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# Annual Report 2013-2014

 एभरेष्ट बैंक लिमिटेड 

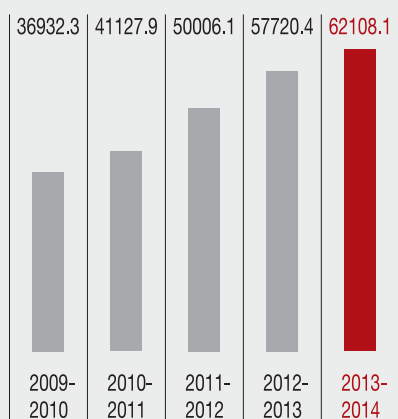
**EVEREST BANK LIMITED**

(A Joint-Venture with **punjab national bank**, India)

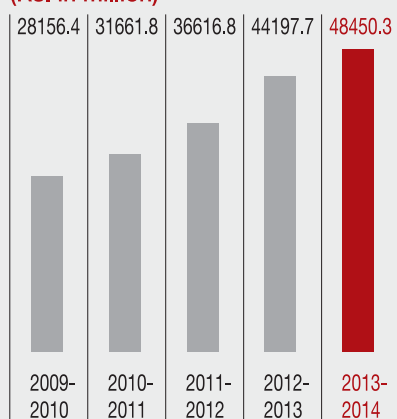
**Consistent, Strong & Dependable**

# At a Glance

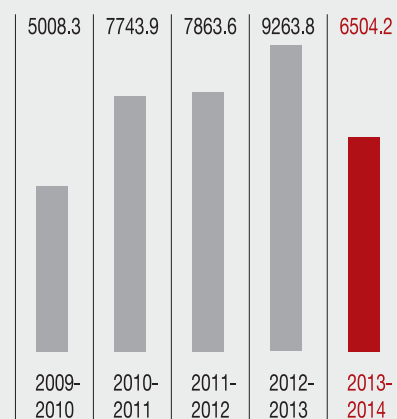
## Deposit (Rs. in million)



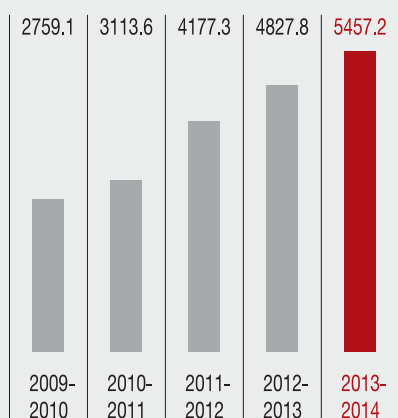
## Loans & Advances (Including Bills Purchases) (Rs. in million)



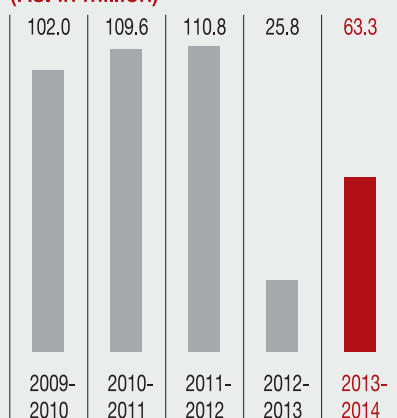
## Investment (Rs. in million)



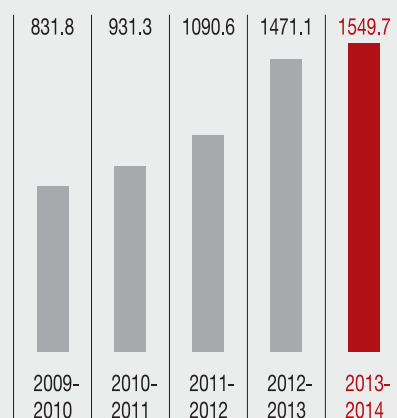
## Capital & Reserve (Rs. in million)



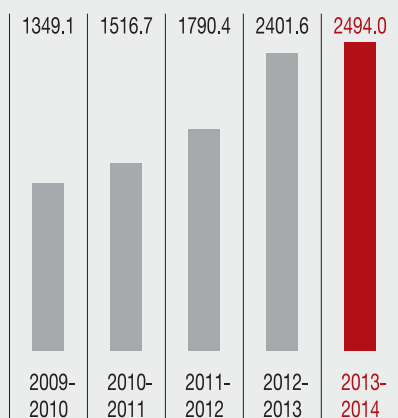
## Investment in Share & Debenture (Rs. in million)



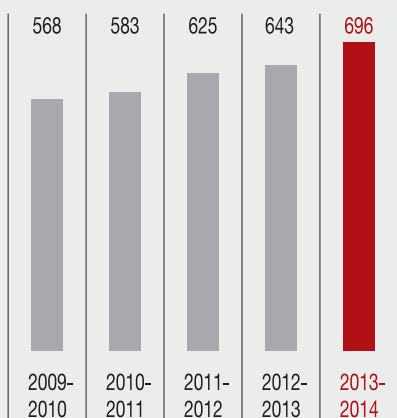
## Net Profit (Rs. in million)



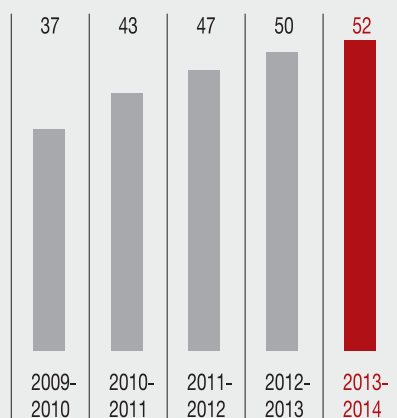
## Operating Profit (Rs. in million)



## No. of Staff



## No. of Branches





# BOARD OF DIRECTORS



**B. K. Shrestha**  
Chairman



**Ved K. Shrestha**  
Director



**Dr. Bal Gopal Baidya**  
Director



**Arun Man Sherchan**  
Director



**Bishnu Mohan Panda**  
Director  
(Punjab National Bank, India)



**Dr. Rakesh Gupta**  
Director  
(Punjab National Bank, India)



**Shiva Sharan K.C.**  
Director  
(Public Shareholders)



**Navin Bhakta Shrestha**  
Director  
(Public Shareholders)

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**Pramod Raj Sharma**  
Company Secretary

**Legal Advisor**  
Sr. Advocate Shambhu Thapa

**Auditor**  
Sundar Man Shrestha, FCA  
Sundar & Company  
Chartered Accountants

# MANAGEMENT TEAM



**A. K. Ahluwalia**  
Chief Executive Officer



**A. K. Bansal**  
Dy. General Manager



**Rajesh Gautam**  
Dy. General Manager



**Hum Nath Gurung**  
Dy. General Manager



**Pramod Raj Sharma**  
Company Secretary

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# CHAIRMAN'S STATEMENT



## 1. International Scenario:

There have been major – one may call it even tumultuous – changes in the world.

### *India:*

After almost three decades, one single party obtained clear majority in the India's Parliament. This enables the Government to pass any legislation on its own strength. (However, the now ruling party BJP (Bharatiya Janata Party) does not have majority in the Rajya Sabha (Upper House) of the Indian Parliament).

With such major changes in the political scenario the Indians are expecting a revolutionary change also in the economic field. Major change in India directly affects Nepal's economy.

### *USA:*

USA's economy has bounced back. The stock exchange market has zoomed, attracting investment from all over the world.

### *Europe:*

Changes in Europe are taking place in a smaller pace, but the danger of Euro zone collapsing has vanished. However, the Right Wing Parties in many European countries are gaining strength. These parties would like to do away with the Europe's present important agreements.

### *Middle East:*

The Middle East is in real turmoil. You might be reading about such turmoil in Syria, Libya, Egypt Iraq, Israel/ Palestine. Middle East being an important and major oil supplier, the turmoil in these countries affects the supply and the oil price, in all countries including India and Nepal.

### *Russia:*

The present President of Russia has made public statement that the doing away with the former Soviet Union encompassing many east European States and States south of the present Russia, was

a great historical mistake. This attitude has created serious problems in the State of Ukraine and fear of similar fate among the other States which were formerly parts of Soviet Union.

### *China/Japan:*

China Japan relationship has aggravated to a position where super powers like USA are getting seriously concerned.

## 2. National Scenario:

### 2.1 The new constitution:

The Constituent Assembly is sitting and all major parties are promising that the new Constitution will be promulgated by Magh 2071 (February, 2015). Let us hope and pray that this important matter comes to a conclusion within the prescribed time.

### 2.2 The country's current account huge deficit with India is continuing and there seems to be no end in the near future. Consequently, the country is forced to pay to India against imports from India valuable Foreign Currency earned by the country through remittance from Nepalese working abroad.

### 2.3 The electricity situation continues to hold the country's progress. This single factor discourages the likely investors in the Industrial Sector.

On the eve of the recent visit of the Honorable Prime Minister of India to the country, there has been talk of importing electricity from India. The Honorable Prime Minister of India whilst addressing the Constituent Assembly had stated that India would be willing to remove the darkness in Nepal at the present time and eventually Nepal would help India to remove the darkness in India through implementation of large hydro projects in Nepal and exporting the electricity to India.

As you may know India is not surplus in power. In spite of this, the Honorable Prime Minister has offered to sell power to Nepal, which should be highly appreciated by the Nepalese.

At the present time, all the hotels and many industries are generating power by using diesel fuel. The cost of imported power from India is going to be much cheaper than the cost of generating electricity through diesel engine. Hence economically, it is better to import power rather than generate power through diesel engine.

This is most welcome development and I hope the political leaders in Nepal would implement this at the earliest possible date, including construction of required transmission lines between the two countries.

2.4 There is also renewed talk of the proposed Fast Track Highway connecting Kathmandu valley with East West Highway at Nijgarh (where a new International Airport is proposed). I hope this comes to action soon.

2.5. The two largest Banks namely Rastriya Banijya Bank and Nepal Bank Ltd. continue to operate and compete without adequate capital adequacy. These banks are permitted to operate in the same field as other commercial banks who are required to maintain minimum CAR (Capital Adequacy Ratio) of 11%.

### 3. Banking in the country:

3.1 There has been excess liquidity with the Banks resulting in (a) lower interest on deposits and (b) similar lower interest rates on lending. It is common knowledge that such lower rates fuel inflation. I hope the Government and the Nepal Rastra Bank take steps to correct the present situation.

It is reported (The Kathmandu Post dated 17.08.2014) that during the last financial year the net profit growth of 28 commercial banks have gone down from 32% in 2012-13 to 10% in 2013-14. Your Bank has however, not only maintained the profit level but actually there has been increase in both the operating and net profit.

It is also reported that the following five Banks have made profit above Rs. 100.00 crore. Some of the key financial (based on the unaudited 4th quarter published figures) of these 5 Banks are given below:

### FY Ashadh 2071

Amt. in crore

Particular	Everest Bank	Nabil Bank	Nepal Investment Bank	Standard Chartered Bank	Global IME Bank
Operating Profit before Provision (In Crore)	249	379	317	213	136
Net Profit (In Crore)	155	232	195	138	100
Paid up Capital (In Crore)	180	305	415	204	411
EPS (Rs.)	86.04	83.68	47.04	57.47	24.41
Reserve & Surplus (In Crore)	445	597	483	393	222
Reserve & Surplus as % of Paid of Capital	247.11	195.74	116.39	192.65	54.01

You may be glad to note from the above that EPS (Earning Per Share) is the highest in your Bank. Similarly the Reserves as a percentage to Paid Up Capital is the highest.

3.2 While there has been welcome news about several financial institutions, including some of the "A" class banks having taken the merger route, the practical effect of such merger are still to be unfolded. The Government seems to be shy of (a) giving income tax concessions to the merged Banks and also (b) placing a limit in compensating the likely excess staff of the merged banks.

Your Bank continues to keep its door open for any serious merger proposals.

3.3 Recently the Nepal Rastra Bank has issued directive that the Bank's average spread i.e. the average cost of its deposits and the average earning from its lending – should be not more than 5%. While we have to follow the directive of the Nepal Rastra Bank, your Bank has reservations about the wisdom and practicality of such directive.

3.4 Nepal has an active share market. However, to finance infrastructure projects, including Hydro Projects, the country needs relatively long terms funds. Banks have short term funds. Hence, there is a case for authorizing the Banks with proper regulation and control, to float Bonds of various durations at attractive rates of interest. This can lead to an active Bond market. The country needs such an active Bond Market to make it easier for the Banks to finance important infrastructure projects including Hydro Projects.

### 4. Corporate Responsibility:

We have been distributing free of cost, our computers (which have to be replaced for reasons of inadequate speed and memory) to various educational institutions, with a view to encourage the students to be computer literate.

Your Board has discussed the desirability

of setting certain percentage of profit for donations to charities/charitable activities. However, under Nepalese Income Tax provisions, this amount is limited to only Rs. 1.00 lac per annum. Hence, the wish of the Board could not be implemented because of the legal difficulties.

This anomaly in the tax laws of the country has been brought to the notice of the Government at the Hon'ble Finance Minister's level. Let us hope that the law will be suitably amended to encourage profitable Business Houses to use part of their profits for charitable purposes.

4.1 In-spite of such volatility all around, your Bank has done reasonably well during the last financial year (2070-71). Consequently, your Board has proposed dividend of 50% and bonus share of 12%.

With the issue of the new bonus shares your Bank's Paid Up Capital has met the legal requirement upto Rs. 200 crores. In addition your Bank has Reserves of Rs. 445 crore which is 247.11% of the Paid Up Capital, the highest in the country.

4.2 You might have also noticed that the share market has consistently maintained shares of your Bank at the highest price, along all the commercial Banks in the country.

4.3 Depending upon the amount of additional loans and advances that the Bank may be making in the current financial year (2071/72), it may be necessary to raise Capital for your Bank to meet the Capital Adequacy requirement. We are examining the best and the cheapest manner of raising such Capital – if the same becomes necessary.

**B. K. SHRESTHA**  
CHAIRMAN



## Directors' Report

### Ladies and Gentlemen:

It gives me great pleasure to welcome you to the 20<sup>th</sup> Annual General Meeting (AGM) of your Bank. I have the privilege of presenting the Balance Sheet as at 32<sup>nd</sup> Ashadh 2071 (16<sup>th</sup> July, 2014), the Profit & Loss Account and Cash Flow Statement of your Bank for the year ending on that date and the Auditors' report made there on.

### 1. GENERAL ECONOMIC ENVIRONMENT OF THE COUNTRY (Please also refer Annexure 1 & 2) & REVIEW OF OPERATIONS OF YOUR BANK:

#### 2. Performance Review:

It is my great pleasure to present the performance of your bank over a period of last five years. As per the table presented below, core strength of your Bank has consistently increased over the period. Total shareholders' fund has gone up over the last five years from Rs. 262.00 crore to Rs. 626.13 crore consisting of the following:

Rs. in crore		
Particulars	2065/066 (2008/09)	2070/071 (2013/14)
Paid Up Capital Ordinary Shares	63.88	180.12
Statutory General Reserve	45.08	192.57
Share Premium	1.48	1.86
Capital Adjustment Reserve	28.41	50.71
Other Reserves	2.52	3.13
Exchange Equalization Reserve	2.20	2.58
Investment Adjustment Reserve	-	0.35
Debenture Redemption Reserve	12.00	9.37
Capital Redemption Reserve	14.00	-
Deferred Tax Reserve	3.37	10.66
Retained Profit	8.24	60.74
Proposed Bonus Share	19.16	21.62
General Loan Loss & NBA Provision	61.66	92.42
<b>Total Shareholders' Fund</b>	<b>262.00</b>	<b>626.13</b>

Out of the above shareholders total funds, following reserves amounting to Rs. 116.44 crore is available for appropriation subject to regulatory stipulations. The details of Rs. 116.44 crore are given below:

Rs. in Crore	
Capital Adjustment Reserve	50.71
Share Premium	1.86
Accumulated Profit	60.74
Other Free Reserve	3.13
<b>Ordinary Capital &amp; other related Funds</b>	<b>116.44</b>

- Notes: These reserves are created from the amount set aside through Profit & Loss Appropriation account in respect of funds created for increasing capital and against the already redeemed 9% Preference Share hence are available for further capitalization.

### Other Major Performance:

#### a) Business:

Particulars	Rs. In crore				
				Increased over	
	2065/066 (2008/09)	2069/070 (2012/13)	2070/071 (2013/14)	Previous Year %	Over 5 year's period %
Deposit	3332.23	5772.05	6210.81	7.60	86.39
Loans & Advances	2446.96	4419.78	4845.03	9.62	98.00

#### b) Profitability:

Particulars	Rs. In crore				
				Increased over	
	2065/066 (2008/09)	2069/070 (2012/13)	2070/071 (2013/14)	Previous Year %	Over 5 year's period %
Total Income	257.08	556.05	582.63	4.78	126.63
Operating Profit	106.60	240.16	249.40	3.85	133.96
Net Profit after Tax	63.87	147.11	154.97	5.34	130.33

The table shows consistent progress of the Bank over the last five years.

During the year under review, your Bank has earned operating profit of Rs. 249.40 crore which is 3.85% more than last year and has been able to post a after tax net profit of Rs. 154.97 crore, which is 5.34% higher than the last year.

The total deposits have reached Rs. 6210.81 crore recording an annual growth of 7.60%. The loans and advances stood at Rs. 4845.03 crore showing an annual growth of 9.62%.

Directors are glad to report that with the present proposal being placed to the shareholders for approval of issuing 12% Bonus Shares, the Bank's Paid Up Capital will cross Rs. 200 crores (Rs. 201.73 Crores). Nepal Rastra Bank has issued guidelines to make up the paid up capital of Rs. 200 crores by Ashadh 2071.

With increase in profit, the bonus provision at 10%, payable to the employees has gone up to Rs. 2216 lacs which was Rs. 2100 lacs in the previous year.

Likewise, the income tax liability also has gone up to Rs. 67.35 crore for the year from Rs. 65.55 crore for the previous year.

### 3. Internal & External Factors Impacting Bank's Activities:

During the year 2070/71, banking sector faced high liquidity position. Due to low demands for loans from private sector on the one hand and excess liquidity in the banking sector on the other hand, made the banks competing with one another on interest rates (both on loans and government securities). As per the NRB report, the weighted average rate on 91 days Treasury Bill remained at 0.02% which was 1.19% in the previous year. Further, we have much pressure on reducing the average spread rate not exceeding 5% as per the NRB guidelines which will have adverse impact on interest income thereby reducing the profit of the Bank.



Loan demand from private sector during the review period did not increase. The Board is of the view that the banking sector will be facing further challenges if the political situation does not improve, a firm view is not taken by the concerned political parties regarding the role of private sector and the imbalance on development vis-a-vis capital expenditure of the government.

Nepal has joined the South Asia Free Trade Area (SAFTA), and has also joined Economic Cooperation (BIMST-EC). Nepal has become a member of the World Trade Organization (WTO). We have to shape our plans and strategies accordingly to meet the challenges which may crop up due to globalization.

#### 4. ACTIVITIES OF THE BANK AND FUTURE PLAN:

##### a. Operations:

The prolonged political uncertainty has created lot of problems. Under such circumstances, it is challenging to predict/forecast future activities as well as set plan in a right way. However, we believe that opportunity comes with difficulties. Keeping this in mind, we have to sketch our strategies and draw plans for future growth of the Bank.

Not to be left behind in technology advancement, a continuous review and upgrading of the technology is undertaken for the convenience of the customers. In this connection, Bank is using world class computer software 'Finacle' and all the information have been migrated into it. All the branches of EBL have been housed in centralized data base backed by a Disaster Recovery Cell operating from outside valley.

With the changing technology, aspiration and requirement of customers, our service delivery channels are also to be updated. In this endeavor, we are increasing our own network of ATMs. Till the review period 3.54 Lac depositors have been issued debit card. EBL Debit Card can be used not only in 74 own ATMs at various locations but in other more than 1390 ATMs tied up with Smart Choice Technology (SCT) within the country and more than 7750 PNB ATMs in India. EBL Debit Card can also be used at more than 2100 Point of Sales (PoS) terminals for purchase of merchandise. In addition to above, in an endeavor to provide various range of services to the customers, our Bank has introduced e-banking, SMS banking, e-ticketing, mobile-banking. Our customers can do banking transactions such as – viewing their account, money transfers, recharge their mobile, pay telephone bills etc. sitting at home. We always strive to provide easy, fast, reliable and hassle free services to our customers. In this endeavor, we have installed cash kiosk at different five branches for depositing cash.

