

BOARD OF DIRECTORS' REPORT

TO THE 13th ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE BANK

Ladies and Gentlemen:

It gives me great pleasure to welcome you to the 13th Annual General Meeting (AGM) of the Bank. I have the privilege of presenting the Balance Sheet as at 32nd Ashadh 2064 (16th July, 2007), the Profit & Loss Account and Cash Flow Statement of the Bank for the year ending on that date and the Auditors' report made there on.

1. REVIEW OF THE OPERATING ACTIVITIES OF YOUR BANK & GENERAL ECONOMIC ENVIRONMENT OF THE COUNTRY (Please refer Annexure 1):-

A. Review of the operating activities :

I have pleasure to present the five years' financial performance of the Bank, which is as under-

(Rs. in million)

Particulars	2059/60 (2002/03)	2060/61 (2003/04)	2061/62 (2004/05)	2062/63 (2005/06)	2063/64 (2006/07)
Paid up capital- Ordinary Shares	315.00	315.00	315.00	378.00	378.00
Statutory General Reserve	64.46	91.95	126.11	173.56	232.85
Share Premium	6.43	6.43	6.43	6.43	6.43
Capital Adjustment Reserve (Pls. See Note 1)	31.50	63.00	94.50	132.30	170.10
Other Reserves	14.59	17.05	17.05	23.87	30.19
Proposed Bonus Shares	-	-	63.00	-	113.40
Retained Profit	40.85	46.90	70.53	108.64	130.55
General Loan Loss Provision & Provision for NBA	141.12	221.83	305.43	375.17	453.18
Total Shareholders' Funds	613.95	762.16	998.03	1197.97	1514.67
Total Deposits	6694.96	8063.90	10097.69	13802.44	18186.25
Total Loans and advances	5049.58	6095.84	7900.01	10136.25	14082.69
Total Investments	1653.98	2535.66	2128.93	4201.32	4985.12
Profit & Loss Account					
Total Income	635.33	785.06	858.96	1066.51	1370.71
Interest Expenses	(307.64)	(316.37)	(299.56)	(401.40)	(517.17)
Employees Expenses	(37.64)	(48.53)	(55.10)	(68.38)	(78.10)
Operating Expenses	(93.59)	(103.80)	(129.07)	(143.56)	(177.55)
Operating Profit	196.74	316.36	375.23	453.17	597.87
Provision for Possible Losses	(45.75)	(81.78)	(88.93)	(70.47)	(89.69)
Staff Bonus	(15.10)	(23.46)	(28.08)	(34.56)	(45.47)
Gratuity provision	-	-	(5.50)	(2.55)	(8.00)
Profit before Income Tax	135.89	211.12	252.72	345.59	454.71
Provision for Income Tax	(41.71)	(67.55)	(81.91)	(108.31)	(158.30)
Net Profit (after tax and all provision)	94.18	143.57	170.81	237.38	296.41

Note : (1) Capital Adjustment Reserve is available for distribution by way of Bonus Shares to increase the capital.

(2) *Provision for possible losses include Loan Loss Provision and provision for Non Banking Assets (NBA) i.e. asset of the Bank which is not giving any return and remained with the Bank. This amounts to Rs.3.46 crore.

The Hon'ble Share Holders might have noted that the Bank has made consistent progress.

During the last financial year the Bank earned operating profit of Rs.597.87 million– which is 31.9% more than the previous year. The Post Tax Net Profit is Rs.296.41 million after further payment to the Tax Authorities of Rs.13.93 million on settlement of 7 years pending cases.

The total deposit has exceeded Rs.18,186 million recording an annual growth of 31.76%.

The Loans and Advances has also increased to Rs.14,083 million showing an annual growth of 38.94%.

Nepal Rastra Bank had earlier issued Directive to all commercial banks to have a minimum capital base of Rs. 50 crores. This has since been amended and Banks are required now to have a minimum Capital Base of Rs. 200 crores by Ashadh 2070.

Your Bank has achieved the Capital Base (paid up capital & capitalizable funds) of Rs. 95.16 crore as given below (with paid up capital of only Rs. 37.80 crore):

	(Rs. in lacs)
Paid up Equity Capital (ordinary shares)	3780
Proposed Bonus Share	1134
Share Premium (pl. see Note 1 below)	64
Capital Adjustment Reserve	1701
Accumulated Profit	1305
Other Reserve	132
Ordinary Capital & other related funds:	8116
Preference shares	1400
Total	9516

Notes :

1. Premium already received on issue of convertible preference share amounting to Rs. 200 million shall be booked in the current year 2007/08.
2. 7% Convertible Preference Share worth Rs. 200 million has been issued and this amount of capital will be accounted for in this current year.

Since we have still six years available for reaching the required figure of Rs. 200 crore, the Directors feel confident that even with the present trend of profit and the policy adopted by the Directors regarding Dividend/Bonus Shares, there will be no difficulty in reaching the figure of Rs. 200 crore by Ashadh 2070. Detail capital plan has also been submitted to Nepal Rastra Bank in this respect.

The total funds belonging to the ordinary shareholders now stands at Rs. 151.46 crore as follows compared to paid up capital of Rs. 37.80 crores:

	(Rs. in lacs)
Paid up Equity Capital & other funds	8116
Exchange equalization funds	170
Statutory general reserve	2328
Loan Loss Provision*	4532
TOTAL :	15146

All the respected shareholders are no doubt aware of the present situation prevailing in the country. The level and trend of performance of your Bank even in such difficult time seems to be commendable.

The key factor together with other management aspects, for this achievement, is the result of the continuing efforts made by the management for keeping the non-performing loans at lowest level. At this juncture, I would like to inform the respected shareholders that the level of non-performing loans of your Bank is just 0.8% (previous year 1.27%) of total gross loans and the net non performing loan is nil.

With increase in profit, the bonus provision at 10 % (after charging bonus), payable to the employees has also consistently gone up to Rs. 455 lacs which was Rs. 346 lacs in the previous year.

Likewise, the income tax payment also has gone up to Rs. 1444 lacs for the year from Rs. 1067 over the previous year. It may be noted that in the previous year tax rebate of 2% was provided to the listed companies however, this was not available for the year being reported.

2. EFFECTS ON THE BANK'S ACTIVITIES DUE TO THE INTERNAL & EXTERNAL FACTORS:

The banking sector continue to be in difficult in this year too. The slow down in other related economic segments has a definite impact on the banking sector. The compounding effect has resulted in a tough competition amongst the banks resulting in a persistent decrease in interest rates and other service charges. However, your Bank has developed and implemented various types of consumer loan to suit various types of people with a view to augmenting the income level of the Bank as well as to diversify the risk.

The Government in its wisdom has been issuing fresh licenses for several new Banks – in a situation where the economy is smouldering with various negative factors and the margin or spread of the Banks are going through severe strain.

In our Bank during the year the margin has come down from 3.99% to 3.91%.

This is likely to be under further strain as the new Banks will try to give advances at even lower rates of interest.

The two Government Associated Banks (RBB and Nepal Bank) with negative capital adequacy ratios have also been competing in market with lower rates of interest.

Loan demand particularly from private sector remained stagnant due to the various obvious reasons prevailing in the country. The Board is of the view that the banking sector will be facing further severe challenges if the law and order situation does not improved and the imbalance on development vis-a-vis revenue expenditure of the government continue.

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

3. ACTIVITIES OF THE BANK AND FUTURE PLAN:

A. Operations:

The persistent difficulty faced by the nation and the resultant slackness witnessed in the economy has forced the Bank to look for new banking avenues instead of concentrating only on the trading and industrial activities.

The Bank had opened its representative office in New Delhi, India with an aim to;

- i) facilitate the opening of account of Nepalese residing and working in India and remitting their funds to any EBL branch in Nepal, and
- ii) to liaise with and attract the business relating to trade finance emanating to and from India.

Respected shareholders, I am happy to note that the representative office has been successful in achieving the above mentioned goals.

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 has introduced "EBL Debit Card",

installed its' own ATMs at various branches as well as has tied up with Smart Choice Technology (SCT) for ATM switch sharing that enables the EBL Cardholders to have access at more than 64 different locations of SCT member banks. EBL Debit Card can also be used at more than 850 Point of Sales(PoS) terminals for purchase of merchandise. Further, it gives me a great pleasure to inform you that the ATM cardholders of your bank can withdraw money from 800 PNB 's ATMs in India and the Indian people visiting Nepal can have the same sort of facility here too.

I am glad to inform you that your Bank is the first and only Bank to have ATM at Tribhuwan International Airport (TIA).

Your bank, as on date, stands in first position to have largest ATM cardholders. Even in the semi-rural areas like Janakpur we have installed the ATM. To fulfill the customer's growing demand, we plan to upgrade our technology and extend additional facilities to the satisfaction of our valued customers. In this process, we have decided to switch over the existing computer systems to world class Finacle System. This system is expected to be in place by the beginning of New Year 2008. The Bank is striving to improve customer service quality, fulfill their needs through extended services. In this attempt, all our valley branches and Pokhara branch are providing extended customer services through evening counter among them our New Road branch provides 365 days banking services.

Further, your Bank has launched its' own remittance package "Everest Remit". Presently, this remittance facility is available to the Nepalese who are employed in UAE, Qatar, UK and Bahrain. 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 institutions, namely, Commerzbank AG, Germany; HDFC Bank Limited, India; American Express Bank Limited, Tokyo; American Express Bank Ltd, New York. Likewise, Agreements for instant money transfer have been entered into with EZ Remit, Xpress Money Transfer, Nepal Remit . These arrangements have facilitated the Bank for inward remittance from different countries- UK, Malasia, Singapore, UAE, Kuwait, Baharain, Qatar and other locations.

Similarly, instant remittance facility to and fro India has been put 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 connects 2,100 PNB, Centralized Banking Solutions (CBS) branches.

In this year too, retail lending was given special focus. EBL retail lending schemes have become very popular in the market. Schemes for Professionals, Home Equity Loan, and Advances against life insurance policies and against the shares of selected listed companies have been introduced as part of Management efforts to innovate new products and services to cater to the needs of the customers.

B. Branch Expansion:

The Bank has opened three more branches during the year 2063/64. The 19th branch was opened in Nepalgunj on 2063/10/1, 20th branch in Naya Bazar, Balaju on 2063/11/15 and 21st branch in Birtamode on 2064/03/18. Further, the Bank has opened 22nd branch in Baglung in this current year on 2064/05/11. The bank has received permission from Nepal Rastra Bank to open more branches. Premises for Gwarkho branch have been finalized and planning to operate with new software-Finacle very soon. Branches in other places will be established on priority basis in near future within the deadline given by NRB.

