

# ANNUAL REPORT 2010/11



HOW WE ARE  
BUILDING  
A BETTER BANK  
EVERY DAY



हिमालयन बैंक लिमिटेड  
**Himalayan Bank Limited**  
THE POWER TO LEAD







## **Contents**

07	Chairman's Message
09	Working Together With Employees
10	Board Of Directors
13	CEO's Message
14	Executive Team
16	Management Team
19	Working Together With Customers
20	Report Of The Board Of Directors To The 19 <sup>th</sup> Annual General Meeting
26	Financial Highlights
29	Working Together With Shareholders
30	Our Services
32	Corporate Social Responsibility (CSR)
35	Working Together With Society
36	Corporate Governance
38	Working Together With Global Partners
40	Additional Disclosure
42	Auditor's Report
43	Balance Sheet
44	Profit And Loss Account
45	Profit And Loss Appropriation Account
46	Statement Of Changes In Equity
47	Cash Flow Statement
48	Schedules

# Vision

Himalayan Bank has the vision of becoming a leading bank of the country by gaining substantial business growth through premium products and services to customers, thus ensuring attractive and substantial returns to all our stakeholders.

# Mission

Himalayan Bank's mission is to become the preferred provider of quality financial services in the country. There are two components to our mission: 'preferred provider' and 'quality financial services'. We believe that our mission will be accomplished only by satisfying these two important components with the customer at the focal point of all our efforts.



I have been banking here for many years now and it is always a pleasant surprise to me when I get the same type of respect and service consistently without fail.

It is a pleasure working with Himalayan Bank because of its single minded focus on ensuring customer satisfaction. This makes my work very gratifying.



Himalayan Bank played a very important part in setting up my business. Without their help, I wouldn't have been able to succeed.



HBL believes in developing long standing relationships with its clients and will always be there to give a helping hand if needed.



One of the wisest decisions I made was to buy and hold on to Himalayan Bank shares because I have been receiving good dividends year after year without fail.

When I see the grateful smile on my customers' faces, I feel that our bank is doing a good job of living up to its promise of meeting their needs swiftly and effectively.



Himalayan Bank has always been at the forefront in fulfilling its corporate social responsibilities. Our organization has received substantial assistance to conduct social welfare works.



As a premier bank of the country, HBL has a lot of responsibility on its shoulders not only as a financial institution but also as a responsible corporate citizen.



I have been working here for the last 15 years. I feel that I am fortunate to be working with Himalayan Bank because of the excellent work environment in the organization.

Our employees are highly motivated so this makes my job easier. Of course, there is always room for improvement and my efforts are geared towards further enhancing productivity and efficiency.



# About HBL

We at Himalayan Bank believe that we are as much a part of society as any other and we have a proactive role to play for those who are striving to rise above their circumstances on the basis of enterprise and effort to pursue their dreams. We believe we have a strong role to play in their endeavors by stepping in to help financially and with sound advice. Whether it is for business establishment or business growth, important social obligations or children's higher education, or housing needs or medical expenses, we can step in as a helping hand.

With so many banks and financial institutions in the market, what makes us different? Among other reasons, we have a solid foundation. HBL was established in 1993 in joint venture with Habib Bank Limited of Pakistan as one of the first four private commercial banks in Nepal. This makes us one of the most experienced banks here. Through the years, we have supported many in their time of need by helping those struggling to stand on their own feet. We have also assisted enterprising entrepreneurs to set up their businesses by providing flexible and customized products to suit individual needs.

For such reasons and despite the cut-throat competition in the Nepali banking sector, HBL has been able to maintain a lead in the primary banking activities – loans, deposits, savings and support services.





HIMALAYAN  
LTD.

हिमालयन हेल्थ वीलाज



“With relatively improved overall market conditions, I am anticipating encouraging growth in all business sectors of the Bank.”





# Chairman's Message

## Dear Shareholders,

I am happy to inform you of yet another successful year of the Bank. Despite various challenges in the banking industry, the Bank was able to register growth. The banking industry reeled under an unprecedented liquidity crunch in the year 2010-11. A few financial institutions were brought under the Central Bank's scanner. Tough market conditions compelled the banks to consolidate their prevailing portfolios rather than take up growth strategies. Market interest rates consistently went up with deposit interest rates going up as high as 12 % p.a. and lending rates soaring up to 18 % p.a. The real estate industry, hit by regulatory changes in the previous fiscal year, continued to remain sluggish. Banks that have relatively greater exposure on the real estate business have started showing signs of deterioration as reflected through increasing levels of non-performing assets in their books of account. The banking industry, being an integral part of the country's economic system, could not isolate itself from the country's economic stagnation. The economy of the country grew by only around 3.5 %. The political stalemate, changing governments, inconclusive peace process, strikes and blockades, labor unrest, lack of government expenditure or modest capital expenditure by the government and frequent long hours of power cuts were the major hurdles faced by the industries in the country.