The Bank is striving to improve customer service quality, fulfill their needs through technology based delivery channel and extended services. Most of our important valley branches and outside valley branch are providing extended customer services through evening counters. Our New Road and New Baneshwor branch provide 365 days banking services (including on holidays).

Further, our Bank has launched its' own remittance package "Everest Remit". Presently, this remittance facility is available to the Nepalese who are working in UAE, Qatar, UK, Bahrain, Malaysia, Korea and Israel. This facility will be extended to other places too in due course. In order to facilitate inward remittance and foreign trade, we have tied up with various foreign banks in different countries.

Likewise, Agreements for instant money transfer have been entered into with EZ Remit, Xpress Money Transfer, Nepal Remit, Moneygram, Thamel.com. These arrangements have facilitated the Bank for inward remittance from different countries (USA, UK, Malaysia, Singapore, UAE, Kuwait, Baharain, Qatar etc.).

Similarly, instant remittance facility to and from India has been in operation. It has facilitated the remitter to remit the money to any place in India and from there to Nepal without any hassles. Presently, it is available in all PNB Branches.

##### b. Branch expansion/outreach:

Our Bank opened two more branches during the year 2070/71 (both outside the valley) namely Bhojpur and Dhadhing. During the current year, one more branch has been opened in Kathmandu valley, Bagdol-Lalitpur district, now the total branch networks have reached to 53. In addition to these, Bank is running additional 5 extension counters and 23 Government Revenue collection counters.

In addition, with an aim to extend our reach and facilitate the financial inclusion in the rural area, we had launched Ghar Dailo Banking Sewa in different four locations by appointing Business Correspondents (BCs) through smart card based technology. The places are – Nagarkot (Bhaktapur District), Baglung (hilly region), Birtamode (Terai region) and Nepalgunj (Terai region).

Further, with a view to reach the rural/semi rural people as well as to increase our customer base and core deposit, we have launched a handset mobile based product under the brand name "MOBILE ATM" for Bank's customers.

The Account holder needs to register his/her mobile in the system. Using the Mobile, transfer of fund within the Bank can be effected without visiting the Branch. Besides the customer can also withdraw/deposit cash from/in their account through BCs where Branch network is not available by generating coded transfer message. Later, we will make available other services like mobile recharging, utility bill payment etc through this module.

##### c. Human Resources Development & Per Employee Business:

The staff strength of the Bank at the end of the financial year 2069-70 (2012/13) was 643, which has now gone up to 696. The per employee business as at the end of the financial year is as under:

Rs. In Lac

Description	2069-70 (2012/13)		2070-71 (2013/14)		% Increase over last year
	Total Amount	Per Employee Amount	Total Amount	Per Employee Amount	
Deposits, Loans & Advances	1019181	1585.04	1105584	1595.36	0.65
Operating Profit	24016	37.34	24940	35.83	(4.04)
Net Profit	14711	22.87	15497	22.27	(2.62)

From the above table, it is evident that the per employee Operating Profit and Net Profit has come down as compared to last year. Among the main reasons, increase in number of staff and revision in salary package are the major one.

It is the considered view that the progress and success of any organization depends upon the knowledge, skills and motivational level of its workforce. The Bank has been taking keen and special interest in the development of its human resources by imparting its employees training on various aspects of banking. Besides this, the Bank has taken special care to keep the motivational level of its employees high as also to instill a sense of belongingness to the Bank.

In order to bring positive swing in the working attitude of senior officers, the Bank has been conducting special program on Management Development. In addition to this, during the review period various types of in-house training/talk program were conducted, staff were deputed/sent for training in programs organized by other institutions too. During the period being reported, various trainings have been provided to 188 employees. (In-house and outside).

#### 5. DIVIDEND/BONUS SHARE:

The Board in its meeting held on 25th August 2014 (9 Bhadra 2071) has decided to recommend to the forthcoming Annual General Meeting to declare bonus share @ 12% and cash dividend @ 50.63%, including TDS on bonus shares.

The same is being placed before you for approval. I am confident that the respected shareholders will approve the same.

#### 6. CAPITAL ADEQUACY:

Under the Basel – II framework, minimum bench mark fixed by Nepal Rastra Bank, the Capital Adequacy Ratio is 10%. However, the NRB has further directed to maintain additional one percent as buffer in case Cash Dividend is declared. The Capital Adequacy Ratio of the Bank as at the year end 16th July 2014, after proposed dividends, stands at 11.15%. To maintain the capital adequacy ratio intact, proper capital back up is required. If the Bank fails to maintain the required capital adequacy ratio, further growth in bank's business will be adversely affected.

#### 7. BOARD OF DIRECTORS:

There have been a change in the Board of Directors of the Bank during the financial year under review. Sh. B.M. Panda GM-PNB, has been nominated on the EBL Board by the Joint-venture partners, PNB in place of Sh. K. Ram Mohan. We welcome Sh. Panda in the EBL Board and wish to extend thanks to Sh. K. Ram Mohan for his valuable contributions made towards the development of the Bank.

#### 8. AMENDMENT IN MEMORANDUM AND ARTICLES OF ASSOCIATION:

The Agenda-to increase the issued and paid up capital to the extent of bonus shares, is being put up separately along with the Report for approval of the shareholders.

#### 9. EMPLOYEE RELATIONS:

The Board is pleased to report that during the year under review the Management Employee relation has remained harmonious. In view of your Bank's expansion, the recruiting of new manpower as well as motivating our existing employees is proceeding apace.

#### 10. CORPORATE GOOD GOVERNANCE:

Respected shareholders, Corporate Good Governance is one of the key factors for strength, stability and sustainable progress of an institution. We always remain alert about the corporate good governance in your Bank. Your Bank has complied with the related provisions of related Acts, Rules and Directives issued by Nepal Rastra Bank.

#### 11. APPOINTMENT OF THE STATUTORY AUDITORS:

The Shareholders are requested to appoint the Auditor from the list of the auditors approved by Nepal Rastra Bank for the financial year 2071/72 (2014/15) and also fix the remuneration. The present auditor Mr. Sundar Man Shrestha (Sundar & Co., Chartered Accountants) will be out going since his tenure of three years have been completed.

Respected shareholders are requested to approve the appointment of the Auditors for the F.Y. 2071/72 (2014/15) and fix their remuneration as recommended by the Audit Committee of the Board.

#### 12. ACKNOWLEDGEMENT:

On this occasion, on behalf of the Board of Directors and on my own behalf, I would like to thank all the shareholders for their continuous support and guidance. I also take this opportunity to extend thanks to our valued customers for their patronage. Further, we express our sincere gratitude to the officials of concerned Departments of Nepal Government, Nepal Rastra Bank, our joint-venture partner, Punjab National Bank, other concerned authorities and institutions for their patronage and all the employees of the Bank for their hard work and dedication. Further we also express our sincere thanks to members of the press and other well wishers of the Bank for their valuable co-operation and support.

Finally, I am sure that the Bank shall continue to get the same co-operation and support from all of you in the future which will be a source of inspiration in our endeavor to take our Bank to newer heights of success in the times to come.

Thank you.

On behalf of the Board of Directors,  
B. K. Shrestha,  
Chairman

(Annexure I)

Progress made by the Bank during five years period is provided for reference:

**TABLE 1 : Paid up Capital, Reserve & Surplus and Business:**

	(Rs. in Lacs)				
Particulars	2066/067 (2009/10)	2067/068 (2010/11)	2068/069 (2011/12)	2069/070 (2012/13)	2070/071 (2013/14)
Paid Up Capital-Ordinary Shares	8305	11196	12316	16011	18012
Statutory General Reserve	6172	8034	10216	16158	19257
Share Premium	148	148	186	186	186
Capital Adjustment Reserve	3671	3671	3671	3671	5071
Other Free Reserve	313	313	313	313	313
Exchange Equilization Reserve	220	229	229	246	258
Investment Adjustment Reserve	–	35	35	35	35
Capital Redemption Reserve	1400	1400	1400	1400	–
Debenture Redemption Reserve	1800	2400	3000	469	937
Deferred Tax	345	629	738	994	1066
Proposed Bonus Share	2491	1120	3695	1601	2162
Retained Profit	726	361	4375	5595	6074
Provision for Possible Losses	6100	6042	7059	8046	9242
<b>Total Funds</b>	<b>31691</b>	<b>35543</b>	<b>47197</b>	<b>54688</b>	<b>62613</b>
Total Deposit	369323	411279	500061	577205	621081
Total Advances	281564	316618	366168	441978	484503
Total Investment	50083	77439	78636	92654	65042

**TABLE 2 : Profitability:**

	(Rs. in Lacs)				
Particulars	2066/067 (2009/10)	2067/068 (2010/11)	2068/069 (2011/12)	2069/070 (2012/13)	2070/071 (2013/14)
Total Income (Including Non-Operating Income)	35355	47475	56586	55605	59085
Interest Expenses	(15728)	(25359)	(28733)	(21792)	(22587)
Staff Expenses (Except Expense for Gratuity Provision)	(2077)	(2395)	(3156)	(3741)	(4704)
Operating Expenses	(3525)	(3831)	(4673)	(5095)	(5443)
Operating Profit	14025	16160	20023	24977	26351
Provision for Possible Losses	(770)	(983)	(2520)	(988)	(1560)
Provision for Staff Bonus	(1188)	(1331)	(1558)	(2101)	(2216)
Provision for Staff Gratuity	(187)	(536)	(365)	(877)	(414)
Profit Before Income Tax	11880	13310	15581	21010	22161
Provision for Income Tax	(3562)	(3997)	(4675)	(6299)	(6664)
Net Profit After Tax	8318	9313	10906	14711	15497



## ANNEXURE : II

### General Economic Environment

Some important information is reproduced which are taken from the Economic Survey for the year 2070/71 (2013/14) published by Nepal Government for information:

i) Economic growth rate:

As per the Economic Survey 2013/14, the real GDP at basic price is estimated to grow by 5.2 % (previous year increased by 3.5%) as against an estimate of 5.5%. The agricultural sector is estimated to grow by 4.7% (previous year 1.1%) and the non-agricultural sector by 5.3% (previous year 4.6%). Among the non-agricultural sector industrial sector and services sector are estimated to grow by 2.7% and 6.1% respectively (previous year 2.5% and 5.2% respectively).

ii) Increase in per capita GDP:

As per the Economic Survey, per capita GDP in producers price is estimated to be US\$ 735 (previous year 712).

iii) Macroeconomic Indicators:

Major macroeconomic indicators of the economy have been re-produced below:

Particulars	Unit	Mid-July 2010	Mid-July 2011	Mid-July 2012	Mid-July 2013	Mid-July 2014
1 Total GDP (at Basic Price)	Rs. Billn	565.8	587.5	614.6	635.9	668.7
2 Yearly Change	%	4.3	3.8	4.6	3.5	5.2
3 Per Capita GDP (at Fixed Price)	%	3.4	2.5	3.4	2.5	4.1
4 Per Capita GDP (at Current Price)	Rs.	45435	51594	56880	62196	69919
5 Per Capita GDP	USD	610	714	702	707	703
6 Total GDP (at Producer's Price)	Rs. Billn	618.5	639.7	670.3	696.1	734.2
7 Domestic Saving/GDP	%	11.4	14	11	10.1	8.9
8 National Saving/GDP	%	35.9	37	39.5	40.3	46.4
9 Fixed Capital Investment/GDP	%	22.2	21.4	20.8	22.6	23.1
10 Private Sector Fixed Capita Investment/GDP	%	17.7	16.7	16.1	18.4	18.5
11 Total Capital Investment/GDP	%	38.3	38	34.5	36.9	37.1
12 Difference in Domestic Saving & Investment/GDP	%	(26.8)	(24)	(23.5)	(26.8)	(28.2)
13 Total Population	in crore	2.63	2.65	2.69	2.72	2.76

iv) Foreign Trade:

The following comparative table of foreign trade of the country is presented on the basis of the information provided in the Economic Survey (First 8 Months):

(Rs. in Crores)

Particulars	2069/70 (2012/13)		2070/71 (2013/14)		Change %
	Amount	Share %	Amount	Share %	
EXPORT (F.O.B.)					
India	3325	65.19	4052	66.50	21.90
Other countries	1775	34.81	2037	33.50	14.70
Total Export	5101	100.00	6090	100.00	-
IMPORT (C.I.F.)					
India	23764	65.90	30441	66.50	28.10
Other countries	12292	34.10	15344	33.50	24.80
TOTAL IMPORT	36056	100.00	45785	100.00	
Total foreign trade					
With India	27090	65.82	34494	66.50	27.30
With other countries	14067	34.18	17381	33.50	23.60
Total Foreign Trade	41157	100.00	51875	100.00	

Source: Economic Survey 2013/14.

From the above, total volume of foreign trade during review period increased by Rs. 10717.80 Crores( 26.04%) over same period the last year. The share of total foreign trade with India and other countries stand at 66.5 percent and 33.5 percent respectively (previous year 65.8 percent and 34.2 percent). Total export increased by 19.39 percent while total import increased by 27%.

v) Banking:

Following information are reproduced for information of the respected shareholders:

Particulars	Mid-July 2010	Mid-July 2011	Mid-July 2012	Mid-July 2013	Mid-July 2014*
Commercial Banks	27	31	32	31	30
Development Banks	71	88	88	86	87
Finance Companies	79	80	70	59	58
Microfinance Institutions	18	21	24	31	35
NRB Licensed Co-operatives	15	16	16	16	16
NRB licensed NGOs	45	38	36	31	31
Commercial Bank Branches	966	1111	1425	1486	1524
Population Per Branch	27184	23960	18592	17830	17500
Local Currency Deposits (in Billion)	569.0	680.2	867.98	1020.83	1032.71
Per Capital Deposit Rs.	21668	25500	32760	34546	38978
Loan and Advances (Rs. in Billion)	472.3	544.2	622.57	757.11	829.25
Per Capita Loan and Advances Rs.	17985	20400	23498	28580	31299

\* First 8 Months, Falgun 2070.

## SUNDAR & CO.

Chartered Accountants

Pulchowk (Machagaa),  
Lalitpur 20/8 Gha.  
P.O.B 3102 Kathmandu, Nepal

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## Independent Auditor's Report to The Members of Everest Bank Ltd.

### Report on the Financial Statements

We have audited the accompanying financial statements of Everest Bank Ltd., which comprise the Balance Sheet as at 32<sup>nd</sup> Ashadh 2071 corresponding to 16<sup>th</sup> July 2014, and the Profit & Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Nepal Accounting Standards so far as applicable in compliance with Prevailing Acts and Laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' 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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Report of Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

On examination of the financial statements as aforesaid, we report that:

- a. We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.

- b. In our opinion, proper books of account as required by law have been kept by the bank, in so far as appears from our examination of those books of account and the financial statements dealt with by this report, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of accounts.
- c. In our opinion, the returns received from the respective branches are adequate for the audit purpose, though the statements are independently not audited.
- d. In our opinion and to the best of our information and according to the explanations given to us and our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any employee of the Bank has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the Bank or committed any misappropriation or violated any directive of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank and its depositors.
- e. In our opinion, adequate capital fund and provisions for losses have been made and the business of the Bank has been conducted within its authority.

### Opinion on the Financial Statements

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements referred to above, read together with the notes attached thereon give a true and fair view of the financial position of the bank as of Ashadh 32<sup>nd</sup>, 2071 (July 16<sup>th</sup>, 2014) and of the results of its financial performances and its Cash Flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the Prevailing Laws.

**Sundar Man Shrestha, F.C.A.**

Chartered Accountants

Partner

For Sundar & Co.

Date: August 24, 2014

Kathmandu



## Balance Sheet

As on 32 Ashadh 2071 (16th July, 2014)

<i>S.No.</i>	<i>Capital and Liabilities</i>	<i>Schedule</i>	<i>This Year Rs.</i>	<i>Previous Year Rs.</i>
1	Share Capital	4.1	2,137,387,737	1,921,239,051
2	Reserve and Surplus	4.2	3,319,759,723	2,906,605,621
3	Debenture and Bonds	4.3	468,845,000	468,845,000
4	Loans and Borrowings	4.4	-	402,360,000
5	Deposit Liabilities	4.5	62,108,135,754	57,720,464,632
6	Bills Payable	4.6	370,578,160	393,056,902
7	Proposed Cash Dividend		920,395,772	820,190,186
8	Income Tax Liabilities		-	23,932,525
9	Other Liabilities	4.7	1,119,980,699	1,084,456,540
<b>Total Capital and Liabilities</b>			<b>70,445,082,845</b>	<b>65,741,150,457</b>

<i>S.No.</i>	<i>Assets</i>	<i>Schedule</i>	<i>This Year Rs.</i>	<i>Previous Year Rs.</i>
1	Cash in Hand	4.8	2,050,029,487	1,723,208,985
2	Balance with Nepal Rastra Bank	4.9	9,446,921,621	8,205,090,428
3	Balance with other Banks & Financial Institutions	4.10	1,675,831,759	1,287,494,550
4	Money at Call and Short Notice	4.11	-	-
5	Investments	4.12	6,504,185,769	9,263,858,419
6	Loan, Advances and Bills Purchased	4.13	47,572,024,207	43,393,187,065
7	Fixed Assets	4.14	626,994,270	631,182,801
8	Non-Banking Assets	4.15	-	-
9	Other Assets	4.16	2,569,095,732	1,237,128,209
<b>Total Assets</b>			<b>70,445,082,845</b>	<b>65,741,150,457</b>

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*Schedules 4.1 to 4.17, 4.32 and 4.33 are integral part of the Balance Sheet*

Hum Nath Gurung  
Dy. General Manager

A.K. Ahluwalia  
C.E.O.

**Directors**  
Ved Krishna Shrestha  
Nabin Bhakta Shrestha  
Shiva Sharan K.C.  
Arun Man Sherchan  
Dr. Bal Gopal Vaidya  
Dr. Rakesh Gupta  
B.M. Panda

Bishnu Krishna Shrestha  
Chairman

*As per our report even date*

Sundar Man Shrestha, FCA  
Chartered Accountants  
Partner  
Sundar & Company  
Date: August 25, 2014

## Profit and Loss Account

From Shrawan 1st, 2070 to Ashadh 32, 2071 (July 16, 2013 to July 16, 2014)

<i>Particulars</i>	<i>Schedule</i>	<i>This Year Rs.</i>	<i>Previous Year Rs.</i>
1 Interest Income	4.18	5,177,551,762	4,936,924,072
2 Interest Expenses	4.19	2,258,736,810	2,179,182,368
<b>Net Interest Income</b>		<b>2,918,814,952</b>	<b>2,757,741,704</b>
3 Commission and Discounts	4.20	254,881,697	266,820,914
4 Other Operating Income	4.21	309,475,361	249,385,306
5 Exchange Income	4.22	67,027,786	98,905,369
<b>Total Operating Income</b>		<b>3,550,199,796</b>	<b>3,372,853,293</b>
6 Staff Expenses	4.23	511,864,088	461,809,285
7 Other Operating Expenses	4.24	544,296,372	509,487,902
8 Exchange Loss	4.22	-	-
<b>Operating Profit Before Provision for Possible Loss</b>		<b>2,494,039,336</b>	<b>2,401,556,106</b>
9 Provision for Possible Losses	4.25	155,973,788	98,807,333
<b>Operating Profit</b>		<b>2,338,065,548</b>	<b>2,302,748,773</b>
10 Non-operating Income/Loss	4.26	9,934,186	8,336,601
11 Write-back of Loan Loss Provision	4.27	89,725,509	88,312
<b>Profit from Regular Activities</b>		<b>2,437,725,243</b>	<b>2,311,173,686</b>
12 Profit /Loss from Transaction of Extraordinary Activities	4.28	(20,000)	(88,312)
<b>Profit after Inclusion of all Transaction</b>		<b>2,437,705,243</b>	<b>2,311,085,374</b>
13 Provision for Staff Bonus		221,609,568	210,098,670
14 Provision for Income Tax			
Tax for the year		671,339,767	655,436,284
Tax for Earlier Year		2,173,012	106,774
Current Year Deferred Tax (Income)/Expense		(7,115,664)	(25,673,645)
<b>NET PROFIT</b>		<b>1,549,698,560</b>	<b>1,471,117,291</b>

Schedules 4.18 to 4.28, 4.32 and 4.33 are integral part of the Profit & Loss Account

Hum Nath Gurung  
Dy. General Manager

A.K. Ahluwalia  
C.E.O.

