

# Nabil bank annual report

[Finance](#), [Banks](#)



## YOUR BANK @ YOUR SERVICE ANNUAL REPORT

2006/07 23 rd ANNUAL REPORT 2006/07 NABIL BANK Annual Report 2006/07  
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 NABIL BANK

The 1st Joint Venture Bank in Nepal with a 23 Year History Nabil Bank, the  
 1st foreign joint venture Bank set up in the nation with an objective to  
 introduce modern banking services, commenced its operations on 12th of  
 July 1984 with Rs. 28 million capital and around 50 staff. Dubai Bank Limited,  
 Dubai was the foreign joint venture partner who extended Nabil a technical  
 service agreement in the initial period. The Bank, through its quality  
 customer service and innovative products, has today attained a  
 distinguished recognition in the banking industry of Nepal.

The figures in the table below enumerate its 23 year old journey: Figures in  
 NPR Millions Mid July 1989 5th Year 1994 10th Year 1999 15th Year 2004  
 20th Year 2007 23rd Year  
 Networth Deposits Loans Investments Profit after  
 Tax Total Assets Non-Performing Loans: Total Loans (%) Provision held: Non-  
 Performing Loans (%) Capital Adequacy Ratio (%) Return on Equity (%)  
 Return on Assets (%) Number of Outlets Number of ATMs 78 779 362 297 25  
 964 3. 4 85 10 48. 6 2. 7 6 – 323 4, 408 2, 388 1, 911 114 5, 445 7. 0 50 10

48. 6 2. 2 9 – 79 9, 464 5, 789 4, 634 266 12, 430 11. 2 55 13 30. 7 2. 2 15 –  
1, 482 14, 119 8, 549 6, 755 455 16, 745 3. 3 125 13 34. 7 2. 7 17 5 2, 057  
23, 342 15, 903 9, 520 674 27, 253 1. 1 200 12 35. 9 2. 7 18 17 (By 18  
December 2007, number of outlets and ATMs reached 28 and 31  
respectively) Today Nabil stands in a position to claim that it is the “ Bank of  
1st Choice” to all its stakeholders. In the span of 23 years, it has already  
distributed Rs. 2. 86 billion cash dividend and the wealth of the shareholders  
of the Bank grew to Rs. 24. 8 billion as at mid July 2007.

Spectacular return on assets and return on equity even during a turbulent  
and competitive time highlight the inherent strength of the Bank. The Bank  
provides a complete range of consumer, retail, SME and corporate banking  
services through its offices spread across the country. Nabil is the sole  
banker to a multitude of large corporates, international aid agencies, NGOs  
and embassies. It is the largest private bank in the country in terms of  
branch and ATM network.

All its branches are interconnected on real time basis. On the echnological  
front, the Bank has earned a reputation in providing an array of card  
products and Internet / Telebanking facilities besides ATMs and Any Branch  
Banking Service. The statement ‘ Your Bank at Your Service’ that the Bank  
holds on firmly is a resemblance that the Bank’s stakeholders are at the core  
of everything it does. As for the culture embraced by the entire Nabil team, a  
set of Values, referred to as ‘ C. R. I. S. P. ’ in short, represents the fact that  
the bank uninterruptedly strives to be Customer Focused, Result Oriented,  
Innovative, Synergistic and Professional.

By living these Values, individually as professionals and collectively as a Team, Nabil Bank is committed to Surge Ahead to continue to be the Bank of 1st Choice in Nepal. NABIL BANK Annual Report 2006/07 4 Mr. Satyandra Pyara Shrestha Chairman Representative of group ' A' shareholders Former Governor, Nepal Rastra Bank, the Central Bank of Nepal Former Advisor – South East Asian Executive Director's Office, IMF, USA. 5 NABIL BANK Annual Report 2006/07 DIRECTORS' REPORT FY 2006/07 Ladies and Gentlemen,

It gives me an immense pleasure to welcome you all to the 23rd Annual General Meeting of the Bank and to present the Directors' Report of FY 2006/07 together with audited financial statements of FY 2006/07 for your approval. I consider it my privilege to be addressing this august gathering and sharing the Board's views on the banking scenario together with highlights on your Bank's performance. To begin with, I would like to present in brief the macro economic situation of the country during the period under review. Total imports during the year increased by 10. % to Rs. 191. 7 billion.

Imports from India and other countries rose by 9. 9% to Rs. 117. 7 billion and by 11% to Rs. 74 billion respectively. Major import items from India recording growth are vehicles and spare parts, threads, electrical equipment, other machinery and parts, hot/cold rolled sheet in coil, MS billet, cement and medicine. Number one import item petroleum products (total import volume Rs. 33. 5 billion) is however at last year's level. Major import items recording negative growth are rice, chemicals and textiles.

Major import items from other countries recording growth are gold, crude soybean oil, electrical goods, zinc ingot, transport equipments/ parts,

telecommunication equipments/parts, computer parts, aircraft spareparts, betelnuts, medicines and textile dyes. Major import items recording negative growth are other machinery and parts, readymade garments, copper wire/rod/scraps, polythene granules and textiles. Due to continuous rise in trade with India, India's share in total trade has increased to 63. 2% in FY 2006/ 07 which was 55. 9% in FY 2002/03.

Higher growth rate of import compared to export has widened the trade deficit to Rs. 130. 9 billion this year against Rs. 113. 5 billion of last year. Gross Domestic Product (GDP) Despite an impressive growth rate of South Asia region, our neighbours in particular, our GDP recorded an estimated growth of 2. 5% only in FY 2006/07. This is mainly due to conflict between labour-management in many industries, continuous long bandhs, strikes, irregular supply of petroleum products, shortage of electricity and drought adversely impacting paddy production. Foreign Trade Total foreign trade of the country reached Rs. 52. 5 billion in 2006/07, growth of 7. 9% over the previous year. Total exports increased by 0. 9% to Rs. 60. 8 billion.

Export to India increased by 2. 8% while export to other countries decreased by 3. 1%. Major export items to India recording growth are vegetable ghee, textiles, thread, zinc sheet, wire, ginger, juice and jute goods, while export of polyster yarn, plastic utensils, readymade garments went down. All major export items to third countries have recorded negative growth this year. Export of carpet, readymade garments and pashmina declined by 4. 1%, 16. % and 41% respectively. Balance of Payment BOP posted a surplus of Rs. 5. 88 billion in the review year in comparison to a higher surplus of Rs. 25. 6

billion in the previous year. Major reason for lower BOP surplus this year is just 2.5% increase in workers' remittance which was 49% last year.

