTC Building, Tripureshwor, Kathmandu
Phone: 01-4117014, 01-4117017
Fax: 01-4117018
P.O. Box no.: 3729, KTM

3. New Road Branch
New Road, Kathmandu
Phone: 01-4224592, 01-4224533, 01-4225420
Fax: 01-4224837
P.O. Box no.: 3729, KTM

4. Jorpati Branch
Jorpati, Kathmandu
Phone: 01-4917498, 01-4917569
Fax: 01-4917343
P.O. Box no.: 3729, KTM

5. Birgunj Branch
Aadarsha Nagar, Birgunj, Parsa
Phone: -051-521476, 051-521746, 051-530723
Fax: 051- 523156
P.O. Box no.: 73, Birgunj

6. Power House Chowk Branch
Shreepur, Birgunj, Parsa
Phone: 051-525449, 530216
Fax: 051-528680
P.O. Box no.: 73, Birgunj

7. Biratnagar Branch
Goshwara Road, Biratnagar, Morang
Phone: 021-526213, 021-522752, 021-525372
Fax: 021-526214, 977-21-524800
P.O. Box no.: 208, Biratnagar

8. Lalitpur Branch
Kupoundol, Kathmandu
Phone: 01-5542891, 01-5520431, 01-5532189
Fax: 01-5542890
P.O. Box no.: 3729, KTM

9. Itahari Branch
Main Road, Itahari, Sunsari
Phone: 025-580741, 01-581400
Fax: 025-581054
P.O. Box no.: 208, Biratnagar

10. Butwal Branch
Main Road, Butwal, Rupandehi
Phone: -071-541059, 071-542274
Fax: 071-541210
P.O. Box no.: 18, Butwal

11. Bhalwadi Branch
Bhalwadi, Rupandehi
Phone: 071-560357, 071-561357
Fax: 071-560957
P.O. Box no.: 18, Butwal

12. Pokhara Branch
Dipendra Sabha Griha, New Road, Pokhara, Kaski
Phone: 061-520162, 061-525715, 061-532951
Fax: 061-525203
P.O. Box no.: 442, Pokhara

13. Bhairahawa Branch
Narayanpath, Bhairahawa, Rupandehi
Phone: 071-524041
Fax: 071-524141
P.O. Box no.: 18, Butwal

14. Nepalgunj Branch
Dhamboji, Nepalgunj, Banke
Phone: 081-524221
Fax: 081-524222
P.O. Box no.: 22, Nepalgunj

15. Lakeside Branch
Lakeside, Pokhara, Kaski
Phone: 061-464268
Fax: 061-461969
P.O. Box no.: 442, Pokhara

16. Dharan Branch
Mahendrapath, Dharan, Sunsari
Phone: 025-530130, 025-530621
Fax: 025-530131
P.O. Box no.: 208, Biratnagar

17. Maharajgunj Branch
Maharajgunj, Kathmandu
Phone: 01-4720870
Fax: 01-4720870, 4720871
P.O. Box no.: 3729, KTM

18. Exchange Counter
Tribhuwan Int'l Airport, Kathmandu
Phone: 01-4113137
P.O. Box no.: 3729, KTM

19. Birtamode Branch
Hicola Road, Anarmani, Jhapa
Phone: 023-543727
Fax: 023-543400

20. Damak Branch
Main Highway Road, Damak, Jhapa
Phone: 023- 585190/91
Fax: 023-585192

21. Hetauda Branch
Bank Road, Hetauda, Makwanpur
Phone: 057-524667/689
Fax: 057-524690

22. Narayangarh Branch
Sahid Chowk, Narayangarh, Chitwan
Phone: 056-523033, 056-532487
Fax: 056-523034

23. Tulsipur Branch
Sitalpur Road, Tulsipur, Dang
Phone: 082-522673/74
Fax: 082-522672

24. Ghorahi Branch
Ganesh Hall Road, Ghorahi, Dang
Phone: 082-561685/86
Fax: 082-561687

25. Baglung Branch
Mahendrapath, Baglung, Baglung
Phone: 068-522193/94
Fax: 068-522195

26. Dhangadi Branch
Main Road, Dhangadi, Kailali
Phone: 091-526681/85
Fax: 091-526682

27. Mahendranagar Branch
Mahendranagar, Kanchanpur
Phone: 099-525450, 099-525431
Fax: 099-525601
P.O. Box no.: 16, Kanchanpur