*Directors*  
Ved Krishna Shrestha  
Nabin Bhakta Shrestha  
Shiva Sharan K.C.  
Arun Man Sherchan  
Dr. Bal Gopal Vaidya  
Dr. Rakesh Gupta  
B.M. Panda

Bishnu Krishna Shrestha  
Chairman

As per our report even date

Sundar Man Shrestha, FCA  
Chartered Accountants  
Partner  
Sundar & Company  
Date: August 25, 2014

## Profit Appropriation Account

From Shrawan 1st, 2070 to Ashadh 32, 2071 (July 16, 2013 to July 16, 2014)

<i>Particulars</i>	<i>This Year Rs.</i>	<i>Previous Year Rs.</i>
<b>INCOME</b>		
1 Retained Profit upto last year	559,466,358	437,523,859
2 Profit for the year	1,549,698,560	1,471,117,291
3 Excgange Fluctuation Fund	-	-
4 Refund of Last Year Dividend Income of R.M.D.C.	-	(385,320)
<b>TOTAL</b>	<b>2,109,164,918</b>	<b>1,908,255,830</b>
<b>APPROPRIATION</b>		
1 Accumulated Loss upto last year	-	-
2 Loss for the year	-	-
3 General Reserve	309,940,000	294,224,000
4 Deferred Tax Reserve	7,115,664	25,673,645
5 Bank Development Fund	-	-
6 Dividend Equalization Fund	-	-
7 Staff related funds	-	-
8 Dividend on Preference Share	8,400,000	11,200,000
9 Proposed dividend on ordinary shares	911,995,772	808,990,186
10 Proposed Bonus Share	216,148,686	160,112,641
11 Capital Redemption Reserve	-	-
12 Exchange Equalization Fund	1,236,000	1,704,000
13 Debenture Redemption Reserve	46,885,000	46,885,000
14 Capital Adjustment Reserve	-	-
15 Investment Adjustment Reserve	-	-
16 Other Free Reserve	-	-
<b>TOTAL</b>	<b>1,501,721,122</b>	<b>1,348,789,472</b>
<b>RETAINED PROFIT/(LOSS)</b>	<b>607,443,796</b>	<b>559,466,358</b>

Hum Nath Gurung  
Dy. General Manager

A.K. Ahluwalia  
C.E.O.

Directors  
Ved Krishna Shrestha  
Nabin Bhakta Shrestha  
Shiva Sharan K.C.  
Arun Man Sherchan  
Dr. Bal Gopal Vaidya  
Dr. Rakesh Gupta  
B.M. Panda

Bishnu Krishna Shrestha  
Chairman

As per our report even date

Sundar Man Shrestha, FCA  
Chartered Accountants  
Partner  
Sundar & Company  
Date: August 25, 2014



## Statement of Changes in Equity

From Shrawan 1st, 2070 to Ashadh 32, 2071 (July 16, 2013 to July 16, 2014)

Particulars	Share Capital Rs.	Share Premium Rs.	General Reserve Rs.	Capital Adjustment Fund Rs. *	Exchange Fluctuation Fund Rs.	Accumulated Profit Rs.	Other Free Reserve Rs.	Deferred Tax Rs.	Total Rs.
Balance at 15 July 2013	1,921,239,051	18,555,127	1,615,790,514	554,032,000	24,606,539	559,466,358	34,710,674	99,453,409	4,827,844,672
Adjustment	-	-	-	-	-	-	-	-	-
Balance after Adjustment	1,921,239,051	18,555,127	1,615,790,514	554,032,000	24,606,539	559,466,358	34,701,674	99,453,409	4,827,844,672
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Currency Translation Differences	-	-	-	-	-	-	-	-	-
Net Gains/Losses Not Recognised in the Income Statement	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	-	-	-	-
Transfer to General Reserve	-	-	309,940,000	-	-	1,549,698,560	-	-	1,549,698,560
Declaration of Dividend of Ordinary Shares	-	-	-	-	-	(309,940,000)	-	-	-
Declaration of Dividend- Preference Shares	-	-	-	-	-	(911,995,772)	-	-	(911,995,772)
Issue of Bonus Share	216,148,686	-	-	-	-	(8,400,000)	-	-	(8,400,000)
Deferred Tax	-	-	-	-	-	(216,148,686)	-	-	-
Transfer to Debenture Redemption Reserve	-	-	-	46,885,000	-	(7,115,664)	-	7,115,664	-
Transfer to Exchange Fluctuation Fund	-	-	-	-	1,236,000	(46,885,000)	-	-	-
<b>Closing Balance</b>	<b>2,137,387,737</b>	<b>18,555,127</b>	<b>1,925,730,514</b>	<b>600,917,000</b>	<b>25,82,539</b>	<b>607,443,796</b>	<b>34,701,674</b>	<b>106,569,073</b>	<b>5,457,147,460</b>

\* Capital Adjustment Reserves Fund includes Capital Redemption Reserve, Debenture Redemption Reserve also.

## Cash Flow Statement

From Shrawan 1st, 2070 to Ashadh 32, 2071 (July 16, 2013 to July 16, 2014)

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
<b>A. Cash flow from Operating Activities</b>		
1. Cash Received	5,529,621,778	5,251,036,856
1.1 Interest Income	4,896,796,364	4,636,675,822
1.2 Commission & Discounts Income	254,881,697	266,820,914
1.3 Income from Foreign Exchange Transaction	62,086,853	92,092,513
1.4 Recovery of Loan written off	–	–
1.5 Other Income	315,856,864	255,447,607
2. Cash Paid	(4,077,999,725)	(3,773,353,009)
2.1 Interest Expense	(2,221,770,567)	(2,184,026,904)
2.2 Staff Expense	(470,337,168)	(374,134,234)
2.3 Office Administration Expenses	(459,384,273)	(418,480,394)
2.4 Income Tax Paid	(716,409,047)	(640,907,607)
2.5 Other Expenses	(210,098,670)	(155,803,871)
<b>Cash Flow before Changes in Working Capital</b>	<b>1,451,622,053</b>	<b>1,477,683,847</b>
<b>(Increase)/Decrease in Current Assets</b>		
1. (Increase)/Decrease in Money at Call & Short Notice	–	–
2. (Increase)/Decrease in Short-Term Investments	3,476,238,910	(1,006,916,978)
3. (Increase)/Decrease in Loan & Advances and BP	(4,252,561,660)	(7,581,019,726)
4. (Increase)/Decrease in Other Assets	(1,319,557,964)	(105,402,703)
<b>Increase/(Decrease) in Current Liabilities</b>		
1. Increase/(Decrease) in Deposit	4,387,671,122	7,714,364,360
2. Increase/(Decrease) in Certificate of Deposit	–	–
3. Increase/(Decrease) in Short-Term Borrowing	(402,360,000)	402,360,000
4. Increase/(Decrease) in Other Liabilities	(68,781,507)	(235,667,183)
<b>Total Cash Flow from Operating Activities</b>	<b>3,272,270,953</b>	<b>665,401,618</b>
<b>B. Cash flow from Investing Activities</b>		
1. Purchase of Shares & Debentures	(37,500,000)	–
2. Proceeds from Sale of Shares & Debentures	–	–
3. Purchase of Fixed Assets	(92,947,873)	(174,531,212)
4. Proceeds from Sale of Fixed Assets	15,687,097	147,590
5. (Increase)/Decrease in Long-Term Investments	(677,466,260)	(393,314,276)
6. Proceeds from Sale of Non-Banking Assets	2,321,007	–
7. Interest Income from Long-Term Investments	294,425,249	321,491,622
8. Dividend Received	3,625,122	2,393,293
9. Others (Refund of Last Year Dividend Income of R.M.D.C.)	–	(385,320)
<b>Total Cash flow from Investing Activities</b>	<b>(491,855,658)</b>	<b>(244,198,304)</b>
<b>C. Cash flow from Financing Activities</b>		
1. Increase/(Decrease) in Long Term borrowings (Bond, Debentures, etc)	–	468,845,000
2. Increase/(Decrease) in Share Capital	–	–
3. Increase/(Decrease) in Share Premium	–	–
4. Share Application Money Received	–	–
5. Dividend Paid	(797,971,224)	(41,659,568)
6. Interest in Borrowing Paid	(30,396,100)	(2,713,946)
7. Increase/(Decrease) in Refinance / facilities received from NRB	–	–
<b>Total Cash flow from Financing Activities</b>	<b>(828,367,324)</b>	<b>424,471,486</b>
<b>D. Income / Loss from change in exchange rate in Cash &amp; Bank Balance</b>	<b>4,940,933</b>	<b>6,812,856</b>
<b>E. Current Year's Cash Flow from all activities</b>	<b>1,956,988,904</b>	<b>852,487,656</b>
<b>F. Opening Balance of Cash &amp; Bank Balances</b>	<b>11,215,793,963</b>	<b>10,363,306,307</b>
<b>G. Closing Balance of Cash &amp; Bank Balances</b>	<b>13,172,782,867</b>	<b>11,215,793,963</b>

## Share Capital and Shareholding

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.1

Particulars	Current Year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorized Capital	2,000,000,000	2,000,000,000
A) 18,800,000 nos. of Ordinary Shares of Rs. 100 each (Previous 18,400,000 nos. of Ordinary Shares of Rs. 100 each)	1,880,000,000	1,840,000,000
B) 1,200,000 nos. of 7% Cumulative Convertible Preference Share of Rs. 100 each (Previous 1,600,000 nos. of Cumulative Convertible Preference Share of Rs. 100 each)	120,000,000	160,000,000
1.2 Issued Capital	1,921,239,051	1,761,126,410
A) 18,012,391 nos. of Ordinary Shares of Rs. 100 each (Previous 16,011,264 nos. of Ordinary Shares of Rs. 100 each)	1,801,239,051	1,601,126,410
B) 1,200,000 nos. of 7% Cumulative Convertible Preference Share of Rs. 100 each (Previous 1,600,000 nos. of Cumulative Convertible Preference Share of Rs. 100 each)	120,000,000	160,000,000
1.3 Paid up Capital	1,921,239,051	1,761,126,410
A) 18,012,391 nos. of Ordinary Shares of Rs. 100 each (Including 14,814,737 Bonus Shares fully paid) (Previous 16,011,234 nos. of Ordinary Shares of Rs. 100 each)	1,801,239,051	1,601,126,410
B) 1,200,000 nos. of 7% Cumulative Convertible Preference Share of Rs. 100 each (Previous 1,600,000 nos. of Cumulative Convertible Preference Share of Rs. 100 each)	120,000,000	160,000,000
1.4 Propose Bonus Share	216,148,686	160,112,641
1.5 Calls in Advance	–	–
<b>Total (1.3 + 1.4 + 1.5)</b>	<b>2,137,387,737</b>	<b>1,921,239,051</b>

## Detail of Share Ownership

Particulars	Current Year Rs.		Previous Year Rs.	
	%	Share Capital	Share Capital	%
A. Local Ownership	80.00	1,440,091,251	1,279,722,210	80.00
1.1 Nepal Government	–	–	–	–
1.2 'A' Class Licensed Institutions	–	–	–	–
1.3 Other Licensed Institutions	–	–	–	–
1.4 Other Institutions	10.86	195,595,100	171,724,300	10.73
1.5 Individual	69.14	1,244,496,151	1,107,997,910	69.27
1.6 Others	–	–	–	–
B. Foreign Ownership	20.00	361,147,800	321,404,200	20.00
<b>TOTAL</b>	<b>100</b>	<b>1,801,239,051</b>	<b>1,601,126,410</b>	<b>100</b>

Detail of Shareholders holding more than 0.5% of the Share Capital is as under :

Name & Address	%	Amount in Rs.	Name & Address	%	Amount in Rs.
Sh. B.K. Shrestha, Sanepa Lalitpur	9.19	165,558,800	Sh. Arun Man Sherchan, Gairidhara, Ktm	3.80	68,394,700
M/s Hotel Snow Lion P. Ltd., Bagbazar Ktm	9.32	167,803,000	Sh. Shanta Dev Pathak, Kamalpokhari, Ktm	2.33	41,903,200
Sh. Maitra Dev Pathak, Kamalpokhari, Ktm	5.69	102,540,200	Sh. Kul Bir Singh Tuladhar, Tripureshwor, Ktm	1.00	18,097,901
Sh. Radha Shrestha, Tapahiti Lalitpur	8.77	158,028,200	M/s Punjab National Bank, India	20.00	361,147,800
Sh. Nepal Krishna Shrestha, Tahachal, Ktm	9.30	167,464,700	Sh. Pratik Kayastha, Baluwatar, Kathmandu	0.79	14,300,400



## Reserve and Surplus

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.2

Particulars	Current Year Rs.	Previous Year Rs.
1 General Reserve	1,925,730,514	1,615,790,514
2 Capital Reserve	–	–
2.1 Share Premium	18,555,127	18,555,127
3 Capital Redemption Reserve	–	140,000,000
4 Capital Adjustment Reserve	507,147,000	367,147,000
5 Other Reserve		
a. Reserve for contingencies	–	–
b. Bank Development Fund	–	–
c. Dividend Equalization Fund	–	–
d. Debenture Redemption Reserve	93,770,000	46,885,000
e. Assets Revaluation Fund	–	–
f. Deferred Tax Reserve	106,569,073	99,453,409
g. Other free reserves	30,000,000	30,000,000
h. Investment Adjustment Reserve	3,475,866	3,475,866
i. Others	1,225,808	1,225,808
6 Retained Profit	607,443,796	559,466,358
7 Exchange Equalization Reserve	25,842,539	24,606,539
<b>TOTAL</b>	<b>3,319,759,723</b>	<b>2,906,605,621</b>

## Debenture and Bond

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.3

Particulars	Current Year Rs.	Previous Year Rs.
468,845 nos. of 8% Unsecured Debenture of Rs. 1,000 each (Issued on 14/06/2013 and Maturing on 13/06/2023) (Redemption Reserved till Balance sheet date Rs. 93,770,000)	468,845,000	468,845,000
<b>TOTAL</b>	<b>468,845,000</b>	<b>468,845,000</b>

## Loans and Borrowing

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.4

Particulars	Current Year Rs.	Previous Year Rs.
<b>A. Local</b>		
1. Nepal Government	–	–
2. Nepal Rastra Bank (Refinance Loan)	–	–
3. Repo Obligation	–	–
4. Inter-bank & Financial Institutions	–	–
5. Other Body Corporates	–	–
6. Others	–	–
<b>TOTAL OF (A)</b>	<b>–</b>	<b>–</b>
<b>B. Foreign</b>		
1. Banks	–	402,360,000
2. Others	–	–
<b>TOTAL OF (B)</b>	<b>–</b>	<b>402,360,000</b>
<b>GRAND TOTAL (A+B)</b>	<b>–</b>	<b>402,360,000</b>

## Deposit Liabilities

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.5

Particulars	Current Year Rs.	Previous Year Rs.
<b>1 Non-interest Bearing Deposits</b>		
<b>A. Current Deposits</b>	<b>6,490,122,477</b>	<b>8,099,050,980</b>
1. Local Currency	6,307,252,757	7,980,816,862
1.1 Nepal Government	768,959,633	2,713,760,186
1.2 'A' Class Licensed Institutions	101,465,401	115,371,517
1.3 Other Licensed Financial Institutions	210,982,366	325,917,824
1.4 Other Body Corporates	4,276,590,848	4,168,492,315
1.5 Individuals	237,431,175	295,288,183
1.6 Others	711,823,334	361,986,837
2. Foreign Currency	182,869,720	118,234,118
2.1 Nepal Government	–	–
2.2 'A' Class Licensed Institutions	–	–
2.3 Other Licensed Financial Institutions	–	–
2.4 Other Body Corporates	182,810,905	117,387,451
2.5 Individuals	58,815	846,667
2.6 Others	–	–
<b>B. Margin</b>	<b>665,135,896</b>	<b>495,889,582</b>
1. Staff Earnest Money	–	–
2. Security Margin	341,682,552	248,553,490
3. LC Margin	323,453,344	247,336,092
<b>C. Others</b>	<b>226,516,158</b>	<b>199,923,193</b>
1. Local Currency	178,986,647	166,618,507
1.1 Financial Institutions	–	–
1.2 Other Body Corporates	36,394,936	9,914,329
1.3 Individual	142,591,711	156,704,178
2. Foreign Currency	47,529,511	33,304,686
2.1 Financial Institutions	–	–
2.2 Other Body Corporates	47,529,511	33,304,686
2.3 Individual	–	–
<b>Total Non-interest Bearing Deposit</b>	<b>7,381,774,531</b>	<b>8,794,863,755</b>
<b>2. Interest Bearing Deposits</b>		
<b>A. Saving Deposit</b>	<b>26,489,444,928</b>	<b>21,067,485,936</b>
1. Local Currency	26,364,452,656	20,976,829,773
1.1 Body Corporate	–	–
1.2 Individual	25,665,229,067	20,870,163,859
1.3 Others	699,223,589	106,665,914

contd..

## Deposit Liabilities

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.5

<b>Particulars</b>	<b>Current Year Rs.</b>	<b>Previous Year Rs.</b>
2. Foreign Currency	124,992,272	90,656,163
2.1 Body Corporate	–	–
2.2 Individual	124,992,272	90,656,163
2.3 Others	–	–
<b>B. Fixed Deposit</b>	<b>14,528,858,311</b>	<b>14,104,779,337</b>
1. Local Currency	14,525,828,011	14,004,538,594
1.1 Body Corporate	7,296,491,243	6,739,015,534
1.2 Individual	6,923,293,469	6,438,952,555
1.3 Others	306,043,299	826,570,505
2. Foreign Currency	3,030,300	100,240,743
2.1 Body Corporate	3,030,300	100,240,743
2.2 Individual	–	–
2.3 Others	–	–
<b>C. Call Deposit</b>	<b>13,708,057,984</b>	<b>13,753,335,604</b>
1. Local Currency	8,301,257,154	10,608,858,179
1.1 'A' Class Licensed Institution	–	–
1.2 Other Licensed Institutions	1,115,911,472	1,333,608,397
1.3 Other Body Corporates	6,454,295,129	8,031,721,636
1.4 Individual	64,131,751	369,605,154
1.5 Others	666,918,802	873,922,992
2. Foreign Currency	5,406,800,830	3,144,477,425
2.1 'A' Class Licensed Institution	–	–
2.2 Other Licensed Institutions	–	–
2.3 Other Body Corporates	5,404,320,925	3,142,568,963
2.4 Individual	2,479,905	1,908,462
2.5 Others	–	–
<b>D. Certificate of Deposits</b>	<b>–</b>	<b>–</b>
1. Body Corporate	–	–
2. Individual	–	–
3. Others	–	–
<b>Total Interest Bearing Deposits</b>	<b>54,726,361,223</b>	<b>48,925,600,877</b>
<b>TOTAL DEPOSITS</b>	<b>62,108,135,754</b>	<b>57,720,464,632</b>

## Bills Payable

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.6

Particulars	Current Year Rs.	Previous Year Rs.
1 Local Currency	85,825,755	82,133,541
2 Foreign Currency	284,752,405	310,923,361
<b>TOTAL</b>	<b>370,578,160</b>	<b>393,056,902</b>

## Other Liabilities

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.7

Particulars	Current Year Rs.	Previous Year Rs.
1 Pension / Gratuity Fund (Provision)	297,864,840	256,337,920
2 Staff Provident Fund	–	–
3 Staff Welfare Fund	–	–
4 Staff Bonus	221,609,568	210,098,670
5 Interest Payable on Deposits	22,328,777	23,805,498
6 Interest Payable on Borrowings	–	–
7 Unearned Discount/Commission	–	–
8 Sundry Creditors	289,186,547	307,275,094
9 Branch Adjustment Account	6,517,678	6,511,258
10 Deferred Tax Liabilities	–	–
11 Unpaid Dividend	52,181,132	29,962,170
12 Others		
a) Agency Account	7,778,298	28,479,024
b) Interest on Debenture	10,154,273	2,107,409
c) Remittance Payable	72,781,992	95,427,692
d) Debenture Matured	–	–
e) Audit Fee	250,000	225,000
f) Others	139,327,594	124,226,805
<b>TOTAL</b>	<b>1,119,980,699</b>	<b>1,084,456,540</b>

## Cash in Hand

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.8

Particulars	Current Year Rs.	Previous Year Rs.
1 Local Currency (Including Coins)	2,035,267,323	1,709,864,092
2 Foreign Currency	14,762,164	13,344,893
<b>TOTAL</b>	<b>2,050,029,487</b>	<b>1,723,208,985</b>

## Balance with Nepal Rastra Bank

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.9

Particulars	Local Currency	Foreign Currency			Current Year Rs.	Previous Year Rs.
		INRs.	Convertible	Total		
1. Nepal Rastra Bank						
a. Current Account	9,412,680,826	–	34,240,795	34,240,795	9,446,921,621	8,205,090,428
b. Others	–	–	–	–	–	–
<b>Total</b>	<b>9,412,680,826</b>	<b>–</b>	<b>34,240,795</b>	<b>34,240,795</b>	<b>9,446,921,621</b>	<b>8,205,090,428</b>

Balance as per Balance Certificate Rs. 14,866,145,447 (Previous Year Rs. 10,265,800,253) and the difference amount is reconciled.