As a result, foreign exchange reserves of the country is Rs. 165 billion as at mid-July 2007, similar to last year's level due to appreciation of rupees against USD. The current reserve is sufficient to cover merchandise imports of 10.3 months and merchandise and service imports of 8 months. NABIL BANK Annual Report 2006/07 6 Price Index The annual average inflation during the year 2006/07 registered a rise of 6.4% compared to 8% in the previous year as measured by National Urban Consumer Price Index. The deceleration in the growth of non-food and services group index was largely on account of the base effect of the hike in prices of petroleum products in March 2006. Similarly, appreciation of rupees against USD is another key factor for moderating the overall price level in 2006/07. Source: Nepal Rastra Bank Publications Performance of the Bank in FY 2006/07

The year 2006/07 continues to be one of the best years for Nabil Bank Limited with 36% return on capital employed despite the government increasing effective tax rate to 31.5% this year from 29.5% of last year. The Bank has recorded a Profit after Tax of Rs. 674 million this year. The following figures give a glimpse on how the Bank performed this year vis-avis last year: As at Mid July 2007 2006 Volume Figures in NPR Millions Growth %  
 Net Worth Deposits Gross Loans, Advances & Bills Purchases Gross Investments Including Money at Call & Short Notice 2, 057. 0 23, 342. 3 15, 903. 0 9, 519. 8 1, 875. 19, 347. 4 13, 278. 8 7, 915. 6 182. 1 3, 994. 9 2, 624. 2 1, 604. 3 9. 7 20. 6 19. 8 20. 3 Fiscal Year 2006/07 2005/06 Volume

Figures in NPR Millions Growth % Interest Income Interest Expenses Net  
 Interest Income Forex Income Fee & Others Staff Expenses Other Operating  
 Expenses Operating Profit Non Operating Income/(Expenses) Recovery from  
 Written Off Loan Accounts Provision/Book Write Off Profit after Provision Staff  
 Bonus Corporate Tax Net Profit after Tax 1, 587. 8 555. 7 1, 032. 0 209. 9  
 238. 2 240. 2 188. 2 1, 051. 8 5. 3 43. 6 6. 1 1, 094. 6 99. 5 321. 1 674. 0 1,  
 310. 0 357. 2 952. 8 185. 5 221. 2 219. 182. 7 957. 0 0. 7 73. 6 43. 5 987. 8  
 89. 8 262. 7 635. 3 277. 8 198. 5 79. 2 24. 4 17. 0 20. 4 5. 5 94. 8 4. 5 (30. 0)  
 (37. 4) 106. 7 9. 7 58. 3 38. 7 21. 2 55. 6 8. 3 13. 2 7. 7 9. 3 3. 0 9. 9 618. 1  
 (40. 7) (85. 9) 10. 8 10. 8 22. 2 6. 1 7 NABIL BANK Annual Report 2006/07

MR. SUPRIYA GUPTA Director Representative of group ‘ A’ shareholders Fmr.  
 Chairman and Managing Director, UTI Bank Limited, India Fmr. Dy. Managing  
 Director, State Bank of India, India Fmr. Managing Director, State Bank of  
 Bikaner & Jaipur, India MR. SHAMBHU PRASHAD POUDYAL Director  
 Representative of group ‘ C’ shareholders Fmr.

Executive Chairman, Rastriya Beema Sansthan Fmr. Chairman, Nepal  
 Housing and Development Finance Co Ltd Fmr. Vice President, Nepal  
 Mountaineering Association, Ktm. Branch Fmr. Chairman, Nepal Tuberculosis  
 Association, Ktm. Branch Fmr. Executive Member, Nepal Family Planning  
 Association, Ktm. Branch Member, Board of Directors, Unilever Company  
 Limited, Nepal MR. DAYARAM GOPAL AGRAWAL Director Representative of  
 group ‘ C’ shareholders Engaged in Business for last two decades. MR. MILAN  
 BIKRAM SHAH Director Representative of group ‘ B’ shareholders General  
 Manager & CEO, Nepal Industrial Development Corporation, Nepal Fmr.

General Manager, National Trading Limited, Nepal (An undertaking of Nepal Govt) Chairman of the Board, NIDC Capital Markets Limited, Nepal MR. ACHYUT PRASAD BAJAGAIN Professional Director Fmr. Chief Currency Officer of Nepal Rastra Bank MR. TABITH AWAL Director Representative of group ' A' shareholders Deputy Chief Executive Officer of Multimode Group, Bangladesh . Managing Director of Kay & Que (BD) Ltd . Currently director in many organizations engaged in insurance, real estate, investment and production/ manufacturing business. MR. MOHIUDDIN AHMED Director Representative of group ' A' shareholders Fmr.

Bangladeshi Ambassador to Nepal. , Senegal, Sierra Leone, Ghana & Gambia. Fmr. Director of Janta Bank. NABIL BANK Annual Report 2006/07 8 Your Bank's net worth grew by 9. 7% this year even after distributing cash dividend of Rs. 492 million. The Core capital of the Bank stood at Rs. 1. 99 billion and total capital fund (including Supplementary capital of Rs. 0. 31 billion) stood at Rs. 2. 31 billion as on 16 July 2007. The capital adequacy ratio of 10. 40% (Core capital) and 12. 04% (Total capital) exceeded the statutory requirement by 4. 9% and 1. 04% respectively.

These ratios indicate Bank's sound financial position. Following graph gives a trend of the Bank's capital over past 5 years: In the review period, your Bank had a drive in soliciting deposits which can be profitably invested. The efforts in that direction have yielded good results which can be seen from the growth of 20. 6% (Rs. 3. 99 billion). The Bank increased scarce interest free deposits by almost half a billion rupees. Similarly, the Bank recorded a



growth of almost one and half billion rupees in savings deposit. This growth was possible through attractive special savings scheme ‘ Nabil Bachat’.

High Fed Rate and relatively higher mix of Call and Fixed deposits however pushed the cost of deposits to 2. 5% this year from 2. 05% of previous year. I take immense pleasure in informing you that the market price of the Bank’s share continued to rise this year as well. As at 16 July 2007, the market price per share reached Rs. 5, 050. It is currently trading at around Rs. 6, 000. We however feel that market expectation is on the higher side. The Bank grew its gross loans by Rs. 2. 62 billion to Rs. 15. 90 billion. The Bank continued cautious expansion of both business and personal loans.

Mix of relatively lower risky and diversified personal loans has reached around 25% in total loan portfolio. With the due diligence that your Bank exercises while extending new and additional loans and the efforts it applies in recovery of non-performing loans, your bank was able to reduce non-performing loans (NPL) volume to Rs. 178 million as at 16 July 2007. NPL to total loans ratio has thus decreased to 1. 12% as at 16 July 2007 from 1. 38% of corresponding period last year. Total provision held as of that date, Rs. 357 million is 200% of NPL indicating a comfortable cushion against non-performing assets.

NABIL BANK Annual Report 2006/07 Tremendous market pressure on lending rates has caused decline in the Bank’s yield on loans and advances to 7. 90% from 8. 19%. Investment volume increased by Rs 1. 6 billion this year. As a result of high Fed rate and investment in high yielding instruments, yield of FCY investments this year improved to 5. 27% from 4. 39% of last

year. However, low yield of T-bills and maturity of high yielding government bonds caused decline in LCY investments yield to 4.08% this year from 5.29% of last year. In aggregate, yield of investment marginally improved to 4.9% during the review period from 4.75% of last year.

Overall yield on interest earning assets however declined to 6.75% this year from 6.95% of previous year due to decline on yield of loan which has almost 2/3rd share in total earning assets. Rise in cost of deposits and decline in yield of earning assets further squeezed interest spread to 4.15% from previous year's 4.90%. Despite squeezed interest spread, it is satisfying to state that your Bank increased net interest income by Rs. 79.2 million this year through growth in business volume.