C. Human Resources Development & Per Employee Business:

The staff strength of the Bank at the end of the financial year 2062-63 (2005-06) was 306, which has now gone upto 393 (excluding the seconded staff from PNB). The per employee business as at the end of the financial year is as under:

(Rs. in Million)

Description	2005/06 (2062/63)		2006/07 (2063-64)		% Increase over last year
	Total Amount	Per Employee Amount	Total Amount	Per Employee Amount	
Deposits and Loans & Advances	23978.6	78.36	32269.0	82.1	4.8
Operating Profit	453.1	1.48	597.9	1.52	2.7
Net Profit*	237.2	0.78	310.3	0.79	1.3

* Net profit for 2063/64 includes Rs. 13.9 Million previous years tax which is irregular in nature.

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 in various aspects of banking and relevant subjects. 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.

D. Future Strategic Plan of the Bank:

Your Bank has been growing on an average at 29% per annum against 9% for the banking system in the country.

For sustained growth in future, the focus will be in following areas:

- Increase in branch network.
- Increase customer base by upgrading information technology initiatives to reduce transaction time and cost of transaction and providing alternative delivery channels.
- To increase customer base in low cost deposits with a view to reduce average cost of deposits.
- To increase average yield on advances by aggressive marketing of retail lending schemes.
- Recruit ideally suitable manpower and train them for movement of fast track to man the position of responsibilities at branches and Head Office.
- Further improve internal control system.

4. PROFIT & LOSS APPROPRIATION ACCOUNT:

Your Bank has earned a net profit of Rs.296.4 million after providing for the staff bonus of Rs 45.5 million and Rs. 158.3 million against income tax. The income tax liability for the year increased by 46.2% compared to the previous year and we have already paid major portion as advance tax to the Government.

The remaining profit along with the balance of previous year has been appropriated as under:

A) Towards Shareholders:

- i. Cash dividend of Rs.37.8 million @ 10%
- ii. Tax on bonus share Rs.7.3 million
- iii. Bonus share on ordinary shares Rs. 113.40 million @ 30%.
- iv. Dividend / interest to Preference Shareholders : Rs.12.6 million

B) Towards Reserves and Retained Earnings:

- i. Rs. 130.5 million as accumulated profit including upto last year,
- ii. Rs. 37.8 million for Capital Adjustment Reserve,

- iii. Rs. 59.3 million, being 20% of the net profit for the year, for statutory reserves,
- iv. Rs. 6.0 million for contingency reserve,
- v. Rs. 0.32 million for Exchange Equalization Reserve.

5. DIVIDEND/BONUS SHARE:

The Board in its' meeting held on 18th Sept. 2007 has decided to recommend to the forthcoming Annual General Meeting to declare bonus share @ 30% and 10% cash dividend to the shareholders. Nepal Rastra Bank has permitted the same vide their letter dated 26th Sept. 2007.

The same is being placed before you for final approval.

6. CAPITAL ADEQUACY:

Nepal Rastra Bank earlier provided that the Capital Adequacy ratio should be 8%. This has since been increased to 11% which was to be 12% from this financial year but revised to 11% till the Basel-II standard comes into effect (2007). The Capital Adequacy Ratio of the Bank as at the year end 16th July 2007 stands at 11.19%. The Board had decided to issue convertible preference shares of Rs. 20 crore at 100% premium which has been called up and allotted.

7. BOARD OF DIRECTORS:

There were some changes in Board of Directors of the Bank during the financial year under review. Mr. Harwant Singh, General Manager of Punjab National Bank, India, has been retired from PNB's service. In his place PNB has nominated Mr. I.D.Singh as a director on the Board.

I would like to welcome Mr. I.D.Singh and would like to place on record of appreciation for the valuable contributions made by Mr. Harwnat Singh for the Bank's development.

8. AMENDMENT IN MEMORANDUM AND ARTICLES OF ASSOCIATION:

Details of the proposed Amendment in some clause of Memorandum & Articles of Association of the Bank is placed before the shareholders for their approval.

9. EMPLOYEE RELATIONS:

The Board is pleased to report that during the year under review the relations with employees remain generally good.

However, the demand for managerial level bank personnel have gone up in the country with new Banks coming in the field and more Branches coming up from the existing Banks.

Your Bank has been investing in training its own personnel at all levels. Such trained Bank's employees are being offered higher remunerations.

The Management is taking steps so that there will be less economic reasons for our trained employees to shift to other Banks.

10. 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 2064-65 (2007-08) and also fix his remuneration. Mr. Sundar Man Shrestha, Chartered Accountant, existing auditor, is eligible for re-appointment.

11. ANY OTHER MATTERS:

11.1 *Banker 2006 Award:* I am pleased to inform the respected shareholders that your Bank has been conferred with the “Banker 2006-Nepal Award” by the prestigious newspaper the Financial Times Group- London. There is, of course, no doubt that the continuous and tireless collective efforts made by the staff members for reaching the bank at this height and moral support extended by each and every shareholder to the Bank management are the major inputs for overall development of the Bank. I, on behalf of the Board, would like to extend my sincere thanks to the staff members and shareholders for their dedication and support.

11.2 *Bank’s Activities towards Corporate Social Responsibilities (CSR):*

The Bank is equally involving in discharge of corporate social responsibilities with some support to the society. During the financial year 2006/07, following major activities were under taken:

- i) *Computer donation:* With a view to help on imparting computer literacy to the underprivileged students, bank donated 20 computers to two schools- Tialagatar Higher Secondary School and Bal Uddhar Secondary School.
- ii) *Blood Donation Campaign:* With the theme “Give Blood Save Life” campaign was organized on 8th April 2007 in which 50 donors donated blood.
- iii) *Support for HRDC’s 2nd Abilities Cup:* The Hospital and Rehabilitation Center for Disabled Children (HRDC) had organized a Golf Tournament for raising funds for helping Disabled Children. Bank supported the event.
- iv) Mahima Glory Club in co-ordination with sports Fellowship Nepal and Brother’s Shelter organized Lalitpur Kid’s Game-2007 for orphan children of Lalitpur District. The objective of the event was to teach value based games providing the moral support to the children, generate positive attitude towards life and social harmony. The Bank sponsored T-Shirts for the event.

12. ACKNOWLEDGMENT:

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 grateful thanks to our valued customers for their patronage. Further, we extend 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 new heights of success in the times to come.

Thank you.

On behalf of the Board of Directors,

B. K. Shrestha

Chairman

General Economic Environment:

Before presenting further performance highlights of the Bank, it would be pertinent to have an overview on the general economic and banking scenario of the country for the fiscal year 2063/064 (2006/2007). For this purpose we have extracted here some relevant information from the Economic Survey for the year 2063/64 (2006/07) published by Nepal Government. The related data for the year as well as corresponding past year is based on the first eight months.

i) Economic growth rate:

The law and order situation of the country did not improve in this year too. Due to this reason, economic sector has been badly affected. In the economic survey it has been stated that, during the review period, the Gross Domestic Product (GDP) growth rate is estimated to increase by 2.5 % at the base price of F.Y. 2000/2001.

ii) Per capita income:

The per capita GDP at current producers' price is estimated to reach at Rs. 27,209 , increased by 8.85% , against Rs. 24,996 of last year.

iii) Utilization of Resources:

The ratio of total consumption to GDP is expected to be 92.3% as against 92.8% of last year. The ratio of savings to GDP is expected to be 7.7% as against 7.2% in last year.

iv) Capital formation:

Formation of the fixed capital is estimated to reduce by 6.1% (previous year reduced by 0.8%). At producer's price the ratio of capital formation to GDP is estimated to be 20.2% as against 22.3% in the last year.

v) 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 2063/64 published by the Nepal Government for information of the shareholders.

(Rs. in Crores)

Particulars	F.Y. 2063/64 (2006/07)	Share %	F.Y. 2062/63 (2005/06)	Share %	Increase %
EXPORT					
To India	2776	69.4	2966	69.3	(6.41)
To Other countries	1222	30.6	1314	30.7	(7.00)
TOTAL EXPORT	3998		4280		(6.59)
IMPORT					
From India	7212	62.9	7051	60.8	2.28
From Other countries	4257	37.1	4550	39.2	(6.44)
TOTAL IMPORT	11469		11601		(1.14)
Total Foreign Trade					
With India	9988	64.6	10017	63.1	(0.29)
With other countries	5479	35.4	5864	36.9	(6.57)
TOTAL FOREIGN TRADE	15467		15881		(2.61)

Source : Economic Survey 2063/64

From the above, total volume of foreign trade has decreased by Rs. 414 crore in the year under review showing a negative growth of 2.61 percent over the previous year. The share of total foreign trade with India and other countries stand at 64.6 percent and 35.4 percent respectively.

vi) *Banking:*

Total deposits of commercial banks in the first eight months of the F.Y. 2063/64 increased by 12.3% . Similarly, total loans and advances during the same period grew by 5.4%. The share of business in total commercial banking of our bank in respect of deposit and advances stand at 5.6% and 4.3% respectively. Loans to private sector has been increased by 4.1% against an increase of 9.5% in the last year.

SUNDAR & CO.

Chartered Accountants

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Auditor's Report to The Shareholders of Everest Bank Ltd.

1. We have audited the accompanying Balance Sheet of Everest Bank Limited as on Ashadh 32, 2064 (July 16, 2007) and the related Profit and Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in Nepal and the directives issued by the Nepal Rastra Bank. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. On examination of the financial statements as aforesaid, we report that:
 - a) We have obtained all information and explanations, 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 are in agreement with the books of accounts.
 - c) In our opinion, the statements received from the respective branches are adequate for the audit purpose.
 - d) In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of accounts 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.
4. 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:
 - a) In the case of the Balance Sheet, of the state of affairs of the Bank as on Ashadh 32, 2064 (July 16, 2007) and
 - b) In the case of the Profit and Loss Account and the Cash Flow Statement, the profit of the Bank and its cash flow for the year ended on that date.

Date : Sept. 18, 2007 (1 Aswin 2064)

Sundar Man Shrestha, F.C.A.
Chartered Accountants
For Sundar & Co.