## Balance with Other Bank & Financial Institutions

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.10

Particulars	Local Currency	Foreign Currency			Current Year Rs.	Previous Year Rs.
		INRs.	Convertible	Total		
1. Other Local Licensed Institutions	466,567,934	–	73,586	73,586	466,641,520	252,990,878
a. Current Account	466,567,934	–	73,586	73,586	466,641,520	
b. Others	–	–	–	–	–	–
2. Foreign Banks	–	794,011,838	415,178,401	1,209,190,239	1,209,190,239	1,034,503,672
a. Current Account	–	794,011,838	415,178,401	1,209,190,239	1,209,190,239	1,034,503,672
b. Others	–	–	–	–	–	–
<b>Total</b>	<b>466,567,934</b>	<b>794,011,838</b>	<b>415,251,987</b>	<b>1,209,263,825</b>	<b>1,675,831,759</b>	<b>1,287,494,550</b>

Balance as per Balance Certificate Rs. 2,105,710,303 (Previous Year Rs. 1,781,878,158) and the difference amount is reconciled.

## Money at Call & Short Notice

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.11

Particulars	Current Year Rs.	Previous Year Rs.
1 Local Currency	–	–
2 Foreign Currency	–	–
<b>TOTAL</b>	<b>–</b>	<b>–</b>



## Investments

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.12

Particulars	Purpose		Current Year Rs.	Previous Year Rs.
	Trading	Others		
1. Nepal Government Treasury Bills	–	650,269,798	650,269,798	4,126,508,708
2. Nepal Government Saving Bonds	–	–	–	–
3. Nepal Government Other Securities	–	1,894,467,171	1,894,467,171	2,861,800,911
4. Nepal Rastra Bank Bonds	–	–	–	–
5. Foreign Securities	–	–	–	–
6. Local Licensed Institutions	–	–	–	–
7. Foreign Banks	–	3,896,100,000	3,896,100,000	2,251,300,000
8. Corporate Shares	–	63,348,800	63,348,800	25,848,800
9. Corporate Bond & Debenture	–	–	–	–
10. Other Investments	–	–	–	–
<b>Total Investments</b>	–	<b>6,504,185,769</b>	<b>6,504,185,769</b>	<b>9,265,458,419</b>
Provision for Investment in Shares	–	–	–	(1,600,000)
<b>NET INVESTMENTS</b>	–	–	<b>6,504,185,769</b>	<b>9,263,858,419</b>

## Investments in Shares, Debentures and Bonds

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.12(ka)

Particulars	Cost	Market Value	Provision	Previous Year Rs.
1. Investments in Shares				
1.1 Rural Microfinance Development Centre Ltd. (31,200 shares of Rs. 100 each)	3,120,000	26,457,000	–	3,120,000
1.2 Nirdhan Utthan Bank Ltd. (215,998 shares of Rs. 100 each including 88,065 bonus shares)	12,793,300	280,797,400	–	12,793,300
1.3 Credit Information Center Ltd. (45,066 shares of Rs. 100 each including 32,711 bonus shares)	1,235,500	NA	–	1,235,500
1.4 Taragaon Regency Hotel Ltd.* (50,000 shares of Rs. 100)	5,000,000	15,450,000	–	5,000,000
1.5 Nepal Clearing House (25,000 shares of Rs. 100)	2,500,000	NA	–	2,500,000
1.6 National Banking Training Institute (12,000 shares of Rs. 100)	1,200,000	NA	–	1,200,000
1.7 Forward Community Micro Finance (375,000 shares of Rs. 100)	37,500,000	NA	–	–
2. Investment in Debentures				
<b>Total Investments</b>	<b>63,348,800</b>	–	–	<b>25,848,800</b>
3. Provision				
3.1 Upto last year	(1,600,000)			(1,600,000)
3.2 This year (Written Back)	1,600,000			–
<b>Total Provision</b>	–			<b>(1,600,000)</b>
<b>NET INVESTMENTS</b>	<b>63,348,800</b>	–	–	<b>24,248,800</b>

\* Taragaon Regency Hotel Ltd. has not declared any dividend for than last three years.

## Held for Trading

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.12.1

<b>Particulars</b>	<b>Cost Price</b>	<b>Last Year Market Price (A)</b>	<b>This Year Market Price (B)</b>	<b>This Year Profit/(Loss) Amount (B-A)</b>	<b>Last Year Profit/(Loss) Amount</b>	<b>Remarks</b>
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Securities	-	-	-	-	-	-
6. Local Licensed Institution's Shares	-	-	-	-	-	-
7. Local Licensed Institution's Debenture & Bond	-	-	-	-	-	-
8. Corporate Shares, Debenture & Bond	-	-	-	-	-	-
9. Foreign Bank Placement	-	-	-	-	-	-
10. Inter Bank Lending	-	-	-	-	-	-
11. Other Investments	-	-	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Held to Maturity

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.12.2

<b>Particulars</b>	<b>Cost Price (A)</b>	<b>Last Amount up to This Year (B)</b>	<b>Loss Amount Addition to This Year (C)</b>	<b>This Year Profit/(Loss) Amount (A-B-C)</b>	<b>Last Year Profit/(Loss) Amount</b>	<b>Remarks</b>
1. Nepal Government Treasury Bills	650,269,798	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	1,894,467,171	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Securities	-	-	-	-	-	-
6. Local Licensed Institution's Shares	-	-	-	-	-	-
7. Local Licensed Institution's Debenture & Bond	-	-	-	-	-	-
8. Corporate Shares, Debenture & Bond	-	-	-	-	-	-
9. Foreign Bank Placement	3,896,100,000	-	-	-	-	-
10. Other Investments	-	-	-	-	-	-
<b>Total Investments</b>	<b>6,440,836,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Available for Sale

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.12.3

<b>Particulars</b>	<b>Cost Price</b>	<b>Last Year Market Price (A)</b>	<b>This Year Market Price (B)</b>	<b>This Year Adjustment Fund Amount (B-A)</b>	<b>Last Year Profit/(Loss) Amount</b>	<b>Remarks</b>
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Securities	-	-	-	-	-	-
6. Local Licensed Institution's Shares	-	-	-	-	-	-
7. Local Licensed Institution's Debenture & Bond	-	-	-	-	-	-
8. Corporate Shares, Debenture & Bond	63,348,800	-	322,705,000	-	-	-
9. Foreign Bank Placement	-	-	-	-	-	-
10. Other Investments	-	-	-	-	-	-
<b>Total Investments</b>	<b>63,348,800</b>	<b>-</b>	<b>322,705,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Loan & Advances and Provisioning

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.13

Particulars	Advances					Bills Purchased/Discounted				Current Year Rs.	Previous Year Rs.
	Domestic			Foreign	Total	Domestic	Foreign	Total			
	Deprived		Other								
	Insured	Uninsured									
1. Performing Loan	-	2,171,272,444	44,312,266,145	1,001,728,786	47,485,267,375	3,500,000	491,133,187	494,633,187	47,979,900,562	43,921,564,169	
(a) Pass Loan	-	2,171,272,444	44,312,266,145	1,001,728,786	47,485,267,375	3,500,000	491,133,187	494,633,187	47,979,900,562	43,921,564,169	
2. Non-Performing Loan	-	-	470,404,039	-	470,404,039	-	-	-	470,404,039	276,198,772	
2.1 Restructure/Reschedule	-	-	-	-	-	-	-	-	-	-	
2.2 Substandard	-	-	6,228,119	-	6,228,119	-	-	-	6,228,119	6,462,543	
2.3 Doubtful	-	-	168,430,451	-	168,430,451	-	-	-	168,430,451	10,409,130	
2.4 Loss	-	-	295,745,469	-	295,745,469	-	-	-	295,745,469	259,327,099	
A. Total Loan (1+2)	-	2,171,272,444	44,782,670,184	1,001,728,786	47,955,671,414	3,500,000	491,133,187	494,633,187	48,450,304,601	44,197,762,941	
3. Loan loss Provision											
3.1 Pass Loan	-	21,712,724	443,122,661	10,017,288	474,852,673	35,000	4,911,332	4,946,332	479,799,005	439,215,642	
3.2 Restructure/Reshdule	-	-	-	-	-	-	-	-	-	-	
3.3 Substandard	-	-	1,557,030	-	1,557,030	-	-	-	1,557,030	1,615,636	
3.4 Doubtful	-	-	84,215,226	-	84,215,226	-	-	-	84,215,226	5,204,565	
3.5 Loss	-	-	295,745,469	-	295,745,469	-	-	-	295,745,469	259,327,099	
3.6 Additional Provision	-	-	16,963,664	-	16,963,664	-	-	-	16,963,664	99,212,934	
B. Total Loan Loss Provision	-	21,712,724	841,604,050	10,017,288	873,334,062	35,000	4,911,332	4,946,332	878,280,394	804,575,876	
4. Provision upto Ashad end 2069											
4.1 Pass Loan	-	16,925,783	408,999,580	11,396,599	437,321,962	5,481	1,888,199	1,893,680	439,215,642	363,093,388	
4.2 Restructure/Reschedule	-	-	-	-	-	-	-	-	-	93,750	
4.3 Substandard	-	-	1,615,636	-	1,615,636	-	-	-	1,615,636	19,353,644	
4.4 Doubtful	-	-	5,204,565	-	5,204,565	-	-	-	5,204,565	5,224,988	
4.5 Loss	-	-	259,327,099	-	259,327,099	-	-	-	259,327,099	218,878,150	
4.6 Additional Provision	-	-	99,212,934	-	99,212,934	-	-	-	99,212,934	99,212,934	
C. Total Provision upto Ashad end 2070	-	16,925,783	774,359,814	11,396,599	802,682,196	5,481	1,888,199	1,893,680	804,575,876	705,856,854	
D. Write Back of Provision	-	-	82,269,270	-	82,269,270	-	-	-	82,269,270	88,312	
E. Provision for the year	-	4,786,941	149,513,506	(1,379,311)	152,921,136	29,519	3,023,133	3,052,652	155,973,788	98,807,333	
F. Net Increase/Decrease for the year	-	4,786,941	67,244,236	(1,379,311)	70,651,866	29,519	3,023,133	3,052,652	73,704,518	98,719,021	
NET LOAN (A-B)	-	2,149,559,720	43,941,066,134	991,711,498	47,082,337,352	3,465,000	486,221,855	489,686,855	47,572,024,207	43,393,187,065	

## Security Wise Detail of Loans, Advances and Bills Purchases

As on 32 Ashadh 2071 (16 July 2014)

*Schedule 4.13(Ka)*

<i><b>Particulars</b></i>	<i><b>Current Year Rs.</b></i>	<i><b>Previous Year Rs.</b></i>
<b>A. Secured</b>	<b>48,450,304,601</b>	<b>44,197,762,941</b>
1. Against Fixed/Movable Properties	46,664,573,414	43,119,359,856
2. Loan Against Guarantee Local Licensed Institutions	–	–
3. Against Government Guarantee	198,736,758	198,736,758
4. Against International Rated Bank's Guarantee	–	–
5. Against Export Document	–	–
6. Against Fixed Deposit Receipts	1,036,451,326	820,897,883
a) Own Fixed Deposit Receipts	1,036,451,326	820,897,883
b) Other Licensed Institutions' Fixed Deposit	–	–
7. Against Government Securities	37,724,299	12,818,802
8. Against Counter Guarantee	–	–
9. Against Personal Guarantee	2,495,693	2,496,538
10. Against Other Securities	510,323,111	43,453,104
<b>B. Unsecured</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>48,450,304,601</b>	<b>44,197,762,941</b>



## Fixed Assets

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.14

Particulars	Assets					Current Year Rs.	Previous Year Rs.
	Building	Vehicles	Machinery	Office Equipment	Others		
<b>1. Cost</b>							
a) Upto Last Year	34,777,087	181,069,048	161,958,564	330,514,330	17,740,571	726,059,600	673,076,681
b) Addition this Year	-	23,796,602	8,137,598	28,296,396	-	60,230,596	57,446,235
c) Revaluation during the year	-	-	-	-	-	-	-
d) Sold during the year	-	(45,029,290)	(13,468)	(2,558,497)	-	(47,601,255)	(1,532,732)
e) Inter Head Transfers	-	-	-	-	-	-	410,407
f) Write off during this year	-	-	-	(3,717,205)	-	(3,717,205)	(3,340,990)
<b>Total Cost (a + b + c + d + e)</b>	<b>34,777,087</b>	<b>159,836,360</b>	<b>170,082,694</b>	<b>352,535,024</b>	<b>17,740,571</b>	<b>734,971,737</b>	<b>726,059,601</b>
<b>2. Depreciation</b>							
a) Upto Last Year	11,993,372	108,217,987	82,334,686	221,163,493	15,564,024	439,273,562	377,448,403
b) Addition this Year	1,139,186	17,923,236	12,810,372	31,635,526	1,301,939	64,810,259	66,119,916
c) Depreciation of Inter Head Transfers	-	-	-	-	-	-	45,975
d) Depreciation of write off	-	-	-	(3,357,083)	-	(3,357,083)	(3,074,581)
e) Depreciation of assets sold	-	(33,215,203)	(6,205)	(2,155,542)	-	(35,376,950)	(1,266,150)
<b>Total Depreciation</b>	<b>13,132,558</b>	<b>92,926,020</b>	<b>95,138,853</b>	<b>247,286,394</b>	<b>16,865,963</b>	<b>465,349,788</b>	<b>439,273,563</b>
<b>3. Book Value (1 - 2)</b>	<b>21,644,529</b>	<b>66,910,340</b>	<b>74,943,841</b>	<b>105,248,630</b>	<b>874,608</b>	<b>269,621,949</b>	<b>286,786,038</b>
<b>4. Land</b>	-	-	-	-	292,806,579	292,806,579	292,806,579
<b>5. Capital WIP</b>	-	-	-	-	21,802,722	21,802,722	-
<b>6. Leasehold Asset</b>	-	-	-	-	23,414,148	23,414,148	30,054,497
<b>7. Finacle Software</b>	-	-	-	-	19,348,872	19,348,872	21,535,687
<b>Total (3 + 4 + 5 + 6 + 7)</b>	<b>21,644,529</b>	<b>66,910,340</b>	<b>74,943,841</b>	<b>105,248,630</b>	<b>358,246,929</b>	<b>626,994,270</b>	<b>631,182,801</b>

### Detail of Computer Software - Finacle

<b>Cost</b>	
Upto Last Year	47,560,785
Addition This Year	2,854,737
<b>Total Cost</b>	<b>50,415,522</b>
<b>Amortisation</b>	
Upto Last Year	26,025,098
Addition This Year	5,041,552
<b>Total Amortisation</b>	<b>31,066,650</b>
<b>Net Book Value</b>	<b>19,348,872</b>

## Non Banking Assets

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.15

Name & Address of the Party/Borrower	Date of Transfer	Amount of NBA	Provisioning		Net Amount	Previous Year Rs.
			%	Amount		
1. NB Garments Bathnah VDC - 6, Simara	04.06.2004	–	–	–	–	5,856,238
2. Daya Nanda & Kalpana Thapa Maharajgunj, Kathmandu	14.07.2011	45,930,349	100	45,930,349	–	45,930,349
<b>Total</b>		<b>45,930,349</b>		<b>45,930,349</b>	<b>–</b>	<b>51,786,587</b>
Previous Year's Provisions					–	(51,786,587)
<b>TOTAL</b>		<b>45,930,349</b>		<b>45,930,349</b>	<b>–</b>	<b>–</b>

## Other Assets

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.16

Particulars	Current Year Rs.	Previous Year Rs.
1. Stationeries Stock	12,790,759	13,016,012
2. Interest Receivable on Investments	21,832,658	35,502,506
3. Interest Receivable on Loans & Advances	–	–
Interest Receivable on Loans & Advances	130,822,238	131,877,935
Less: Interest Suspense	(130,822,238)	(131,877,935)
4. Commission Receivables	–	–
5. Sundry Debtors	16,887,866	39,249,211
6. Staff Loans & Advances	1,204,179,047	981,205,270
7. Pre-paid Expenses	15,505,370	13,968,612
8. Cash in Transit	–	37,073
9. Others in Transit (including cheques)	–	–
10. Draft Paid Without Advices	–	–
11. Expenses to be Written -off	–	–
12. Branch Account	–	–
13. Deferred Tax Assets	106,569,073	99,453,409
14. Others	–	–
Security Deposit - Utility Service	2,629,338	2,614,888
Security Deposit - Legal Case	58,705,601	43,055,601
Remittance Receivable	94,614,504	9,025,627
Misc.	398,017	–
Advance Tax	18,963,743	–
Custom Cheque Clearance	281,678,282	–
Government Payment Claimable	734,341,474	–
<b>TOTAL</b>	<b>2,569,095,732</b>	<b>1,237,128,209</b>

## Other Assets (Additional Details)

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.16(ka)

Particulars	Current Year Rs.				Previous Year Rs.
	Up to 1 Year	More than 1 Year & upto 3 Years	More than 3 Years	Total	
1. Interest Receivables on Loan	92,143,343	28,054,941	10,623,954	130,822,238	131,877,935
2. Draft Paid without Schedule	–	–	–	–	–
3. Branch Account	–	–	–	–	–
4. Domestic Foreign Agency A/c	–	–	–	–	–
<b>TOTAL</b>	<b>92,143,343</b>	<b>28,054,941</b>	<b>10,623,954</b>	<b>130,822,238</b>	<b>131,877,935</b>

## Contingent Liabilities

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.17

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Claim Lodged but Not Accepted by the Bank	–	–
2. Letters of Credits	7,219,439,531	5,269,858,281
a. Maturity Value of Less Than Six Months	5,021,290,389	5,267,841,412
b. Maturity Value of More Than Six Months	2,198,149,142	2,016,869
3. Re-discounted Bills	–	–
4. Unexpired Guarantees	3,165,520,584	2,492,315,974
a. Bid Bond	239,554,018	207,106,451
b. Performance Bond	2,925,966,566	2,285,209,524
5. Share Money Against Investments in Shares	–	–
6. Forward Exchange Contracts	–	–
7. Bills on Collection	558,711,004	379,273,489
8. Acceptance and Endorsements	891,443,748	657,783,310
9. Underwriting Commitment	–	–
10. Irrevocable Loan Commitment	6,016,245,107	4,399,207,139
11. Guarantee Against Counter Guarantee of International Rated Bank	387,570,420	81,381,176
12. Advance Payment Guarantee	634,357,090	577,137,630
13. Financial Guarantees	–	–
14. Contigent Liability Against Income Tax	213,750,942	138,252,700
15. Others	–	–
<b>TOTAL</b>	<b>19,087,038,426</b>	<b>13,995,209,700</b>

## Interest Income

As on 32 Ashadh 2071 (16 July 2014)

