



Report of the Board of Directors to the Fifteenth Annual General Meeting

Dear Shareholders,

I cordially welcome all the shareholders present at this Fifteenth Annual General Meeting of Himalayan Bank Limited on behalf of the Board of Directors. I would like to present the Balance Sheet as on July 16, 2007, the Profit and Loss Account for the fiscal year 2006-07, the Profit and Loss Appropriation Account, the Cash Flow Statement and other financial statements for approval by the Annual General Meeting.

I feel pleased to inform you that despite various challenges, our Bank was able to carry on its activities and operations satisfactorily during the year under review, which, we believe, was made possible by the trust and goodwill shown by our customers towards the Bank. Furthermore, appropriate policy-making and monitoring on the part of the Directors of the Bank and the leadership of the management also played a crucial role in this regard.

The establishment of the Bank will cross a decade and a half by January 18, 2008. We have spent the last fifteen years in fostering healthy banking. We have been dedicated to the welfare of the nation. We have established a separate identity of our own.

REVIEW OF THE BANK'S OPERATIONS

As in the past few years, during the review year, i.e. the fiscal year 2006/07, as well there was no improvement in the overall economic and commercial development of the country. The impact of such a situation was directly felt in the activities of the banking and financial sectors.

The Bank has topped the commercial banks in terms of deposits, and loans and advances. Happily, this lead was maintained during the year under review as well. The Bank's total deposit reached Rs. 30,048.4 million during the period under review, recording an increase of 13.43 percent over the previous year. Similarly, the loans and advances reached Rs. 17,793.7 million during the period under review, recording an increase of 12.89 percent over the previous year. These figures of total deposits and loans and advances represent 9.2 and 7.8 percent respectively of the total deposits and loans and advances of the overall banking sector.

The net assets of the Bank increased by 2 percent, reaching Rs. 2,942.2 million during the review period, while the gross assets increased by 13.28 percent and are valued at Rs. 31,372.6 million.

The Bank was able to make an operating profit of Rs. 688.887 million during the review period, as against the operating profit of Rs. 684.092 million during the previous year. The net profit of the Bank reached Rs. 491.823 million, registering an increase of 7.5 percent over that of Rs. 457.457 during the previous year.

The financial status of the Bank as on October 17, 2007 (1st Qtr - end of the current fiscal year) is given below:

(In Rs. million)

S.N.	PARTICULARS	FY 2006-07 AS ON OCT 17	FY 2007-08 AS ON OCT 17	INCREASE (DECREASE) PCT
1.	Gross Assets	32,757.4	36,818.02	11.24
2.	Deposits	27,538.65	30,209.95	9.70
3.	Loans, Overdrafts and Bills Purchased and Discounted	16,448.65	19,847.18	20.66
4.	Investments	11,449.55	12,287.45	7.32

During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 322.353 million in accordance with its Loan Write-off Policy. The Bank's legal claims to such loans will, however, be retained. The Bank was able to reduce the percentage of its NPA, which was 6.60 percent during the previous year, to 3.61 percent during the year under review. This could happen due to the tight procedures adopted by the Bank in loan disbursement and the initiative taken by the Bank in loan recovery.

COMPARATIVE FINANCIAL INDICATORS OF THE BANK

The comparative financial indicators of the fiscal years 2004-05 and 2005-06 are presented below

(In Rs. million)

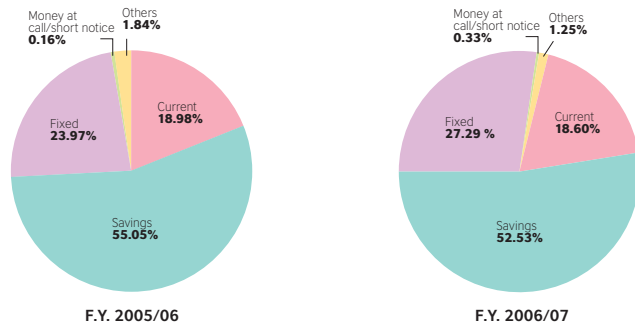
S.N.	PARTICULARS	2005-06 AS ON JULY 15	2006-07 AS ON JULY 16	INCREASE (DECREASE) PCT
1.	Net Assets (Net Worth)	2,885.59	2,942.23	2
2.	Gross Assets	30,579.81	31,372.64	13.28
3.	Deposits	26,490.85	30,048.42	13.43
4.	Loans, Overdrafts and Bills Purchased and Discounted	15,762.00	17,793.72	12.89
5.	Investments	10,889.03	11,823.00	8.58
6.	Net Interest Income	977.63	1,008.17	10.53
7.	Other Income	314.21	474.35	2.34
8.	Operating and Staff Expense	564.30	613.79	8.77
9.	Operating Profit	684.09	688.89	0.70
10.	Net Profit	457.46	491.82	7.51



The following graphs/charts are presented as annexes to give information about the financial activities of the Bank:

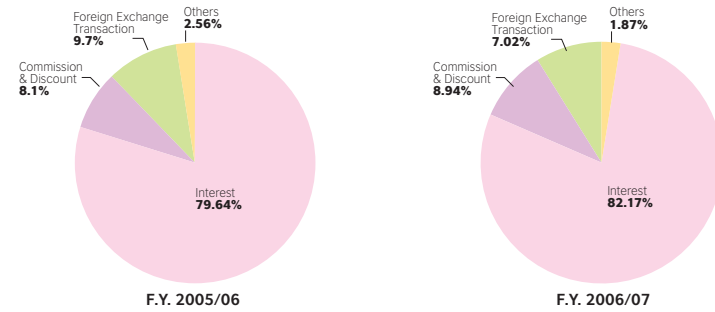
DEPOSIT COMPOSITION

Annex A



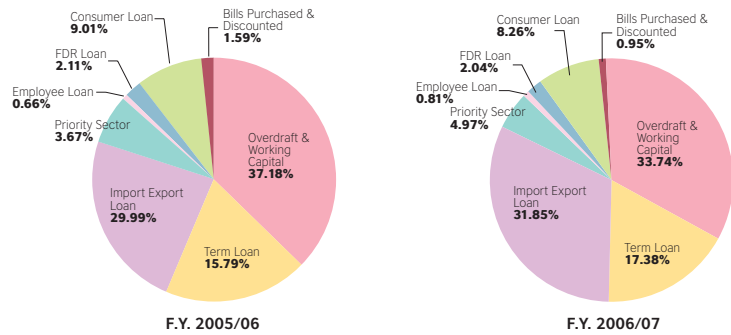
INCOME COMPOSITION

Annex C



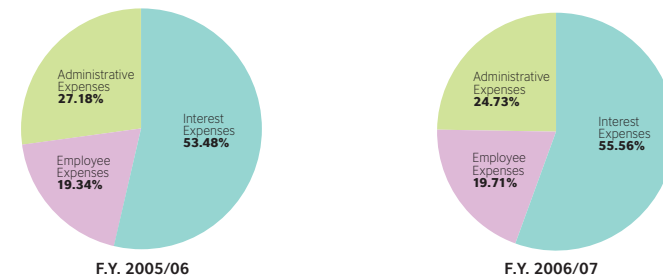
LOAN & ADVANCES COMPOSITION

Annex B



EXPENSES COMPOSITION

Annex D





IMPACT OF NATIONAL AND INTERNATIONAL EVENTS ON THE ACTIVITIES OF THE BANK

The overall economic growth rate of the world reached 5.4 percent in 2006. It is estimated that such growth will reach only 4.9 percent in 2007. As compared to the overall economic growth of around 8 percent attained by the South Asian countries over the last four to five years, our economic growth has remained at around 3 percent only.

As per official estimate, the growth rate of the real GDP of the country remained at 2.5 percent at producer's cost vis-à-vis 2.8 percent during the previous year. Against the target set during the Tenth Plan of 6.2 percent (expected) and 4.3 percent (normal) economic growth, the economic growth could reach 3.4 percent only at the end of the fiscal year 2006/07, which was lower than the projected normal economic growth.

The low economic growth during the plan period was due to lack of expected improvement in the law and order situation, failure to attract investments, impediments to smooth supply of goods due to bandhs and strikes, lack of improvement in external demand, failure of the government's development expenditures to increase and so on. During the fiscal year 2005/06, the consumer price index increased to 8.3 percent against the economic growth of 6.4 percent, whereas during the period under review the price index was 6.4 percent. As compared to the annual consumer price index of 8.3 percent at the end of July 16, 2006, it was 5.1 percent at the end of July 16, 2007.

The total deposits in the banking sector were Rs. 291,245.5 million during the fiscal year 2005/06. During the period under review, the deposits registered a growth of 12.06 percent to reach Rs. 326,364.4 million. Similarly, the loans and advances in the banking sector reached Rs. 227,735 million during the period under review, registering a growth of 31.35 percent over the figure of 173,383.4 million during the fiscal year 2005/06.

Exports, which rose by 2.6 percent during the fiscal year 2005/06, rose by 0.09 percent only during the period under review.

As in the past years, during the year under review, the commercial, economic and financial activities of the country could not witness any notable improvement. The tourism sector, however, seemed to pick up some momentum. The foreign exchange reserves were more or less at the same level as that at the end of July 16, 2005. The Indian rupees grew strong due to the economic progress of India. As the exchange rate of our rupee is pegged against the Indian rupee, it appreciated against the US dollar by 14.3 percent over the financial year period.

CURRENT FINANCIAL AND BANKING ENVIRONMENT

The law and order situation and commercial environment of the country are gradually witnessing some improvement. The concepts of financial sector reform and of development of other sectors have been made public in the budget statement for the fiscal year 2007/08. Some of the important announcements are mobilization of internal resources for small- and medium-scale hydel projects and of external sources for large-scale projects; establishment of an Industrial Rehabilitation Fund; formulation of a new Tourism Policy; enactment of laws relating to control of money laundering and bank fraud; establishment of commercial benches in the judiciaries; and enhancement of capacity of the Debt Recovery Tribunal. With the implementation of these announcements, it may be hoped that investments will increase and the activities of the banking and financial sectors will pick up momentum.

During the fiscal year 2006/07, additional two commercial banks, nine development banks, four finance companies and one micro-finance company were incorporated. Thus by the end of the fiscal year, the number of commercial banks reached 20, development banks 38, finance companies 74, micro-finance companies 12 and non-governmental organizations permitted by Nepal Rastra Bank to engage in limited banking operations 47, thus increasing the number of institutions engaged in financial operations to 191. During the current fiscal year too the licensing of such institutions is on process.

BOARD OF DIRECTORS

The Bank has nominated Mr. Upendra Keshari Poudyal as its Professional Director on the Board with effect from 02 January, 2007. He is a retired special-class official from Nepal Rastra Bank. I believe that the Bank will benefit from the experiences of Mr. Poudyal, who had served Nepal Rastra Bank at a high level. I would like to request the shareholders to welcome him to the Board of the Bank.

The Bank had to bear the untimely and sad demise of Mr. Narsingh Bahadur Shrestha, a prominent promoter and former Chairman of the Bank, on the 23 April, 2007 and of Mr. Mohan Gopal Khetan, another prominent promoter of the Bank, on the 26th of the same month. Furthermore, the Bank had to bear the sad and untimely demise of Mr. Ananda Bhakta Rajbhandary, a promoter shareholder and former Advisor of the Bank, on the 13 November, 2007. The Bank is grateful to the sterling contribution made by Mr. Shrestha to the progress and prosperity of the Bank in the capacity of its Chairman and to the guidance and cooperation extended by Mr. Khetan and Mr. Rajbhandary for the development of the Bank. I would like to request the shareholders to pay tribute to them by observing one minute's silence for eternal peace to the departed souls.