Balance Sheet

As on 32 Ashadh 2064 (16th July, 2007)

Share Capital and Liabilities	Sche.	This Year Amount Rs.	Previous Year Amount Rs.
1. Share Capital	4.1	518,000,000	518,000,000
2. Reserve and Surplus	4.2	683,515,266	444,808,301
3. Debenture and Bonds	4.3	300,000,000	300,000,000
4. Loan and Borrowings	4.4	-	-
5. Deposit Liabilities	4.5	18,186,253,541	13,802,444,988
6. Bills Payable	4.6	26,776,480	15,805,995
7. Proposed and un paid dividend		68,146,323	114,666,758
8. Income Tax Liabilities		15,278,110	-
9. Other Liabilities	4.7	1,634,604,580	763,558,645
Total Liabilities		21,432,574,300	15,959,284,687

Assets	Sche.	This Year Amount Rs.	Previous Year Amount Rs.
1. Cash in hand	4.8	534,996,791	259,347,645
2. Balance with Nepal Rastra Bank	4.9	1,178,198,197	1,139,514,873
3. Balance with other banks & financial institutions	4.10	678,225,606	154,104,976
4. Money at Call and Short Notice	4.11	-	66,960,000
5. Investments	4.12	4,984,314,586	4,200,515,220
6. Loan, Advances and Bills Purchased	4.13	13,664,081,664	9,801,307,676
7. Fixed Assets	4.14	170,097,452	152,089,805
8. Non-Banking Assets	4.15	-	7,436,642
9. Other Assets	4.16	222,660,004	178,007,850
Total Assets		21,432,574,300	15,959,284,687

Contingent Liabilities	4.17
Directors' Declaration	4.29
Table of Capital Adequacy Ratio	4.30
Table of Risk Weighted Assets	4.30 (Ka)
Main Indicators	4.31
Significant Accounting Policy	4.32
Notes to Accounts	4.33

(Schedules 4.1 to 4.17 are integral part of the Balance Sheet)

Auditor

Hum Nath Gurung
Asst. General Manager

Jaspal Singh Jass
C.E.O.

Directors
Ved Krishna Shrestha
Nabin Bhakta Shrestha
Shiva Sharan K.C.
Arun Man Sherchan
Ratna Sansar Shrestha, F.C.A
Dr. Bal Gopal Vaidya
I.D. Singh

Bishnu Krishna Shrestha
Chairman

Sundar Man Shrestha, F.C.A
Sundar & Company
Chartered Accountants
as per our report of even date
Date: Sept. 18, 2007

Profit and Loss Account

From 1st Shrawan 2063 to 32 Ashadh 2064 (17th July 2006 to 16th July 2007)

Particulars	Sche.	This Year Amount Rs.	Previous Year Amount Rs.
1. Interest Income	4.18	1,144,408,308	903,411,137
2. Interest Expenses	4.19	(517,166,241)	(401,397,351)
Net Interest Income		627,242,067	502,013,786
3. Commission and Discount	4.20	117,718,162	88,163,454
4. Other Operating Income	4.21	67,967,525	48,902,381
5. Exchange Income	4.22	28,404,544	23,073,780
Total Operating Income		841,332,298	662,153,401
6. Staff Expenses	4.23	(86,118,226)	(70,924,675)
7. Other Operating Expenses	4.24	(177,545,649)	(143,562,167)
8. Exchange Loss	4.22	-	-
Operating Profit Before Provision for possible Loss		577,668,423	447,666,559
9. Provision for possible losses	4.25	(89,695,764)	(70,465,665)
Operating Profit		487,972,659	377,200,894
10. Non-operating Income/Loss	4.26	1,315,211	2,959,467
11. Write-back from Loan Loss Provision	4.27	11,686,657	-
Profit from regular activities		500,974,527	380,160,361
12. Profit/Loss from transaction of extraordinary nature	4.28	(795,224)	-
Profit after inclusion of all types of transaction		500,179,303	380,160,361
13. Provision for Staff Bonus		(45,470,846)	(34,560,033)
14. Provision for Income Tax			
- This Year		(144,368,164)	(106,753,311)
- Upto Last Year		(13,931,012)	(1,556,081)
Net Profit		296,409,281	237,290,936

(Schedules 4.18 to 4.28 are integral part of the Profit & Loss Account)

Auditor

Hum Nath Gurung
Asst. General Manager

Jaspal Singh Jass
C.E.O.

Directors
Ved Krishna Shrestha
Nabin Bhakta Shrestha
Shiva Sharan K.C.
Arun Man Sherchan
Ratna Sansar Shrestha, F.C.A
Dr. Bal Gopal Vaidya
I.D. Singh

Bishnu Krishna Shrestha
Chairman

Sundar Man Shrestha, F.C.A
Sundar & Company
Chartered Accountants
as per our report of even date
Date: Sept. 18, 2007

Profit and Loss Appropriation Account
From 1st Shrawan 2063 to 32 Ashadh 2064 (17th July 2006 to 16th July 2007)

Particulars	">	This Year Amount Rs.	Previous Year Amount Rs.
INCOME			
1. Retained Profit upto last year		108,640,082	70,533,196
2. Profit for this year		296,409,281	237,290,936
3. Exchange Equalization Fund		-	-
TOTAL		405,049,363	307,824,132
APPROPRIATION			
1. Accumulated Loss upto last year		-	-
2. Loss for this year		-	-
3. General Reserve		59,281,900	47,458,200
4. Contingency Reserve		-	-
5. Bank Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff related funds		-	-
8. Dividend on Preference Share		12,600,000	12,600,000
9. Proposed dividend on ordinary shares		45,102,316	94,500,000
10. Proposed Bonus Share		113,400,000	-
11. Special Reserve		-	-
12. Exchange Equalization Fund		318,642	825,850
13. Capital Redemption Fund		-	-
14. Capital Adjustment Reserve		37,800,000	37,800,000
15. Other Free Reserve		6,000,000	6,000,000
TOTAL		274,502,858	199,184,050
16. Accumulated Profit/Loss		130,546,505	108,640,082

Auditor

Hum Nath Gurung
Asst. General Manager

Jaspal Singh Jass
C.E.O.

Directors
Ved Krishna Shrestha
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Bishnu Krishna Shrestha
Chairman

Sundar Man Shrestha, F.C.A
Sundar & Company
Chartered Accountants
as per our report of even date
Date: Sept. 18, 2007

Statement of Change in Equity

Fiscal Year 17 July 2006 to 16 July 2007 (1 Shrawan 2063 to 32 Ashadh 2064)

Particular	Share Capital	Share Premium	General Reserve Rs.	Capital Adjustment Fund Rs.	Exchange Fluctuation Fund Rs.	Accumulated Profit Rs.	Others Reserves	Total Rs.
Balance at 16 July 2006	518,000,000	6,427,200	173,565,614	132,300,000	16,649,597	108,640,082	7,225,808	962,808,301
Changes in Accounting Policy	-	-	-	-	-	-	-	-
Restated Balance	518,000,000	6,427,200	173,565,614	132,300,000	16,649,597	108,640,082	7,225,808	962,808,301
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-
Currency Translation Differences	-	-	-	-	-	-	-	-
Net Gains/Losses Not Recognised in the Income Statement	-	-	-	-	-	-	-	-
Net Profit for the Period	-	-	-	-	-	296,409,281	-	296,409,281
Transfer to General Reserve	-	-	59,281,900	-	-	(59,281,900)	-	-
Declaration of Dividend- Ordinary Shares	-	-	-	-	-	(45,102,316)	-	(45,102,316)
Declaration of Dividend- Preference Shares	-	-	-	-	-	(12,600,000)	-	(12,600,000)
Issue of Bonus Share (Proposed)*	-	-	-	-	-	(113,400,000)	113,400,000	-
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investment	-	-	-	-	-	-	-	-
Currency Translation Differences	-	-	-	-	-	-	-	-
Capital Adjustment Fund	-	-	-	37,800,000	-	(37,800,000)	-	-
Adjustment of Previous Year's Tax	-	-	-	-	-	-	-	-
Transfer to Exchange Equalization Fund	-	-	-	-	825,850	(825,850)	-	-
Balance as on July 15, 2006	518,000,000	6,427,200	232,847,514	170,100,000	17,475,447	136,039,297	120,625,808	1,201,515,266

Cash Flow Statement

From 17th July 2006 to 16th July 2007

Previous Year Rs.	Particulars	Current Year Rs.
	A. Cash flow from Operating Activities	
1,119,894,353	1. Cash Received	1,372,775,899
960,914,386	1.1 Interest Income	1,157,394,126
88,163,454	1.2 Commission & Discount Income	117,718,162
19,770,383	1.3 Income from Foreign Exchange Transactions	27,129,990
-	1.4 Recovery of Loan written off	-
51,046,130	1.5 Other Income	70,533,621
(704,261,899)	2. Cash Paid	(892,082,135)
(378,626,864)	2.1 Interest Expense	(492,278,489)
(68,377,635)	2.2 Staff Expense	(78,118,226)
(115,090,880)	2.3 Office Administration Expenses	(146,568,951)
(114,086,267)	2.4 Income Tax Paid	(140,556,436)
(28,080,253)	2.5 Other Expenses	(34,560,033)
415,632,454	Cash Flow before Changes in Working Capital	480,693,764
-	(Increase)/Decrease in Current Assets	-
503,040,000	1. (Increase)/Decrease in Money at Call & Short Notice	66,960,000
(2,072,294,406)	2. (Increase)/Decrease in Short-term Investments	80,118,131
(2,236,164,177)	3. (Increase)/Decrease in Loans & Advances and BP	(3,947,226,863)
(39,027,236)	4. (Increase)/Decrease in Other Assets	(72,378,997)
	Increase/(Decrease) in Current Liabilities	
3,704,753,999	1. Increase/(Decrease) in Deposits	4,383,808,553
-	2. Increase/(Decrease) in Certificate of Deposit	-
-	3. Increase/(Decrease) in Short-term Borrowings	-
285,824,569	4. Increase/(Decrease) in Other Liabilities	(56,197,716)
561,765,203	Total Cash Flow from Operating Activities	935,776,872
	B. Cash flow from Investing Activities	
(500,00)	1. Purchase of Shares & Debentures	-
-	2. Proceeds from Sale of Shares & Debentures	-
(47,368,367)	3. Purchased of Fixed Assets	(49,934,128)
875,368	4. Proceeds from Sale of Fixed Assets	949,783
406,198	5. (Increase)/Decrease in Government Securities	(863,917,497)
1,655,343	6. Proceeds from Sale of Non-Banking Assets	11,580,378
12,265,942	7. Interest Income from Long-term Investments	12,276,398
161,500	8. Dividend Received	253,920
-	9. Others	-
32,504,016	Total Cash Flow from Investing Activities	888,791,146
	C. Cash Flow from Financing Activities	
-	1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures, etc.)	-
-	2. Increase/(Decrease) in Share Capital	-
-	3. Share Application Money Received	911,512,000
(15,960,630)	4. Dividend Paid	(104,222,751)
(13,625,668)	5. Interest in Borrowing Paid	(17,096,429)
-	6. Increase/(Decrease) in Refinance / facilities received from NRB	-
(29,586,298)	Total Cash Flow from Financing Activities	790,192,820
3,303,397	D. Income / Loss from change in exchange rate in Cash and Bank Balance	1,274,554
502,978,286	E. Current Year's Cash Flow from all Activities (A+B+C+D)	838,453,100
1,049,989,208	F. Opening Balance of Cash & Bank Balances	1,552,967,494
1,552,967,494	G. Closing Balance of Cash & Bank Balances	2,391,420,594