Moreover, interest spread of your bank is still the best in the peer group. Foreign exchange income increased by 13.2% this year due mainly to contribution from 13% appreciation of LCY against USD during the year. Fierce competition in the banking has however continuously narrowed the forex spread. Fee & Other Income increased by 7.7% in aggregate mainly due to retail business and introduction of new sources of fee income. Staff expense increased by 9.3% owing to salary increment at certain levels, rise in gratuity expense due mainly to salary increment and more investment in staff training.

Despite high growth of business volume, the other office operating expenses has increased by 3% only during the review period. Today, your Bank has the lowest amount of other operating expenses in the peer group. The Bank, through its continued efforts, has been able to recover Rs. 43.6 million from

the book written off accounts. The NPA Management Cell exclusively established for recovery of graded and written off accounts has been relentlessly putting in its endeavors to achieve maximum recovery. There is 10.8% growth in the fund set aside for Staff Bonus.

Corporate tax however records growth of 22% due mainly to the government increasing tax rate by 2% to 31.5% and payment of Rs. 6.6 million for settlement of prior years' disputed tax. NABIL BANK Annual Report 2006/07

10 The Bank recorded profit after tax of Rs 674 million, return on average assets 2.72% and return on equity 36% in FY 2006/07. These ratios are above international standard and one of the highest in the domestic industry. Similarly, we propose 4 bonus shares for each 10 shares held. It gives me immense pleasure to inform you that your Bank has declared cash dividend of Rs. 2.6 billion in 23 years of its operations. Looking at the current market capitalization and cash dividend distributed so far with the initial investment of just Rs. 30 million, the Bank has significantly maximized the wealth of its shareholders. Office Network Kamaladi branch was shifted to United World Trade Centre, Tripureshwor to solicit more business. Similarly, the Bank completed entire homework in 2006/07 for opening 9 branches from Mechi to Mahakali. These branches will come into operations soon. In FY 2006/07, new ATMs were installed at Kalimati, Tripureshwor and Kantipath. Use of internetbanking is also gradually growing.

In a nutshell, I feel we should be satisfied with the overall performance of the Bank. Your Bank has achieved a satisfactory growth in both the top line and bottom line at a time when the economy of the country is almost stagnant

and competition in the banking sector is getting tougher. Technology The Bank firmly believes that the technology is a key enabler in enhancing our service standards. With this in mind, your bank has constantly been striving to excel in this front and has introduced and expanded a number of IT based products. Today, your bank is forerunner in IT based products. Dividend The Bank earned Rs. 37. 08 per share (EPS) in FY 2006/ 07.

After appropriating adequate amount for various reserves, we propose a cash dividend of Rs. 100 per share. Industrial and Business Relations The Bank would not have come to this stage had there not been a harmonious relations between the employees and management. The Bank has always made endeavours to further strengthen the relations. There is a registered authorized staff union in the Bank. The management and staff union are in constant touch to achieve the common goal of becoming the Bank of the 1st Choice. Customer is the pivot around which our all activities revolve.

The Bank is thus driven by the philosophy of giving paramount importance to its customers. The 11 NABIL BANK Annual Report 2006/07 Bank has introduced many products and has built a reputation of delivering the highest quality of professional services in a personalized manner. As a result, the Bank has also been able to attract a large number of customers from different strata. Nabil is the sole banker to the multitude of International Aid Agencies, Embassies, NGOs, INGOs besides a host of corporate and retail customers. We attribute our success to the patronage of the customers and pledge to improve further the customer service standard.

Besides the healthy growth in all respects, the Bank is diligently complying with the international norms of AML/KYC Policies. observations/decisions, Internal Audit Department reports directly to the Audit Committee, comprised of Board Members and not to the CEO. Additionally, CEO is not allowed to be a member of the Audit Committee. Similarly, Compliance unit is headed by the Company Secretary of the Board. Progress Report of the Current Year and Future Outlook The Bank's key result for the first month (up to midAugust 2007) of the current year (FY 2007/08) is as follows: Figures in NPR Millions Corporate Social Responsibility

Nabil continues to pursue its philosophy of Corporate Social Responsibility on three pillars; Health, Education and Sport. In Health, it has partnership with the Glaucoma Center at the Tilganga Eye Hospital to increase overall knowledge about this blinding disease. In Education, it has partnership with the Mary Ward School to educate underprivileged children. And in Sports, Nabil continues to give its shoulder to Nabil Three Star Club to promote sportsmanship and healthy living in the country. Deposits Interest Bearing Non Interest Bearing Loans & Advances Profit Before Bonus & Tax AS AT MID AUGUST GROWTH 007 23, 658 19, 881 3, 778 16, 284 123 2006 19, 487 16, 224 3, 263 13, 806 90 % 21. 4 22. 5 15. 8 18. 0 37. 0 Internal Control System

Since banking business is exposed to basically credit, market and operational risks, it has been the policy of the Bank to strengthen internal control system. The Bank has put in place various policies, product papers and standard instruction manuals covering work of almost all areas of its operations. To avoid the conflict of interest, a clear demarcation has been

drawn between business generation and risk management functions besides setting limits for managing all above risks.

Similarly, Internal Audit Department and Compliance Department are strengthened to ensure compliance of all internal and external requirements.

In order to ensure independent and unbiased Margin in interest, fee and foreign exchange income is shrinking day by day due to ever increasing competition. Number of banks and financial institutions and their branches is constantly increasing despite very low growth rate of the economy. The following statistics sheds light on the comparative number of banks and financial institutions in the country: MID JULY 2003 MID JULY 2007

Commercial Banks	Development Banks	Finance Companies	7	17	56	20	38	74
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Furthermore, some banks and financial institutions are in pipeline. NABIL BANK Annual Report 2006/07 12 The Bank is committed to solicit adequate and attractive business opportunities to ensure better achievements in the current year despite current political and economic reality of the country is not being encouraging. 27 July 2007. Similarly, Mr. A. P. Bazagain has been appointed as a professional director effective 9 July 2007 in line with Bank and Financial Institutions Act 2006. I wish to place on record our appreciation of the contributions made by outgoing directors and welcome new directors.

Future Programs Major thrusts during FY 2007/08 will be in the following areas: Increase interest free and savings deposits Increase quality personal and business loans Increase share of EXIM business Increase Card and Remittance related incomes Control operating expenses Increase recovery from written off accounts Additional disclosures on the Bank as per the

Company Act 2006 have been given in Annex A. Acknowledgement The Board of Directors places on record its appreciation for the continued support and patronage of shareholders, customers and well wishers.

The Board is thankful to Nepal Rastra Bank, Government of Nepal and the Ministry of Finance for their support and guidance. Similarly, employees of the Bank have put in hard work to deliver such a good result. I take this opportunity to extend my heartfelt thanks to all for their invaluable contributions. On behalf of the Board Satyandra P. Shrestha, Chairman Board of Directors After the last Annual General Meeting, there are few changes in the Board of Directors. NBIL has nominated Mr. Tabith Awal and Mr.