IMPLEMENTATION OF THE STRATEGY AND PROGRAM OF THE BANK

1. Extended the ATM network by establishing ATMs at ten more commercial hubs throughout the country.
2. Introduced Visa Debit Card and MasterCard. Extending the number of point-of- sales (POS) machines to 320 by installing such machines at various commercial institutions.
3. Revised the Bank's products like Home Loan, Subidha Loan and Auto Loan.
4. Decreased NPA from 6.60 percent to 3.61 percent.
5. Deputed a representative officer to Malaysia in order to make available additional remittance services to the Nepalese residing and working there in association with Everest Express Money. Similarly, operating remittance operation from the UK in collaboration with Netfox.
6. Shifted back the Tandi Branch operating from Bharatpur for security reasons to its original place.
7. Renovated the Head Office, New Road Branch, Patan Branch, Card Centre and Tandi Branch in order to ameliorate the ambience.
6. To diversify card business by focusing on Visa Debit Card, Prepaid Card and MasterCard.
7. To set up an additional four ATMs and a kiosk in various places.
8. To introduce new loan and deposit products.
9. To explore prospects for making technology more efficient in order to refine Treasury operations further.
10. To add special attractions to Internet banking.
11. To complete the construction of the Corporate Office building at an estimated cost of Rs. 220 million and to make the ambience of various branches convenient and eco-friendly.
12. To actively recover written-off loans.

STRATEGIES AND PROGRAMS FOR FY 2007/08

1. To formulate and introduce a short-term and long-term SME strategy following a contract signed with IFC-SEDF, Bangladesh for small and medium enterprise (SME) banking.
2. To keep NPA to 3 percent or below.
3. To upgrade the banking software Globus to the latest version of r6/t24.
4. To establish eight branches in various places. (Out of these, the Teku Branch has recently been established at Teku.)
5. To expand remittance business with a focus on Malaysian, Middle East and European (initially UK) markets and in this context to explore Indian markets as well.

CORPORATE SOCIAL RESPONSIBILITY

From its commencement, the Bank has, in discharging its social responsibilities, made available financial and physical facilities and help for various purposes thorough financial and religious institutions. The Bank has continuously been involved in the development of sports such as football and golf. The Bank is alert in exploring ways to contribute to social development and has made endeavours to march ahead in this field with concrete programs.

AUDIT, BALANCE SHEET AND OTHER FINANCIALS

The Balance Sheet as on July 16, 2007, the Profit and Loss Account for the fiscal year 2006-07, the Cash Flow Statement for the fiscal year 2006-07, relevant annexes and the Auditors' Report form integral part of this Report. Further, those items not mentioned in the annexes to the Report as per Company Act 2063, Chapter 7, Clause 109, Sub-Clause (4) are presented as annex E.

PROFIT AND LOSS APPROPRIATION

The net profit reached Rs. 491.823 million during the fiscal year 2006/07. In addition to this, retained earnings of Rs. 156.558 and the saving from provisions for tax made during the previous years amounting to Rs. 10.123 million are also available for appropriation. From the net profit, Rs. 98.365 million, i.e. 20%, has been appropriated to the Statutory General Reserve Fund. It is imperative to increase our paid-up capital every year in order to meet the directive on paid-up capital as prescribed by Nepal Rastra Bank. Therefore, I would like to announce with pleasure a special

resolution on declaring a 25 percent bonus share issue and a 15 percent cash dividend on the paid-up capital to the shareholders for the fiscal year 2006/07. For the bonus shares and dividends, an amount of Rs. 324.324 has been earmarked. Also, an amount of Rs. 51.429 million has been appropriated to the Reserve Fund for repayment of Himalayan Bank Bond, 2066. And the remaining amount of Rs. 184.386 has been posted to the Balance Sheet. Such an amount was Rs. 156.558 million during the previous year.



**VOTE OF THANKS**

On behalf of the Board of Directors, I would like to extend sincere thanks to the shareholders, esteemed customers, officials of the Government of Nepal and Nepal Rastra Bank. I would also like to place on record special thanks to the management of our partner Habib Bank Limited, Pakistan, the Bank's Chief Executive Officer, Senior General Manager, General Manager, senior executive and staff for making dynamic contributions to the progress and prosperity of the Bank. Finally, I would like to extend hearty thanks to the media for giving wide coverage to our activities and to all our well-wishers.

Thank you.

On behalf of the Board of Directors

Manoj Bahadur Shrestha
Chairman

P. P. Khetan
Second Vice Chairman

ADDITIONAL INFORMATION AS REQUIRED BY COMPANIES ACT 2063

Annex E

1. Detail of Share Forfeiture:

No Shares were forfeited during the year.

2. Transaction with Subsidiaries:

The Bank has no Subsidiaries

3. Information provided to the Company by its Substantial Shareholders:

NIL

4. Shares purchased by Directors and Officials of the Company during the year:

No such transaction was reported to the Bank.

5. Information received on the personal interest of Directors and their close relatives in any Agreement/Contract entered into by the Company:

No such information was received during the year.

6. Detail of Share Buy-Back during the year:

The Bank didn't buy-back its own shares during the year.

7. Detail of Internal Control System:

The Bank has a very effective Internal Control System in operation which has the following major components:

- 1) Strong internal checks and controls
- 2) Operation Manuals, Comprehensive policies, procedures and guidelines for orderly conduct of operations.
- 3) Credit Policy Guidelines and various manuals
- 4) Independent Internal Audit & Inspection Department
- 5) Periodic review of internal controls and significant audit issues by Audit Committee.

8. Total Management expenses during the year:

Employee Expenses during the FY:	Rs. 272,225,308
Administrative Expenses during the FY:	Rs. 341,561,021
Total:	Rs. 613,786,329

APPROVAL OF NEPAL RASTRA BANK

It is informed that permission has been granted to publish audited annual financial report of the Bank for the fiscal year 2006/07 and to distribute 15% Cash dividends & 25% bonus shares upon approval of annual general meeting of the Bank.



Annex E (cont.)

9. List of audit committee members, their remuneration and facilities and description (and suggestions if any) of the committee's performance during the year:

- a. Audit Committee members:
- | | |
|----------------------------|--------------------|
| Mr. Manoj Bahadur Shrestha | Chairman |
| Mr. Tulu Islam | Member |
| Dr. Ramesh Kumar Bhattarai | Member |
| Mr. Mushtaq Ali | Member & Secretary |

- b. The Committee members have been paid no remuneration/facility other than the meeting fee of Rs. 2,600 and Rs. 2,200 respectively for Chairman and members (other than the member secretary) for each meeting attended.

- c. The Committee conducted 12 meetings during the FY 2063/64 during which it, among others:

- 1) Reviewed the Internal Audit Reports and gave necessary instruction to the Management for resolution of audit issues.
- 2) Reviewed investigation reports and made various recommendations to the management.
- 3) Reviewed Annual Accounts and Auditors Preliminary Audit Report issued by Statutory Auditors and recommended their adoption by the Board of Directors after incorporation of

the directives/instructions issued by the Committee by the Management.

- 4) Directed the Management to improve Internal Control systems and procedures and recommended Manuals, Policies and procedures for improvements and effective control, wherever necessary.

10. Amount receivable by the Company from Directors, Managing Director, Substantial Shareholders and their close relatives and associated firms, Companies etc.:
NIL

11. Remuneration, allowances and facilities given to directors, managing director, chief executive officer and officials during the year:

Managerial Remuneration for the purpose of section 109(4)

Annex E (cont.)

SN	PARTICULARS	DIRECTORS	CEO	MANAGERS
1	Meeting Fees	1,283,100	-	a-
2	Salary	-	3,960,000	24,821,462
3	Allowances	-	3,281,000	10,928,111
4	Dashain Allowance	-	603,500	2,789,140
5	PF Contribution	-	396,000	1,810,560
6	Telephone/Mobile	206,391	271,372	479,536
7	Others	-	60,000	184,531
		1,489,491	8,572,872	41,013,340
9	Car Facility	No	Yes	Yes
10	Accommodation	No	No	No*
11	Insurance Coverage	Yes	Yes	Yes
	Number of persons	12	1	18

Notes

- 1) Office Car with driver, fuel and maintenance is provided to the CEO, General Managers and Ex-Pats (Sr. General Manager & Chief Internal Auditor). The Managers are given Car Loan facility with fuel as per the Bank's policy.
- 2) *Fully furnished accommodation at Bank's cost is provided to the Ex-pats.
- 3) a) Directors are covered with medical insurance of Rs. 1,00,000 for self, spouse and dependent children and Accident Insurance policy of Rs. 30,00,000.
b) CEO and Managers (except Ex-pats) are covered for Accidental Insurance, Medical Insurance and Life Insurance as per the Bank's Staff Rules. Ex-pat staff are covered for Accidental Insurance and Medical Insurance as per their terms of contract.
- 4) Mobile bill is paid by the Bank on actual basis for CEO, SGM and CIA. In case of Managers, reimbursement, as per policy, upto a maximum of Rs. 3,500 per month is done by the Bank.
- 5) Water and Electricity bill is reimbursed on actual basis to the CEO and GM's.

- 6) Bonus as per Bonus Act, 1974 was paid to all employees except the ex-pats. The ex-pat staff were paid cash gift in lieu of Bonus amounting to Rs. 691,388 to Sr. General Manager and Rs. 530,612 to the Chief Internal Auditor.

12. Amount of Dividend remaining unpaid:

Total Unpaid Dividend : Rs. 93,18,248 as on Asar 32, 2064.

13. Other relevant issues:

NIL

Manoj Bahadur Shrestha
Chairman

P. P. Khetan
Second Vice Chairman



CSC & CO.

an associated firm of PricewaterhouseCoopers

AUDITOR'S REPORT

To the Shareholders of Himalayan Bank Limited

We have audited the attached Balance Sheet of Himalayan Bank Ltd. as of Ashadh 32, 2064 (16 July 2007) and the 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.

We conducted our audit in accordance with Nepal Standards on Auditing and the auditing standards generally accepted in Nepal. 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.

We have obtained satisfactory information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our audit; the Balance Sheet, the Profit and Loss Account and the Cash flow Statement have been prepared in accordance with the methods and format specified by Nepal Rastra Bank, and conform to the books of accounts of the Bank; and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

To the best of our information and according to the explanations given to us, in the course of our audit, we observed that the actions were taken for the protection of the interest of depositors and investors; the capital fund and risk bearing fund were adequate; the business of the Bank was conducted satisfactorily and the Bank's transactions were found to be within the scope of its authority. Except those mentioned in notes to accounts, we did not come across cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated directives of Nepal Rastra Bank, nor have we been informed of any such case by the management.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 32 Ashadh, 2063 (16 July 2007), and of the results of its operations and its cash flows for the year then ended in accordance with the accounting practices generally accepted in Nepal and those statements are in conformity with the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act.

Madan Krishna Sharma

Partner
CSC & Co.