Share Capital and Shareholding

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.1

Previous Year Rs.	Particulars	This Year Rs.
	1. Share Capital	
600,000,000	1.1 Authorised Capital	1,000,000,000
450,000,000	A) 65,00,000 Ordinary Shares of Rs. 100/- each	650,000,000
150,000,000	B) 15,00,000, 9% Cumulative Irredeemable Preference Shares of Rs. 100/- each	150,000,000
-	C) 20,00,000, 7% Cumulative Convertible Preference Share of Rs 100/- each	200,000,000
529,800,000	1.2 Issued Capital	729,800,000
379,800,000	A) 37,98,000 Ordinary Shares of Rs. 100/- each	379,800,000
150,000,000	B) 15,00,000, 9% cumulative Non-Redeemable Preference Shares of Rs. 100/- each	150,000,000
-	C) 20,00,000, 7% Cumulative Convertible Preference Share of Rs 100/- each	200,000,000
518,000,000	1.3 Paid Up Capital	518,000,000
378,000,000	A) 37,80,000 Ordinary Shares of Rs. 100/- each (including 13,82,357 Bonus Shares fully paid)	378,000,000
140,000,000	B) 14,00,000, 9% cumulative Non-irredeemable Preference Shares of Rs. 100/- each	140,000,000
-	C) 20,00,000, 7% Cumulative Convertible Preference Share of Rs 100/- each	-

Share Ownership Particulars

Amount Rs.	Percent	Particulars	Percent	Amount Rs.
190,080,000	50	A. Promoters	50	190,080,000
76,032,000	20	1.1 Nepal Government	20	76,032,000
-	-	1.2 Foreign Institutions-Punjab National Bank, India	-	-
-	-	1.3 "A" Class Licensed Body Institutions	-	-
35,323,200	9.34	1.4 Other Licensed Institutions	9.34	35,323,200
154,756,800	40.66	1.5 Other Institutions	40.66	154,756,800
-	-	1.6 Individual	-	-
-	-	1.7 Others	-	-
111,888,000	30	B. General Public	30	111,888,000
378,000,000	100	TOTAL	100	378,000,000

Shareholder holding more than 0.5% shares:

S.N.	Name & Address	%	Amount Rs.	S.N.	Name & Address	%	Amount Rs.
1	Sh. B.K.Shrestha, Sanepa Lalitpur	9.22	34,848,000	8	Sh. Kul Bir Singh Tuladhar, Tripureshwor , Kathmandu	1.01	3,801,600
2	M/s Snow Lion Hotel, Bagbazar Kathmandu	9.34	35,323,200	9	M/s Punjab National Bank, India	20	76,032,000
3	Sh. Maitra Dev Pathak, Kamalpokhari, Kathmandu	6.67	25,224,000	10	Sh. Nirmal Pradhan, Gyaneshwor-33 , Kathmandu	0.99	3,776,600
4	Sh. Bhagawan Lal Shrestha, Tapahiti Lalitpur	8.8	33,264,000	11	Ms. Roma Pradhan , Gyaneshwor - 33 , Kathmandu	0.99	3,765,600
5	Sh. Nepal Krishna Shrestha, Tahachal, Kathmandu	9.22	34,848,000	12	M/s Baba Palace (P) Ltd., Naxal -1 Kathmandu	0.99	3,749,200
6	Sh. Arun Man Sherchan, Himalayan Height , Lalitpur-Sanepa	3.9	14,731,200	13	Ms. Rukmani Pradhan, Gyaneshwor, Kathmandu	0.99	3,648,900
7	Sh. Shanta Dev Pathak, Kamalpokhari, Kathmandu	2.12	8,040,000	14	M/s Baba Palace Stock Market Pvt. Ltd., Gyaneshwor- Kathmandu	0.68	2,572,200

Reserve and Surplus
As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.2

Previous Year Rs.	Particulars	This Year Rs.
173,565,614	1. General Reserve Fund	232,847,514
-	2. Bonus Share	113,400,000
-	3. Capital Reserve Fund	-
6,427,200	3.1 Share Premium	6,427,200
-	4. Capital Redemption Reserve	-
132,300,000	5. Capital Adjustment Reserve	170,100,000
-	6. Other Reserve Fund	-
-	a. Reserve for contingencies	-
-	b. Bank Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
6,000,000	f. Other free Reserves	12,000,000
1,225,808	g. Other Reserve Fund	1,225,808
108,640,082	7. Accumulated Profit	130,546,505
16,649,597	8. Exchange Equalization Fund	16,968,239
444,808,301	Total	683,515,266

Debenture and Bond

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.3

Previous Year Rs.	Particulars	This Year Rs.
300,000,000	300000, 6% Unsecured Debenture per debenture of Rs. 1,000/- each, issued on 16/07/2005 maturing on 15/07/2012 (Redemption Reserve as on date :)	300,000,000
300,000,000	TOTAL	300,000,000

Loan and Borrowing

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.4

Previous Year Rs.	Particulars	This Year Rs.
	A. Local	
-	1. Nepal Government	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligation	-
-	4. Inter-bank & Financial Institutions	-
-	5. Other Body Corporate	-
-	6. Others	-
	B. Foreign	
-	1. Banks	-
-	2. Others	-
-	GRAND TOTAL	-

Deposit Liabilities

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.5

Previous Year Rs.	Particulars	This Year Rs.
	1. Non-interest bearing deposits	
1,145,794,695	A. Current Deposits	1,673,983,140
1,119,048,533	1. Local currency	1,639,194,618
39,680,439	1.1 Nepal Government	399,308,231
-	1.2 "A" Class Licensed Institutions	-
86,946,864	1.3 Other Licensed Institutions	126,775,164
732,888,168	1.4 Other body corporate	871,988,870
94,940,755	1.5 Individuals	150,459,459
164,592,307	1.6 Others	90,662,894
26,746,162	2. Foreign currency	34,788,522
-	2.1 Nepal Government	-
-	2.2 "A" Class Licensed Institutions	-
10,200,531	2.3 Other Licensed Institutions	1,798,401
15,074,360	2.4 Other body corporate	32,343,605
1,050,641	2.5 Individuals	313,496
420,630	2.6 Others	333,020
126,515,958	B. Margin	222,067,857
-	1. Staff earnest money	-
39,787,936	2. Security margin	49,802,849
86,728,022	3. LC margin	172,265,008
65,268,313	C. Others	60,789,022
65,268,313	1. Local currency	60,754,022
10,670,818	1.1 Financial Institutions	-
30,310,236	1.2 Other body corporate	31,567,685
24,287,259	1.3 Individual	29,186,337
-	2. Foreign currency	35,000
-	2.1 Financial Institutions	-
-	2.2 Other body corporate	-
-	2.3 Individual	35,000
1,337,578,966	Total non-interest bearing deposit (A)	1,956,840,019
	2. Interest bearing deposits	
6,929,216,891	A. Saving Deposit	9,029,255,366
6,815,035,968	1. Local currency	8,898,456,515
251,192,329	1.1 Body corporate	352,690,830
6,537,870,446	1.2 Individual	8,495,571,339
25,973,193	1.3 Others	50,194,376

Deposit Liabilities

As on 32 Ashadh 2064 (16th July 2007)

(Schedule - 4.5) Cont.....

Previous Year Rs.	Particulars	This Year Rs.
114,180,923	2. Foreign currency	130,798,851
35,012,114	2.1 Body corporate	14,040,861
76,953,972	2.2 Individual	94,410,918
2,214,837	2.3 Others	22,347,072
4,242,351,769	B. Fixed Deposit	5,626,661,717
3,702,282,169	1. Local currency	5,336,352,717
2,801,016,369	1.1 Body corporate	4,190,166,178
836,617,004	1.2 Individual	1,055,691,152
64,648,796	1.3 Others	90,495,387
540,069,600	2. Foreign currency	290,309,000
530,100,000	2.1 Body corporate	287,703,000
8,109,600	2.2 Individual	2,606,000
1,860,000	2.3 Others	-
1,293,297,362	C. Call Deposit	1,573,496,439
1,293,068,195	1. Local currency	1,567,326,425
5,534,547	1.1 "A" Class Licensed Institutions	-
279,057,187	1.2 Other Licensed Institutions	627,112,113
923,435,153	1.3 Other body corporate	869,254,751
83,165,818	1.4 Individual	62,688,244
1,875,490	1.5 Others	8,271,317
229,167	2. Foreign currency	6,170,014
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	-
229,167	2.3 Other body corporate	4,581,928
-	2.4 Individual	-
-	2.5 Others	1,588,086
-	D. Certificate of Deposits	-
-	1. Body corporate	-
-	2. Individual	-
-	3. Others	-
12,464,866,022	Total Interest bearing deposits (B)	16,229,413,522
13,802,444,988	Total Deposits (A+B)	18,186,253,541

Bills Payable

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.6

Previous Year Rs.	Particulars	This Year Rs.
15,805,995	1. Local Currencies	26,776,480
-	2. Foreign Currencies	-
15,805,995	Total	26,776,480

Other Liabilities

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.7

Previous Year Rs.	Particulars	This Year Rs.
8,045,650	1. Pension/Gratuity Fund	16,045,650
-	2. Staff Provident Fund	-
-	3. Staff Welfare Fund	-
34,560,033	4. Staff Bonus	45,470,846
20,923,745	5. Interest Payable on Deposits	27,811,497
-	6. Interest Payable on Loans	-
-	7. Unearned Discount/Commission	-
22,089,737	8. Sundry Creditors	29,346,227
210,800,950	9. Branch Adjustment Account	579,176,702
-	10. Others	-
458,935,438	a. Agency Account	-
7,285,856	b. Interest on Debenture	8,198,427
817,236	c. Others	16,918,231
100,000	d. Audit fee	125,000
-	e. Application Money for 7% Cumulative Convertible Preference Shares	911,512,000
763,558,645	Total	1,634,604,580

Cash in Hand

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.8

Previous Year Rs.	Particulars	This Year Rs.
246,090,599	1. Local Currency (including coins)	512,275,972
13,257,046	2. Foreign Currencies	22,720,819
259,347,645	Total	534,996,791

Balance with Nepal Rastra Bank

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.9

Previous Year Rs.	Particulars	Local Currency	Foreign Currencies			This Year Rs.
			INRs.	Convertible	Total	
	1. Nepal Rastra Bank					
1,136,523,414	a. Current Account	1,173,063,724	-	5,134,473	5,134,473	1,178,198,197
2,991,459	b. Others	-	-	-	-	-
1,139,514,873	Total	1,173,063,724	-	5,134,473	5,134,473	1,178,198,197

Note: Balance as per balance confirmation certificates Rs. 1,332,643,472 and the difference amount is under reconciliatio process.