The Bank achieved major financial targets despite various challenges in the banking industry. This performance of the Bank has been possible through the perseverance of the management. I would like to thank the management team for steering the

Bank well through the tough market conditions. Members of the Board of Directors (BOD), too, have contributed greatly to formulating and implementing right policies and strategies to tide over the upheavals in the economy. As Chairman of the BOD, I would like to personally thank all the members of the BOD and the management team for their valuable contributions to consolidating uncompromising corporate governance with all necessary checks and balances in place. The Bank kept its unwavering commitment to all regulatory and statutory norms to avoid regulatory hassles. The Bank's robust internal control mechanism ensured that no operational risk was involved. The overall asset quality of the Bank remained good vis-à-vis overall macro-economic conditions. The management shall, however, continue to put in extra efforts to speedily recover bad loans and bring down the NPA of the Bank.

With relatively improved overall market conditions, I am anticipating encouraging growth in all business sectors of the Bank. I am looking forward to another successful year for Himalayan Bank as it embarks upon its 19th year of operations.

Thank you.

Manoj Bahadur Shrestha  
Chairman, Board of Directors







We aim to maintain our premier standing among other banks in Nepal. In this regard, we will sustain our competitive advantage by consistently improving the quality of our human resources.

# Working together with employees

We will continue to provide regular training and create an environment in which productivity is increased and all employees can take pride in their work.










# Board of Directors

**From left to right:**  
**Sitting**

Mr. Manoj Bahadur Shrestha, Chairman  
Mr. Himalaya SJB Rana, Chief Advisor to the Board  
Mr. Prem Prakash Khetan, Second Vice Chairman  
Mr. Ashraf M. Wathra, First Vice Chairman

**Standing**

Mr. Upendra Keshari Poudyal, Professional Director  
Mr. Bijaya Bahadur Shrestha, Director  
Mr. Sushil Bikram Thapa, Director  
Mr. Rajendra Kumar Kafle, Alternate Director  
Mr. Prachanda Bahadur Shrestha, Director

A man with dark hair, wearing a grey suit, white shirt, and a blue and yellow striped tie, is seated in a green upholstered chair. He is holding a black tablet computer with both hands. He is looking directly at the camera with a neutral expression. The background features a large window with a view of trees and buildings, suggesting an office or corporate setting.

“HBL has been in the banking business in Nepal for the last 19 years and has risen to its premier status mostly due to its sound basic principles, viz.: prudence in its banking methods, transparency in its business dealings, and accountability for all its actions.”



# CEO's Message

The last two years has seen many ups and downs in various sectors of the country. The economy is in the doldrums and the financial sector as a whole has not been doing well. The difficulties were further compounded by the failure of the budget to come out in time for two consecutive years, which naturally discouraged investments. Moreover, this period also saw plummeting business in the realty sector, which is continuing even to this day. Further, Nepal Rastra Bank came out with new promulgations such as the Anti-Money Laundering Act, which added to the woes of the realty business besides encouraging capital flight from the country. Political stability is yet to be in place and, although things seem to be moving in the right direction, there are uncertain times ahead.

It is known to all that banks in particular have to bear the brunt because they are at the forefront of the economy. It is also obvious that banks cannot function to their potential in a climate of uncertainty. The present times are disturbing and we cannot but be wary of what the future might have in store. This is a period in which the country will undergo far-reaching changes in its very structure, one which will certainly have a deep influence on the financial scenario as well. We have to ponder what new rules and regulations might be brought into force in the restructuring of the state. We can expect that there will also be a restructuring of fiscal rules and regulations in harmony with the federal changes being brought about in the country.

Some degree of unpredictability is an inherent part of any change. Banks, on the other hand, thrive best when the results are predictable and they cannot afford to have the luxury of experimentation. In such a situation, banks have to adhere to the fundamental principles of responsible banking. I am pleased to state that Himalayan Bank Ltd. (HBL) stands head and shoulders over others in this respect. The Bank has been in the banking business in Nepal for the last 19 years and has risen to its premier status mostly due to its sound basic principles, viz.: prudence in its banking methods, transparency in its business dealings and accountability for all its actions.