Schedule 4.18

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
<b>A. Interest on Loans, Advances &amp; Overdrafts</b>	<b>4,896,796,364</b>	<b>4,636,675,822</b>
1. Loans & Advances	2,633,090,944	2,326,909,639
2. Overdrafts	2,263,705,420	2,309,766,183
<b>B. Interest on Investments</b>	<b>240,893,826</b>	<b>274,945,912</b>
1. Government Securities	240,692,703	248,262,702
a. Treasury Bills	72,456,398	68,451,858
b. Development Bonds	168,236,305	179,810,844
c. National Saving Bonds	–	–
2. Foreign Securities	–	–
3. Nepal Rastra Bank Securities	–	–
4. Debenture & Bond	–	4,625,572
5. Interest on Inter-bank Lending	201,123	22,057,638
a. Bank/Financial Institutions	201,123	22,057,638
b. Other Institutions	–	–
<b>C. Agency Balance</b>	<b>39,829,597</b>	<b>25,062,231</b>
1. Local Banks/Financial Institutions	–	–
2. Foreign Banks	39,829,597	25,062,231
<b>D. Money at Call &amp; Short Notice</b>	<b>31,975</b>	<b>240,107</b>
1. Local Banks/Financial Institutions	–	–
2. Foreign Banks	31,975	240,107
<b>E. Others</b>	<b>–</b>	<b>–</b>
1. Certificate of Deposits	–	–
2. Inter Bank/Financial Institution Loan	–	–
3. Others	–	–
<b>TOTAL</b>	<b>5,177,551,762</b>	<b>4,936,924,072</b>



## Interest Expenses

From 16th July 2013 to 16th July 2014

Schedule 4.19

Particulars	Current Year Rs.	Previous Year Rs.
<b>A. Interest on Deposits</b>	<b>2,220,293,846</b>	<b>2,175,138,341</b>
1. Fixed Deposits	1,025,160,256	1,039,130,300
1.1 Local Currency	1,024,063,201	1,036,968,040
1.2 Foreign Currency	1,097,055	2,162,260
2. Saving Deposits	764,544,771	719,674,812
2.1 Local Currency	762,747,771	718,366,390
2.2 Foreign Currency	1,797,000	1,308,422
3. Call Deposits	430,588,819	416,333,229
3.1 Local Currency	342,473,985	359,744,239
3.2 Foreign Currency	88,114,834	56,588,990
4. Certificate of Deposits	–	–
<b>B. Interest on Loans</b>	<b>38,442,964</b>	<b>4,044,027</b>
1. Debenture & Bond	37,507,600	3,596,619
2. Loan from NRB	–	2,343,055
3. Inter-Bank Loan	935,364	447,408
4. Other Organisation	–	–
5. Other Loan	–	–
<b>C. Others</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>2,258,736,810</b>	<b>2,179,182,368</b>

## Commission and Discounts

From 16th July 2013 to 16th July 2014

Schedule 4.20

Particulars	Current Year Rs.	Previous Year Rs.
<b>A. Bills Purchased &amp; Discounted</b>	<b>12,852,564</b>	<b>16,968,313</b>
1. Local	5,034,025	1,260,568
2. Foreign	7,818,539	15,707,745
<b>B. Commission</b>	<b>212,309,074</b>	<b>219,123,108</b>
1. Letter of Credits	47,351,069	47,315,444
2. Letter of Guarantees	58,514,765	43,548,757
3. Collection Fees	9,582,192	11,696,709
4. Remittance Fees	46,698,400	70,549,686
5. Credit Card	–	–
6. Share Underwriting/Issue com.	–	–
7. Government Transaction	255,000	1,020,000
8. Exchange Commission	–	–
9. Batta	49,907,648	44,992,512
<b>C. Others</b>	<b>29,720,059</b>	<b>30,729,493</b>
<b>TOTAL</b>	<b>254,881,697</b>	<b>266,820,914</b>

## Other Operating Income

From 16th July 2013 to 16th July 2014

Schedule 4.21

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Safe Deposit Vault Rental Income	7,726,263	6,831,550
2. Credit Card Issue and Renewals	–	–
3. ATM Card Issue and Renewals	82,045,920	86,667,774
4. Telex / T.T.	14,252,880	12,618,676
5. Service Charges	125,008,074	89,873,080
6. Renewal Charges	21,198,917	11,905,232
7. Others	59,243,307	41,488,994
<b>TOTAL</b>	<b>309,475,361</b>	<b>249,385,306</b>

## Exchange Gain/(Loss)

From 16th July 2013 to 16th July 2014

Schedule 4.22

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
A. Exchange Rate Difference	4,940,933	6,812,856
B. Foreign Exchange Trading (except batta)	62,086,853	92,092,513
<b>TOTAL</b>	<b>67,027,786</b>	<b>98,905,369</b>

## Staff Expenses

From 16th July 2013 to 16th July 2014

Schedule 4.23

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Salary	312,820,806	259,932,190
2. Allowances	40,750,341	30,077,823
3. PF Contributions	29,781,092	24,776,614
4. Training	735,113	1,488,497
5. Uniform	4,526,374	5,804,142
6. Medical	3,675,231	1,405,498
7. Insurance	9,765,762	6,819,281
8. Gratuity	52,346,954	90,197,451
9. Others		
a) Dashain Expenses	24,554,271	18,546,251
b) Leave Encashment	20,951,515	13,903,386
c) Leave Travel Assistance	11,956,629	8,858,152
<b>TOTAL</b>	<b>511,864,088</b>	<b>461,809,285</b>

## Operating Expenses

From 16th July 2013 to 16th July 2014

Schedule 4.24

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. House Rent	70,649,460	61,150,381
2. Electricity & Water	16,806,748	15,725,653
3. Repair & Maintenance	–	–
A. Building	1,005,212	705,118
B. Vehicles	2,981,391	2,511,616
C. Others	–	–
4. Insurance Premium	33,804,426	31,013,595
5. Postage, Telex, Telephone, Fax	34,720,445	29,156,874
6. Office Equipment/Furniture & Maintenance	12,170,542	11,705,136
7. Traveling Expenses	9,870,461	9,746,432
8. Printing & Stationeries	19,572,202	18,115,316
9. Newspaper & Magazine	609,688	546,250
10. Advertisement	25,585,862	25,165,554
11. Legal Expenses	1,024,920	1,427,219
12. Donation	1,056,770	615,385
13. Board Expenses	–	–
A. Meeting Fee	990,000	940,000
B. Other Expenses	1,850,281	2,584,193
14. Annual General Meeting Expenses	2,303,051	2,126,113
15. Audit Expenses	–	–
A. Audit Fee	282,500	254,250
B. Other Expenses	1,239,558	881,875
16. Remittance Expenses	25,138,161	26,325,660
17. Depreciation	64,810,259	66,119,916
18. Pre-operating Expenses Write Off	–	–
19. Debenture /Share Issue Expenses	–	1,967,275
20. TSA Fee and Expenses Reimbursement	29,560,173	25,557,498
21. Entertainment	8,615,630	7,361,997
22. Amortization	19,744,409	24,621,183
23. Security Expenses	39,010,430	29,601,999
24. Loan Insurance Premium	–	–
25. Commission & Discounts	–	–
26. Others		
A) Business Promotion	17,125,386	19,309,348
B) Consultancy Charges	1,380,783	456,689
C) Registration/Renewals	6,678,226	7,792,467
D) Misc.	6,533,575	10,894,331
E) Fuel & Lubricant	30,070,967	28,922,686
F) Assets Written Off	357,431	266,409
G) A.T.M. Related Expenses	14,184,667	14,062,574
H) Temporary Staff Wages	15,716,959	12,010,626
I) Software Contract Expenses	11,970,307	13,156,374
J) Electronic Cheque Clearing	6,210,705	2,781,280
K) CIC Charges	7,379,480	6,076,000
L) Branch Less Banking	776,832	294,230
M) Disaster Recovery Site	2,508,475	3,643,650
<b>Total</b>	<b>544,296,372</b>	<b>509,487,902</b>

### Provision for Possible Loss

From 16th July 2013 to 16th July 2014

Schedule 4.25

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Increase In Loan Loss Provision	155,973,788	98,807,333
2. Increase In Provision For Investment	–	–
3. Provision For Non-banking Assets	–	–
4. Provision Against Other Assets	–	–
<b>Total</b>	<b>155,973,788</b>	<b>98,807,333</b>

### Gain/(Loss) from Non-Operating Activities

From 16th July 2013 to 16th July 2014

Schedule 4.26

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Gain/(Loss) on Sale of Investment	–	–
2. Gain/(Loss) on Sale of Assets	3,462,792	(118,993)
3. Dividend	–	–
A. Rural Development Banks	2,689,252	2,393,293
B. Credit Information Center	821,870	482,904
C. National Banking Institute	114,000	–
4. Subsidy Received From NRB	–	–
A. Compensation of Branch Loss	–	–
B. Interest Compensation	–	–
C. Exchange Counters	–	–
5. Others	–	–
A. House Rent	6,381,503	6,062,301
B. Gain/Loss on Sale of NBA	(3,535,231)	–
<b>Total Gain / (Loss)</b>	<b>9,934,186</b>	<b>8,336,601</b>

### Write Back from Provision for Possible Loss

From 16th July 2013 to 16th July 2014

Schedule 4.27

<i>Particulars</i>	<i>Current Year Rs.</i>	<i>Previous Year Rs.</i>
1. Write-back From Loan Loss Provision	82,269,270	88,312
2. Write-back From Provision for NBA	5,856,239	–
3. Write-back From Provision For Investment	1,600,000	–
4. Write-back From Other Provision	–	–
<b>Total</b>	<b>89,725,509</b>	<b>88,312</b>

## Profit/(Loss) from Extra-Ordinary Transaction

From 16th July 2013 to 16th July 2014

Schedule 4.28

Particulars	Current Year Rs.	Previous Year Rs.
1. Recovery of Loss Loan	–	–
2. Expenses for Retirement Package	–	–
3. Write off of Bad Loan (Schedule 4.28 'Ka')	20,000	88,312
4. Other Income/Expenses	–	–
<b>TOTAL</b>	<b>20,000</b>	<b>88,312</b>

## Details of Loan Written Off

From 16th July 2013 to 16th July 2014

Schedule 4.28 (ka)

S.No.	Type of Loan	Amount Written off	Nature of Security & Amount	Basis of Valuation of Security	Sancioning Authority/Level	Action taken to Recover the Loan	Remarks
1.	Working Capital	–					
2.	Project Finance	–					
3.	Fixed Term Loan	–					
4.	Personal Loan	20,000			DGM Level		
5.	Others	–					
	<b>Total</b>	<b>20,000</b>					

## Loans to Directors, CEO, Promoters, Employees and Shareholders holding more than 1% Share

As on Ashad 32, 2071 (16th July 2014)

Details of Loans & Advances including Bills Purchased and discounted provided to Directors, CEO, Promoters, Employees and Shareholders holding more than 1% shares (included in total loans & advances) and their undivided family members or Company in which such family members are the Managing Agent or Guarantor of such company is as under:

Schedule 4.29

Name of the borrower	Upto Previous Year		This Year Recovery		Addition This Year	Outstanding	
	Principal	Interest	Principal	Interest		Principal	Interest
1. Directors	–	–	–	–	–	–	–
2. Chief Executive	–	–	–	–	–	–	–
3. Promoters	–	–	–	–	–	–	–
4. Employee	–	–	–	–	–	–	–
5. Shareholders	–	–	–	–	–	–	–
6. Holding more than 1% share	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

No Loans have been provided to any of the above mentioned group/person except the staff loans to employees under the staff loan schemes.



## Capital Adequacy Table

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Ka1)  
(Rs. in '000)

Particulars	Current Year Rs.	Previous Year Rs.
1.1 RISK WEIGHTED EXPOSURES	54,992,678	48,349,497
a. Risk Weighted Exposure for Credit Risk	50,599,467	44,793,263
b. Risk Weighted Exposure for Operational Risk	4,119,443	3,356,986
c. Risk Weighted Exposure for Market Risk	273,768	199,249
Adjustments under Pillar II		
Overall risk management policies and precedures are not satisfcatory. Add: 2% of RWE (6.4 a 9)	1,099,854	966,990
Add: RWE equivalent to reciprocal of capital charge of 2% of gross income. (6.4 a7)	687,630	517,558
Add: ...% of the total deposit due to insufficient liquid Assets (6.4 a6)	-	-
<b>Total Risk Weighted Exposures (after adjustment under Pillar II)</b>	<b>56,780,162</b>	<b>49,834,045</b>
1.2 CAPITAL		
<b>Core Capital (Tier 1)</b>	<b>5,307,829</b>	<b>4,639,762</b>
a. Paid up Equity Share Capital	1,801,239	1,601,126
b. Proposed Bonus Equity Shares	216,149	160,113
c. Share Premium	18,555	18,555
d. Irredeemable Non- cumulative preference shares	-	-
e. Statutory General Reserves	1,925,731	1,615,791
f. Retained Earnings	607,444	559,466
g. Reserve for Deferred Tax	106,569	99,453
h. Un-audited current year cumulative profit	-	-
i. Debenture Redemption Reserve	93,770	46,885
j. Capital Adjustment Reserve	507,147	367,147
k. Capital Redemption Reserve	-	140,000
l. Other Free Reserve	31,226	31,226
m. Less: Goodwill	-	-
n. Less: Miscellaneous Expenditure not written off	-	-
o. Less: Investment in Equity in licensed Financial Institutions	-	-
p. Less: Investment in Equity of Institutions with vested interests	-	-
q. Less: Investment in Equity of institutions with excess of limits	-	-
r. Less: Investments arising out of underwriting commitments	-	-
s. Less: Reciprocal crossholdings	-	-
t. Less: Other Deductions	-	-
Adjustments under Pillar II		
Less: Shortfall in Provision (6.4 a 1)		
Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)		
<b>Supplementary Capital (Tier 2)</b>	<b>1,020,658</b>	<b>1,137,920</b>
a. Cumulative and/or Redeemable Preference Share	120,000	160,000
b. Subordinated Term Debt	375,075	421,960
c. Hybrid Capital Instruments	-	-
d. General Loan Loss provision	479,799	439,216
e. Investment Adjustment Reserve	3,476	3,476
f. Assets Revaluation Reserve	-	-
g. Exchange Equalization Reserve	25,843	24,607
h. Additional Loan Loss Provision	16,465	88,661
i. Other Reserves	-	-
<b>Total Capital Fund (Tier I and II)</b>	<b>6,328,487</b>	<b>5,777,682</b>
1.3 CAPITAL ADEQUACY RATIOS		
Tier 1 Capital to Total Risk Weighted Exposures	9.35	9.31
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.15	11.59

## Risk Weighted Exposure For Credit Risk

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Kha)

(Rs. in '000)

Balance Sheet Exposures (A)	2071 Ashadh End						Previous Year	
	Book Value (A)	Specific Provision (B)	Eligible CRM (C)	Net Value (D=A-B-C)	Risk Weight (%) (E)	Risk Weighted Exposures (F = D x E)	Net Value	Risk Weighted Exposures
Cash Balance	2,050,029	-	-	2,050,029	0%	-	1,723,209	-
Balance With Nepal Rastra Bank	9,446,922	-	-	9,446,922	0%	-	8,205,090	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	2,544,737	-	-	2,544,737	0%	-	6,988,310	-
All other Claims on Government of Nepal	1,410,635	-	-	1,410,635	0%	-	425,661	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-
All other Claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government Securities (ECA Rating 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government Securities (ECA- 2)	-	-	-	-	20%	-	-	-
Claims on Foreign Government Securities (ECA-3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government Securities (ECA-4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government Securities (ECA-7)	-	-	-	-	150%	-	-	-
Claims On BIS MIFECBEC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	-
Claims on domestic banks that meet capital adequacy requirements	2,171,487	-	-	2,171,487	20%	434,297	1,245,923	249,185
Claims on domestic banks that do not meet capital adequacy requirements	29,977	-	-	29,977	100%	29,977	21,697	21,697
Claims on Foreign Bank (ECA Rating 0-1)	4,320,245	-	-	4,320,245	20%	864,049	2,613,640	522,728
Claims on Foreign Bank (ECA Rating 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Bank (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
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	794,012	-	-	794,012	20%	158,802	678,700	135,740
Claims on Domestic Corporates	1,074,175	-	1,074,175	20,460,162	100%	20,460,162	19,706,445	19,706,445
Claims on Foreigns Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreigns Corporates (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Foreigns Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreigns Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	11,963,693	-	-	11,963,693	75%	8,972,770	11,209,934	8,407,451
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	6,339,661	-	-	6,339,661	60%	3,803,797	4,639,020	2,783,412
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (overdue)	7,495	7,495	-	-	100%	-	-	-
Claims secured by Commercial real estate	3,095,990	-	-	3,095,990	100%	3,095,990	3,897,511	3,897,511
Past due claims (except for claim secured by residential properties)	462,909	374,023	-	88,886	150%	133,329	-	-
High Risk claims (Venture capital private equity investments personal loans and credit card receivables)	2,916,781	500	-	2,916,781	150%	4,374,422	2,194,147	3,291,221
Investment in equity of institutions listed in the stock exchange	20,913	-	-	20,913	100%	20,913	17,793	17,793
Investment in equity of institutions not listed in the stock exchange	42,436	-	-	42,436	150%	63,653	6,456	9,683
Staff Loan Secured by Residential Property	432,248	-	-	432,248	60%	259,349	448,463	269,078
Interest Receivable/Claim on Government Securities	12,866	-	-	12,866	0%	-	28,967	-
Cash in transit and other cash items in process of collection	-	-	-	-	20%	-	-	-
Other Assets	1,707,026	-	198,271	1,508,755	100%	1,508,755	1,261,482	1,261,482
<b>TOTAL</b>	<b>71,304,398</b>	<b>382,018</b>	<b>1,272,446</b>	<b>69,649,934</b>		<b>44,180,265</b>	<b>65,312,484</b>	<b>40,573,432</b>

Contd.....