Chartered Accountants
Place: Kathmandu
Date: 15 Nov, 2007

CSC & Co., Chartered Accountant, 1955, Tanka Prasad Ghumti Sadak, Babar Mahal, P. O. Box 4891, Kathmandu, Nepal,
Tel: +977-1-1-4259414, 4268798, Fax: +977-1-1-4244255, E-mail: csc@ntc.net.np



BALANCE SHEET

As at July 16, 2007

CAPITAL AND LIABILITIES	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Share Capital	4.1	810,810,000	772,200,000
2. Reserves and Funds	4.2	1,335,689,655	993,975,616
3. Debentures and Bonds	4.3	360,000,000	360,000,000
4. Borrowings	4.4	235,967,811	144,624,897
5. Deposits	4.5	30,048,417,756	26,490,851,640
6. Bills Payables	4.6	91,303,206	73,577,730
7. Proposed and Dividend Payables		130,939,748	238,409,026
8. Income Tax Liabilities		11,913,476	-
9. Other Liabilities	4.7	494,099,459	386,750,763
Total Liabilities		33,519,141,111	29,460,389,672

ASSETS	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Cash Balance	4.8	177,242,226	305,428,144
2. Balance with Nepal Rastra Bank	4.9	1,272,543,067	1,096,253,097
3. Balance with Banks / Financial Institutions	4.10	307,555,959	315,671,095
4. Money at Call and Short Notice	4.11	1,710,023,859	1,005,280,000
5. Investments	4.12	11,822,984,558	10,889,031,449
6. Loan Advances and Bills Purchase	4.13	16,997,997,046	14,642,559,555
7. Fixed Assets	4.14	574,060,430	540,824,021
8. Non - Banking Assets	4.15	12,766,060	21,732,523
9. Other Assets	4.16	643,967,906	643,609,788
Total Assets		33,519,141,111	29,460,389,672

Contingent Liabilities	Schedule 4.17
Statement of loans advanced to Promoters, Direction, CEO, Employers and Share holders holding more than 1% shares	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of Risk Weighted Assets	Schedule 4.30(A)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

Schedules 4.1 to 4.17 form integral parts of the Balance Sheet

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

1. Tulu Islam, Vice Chairman
2. Prem Prakash Khetan, Second Vice Chairman
3. Prachanda Bahadur Shrestha
4. Bijaya Bahadur Shrestha
5. Dr. Ramesh Kumar Bhattarai
6. Amar S. Rana
7. Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants

Date: 15 Nov, 2007

**PROFIT AND LOSS ACCOUNT**

For the period July 17, 2006 to July 16, 2007

PARTICULARS	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Interest Income	4.18	1,775,582,617	1,626,473,819
2. Interest Expenses	4.19	767,411,247	648,841,818
Net Interest Income		1,008,171,370	977,632,001
3. Commission and Discount	4.20	193,224,228	165,447,872
4. Other Operating Incomes	4.21	40,328,872	52,324,749
5. Exchange Fluctuation Income	4.22	151,637,322	198,130,134
Total Operating Income		1,393,361,792	1,393,534,756
6. Staff Expenses	4.23	272,225,308	234,588,969
7. Other Overhead Expenses	4.24	341,561,021	329,699,087
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before Provision for Possible Losses		779,575,463	829,246,700
9. Provision for Possible Losses	4.25	90,688,827	145,154,520
Operating Profit		688,886,636	684,092,180
10. Non-Operating Income/Loss	4.26	3,493,278	1,887,070
11. Loan Loss Provision Written-Back	4.27	412,654,152	56,561,901
Profit from Regular Operations		1,105,034,066	742,541,151
12. Profit/(Loss) from Extra-ordinary Activities	4.28	(315,890,702)	(2,902,317)
Net Profit after considering all Activities	-	789,143,364	739,638,834
13. Staff Bonus Provision	-	71,740,305	67,239,895
13A. Profit after Staff Bonus	-	717,403,059	672,398,939
14. Tax Provision			
a) Current Years	-	225,580,154	214,941,243
b) Previous Years	-		
Net Profit		491,822,905	457,457,696

Schedules 4.18 to 4.28 form integral parts of the Profit and Loss Account

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

1. Tulu Islam, Vice Chairman
2. Prem Prakash Khetan, Second Vice Chairman
3. Prachanda Bahadur Shrestha
4. Bijaya Bahadur Shrestha
5. Dr. Ramesh Kumar Bhattarai
6. Amar S. Rana
7. Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants

Date: 15 Nov, 2007



PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period July 17, 2006 to July 16, 2007

PARTICULARS	Schedules	Current Year Rs	Pre. Year Rs
Income			
1. Accumulated Profit up to Last Year		156,557,736	158,174,836
2. Current Year's Profit		491,822,905	457,457,696
3. Excess Income Tax Provision of last year		10,122,632	-
Total		658,503,273	615,632,532
Expenses:			
1. Accumulated Loss up to Last Year		-	-
2. Current year's Loss		-	-
3. General Reserve		98,364,581	91,491,540
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserve Fund		-	-
8. Proposed Dividend		121,621,500	231,660,000
9. Proposed Issue of Bonus Share		202,702,500	38,610,000
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		-	5,906,145
12. Capital Redemption Reserve Fund		51,428,571	51,428,571
13. Capital Adjustment Fund		-	38,610,000
14. Prior Period Tax		-	1,368,540
Total		474,117,152	459,074,796
15. Accumulated Profit		184,386,121	156,557,736

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

1. Tulu Islam, Vice Chairman
2. Prem Prakash Khetan, Second Vice Chairman
3. Prachanda Bahadur Shrestha
4. Bijaya Bahadur Shrestha
5. Dr. Ramesh Kumar Bhattarai
6. Amar S. Rana
7. Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants

Date: 15 Nov, 2007



STATEMENT OF CHANGES IN EQUITY

As at July 16, 2007

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	CAPITAL ADJUSTMENT RESERVE	PROPOSED BONUS SHARE	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVE FUNDS	TOTAL AMOUNT
Opening Balance	772,200,000	156,557,735	534,935,540	38,610,000	38,610,000	-	19,548,057	205,714,284	1,766,175,616
Adjustments	38,610,000	27,828,386	98,364,581	-	(38,610,000)	-	-	51,428,571	177,621,538
Closing Balance	810,810,000	184,386,121	633,300,121	38,610,000	202,702,500	-	19,548,057	257,142,855	2,146,499,654



CASH FLOW STATEMENT

July 17, 2006 to July 16, 2007

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
590,608,284	A. Cash Flow from Operating Activities	700,779,770
1,897,766,254	1. Cash Received	2,102,484,745
1,419,900,506	1.1 Interest Income	1,617,037,594
165,447,872	1.2 Commission and Discount Income	193,224,228
198,130,134	1.3 Income from Foreign Exchange Transaction	151,637,322
(2,902,317)	1.4 Recovery of Loan Written off	(315,890,702)
117,190,059	1.5 Other Income	456,476,303
1,307,157,970	2. Cash Payment	1,401,704,975
648,841,818	2.1 Interest Expenses	767,411,247
191,638,231	2.2 Staff Expenses	268,208,968
235,879,091	2.3 Office Overhead Expenses	168,275,671
230,798,830	2.4 Income Tax Paid	197,809,089
-	2.5 Other Expenses	-
(600,312,694)	Cash Flow before Changes in Working Capital	(597,232,360)
2,249,199,158	(Increase/Decrease) of Current Assets	4,267,325,148
564,199,100	1. Increase/Decrease in Money at Call and Short Notice	704,743,859
(801,968,750)	2. Increase/Decrease in Short-term Investment	933,953,109
2,318,893,556	3. Increase/Decrease in Loan & Bills Purchases	2,354,101,063
168,075,252	4. Increase/Decrease in Others Assets	274,527,117
1,648,886,464	(Increase/Decrease) of Current Liabilities	3,670,092,788
1,676,839,656	1. Increase/Decrease in Deposits	3,557,566,116
-	2. Increase/Decrease in Certificate of Deposits	-
(1,423,389)	3. Increase/Decrease in Short Term Borrowing	91,342,914
(26,529,803)	4. Increase/Decrease in Others Liabilities	21,183,758
(287,414,211)	B. Cash Flow from Investment Activities	(63,558,495)
-	1. Increase/(Decrease) in Long Term Investments	-
(288,025,916)	2. Increase/(Decrease) in Fixed Assets	(64,278,817)
-	3. Interest Income from Long Term Investment	-
611,705	4. Dividend Income	720,322
-	5. Others	-
-	C. Cash Flow from Financing Activities	-
-	1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	-
-	2. Increase/(Decrease) in Share Capital	-
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB.	-
-	D. Income/Loss from change in exchange rate in Cash and Bank Balances	-
(297,118,621)	E. Current Year's Cash Flow from All Activities	39,988,915
2,014,470,957	F. Opening Balance of Cash and Bank Balances	1,717,352,336
1,717,352,336	G. Closing Balance of Cash and Bank Balances	1,757,341,251



SHARE CAPITAL AND OWNERSHIP

As at July 16, 2007

Schedule 4.1

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Share Capital	-
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a. 10,000,000 Ordinary shares of Rs 100 each	1,000,000,000
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-
772,200,000	1.2 Issued Capital	810,810,000
772,200,000	a. 8,108,100 Ordinary Shares of Rs 100 each	810,810,000
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-
772,200,000	1.3 Paid up Capital	810,810,000
772,200,000	a. 8,108,100 Ordinary Shares of Rs 100 each (Last year 7,722,000 ordinary shares of Rs 100 each)	810,810,000
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-

SHARE OWNERSHIP

SHARE CAPITAL	PARTICULARS	%	SHARE CAPITAL
656,370,000	1. Promoters & Other Institutions	85	689,188,500
-	1.1 Nepal Government	-	-
154,440,000	1.2 Foreign Insitution	20	162,162,000
-	1.3 "A" Classs Licensed Institutions	-	-
108,108,000	1.4 Other Licensed Institutions	14	113,513,400
393,822,000	1.5 Other Entities	51	413,513,100
-	1.6 Individual	-	-
-	1.7 Others	-	-
115,830,000	2. General Public	15	121,621,500
772,200,000	Total	100	810,810,000

8,108,100 ordinary shares of Rs. 100 each fully paid up, which includes:

YEAR	PARTICULARS
	Rs. 60,000,000 Initial Paid Up Capital
F.Y. 1994-95	Rs. 60,000,000 capitalized
F.Y. 1997-98	Issued 720,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1998-99	Issued 480,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1999-00	Issued 600,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2000-01	Issued 900,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2001-02	Issued 390,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2002-03	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2003-04	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2004-05	Issued 1,287,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2005-06	Issued 3,86,100 Bonus Shares of Rs. 100 each fully paid up



Particulars of Individual/Group/Firm/Company holding 0.5% or more of the share capital of the bank:

NAME	NO. OF SHARES	PERCENT	AMOUNT
AVA INTERNATIONAL PVT. LTD.	923,055	11.38	92,305,500
CHHAYA INTERNATIONAL PVT. LTD.	720,677	8.89	72,067,700
HABIB BANK LIMITED	1,621,620	20.00	162,162,000
KARMACHARI SANCHAYA KOSH	1,135,134	14.00	113,513,400
MUTUAL TRADING CO. PVT. LTD.	1,023,242	12.62	102,324,200
N. TRADING CO. PVT. LTD.	1,030,405	12.71	103,040,500
SHARMA & CO. PVT. LTD.	53,513	0.66	5,351,300
SYAKAR CO. LTD	80,270	0.99	8,027,000
SUMIT KUMAR AGRAWAL	212,650	2.62	21,265,000
Total	6,800,566	83.87	680,056,600
Total Number of Shares of the Bank:	8,108,100		

RESERVES & FUNDS

As at July 16, 2007

Schedule 4.2

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
534,935,540	1. General Reserve Fund	633,300,121
38,610,000	2. Proposed Bonus Share	202,702,500
-	3. Capital Reserve Fund	-
205,714,285	4. Capital Redemption Reserve (HBL Bond 2066)	257,142,857
38,610,000	5. Capital Adjustment Fund	38,610,000
-	6. Other Reserve Fund	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserve Fund	-
156,557,735	7. Accumulated Profit / Loss	184,386,121
19,548,056	8. Exchange Fluctuation Fund	19,548,056
993,975,616	Total	1,335,689,655