Balance with Other Bank & Financial Institutions

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.10

Previous Year Rs.	Particulars	Local Currency	Foreign Currencies			This Year Rs.
			INRs.	Convertible	Total	
6,113,726	1. Other Local Licensed Institution	34,408,556	-	-	-	34,408,556
6,113,726	a. Current Account	34,408,556	-	-	-	34,408,556
-	b. Others	-	-	-	-	-
147,991,250	2. Foreign Banks	-	120,467,681	523,349,369	643,817,050	643,817,050
147,991,250	a. Current Account	-	120,467,681	523,349,369	643,817,050	643,817,050
	b. Others	-	-	-	-	-
154,104,976	Total	34,408,556	120,467,681	523,349,369	643,817,050	678,225,606

Note: Balance as per balance certificates Rs. 1,336,429,786 and the difference amount is under reconciliation process.

Money at Call and Short Notice

As on 32 Ashadh 2063 (16th July 2006)

Schedule - 4.11

Previous Year Rs.	Particulars	This Year Rs.
-	1. Local Currencies	-
66,960,000	2. Foreign Currencies	-
66,960,000	Total	-

Investments

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.12

Previous Year Rs.	Particulars	Purpose		This Year Rs.
		Trading	Others	
3,322,443,166	1. Nepal Government Treasury Bills	-	3,614,541,127	3,614,541,127
-	2. Nepal Government Saving Bonds	-	-	-
226,173,802	3. Nepal Government Other Securities	-	1,090,091,299	1,090,091,299
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
632,816,092	7. Foreign Banks	-	260,600,000	260,600,000
19,887,000	8. Corporate Shares	-	19,887,000	19,887,000
-	9. Corporate Bonds & Debentures	-	-	-
-	10. Other Investments	-	-	-
4,201,320,060	Total Investments	-	4,985,119,426	4,985,119,426
(804,840)	Provisions	-	(804,840)	(804,840)
4,200,515,220	Net Investments	-	4,984,314,586	4,984,314,586

Investments in Shares, Debentures and Bonds

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.12 (Ka)

Previous Year Rs.	Particulars	At Cost Rs.	As Per Market Price	Provision Rs.
	1. Investments in Shares:			
3,120,000	1.1 31,200 shares of Rs. 100/- each in Rural Micro Finance Co. Ltd.	3,120,000	NA	-
3,000,000	1.2 33,000 Shares (including 3000 bonus shares) of Rs. 100/- each in Nirdhan Utthan Bank Ltd.	3,000,000	NA	-
13,414,000	1.3 1,34,140 Ordinary Shares of Rs. 100/- each in Himalayan Distillery Ltd.	13,414,000	14,084,700	804,840
353,000	1.4 3,530 shares of Rs. 100/- each in Credit Information Center Ltd.	353,000	NA	-
-	2. Investments in Debenture	-	-	-
19,887,000	Total Investments	19,887,000	-	-
	3. Provisioning			
-	3.1 Up to last year	804,840	-	-
804,840	3.2 This year	-	-	-
804,840	Total Provision	804,840		
19,082,160	Net Investments	19,082,160		

Note: Himalayan Distillery Co. Ltd. has not declared any dividend for more than three years.

Loans and Advances & Provision

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.13

Previous Year Rs.	Particulars	Loans					Bills Purchased & Discounted					Grand Total This Year Rs.
		Local			Foreign	Total	Local			Foreign	Total	
		Priority Sector		Others			Priority Sector		Others			
		Insured	Others				Insured	Others				
	1. Performing Loans											
9,757,195,136	1.1 Pass Loan		1,085,760,688	12,624,061,985		13,709,822,673		28,790,791	12,009,552	40,800,343	13,750,623,016	
249,823,522	1.2 Restructured		5,377,609	213,506,526		218,884,135		-	-	-	218,884,135	
	2. Non-performing Loans											
10,669,326	2.1 Sub-standard		-	4,218,482		4,218,482		-	-	-	4,218,482	
683,784	2.2 Doubtful		-	2,353,289		2,353,289		-	-	-	2,353,289	
117,882,680	2.3 Bad		3,956,149	102,651,016		106,607,165		-	-	-	106,607,165	
10,136,254,448	(a) Total Loan		1,095,094,446	12,946,791,298		14,041,885,744		28,790,791	12,009,552	40,800,343	14,082,686,087	
	3. Loan loss provision											
97,571,951	3.1 Pass		10,857,607	126,240,620		137,098,227		287,908	120,096	408,003	137,506,230	
31,227,941	3.2 Restructured		672,201	26,688,316		27,360,517		-	-	-	27,360,517	
2,667,331	3.3 Sub-standard		-	1,054,621		1,054,621		-	-	-	1,054,621	
341,892	3.4 Doubtful		-	1,176,645		1,176,645		-	-	-	1,176,645	
117,882,680	3.5 Bad		3,956,149	102,651,016		106,607,165		-	-	-	106,607,165	
85,254,977	3.6 Additional Provision		-	144,899,246		144,899,246		-	-	-	144,899,246	
334,946,772	(b) Total Provision		15,485,957	402,710,463		418,196,420		287,908	120,096	408,003	418,604,423	
	4. Upto last year											
112,264,660	4.1 Good		8,749,971	88,515,031		97,265,002		215,834	91,115	306,949	97,571,951	
-	4.2 Restructured		175,827	31,052,114		31,227,941		-	-	-	31,227,941	
1,102,184	4.3 Sub-standard		2,851	2,664,480		2,667,331		-	-	-	2,667,331	
988,735	4.4 Doubtful		4,421	337,471		341,892		-	-	-	341,892	
122,421,536	4.5 Bad		5,366,605	112,516,075		117,882,680		-	-	-	117,882,680	
44,641,680	4.6 Additional Provison		-	85,254,977		85,254,977		-	-	-	85,254,977	
-	Provision Write-Back		-	-		-		-	-	-	-	
281,418,795	(c) Upto Last Year		14,299,675	320,340,148		334,639,823		215,834	91,115	306,949	334,946,772	
-	(d) Loan Write Back (Write off from Provision)			(795,224)		(795,224)		-	-	-	(795,224)	
53,527,977	(d) Addition for This Year		1,186,282	83,165,539		84,351,821		72,074	28,981	101,054	84,452,875	
	Net addition-this year		1,186,282	83,165,539		84,351,821		72,074	28,981	101,054	84,452,875	
9,801,307,676	Net Loans (A - B)		1,079,608,489	12,544,080,835		13,623,689,324		28,502,883	11,889,456	40,392,340	13,664,081,664	

Security of Loans, Advances & Bills Purchases

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.13 (Ka)

Previous Year Rs.	Particulars	This Year Rs.
10,128,287,152	A. Secured	14,081,353,439
8,977,890,494	1. Against Fixed/Movable Properties	12,774,352,674
-	2. Guarantee Against Local Licensed Institutions	-
-	3. Against Government Guarantee	-
-	4. Against International Rated Bank's Guarantee	-
-	5. Against Export Document	-
424,749,541	6. Against Fixed Deposit Receipts	565,822,388
323,103,472	a. Own Fixed Deposit Receipts	271,542,807
101,646,069	b. Other Licensed Institutions' Fixed Deposits	294,279,581
59,540,484	7. Against Government Securities	56,909,608
-	8. Against Counter Guarantee	-
46,141,658	9. Against Personal Guarantee	2,500,000
619,964,975	10. Against Other Securities	681,768,769
7,967,296	B. Unsecured	1,332,648
10,136,254,448	Total	14,082,686,087

Fixed Assets
As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.14

Previous Year Rs.	Particular	Building	Vehicles	Machinery	Office Equipment	Others	This Year Rs.
	1. At Cost						
187,012,081	a. Opening Balance	29,939,010	33,500,558	8,097,950	137,269,321	11,835,720	220,642,559
37,676,396	b. Addition this year	-	4,852,795	5,329,924	32,465,870	1,186,500	43,835,089
-	c. Revaluation/Written Back	-	-	-	-	-	-
(2,944,523)	d. Disposal/sale	-	(1,614,563)	(120,685)	(419,184)	-	(2,154,432)
(1,101,395)	e. Write Off/inter-head adjustment	-	(3,500)	(1,774)	(1,530,154)	(1,070,000)	(2,605,428)
220,642,559	Total at Cost	29,939,010	36,735,290	13,305,415	167,785,853	11,952,220	259,717,788
	2. Depreciation						
86,977,019	a. Opening Balance	4,578,572	11,595,187	3,779,354	81,974,156	7,238,800	109,166,069
25,239,594	b. This year	1,268,022	4,798,033	1,116,276	18,308,591	1,990,374	27,481,296
-	c. Revaluation/Written back	-	-	-	-	-	-
(3,050,544)	d. Disposal/Sale	-	(803,646)	(80,558)	(1,632,247)	(1,070,000)	(3,586,451)
109,166,069	Total Depreciation	5,846,594	15,589,574	4,815,072	98,650,500	8,159,174	133,060,914
111,476,490	3. Book Value as on 16 July 2006	24,092,416	21,145,716	8,490,343	69,135,353	3,793,046	126,656,874
25,766,525	4. Land	-	-	-	-	-	25,766,525
-	5. Capital Works in Progress	-	-	-	-	-	-
14,846,790	6. Leasehold Improvements	-	-	-	-	17,674,053	17,674,053
152,089,805	Total (3+4+5+6)	24,092,416	21,145,716	8,490,343	69,135,353	21,467,099	170,097,452