As we near our 20th Anniversary in 2013, we pledge anew to be answerable to all our stakeholders by delivering consistently good results through customer-friendly services and result-oriented processes. That the last decade has seen a tremendous upsurge in the number of financial institutions in the country, naturally giving rise to competition, cannot be ignored in our modus operandi and while making our future plans. One of the main reasons for our consistent success is our determination to focus on specific goals and markets and not to be swayed by short term gains. Instead, we have always gone by our own judgments based on our own information and calculations. In this review year, I am pleased to say that our non-interest income registered satisfactory growth and we made substantial gains in our card business. In fact, for the first time, we are seeing a real acceleration in this sector. We are also in talks with the relevant parties to acquire Chinese and Japanese cards (JCB

International). In Internet banking, of which we are the pioneer, we have now installed a double authentication system, thus ensuring more safety in transactions.

In the past, our primary focus was on trade finance and corporate lending, and this, no doubt, has paid rich dividends. However, the time has now come to diversify our market and widen our horizons. Even under the present difficult circumstances in the country, we must keep in mind that there are new opportunities that we must avail of. One such opportunity comes from the fact that almost 50 % of the population continues to remain isolated from any sort of banking services. The Bank must now expand its outreach and make its services available to this sector, which, by any account, is substantially large. This will obviously include the agricultural sector as well. We intend to have at least 15 % of our portfolio in the low-end sector in the coming years. At the same time, it must be kept in mind that this will not be an easy task since this sector is relatively unaware of modern financial methods for conducting their businesses, whether it is farming, livestock or others. There are many inherent problems that have to be overcome.

We are, however, confident of resolving such issues and this confidence arises mainly from our wealth of experience and the large pool of skilled manpower we have. Because of our excellent record of the last two decades which, added to our reputation as an institution that believes in responsible banking, the Bank is comparatively better insulated against the negative effects of currently prevailing circumstances, which may persist for some time to come. At the same time, we as a leading bank cannot remain aloof from the mainstream. We will, however, be making the best of the situation by implementing plans to consolidate our gains and enhance our productivity. We are also in the process of advancing our technological expertise, which will further refine our information systems and internal control mechanisms besides cutting costs and minimizing risks.

Here, it would be relevant to inform you that Nepal Rastra Bank has upped the ante regarding good corporate governance—the bottom-line being that banks and other financial institutions should be managed more professionally. In this regard, the Management Committee must consider the interest of all the Bank's stakeholders in the course of conducting its affairs and fulfilling its duties.

Finally, I, on behalf of Himalayan Bank, would like to wholeheartedly thank you for supporting the Bank in good times and bad and I am confident that you will continue to support the Bank in the coming days as well. I wish you and your families a very Happy New Year 2012 and hope that it will bring you peace and prosperity.

Ashok SJB Rana  
Chief Executive Officer  
Himalayan Bank Ltd.



# Executive Team

**From Left:**

Standing

**Mr. Banshidhar Sharma**  
Senior Manager  
Information  
Technology  
& SWIFT  
Department

**Mr. Kapil Pd. Lohani**  
Senior Manager  
Executive Human  
Resources Officer

**Mr. Pradeep N. Rayamajhi**  
Senior Manager

Sitting

**Mr. Ujjal R. Rajbhandary**  
Assistant General  
Manager

**Mr. Muhammed Siddique**  
Chief Internal  
Auditor  
Internal Audit  
Department

**Mr. Ashoke SJB Rana**  
Chief Executive  
Officer





**From Left:**

Standing

**Mr. Sulap Raj Aryal**  
Senior Manager  
Executive  
Operating Officer

**Mr. Rabindra N. Pradhan**  
Senior Manager  
Risk Management  
Department

**Mr. Maheshwor P. Joshi**  
Senior Manager  
Legal and Share  
Department

**Mr. Basu Dahal**  
Chief Manager  
Executive  
Administrative  
Officer

Sitting

**Mr. Masood Ul Hassan**  
Senior General  
Manager

**Mr. Sushiel Joshi**  
General Manager

**Mr. Anup Maskay**  
Assistant General  
Manager



# Management Team





**From left to right:**

Standing

Ms. Sisam Pradhanang Joshi

Ms. Sunita Shrestha

Ms. Bina Pandey

Mr. Rajesh Bhattarai

Mr. Mrigendra Pradhan

Sitting

Mr. Ananta Rajbhandary

Mr. Naveen Poudyal

Mr. Bijaya Man Nakarmi

Mr. Satish Raj Joshi

Mr. Sunil Prasad Gorkhali

Mr. Bipin Hada









# Working together with customers

HBL has a well-stocked portfolio of products and services tailor-made for every individual. We also have an extensive network of branches throughout the country and a large number of ATMs for the convenience of our valued customers.