**DEBENTURES AND BONDS**

As at July 16, 2007

Schedule 4.3

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
360,000,000.00	1 8.5 Percent Bond/Debentures of Rs 1000 each (Issued in July 2002 and maturing in July 2008) (Outstanding balance in Redemption Reserve Rs 257,142,857)	360,000,000
-	2.Percent Bond/Debentures of Rs ----- each (Issued on ----- and matured on -----) (Outstanding balance of Redemption Reserve Rs.-----)	-
360,000,000	Total	360,000,000

BORROWINGS

As at July 16, 2007

Schedule 4.4

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	A. Local	
-	1. Nepal Government	-
23,000,000	2. Nepal Rastra Bank	31,396,726
-	3. Repo Obligation	-
-	4. Inter Bank and Financial Institutions	170,805,726
-	5. Other Financial Institutions	-
-	6. Others	-
23,000,000	Total	202,202,452
121,624,897	B Foreign	
121,624,897	1. Banks	33,765,359
-	2. Others	-
121,624,897	Total	33,765,359
144,624,897	Total (A+B)	235,967,811



STATEMENT OF DEPOSITS

As at July 16, 2007

Schedule 4.5

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	1. Non Interest Bearing accounts	
5,028,150,556	A. Current Deposits	5,589,580,391
3,681,942,340	1. Local Currency	4,512,637,015
1,501,910,745	1.1 Nepal Government	1,931,782,631
18,304,727	1.2 "A" Classs Licensed Institutions	40,981,848
222,958,443	1.3 Other Licensed Institutions	358,244,856
1,481,558,477	1.4 Other Organized Institutions	1,479,864,787
157,176,411	1.5 Individuals	145,209,790
300,033,537	1.6 Others	556,553,103
1,346,208,216	2. Foreign Currency	1,076,943,376
647,557,502	2.1 Nepal Government	267,410,594
-	2.2 "A" Classs Licensed Institutions	1,791,951
183,581	2.3 Other Licensed Institutions	1,313,926
582,849,649	2.4 Other Organized Institutions	628,702,229
11,522,391	2.5 Individuals	5,425,635
104,095,093	2.6 Others	172,299,041
488,031,556	B. Margin Deposits	375,026,163
-	1. Employees Guarantee	-
203,563,045	2. Guarantee Margin	119,016,264
284,468,511	3. Letters of Credit Margin	256,009,899
-	C. Others	-
-	1. Local Currency	-
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institution	-
-	1.3 Individual	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individual	-
5,516,182,112.00	Total of Non-Interest Bearing Accounts	5,964,606,554



STATEMENT OF DEPOSITS

As at July 16, 2007

Schedule 4.5 (Contd.)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	2. Interest Bearing accounts	
14,582,855,172	A. Saving Deposits	15,784,769,766
13,287,743,287	1. Local Currency	14,573,038,825
1,022,207,855	1.1 Organized Institutions	1,290,288,789
11,618,295,694	1.2 Individuals	12,633,537,859
647,239,738	1.3 Others	649,212,177
1,295,111,885	2. Foreign Currency	1,211,730,941
660,492,625	2.1 Organized Institutions	633,829,612
583,800,185	2.2 Individuals	510,460,241
50,819,075	2.3 Others	67,441,088
6,350,202,266	B. Fixed Deposits	8,201,134,697
2,353,299,998	1. Local Currency	4,076,414,936
1,329,678,760	1.1 Organized Institutions	2,530,823,121
851,658,567	1.2 Individuals	1,281,864,795
171,962,671	1.3 Others	263,727,020
3,996,902,268	2. Foreign Currency	4,124,719,761
3,601,003,667	2.1 Organized Institutions	3,750,902,700
197,533,841	2.2 Individuals	235,847,708
198,364,760	2.3 Others	137,969,353
41,612,090	C. Call Deposits	97,906,739
7,325,000	1. Local Currency	1,130,705
-	1.2 "A" Class Licensed Institutions	
-	1.3 Other Licensed Institutions	
1,865,000	1.4 Other Organized Institutions	
3,988,000	1.5 Individuals	1,130,705
1,472,000	1.6 Others	
34,287,090	2. Foreign Currency	96,776,034
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	
26,188,800	2.3 Other Organized Institutions	42,477,800
8,098,290	2.4 Individuals	11,970,344
9,184,500	2.5 Others	42,327,890
	D. Certificate of Deposits	-
-	1. Other Organized Institutions	-
-	2. Individual	-
-	3. Other	-
20,974,669,528	Total of Interest Bearing Accounts	24,083,811,202
26,490,851,640	Total Deposits	30,048,417,756

**BILLS PAYABLE**

As at July 16, 2007

Schedule 4.6

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
59,377,538	1. Local Currency	78,242,590
14,200,192	2. Foreign Currency	13,060,616
73,577,730	Total	91,303,206

OTHER LIABILITIES

As at July 16, 2007

Schedule 4.7

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
-	1. Pension / Gratuity Fund		-
-	2. Employees Provident Fund		-
-	3. Employees Welfare Fund		-
67,239,895	4. Provision for Staff Bonus		71,740,306
56,921,991	5. Interest Payable on Deposit		75,424,611
15,352,932	6. Interest Payable on Borrowings		15,300,000
-	7. Unearned Discount & Commission		-
8,673,570	8. Sundry Creditors		24,124,505
1,254,814	9. Branch Adjustment Account		1,255,120
237,307,561	10. Others		306,254,917
678,000	a) Provision for Audit Fee	678,000	
236,629,561	b) Others	305,576,917	
386,750,763	Total		494,099,459

CASH BALANCE

As at July 16, 2007

Schedule 4.8

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
263,301,370	1 Local Currency (Including coins)	155,112,044
42,126,774	2. Foreign Currency	22,130,182
305,428,144	Total	177,242,226

**BALANCE WITH NEPAL RASTRA BANK**

As at July 16, 2007

Schedule 4.9

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			THIS YEAR (Rs)
			INR (Rs)	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
1,096,253,097	1. Nepal Rastra Bank	1,258,090,101	-	14,452,966	14,452,966	1,272,543,067
1,096,253,097	a. Current Account	1,258,090,101	-	14,452,966	14,452,966	1,272,543,067
-	b. Other Account	-	-	-	-	-
1,096,253,097	Total	1,258,090,101		14,452,966	14,452,966	1,272,543,067

Note: Total balance as per statements received from NRB is Rs 948,006,939

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

As at July 16, 2007

Schedule 4.10

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			THIS YEAR (Rs)
			INR (Rs)	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
84,648,761	1. Local Licensed Institutions	209,617,897	-	2,036,073	2,036,073	211,653,970
84,648,761	a. Current Account	209,617,897	-	2,036,073	2,036,073	211,653,970
-	b. Other Account	-	-	-	-	-
231,022,334	2. Foreign Bank	-	39,123,808	56,778,181	95,901,989	95,901,989
231,022,334	a. Current Account	-	39,123,808	56,778,181	95,901,989	95,901,989
-	b. Other Account	-	-	-	-	-
315,671,095	Total	209,617,897	39,123,808	58,814,254	97,938,062	307,555,959

Note: Total balance as per statements received from respective banks is Rs 269,033,188

MONEY AT CALL AND SHORT NOTICE

As at July 16, 2007

Schedule 4.11

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Local Currency	130,000,000
1,005,280,000	2. Foreign Currency	1,580,023,859
1,005,280,000.00	Total	1,710,023,859



INVESTMENTS

As at July 16, 2007

Schedule 4.12

PREVIOUS YEAR (Rs)	PARTICULARS	PURPOSE		THIS YEAR (Rs)
		TRADING	OTHERS	
4,565,320,060	1.Nepal Government Treasury Bills	-	6,079,376,471	6,079,376,471
-	2. NRB Development Bonds	-	-	-
12,335,940	3.Nepal Government Other Securities	-	-	-
566,657,000	4 Nepal Government Saving Bond	-	375,497,000	375,497,000
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
5,706,151,012	7. Foreign Banks	-	5,294,687,228	5,294,687,228
39,908,797.00	8.Corporate Shares	-	73,423,859	73,423,859
-	9. Corporate Bonds and Debentures	-	-	-
-	10. Other Investments	-	-	-
10,890,372,809	Total Investment	-	-	11,822,984,558
(1,341,360)	Provision	-	-	-
10,889,031,449	Net Investment	-	-	11,822,984,558

INVESTMENTS IN SHARES, DEBENTURE AND BONDS

As at July 16, 2007

Schedule 4.12 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)		
		COST PRICE	MARKET VALUE PER SHARE	PROVISION FOR INVESTMENT
22,356,000	1. Investment in Shares			
	1.1 Himalayan Distillery Ltd. 223,560 Shares @ 100	22,356,000	105	-
7,485,000	1.2 Rural Microfinance Dev Centre 3,75,000Shares @ 100	37,500,000	-	-
3,000,000	1.3 Western Rural Development Bank 30,000 Shares@ 100	3,000,000	132	-
3,000,000	1.4 Nirdhan Utthan Bank Ltd. (30,000 Share @ 100 & 9,600 Bonus Share)	3,000,000	110	-
1,200,000	1.5 Chhimek Bikas Bank Ltd. (36,000 Shares @ 100)	3,600,000	242	-
2,400,000	1.6 Centre For Self Help Dev. 24,000 Shares @ 100	2,400,000	-	-
114,797	1.7 Swift SC 6 Shares	1,214,859	-	-
353,000	1.8 Credit Information Corp. Ltd.	353,000	-	-
	2. Investment in Debentures and Bonds	-	-	-
	2.1 Companies (. Pvt. Ltd / Ltd)	-	-	-
	2.2	-	-	-
	2.3.....	-	-	-
39,908,797	Total Investment	73,423,859	-	-
	3. Provision for Loss	-	-	-
	3.1 Up to previous year	-	-	-
1,341,360	3.2 Addition this year	-	-	-
1,341,360	Total Provision	-	-	-
38,567,437	Net Investment	73,423,859	-	-

Note: Shares of Himalayan Distillery Limited, Western Rural Development Bank, Chhimek Bikas Bank Limited and Nirdhan Utthan Bank Limited are listed in Nepal Stock Exchange. Companies except RMDC, Chhimek Bikas Bank, Nirdhan Utthan and Western Rural Development Bank have not declared dividends in the last 3 Years