Mohiuddin Ahmed in place of Mr. A. Minto and Mr. Suraj Mehta effective 3 NABIL BANK Annual Report 2006/07 ANNEX – A Audit Committee The Board of Directors of the Bank constituted an Audit Committee on 18 February 2002 (2058. 11. 06 B. S. ). Following 3 non-executive directors were in the Committee as on 16 July 2007: Mr. Supriya Gupta – Convenor Mr. A. Minto – Member Mr. Milan Bikram Shah – Member During the review period, Audit Committee had 17 meetings for issues including the following: Report on Past dues import loans for 12 months. Shares owned by Directors Representative of NBIL (Group “ A” Shareholder) Mr. Satyandra Pyara Shrestha Mr.

Supriya Gupta Mr. Tabith Awal Mr. Mohiuddin Ahmed Representative of Financial Institutions (Group “ B” Shareholders) Mr. Milan Bikram Shah Elected representative of Public (Group “ C” Shareholders) Mr. Shambhu Prashad Poudyal -795 shares Mr. Daya Ram Gopal Agrawal – 473 shares

Shares bought back or forfeited by the Bank during the review period – None  
Directors' and their relatives' interest in any contract with the Bank – None  
Dues from Directors/CEO and their firms – None  
Board of Director's response on Audit Report Auditor's Report reveals, by and large, a satisfactory position.

The Management has been advised to follow the Auditor's suggestions wherever practicable while conducting the Bank's business. Status Report on Nostro Accounts for 12 months. Audit report on Business Banking of branches – 12 Reports. Audit report on operations of branches – 12 Reports. Audit report on LC operations at Central Trade Operations (CTO) – 2 Reports. Audit report on Personal Lending of branches – 8 Reports. Audit report on central accounts for the FY 2004/05 and FY 2005/06. Report on concurrent audit on LC issuance at CTO. Audit report on Card Division.

Half yearly & yearly verification of cash and cash value items of valley and outside valley branches (mid July 2006 and mid January 2007). Audit report on Treasury & Correspondent Banking. Investigations & Inspections: Memorandum dated 21. 05. 2007 on Investigation at CTO – KP. Memorandum dated 26. 06. 2007 on Mandatory Business Credibility Information Report on the beneficiary of the L/C. Review of compliances and branch responses on audit reports. Review and discussion on NRB Onsite Inspection Report. Review and discussion on Preliminary Statutory Audit Report along with Management response and Annual Financial Statement of the Bank.

Others: Discussion with the Statutory Auditors on adequacy of Provisioning for the Bank's Financial Statement for 2005/ 06 and related issues.



Memorandum dated 17. 10. 2006 recommending adoption of Policies for selection of Statutory Auditor and the continuation of Statutory Auditor for the Fiscal Year 2006/07. NABIL BANK Annual Report 2006/07 14 Discussion ; approval of Annual Audit Plans ; Programme for the FY 2006/07. Discussion on and adoption of the draft Audit Guidelines 2007. Memorandum dated 31. 05. 2007 on Proposals for carrying out IT Audit of the Bank.

Directors' Credit Committee (DCC) Mr. Satyandra Pyara Shrestha Mr. Supriya Gupta Mr. Shambhu Prashad Poudyal Mr. Dayaram Gopal Agrawal Mr. Milan Bikram Shah – Convenor – Member – Member – Member – Member

Description of the recommendations given by the Committee Monthly review on past due loan account and appropriate measures are advised to Management to keep a watch over such accounts. Monthly review on status of old and unreconciled items in the Nostro accounts of the Bank and appropriate directions are given to the Management to keep them under control.

Review the compliance of the branches in regard to NRB directives, Bank's Credit policy, internal rules and guidelines and compliance of prevailing laws of the country. Review and discussions on the NRB Inspection Report and advise appropriate measures to be taken by the Management for full compliance of the irregularities pointed out in the report. Review and discussions on the preliminary statutory audit report along with the Management response and Annual Financial Statements of the Bank and suggest the Management appropriate measures for compliance and recommend the Board for adoption of annual accounts of the Bank.

Review and discussions on the risks mitigation (such as business, operations, regulatory, external etc. ), internal check and control and security position in respect of Business Bank, Branch Operations, Personal Lending business at branches, Treasury operations, CTO, HR, Central Accounts and Privilege Banking functions of the Bank. Planning, Performance and Personnel Committee (PPPC) Mr. Shambhu Prashad Poudyal Mr. A. Mintoo Mr. Suraj Lal Mehta – Convenor – Member – Member Information Technology Committee (ITC) Mr. Shambhu Prashad Poudyal Mr. Dayaram Gopal Agrawal Mr. Milan Bikram Shah – Convenor – Member – Member

Above committees have regularly been giving various advices/instructions after reviewing the respective Banking activities periodically. Similarly, various Management Committees have been formed to ensure effective operations of the Bank: 1. Executive Committee 2. Human Resource Committee 3. Expenditure Monitoring Committee 4. Asset and Liability Management Committee 5. Investment Management Committee 6. Bid Committee 7. Profitability Committee Amount paid to Directors, CEO and Company Secretary during FY 2006/07 Amount paid to Directors on account of sitting fee, newspaper/communication allowance and daily allowance: Rs. , 710, 500 Remuneration paid to Chief Executive Officer: Rs. 7, 945, 000 Amount paid to Company Secretary and Statutory Auditor towards sitting fee: Rs. 200, 000 The Directors in the Audit Committee are paid fees per sitting as follows: Convenor Rs. 10, 000 Other members Rs. 8, 000 The Board has constituted various Committees for effective supervision of various areas of the Bank. Composition of the Committee was as follows during FY 2006/07: Status of Dividend Cash dividend declared till last fiscal year Rs. 2.

37 billion Unpaid dividend as at 16 July 2007 Rs. 18 million 5 NABIL BANK  
Annual Report 2006/07 In the present competitive atmosphere in banking  
sector, Nabil has been able to provide professional service and facilities with  
the state of art banking system to its customers and its contribution in  
developing Nepal's trade and industry sector is also very significant. I am  
very satisfied with and impressed by prompt and reliable service of Nabil  
Bank. H. E. MR. NAM SANG-JUNG Ambassador of the Republic of Korea to  
Nepal “ Nabil is one of the most professionally managed banks in Nepal, yet  
very personal and client-friendly.

We have had very satisfactory and excellent relations with the bank – at all  
levels of both organizations, right from the days of its inception. Without  
doubt, Nabil can be said to be the mother of modern banking professionals in  
Nepal! ” DR. ROOP JYOTI Vice-Chairman Jyoti Group For me it's the 3 capital  
Es: Education, Employment and Economy. Nabil Bank and private sector can  
contribute to all these in building Nepal's future. Nabil Bank's professional  
and service minded operation is a contribution to the 3 capital Es in itself.  
Ms. Raveena Joshi Head-Personal Lending MR.

GUNNAR ANDERSEN Country Director Save the Children Norway NABIL BANK  
Annual Report 2006/07 16 MANAGEMENT TEAM Mr. Anil Shah Chief Executive  
Officer CREDIT Mr. Amrit Charan Shrestha Country Head – Credit Mr. Krishna  
Gopal Manandhar Head – Credit Administration and Support Mr. Anil Khanal  
Head – Business Bank Credit Ms. Neena Thapa Sr. Analyst – Business Bank  
Credit Mr. Babu Ratna Bajracharya Manager – Credit Administration and

Support Mr. Yagya Prasad Sharma Head – Personal Credit BUSINESS BANK  
Senior Relationship Managers Mr. Deepak Shrestha Mr. Ramesh Lohani Mr.