## Risk Weighted Exposure For Credit Risk

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Kha)

(Rs. in '000)

	2071 Ashadh End						Previous Year	
	Gross Book Value (A)	Specific Provision (B)	Eligible CRM (C)	Net Value (D=A-B-C)	Risk Weight (%) (E)	Risk Weighted Exposures (F = D x E)	Net Value	Risk Weighted Exposures
<b>Off Balance Sheet Exposures (B)</b>								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills under Collection	558,711	-	-	558,711	0%	-	379,273	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-	-	-
LC Commitments with Original Maturity Up to 6 months (domestic)	5,021,290	-	486,159	4,535,131	20%	907,026	4,718,116	943,623
ECA Rating 0-1	-	-	-	-	20%	-	-	-
ECA Rating 2	-	-	-	-	50%	-	-	-
ECA Rating 3-6	-	-	-	-	100%	-	-	-
ECA Rating 7	-	-	-	-	150%	-	-	-
LC Commitments with Original Maturity Over 6 months (domestic)	2,198,149	-	4,004	2,194,145	50%	1,097,073	1,683	841
ECA Rating 0-1	-	-	-	-	20%	-	-	-
ECA Rating 2	-	-	-	-	50%	-	-	-
ECA Rating 3-6	-	-	-	-	100%	-	-	-
ECA Rating 7	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee (domestic)	3,553,091	-	215,993	3,337,098	50%	1,668,549	2,379,105	1,189,553
ECA Rating 0-1	-	-	-	-	20%	-	-	-
ECA Rating 2	-	-	-	-	50%	-	-	-
ECA Rating 3-6	-	-	-	-	100%	-	-	-
ECA Rating 7	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as Collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements Assets sale with recourse (including repo/reverse repo)	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	634,357	-	24,782	609,575	100%	609,575	543,661	543,661
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	891,444	-	171,464	719,980	100%	719,980	524,058	524,058
Unpaid portion of Partly Paid Shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit Commitments (Short Term)	6,016,245	-	-	6,016,245	20%	1,203,249	4,399,207	879,841
Irrevocable Credit Commitments (Long Term)	-	-	-	-	50%	-	-	-
Other Contingent Liabilities	213,751	-	-	213,751	100%	213,751	138,253	138,253
Unpaid Guarantee Claims	-	-	-	-	200%	-	-	-
<b>TOTAL</b>	<b>19,087,038</b>	<b>-</b>	<b>902,402</b>	<b>18,184,636</b>		<b>6,419,203</b>	<b>13,083,357</b>	<b>4,219,830</b>
<b>Total RWE for Credit Risk Before Adjustment (A)+ (B)</b>	<b>90,391,437</b>	<b>298,090</b>	<b>2,174,848</b>	<b>87,918,499</b>		<b>50,641,431</b>	<b>78,395,841</b>	<b>44,793,264</b>
Adjustments under Pillar II	-	-	-	-		-	-	-
Add: 10% of the loan and facilities in excess of Single Obligor limits (6.4 a 3)	-	-	-	-		-	-	-
Add: 1% of the contract(sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-		-	-	-
<b>Total RWE for credit Risk (After Bank's Adjustment of Pillar II)</b>						<b>50,641,431</b>	<b>78,395,841</b>	<b>44,793,264</b>

## Eligible Credit Risk Mitigants

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Ga)  
(Rs. in '000)

<b>Credit Exposures</b>										<b>Total</b>	
	Deposits with Bank (a)	Deposits with Other Banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Gpvt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of Domestic Banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Bank (i)		
Balance Sheet Exposures	-	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-2)	-	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-3)	-	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-4-6)	-	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-7)	-	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Banks That Meet Capital Adequacy Requirements	-	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Banks That do Not Meet Capital Adequacy Requirements	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-	-
<b>Claims On Domestic Corporates</b>	<b>1,074,175</b>	-	-	-	-	-	-	-	-	<b>1,074,175</b>	
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)	-	-	-	-	-	-	-	-	-	-	-
Claims Secured by Residential Properties (With Condition)	-	-	-	-	-	-	-	-	-	-	-
Claims Secured by Residential Properties (Without Condition)	-	-	-	-	-	-	-	-	-	-	-
Unsecured Portion of Claims 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	-	-	-	-	-	-	-	-	-	-	-
(Venture Capital, Private Equity Investments, Personal Loans and Credit Card Receivables)	-	-	-	-	-	-	-	-	-	-	-
Investments in Equity of Institutions Not Listed in The Stock Exchange	-	-	-	-	-	-	-	-	-	-	-
Investments in Equity of Institutions Listed in The Stock Exchange	-	-	-	-	-	-	-	-	-	-	-
Other Assets (as Per Attachment)	198,271	-	-	-	-	-	-	-	-	-	198,271
<b>Total</b>	<b>1,272,446</b>	-	-	-	-	-	-	-	-	<b>1,272,446</b>	

Contd. ....

## Eligible Credit Risk Mitigants

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Ga)  
(Rs. in '000)

Credit Exposures	Deposits with Bank (a)	Deposits with Other Banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Gpvt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of Domestic Banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Bank (i)	Total
Off Balance Sheet Exposure	-	-	-	-	-	-	-	-	-	-
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Up to 6 months (domestic)	486,159	-	-	-	-	-	-	-	-	486,159
ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Over 6 months (domestic)	4,004	-	-	-	-	-	-	-	-	4,004
ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond Counter Guarantee (domestic)	215,993	-	-	-	-	-	-	-	-	215,993
ECA Rating 0-1	-	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-	-
Underwriting Commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse (including repo/reverse repo)	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	24,782	-	-	-	-	-	-	-	-	24,782
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	171,464	-	-	-	-	-	-	-	-	171,464
Unpaid Portion of Partly Paid Shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit Commitments	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total	902,402	-	-	-	-	-	-	-	-	902,402
Grand Total	2,174,848	-	-	-	-	-	-	-	-	2,174,848

## Risk Weighted Exposure For Operational Risk

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Gha)  
(Rs. in '000)

Particulars	Previous Financial Year of Ashadh end			2070 Ashadh end
	F.Y. (2067/068)	F.Y. (2068/069)	F.Y. (2069/070)	
Net Interest Income	1,795,151	2,086,664	2,757,761	
Commission and Discount Income	203,468	233,570	266,821	
Other Operating Income	148,062	179,882	249,385	
Exchange Fluctuation Income	46,259	109,679	98,905	
Additional Interest Suspense During the Period	20,005	(22,004)	65,277	
<b>Gross Income (A)</b>	<b>2,212,945</b>	<b>2,587,791</b>	<b>3,438,149</b>	
<b>Alfa (B)</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	
<b>Fixed Percentage of Gross Income [C=(A x B)]</b>	<b>331,942</b>	<b>388,169</b>	<b>515,722</b>	
<b>Capital Requirement for Operational Risk (D) (Average of C)</b>	<b>411,944</b>			<b>335,699</b>
<b>Risk Weight (Reciprocal of Capital Requirement of 10%) in Times (E)</b>	<b>10</b>			<b>10</b>
<b>Equivalent Risk Weight Exposure [F=(D x E)]</b>	<b>4,119,443</b>			<b>3,356,987</b>

## Risk Weighted Exposure For Market Risk

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.30 (Nga)  
(Rs. in '000)

Particulars	2071 Ashadh End			Relevant open position of 2069 Ashadh end (NPR)
	Open Position (FCY)	Open Position (NPR)	Relevant Open Position (NPR)	
1. U.S. Dollar	150	14,428	14,428	11,591
2. Euro	18	2,329	2,329	17,111
3. Pound Sterling	101	16,604	16,604	13,553
4. Swish Frank	15.3	1,644	1,644	1,262
5. Australian Dollor	75	6,723	6,723	3,872
6. Canadian Dollor	3.17	282	282	165
7. Singapore Dollor	9.08	700	700	131
8. Japanese Yen	948	897	897	280
9. Hongkong Dollar	0	6	6	14
10. Chinese Yuan	17	260	260	69
11. Thailand Bhat	9.00	27	27	9
12. Qatari Riyal	4.00	106	106	7
13. Saudi Rial	8.94	229	229	1
14. Indian Rupees	314,563	503,300	503,300	350,431
<b>Total Open Position (a)</b>	<b>—</b>	<b>547,536</b>	<b>547,536</b>	<b>398,498</b>
<b>Fixed % (b)</b>	<b>—</b>	<b>—</b>	<b>5%</b>	<b>5%</b>
<b>Capital Charge for Market Risk c= a x b</b>	<b>—</b>	<b>—</b>	<b>27,377</b>	<b>19,925</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>	<b>—</b>	<b>—</b>	<b>10</b>	<b>10</b>
<b>Equivalent Risk Weight Exposure (c x d) = (e)</b>	<b>—</b>	<b>—</b>	<b>273,768</b>	<b>199,249</b>



## Main Indicators

Schedule 4.31

Particulars	Financial Years					
	Indicator	2009/10	2010/11	2011/12	2012/13	2013/14
1 Net Profit/Total Income	%	16.49	14.27	14.36	17.69	17.74
2 Per Share Earning (after tax income)	Rs.	100.16	83.18	88.55	91.88	86.04
3 Market Price Per Share	Rs.	1630	1094	1033	1591	2631
4 Price/Earning Ratio	Times	16.27	13.15	11.67	17.32	30.58
5 Dividend on Share- Bonus Share	%	30	10	30	10	12
6 Cash Dividend	%	30	50	–	50	50
7 Interest Income/Loans & Advances	%	9.95	12.22	12.30	10.49	10.11
8 Employee Expenses/Total Operating Expenses	%	10.52	9.13	9.53	14.66	15.44
9 Interest Expenses/Total Deposits & Borrowing	%	4.18	6.05	5.75	3.72	3.61
10 Exchange Income/Total Income	%	–	0.05	–	0.08	0.06
11 Staff Bonus/Total Employee Expenses	%	52.48	45.41	44.26	45.49	43.29
12 Net Profit/Loans & Advances	%	2.95	2.94	2.98	3.33	3.20
13 Net Profit/Total Assets	%	2.09	2.10	2.11	2.39	2.39
14 Total Loans & Advances/Total Deposits	%	76.24	76.98	73.22	76.57	78.01
15 Total Operating Expenses/Total Assets	%	5.20	6.95	6.62	4.79	4.71
16 Capital Adequacy Ratio:						
a) Core Capital	%	8.39	8.46	9.61	9.31	9.35
b) Supplementary Capital	%	2.38	1.97	1.41	2.28	1.80
c) Total Capital Funds	%	10.77	10.43	11.02	11.59	11.15
17 Cash Reserve Ratio (CRR)	%	15.53	9.55	17.22	15.19	16.91
18 NPAs/Total Loans & Advances	%	0.16	0.34	0.84	0.62	0.97
19 Base Rate	%	NA	NA	NA	7.16	6.40
20 Weighted Average Interest Rate Spread	%	4.78	4.60	5.32	5.68	5.69
20 Book Net Worth (Rs. in Lacs)	Rs.	27571	36407	40173	46678	53371
21 Total Shares	Number	8304673	11196095	12316357	16011264	18012391
22 Total Employee	Number	568	586	625	643	696
23 Others						
- Per Employee Business (Rs. in Lakh)	Rs.	1146	1242	1386	1585	1588
- Employee Expenses/Total Income	%	4.50	4.49	4.65	5.56	5.86

Note: CRR Amount have been calculated on the basis of year end figure.

## SIGNIFICANT ACCOUNTING POLICIES

*Schedule 4.32*

### 1. General Information

Everest Bank Limited (Bank) is a limited liability company domiciled in Nepal. Its registered office is at Lazimpat, Kathmandu, Nepal. The Bank is listed with Nepal Stock Exchange Ltd. and provides full commercial banking services as licensed by Nepal Rastra Bank (NRB) (Central Bank). The Bank has entered into Technical Services Agreement (TSA) for the equity & management participation with Punjab National Bank Ltd, New Delhi, India.

### 2. Basis of Preparation

The financial statements of the Bank have been prepared on historical cost convention basis in conformity with Generally Accepted Accounting Principles, prevailing accepted banking norms/practices, applicable Nepal Accounting Standards issued by the Institute of Chartered Accountants of Nepal, provisions of Banks and Financial Institutions Act and directives issued by the NRB.

### 3. Fixed Assets, Depreciation and Amortization

- Fixed assets are valued at cost of purchase/construction plus expenses incurred which are incidental to such purchase/construction. Purchase of items of durable (capital) nature costing Rs. 5,000 or less has been charged to Profit and Loss Account.
- Depreciation on fixed assets (except for leasehold development and computer software) are charged to Profit & Loss Account on reducing balance method, computed by applying the rates and method as prescribed by Schedule 2 of the Income Tax Act, 2058.
- Leasehold development expenses have been amortized in equal installment over the period of lease or 5 years whichever is less.
- Cost incurred for acquiring computer software "Finacle" has been amortized in ten equal yearly installments and other software are amortized in five equal yearly installments.

### 4. Income Tax

Income tax is provided on the basis of the taxable income for the year computed under self assessment in accordance with the provision of Income Tax Act, 2058.

Deferred tax is recognized and provided for on timing difference between taxable income and accounting income subject to consideration of prudence.

Deferred tax assets are not recognized unless there is virtual / reasonable certainty that there will be sufficient future taxable income available to realize such assets.

### 5. Investments

Investments made in shares of listed companies are stated at cost or market price whichever is less. Shares which are not listed in the Stock Exchange are stated at cost.

Investment made in Government Treasury Bills/Bonds is valued at cost. The excess of the cost over face value of long term government bond is proportionately amortized over the maturity period of the bond by adjusting it to the interest booked as income from such bonds.

### 6. Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are revalued at the mid-rate on daily basis. Gain/loss on the foreign exchange transactions is recognized as income/expense in the profit and loss account and included under exchange trading gain/loss.

Gains/losses arising due to fluctuation in exchange rates of different foreign currencies is accounted for and shown as Revaluation Gain/ (Loss). 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per the directives issued by Nepal Rastra Bank.

### 7. Non-Banking Assets

Collateral securities taken over by the Bank during the process of recovery of loans are transferred to Non-Banking Assets. Non Banking Assets are valued at lower of the total amount outstanding (including interest) or market value of the assets acquired and is stated at net of provision made for such assets as per the directive issued by NRB. The surplus or deficit arising on sale of such asset is taken to Profit & Loss Account in the year of sale.

## 8. Recognition of Income

### a) Interest Income

Interest on loans and advances are accounted on accrual basis by credit to interest suspense account. As per unified directive issued by NRB, interest on loans and advances are recognized as revenue on cash realization with the exception of interest capitalization on project financing.

Interest income on investment made on government securities, bonds and foreign placement are recognized on accrual basis.

### b) Commissions received on account of LCs, Guarantees etc. are recognized on cash basis.

### c) Dividend on investment is recognized on cash basis at net of withholding tax.

## 9. Loan Loss Provision and Loan Write off

Loan Loss Provision is made on the basis of classification of loans & advances in accordance with the directives issued by the NRB.

The Bank has a policy to write off unrecoverable loan after appraisal and due approval of the Board of Directors on case to case basis. The amount of loans written off is charged to Profit & Loss Account and the corresponding amounts of loan loss provision made on such loan account are written back in the Profit & Loss Account.

## 10. Employees Retirement Benefit

### a) Gratuity

Gratuity payable to eligible employees on retirement/termination is accounted for on accrual basis and the amount of liability on this account are determined in accordance with the Bank's rule. Gratuity liability is not funded.

### b) Leave Encasement

Leave encashment payable to the employees are charged to revenue on cash basis.

### c) Provident Fund

Contributions to the employees' provident fund are made regularly on monthly basis which are charged to revenue. The above together with the employees' contribution are deposited in a approved retirement fund account maintained by Bank.

## 11. Bonus

Staff bonus is provided at 10% of net profit before tax (after charging the bonus) as per Bonus Act, 2030.

## 12. Contingent Liabilities

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 Nepal Rastra Bank.

Letter of Credits (LCs) denominated in foreign currencies, are stated at the equivalent Rupees calculated at the current exchange rate.

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.

## 13. Dividend and Proposed Bonus Shares

Dividend and proposed bonus shares are provided as proposed by the Board of Directors pending approval by NRB and Annual General Meeting.

## NOTES TO ACCOUNT

Schedule 4.33

### 1. Dividend and Proposed Bonus Shares

The Board of Directors has proposed cash dividend of Rs. 50 per share, bonus share of Rs. 12/- per share and Rs. 7/- on convertible preference shares.

Proposed cash dividend includes Rs. 11,376,247/- on account of dividend tax on proposed bonus share.

### 2. Reconciliation Position

#### a) Inter Branch Reconciliation

Inter-branch transactions have been reconciled and are up to date. The summary of age-wise amount of the pending reconciliation items are as under:

(Rs. in Lacs)

<b>Particulars</b>	<b>Debit Pending</b>	<b>Credit Pending</b>
Less than 3 months	-	-
3 to 6 months	-	-
More than 6 months	6.56	71.74

#### b) Reconciliation of Agency Banks

Agency bank accounts have been reconciled and are up to date. The summary of the age-wise amount of the reconciliation pending amount are as under:

(Amount in '000)

<b>Currency</b>	<b>Ledger Pending</b>		<b>Statement Pending</b>	
	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
<b>Sterling Pound</b>				
Upto 1 Year	-	12.51	-	3.64
More than 1 year to 3 years	-	-	-	-
More than 3 years	-	-	-	-
<b>US Dollar</b>				
Upto 1 Year	-	1313.11	2631.46	2547.98
More than 1 year to 3 years	-	21.49	-	34.08
More than 3 years	-	9.44	-	16.85
<b>EURO</b>				
Upto 1 Year	21.76	210.20	0.21	35.08
More than 1 year to 3 years	-	0.15	-	0.99
More than 3 years	-	12.81	-	2.33
<b>Japanese Yen</b>				
Upto 1 Year	-	927.04	-	-
More than 1 year to 3 years	-	0.40	7.50	-
More than 3 years	-	140.13	-	-
<b>Australian Dollar</b>				
Upto 1 Year	-	100	0.07	42.64
More than 1 year to 3 years	-	-	-	3.35
More than 3 years	-	-	-	2.87
<b>Indian Rupee</b>				
Upto 1 Year	41282.99	51824.86	110624.72	97661.44
More than 1 year to 3 years	338.82	251.95	207.36	3767.42
More than 3 years	-	91664.77	400	9248.19

### 3. Increase/decrease in Loans & Advances

The following depicts the movement of the balances of Loans & Advances during the year:

*(Rs. in Lacs)*

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Balance as on Ashad 31, 2070 (July 15, 2013)	441,978	366,168
Loans Disbursed during the year	2,199,829	1,933,509
Recovered during the year	(2,157,304)	(1,857,699)
<b>Balance as on Ashad 32, 2071 (July 16, 2014)</b>	<b>484,503</b>	<b>441,978</b>
Write off during the year		
Principal	0.20	0.88
Interest	20.21	0.45

### 4. Change in Deposit Liabilities

The following depicts the percentage change in deposit between the balances as at Ashad 32, 2071 (July 16, 2014) and Ashad 31, 2070 (July 15, 2013).

*(Rs. in Lacs)*

<b>Types of Deposit</b>	<b>As at Ashad 32, 2071</b>	<b>As at Ashad 31, 2070</b>	<b>Change %</b>
Current	64,902	80,990	(19.86)
Margin	6,652	4,959	34.14
Saving	264,894	210,675	25.74
Fixed	145,288	141,048	3.01
Call	137,080	137,533	(0.33)
Others	2,265	1,999	13.31
<b>Total</b>	<b>621,081</b>	<b>577,205</b>	<b>7.60</b>

### 5. Average Interest Spread Rate

The average yield rate on interest bearing assets is 9.25% (Previous year 10.21%). The average cost of deposit for the year is 3.56% (Previous Year 4.53%). Accordingly, the average spread for the financial year stands at 5.69% (Previous Year 5.68%).

### 6. Leasehold Improvements and Computer Software

The expenses incurred in the renovation and modification of the leased properties and the cost of software purchased are capitalized in the Leasehold assets and Software respectively.

The above assets are amortized as per the policies stated in the significant accounting policies. The balances in above account pending amortization are as under:

#### a) Leasehold Assets

<b>Particulars</b>	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
Opening Balance	30,054,497	41,921,056
Addition made during this year	8,059,818	8,362,978
<b>Total</b>	<b>38,114,315</b>	<b>50,284,034</b>
Amortized during the year	14,702,857	20,229,537
Disposed off during the year	2,690	–
<b>Closing Balance</b>	<b>23,414,148</b>	<b>30,054,497</b>

b) Software  
i) *Finacle*

<i>Particulars</i>	<i>Current Year (Rs.)</i>	<i>Previous Year (Rs.)</i>
Opening Balance	21,535,687	26,291,766
Addition made during this year	2,854,737	–
<b>Total</b>	<b>24,390,424</b>	<b>26,291,766</b>
Amortized during the year	5,041,552	4,756,079
<b>Closing Balance</b>	<b>21,535,687</b>	<b>26,291,766</b>

ii) *Others*

<i>Particulars</i>	<i>Current Year (Rs.)</i>	<i>Previous Year (Rs.)</i>
Opening Balance	2,176,548	3,344,055
Addition made during this year	–	389,850
<b>Total</b>	<b>2,176,548</b>	<b>3,733,905</b>
Amortized during the year	1,301,939	1,557,357
<b>Balance at the end of the year</b>	<b>874,609</b>	<b>2,176,548</b>

7. There is no over concentration of Assets and Liabilities of the Bank to an individual, a firm, a company or in a particular sector as specified by NRB. The highest concentration of loan in a single sector is 26.82% of total loan (Previous year 27.83%) and concentration of deposit to a single institution is of total deposit 12.67% (Previous year 9.67%).

**8. Non-Banking Assets (NBA)**

The position of the Non-banking Assets of the Bank is as under:

<i>Particulars</i>	<i>Current Year (Rs.)</i>	<i>Previous Year (Rs.)</i>
Opening Balance (at Cost)	51,786,587	51,786,587
Addition during the year	–	–
Disposed off during the year	5,856,238	–
<b>Closing Balance (at Cost)</b>	<b>45,930,349</b>	<b>51,786,587</b>
<b>Total Provision</b>	<b>(45,930,349)</b>	<b>(51,786,587)</b>
<b>Balance (Net of Provision)</b>	<b>Nil</b>	<b>Nil</b>

**9. Convertible Preference Share :**

7% Convertible Preference Share worth Rs. 20 Crore was issued on Ashwin 2064, which is convertible into Ordinary Share @ 20% after completion of each third year. On this basis worth Rs. 8 Crore have been converted into Ordinary Shares so far. The balance of Convertible Preference Share as on 32 Ashadh 2071 (July 16, 2014) is Rs. 12 Crore (Previous year Rs. 16 Crore).