CLASSIFICATION OF LOAN AND BILL PURCHASE AND PROVISIONING
As at July 16, 2007

Schedule 4.13

PREVIOUS YEAR (Rs)	PARTICULARS	ADVANCES						BILLS PURCHASED / DISCOUNTED			THIS YEAR (Rs)
		DOMESTIC			FOREIGN	TOTAL	LOCAL	FOREIGN	TOTAL		
		PRIORITY		OTHER							
		INSURED	UN-INSURED								
14,721,218,259	1. Performing Loan	43,696,218	341,322,084	16,599,304,285	-	16,984,322,587	28,548,970	139,237,000	167,785,970	17,152,108,557	
14,055,103,815	1.1 Pass Loan	43,506,307	333,585,016	16,152,836,866	-	16,529,928,189	28,548,970	139,237,000	167,785,970	16,697,714,159	
666,114,444	1.2 Re-structured	189,911	7,737,068	446,467,419	-	454,394,398	-	-	-	454,394,398	
1,040,757,823	2. Non-Performing Loan	2,618,617	19,814,509	617,400,860	-	639,833,986	1,781,320	-	1,781,320	641,615,306	
107,227,888	2.1 Substandard	-	1,389,134	70,686,925	-	72,076,059	-	-	-	72,076,059	
228,498,188	2.2 Doubtful	-	2,176,312	192,799,944	-	194,976,256	-	-	-	194,976,256	
705,031,747	2.3 Loss	2,618,617	16,249,063	353,913,991	-	372,781,671	1,781,320	-	1,781,320	374,562,991	
15,761,976,082	(A) Total Loan	46,314,835	361,136,593	17,216,705,145	-	17,624,156,573	30,330,290,36	139,237,000	169,567,290	17,793,723,863	
-	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	
141,354,553	3.1 Pass	117,016	3,335,850	162,094,596	-	165,547,462	1,677,860	-	1,677,860	167,225,322	
53,456,562	3.2 Re-structured	5,935	5,989,695	134,088,861	-	140,064,491	-	-	-	140,064,491	
61,953,985	3.3 Substandard	-	347,283	18,002,564	-	18,349,848	-	-	-	18,349,848	
155,755,034	3.4 Doubtful	-	1,088,156	96,399,972	-	97,488,128	-	-	-	97,488,128	
706,896,393	3.5 Loss	654,654	16,249,063	353,913,991	-	370,817,708	1,781,320	-	1,781,320	372,599,028	
1,119,416,527	(B) Total Provisioning	777,605	26,990,048	764,499,984	-	792,267,637	3,459,180	-	3,459,180	795,726,817	
117,648,411	4. Provisioning up to Previous Year	-	-	-	-	-	-	-	-	-	
66,276,399	4.1 Pass	96,166	351,563	138,414,761	-	138,862,490	693,630	1,798,433	2,492,063	141,354,553	
41,866,119	4.2 Re-structured	10,223	191,018	53,255,321	-	53,456,562	-	-	-	53,456,562	
114,358,189	4.3 Substandard	105,023	-	61,848,962	-	61,953,985	-	-	-	61,953,985	
686,498,503	4.4 Doubtful	-	-	155,755,034	-	155,755,034	-	-	-	155,755,034	
-	4.5 Loss	4,429,823	11,806,278	687,253,222	-	703,489,323	-	3,407,070.40	3,407,070	706,896,394	
1,026,647,621	(C) Total Provision up to Last Year	4,641,235	12,348,859	1,096,527,300	-	1,113,517,394	693,630	5,205,503	5,899,133	1,119,416,527	
-	(D) This year written off	-	-	-	-	-	-	-	-	322,353,282	
51,044,254	(E) Previous year's provision written back	-	-	-	-	-	-	-	-	411,312,792	
143,813,160	(F) This year's additional provision	-	-	-	-	-	-	-	-	83,839,133	
92,768,906	(G) Net adjustment during the year	-	-	-	-	-	-	-	-	(323,689,710)	
14,642,559,555	Net Loan (A-B)	45,537,230	334,146,545	16,452,205,161	-	16,831,888,936	26,871,110	139,237,000	166,108,110	16,997,997,046	



LOANS, ADVANCES AND BILLS PURCHASED (SECURITY WISE)

As at July 16, 2007

Schedule 4.13 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
15,761,976,082.00	(A) Secured	17,793,723,864
13,536,939,929	1. Movable / Immovable Assets	15,929,067,202
78,000,000	2. Guarantee of Local Licensed Institutions	120,185,635
16,035,858	3. Government Guarantee	-
219,480,000	4. Internationally Rated Bank Guarantee	111,726,020
321,017,545	5. Export Documents	562,810,802
454,809,727	6. Fixed Deposit Receipts	757,068,860
452,346,881	a. Own FDR	683,511,458
2,462,846	b. FDR of other Licensed Institutions	73,557,402
176,860,265	7. Nepal Government Bonds	68,292,149
649,662,457	8. Counter Guarantee	63,731,074
33,967,778	9. Personal Guarantee	15,112,329
275,202,523	10. Other Securitais	165,729,793
-	(B) Unsecured	-
15,761,976,082	Total	17,793,723,864

FIXED ASSETS

As at July 16, 2007

Schedule 4.14

PREV. YEAR (Rs)	PARTICULARS	ASSETS					THIS YEAR (Rs)
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS (LAND)	
	1. Cost						
478,475,687	a. Previous Year Balance	25,003,166	102,176,060	210,213,009	177,342,696	248,488,040	763,222,971
293,848,689	b. Addition this year	14,188,604	31,702,192	11,516,913	34,539,096	-	91,946,805
	c. This year's revaluation	-	-	-	-	-	-
(6,878,895)	d. This year sold	-	(15,829,400)	(155,651)	(199,850)	-	(16,184,901)
(2,222,508)	e. This Year written off	-	-	(4,539,353)	(5,362,873)	-	(9,902,226)
763,222,973	Total Cost (a+b+c+d+e)	39,191,770	118,048,852.05	217,034,918.47	206,319,069.15	248,488,040	829,082,649
	2. Depreciation						
185,140,105	a. Up to previous year	7,211,751	37,992,127	114,673,054	65,566,742	-	225,443,674
44,857,566	b. For this year	1,512,571	12,176,252	20,175,134	17,779,679	-	51,643,636
	c. Depreciation in revaluation	-	-	-	-	-	-
(4,553,995)	d. Depreciation Adjusted/Written Back	-	(10,336,811)	(4,272,891)	(4,687,066)	-	(19,296,768)
225,443,676	Total Depreciation	8,724,322	39,831,568	130,575,297	78,659,355	-	257,790,542
537,779,297	3. Book Value (WDV)*(1-2)	30,467,448	78,217,284	86,459,621	127,659,714	248,488,040	571,292,107
	4. Land						
3,044,724	5. Capital Construction	2,768,323	-	-	-	-	2,768,323
-	6. Leasehold assets	-	-	-	-	-	-
540,824,021	Total (3+4+5)	33,235,771	78,217,284	86,459,621	127,659,714	248,488,040	574,060,430

* written Down Value



NON BANKING ASSETS

As at July 16, 2007

Schedule 4.15

PREVIOUS YEAR (Rs)	NAME OF THE BORROWER	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		THIS YEAR (Rs)
				%	AMOUNT	
3,879,000	Nepal F.P. Information	2003.03.18	3,879,000	100	3,879,000	-
3,400,000	Everest Boiler Farm	2003.04.09	3,400,000	100	3,400,000	-
760,000	Narayani Packaging	2005.01.28	760,000	75	570,000	190,000
2,807,812	Narayani Packaging	2005.01.28	2,807,812	75	2,105,859	701,953
112,500	Ayusha Garment	2005.05.29	112,500	75	84,375	28,125
9,080,000	Vivid Textile	2005.03.23	9,080,000	75	6,810,000	2,270,000
5,117,733	Evergreen Oriental	2005.07.05	5,117,733	75	3,838,300	1,279,433
4,900,000	Pasupati Agrochem	2005.07.23	4,900,000	50	2,450,000	2,450,000
6,737,500	Nepal Airways	2006.07.05	6,737,500	50	3,368,750	3,368,750
1,500,000	Priti Uni Dhago	-	-	-	-	-
2,600,000	Hotel Himalaya Safari	-	-	-	-	-
1,320,500	Aslam Textile	-	-	-	-	-
	Addition during the year ;	-	-	-	-	-
	Saroj Furniture	2006.11.21	776,567	25	194,142	582,425
	KCS Vehicles AG	2007.07.16	2,527,165	25	631,791	1,895,374
42,215,045	Grand Total		40,098,277		27,332,217	12,766,060
-	Opening provision on NBA	-	20,482,522	-	-	-
-	Addition during the year	-	(6,849,695)	-	-	-
-	Closing provision on NBA	-	27,332,217	-	-	-

OTHER ASSETS

As at July 16, 2007

Schedule 4.16

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
14,952,321	1. Stock of Stationery	-	13,619,017
144,156,028	2. Income Receivable on investments	-	158,545,024
550,369,217	3. Accrued interest on Loan	336,711,789	-
(487,951,932)	Less : Interest Suspense Amount	(336,711,789)	-
-	4. Commission Receivable	-	-
27,103,387	5. Sundry Debtors	-	33,194,870
109,425,806	6. Staff Loan and Advances	-	151,747,783
13,619,296	7. Prepayments	-	17,835,347
9,830	8. Cash in Transit	-	990,280
-	9. Other Transit Items(Including Cheques)	-	-
-	10. Drafts Paid without Notice	-	-
121,531,093	11. Expenses not written off	-	117,686,116
	12. Branch Adjustment Account	-	-
150,394,742	13 Others	-	150,349,469
15,857,588	a. Advance Income Tax Deposited	-	-
134,537,154	b. Others	150,349,469	-
643,609,788	Total		643,967,906



OTHER ASSETS (ADDITIONAL STATEMENT)

As at July 16, 2007

Schedule 4.16 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)			TOTAL
		UPTO 1 YEAR	1-3 YEAR	ABOVE 3 YEARS	
550,369,217	1. Accrued interest on Loan	91,834,064	183,756,514	61,121,211	336,711,789
-	2. Drafts Paid without Notice	-	-	-	-
-	3. Branch Adjustment A/c	-	-	-	-
550,369,217	Total	91,834,064	183,756,514	61,121,211	336,711,789

CONTINGENT LIABILITIES

As at July 16, 2007

Schedule 4.17

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)	
	1. Claims on the Bank but not accepted	-	-
3,068,891,261	2. Letters of Credit (full amount)	-	2,916,470,345
2,244,187,517	a. Less than 6 months maturity	2,786,253,046	-
824,703,744	b. More than 6 months maturity	130,217,299	-
-	3. Rediscounted Bills	-	-
1,383,992,499	4. Unmatured Guarantees/Bonds	-	1,375,589,559
190,028,632	a. Bid Bond	112,486,203	-
1,193,963,867	b. Performance Bond	1,263,103,356	-
	b. Other Guarantees/ Bonds	-	-
-	5. Unpaid Shares in Investment	-	-
-	6. Forward Exchange contract liabilities	-	165,278,399
65,904,982	7. Bills under collection	-	301,705,381
274,642,882	8. Acceptance and Endorsements	-	351,549,445
-	9. Underwriting Commitments	-	-
-	10. Irrevocable Loan Commitments	-	-
1,556,814,535	11. Counter Guarantee of Internationally Rated Banks	-	1,435,198,612
207,450,236	12. Advance Payment Guarantee	-	176,431,771
437,243	13. Financial Guarantee	-	110,437,243
20,975,483	14. Contingent Liabilities on Income Tax	-	20,975,483
-	15 Others	-	-
6,579,109,121	Total		6,853,636,238

**INTEREST INCOME**

Financial Year ended July 16, 2007

Schedule 4.18

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
1,140,686,731	A. On Loan, Advances and Overdraft		1,242,850,250
896,816,745	1. Loan and Advances	938,608,270	
243,869,986	2. Overdraft	304,241,980	-
	B. On Investment'		
172,242,276	1. NG Securites	-	191,558,737
133,804,708	a. Treasury Bills	155,317,132	-
38,437,568	b. Development Bonds	36,241,605	-
-	c. National Saving Certificate	-	-
	2. Foreign Securites		
-	a.	-	-
-	b.	-	-
	3. Nepal Rastra Bank Bonds	-	-
	4. Debenture and Bonds	-	-
	5. Interest on Inter Bank Lending	-	-
-	A. Bank/Financial Institutions	-	-
-	B. Other Organizations	-	-
7,181,413	C. On Agency Balances	-	6,631,523
	1. Local Banks	-	-
7,181,413	2. Foreign Banks	6,631,523	-
20,608,110	D. On Money at Call and Short Notice	-	26,184,358
538,422	1. Local Banks	1,500,831	-
20,069,688	2. Foreign Banks	24,683,527	-
285,755,289	E. On Others	-	-
	1. Certificate of Deposits	-	308,357,749
8,101,732	2. Inter-Bank Loan	11,980,738	-
277,653,557	3. Fcy Placements	296,377,011	-
1,626,473,819	Total		1,775,582,617