Dripu Dhoj Adhikary Mr. Sanjay Nepal Relationship Manager – Kathmandu  
Ms. Namita Dixit Relationship Manager – Kathmandu Mr. Gyaneshwar  
Acharya Branch/Relationship Manager – Birgunj Mr. Gyanendra Pratap Shah  
Relationship Manager – Birgunj Mr. Krishna Dutta Bhattarai

Branch/Relationship Manager – Biratnagar Mr. Kabindra Shrestha

Branch/Relationship Manager – Butwal TREASURY ; CORRESPONDENT

BANKING PRIVILEGE BANK Ms. Anupama Khunjeli Head – Treasury ;

Correspondent Banking PERSONAL LENDING ; REMITTANCE BUSINESS UNIT

Ms. Raveena Joshi Head – Personal Lending ; Inward Sourcing Mr.

Pradyuman Pokharel Head – Remittance Business Unit CARD DIVISION AUDIT  
AND INSPECTION Mr. Binaya Kumar Regmi Head – Card Division Mr. Mohan

Subba Manager – Card Marketing Mr. Niraj Sharma Manager – Card

Operations HUMAN RESOURCE ; PERSONNEL MANAGEMENT Mr. Jyoti Bahadur

K. C. Head – Human Resource ; Personnel Management Mr. Binod Sharma

Head – Audit ; Inspection Ms. Barsha Shrestha Head – Privilege Bank Mr.

Deepok Chhetry Relationship Manager Mr. Binay Neupane Relationship

Manager LEGAL, COMPLIANCE AND COMPANY SECRETARIAT Mr. Binaya

Regmi Company Secretary and Head – Legal and Compliance Mr.

Kanhaiya Lal Rajwant Manager – Compliance INFORMATION TECHNOLOGY

Mr. Prabin Chhetry Head – Information Technology Mr. Rajesh Upadhyaya

Head – IT Support Mr. Basant Dhakhwa Manager – IT Support OPERATIONS

Mr. Rajendra Bahadur Malla Head – Operations Ms. Neelam Tuladhar Head –

National Processing Centre Mr. Bishnu Acharya Head – General Administration Mr. Shashi Nidhi Tiwari Head – Central Trade Operations Mr. Yugesh Lal Bijukchhe Manager – Operations BRANCHES Mr. Pradeep Mishra Manager – Lalitpur Mr. Saroj Pyakuryal Manager – Pokhara FINANCE AND PLANNING Mr.

Bhuvan Dahal Head – Finance and Planning Ms. Anita Giri Manager – Tripureshwor Mr. Prakash Babu Pant Manager – Biratnagar Mr. Buddhi Ram Sharma Manager – Nepalgunj NABIL BANK MANAGEMENT TEAM From left to right Mr. Bhuvan Dahal, Mr. Anil Khanal, Mr. Prabin Chhetry, Mr. Amrit Charan Shrestha, Ms. Barsha Shrestha, Mr. Deepak Shrestha, Mr. Rajesh Upadhyaya, Mr. Binay Regmi, Mr. Anil Shah, Ms. Neena Thapa, Mr. Rajendra Bahadur Malla, Mr. Krishna Gopal Manandhar, Ms. Neelam Tuladhar, Mr. Ramesh Lohani, Mr. Binaya Kumar Regmi, Ms. Anupama Khunjeli, Ms. Raveena Joshi  
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ORGANIZATIONAL STRUCTURE MESSAGE FROM THE CHIEF EXECUTIVE OFFICER Dear Stakeholders, Nabil Bank is delighted to continue to be ‘Your Bank @ Your Service’. With your support the fiscal year 2006/07 was truly an exceptional year for Nabil Bank, as we crossed the Rs. 1 billion milestone in Profit Before Bonus ; Taxes, registering a growth of 11% over the pervious year. Impressive growth in size and volume of major components of the balance sheet, both deposits and loans, yet maintaining both the mixture and quality alongside, have further ascribed the year as remarkable.

Needless to say, this achievement is a reflection of our success in continuously striving to surge ahead to be the Bank of 1st Choice of all our

stakeholders, even amidst the uncertainty and instability that prevailed in the nation. Despite optimistic hopes and anticipation for the year 2006/07, the country did not perform well economically, as instability and lawlessness seemed to increase and the political uncertainties continued. Bandhs, strikes and extortion in various parts of the country including Kathmandu valley crippled daily life on numerous instances over the year.

At a time when our neighboring countries registered impressive economic growth, we have managed a meager growth of 2.5% in the year. Regardless of this, Nabil Bank experienced a successful year and delivered excellent results, and elucidating this to you our partner in this success, gives me immense pleasure. As already indicated above, Nabil Bank registered a historic Rs. 1.09 billion profit before bonus and taxes and Rs. 674 million profit after tax in the year 2006/07. The 100% cash dividend along with 40% stock dividend that the Bank has distributed this year was a record high in the annals of banking history in Nepal.

This is in line with our commitment to increase paid-up capital of the Bank to a minimum of Rs. 1.6 billion by mid July 2013. Furthermore, 36% return on shareholders' funds and 2.72% return on bank's average assets denote superior rate of profitability and puts us amongst the highest in the banking sector of the nation. The Bank has doubled the size of its loan portfolio in 5 years. As at mid July 2007 our risk asset base had reached Rs. 15.9 billion, from Rs. 7.8 billion in mid July 2002. Despite such a huge growth of loan volumes, the Bank has been able to reduce NPL volume to Rs. 78 million, just 1.12% of total loans, at mid July 2007 from Rs. 557 million of mid July 2002.

Similarly, the Bank has held loan loss provision double of NPL volume at mid July 2007. We believe that this is true vindication of the structural change we implemented in 2004 separating business generation and risk analysis and removing all conflict of interest therein. In terms of capital, the Bank continues to be strong and sound with our Capital Fund totaling NPR 2.3 billion and with our capital adequacy at 12.04%, which is well above international standard.

At this juncture when the nation is passing through a phase of transition, we at Team Nabil believe that just registering higher profits, yielding higher returns, strengthening the financials and enhancing the books of accounts, is not enough in our journey to achieve our mission to be Nepal's Bank of 1st Choice. Therefore beyond these traditional parameters, the Bank has embarked on a journey to surge ahead together with the people of Nepal across the nation building new relationships of mutual benefit and playing the role of a catalyst in the economic growth of the nation.

In our efforts of adding value towards building a 'New Nepal', the Bank has opened nine new Branches spanning the entire length of Nepal, from Mechi to Mahakali. We are proud of our now greater contribution towards the upliftment of the economy through our enhanced presence through the entire length of the nation, enabling us to provide the highest levels of financial products and services to various communities and different segments of the society.