Non Banking Assets

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.15

Previous Year Rs.	Name & Address of the Party/Borrower	NBA Booked Date	NBA Value	Provisioning		Net Value of NBA
				%	Amount	This Year Rs.
17,704,739	1. Pinkymala & Co. , Birgunj-13, Adarsh Nagar, City Office – Kel Tole, Kathmandu	14.01.2006	17,704,739	100	17,704,739	–
3,000,000	2. Unnat Industries Main Road, Biratnagar	08.04.2002	3,000,000	100	3,000,000	–
5,985,183	3. Shree Shreem Traders Anandban V.D.C.-5, Rupendehi	01.10.2002	–	100	–	–
2,217,500	4. Deepak Food Traders Dhangadhi Municipality-2, Kailali	22.02.2004	2,217,500	100	2,217,500	–
9,979,067	5. NB Garments Bathanah V.D.C.-6 Simara	04.06.2004	9,979,067	100	9,979,067	–
8,775,000	6. Siddheswori Ind. P. Ltd. Ratna Nagar-1, Chitawan	06.12.2004	1,675,000	100	1,675,000	–
(40,224,847)	Provision upto previous Year					
7,436,642	TOTAL		34,576,306		34,576,306	–

Other Assets

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.16

Previous Year Rs.	Particulars	This Year Rs.
7,017,744	1. Stationeries Stock	6,107,802
21,247,606	2. Interest Receivable on Investments	26,072,224
30,086,834	3. Interest Receivable on Loans & Advances	-
110,010,828	Gross Interest receivable on Loans & Advances	83,373,555
(79,923,994)	Less: Interest Suspense	(83,373,555)
-	4. Commission Receivables	-
9,644,858	5. Sundry Debtors	57,204,223
72,848,143	6. Staff Loans & Advances	100,582,094
2,428,105	7. Pre-paid Expenses	2,615,706
31,233,011	8. Cash in Transit	22,544
-	9. Others in Transit (including cheques)	29,026,867
-	10. Draft Paid Without Advice	-
-	11. Expenses to be Written-off	-
-	12. Branch Account	-
-	13. Others	-
824,952	- Security Deposit	1,028,544
211,970	- Misc.	-
2,464,627	- Advance Tax	-
178,007,850	Total	222,660,004

Other Assets (Additional Details)

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.16 (Ka)

Previous Year Rs.	Particulars	This Year			This Year Rs.
		Upto one year	More that 1 year & upto 3 year	More than 3 year	
110,010,828	1. Interest Receivables on Loan	15,910,503	23,066,323	44,396,729	83,373,555
-	2. Draft Paid without Schedule	-	-	-	-
-	3. Branch Account	-	-	-	-
110,010,828	Total	15,910,503	23,066,323	44,396,729	83,373,555

Contingent Liabilities

As on 32 Ashadh 2064 (16th July 2007)

Schedule - 4.17

Previous Year Rs.	Particulars	This Year Rs.
-	1. Claim Lodged but not accepted by the bank	-
-	2. Letters of Credits	-
1,146,662,655	a. Maturity Value of less than six months	1,355,800,165
399,757,623	b. Maturity Value of more than six months	295,095,000
-	3. Re-discounted Bills	-
-	4. Un-expired Guarantees	-
49,106,928	a. Bid Bond	67,624,116
389,733,315	b. Performance Bond	467,699,468
-	5. Share Money against Investments in Shares	-
-	6. Forward Exchange Contracts	31,340,252
66,029,053	7. Bills on Collection	60,613,228
111,781,669	8. Acceptance and Endorsements	110,810,962
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
42,000,000	11. Guarantee Against Counter Guarantee of International Rated Bank	19,177,599
12,340,260	12. Advance Payment Guarantee	54,519,033
27,938,773	13. Financial Guarantees	18,793,000
5,063,878	14. Contingent Liability against Income Tax	-
-	15. Others	-
2,250,414,154	Total	2,481,472,823

Interest Income

For the Financial Year 2063/64 (2006/07)

Schedule - 4.18

Previous Year Rs.	Particulars	This Year Rs.
770,826,560	A. Interest on Loans & Advances	967,177,963
459,167,548	1. Loans & Advances	584,479,080
311,659,012	2. Overdrafts	382,698,883
108,219,267	B. Interest on Investments	134,256,035
97,272,195	1. Government Securities	128,565,724
84,483,468	a. Treasury Bills	114,352,592
12,788,727	b. Development Bonds	14,213,132
-	c. National Saving Bonds	-
-	2. Foreign Securities	-
-	3. NRB Securities	-
-	4. Debenture & Bond	-
10,947,072	5. Interest in Inter Bank Lending	5,690,311
10,947,072	a. Bank & Financial Institutions	5,690,311
-	b. Other Institutions	-
3,521,684	C. Agency Balance	6,760,249
-	1. Local Banks/Financial Insitutions	-
3,521,684	2. Foreign Banks	6,760,249
18,284,106	D. Money at Call & Short Notice	32,256,018
-	1. Local Banks/Financial Institutions	-
18,284,106	2. Foreign Banks	32,256,018
2,559,520	E. Others	3,958,043
-	1. Certificate of Deposits	-
-	2. Inter-bank Loan/Financial Institution Loan	-
2,559,520	3. Others	3,958,043
903,411,137	Total	1,144,408,308

Interest Expenses

For the Financial Year 2063/64 (2006/07)

Schedule - 4.19

Previous Year Rs.	Particulars	This Year Rs.
383,392,625	A. Interest on Deposits	499,166,241
190,021,646	1. Fixed Deposits	237,076,220
171,993,860	1.1 Local Currency	204,258,157
18,027,786	1.2 Foreign Currency	32,818,063
157,923,268	2. Saving Deposits	205,718,951
156,820,335	2.1 Local Currency	203,362,596
1,102,933	2.2 Foreign Currency	2,356,355
35,447,711	3. Call Deposits	56,371,070
35,445,482	3.1 Local Currency	56,325,589
2,229	3.2 Foreign Currency	45,481
-	4. Certificate of Deposits	-
18,004,726	B. Interest on Loans	18,000,000
-	1. Over Draft	-
-	2. Loan from NRB	-
4,726	3. Inter-bank Loan	-
18,000,000	4. Other Loans & Refinance/Bond	18,000,000
-	C. Others	-
401,397,351	Total	517,166,241

Commission and Discounts

For the Financial Year 2063/64 (2006/07)

Schedule - 4.20

Previous Year Rs.	Particulars	This Year Rs.
1,467,888	A. Bills Purchased & Discounted	1,088,476
1,197,612	1. Local	776,193
270,276	2. Foreign	312,283
71,813,154	B. Commission	84,946,526
13,299,926	1. Letter of Credits	13,916,549
10,457,979	2. Letter of Guarantees	10,057,638
2,076,689	3. Collection Fees	2,262,920
23,128,032	4. Remittance Fees	30,215,285
-	5. Credit Card	-
-	6. Share Underwriting/issue com.	-
-	7. Government Transaction	2,505,970
-	8. Exchange Commission	-
22,850,528	9. Batta	25,988,164
14,882,412	C. Others	31,683,160
88,163,454	Total	117,718,162

Other Operating Income

For the Financial Year 2063/64 (2006/07)

Schedule - 4.21

Previous Year Rs.	Particulars	This Year Rs.
1,310,920	1. Safe Deposit Vault Rental Income	1,635,620
-	2. Credit Cards Issue and Renewals	-
808,686	3. ATM Cards	1,890,457
4,064,914	4. Telex /T.T.	3,521,785
22,721,865	5. Service Charges	38,660,563
-	6. Renewal Charges	1,029,000
-	7. Write back from Loan Loss Provision	-
19,995,996	8. Others	21,230,100
48,902,381	Total	67,967,525

Exchange Fluctuation Gain/Loss

For the Financial Year 2063/64 (2006/07)

Schedule - 4.22

Previous Year Rs.	Particulars	This Year Rs.
3,303,397	A. Exchange Rate Difference	1,274,554
19,770,383	B. Foreign Exchange Trading (except batta)	27,129,990
23,073,780	Total	28,404,544

Staff Expenses

For the Financial Year 2063/64 (2005/06)

Schedule - 4.23

Previous Year Rs.	Particulars	This Year Rs.
38,032,387	1. Salary	45,927,776
15,249,210	2. Allowances	17,534,297
3,535,373	3. PF Contributions	4,008,258
1,401,219	4. Training	2,321,919
4,011,890	5. Uniform	1,236,595
284,700	6. Medical	293,400
712,888	7. Insurance	616,339
2,699,946	8. Provision for Gratuity/Pension	8,875,150
	9. Others	
2,877,498	a) Dashain Expenses	3,474,435
2,119,564	b) Leave Encashment	1,830,057
70,924,675	Total	86,118,226

Other Operating Expenses

For the Financial Year 2063/64 (2006/07)

Schedule - 4.24

Previous Year Rs.	Particulars	This Year Rs.
21,959,952	1. House Rent	24,360,708
5,729,266	2. Electricity & Water Charges	6,741,836
	3. Repair & Maintenance	2,220,746
465,015	a. Building	360,874
1,710,898	b. Vehicles	1,859,872
-	c. Others	-
6,202,796	4. Insurance Premium	5,785,476
13,194,470	5. Postage, Telex, Telephone, Fax	12,876,994
2,400,569	6. Office Equipment/Furniture & Maintenance	2,470,734
3,893,831	7. Traveling Expenses	4,314,914
6,104,703	8. Printing & Stationery	7,563,352
427,626	9. Newspaper & Magazine	531,844
3,014,551	10. Advertisement	7,987,495
586,927	11. Legal Expenses	471,377
101,058	12. Donation	285,191
	13. Board Expenses	876,058
368,000	a. Meeting Fee	336,000
473,626	b. Other Expenses	540,058
1,545,498	14. Annual General Meeting Expenses	1,526,602
	15. Audit Expenses	413,253
100,000	a. Audit Fee	125,000
182,568	b. Other Expenses	288,253
4,582,220	16. Remittance Expenses	6,428,235
25,239,597	17. Depreciation	27,481,296
-	18. Pre-operating Expenses Write Off	-
379,198	19. Debenture/Share Issue Expenses	2,097,936
10,664,248	20. TSA Fee Reimbursement	11,194,230
1,783,146	21. Entertainment	2,916,847
3,111,684	22. Amortization	3,271,776
5,174,606	23. Security Expenses	6,705,288
-	24. Loan Guarantee Insurance Premium	-
-	25. Commission & Discounts	-
	26. Others	
6,561,338	a. Business Promotion	15,829,990
-	b. NRB Penal Interest	-
566,155	c. Consultancy Charges	636,211
1,807,530	d. Honorarium Paid to Director	2,167,826
977,647	e. Registration/Renewals	2,493,986
3,014,623	f. Misc.	3,563,546
3,525,222	g. Fuel & Lubricant	4,386,556
-	h. Assets Written Off	223,626
1,289,230	i. ATM related Expenses	2,262,468
3,006,391	j. Temporary/Contractual Staff Expenses	3,428,437
1,054,645	k. Software Contract Expenses	1,555,944
2,363,333	l. Expenses for Advisor to the Board	2,474,871
143,562,167	Total	177,545,649