INTEREST EXPENSES

Financial Year ended July 16, 2007

Schedule 4.19

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
	A. On Deposit Liabilities		
240,010,651	1. Fixed Deposits	-	314,395,944
90,011,998	1.1 Local Currency	119,309,391	-
149,998,653	1.2 Foreign Currency	195,086,552	-
264,093,976	2. Saving Deposits	-	313,383,691
256,660,099	2.1 Local Currency	291,523,629	-
7,433,877	2.2 Foreign Currency	21,860,061	-
109,774,777	3. Call Deposit	-	104,840,457
79,716,688	3.1 Local Currency	90,082,456	-
30,058,089	3.2 Foreign Currency	14,758,000	-
	4. Certificate of Deposits	-	-
34,962,414	B. On Borrowings	-	34,791,155
30,600,000	1. Debentures and Bonds	30,600,000	-
125,877	2. Loan from Nepal Rastra Bank	504,457	-
4,236,537	3. Inter Bank/Financial Institutions Borrowing	3,686,698	-
-	4. Other Corporate Body	-	-
	C. Others	-	-
648,841,818	Total		767,411,247

COMMISSION AND DISCOUNT INCOME

Financial Year ended July 16, 2007

Schedule 4.20

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
15,635,638	A. Bills Purchase and Discount		13,416,459
	1. Local		
	2. Foreign		
115,155,155	B. Commission		134,621,213
36,806,449	1. Letters of Credit	34,039,845	
22,047,559	2. Guarantees	34,261,846	
5,045,120	3. Collection Fees	8,119,361	
34,649,331	4. Remittance Fees	36,307,345	
16,606,696	5. Credit Cards Fee	21,892,816	
-	6. Share Underwriting /Issue	-	
-	7. Government Transactions	-	
-	8. Agency Commissions	-	
-	9. Exchange Fees	-	
34,657,079	C. Others		45,186,556
165,447,872	Total		193,224,228

**OTHER OPERATING INCOME**

Financial Year ended July 16, 2007

Schedule 4.21

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
5,454,497	1. Safe Deposit Lockers Rental	7,396,966
4,972,412	2. Issue and Renewal of Credit Cards	10,605,012
1,437,617	3. Issue and Renewals of ATM Cards	1,025,809
11,503,701	4. Telex/ T. T	10,590,302
-	5. Service Charges	-
-	6. Renewal Fees	-
28,956,522	7. Others	10,710,783
52,324,749	Total	40,328,872

EXCHANGE FLUCTUATION GAIN/LOSS

Financial Year ended July 16, 2007

Schedule 4.22

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
23,624,584	(A) Revaluation Gain/(Loss)	(4,861,398)
174,505,550	(B) Trading Gain (except exchange Fee)	156,498,720
198,130,134	Total Income (Loss)	151,637,322

EXPENSES RELATING TO EMPLOYEES

Financial Year ended July 16, 2007

Schedule 4.23

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
95,108,066	1. Salary	123,567,454
68,656,893	2. Allowances	88,049,953
8,779,310	3. Contribution to Provident Fund	10,907,768
6,928,544	4. Training Expenses	6,340,454
3,359,595	5. Uniform	2,720,336
-	6. Medical	-
6,209,967	7. Insurance	5,631,856
20,291,825	8. Pension and Gratuity Provision	32,142,475.00
25,254,769	9. Others	2,865,012
234,588,969	Total	272,225,308



OFFICE OVERHEAD EXPENSES

Financial Year ended July 16, 2007

Schedule 4.24

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
37,771,707	1. Office Rent		42,611,892
10,058,204	2. Electricity & Water		12,005,502
13,263,959	3. Repair and Maintenance		17,295,717
1,010,541	a. Building	840,873	
769,590	b. Vehicles	1,055,431	
11,483,828	c. Others	15,399,413	
7,552,538	4. Insurance		10,738,496
19,798,454	5. Postage Telex, Telephone, Fax		20,431,235
770,359	6. Office Equipment, Furniture and Repair		426,188
14,206,242	7. Travelling Allowances and Expenses		16,013,748
12,342,933	8. Printing and Stationary		12,120,438
470,444	9. Periodicals and Books		419,116
18,803,569	10. Advertisements		24,090,446
371,036	11. Legal Expenses		87,131
1,286,041	12. Donations		210,231
3,325,655	13. Expenses Relating to Board of Directors		2,429,038
496,400	a. Meeting Fees	750,500	
2,829,255	b. Other Expenses	1,678,538	
533,541	14. Annual General Meeting Expenses		896,571
1,007,555	15. Expenses Relating to Audit		1,071,459
678,000	a. Audit Fees	678,000	
329,555	b. Other Expenses	393,459	
44,886,365	16. Commission on Remittances		51,643,636
-	17. Depreciation on Fixed Assets		-
-	18. Amortization		-
-	19. Share Issue Expenses		-
-	20. Technical Services Fee		-
2,445,346	21. Entertainment		2,886,178
24,332,944	22. Written off Expenses		32,221,224
5,231,324	23. Security Expenses		7,271,047
944,115	24. Credit Guarantee Premium		497,726
16,160,629	25. Commission and Discount		12,230,167
94,136,127	26. Others		73,963,835
21,856,156	A. Registration Fee and Charges	23,176,740	
24,600,687	B. Provision for possible losses	-	
47,679,284	C. Others	50,787,095	
329,699,087	Total		341,561,021

**PROVISION FOR POSSIBLE LOSSES**

Financial Year ended July 16, 2007

Schedule 4.25

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
143,813,160	1. Increase in Loan Loss Provision	83,839,133
1,341,360	2. Increase in Provision for Loss on Investment	-
	3. Provision against Non-Banking Assets	6,849,694
	4. Provision against Other Assets	
145,154,520	Total	90,688,827

NON OPERATING INCOME/LOSS

Financial Year ended July 16, 2007

Schedule 4.26

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Profit (Loss) on Sale on Investment	-
1,275,365	2. Profit (Loss) on Sale of Assets	2,772,955
611,705	3. Dividend	720,323
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. interest subsidy	-
-	c. Exchange counter	-
	5. Others	
1,887,070	Total Non- Operating Income (Loss)	3,493,278

LOSS PROVISIONS WRITTEN BACK

Financial Year ended July 16, 2007

Schedule 4.27

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
51,044,254	1. Loan Loss Provision Written Back	411,312,792
5,517,647	2. Provision against Non-Banking Assets Written Back	-
	3. Investment Provision Written Back	1,341,360
	4. Provision against Other Assets Written Back	
56,561,901	Total	412,654,152

PROFIT/LOSS FROM EXTRA-ORDINARY ACTIVITIES

Financial Year ended July 16, 2007

Schedule 4.28

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
5,183,424	1. Recovery of Written off Loan	6,462,580
-	2. Voluntary Retirement Scheme Expenses	-
(8,085,741)	3. Loan Write/offs (4.28 (a))	(322,353,282)
-	4. Other Expenses/Income	-
(2,902,317)	Total	(315,890,702)



STATEMENT OF LOANS WRITTEN-OFF

Financial Year ended July 16, 2007

Schedule 4.28 (A)

S. NO.	TYPES OF LOAN	WRITTEN OFF	TYPE OF SECURITY	BASIS OF VALUATION OF COLLATERAL	LOAN APPROVED BY NAME/ DESIGNATION	INITIATIONS MADE FOR RECOVERY	REMARKS
1	Trust Receipt Loan	14,406,997	Mortgage of land & building/ hypo stock/Assignment Account/Bill & Receivable/ PG of Proprietor	• Land and Building valued by registered valuers	Sr. General Manager	• Repeated verbal and written notices to the borrower	
2	Overdraft	11,686,149	Registered mortgage of Land & Building/Hypo stock/ PG of Promoters	• Current assets valued as per invoices and statements submitted by the borrower	Sr. General Manager	• Borrower black listed and recovery suit filed at the Debt Recovery Tribunal	
3	BLC	143,115,717	Registered mortgage of Land /Hypo stock/PG of Promoters /Corporate Guarantee		Board of Directors		
4	Fixed Term Loan	104,229,635	Consortium Financing/ Project under Paripassu agreement with Member banks		Board of Directors		
5	Time Loan	48,914,785	Consortium Financing/ Project under Paripassu agreement with Member banks		Board of Directors		
Total Loan		322,353,282					

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CEO/PROMOTORS/EMPLOYEES AND SHAREHOLDERS

As at July 16, 2007

The statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individuals members of their undivided family OR against the guarantee of such persons OR to the organizations OR companies in which such individuals are managing agent, are as follows:

Schedule 4.29

NAME OF PROMOTER /DIRECTOR/CHIEF EXECUTIVE	LAST YEAR'S BALANCE		THIS YEAR RECOVERY		THIS YEAR ADDITIONS	BALANCE AS OF ASHADH END	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST
(A) Directors							
1.							
2.							
3.							
(B) Chief Executives							
1.							
2.							
3.							
(C) Promoters							
1.							
2.							
3.							
(D) Employees							
1.							
2.							
3.							
(E) Shareholders							
1.							
2.							
3.							
Total							

**TABLE OF CAPITAL FUND**

As at July 16, 2007

Schedule 4.30

PARTICULARS	PREVIOUS YEAR (Rs)	THIS YEAR (Rs)
A. Core Capital	1,721,940,400	2,104,595,598
1. Paid Up Capital	772,200,000	810,810,000
2. Share Premium	-	-
3. Non-Redeemable Preference Share	-	-
4. General Reserve Fund	534,935,540	633,300,120
5. Cumulative Profit/ Loss	156,557,735	184,386,121
6. Capital Redemption Reserve	205,714,285	257,142,857
7. Capital Adjustment Reserve/Bonus share	77,220,000	241,312,500
8. Other Free Reserves	-	-
Less: Goodwill		
Investment in excess of prescribed limit	(2,331,160)	-
Fictitious Assets	-	-
Underwriting Share of Himalayan Distillery Ltd.	(22,356,000)	(22,356,000)
Investment in companies with financial interest	-	-
B. Supplementary Capital	520,902,609	546,773,378
1. Pass Loan Loss provision	141,354,553	167,225,322
2. Assets Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	360,000,000	360,000,000
5. Exchange Equalization Reserve	19,548,056	19,548,056
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	-	-
C. Total Capital Fund (A+B)	2,242,843,009	2,651,368,976
D. Minimum Capital Fund to be maintained on the basis of Risk Weighted Assets	11%	11%
Capital Fund	11.26	12.11
Core Capital	8.65	9.61
Supplementary Capital	2.61	2.50
Capital fund Excess/Short	0.26	1.11
Core Capital Excess/Short	3.15	4.11



TABLE OF RISK WEIGHTED ASSETS

As at July 16, 2007

Schedule 4.30 (A)