**10. Debenture and Debenture Redemption Reserve**

- 10.1 10 years of 8% debenture of Rs. 46.88 crores maturing on Jestha 2080 has been issued in last year.
- 10.2 Rs. 4.69 crores has been appropriated through Profit & Loss Appropriation Account towards Debenture Redemption Reserve. The balance of Debenture Redemption Reserve on this account as on Ashadh 32, 2071 (July 16, 2014) is Rs. 93,770,000 (Previous year Rs. 46,885,000).

**11. Statutory General Reserve**

As required by the Bank and Financial Institution Act, 2063, a sum of Rs. 309,940,000 (Previous year Rs. 294,224,000) being 20% of net profit of the year has been transferred to General Reserve through Profit and Loss Appropriation Account. The balance of Statutory General Reserve as on Ashadh 32, 2071 (July 16, 2014) is Rs. 1,925,730,514 (Previous year Rs. 1,615,790).

**12. Staff Housing Fund**

Since the Bank has been extending housing loan to the employees, provision for staff housing as required by the Labour Act, 2048 has not been made.

### 13. Exchange Fluctuation Reserve

As required by NRB directive, 25% of Revaluation Gain has to be transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account. Accordingly Rs. 1,236,000 (Previous year Rs. 1,704,000) has been transferred to this account. The bank has earned Rs. 4,940,933 as revaluation gain income during the year under review (Previous year loss of Rs. 6,812,856).

### 14. Liquidity Risk

The liquidity risk as on Ashad 32, 2071 (July 16, 2014) is set out in the Table of Liquidity Statement (Format No. 5.1) as prescribed by the Directives of Nepal Rastra Bank is given as under:

(Rs. in Lacs)

S.N.	Particulars	1-7 Days	8-30 Days	31-90 Days	91-180 Days	181-270 Days	271-365 Days	More than 1 year	Total
	<b>Assets</b>								
1.	Cash Balance	20,500	-	-	-	-	-	-	20,500
2.	Balance with Banks & FIs	111,228	-	-	-	-	-	-	111,228
3.	Investment in Foreign Banks	-	2,886	16,835	19,240	-	-	-	38,961
4.	Call Money	-	-	-	-	-	-	-	-
5.	Government Securities	-	6,503	-	-	-	-	-	6,503
6.	Nepal Rastra Bank Bonds	-	-	-	1,002	-	5,207	12,736	18,945
7.	Inter Bank & FI Lending	-	-	-	-	-	-	-	-
8.	Loans & Advances	15,486	28,575	45,727	14,028	27,581	10,828	342,278	484,503
9.	Interest Receivable	-	18	60	15	-	47	79	218
10.	Reverse Repo	-	-	-	-	-	-	-	-
11.	Acceptance Receivable	-	-	-	-	-	-	-	-
12.	Payments under S.No. 20,21 & 22	34,111	8,055	36,102	21,141	4,796	9,474	69,467	183,146
13.	Others	395	2	5	8	1,369	33	10,230	12,042
	<b>Total (A)</b>	<b>181,720</b>	<b>46,038</b>	<b>98,729</b>	<b>55,433</b>	<b>33,746</b>	<b>25,589</b>	<b>434,790</b>	<b>876,045</b>
	<b>Liabilities</b>								
14.	Current Deposits	7,155	3,578	3,578	-	-	-	57,242	71,553
15.	Saving Deposits (including call)	20,099	20,099	20,099	-	-	-	341,679	401,975
16.	Fixed Deposits	28,004	6,123	33,155	28,758	21,304	13,773	16,437	147,554
17.	Debentures/Bonds	-	-	-	-	-	-	4,688	4,688
18.	Borrowings	-	-	-	-	-	-	-	-
	Call/Short Notice	-	-	-	-	-	-	-	-
	Inter-bank/Financial Institutions	-	-	-	-	-	-	-	-
	Refinance	-	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-	-
19.	Other Liabilities and Provisions	4,248	2,452	121	-	-	-	11,761	18,582
	Sundry Creditors	440	2,452	-	-	-	-	-	2,892
	Bills Payable	3,706	-	-	-	-	-	-	3,706
	Interest Payable	103	-	121	-	-	-	-	223
	Provisions	-	-	-	-	-	-	11,761	11,761
	Others	-	-	-	-	-	-	-	-
20.	Acceptance Liabilities	2,207	2,293	2,598	1,588	226	2	-	8,914
21.	Irrevocable Loan Commitment	6,016	-	-	-	-	-	54,146	60,162
22.	Letter of Credit/Guarantee	25,888	5,762	33,504	19,553	4,569	9,472	15,321	114,069
23.	Repo	-	-	-	-	-	-	-	-
24.	Payable under s.no.11	-	-	-	-	-	-	-	-
25.	Others	-	-	-	-	-	-	-	-
	<b>Total (B)</b>	<b>93,618</b>	<b>40,306</b>	<b>93,054</b>	<b>49,899</b>	<b>26,100</b>	<b>23,247</b>	<b>501,275</b>	<b>827,498</b>
	<b>Net Financial Assets (A-B)</b>	<b>88,102</b>	<b>5,732</b>	<b>5,675</b>	<b>5,534</b>	<b>7,647</b>	<b>2,342</b>	<b>(66,485)</b>	<b>48,547</b>
	<b>Cumulative Net Financial Assets</b>	<b>88,102</b>	<b>93,833</b>	<b>99,509</b>	<b>105,043</b>	<b>112,690</b>	<b>115,032</b>	<b>48,547</b>	<b>-</b>

### 15. Deferred Tax

The component of deferred tax assets as on Ashad 31, 2070 (July 15, 2013) is as follows:

Deferred Tax Asset	As at Ashad 32, 2071 (Rs.)	As at Ashad 31, 2070 (Rs.)
On Employees' Gratuity	89,359,452	76,901,376
On Provision for Investment	-	480,000
On Provision for Non Banking Assets	13,779,105	15,535,976
On Fixed Assets	3,430,516	6,536,057
<b>Total</b>	<b>106,569,073</b>	<b>99,453,409</b>



In accordance with Nepal Accounting Standard (NAS) – 09 Income Taxes, Rs. 7,115,664 (Previous year Rs. 25,673,645) has been credited to profit on account of deferred tax. As per the circular issued by NRB, the amount credited to profit & loss account of Rs. 7,115,664 (Previous year Rs. 25,673,645) has been transferred to Deferred Tax Reserve and the balance in this reserve as on Ashad 32, 2071 (July 16, 2014) is Rs. 106,569,073 (Previous year Rs. 99,453,409). This reserve is not a free reserve and is not available for distribution as dividend or bonus shares.

*Explanation of the relationship between tax expenses and accounting profit*

<b>Particulars</b>	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
Accounting Profit	2,216,425,220	2,100,986,703
Income tax at the applicable tax rate of 30%	664,927,566	630,296,011
Tax effect of expenses/income that are not deductible/included in determining		
Taxable Profit		
Donation	317,031	184,615
Others	67,043	–
Dividend Income	(1,087,537)	(717,988)
<b>Total</b>	<b>(703,463)</b>	<b>(533,373)</b>
Other changes in temporary difference	–	–
Total Tax Expenses for the Current Year (including deferred tax)	664,224,410	629,762,638
Tax Relating to Earlier Year	2,173,012	107,774
<b>Total Tax Expenses</b>	<b>666,397,115</b>	<b>629,869,412</b>

#### 16. Related Party Disclosure

Following are the related party as defined in Nepal Accounting Standard (NAS 16)

- Joint Venture Partner – Punjab National Bank (PNB)

Following depicts the transaction between the Bank and PNB and the status of balances as on Ashad 32, 2071 (July 16, 2014):

(Rs. in Lacs)

<b>Nature of Transaction</b>	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
Technical Service Agreement Fees Paid	70.56	70.81
Cash Dividend (including Dividend Tax on Bonus Shares Issued)	1,628.31	60.33
Bonus Shares Issued	321.40	741.70
<b>Balance as on Ashad 32, 2071 (July 16, 2014)</b>		
Deposit with PNB (NPR)	10,022.31	7755.95
Technical Service Agreement Fees Payable	70.56	70.56

- Key Management Personnel**

a. Mr. Bishnu Krishna Shrestha	Chairman
b. Mr. Ved Krishna Shrestha	Director
c. Mr. Arun Man Sherchan	Director
d. Dr. Bal Gopal Vidya	Director
e. Mr. Nabin Bhakta Shrestha	Director
f. Mr. Shivasharan K.C.	Director
g. Dr. Rakesh Gupta	Director
h. Mr. B.M. Panda	Director
i. Mr. A.K. Ahluwalia	Chief Executive Officer

- Compensation to Key Management Personnel of the Bank**

Short term employee benefits paid to Seconded staff deputed from Punjab National Bank Chief Executive Officer (CEO) amounts to Rs. 7,294,463/- (Previous year Rs. 9,082,704/-) and other seconded staffs DGM amounts to Rs. 13,373,263/- (Previous year Rs. 7,081,118).

In addition to the above, other benefits and amenities such as residence facilities, vehicle facility etc. has been provided as per the terms of Technical Service agreement with Punjab National Bank.

Fees for board meetings paid Rs. 990,000/- (Previous year Rs. 940,000/-) and fees for other board level committee meetings paid Rs. 3,235,017/- (Previous Year Rs. 2,584,192/-).

- Investment in Forward Community Microfinance**

The investment of Rs. 3.75 Crore in Forward Community Microfinance has been made during fiscal year 2070/71. Bank has nominated Mr. H.N. Gurung and Mr. Ashutosh Sharma as director of such microfinance. Bank has financed Rs. 31.98 Crore as loan & advances under deprived sector lending at Ashadh end 2071.

## 17. Encumbrance of Bank Assets/Properties

In this financial year the bank has not obtained refinancing loan from Nepal Rastra Bank (NRB) against the security of the loan documents for the loan extended to various parties.

## 18. Others

- During the year, the Bank has provided Rs. 52,346,954/- (Previous year Rs. 90,197,451/-) for gratuity as per the Bank's policy. The balance of provision for gratuity as on Ashadh 32, 2071 (July 16, 2014) is Rs. 297,864,840/- (Previous year Rs. 256,337,920/-). Rs. 10,820,034/- (Previous year Rs. 2,522,400/-) has been paid during the year to retiring/outgoing staff.
- Share premium of Rs. 18,555,127 represents the balance amount of premium received on issue of shares as detailed as below:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Premium on Issue of Ordinary Shares (on partial issue only)	6,427,200
Premium on Issue of 7% Cumulative Convertible Preference Shares	200,000,000
Amount used for issuig bonus share on F.Y. 2065/66 from Share Premium	191,646,300
Increase in Share Premium from fraction share on F.Y. 2068/69	3,774,227
<b>Total</b>	<b>18,555,127</b>

- Provision for Income Tax
  - During the year, Rs. 671,339,767/- (Previous year Rs. 655,436,284/-) has been provided in the accounts for income tax. Income tax is calculated on the basis of taxable profit determined under self assessment in accordance with the provisions of Income Tax Act, 2058 and rules made there under. Any additional tax arises on final assessment of tax by the income tax authorities shall be accounted on cash basis.
  - Large tax payer office has reassessed the income tax for the year 2063-64, 2064-65, 2065-66 and 2066-67 demanding total additional tax of Rs. 21.37 crores.  
The bank has disputed the said assessment by appealing in the Revenue Tribunal. Contingent Liability is created. However no provision has been provided for the additional tax assessed.
- Capital Adjustment Reserve  
The balance of the reserve on this account as on Ashad 32, 2071 (July 16, 2014) is Rs. 367,147,000 (Previous year Rs. 367,147,000).
- Other Free Reserve  
The balance of the reserve on this account as on Ashad 32, 2071 (July 16, 2014) is Rs. 30,000,000 (Previous year Rs. 30,000,000).
- Capital Structure  
During the year, the paid up capital has been increased by Rs. 160,112,641 on account of capitalization of previous year's bonus share.
- Effect of Change in Accounting Policy  
The Bank's income recognition policy as regards the interest on loan and advance is on cash basis. There has been no significant change in accounting policy.
- Valuation of Investment Shares  
The market value of the shares are more than base price. Provision of Rs. 16.00 lacs on the investment of Taragoan Regency Hotel has been written back as income during this fiscal year 2070/71. The total investment in shares of Rs. 633.48 lacs has been treated as available for sale category. Bank had appropriated reserve of Rs. 34.75 lacs towards such investment, which is more than 2% of the share investment as prescribed by Nepal Rastra Bank directives.
- Interest Capitalisation on Project Financing  
Interest on Project financing is capitalized with the approval of NRB.
- Previous year's figure and rounding off  
Figures of previous year have been regrouped/rearranged wherever necessary, to make the same comparable with the current year's figure.
- Income on sale of Gold  
Income on sale of Gold is Rs. Nil (Previous years Rs. 16.30 lacs). Books of account for the gold transaction have been kept by B/o New Road.
- Figures in the Financial Statements are rounded off to the nearest rupee.

## Details of Loan & Advances taken by Promoter/Group of Promoter from Other Financial Institutions against Promoter Share

As on Ashad 32, 2071 (16th July 2014)

Schedule 4.34

S.No.	Name of Promoter/ Group of Promoter	Share Owned by Promoters		Details of Loan and Advances			
		Total Shares	% Over Paid up Capital	Name of Financial Institution	Amount	No. of Shares as Collateral	Remarks
1.	Shanta Dev Pathak	419,032	2.33	Nepal Investment Bank	19,600,000	163,368	

## Comparison of Unaudited and Audited Financial Statement

Financial Year 2070/071

Schedule 4.35  
Rs. in '000

S.No.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	%	
1.	Total Capital and Liabilities ( 1.1 To 1.7)	71,323,363	71,323,363	—	—	
1.1	Paid Up Capital*	1,921,239	2,137,388	216,149	11.25	Issue of Bonus Share
1.2	Reserve and Surplus	4,447,904	3,319,760	(1,128,144)	(25.36)	Issue of Bonus Share & Cash Dividend
1.3	Debenture and Bond	468,845	468,845	—	—	
1.4	Borrowings	—	—	—	—	
1.5	Deposits (A+B)	62,108,136	62,108,136	—	—	
	A. Domestic Currency	56,337,892	56,337,892	—	—	
	B. Foreign Currency	5,770,244	5,770,244	—	—	
1.6	Income Tax Liability	—	—	—	—	
1.7	Other Liabilities	2,377,239	3,289,235	911,996	38.36	Issue of Bonus Share & Cash Dividend
2.	Total Assets (2.1 To 2.7)	71,323,363	71,323,363	—	—	
2.1	Cash & Bank Balance	13,172,782	13,172,782	—	—	
2.2	Money at Call & Short Notice	—	—	—	—	
2.3	Investments	6,504,186	6,504,186	—	—	
2.4	Loans and Advances (Gross) (a+b+c+d+e+f)	48,450,305	48,450,305	—	—	
	a. Real Estate Loan	2,600,588	2,600,588	—	—	
	1. Residential Housing Loan (Except Personal Hosuing Loan upto 1 Crore)	1,074,239	1,074,239	—	—	
	2. Business Complex & Residential Apartment Con. Loan	1,310,131	1,310,131	—	—	
	3. Income Generating Commerical Complex Loan	202,873	202,873	—	—	
	4. Other Real Estate Loan (Including Land Purchase & Plotting)	13,345	13,345	—	—	
	b. Personal Housing Loan upto Rs. 1 Crore	7,007,942	7,007,942	—	—	
	c. Margin Type Loan	510,323	510,323	—	—	
	d. Term Loan	9,123,575	9,123,575	—	—	
	e. Overdraft Loan/TR Loan/Working Capital Loan	21,485,259	21,485,259	—	—	
	f. Others	7,722,618	7,722,618	—	—	
2.5	Fixed Assets	626,994	626,994	—	—	
2.6	Non Banking Assets (Net of Provision)	—	—	—	—	
2.7	Other Assets	2,569,096	2,569,096	—	—	
3.	Profit and Loss Account					
3.1	Interest Income	5,177,552	5,177,552	—	—	
3.2	Interest Expense	2,258,737	2,258,737	—	—	
	A. Net Interest Income (3.1-3.2)	2,918,815	2,918,815	—	—	
3.3	Fees, Commission and Discounts	254,882	254,882	—	—	
3.4	Other Operating Income	309,475	309,475	—	—	
3.5	Foreign Exchange Gain/Loss ( Net)	67,028	67,028	—	—	
	B. Total Operating Income (A+3.3+3.4+3.5)	3,550,200	3,550,200	—	—	
3.6	Staff Expenses	511,864	511,864	—	—	
3.7	Other Operating Expenses	544,296	544,296	—	—	
	C. Operating Profit Before Provision (B-3.6-3.7)	2,494,039	2,494,039	—	—	
3.8	Provision for Possible Losses	73,725	155,974	82,249	111.56	Provision added as per regulator's instance
	D. Operating Profit (C-3.8)	2,420,315	2,338,066	(82,249)	(3.40)	
3.9	Non Operating Income/Expenses (Net)	9,934	9,934	—	—	
3.10	Write Back of Provision for Possible Loss	7,476	89,726	82,249	1,100.14	Additional Provision Written back
	E. Profit From Regular Activities (D+3.9+3.10)	2,437,725	2,437,725	—	—	
3.11	Extra Ordinary Income/Expenses (Net)	(20)	(20)	—	—	
	F. Profit Before Bonus and Taxes (E+3.11)	2,437,705	2,437,705	—	—	
3.12	Provision for Staff Bonus	221,610	221,610	—	—	
3.13	Provision for Income Tax	666,397	666,397	—	—	
	G. Net Profit/Loss (F-3.12-3.13)	1,549,699	1,549,699	—	—	

\* Paid Up Capital includes Convertible Preference Shares of Rs. 12 crore.