Provision for Possible Losses

For the Financial Year 2063/64 (2006/07)

Schedule - 4.25

Previous Year Rs.	Particulars	This Year Rs.
53,527,977	1. Increase in Loan Loss Provision	84,452,873
804,840	2. Increase in Investment Loss Provision	-
16,132,848	3. Increase in NBA Loss Provision	5,242,891
-	4. Provision for Other Assets	-
70,465,665	Total	89,695,764

Gain/Loss from Non-Operating Activities

For the Financial Year 2063/64 (2006/07)

Schedule - 4.26

Previous Year Rs.	Particulars	This Year Rs.
-	1. Gain/Loss on Sale of Investment	-
654,218	2. Gain/Loss on sale of Assets/NBA	(1,504,805)
161,500	3. Dividend	-
-	a. Commercial Banks	-
-	b. Rural Development Banks	253,920
-	c. Finance Institutions	-
-	d. Body Corporate	-
-	i) Subsidiary Companies	-
-	ii) Others	-
-	4. Subsidy Received from NRB	-
-	a. Compensation of Branch Loss	-
-	b. Interest Compensation	-
-	c. Exchange Counters	-
2,143,749	5. Others	2,566,096
2,959,467	Total	1,315,211

Write-Back from Provision for Possible Losses

For the Financial Year 2063/64 (2006/07)

Schedule - 4.27

Previous Year Rs.	Particulars	This Year Rs.
-	1. Write back from Loan Loss Provision	795,224
-	2. Write back from Provision for Investment	10,891,433
-	3. Write back from NBA Loss Provision	-
-	4. Write back from Other Provision	-
-	Total	11,686,657

Profit/Loss from Transaction of Extra-ordinary Nature For the Financial Year 2063/64 (2006/07)

Schedule - 4.28

Previous Year Rs.	Particulars	This Year Rs.
-	1. Recover from Loss Loan	-
-	2. Exp. for Retirement Package	-
-	3. Write off of Bad Loans	795,224
-	4. Other Income/Exp	-
-	Total	795,224

Details of Loan Written Off

For the Financial Year 2063/64 (2006/07)

Schedule - 4.28 (Ka)

S.No	Type of Loans	Amount Written Off	Nature of Security & Amount	Basis of Valuation of Security	Sanctioning Authority/Level	Action taken to Recover the Loan	Remarks
1.	Working Capital	-					
2.	Project Financing	-					
3.	Fixed Term Loan	-					
4.	Personal Loan	-					
5.	Others	795,224					from loan loss provision
	Total	795,224					

Note : Part of Loan given to Shree Shreem Trader, Butwal, was written off from Loan less Provision. This amount of loan was written off after applying all means available to the bank.

Loans to Directors, CEO, Promoters, Employees and Shareholders holding more than 1% share (As on 16th July 2007)

Details of Loans & Advances including Bills Purchased and discounted provided to Directors, CEO, Promoters, Employee 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
A) Directors	-	-	-	-	-	-	-
B) Chief Executive	-	-	-	-	-	-	-
C) Promoters	-	-	-	-	-	-	-
D) Employees	-	-	-	-	-	-	-
E) Shareholders, holding more than 1% share	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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

Capital Adequacy

As on 32 Ashadh 2064 (16th July, 2007)

Schedule 4.30

(Rs. in Thousand)

Particulars	Previous Year	This Year
Total Risk Weighted Assets { As per schedule 4.30 (ka)}	11273293	14976737
A. Core Capital		
1) Paid up share capital	378,000	378,000
2) Share Premium	6,427	6,427
3) Non Redeemable Preference Share	140,000	140,000
4) General Reserves Fund	173566	232848
5) Accumulated Profit	108640	130547
6) Capital Redemption Reserve	-	-
7) Capital Adjustment Funds	132300	170100
8) Other Free Reserve	7226	13226
9) Proposed Bonus Share	-	113,400
LESS:		
- Goodwill	-	-
- Amount of Investments in excess of limit	-	-
- Fictitious Assets	-	-
- Share Investments in a financially interested company	-	-
- Investment in shares under Underwriting Arrangement	(13,414)	(13,414)
Total Core Capital	932745	1171133
B. Supplementary Capital		
1) Loan Loss Provision for Standard Loans	97572	137506
2) Assets Revaluation Reserve	-	-
3) Hybrid Capital Instruments	-	-
4) Subordinated Term Debt	300000	300000
5) Exchange Equalization Reserve	16650	16968
6) Additional Loan Loss Provision*	43567	49703
7) Investment Equalization Fund	-	-
8) Provision against Investment	805	805
Total Supplementary Capital	458594	504982
C. Total Capital Fund (A+B)	1391339	1676115
D. Required Minimum Capital Funds on the basis of RWA:		
- Total Capital Fund required @ 11%	1240062	1647441
- Core Capital Required @5.5%	620031	823721
Excess/ Shortfall :		
- Capital Fund	151277	28674
- Core Capital Fund	312714	347412
- Capital Fund%	12.34	11.19

Table of Risk Weighted Assets
As on 32 Ashadh 2064 (16th July, 2007)

Schedule 4.30 (ka)
 (Rs. in Thousands)

ON-BALANCE-SHEET ITEMS	Weight (in %)	Previous Year		This Year	
		Amount	Weighted Value	Amount	Weighted Value
Cash Balance	0	259348	-	534997	-
Gold (Tradable)	0	-	-	-	-
Balance with Nepal Rastra Bank	0	1139515	-	1178198	-
Investments in Government Securities	0	3322443	-	3614541	-
Investments in NRB Bonds/Development Bonds	0	226174	-	1090091	-
Advance against own Fixed Deposit Receipts	0	323103	-	271543	-
Advance against Government Securities	0	59540	-	56910	-
Interest Receivable on Government Securities	0	17844	-	19944	-
Balance with local banks & financial institutions	20	6114	1223	34409	6882
Advance against other bank's/FIs Fixed Deposit Receipts	20	101646	20329	294280	58856
Balance with Foreign Banks	20	147991	29598	643817	128763
Money at Call & Short Notice	20	66960	13392	-	-
Advance against guarantee of International Rated Banks	20	-	-	-	-
Other Investment made in International Rated Banks	20	260816	52163	260600	52120
Investment in shares, debentures & Bonds	100	19082	19082	19887	19887
Other Investments (Foreign banks)	100	372000	372000	-	-
Loans, advances & bills purchased	100	9651965	9651965	13459953	13459953
Fixed Assets	100	152090	152090	170097	170097
Other Assets (Excluding Advance & Interest Receivables)	100	143889	143889	196588	196588
Interest Receivables (Total Interest Receivable-Int. on Govt. Sec.-Interest Suspense)	100	3404	3404	6128	6128
TOTAL (A)		16273924	10459135	21851983	14099274
OFF BALANCE SHEET ITEMS					
Bills Collection	0	66029	-	60613	-
Forward Exchange Contracts	10	-	-	31340	3134
Letter of credits with maturity less than 6 months	20	1146663	229333	1355800	271160
Guarantee against counter guarantee of International rated foreign bank	20	42000	8400	19178	3836
Letter of credits with maturity more than 6 months	50	399758	199879	295095	147548
Bid Bond	50	49107	24554	67624	33812
Performance Bond	50	389733	194867	467699	233850
Advance payment guarantee	100	12340	12340	54519	54519
Financial guarantee	100	27939	27939	18793	18793
Other guarantee	100	-	-	-	-
Irrevocable loan commitment	100	-	-	-	-
Contingent liabilities against Income Tax	100	5064	5064	-	-
Other contingent liabilities (Acceptance & Endorsement)	100	111782	111782	110811	110811
TOTAL (B)		2250415	814158	2481472	877463
Total Risk Weighted Assets (A+B)			11273293		14976737

Principal Indicators

Schedule- 4.31

	Particulars	Indicators	FY 2002/03 (FY 059/60)	FY 2003/04 (FY 060/61)	FY 2004/05 (FY 061/62)	FY 2005/06 (FY 062/63)	FY 2006/07 (FY 063/64)
1	Net Profit/Total Income	%	14.8	18.3	19.9	22.2	21.6
2	Per share Earning (after tax income)	Rs.	29.9	45.6	54.2	62.8	78.4
3	Market price per share	Rs.	445	680	870	1379	2430
4	Price/Earning Ratio	Ratio	14.9	14.9	16.0	22.0	31.0
5	Dividend on share- Bonus Share	%			20		30
6	Cash Dividend	%	20	20		25	10
7	Interest Income/Loans & advances	%	10.5	9.2	8.0	7.6	6.9
8	Employee expenses/Total operating expenses	%	8.5	10.3	12.4	11.5	11.0
9	Interest expenses/Total deposits & borrowing	%	4.6	3.9	2.9	2.8	2.7
10	Exchange Income/Total Income	%	5.0	3.5	3.2	2.2	2.1
11	Staff bonus/total employee expenses	%	40.4	48.2	46.3	48.7	52.8
12	Net Profit/Loans & advances	%	1.9	2.4	2.2	2.3	2.1
13	Net Profit/Total Assets	%	1.2	1.5	1.4	1.5	1.4
14	Total Loans & advances/Total Deposits	%	75.4	75.6	78.2	73.4	77.4
15	Total operating expenses/Total Assets	%	5.4	6.0	4.1	3.9	3.6
16	Capital Adequacy Ratio:						
	a) Core Capital	%	11.6	9.6	8.9	8.2	7.8
	b) Supplementary Capital	%	1.5	1.5	4.7	4.1	3.4
	c) Total Capital Funds	%	13.1	11.1	13.6	12.3	11.2
17	Cash Reserve Ratio (CRR)	%	2.0	1.6	1.9	1.9	2.9
18	NPAs/Total Loans & advances	%	2.2	1.7	1.6	1.3	0.8
19	Weighted Average Interest Rate Spread	%	2.6	4.0	4.1	4.0	3.9
20	Book Net worth (Rs. in Lacs)	Rs.	4728	5403	6926	8228	11066
21	Total Shares	Number	3150000	3150000	3150000	3780000	3780000
22	Total Employee	Number	239	250	257	306	393
23	Others-						
	- Per employee Business (Rs. in Lacs)	Rs.	491.4	566.6	700.3	782.3	821.1
	- Employee expenses/Total Income	%	5.9	6.2	7.1	6.7	6.3

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

SIGNIFICANT ACCOUNTING POLICIES :

1. Basis of Preparation :

The financial statements of the Bank have been prepared in conformity with generally accepted accounting principles, well accepted banking norms/practices, Nepal Accounting Standards issued by Institute of Chartered Accountants of Nepal, provisions of Banks and Financial Institutions Act, and directives issued by the Nepal Rastra Bank (Central Bank).