ON BALANCE SHEET ASSETS	WEIGHTAGE	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	RISK WEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	0%	305,428,144	-	177,242,226	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	1,096,253,097	-	1,272,543,067	-
Investment in Govt. Securities	0%	5,144,313,000	-	6,454,873,471	-
Investment in NRB Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	452,346,881	-	683,511,458	-
Fully secured loan against Govt. Securites	0%	176,860,265	-	68,292,149	-
Accrued Interest on Government Bonds					
Balance with Domestic Banks and Fin Institution	20%	84,648,761	16,929,752	211,653,969	42,330,794
Fully secured FDR loan against FDR of Other Banks and Financial Institutions	20%	2,462,846	492,569	73,557,402	14,711,480
Balance with Foreign Banks	20%	231,022,334	46,204,467	95,901,989	19,180,398
Money at Call	20%	1,005,280,000	201,056,000	1,710,023,859	342,004,772
Loan against Guarantee of internationally rated bank	20%	219,480,000	43,896,000	111,726,020	22,345,204
Other Investments with Internationally rated/ Foreign banks	20%	5,706,151,012	1,141,230,202	5,294,687,228	1,058,937,445
Investment in Shares Debentures and Bonds	100%	39,908,797	39,908,797	73,423,859	73,423,859
Other Investments	100%	-	-	-	-
Loan Advances and Bills Purchased / Discounted	100%	14,910,826,089	14,910,826,090	16,856,636,835	16,856,636,835
Fixed Assets	100%	540,824,021	540,824,021	574,060,430	574,060,430
All Other assets (Except net Advance Tax Deposit)	100%	608,903,049	608,903,049	612,966,369	612,966,369
Total (A)		30,524,708,296	17,550,270,947.00	34,271,100,331	19,616,597,586
Off Balance Sheet Items					
Bills Collection	0%	65,904,982	-	301,705,381	-
Forward Foreign Exchange Contract	10%	-	-	165,278,399	16,527,840
Letters of Credit with maturity of less than 6 months	20%	2,244,187,517	448,837,503	2,786,253,046	557,250,609
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	1,556,814,535	311,362,907	1,435,198,612	287,039,722
Letters of credit with maturity more than 6 months	50%	824,703,744	412,351,872	130,217,299	65,108,650
Bid Bond	50%	190,028,632	95,014,316	112,486,203	56,243,101
Performance Bond	50%	1,193,963,867	596,981,934	1,263,103,356	631,551,678
Advance Payment Guarantee	100%	207,450,236	207,450,236	176,431,771	176,431,771
Financial Guarantee	100%	437,243	437,243	110,437,243	110,437,243
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liability in respect of Income tax	100%	20,975,483	20,975,483	20,975,483	20,975,483
All other contingent liabilities	100%	274,642,882	274,642,882	351,549,445	351,549,445
Total (B)		6,579,109,121	2,368,054,376	6,853,636,238	2,273,115,542
Total Risk Weighted Assets (A+B)		37,103,817,417	19,918,325,323	41,124,736,569	21,889,713,128



PRINCIPAL INDICATORS FOR LAST FIVE YEARS

Schedule 4.31

SNO.	PARTICULARS	UNIT	Financial Year				
			2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
1.	Net Profit/Total Income	Percent	27.51	30.75	32.98	35.16	34.90
2.	Per Share Income	Rs.	49.45	49.05	47.91	59.24	60.66
3.	Per Share Market Value	Rs.	836	840	920	1100	1740
4.	Price Earning Ratio	Ratio	16.91	17.12	19.20	18.57	28.69
5.	Dividend in Share Capital (Including Bonus)	Percent	25.00	20.00	31.58	35.00	40.00
6.	Cash Dividend in Share Capital	Percent	1.32	0.00	11.58	30.00	15.00
7.	Interest Income/Loan and Advances	Percent	11.08	9.64	10.75	10.32	9.98
8.	Staff Expenses/Total Operating Expenses	Percent	39.00	40.00	41.95	41.57	44.35
9.	Interest Expenses in Total Deposit	Percent	2.64	2.23	2.26	2.45	2.55
10.	FX Fluctuation Gain/Total Income	Percent	7.54	7.40	7.80	9.42	6.71
11.	Staff Bonus/Total Staff Expenses	Percent	24.98	23.45	24.53	22.28	20.86
12.	Net Profit/Loan and Advances	Percent	2.12	2.20	2.48	3.12	2.89
13.	Net Profit/Total Assets	Ratio	0.91	1.06	1.11	1.55	1.47
14.	Total Loan/Deposits	Percent	47.61	54.30	50.07	55.27	56.57
15.	Total Operating Expenses/Total Income	Percent	23.19	27.00	29.19	30.02	30.32
16.	Capital Adequacy Ratio:						
	A. Core Capital	Percent	7.07	7.69	8.33	8.65	9.61
	B. Supplementary Capital	Percent	3.85	2.96	2.68	2.62	2.50
	C. Total Capital Fund	Percent	10.93	10.65	11.01	11.26	12.11
17.	Liquidity (CRR)	Percent	8.30	8.28	7.86	5.92	5.92
18.	Non-performing Loan/Total Loan	Percent	10.08	8.88	7.44	6.60	3.61
19.	Weighted Average Interest Rate Spread	Percent	3.33	3.25	3.19	3.80	3.57
20.	Book Networth per share	Number	247.81	246.93	239.59	228.72	264.74
21.	Total Share	Number	4,290,000	5,362,500	6,435,000	7,722,000	8,108,100
22.	Total Staff	Number	385	455	501	561	584



PRINCIPAL ACCOUNTING POLICIES

Schedule 4.32

Basis of preparation

The financial statements cover the year from 17 July 2006 to 16 July 2007 and have been prepared under the historical cost convention and in accordance with Nepal Accounting Standards and specific provisions of the Banks and Financial Institution Act, 2006 and Directives issued by Nepal Rastra Bank (NRB).

i. Revenue Recognition

- a. Interest income on Loans and Advances is recognized on cash basis in accordance with Nepal Rastra Bank's Directive. Interest accrued and due is accounted as interest receivable by crediting to interest suspense account.
- b. Commission and fee on bills purchased and discounted, guarantee and documentary credit is accounted for on Cash Basis.
- c. Interest income on Investment is recognized on accrual basis.
- d. Dividend income is accounted for on cash basis.

ii. Investments

- a. Investments in Government securities and shares of listed companies are valued at cost or market value whichever is lower.
- b. Investments in shares not listed in Stock Exchange are valued at cost as per by NRB's directives.

iii. Loans and Advances

- a. Loans and advances are presented net of provision for loan losses.

- b. Loans and advances are classified as per NRB directives, into performing and non-performing assets. Pass and Re-structured loans are classified as performing assets whereas Substandard, Doubtful and Loss loans are classified as non-performing assets.
- c. Provision for possible losses has been created as per NRB directive to cover the risk in the bank's loan portfolio.
- d. Amounts recovered against loans written off in earlier years are recognized as income in the profit and loss account.

iv. Basis of Interest Computation

Interest expenses on interest bearing deposits/borrowings and interest income on loans and advances are computed on the basis of 365 days a year.

v. Fixed Assets Depreciation & Amortization:

- a. Fixed assets are stated at historical cost less depreciation.
- b. Fixed assets other than freehold land are depreciated on diminishing balance method at the following rates.

SN.	PARTICULARS	RATES
1.	Building	5%
2.	Vehicles	15%
3.	Furniture-Wood	15%
4.	Furniture-Steel	10%
5.	Office Equipment	15%
6.	Computers	20%
7.	Generators	15%

Depreciation for Income Tax purpose is calculated at the rates and manner prescribed by the Income Tax Act 2058. Accordingly, depreciation amounting to Rs 12,426,880 has been short charged in the accounts as compared to the depreciation computed for tax purpose.

- c. Deferred expenditures/Leasehold improvements are amortized in equal annual installments over the period of lease.
- d. Software application costs are amortized in 5 years.
- e. Expenses on furnishing of Bank premises/office are amortized in 3 years.
- f. Non-consumable items normally having useful life of less than one year and/or costing less than Rs. 5,000.00 are expensed off during the year of acquisition.

vi. Foreign currency transactions

- a. Assets and Liabilities denominated in foreign currencies are converted into Rupees at the prevailing mid-point exchange rate of the Balance Sheet date.
- b. Income realized from the difference between buying and selling rates of foreign currencies is accounted for as Trading Gain.
- c. Net conversion differences arising from the conversion of foreign currency assets and liabilities to Nepalese Rupees is accounted for as "Revaluation Gain or Loss".



vii. Gratuity

Contribution on account of gratuity is made to the Approved Retirement Fund as per the provisions of Employees Service By-Laws, 2006 and Approved Retirement Fund.

viii. Staff Leave Encashment Provision

Provision for staff leave expenses amounting to Rs 4,016,340 has been charged to the profit and loss account during the year.

ix. Staff Bonus

Staff Bonus has been provided at 10% of the net profit before tax as per Bonus Act, 2030.

x. Employees' Housing Scheme

In view of the Bank providing housing loan facilities to its employees and as per the practice followed by other financial institutions in the country, provision for Employees' Housing Fund as required under the Labor Act, 2048 has not been made.

xi. Income Taxes

a. Corporate Tax:

Corporate tax liability has been calculated as per the Income-Tax Act, 2058. Accordingly, provision of Rs. 225,580,154 has been made for the same. Deferred tax asset/liability is not recognized in the books of accounts.

b. Contingent Tax Liability:

On the assessment of the Income Tax Returns of the bank for the years 1996/97 (2053/54), FY1997/98 (2054/55) and 1998/99 (2055/56), the Inland Revenue Department has raised additional claims amounting to Rs.20,975,483. The bank has filed appeals against these assessments and the matter is pending with Inland Revenue Tribunal.

xii. Non- Banking Assets

a. The bank takes over collaterals obtained as security for loans and advances, if such assets could not be disposed off due to unsatisfactory bids received at the time of auction. Such assets are accounted as Non- Banking Assets and valued at Panchakrit Mulya or amount due from the borrower, whichever is lower.

b. Provision for possible losses on non banking assets has been made as per Nepal Rastra Bank's directive.

xiii. Staff Advance

Staff Advances granted as per Staff Loan schemes are shown as Other Assets.



NOTES TO ACCOUNTS

Schedule 4.33

1. RECONCILIATION

A. Inter-Branch

A total sum of Rs 1,255,120 (Credit Balance) is outstanding in Inter Branch Account. Major part of these pending items pertains to payments made by branches through the Head Office, inter-branch transfers etc. Most of these pending items have been reconciled after the year end date.

B. With Nepal Rastra Bank

(Figures in Rs)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month		122,494	-	-
1 to 3 months		382,194	47,765	-
3 to 6 months		-	6,515	-
6 to 12 months		-	13,030	-
Total		504,689	67,310	

C. With other Authorized Local Financial Institutions

(Figures in Rs)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	29,900	3,011,285	1,050	2,387,365
1 to 3 months	-	-	-	629,184
3 to 6 months	-	-	-	56,895
6 to 12 months	24,973	-	-	-
1 to 2 years	-	128,215	-	-
Total	54,873	3,139,500	1,050	3,073,444

D. With Foreign Financial Institutions

(Figures in Rs)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	18,023,669	141,441,827	10,592,956	136,376,673
1 to 3 months	7,818	34,482,916	2,217,968	2,586,210
3 to 6 months	-	21,616,411	19,106	676,435
6 to 12 months	200,806	36,766	1,501,829	202,544
1 to 2 years	-	-	37,860	170,030
Total	18,232,293	197,577,920	14,369,719	140,011,892



2. AMORTIZATION OF EXPENSES NOT WRITTEN OFF

- i) Expenses incurred by way of construction and other improvement on the leased banking premises are capitalized as "Leasehold Improvements". The Bank has adopted the policy of amortizing the same on a yearly basis in equal installments during the lease period. Accordingly, Rs. 16,260,944 has been amortized during the year, leaving a balance of Rs 87,321,909 for future amortization (Previous year amortized Rs. 10,806,096 and balance Rs. 76,891,684).
- ii) Computer software program has been capitalized as deferred revenue expenditure for amortization within five years effective from the date of deployment purchase. Accordingly, a sum of Rs. 14,103,979 has been amortized during the year, leaving a balance of Rs. 29,581,216 for future amortization (Previous year amortized Rs. 13,195,288 and balance Rs. 43,639,199).
- iii. Expenses incurred on office furnishing are capitalized as deferred revenue expenditure for amortization in three years effective from the date of purchase. Accordingly, a sum of Rs. 587,964 has been amortized during the year under review, leaving a balance of Rs. 782,992. (Previous year amortized Rs. 331,560 and balance Rs. 1,000,209.)