28. New Baneshwor Branch
New Baneshwor, Kathmandu
Phone: 01-4485212, 4492125
Fax: 01-4490882
P.O. Box no.: 3729, KTM

29. Halchowk Branch
Halchowk, Kathmandu
Phone: 01-4033553/54
Fax: 01-4033552
P.O. Box no.: 3729, KTM

30. Thamel Branch
Thamel, Kathmandu
Phone: 01-4212167
Fax: 01-4238543
P.O. Box no.: 3729, KTM

31. Kaushaltar Branch
Kaushaltar, Bhaktapur
Phone: 01-6635184, 01-6635460
Fax: 01-6635199
P.O. Box no.: 3729, KTM

32. Chabahil Branch
Chabahil, Kathmandu
Phone: 01-4464470, 4461895
Fax: 01-4464469
P.O. Box no.: 3729, KTM

33. Maitidevi Branch
Maitidevi, Kathmandu
Phone: 01-4439488, 01-4443706
Fax: 01-4434045
P.O. Box no.: 3729, KTM

34. Balaju Branch
Balaju, Kathmandu
Phone: 01-4388915, 01-4388916
Fax: 01-4388918
P.O. Box no.: 3729, KTM

35. Kuleshwor Branch
Kuleshwor, Kathmandu
Phone: 01-4287576, 01-4287596
Fax: 01-4287547
P.O. Box no.: 3729, KTM

36. Satdobato Branch
Satdobato, Lalitpur
Phone: 01-5550332
Fax: 01-5548766
P.O. Box no.: 3729, KTM

37. Charikot Branch
Bhimeshwor, Charikot, Dolakha
Phone: 049-421882, 049-421883
Fax: 049-421887

38. Khadbari Branch
Khadbari, Sankhuwasabha
Phone: 029-560874, 560884
Fax: 029-560883

39. Dhulikhel Branch
Dhulikhel, Kavre
Phone: 011-490730, 011-490731
Fax: 011-490732
P.O. Box no.: 3729, KTM

40. Gorkha Branch