With the opening of the nine branches, Nabil is now able to reach and service our customers from Mechi to Mahakali through the hills and terai through

online connectivity via VSAT, Radio modems and fiber optics. This is a major step forward for banking in Nepal, as from now modern banking 21 NABIL BANK Annual Report 2006/07 Mr. Anil Shah Chief Executive Officer NABIL BANK Annual Report 2006/07 22 will not only be limited to the urban centers, but a larger part of the economically less privileged, remote and semi urban societies will have access to international standard banking.

At Nabil we view this as a ‘marathon’ we have only just started, as the Bank plans to continue enhancing its branch network to meet the financial needs of the larger Nepali population. Today, amongst all private banks, Nabil has the largest Branch and ATM networks. We have always been a pioneer in launching innovative products and services to meet, if not exceed our customer’s requirements and now with our plans to extend our reach even further we will have the ability to truly deliver the very best banking products and services right across Nepal.

Nabil has earned strong market confidence, which is clearly reflected through the enormous growth in our share price. The share price that was NRs. 740 four years back has soared up to NRs. 5, 050 on 16th July 2007, the closing day of the fiscal year. Year end market capitalization was NRs. 24. 8 billion, the highest in the banking industry. Currently Nabil’s shares are trading close to NPR 6, 000. An achievement that we feel is comprehensive evidence that Nabil’s share is a true blue chip investment for our shareholders and a lucrative opportunity to those looking for investment.

The Bank has always felt responsible towards the betterment of the society and the community of which we are a part. In this regard, we continue our



three pillars approach to great corporate citizenship through our partnerships in: Health, Education and Sports. In health our partnership with the Glaucoma Eye Center at the Tilganga Eye Hospital continues, in Education, the Bank has been associated with the Mary Ward School and is sponsoring the education of less privileged girl children of grades 8, 9 and 10. And in sports, our alliance with the Nabil Three Star football club is growing from strength to strength.

Nabil continues to be among the largest tax payers in the industry, with the payment of NRs. 321 million corporate taxes during 2006/07. The Bank's contribution to the banking industry and the nation continues to be recognized by the community and the regulators. Federation of Nepalese Chamber of Commerce ; Industry (FNCCI) has awarded the National Excellence Award to Nabil for its achievement and service as Commendations for Significant Achievement in Institutional Policy Planning ; Commitment during the past year.

It gives me immense pleasure to share with you that Central Bank has continuously upgraded our CAMEL rating through onsite inspections and regularly seek our views on crucial issues and policies. In today's business context where competition is getting more intense with the number of new banks and financial institutions increasing, one of the main strengths of our Bank is our ' People'. The consistent achievements that Nabil recorded this year was possible due to the team effort put up by each and every individual member of the Nabil Team.

The team which, comprises of highly skilled and talented individuals across the Bank, is proud to have amongst the very best banking professionals in our high performing synergistic team. Recognizing this fact, Nabil today is amongst the highest paymasters and most preferred employers in not only the industry but the nation. As always, the Bank is proud of and thankful to the high performing individuals that make up Team Nabil, and we are confident that we will continue to surge ahead together to greater heights of success in the days ahead.

Finally, I reiterate my sincere commitment to our Customers, Shareholders, Regulators, the Community and Staff, all our stakeholders that we continue to Surge Ahead by living our Values of being C. R. I. S. P. or Customer Focused, Result Oriented, Innovative, Synergistic and Professional everyday in everything we do. As always we remain ‘Your Bank @ Your Service’. I express my gratitude to all our stakeholders for your continued confidence and support, as we Surge Ahead to build on mutually beneficial partnerships as your Bank of 1st Choice.

Best regards. Anil Shah, Chief Executive Officer During these turbulent years in financial market, Nabil has shown its efficiency through its proficient services and modern facilities to prove itself to become the first choice Bank for Thai Airways. I hope our mutual understanding and cordial relationship established since the inception of Nabil in 1984 will be more intense and fruitful in the days to come. MR. PRASERT TANHANSA General Manager – Nepal ; Bhutan Thai Airways International Public Co. Ltd. 23 NABIL BANK Annual Report 2006/07

JICA has a long working relationship with Nabil Bank and feels proud to have used your expertise until now. JICA truly appreciates your contribution towards your country Nepal ; its citizens, and would like to work hand in hand in the days ahead. Wishing you success in your endeavor ! MR. NORIAKI NIWA Resident Representative JICA Nepal Office Dabur Nepal has been banking with Nabil Bank for over a decade and Nabil has always been its Bank of the 1st choice. MR. UDAYAN GANGULY Chief Executive Officer Dabur Nepal Ms. Raveena Joshi Head-Personal Lending NABIL BANK Annual Report 2006/07 24

Nabil Bank has been helpful not only in development of big business and industries but also in promotion and growth of microfinance to reduce poverty in Nepal. It is one of the first commercial banks to provide on-lending fund and participate in the equity of microfinance institutions, including Nirdhan NGO and Nirdhan Utthan Bank Ltd. DR. HARIHAR DEV PANT Chairman and CEO Nirdhan Utthan bank On behalf of Rural Water Supply ; Sanitation Fund Development Board, I would like to thank Nabil Bank for providing excellent banking services to us for over a decade and hope that this mutually beneficial relationship will grow in future.

MR. ARJUN NARSINGH RAYAMAJHI Executive Director Rural Water Supply ; Sanitation Fund Development Board Nice to experience your customer oriented approach but tomorrow's market is more challenging and customer satisfaction is not the only end and you have to be able to delight the customers of tomorrow. We wish you all success for your growth and we hope to create win win situation always by building more trust and

confidence. Ms. Raveena Joshi Head-Personal Lending MR. PRADEEP K. SHRESTHA Managing Director Panchakanya Group 25 NABIL BANK Annual Report 2006/07

**RISK MANAGEMENT** Taking risk is an integral part of our business. Our aim is to achieve an appropriate balance between risk and return based on our assessment of potential risk developments in both normal and stressed conditions. Banking activities deal with different sorts of riskmanagement to a large extent, mainly comprising market and counterparty risks, but also including liquidity and operational risks. Market Risk is the risk of a rise or fall in the value of the bank's assets and liabilities due to price changes in the market.

Credit Risk (Counterparty Risk) is the risk of any kind of non fulfillment by customers (companies, individuals, banks, financial institutions, states etc) of their obligations towards the bank. Most of the counterparty risk is related to credit risks. Liquidity Risk is the risk for a loss due to lack of liquid fund, which may force the bank to close out a position before maturity, for example: The risk arises when the mismatch between assets and liabilities arises due to the maturity profile where the maturing assets are not enough to cater to the maturing liabilities.

Operational Risk is the risk for unforeseen losses due to administrative or systems deficiencies, which may be intentional, such as violations of laws or instructions or unintentional, within or beyond the bank's control. While credit and liquidity risk may be regarded as classical banking risks, the market risk – is exposure to market variables , interest rates, exchange rates

, equity market indices , commodity prices and factors specific to individual names affecting the values of securities and other obligations in tradable form and derivatives referenced to those names.