4. SUMMARY OF LOANS AND ADVANCES

(Figures in Rs '000)

PARTICULARS	2062-63	2063-64	CHANGE %
Loan & Advances O/s	15,761,976	17,793,724	12.89
Loan Written-off	8,086	318,569	3,839.76

5. SUMMARY OF CHANGES IN DEPOSIT LIABILITIES

(Figures in Rs '000)

PARTICULARS	2062-63	2063-64	CHANGE %
Interest bearing deposits	5,516,182	5,964,607	8.13
Non-interest bearing deposits	20,974,670	24,083,811	14.82
Total deposits	26,490,852	30,048,418	13.42

6. WEIGHTED AVERAGE INTEREST RATE SPREAD

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	6.22
Weighted Average Interest Rate on Deposits and Borrowing	2.65
Net Spread	3.57

7. DETAILS OF DEFERRED EXPENSES

(Figures in Rs)

PARTICULARS	FY 2005-06	FY 2006-07
1. At Cost	235,285,316	246,820,618
a) Up to Last year	155,948,113	235,285,317
b) Addition this year	79,337,203	11,535,301
c) Deduction this Year	-	-
2. Amortization during the year	113,754,223	129,134,502
3 Balance	121,531,093	117,686,116

8. SUMMARY OF CONCENTRATION OF EXPOSURE

(Figures in Rs Million)

PARTICULARS	LOANS & ADVANCES	CONTINGENT
Total Amount as on 16 July 2006	17,794	6,531
Highest Exposure in a single unit	504	241
Highest percentage exposure in a single unit	2.83%	3.69%

**9. CLASSIFICATION OF ASSETS AND LIABILITIES BASED ON MATURITY**

(Figures in Rs Million)

Particular	1-90 Days	91-180 Days	181-270 Days	271 Days - 1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	177.24	-	-	-	-	117.24
2. Balance with Bank	221.36	-	-	-	1,358.47	1,580.10
3. Investment in Foreign Banks	3,448.85	2,650.74	213.20	236.17	325.75	6,874.71
4. NG Bonds	-	-	171.65	-	203.85	375.50
5. Treasury Bills	924.17	1,606.27	1,875.54	1,672.80	-	6,078.78
6. Inter Bank Lending	130.00	-	-	-	-	130.00
7. Loan, Advance & B/Purchased	6,569.00	3,433.57	1,652.71	1,367.98	4,770.47	17,793.72
8. Other Assets	648.67	-	-	-	656.15	1,304.82
Total Assets	12,119.28	7,690.58	3,913.09	3,276.95	7,314.97	34,314.87
b) Liabilities						
1. Borrowing	235.97	-	-	-	-	235.97
2. Current Deposits	817.07	1,089.42	1,361.78	1,634.13	544.71	5,447.11
3. Saving Deposits	789.24	1,578.48	2,367.72	4,735.43	6,454.35	15,925.21
4. Fixed Deposits	2,654.08	3,175.59	786.80	954.29	728.28	8,299.04
5. Margin Deposit	375.03	-	-	-	-	375.03
6. Debentures (Bonds)	-	-	-	-	360.00	360.00
7. Other Liabilities, Capital & Reserve	615.43	-	-	-	3,057.09	3,672.52
Total Liabilities	5,486.82	5,843.49	4,516.29	7,323.85	11,144.43	34,314.87
Net Financial Assets	6,632.47	1,847.09	(603.20)	(4,046.90)	(3,829.46)	(0.00)
Cumulative Net Financial Assets	6,632.47	8,479.56	7,876.35	3,829.46	(0.00)	-

9. BORROWING AGAINST SECURITY OF OWN ASSETS

The bank hasn't borrowed any funds against the security of its own Assets.

10. REGROUPING

Previous year's figures have been regrouped where necessary to make them comparable with those of the current year.

11. ROUNDING OFF

Figures have been rounded off to the nearest rupee.



TEN YEAR'S FINANCIAL SUMMARY

Balance Sheet

(Figures in Rs '000)

PARTICULARS	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Assets										
Cash & Bank Balances	1,029,104	802,208	901,907	1,435,175	1,264,872	1,979,209	2,001,184	2,014,471	1,717,352	1,757,341
Placements	2,146,929	4,125,854	4,682,762	4,057,654	352,350	150,100	368,900	441,081	1,005,280	1,710,024
Investments	973,980	468,945	2,216,416	4,083,160	9,157,107	10,175,435	9,292,103	11,692,342	10,889,031	11,822,985
Loans, Advances & Bills Purchased	4,223,067	5,245,975	7,224,727	9,015,347	9,557,137	10,844,599	12,919,631	13,451,168	15,761,977	17,793,724
Fixed Assets	110,602	171,313	193,046	201,679	318,844	229,871	299,643	295,822	540,825	574,060
Other Assets	250,861	429,801	644,882	707,557	665,738	818,760	848,326	976,459	665,343	656,734
Total Assets	8,734,543	11,244,096	15,863,740	19,500,572	21,315,848	24,197,974	25,729,787	28,871,343	30,579,808	34,314,868
Liabilities										
Borrowings	-	232,653	128,646	79,527	534,013	645,840	659,006	506,048	504,625	595,968
Deposit Liabilities	7,713,601	9,772,736	14,043,097	17,532,404	18,619,375	21,007,379	22,010,333	24,814,012	26,490,852	30,048,418
Other Liabilities	457,527	543,604	821,462	690,369	660,931	638,872	768,520	982,888	698,738	728,256
Total Liabilities	8,171,128	10,548,993	14,993,205	18,302,300	19,814,319	22,292,091	23,437,859	26,302,948	27,694,215	31,372,641
Net Assets	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593	2,942,226
Shareholders' Equity										
Paid up Capital	120,000	192,000	240,000	300,000	390,000	429,000	536,250	643,500	772,200	810,810
Proposed capitalisation of profits	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700	77,220	202,703
Reserves	122,895	157,144	200,600	261,697	309,585	404,389	510,698	611,372	760,198	948,601
Reserve for Doubtful Debts	179,349	243,919	344,484	477,663	643,414	842,751	967,762	1,026,648	1,119,417	795,727
Retained Earnings	69,171	54,040	25,451	68,912	119,530	122,493	169,968	158,175	156,558	184,386
Total Shareholders' Equity	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593	2,942,226
Total Capital + Liabilities	8,734,543	11,244,096	15,863,740	19,500,572	21,315,848	24,197,974	25,729,787	28,871,343	30,579,808	34,314,868
Contingent Liabilities										
Letter of Credit	1,298,878	1,933,970	2,413,461	1,965,318	2,445,699	2,008,618	2,420,343	3,469,134	3,068,891	2,916,470
Guarantees	1,478,562	2,029,963	2,078,969	1,992,446	2,572,031	3,394,050	3,315,942	3,451,242	3,423,337	3,449,207
Forward Exchange Contract	380,763	844,294	780,093	1,096,562	224,349	19,995	116,132	2,818	-	165,278
Other Contingent Liabilities			37,438	58,413	142,975	106,733	377,482	795,554	86,880	322,681
Total Contingent Liabilities	3,158,203	4,808,227	5,309,961	5,112,739	5,365,054	5,529,396	6,229,899	7,718,748	6,579,108	6,853,636



TEN YEAR'S FINANCIAL SUMMARY
Profit & Loss Account

(Figures in Rs '000)

PARTICULARS	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Income										
Interest Income	753,973	862,054	1,033,660	1,326,378	1,148,998	1,201,233	1,245,895	1,446,468	1,626,474	1,775,583
Interest Expense	474,490	533,590	594,800	734,518	578,134	554,128	491,543	561,964	648,842	767,411
Net Interest Income	279,483	328,464	438,860	591,860	570,864	647,105	754,352	884,504	977,632	1,008,172
Commission & Discount	71,682	101,983	110,330	96,065	101,704	102,562	123,929	132,816	165,448	193,224
Foreign Exchange Income	75,775	63,958	87,327	119,261	104,601	109,599	112,419	137,301	198,130	151,637
Other Income	4,391	5,624	9,685	31,220	32,038	30,154	34,076	41,301	52,325	40,329
Non Operating Income	625	1,061	1,695	2,303	2,451	10,760	3,299	2,795	1,887	100,257
Total Income	431,956	501,090	647,897	840,709	811,658	900,180	1,028,075	1,198,717	1,395,422	1,493,619
Expenses										
Staff Expenses	45,252	47,364	59,880	85,575	101,537	120,145	152,509	178,589	234,569	272,225
Operating Expenses	87,735	109,746	132,545	141,116	155,786	177,131	211,047	277,375	329,699	341,561
Provision for Doubtful Debts	57,885	64,570	103,249	134,320	166,506	202,873	186,226	147,139	88,593	90,689
Provision for Staff Bonus	24,108	27,941	34,855	48,336	38,783	40,003	46,731	58,060	67,240	71,740
Non-Operating Expenses	-	-	3,672	-	-	10,988	10,988	15,012	2,902	-
Total Expenses	214,980	249,621	334,201	409,347	462,612	540,152	607,501	676,175	723,023	776,215
Profit before Tax	216,976	251,469	313,696	431,362	349,046	360,028	420,574	522,542	672,399	717,404
Income Tax provision	81,007	86,221	114,316	154,323	114,023	147,896	157,522	214,265	214,941	225,580
Net Profit after Tax	135,969	165,248	199,380	277,039	235,023	212,132	263,052	308,277	457,458	491,824
P/L Appropriation										
Profit/Loss carried down	241,544	234,419	253,420	302,490	303,934	331,660	385,546	478,245	615,634	648,381
Interest Spread Reserve reversed	-	-	-	-	-	770	-	-	-	-
Statutory General Reserve	27,194	33,050	39,876	57,117	47,005	42,426	52,611	61,655	91,492	98,365
Exchange Equalisation Fund	10,379	429	3,580	3,962	901	1,720	2,270	-	5,906	-
Interest Spread Reserve Fund	-	770	-	-	-	-	-	-	-	-
HBL Bond 2066 redemption fund	-	-	-	-	-	51,429	51,429	51,429	51,429	51,429
Interim Dividend	18,000	28,800	36,000	60,000	-	-	-	-	-	-
Proposed Dividend	42,000	67,200	84,000	22,500	97,500	5,645	-	74,511	231,660	121,622
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700	77,220	202,703
Income Tax of last year	-	-	813	-	-	1,466	2,018	3,774	1,369	(10,122)
Staff Gratuity Fund	2,800	2,130	3,700	-	-	-	-	-	-	-
Profit Transferred to Balance Sheet	69,171	54,040	25,451	68,911	119,528	122,494	169,968	158,176	156,558	184,368