Gorkha, Gorkha
Phone: 064-421529
Fax: 064-421530

41. Beshisahar Branch
Beshisahar, Lamjunj
Phone: 066-520805, 066-520806
Fax: 066-520014

42. Chandragadhi Branch
Chandragadhi, Jhapa
Phone: 023-457021, 023-457022
Fax: 023-457023

43. Dhapasi Branch
Dhapasi, Kathmandu
Phone: 01-4384990, 01-4384991
Fax: 01-4384855
P.O. Box no.: 3729, KTM

44. Anamnagar Branch
Anamnagar, Kathmandu
Phone: 01-4249884, 01-4245274
Fax: 977-1-4250339
P.O. Box no.: 3729, KTM

45. Gwarko Branch
Gwarko, Kathmandu
Phone: 01-5541590, 5554190
Fax: 01-5538190
P.O. Box no.: 3729, KTM

46. Atterkhel Branch
Atterkhel, Kathmandu
Phone: 01-4912990, 4912991
Fax: 01-4912992
P.O. Box no.: 3729, KTM

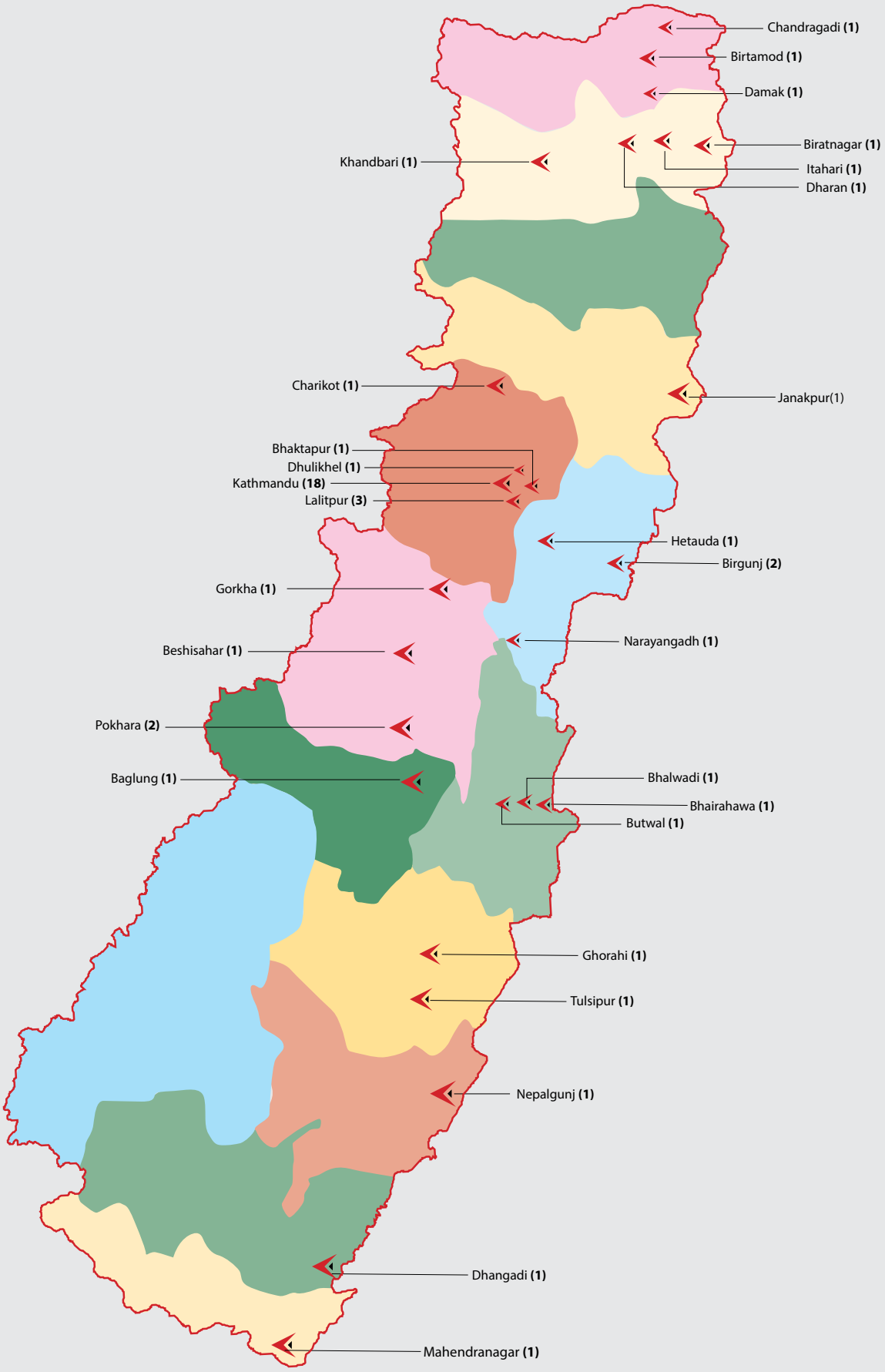
47. Sinamangal Branch
Sinamangal, Kathmandu
Phone: 01-4110852, 4110851
Fax: 01-4110850
P.O. Box no.: 3729, KTM

48. Teendhara Branch
Teendhara, Kathmandu
Phone: 01-4227181, 01-4221718
Fax: 01-4226905, 4241808
P.O. Box no.: 3729, KTM

49. Janakpur Branch
Dhanusa, Janakpur Dham
Phone: 041-528706, 528709
Fax: 041-528708

50. Extension Counter
Kathmandu Metropolitan City Office
Phone: 01-4216070
P.O.Box No.: 3729, KTM

51. Exchange Counter
Pokhara Airport, Pokhara
Phone: 061-525715, 532951
Fax: 061-525203



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