Banks assume certain risks, especially credit and market risks as an integral part of the business exchanges with the clients. In this connection it is important to manage the risks inherent in the business with customers in a controllable manner and this is why bank's Board establishes maximum limits for the total risk exposure at every particular interval of the review period. Market Risk:

The portfolio analysis taking into account the concentration risk the aggregate control limit, FX risk limit, Individual Currency Trading Limit, Intra Day Limit, Net Open Position Limit, the guidelines as to maintenance of Credit to Deposit Ratio, Liquid Asset to Deposit Ratio, Investment limits, GAP Analysis for liquidity purpose and for interest rate sensitive Asset & Liability book all the above within ALCO / Investment policy as approved by the Board is monitored by Treasury and Finance & Planning so as to make sure that no unwarranted surprises are to be observed.

Strengthening Risk Control: Credit Risk: Credit risk is the risk of loss as a result of failure by a client or counterparty to meet its contractual obligations. It is an integral part of many of our business activities and is inherent in traditional banking products – loans, commitments to lend and contingent liabilities, such as letters of credit – trade products derivative contracts such as forwards, swaps, options, repurchase agreements (Repos and Reverse Repos) and securities borrowing and lending transactions.

All banking and traded products are governed by a comprehensive risk management and control framework, which includes detailed credit policy and procedures which are approved by the Board. NABIL BANK Annual Report 2006/07 26

In recent years, the Bank has organized the handling of its Credit Risk in an efficient manner through its new credit organizational structure, where the Credit Unit is responsible of implementing the credit guidelines which are approved by the Board and also plays an important role in making evaluations of the credit decisions that are separate and uninfluenced from the business side that is Business Banking Unit or Personnel Lending Unit – thus providing a second opinion on each credit case. Operational Risk:

The risk of loss resulting from inadequate or failed internal processes, people and system or from external causes, whether deliberate, accidental or natural. It is inherent in all our activities, not only in the business we conduct but also from the fact that we are a business- because we are an employer, we own and occupy property and we hold assets, including information belonging to ourselves and our clients. Every function whether a front end business or a control or logistic unit must manage the operational risk that arise from its own activities.

We have introduced “ Total Quality Management” (TQM) approach whereby each unit identifies the risk associated and monitors and escalates required information to the Senior Management. The Audit Committee under the direct supervision of the Board has been strengthened which overlooks into the operational risk aspect where by we assess the implication of the

External and Internal audit findings to implement better ways of mitigating operational risk. Liquidity Risk:

The Bank as per the approved guidelines from the Board has been maintaining Liquid Asset to deposit ratio and has been monitoring the same very closely. The investments for liquid asset mainly comprises of Government Securities: Treasury Bills maturing within 364 days and Bonds. Our Central Bank as per their Open Market Committee proceedings brings REPOs and Reverse REPOs in the market as per the market requirement and has been letting the Banks utilize the Standing Liquidity Facility (SLF) against the holding of Government Securities as the last resort for liquidity requirement. 7 NABIL BANK Annual Report 2006/07 We at Jagadamba Steels Pvt. Ltd. and the entire Shanker Group family are proud to be associated with Nabil Bank who has stood by us through thick and thin. We have grown with them and they in turn have always made sure that we reap the best out of the seeds we sow. MR. SHANKER LAL AGRAWAL Chairman Shanker Group I am a member of Nabil Bank credit cards since 1995. I have been availing credit cards of other banks as well, but I feel more comfortable on using cards of Nabil Bank. MR. LOK MANYA GOLCHA Chairman Golcha Organization

We are proud to be associated with Nabil Bank Ltd, which supports our growth offering expert financial advice and various tailor made services. MR. PAWAN KR. GOLYAN CMD Reliance Spinning Ms. Raveena Joshi Head-Personal Lending NABIL BANK Annual Report 2006/07 28 We view Nabil Bank as the foremost Bank that introduced modern banking system in Nepal being the first joint venture Bank in the country. Our relationship with Nabil Bank

has remained valued and a mutually beneficial one. Hence, Nabil Bank is our Bank of the 1st Choice in real sense for us. MR. I. R.

TAMANG Executive Chairman Civil Group I have brains in my head and feet in my shoes. I could steer myself to any direction I wanted. I am glad I chose Nabil Bank which has helped me move steadily in all my endeavours. MR.

JIWAN SINGH LAMA Mortgage Finance Customer Nabil bank deserves a sincere congratulations for its commitment towards poverty reduction that exemplified through its involvement in microfinance beyond the mandatory charter. MR. PITAMBAR ACHARYA Executive Director Deposits Nepal Ms.

Raveena Joshi Head-Personal Lending 29 NABIL BANK Annual Report 2006/07

**CORPORATE GOVERNANCE: OUR WAY OF LIFE** Nabil realizes that good corporate governance is the very foundation for its sustainable growth and therefore continues to live by the highest standards of corporate governance. Moreover, when it comes to institutions such as banks which can not operate without properly managing and mitigating several prominent risks and winning the trust of the public at all times, Good Corporate Governance is of utmost importance for them. This is why in Nabil Bank the following areas have always received utmost importance as a part of good corporate governance.

Corporate Governance in the Management Nabil Management is a team of seasoned and experienced professionals who are driven by the corporate mission and values and believe in a culture of self discipline. The senior executives and managers, with their experience and knowledge, are capable of maintaining an effective level of control over the banking operations and



affairs. Policies and operational guidelines have been formulated which ensure adequate controls over all day to day business activities and the effective management of all inherent risks. The Board of Directors

The Board recognizes its responsibility to act honestly, prudentially and progressively in accordance with the prevailing regulations in serving the interest of all the stakeholders of the Bank. All our Board Members have extensive experience in the banking industry which makes them qualified in adding value by providing seasoned judgments independently on policy matters. There are different Board Committees headed by non-executive Board Members to look into different Banking affairs like planning, credit, overall performance management, human resource, audit and compliance.

Clear lines of responsibility and accountability Nabil has structured itself in a manner so that there is always a clear demarcation between the business generators and the risk evaluators. This ensures the practice of maker and uninfluenced checker each time a deal is put through. Each individual's duties and lines of responsibility and accountability are clearly discussed, defined and recorded against which their performance is monitored and evaluated. NABIL BANK Annual Report 2006/07 0 Know Your Customer (KYC) and Anti Money Laundering (AML) Policy Not limited to the guidelines issued by Nepal Rastra Bank on 7th April 2005 Nabil Bank has implemented its Know Your Customer (KYC) and Anti Money Laundering (AML) policies with approval from the Board of Directors to have it at par with international standards, effective 14th July 2006. The first round of training to the entire staff of the Bank has been concluded as per the mandate of the policy.

The updates about Money Laundering cases around the world and its impact on the organization in part as well as on the country as a whole have been disseminated to the entire staff regularly. In accordance with predefined norms and standards, entire transactions of the Bank have been constantly monitored and a system of informing the concerned authorities has been developed in case of any suspicious transactions observed to this end. instrument that helps banks constantly improve its risk management system resulting in protection of interest of all the stakeholders and has started measures to implement it in the Bank.

Upcoming Major Challenges and Bank's Preparations Competition in the financial market is already tough with the presence of large number of financial institutions including joint ventures of international banks. Interest spread, exchange spread etc of banks are constantly narrowing. The competition is expected to stiffen further with the government's commitment of allowing foreign banks to open their branches by 1st January 2010. When international banks come, they come with large capital, modern technology and an array of products.