We provide our services to many SMEs. In remittance, our online money transfer system, HimalRemit, is fast and reliable with a network covering over 2300 locations in all cities, towns and villages of Nepal.



# Report of the Board of Directors to the 19<sup>th</sup> Annual General Meeting

Dear Shareholders,

On behalf of the Board of Directors, we cordially welcome all the shareholders present at this 19<sup>th</sup> Annual General Meeting of Himalayan Bank Limited. I would like to present the Balance Sheet as on July 16, 2011, the Profit and Loss Account for the fiscal year 2010-11, the Profit and Loss Appropriation Account and other financial statements for approval by the Annual General Meeting.

Having provided efficient services over the last 19 years, the Bank today stands as one of the leading, secure and dependable banks in the country. As of F.Y. 2010-11, the Bank was able to maintain a deposit of Rs. 40.92 billion. As compared to last year, the loan portfolio of the Bank increased by 13.20 % and the operating profit by 75.27 %.

During the review period, the Bank established a total of six new branches—three in the valley and as many outside the valley, while at the same time, the Bank introduced its ATM services at five new locations, bringing the total number of branches to 36 and that of ATMs to 57.

I am glad to inform you that the construction of the corporate building has been completed and that most of the head office departments have been relocated to this new building.

## Review of the Bank's Operations

During the period under review, the Bank's total deposit reached Rs. 40.92 billion, recording an increase of 8.80 % over the previous year. Similarly, the loans and advances reached Rs. 32.96 billion during the period under review, recording an increase of 13.20 % over the previous year.

The net assets of the Bank increased by 16.17 % reaching Rs. 3.99 billion during the review period, while the gross assets increased by 9.75 % and are valued at Rs. 48.13 billion.

The Bank was able to make an operating profit of Rs. 1.15 billion during the review period. The net profit of the Bank reached Rs. 89.31 million, registering an increase of 75.53 % over that of the previous year.

The financial status of the Bank as on October 17, 2011 (first quarter-end) is given below.

		(In Rs. million)		
S.N.	Particulars	2010-11 As on Oct 16	2010-11 As on Oct 17	Increase (Decrease)%
1.	Gross Assets	46,759	52,602	12.49
2.	Deposits	39,883	44,515	11.62
3.	Loans, Overdrafts and Bills Purchased and Discounted	31,239	34,442	10.25
4.	Investments	8,095	9,327	15.22



During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 1.625 million. The Bank's NPA, which was 3.52 % during the previous year, increased to 4.22 % during the year under review.

### Comparative Financial Indicators of the Bank

The comparative financial indicators of the fiscal years 2008-09 and 2009-10 are presented below.

(In Rs. million)

S.N. Particulars As on July 16	2009 As on July 16	2010 (Decrease) %	Increase
1. Net Assets (Net Worth)	3,439	3,995	16.17
2. Gross Assets	43,860	48,137	9.75
3. Deposits	37,611	40,920	8.80
4. Loans, Overdrafts and Bills Purchased and Discounted	29,123	32,968	13.20
5. Investments	8,444	8,769	3.85
6. Net Interest Income	1,595	1,911	19.86
7. Other Income	815	1,021	25.36
8. Operating and Staff Expenses	886	1,099	24.13
9. Operating Profit	579	1,015	75.27
10. Net Profit	508	893	75.53

The comparative compositions of the deposit, credit, income and expenditure of the Bank during the fiscal year 2067/68 and the year under review are presented under the following annexes:

Deposit composition	:	Annex A
Credit composition	:	Annex B
Income composition	:	Annex C
Expenditure composition	:	Annex D

### National and International Events and their Impact on the Bank

The global financial crisis that has been prevailing for the last few years has gradually subsided. However, the inconsistent economy growth in some European countries, the USA, African and Asian countries has adversely affected the global economy. The emerging nations of Asia and Africa were able to achieve good growth. Among the South Asian countries, Nepal could not substantially improve its economy. The recent developments seen in peace and security issues in the country are, however, expected to help pick up momentum in most of the sectors.