## Unaudited Financial Results (Provisional)

As at Fourth Quarter 32/03/2071 (16/07/2014) of the Fiscal Year 2070/71

Schedule 4 (Ka)  
Rs. in '000

S.No.	Particulars	This Quarter 15.07.2013	Previous Quarter 13.04.2013	Corresponding Previous Year 15.07.2012 (Audited)
1	<b>Total Capital and Liabilities ( 1.1 To 1.7)</b>	<b>71,323,363</b>	<b>72,175,693</b>	<b>66,545,726</b>
1.1	Paid Up Capital*	1,921,239	1,921,239	1,921,239
1.2	Reserve and Surplus	4,447,904	3,987,554	2,906,606
1.3	Debenture and Bond	468,845	468,845	468,845
1.4	Borrowings	–	–	402,360
1.5	Deposits (A+B)	62,108,136	62,764,383	57,720,465
	A. Domestic Currency	56,337,892	57,099,987	54,228,551
	B. Foreign Currency	5,770,244	5,664,397	3,491,914
1.6	Income Tax Liability	–	(9,000)	23,933
1.7	Other Liabilities	2,377,239	3,042,672	3,102,280
2	<b>Total Assets (2.1 To 2.7)</b>	<b>71,323,363</b>	<b>72,175,693</b>	<b>66,545,726</b>
2.1	Cash & Bank Balance	13,172,782	7,968,553	11,215,794
2.2	Money at Call & Short Notice	–	–	–
2.3	Investments	6,504,186	11,305,960	9,263,858
2.4	Loans and Advances (Gross) (a+b+c+d+e+f)	48,450,305	50,643,091	44,197,763
	a. Real Estate Loan	2,600,588	2,299,487	2,194,192
	1. Residential Housing Loan (Except Personal Housing Loan upto Rs. 1 Crore)	1,074,239	870,260	775,205
	2. Business Complex & Residential Apartment Construction Loan	1,310,131	1,259,031	862,507
	3. Income Generating Commercial Complex Loan	202,873	164,001	183,025
	4. Other Real Estate Loan (Including Land Purchase & Plotting)	13,345	6,195	373,455
	b. Personal Housing Loan upto Rs. 1 Crore	7,007,942	6,656,081	5,325,989
	c. Margin Type Loan	510,323	311,954	43,453
	d. Term Loan	9,123,575	8,548,019	7,307,935
	e. Overdraft Loan/Tr Loan/Working Capital Loan	21,485,259	25,624,781	22,055,638
	f. Others	7,722,618	7,202,769	7,270,556
2.5	Fixed Assets	626,994	669,982	631,183
2.6	Non Banking Assets (Net of Provision)	–	–	–
2.7	Other Assets	2,569,096	1,588,107	1,237,128
3	<b>Profit and Loss Account</b>			
3.1	Interest Income	5,177,552	3,733,187	4,936,924
3.2	Interest Expense	2,258,737	1,711,543	2,179,182
	<b>A. Net Interest Income (3.1-3.2)</b>	<b>2,918,815</b>	<b>2,021,644</b>	<b>2,757,742</b>
3.3	Fees, Commission and Discounts	254,882	198,886	266,821
3.4	Other Operating Income	309,475	199,368	249,385
3.5	Foreign Exchange Gain/Loss (Net)	67,028	49,731	98,905
	<b>B. Total Operating Income (A+3.3+3.4+3.5)</b>	<b>3,550,200</b>	<b>2,469,629</b>	<b>3,372,853</b>
3.6	Staff Expenses	511,864	355,257	461,809
3.7	Other Operating Expenses	544,296	346,339	509,488
	<b>C. Operating Profit Before Provision (B-3.6-3.7)</b>	<b>2,494,039</b>	<b>1,768,033</b>	<b>2,401,556</b>
3.8	Provision for Possible Losses	73,725	80,660	98,807
	<b>D. Operating Profit (C-3.8)</b>	<b>2,420,315</b>	<b>1,687,373</b>	<b>2,302,749</b>
3.9	Non Operating Income/Expenses (Net)	9,934	5,403	8,337
3.10	Write Back of Provision for Possible Loss	7,476	5,876	88
	<b>E. Profit From Regular Activities (D+3.9+3.10)</b>	<b>2,437,725</b>	<b>1,698,653</b>	<b>2,311,174</b>
3.11	Extra Ordinary Income/Expenses (Net)	(20)	(20)	(88)
	<b>F. Profit Before Bonus and Taxes (E+3.11)</b>	<b>2,437,705</b>	<b>1,698,633</b>	<b>2,311,086</b>
3.12	Provision for Staff Bonus	221,610	154,421	210,099
3.13	Provision for Income Tax	666,397	463,264	629,869
	<b>G. Net Profit/Loss (F-3.12-3.13)</b>	<b>1,549,699</b>	<b>1,080,948</b>	<b>1,471,118</b>
4	<b>Ratios</b>			
4.1	Capital Fund to RWA	12.89%	11.92%	11.59%
4.2	Non Performing Loan (NPL) to Total Loan	0.62%	0.62%	0.62%
4.3	Total Loan Loss Provision to NPL	100%	100%	100%
4.4	Average Yield	9.25%	9.35%	11.79%
4.5	Cost of Deposit	3.56%	3.64%	4.20%
4.6	Average Interest Spread	5.69%	5.71%	7.59%
4.7	Base Rate	6.40%	6.39%	7.16%
4.8	Credit to Deposit Ratio (Calculated as per NRB Directives)	75.06%	78.84%	71.84%

\* Paid Up Capital includes Convertible Preference Shares of Rs. 12 crore.

## DISCLOSURE RELATING TO BASEL –II FRAMEWORK

### 1. Capital Structure and Capital Adequacy

#### • Tier 1 capital and a breakdown of its components : Rs. in '000

Core Capital (Tier 1)	5307829
a. Paid up Equity Share Capital	1801239
b. Proposed Bonus Equity Shares	216149
c. Irredeemable Non-cumulative Preference Shares	-
d. Share Premium	18555
e. Statutory General Reserves	1925731
f. Retained Earnings	607444
g. Reserve for Deferred Tax	106569
h. Unaudited Current Year Cumulative Profit	-
I. Debenture Redemption Reserve	93770
j. Capital Adjustment Reserve	507147
k. Dividend Equalization Reserves	-
l. Capital Redemption Reserve	-
m. Other Free Reserve	31226
n. Less: Goodwill	-
o. Less: Fictitious Assets	-
p. Less: Shortfall in Provisions	-
q. Less: Loan to Parties Prohibited by Acts and Directives	-
r. Less: Investment in Equity in Licensed Financial Institutions	-
s. Less: Investment in Equity of Institutions with Vested Interests	-
t. Less: Investment in Equity of Institutions with Excess of Limits	-
u. Less: Investments Arising out of Underwriting Commitments	-
v. Less: Reciprocal Cross Holdings	-
w. Less: Other Deductions	-

#### • Tier 2 capital and a breakdown of its components

<b>Supplementary Capital (Tier 2)</b>	<b>1020658</b>
a. Cumulative and/or Redeemable Preference Share	120000
b. Subordinated Term Debt	375075
c. Hybrid Capital Instruments	-
d. General Loan Loss Provision	479799
e. Investment Adjustment Reserve	3476
f. Assets Revaluation Reserve	-
g. Exchange Equalization Reserve	25843
h. Additional Loan Loss Provision	16465
i. Other Reserves	-

**Total Capital Fund (Tier I and II) 6328487**

- Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.
- Deductions from capital : Nil
- Total qualifying capital : 6328487 thousand
- Capital adequacy ratio : 11.15%

#### • Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

Bank assesses the adequacy of capital on a regular basis taking into consideration of the present total risk exposure and expected future increase in this respect. Bank is aiming to maintain a proper mix of different types of capital so that there would not be pressure on dividend policy as well as inadequacy of total capital funds against the risk exposure. In addition to annual capitalization of profit through issue of bonus shares, bank is setting aside certain amount towards "Capital Adjustment Reserve" for strengthening the total capital pool more strong. In the past, bank had issued convertible preference share of Rs. 20 crore at a premium of 100% convertible into ordinary share @ 20% on completion of each third year. Further, the bank has issued debenture of Rs. 46.88 Crores in F.Y. 2069/70 for the period of 10 years.

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

As of 16th July 2014, Bank has the following capital structure:

Paid up Ordinary Capital	Rs. 201.74 crore (with proposed bonus share)
Convertible Preference Share	Rs. 12.00 crore (Rs. 8 Crore already converted into Ordinary Shares out of Rs. 20 Crores)

The salient features of each instrument are as under:

#### i) Convertible Preference Shares of Rs. 20 crore:

These shares were issued at 100% premium with the terms and condition of 7% fixed dividend on the face value on unconverted portion. These shares are convertible into ordinary shares @ 20% after completion every three year. Rs. 8 Crore has been already converted into ordinary share so far.

#### ii) EBL Debenture Rs. 46.88 crore: These debentures were issued for 10 years with a fixed interest of 8%. These debentures are redeemed after expiry of its' fixed period of ten years.

### 2. Risk Exposures

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

The Risk Weighted exposure as of 16th July 2014 is given below:

Particulars	Amount (000)
1. Credit Risk	50599467
2. Market Risk	273768
3. Operational Risk	4119443
4. Adjustment under Pillar II	1787483
<b>TOTAL</b>	<b>56780161</b>

- Risk weighted exposures under each of 11 categories of Credit Risk:

Risk weighted exposure under each of 11 categories of Credit Risk as of 16th July 2014 is given as under:

Particulars	Amount (000)
1. Claims on other official entities	
2. Claims on banks	1487126
3. Claims on Domestic corporate & securities firms	20460162
4. Claims on regulatory retail portfolio	8972770
5. Claims secured by residential properties	3803797
6. Claims secured by commercial real estate	3095990
7. Past due claims	133329
8. High risk claims	4374422
9. Investment in Equity of Institutions	84567
10. Other assets	1768104
11. Off balance sheet items	6419200
<b>Total</b>	<b>50599467</b>



- Total risk weighted exposure calculation table:  
Enclosed as an Annexure:

Amount of NPAs (both Gross and Net)	Rs. in '000
Gross NPA	: Rs. 470404
Net NPA	: Nil
❖ Restructure/Reschedule Loan	: -
❖ Substandard Loan	: 6228
❖ Doubtful Loan	: 168430
❖ Loss Loan	: 295746

NPA Ratios	
❖ Gross NPA to Gross Advances	: 0.97%
❖ Provision to NPA	: >100%

- Movement of Non Performing Assets:

Amount Rs. (000)

Particulars	Amount	Provision
Opening balance	276199	266147
Addition during the year	311729	145052
Sold during the year	(117524)	(29681)
<b>Balance as at 16 July 2014</b>	<b>470404</b>	<b>381518</b>

- Write off of Loans and Interest Suspende:  
Following Loans and Interest Suspendes have been written off during the year 2013/14:

Amount Rs. (000)

Particulars	Facility Type	Out-standing	Interest w/o from suspense
Bipin/Bishonath Sing Pokhrel	Education Loan	20.00	-
Red Lion Travels & Tours	Overdraft Loan	-	833.44
Punam Mulmi	Fixed Term Loan	-	224.00
Binod Cold Center	Overdraft Loan	-	516.69
Madhav Jewellery	Overdraft Loan	-	313.77
Laxmi Kirana Pasal	Overdraft Loan	-	133.32
<b>Total</b>		<b>20.00</b>	<b>2021.22</b>

- Movements in Loan Loss Provisions and Interest Suspende:

Amount Rs. (000)

Particulars	Loan Loss Provision	Interest Suspende
Opening balance	804576	131878
Write back /off in the year	(82269)	(93199)
Addition in the year	155973	92143
<b>Balance as at 16 July 2014</b>	<b>878280</b>	<b>130822</b>

- Details of additional Loan Loss Provisions

Particulars	Amount (000)
1. Substandard	-
2. Doubtful	-
4. Loan against PG	499
6. Deprived Sector Loan	-
7. Retail Lending	16465
<b>Total</b>	<b>16964</b>

- Segregation of Investment Portfolio

Investment Category	Amount (000)
1. Held from Trading	-
2. Held to Maturity	6440837
3. Available for Sale	63349

### 3. Risk Management Function

- For each separate risk area (Credit, Market and Operational risk), bank must describe their risk management objectives and policies, including:
  - ❖ Strategies and processes;
  - ❖ The structure and organization of the relevant risk management function;
  - ❖ The scope and nature of risk reporting and/or measurement systems; and
  - ❖ Policies for hedging and/or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges/mitigants.

#### A. Credit Risk:

##### Strategies and Process:

**Strategies:** Main focus is given on medium sized entity. Maximum percentage of sectorial exposure in terms of capital funds for a particular financial year is fixed at the beginning of a financial year and approved by the Board. Loaning power to concerned official at branch as well as Head Office have been fixed. The loaning power at branch level has been fixed comparatively at lower level with a view to have strong appraisal system at corporate level. Manuals relating to credit is in place. Every aspect relating to credit such as procedure, documentation etc. are clearly defined. Credit Policy of the Bank has also been put in place.

##### Process:

**Pre sanction:** Each credit limit is approved after due scrutiny by two layer of authority in branch level of their limit. Loans are approved after due scrutiny of background of the promoter, nature of business, turnover in the account, cash flows, debt/equity ratio, income or profit, value of primary and collateral security. Loans above branch power are recommended to Head Office for consideration on merit. Risk rating mechanism is in place for certain credits and beyond certain amount.

##### Post sanction monitor/follow up:

Concerned branch obtains regular returns from the borrower as stipulated in the sanctioned letter on regular interval. Drawing power in case of revolving type of loan is calculated to keep the exposure within its allowable DP. Business place of the borrower is visited, physical stock is also checked at regular interval checked on a time bound basis. In case there is symptom of any slippage in a particular account, steps are taken for regularizing or repayment or exit. Loans more than Rs. 1 Lac which are either irregular or likely to be irregular are reported to Board on regular basis and discussed about the course of action. Credit related returns such as Credit Officer's Report, Review Sheet etc. are submitted to H.O. in a specified time interval on regular basis.



## **B. Market Risk:**

### **a) Investments:**

Presently bank has made no investment for trading purposes. All instruments either government securities or bonds issued by government are intended to hold up to maturity. Instruments issued by semi-government body corporate have been purchased at face value. Premium paid on purchase of government bonds are amortized out of profit on prorata basis in each year.

### **b) Foreign exchange:**

The Bank's policy is to maintain the net open position of convertible foreign currency where exchange rate risk persist in matching position. 25% of total revaluation profit if any in a financial year are transferred to a separate reserve for building a cushion.

## **C. Operational Risk:**

**1. Risk Arising from Break Down of Information & Operating System:** All banking transactions are done through highly sophisticated software. All related data are processed centrally. To safe guard the probable losses resulting from system failure or natural disaster, bank has taken following policies to minimize the risk:

- i) Back up: Daily back up of all balances are taken at the end of day. Auto back up while the system is running are also taken at certain time interval to safe guard the normal system failure.
- ii) Disaster Recovery Site (DRS): To safe guard the natural disaster, DRS site is being maintained outside valley, which is considered to be less seismic zone.

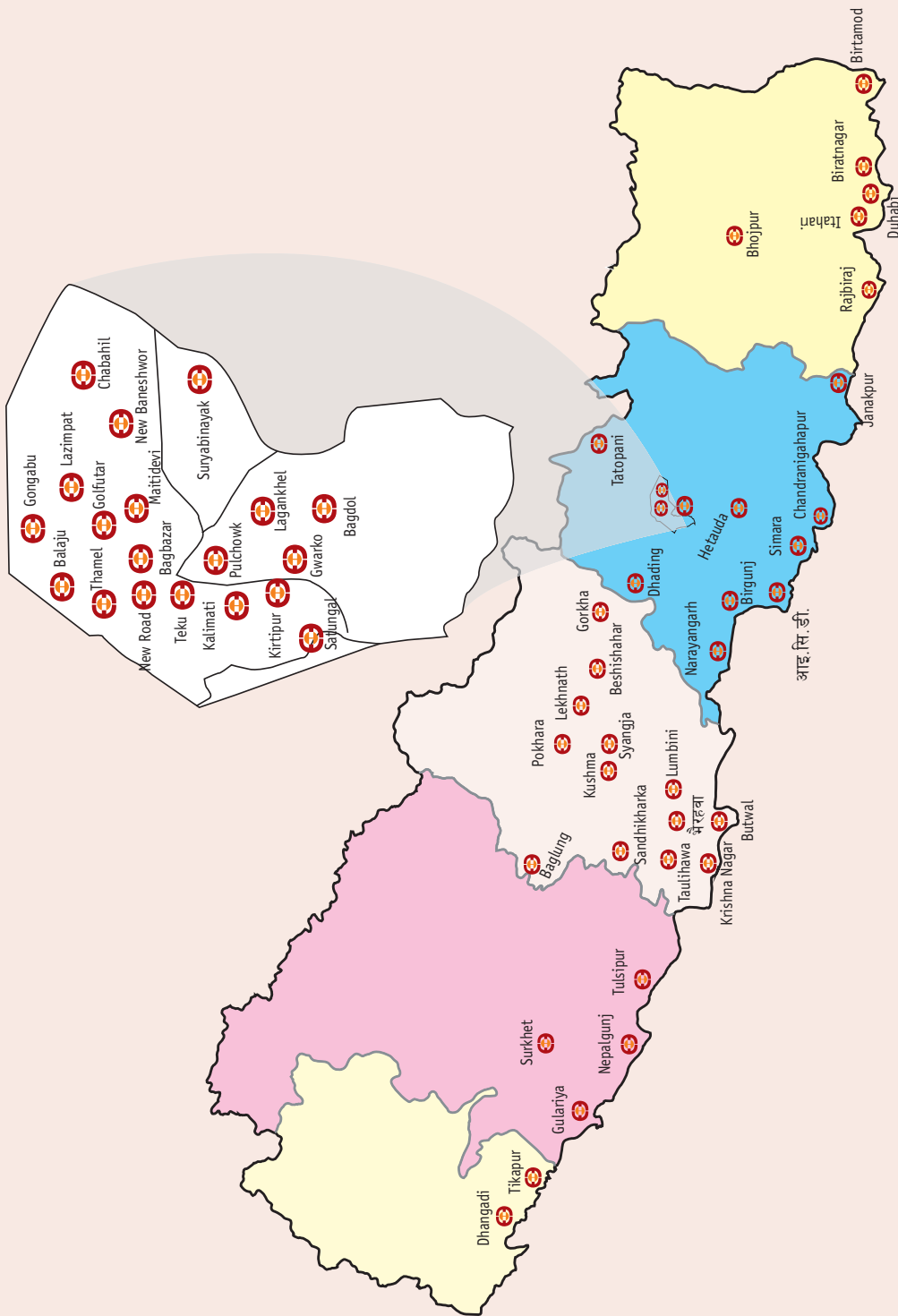
- iii) Validation of Entry & Password Control: Each entry in the system is revaluated by another staff having the power to do so before final posting. Level wise access authority is given for data entry, update, modification and validation process. Password control is maintained at each level of operation very strictly and confidentially.
- iv) Generation of Exceptional Report: Exceptional report at the end of day is generated through system and examined.
- v) Morning Checking: Each and every vouchers are physically verified with the ledger posted at the start of next day.

### **2. Risk Arising from Procedural Lapses and Internal Control:**

Operating manual describing every procedure related to banking function is in place. In addition to this, internal circulars are issued as and when required. Regular returns are submitted by every branch on regular interval to H.O. Internal audit of each and every branch including Head Office is carried out every year. The internal audit department conducts off site as well as on site inspection. Monthly manager's certificate in respect of compliance of set systems & procedures are obtained from each branch.

### **3. Corporate Good Governance:**

Guidelines issued by the central bank, (Nepal Rastra Bank) are observed and complied with. Types of eligible credit risk mitigants used and the benefits availed under CRM. Margin money deposited with the bank against off balance sheet exposures-Lc, Gtee and Loan against Fixed Deposit Receipt & Govt. Bond etc. have been claimed as CRM. Under this, Rs. 2174848 thousand have been deducted from risk as CRM.



Legal form of the Company

Domicile

Registered Office

Listing of Shares

: Limited Company

: Nepal

: Lazimpat, P.O.Box 13384, Kathmandu, Nepal

: Nepal Stock Exchange Limited, Nepal

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### **Kumar Joshi**

Human Resource

### **Rajan Kayastha**

Accounts

### **Pramod Raj Sharma**

Company Secretary

### **Ranjan Khadka**

Marketing

### **Dharma P. Gauli**

Legal

### **Sukra P. Gautam**

Treasury & Remittance

### **Mahesh Bajracharya**

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### **Dev Ranjan Dangal**

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# Glimpses of 19<sup>th</sup> Annual General Meeting



# Everest Bank Branches Network



## Kathmandu Valley:

☼ Bagbazar    ☼ Balaju    ☼ Chabahil    ☼ Golfutar    ☼ Gongabu    ☼ Kalimati  
 ☼ Kirtipur    ☼ Lazimpat    ☼ Maitidevi    ☼ New Baneshwor    ☼ New Road    ☼ Satungal  
 ☼ Teku    ☼ Thamel  
 ☼ Gwarko    ☼ Lagankhel    ☼ Pulchowk  
 ☼ Suryabinayak (Bhaktapur)

## Eastern:

☼ Bhojpur    ☼ Birtamod    ☼ Biratnagar    ☼ Duhabi    ☼ Itahari    ☼ Rajbiraj

## Central Region:

☼ Birgunj    ☼ Chandranigahpur    ☼ Dhading    ☼ Hetauda    ☼ I.C.D.    ☼ Janakpur  
 ☼ Narayangarh    ☼ Simara    ☼ Tatopani

## Western:

☼ Baglung    ☼ Beshisahar    ☼ Bhairahawa    ☼ Butwal    ☼ Gorkha  
 ☼ Krishnanagar    ☼ Kushma    ☼ Lekhnath    ☼ Lumbini    ☼ Pokhara  
 ☼ Sandhikarka    ☼ Syangja    ☼ Taulihawa

## Mid-Western:

☼ Gulariya    ☼ Nepalgunj    ☼ Surkhet    ☼ Tulsipur

## Far-Western:

☼ Dhangadhi    ☼ Tikapur

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