Experience of our neighbouring countries suggests us not to panic with the arrival of international banks. We however have decided to focus on the following areas to remain competitive: Augmenting Capital Base. Developing expertise in various fields: International banks have better exposure in treasury and credit products than local banks. The Bank has thus started measures for enhancing skills of its human resources in these products.

Adopting best human resource practices. Strengthening risk management system. Improving customer service quality.

Maximizing use of Information Technology. Product innovation and cost management

BASEL II With regard to Basel II implementation, Nepal Rastra Bank (NRB) has prescribed the approaches most suitable for Nepalese financial market. New capital adequacy framework prescribed by NRB based on new Capital Accord (Basel II) of Basel Committee on Banking Supervision is meant for parallel run in FY 2007/08 and shall come to force effective FY 2008/09. Nabil is privileged to be a part of new Capital Accord Implementation Group formed by NRB, the Central Bank of the country.

Nabil regards Basel II as an 31 NABIL BANK Annual Report 2006/07 HUMAN RESOURCE As part of our mission to be the ‘ Bank of 1st Choice’ of Staff, Nabil continuously strives to attract and retain high caliber talent. Being the “ best” in the business would mean to be able to attract, develop and retain the best talent in the business. The Bank provides market driven compensation and benefit packages, a professional challenging environment, state-of-the-art learning opportunities and a culture built on time tested values and beliefs.

We believe that the most important resource of the Bank is its Human Resource and the talent pool we have is one the most vibrant and energetic Teams in the country. We believe we must continuously enrich and equip our “ Entire Team” members with the latest market developments and provide opportunities to enhance knowledge to live up to the expectations of all our stakeholders. Under HR Development, the basic policy is to identify the core

strengths and capabilities of individual staff members and utilize the same towards adding value to the Bank.

With this in mind our training policy focuses not only on overcoming the weaknesses of an individual, but rather building on strengths to foster professionals who can help us continue to be the Bank of 1st Choice of all our stakeholders. During the financial year 2006/07, 68 different training programs were conducted where 245 staff participated, 233 in local and 12 in foreign training programs. During the year, 6 managers and 14 officers were promoted to higher positions. Our Human Resource Policy pertaining to Job Descriptions and Performance Management Process is regularly reviewed and enhanced.

Performance Management Contracts that have been implemented make sure that the performing employees are recognized and rewarded. The HR Management always focuses in putting the right staff in the right job and fostering a corporate culture that rewards a forward looking and creative attitude. NABIL BANK Annual Report 2006/07 32 Through Mary Ward School , Nabil extends its support to deserving underprivileged students. 33 NABIL BANK Annual Report 2006/07 CORPORATE SOCIAL RESPONSIBILITY (CSR) The notion of Corporate Social Responsibility (CSR) has been in Nepal dating back hundreds of years. Giving voluntarily for greater good” has been an intrinsic part of the social and religious belief of the people of Nepal. Even business houses have actively been involved in trusteeship in their corporate traditions in their own capacities but the last few years have witnessed a notable surge in the concept of CSR with increasing numbers of business

houses and large corporate establishments promoting this concept. Nabil Bank since its inception in 1984 is in a unique position in the banking industry in Nepal carrying with it 23 years of experience.

When we look forward, we have a mission and vision to be the ‘ Bank of 1st Choice’ for all our stakeholders – Customers, Shareholders, Regulators, Communities we work in and Staff. We have charted our set of values C. R. I. S. P to attain the mission statement: C – Customer Focused R – Result Oriented I – Innovative S – Synergistic P – Professional It is our belief that the differentiator when it comes to the CSR initiatives of Nabil Bank Ltd. , a feeling that we all proudly support, would be our three pillared strategy on “ Corporate Social Responsibility” which goes deeper than just providing funds for an event or project.

Just like with all our other stakeholders, here too we believe in building long term sustainable relationships. Health, Education and Sports are our main thrust areas. In Health, we have partnered with the Glaucoma Center at the Tilganga Eye Hospital to increase overall knowledge about this blinding disease. In Education, the Bank is supporting the education of underprivileged children at the Mary Ward School affiliated with St. Mary’s High School. And in Sport, we have entered into a partnership with Nabil Three Star Club to promote the spirit of sport.

We believe CSR is closely linked with the principles of sustainable development and long term partnership between the parties where decisions are not based on generation of profits or dividends but based on long term social consequences. CSR for us goes beyond charity where we are merely

observing the benefits generated from our initiative. The 30 students from Mary Ward School who appeared for their School Leaving Certificate (SLC ) examination all passed with 1st divisions which was a pride for us as well as the school and the students including their families.

They are all underprivileged children where Mary Ward School is supporting the families for their girl child education. Not only is the Bank involved in supporting the children but the staff in their individual capacities have been supporting deprived children for their educational needs and therefore are involved in creating awareness in the importance of education in children especially in a country like Nepal wrought with many problems; but we feel that if we in our own capacities can even attempt to make a small difference, then a certain contribution has been made.

This in fact is a reflection that not only is Nabil as an institution committed to such causes but the staff too uphold this feeling which in itself supports the fact that CSR initiatives in Nabil will have continuity and is not just a short term venture that has been undertaken. To add to the above, the employees of the Bank on a yearly basis also conduct blood donation programs where we have partnered with the Nepal Red Cross Society (NRCS).

This association with NRCS goes back several years and has remained a continuous process much appreciated by them with letters of appreciation provided to the Bank for the initiative and support NABIL BANK Annual Report 2006/07 34 experts estimate that half of the people affected by glaucoma may not even know they have it, we have taken a step forward for creating this awareness. We have also partnered with the football team “

Nabil Three Star Club” with the basic vision to support the youth and giving them yet another avenue for building their careers as an athlete.

In our part of the world it is difficult to concentrate fully in games and sports and earn a standard living. We believe that in addition to the financial support our Bank provides, we support our football team by being present in the field when the matches take place and even to a large extent support the players morally. The partnership has been mutually beneficial for both the parties as “ Nabil Three Star Club” has established itself among the top three teams in the country.

Nabil continues to extend its partnership with Nabil Three Star Football Club Apart from the above CSR initiatives that we have continued over the years, we have now partnered with Western Union under their CSR ‘ Agent Gift Match Program’ initiative to assist ‘ Prayas’ an organization involved in rehabilitation of street children in addition to providing further support to the Mary Ward School. This tri-party initiative is envisioned to benefit these associations who are established organizations having several years’ history in assuring nationwide support for burning social causes.

It is our vision to continue to give back to society and add value wherever we can as a leading financial institution in the country with initiatives such as these undertaken with care and forethought so as for us to continue to be the Bank of 1st Choice in many ways than just one. shown. The employees of the Bank have also been supporting girl child education for underprivileged children long before the Bank as an institution adopted its CSR initiatives

which also goes to complement how close such causes are to the people who form Nabil Bank.

The Bank in support of its other pillar – Health as already mentioned above, has been associated with the Glaucoma Center at the Tilganga Eye Hospital where we have partnered with the hospital for enhancing awareness of this disease. Glaucoma is a very misunderstood disease. Often, people don't realize the severity or who is affecte