2. Fixed Assets, Depreciation and Amortization :

- a) 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. 500 or less has been charged to Profit and Loss Account.
- b) Depreciation on fixed assets has been calculated on reducing balance by applying the rates and method prescribed in the Schedule 2 of the Income Tax Act 2058 and charged to Profit & Loss Account.
- c) Lease development expenses have been amortized in equal installment over the period of lease or 5 years whichever is longer. Accordingly, a sum of Rs. 3,271,776 has been amortized during the year. Cost incurred for acquiring computer software has been amortized in five equal yearly installments.

3. Provision for Income Tax : Provision for income tax of Rs. 158,299,176 (including Rs. 13,931,012 against past 7 years tax up to the F.Y. 2004/05) has been made on the basis of self assessment as per the provisions of the Income Tax Act, 2058 and Income Tax Rules 2059. Due consideration for interest suspense and loan loss provision allowed as per the Act has been taken.

4. Investments : Investments made in shares of listed companies have been stated at cost or market price whichever is less. Amount of investment made in share of Himalayan Distillery Ltd. (forced investment) of Rs. 13,414,000 has been deducted from core capital for Capital Adequacy purposes as per the NRB directive. The shares which are not listed in the Stock Exchange are stated at cost. Investment made in Government Treasury Bills/Bonds are valued at cost. However, the excess of the cost over face value of long term government bond is being proportionately spread over the bond maturity period by adjusting it to the interest earning there from.

5. Revaluation/Exchange Income :

Assets and liabilities denominated in foreign currencies are revalued at the mid-rate on daily basis. The difference accruing from such revaluation has been accounted for in the Profit & Loss Account under "Exchange Revaluation Gain/Loss". The net gain on exchange revaluation in the financial year is accounted for Rs.1,274,554 and a sum of Rs. 318,642 being 25% of the gain has been transferred to "Exchange Equalization Reserve" through Profit & Loss Appropriation Account as per NRB directive. Income arising through regular trading of convertible foreign currencies are accounted for in the Profit & Loss Account under "Exchange Trading".

6. Accounting for Non-banking Assets : The Bank has adopted a policy to take over the asset in the course of recovery of a loan at market value or the outstanding amount of loan whichever is less and same is stated at net of provisions made as per the requirements set by the NRB. The surplus or deficit arising on sale of such asset is adjusted in the Profit & Loss Account in the year of sale.

7. Recognition of Income :

- a. Interest Income : Interest on loans and advances has been taken to income on cash realization basis as per Nepal Rastra Bank Directive. However, interest accrued on investments made on Government Securities and foreign currency placement are taken to income on accrual basis. Interest accrued on Loans & Advances but not realized within the closing date of the financial year has been transferred to Interest Suspense account.

- b. Commission received on account of LCs, Guarantees etc. has been taken to income on cash basis.
- c. Dividend on investment is taken to income on cash basis.

8. Policy regarding Loan Loss Provision and Write off of un-recovered loan :

Loan Loss Provision is made on the basis of classification of loans & advances in accordance with the directives issued by the Nepal Rastra Bank. 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. While writing off the loan, only the balance of unrealized loans and advances remained after the adjustment of provisions made for the said loans and advances are charged to Profit & loss Account.

- 9. Contingent liabilities under Letters of Credits (LCs) have been stated in the equivalent Rupees at the exchange rate applicable at the time of opening of the LCs.**
- 10. Provision for gratuity is made in the account for the employees who are eligible for gratuity payment as per the Bank's Rules. However, for the purpose of tax it is accounted for on cash payment basis.**
- 11. Leave encashment payable to the employees are dealt on cash basis.**
- 12. Staff bonus is provided at 10% (after bonus provision , as per NRB directive) of net profit before tax.**

NOTES TO ACCOUNT :

1. Reconciliation Position :

- (a) *Branch Reconciliation* : Inter-branch transactions have been reconciled upto date. Outstanding amount pending adjustment are as under:

(Rs. In Lacs)

Particulars	Debit pending	Credit pending
Less than 3 months	8497	13540
3 to 6 month	834	1534
More than 6 months	13	62

- (b) *Reconciliation of Agency Banks* : Agency bank accounts have been reconciled up to date. The summary of the entries reconciled pending adjustment for more than three months are as under-

Rs. in '000

Currency	Ledger Pending		Statement Pending	
	Debit (Rs.)	Credit (Rs.)	Debit (Rs.)	Credit (Rs.)
Sterling Pound	-	42	6	5
Upto 1 year	-	39	6	5
More than 1 year to 3 years	-	2	-	-
More than 3 years	-	1	-	-
US Dollar	145	702	7230	688
Upto 1 year	145	697	7227	683
More than 1 year to 3 years	-	2	3	2
More than 3 years	-	3	-	3
EURO	-	18	533	327
Upto 1 year	-	18	533	-
More than 1 year to 3 years	-	-	-	-
More than 3 years	-	-	-	327
Japanese Yen	10000	810	8	-
Upto 1 year	10000	810	8	-
More than 1 year to 3 years	-	-	-	-
More than 3 years	-	-	-	-
Indian Rupee	197104	589611	212358	237149
Upto 1 year	196226	578811	210710	235745
More than 1 year to 3 years	271	5234	1336	769
More than 3 years	607	5566	312	635

2. Gross transactions of Loans & advances (as provided by the management):

(Rs. in Lacs)

Particulars	This Year
Opening Balance	101362
Disbursed during the year	575444
Recovered during the year	(535999)
Inter-head Adjustment	-
Closing (Gross Loan & Advances)	140807

3. Change in Deposit Liabilities :

(Rs. in Lacs)

Types of deposit	16 July 2006	16 July 2007	Change %
a) Current	11458	16740	46.1
b) Margin	1265	2221	75.6
c) Saving	69292	90293	30.3
d) Fixed	42424	56267	32.6
e) Call	12933	15734	21.7
f) Misc. Deposit	652	608	(6.7)
TOTAL	138024	181863	31.8

4. Average Interest Spread Rate :

In the financial year 2006/07 the average yield rate on interest bearing assets works out to 6.98% (previous year 7.09%). The average cost of deposit for the year works out to 3.07% (previous year 3.33%). The average spread for the financial year stands at 3.91% (previous year 3.99%).

5. Details of amount to be amortized :

Expenses incurred for renovation and modification of the leased properties have been booked in Lease Development Expenses. The same is amortized in equal installment over a period of five years or the lease period which ever is longer. The balance in above account is as under-

Particulars	Amount Rs.
Balance upto last year	14,846,790
Addition during this year	6,099,038
Total	20,945,828
Amortized in This year	3,271,776
Balance yet to be Amortized	17,674,052

6. 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 Nepal Rastra Bank. (30.26% of total loan in single sector of economy and 8.8% of total deposit in single institution).

7. Loan Write Off: Rs. 795,224 has been written off by debiting loan loss provision during the year.

8. Table of the Liquidity Risks as on 16th July 2007, in the format prescribed by the Nepal Rastra Bank vide their Directive No. 4, (as provided by the management) is as under:

(Rs in Lacs)

Maturity Bucket	0-90 Days	91-180 Days	181-270 Days	271-365 Days	Above 1 Year	Total
Assets:						
Cash Balance	5,350	-	-	-	-	5,350
Balance with Banks	18,564	-	-	-	-	18,564
Investment in Foreign Banks	-	1,303	-	1,303	-	2,606
HMG Securities	11,426	4,655	10,631	9,433	-	36,145
Nepal Rastra Bank Bonds	-	-	-	-	10,901	10,901
Inter-Bank Lending	-	-	-	-	-	-
Loans & Advances	32,822	17,482	6,218	23,081	61,224	140,827
Total Assets	68,162	23,440	16,849	33,817	72,125	214,393
Liabilities:						
Borrowings	-	-	-	-	3,000	3,000
Current Deposits	16,633	-	-	-	2,935	19,568
Call Deposits	15,735	-	-	-	-	15,735
Saving Deposits	9,029	-	-	-	81,263	90,292
Fixed Deposits	8,992	4,106	5,058	14,089	24,023	56,268
Total Liabilities	50,389	4,106	5,058	14,089	111,221	184,863
Net Financial Assets	17,773	19,334	11,791	19,728	(39,096)	29,530
Cumulative Net Financial Assets	17,773	37,107	48,898	68,626	29,530	

9. Bank has not availed any loan against encumbrance of its' properties.

10. Others :

- a) The Bank is providing Housing Loan to the staff members. Hence, no provision for "Housing Funds" as prescribed by the Labor Act , 2048 has been made.
 - b) Gratuity Payable to employees as per the Bank's Rules has been computed for the employees who have completed (as on 16th July 2007) the service for entitlement of the gratuity. Out of the additional liability created due to change in gratuity rate in 2006/07 with retrospective effect, Rs. 55 Lacs has been deferred to future year for adjustment.
 - c) Gratuity expense include Rs. 875,150 paid to staff retired during the year.
 - d) Dividends : The amount of dividend proposed by Board of Directors for the year covered by the financial statements are as under :
 - i. On ordinary shares :

Proposed Bonus Share @ 30%	Rs. 113,400,000
Cash Dividend@ 10%	Rs. 37,800,000
 - ii. On preference shares : Rs. 9.00 per share (as per the terms of preference share issue).
- Distribution of proposed dividend is subject to obtainment of NRB's approval.

- e) Proposed cash dividend of Rs. 45,102,316 includes Rs. 7,302,316 on account of dividend tax on proposed bonus share.
- f) Non-Banking Assets (NBA):

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

Particulars	Amount Rs.
Opening Balance (Gross Amount)	47,661,489
Addition during this year	Nil
Sold during the Year	(13,085,183)
Balance (Gross)	34,576,306
Total Provision	(34,576,306)
Net NBA	Nil

- g) Application money for 7% Cumulative Convertible Preference Share received and deposited in the bank amounting to Rs. 911,512,000 has been shown under "Other Liabilities."
- h) Capital Adjustment Reserve: Rs. 37,800,000 being 10% of paid up ordinary share capital is created and transferred to this reserve as per NRB's circular.
- i) Figures of previous year have been regrouped/rearranged wherever necessary to make the same comparable with the current year figure.
- j) Figures in the Financial Statements are stated in the nearest rupee.