As per Nepal Rastra Bank, Nepal's GDP growth stood at 3.47 % during the fiscal year 2067/68 against that of 3.97 % last year. The inflation rate that was 9.6 % last year remained unchanged in the F.Y. 2067/68. Over the last 10 years, the country was able to notch up more growth in imports than in exports, the growth in exports being 10.2 % last year. Export growth during the review year stood at 6.1 % while import growth, which stood at 31.6 % during the previous year, stood at 5.5 % during the review year. The Balance of Payments that had a deficit of Rs. 3.63 billion during the first nine months of the review period made a surplus of Rs. 2.93 billion by the end of the year. Last year, it faced a deficit of Rs. 3.63 billion. Similarly, the FCY reserves that went down by 6.2 % as of Ashad-end of 2067, increased by 1.2 % by Ashad-end of 2068. Broad money supply increased by 14.1 % in the previous year; however, during the review period, it increased by 9.5 % only.

During the year under review, the total deposits in the banking sector increased by Rs. 59.62 billion. Similarly, the loans and advances in the banking sector increased by Rs. 79.80 billion. Last year, the total deposits increased by Rs. 69.93 billion, whereas the loans and advances increased by Rs. 76.71 billion.

### Current Financial and Banking Environment

The country's economy that stayed modest during the previous year and during the review period is also expected to remain modest in the days to come. The regulatory and policy interventions adopted to control credit creation in unproductive sectors, coupled with sluggish expansion in trading and business sectors, has left banks with little choice for credit creation. It seems that this condition will persist in the coming days as well. Although the Nepal Tourism Year 2011 campaign could not achieve its target, the general achievements are significant. During the campaign year, the country could attract around 775,000 tourists against the target of one million. The improving security situation in the country has had a positive impact on the business environment, as a result of which, investments in small and medium enterprises have increased. The monetary policy brought out by Nepal Rastra Bank is also expected to ameliorate the investment environment in the country. All these developments contributed to making the banking industry somewhat vibrant.

During the fiscal year 2067/68, an additional four commercial banks, eight development banks and three micro-finance companies were incorporated. Thus,

the number of financial institutions increased by 15, increasing the total number of financial institutions to 279. Similarly, the number of branches of the financial institutions has also witnessed a remarkable increase. The recently issued circular of NRB is expected to slow down unnecessary branch expansion; however, the number of financial institutions in the industry is expected to continue to go up due to increasingly tough competition in the industry.

### Implementation Status of the Strategy and Program of the Bank during F.Y. 2010-2011

1. NPA limited to 4.22 percent.
2. Continuity given to the recovery of written-off loans in an active manner.
3. Branches established at Gorkha, Barahabishe, Kawasoti, Kalanki, Satdobato and Battisputali. The total number of branches of the Bank reached 36.
4. ATMs installed at Gorkha, Kalanki, Satdobato, Sauraha and Barahabishe. The total number of ATMs has reached 57.
5. Expanded remittance business to Asian, European, American and Australian markets with focus on sophisticated services.
6. Introduced deposit and loan products – Special Payroll Account.
7. Installed an additional 128 POS machines for the convenience of debit and credit card customers.
8. Introduced EMV-compliant chip-based cards.
9. The Bank has created and successfully implemented its own online payment module software, HimalRemit, for use of remittances, which was previously being supplied by a second party.



10. Set up 10 Himal Center Flagship Counters at strategic locations.
11. The Bank obtained 'Worker Remittance Certification'. This is the first time that any Nepali bank has been awarded this certification and it is the second bank in Asia to have been so awarded.
12. In line with the agreement signed with Bank of Bhutan Limited to assist in card services, the Bank helped in bringing into operation its Visa Debit Card acquiring business service.
13. The Bank signed an agreement with JCB International for credit card issuing and acquiring business.
14. Construction of Corporate Building at Kamaladi completed.
10. To give continuity to recovery of written-off loans in an active manner.
11. To make deposit and loan products more attractive as per the demand of the general public.
12. The Bank has already installed web-cameras at the Customer Service Department of Thamel Branch for the convenience of new account opening customers. The service will be reviewed and extended to other branches.
13. To upgrade Globus banking software to 'Temenos Arc Internet Banking'. (Till now, Himal@net already introduced).
14. To upgrade the Web-based T24 version.
15. To make available morning and evening counter services in all the branches of the Bank. (Till date, 18 branches – Thamel, New Road, Patan, Maharajgunj, Bhaktapur, Pokhara, Bharatpur and Tandi are providing extended/morning/holiday counter services, whereas Chabahil, Teku, Nepalgunj, Butwal, Bhairahawa, Parsa, Palpa, Itahari, Biratnagar and Dharan are providing extended/morning/evening counter services.

### Strategies and Programs for F.Y. 2011/2012

1. To limit NPA to 2.41 percent.
2. To establish 6 branches within and outside the valley.
3. To expand and consolidate remittance business to Asian, European, American and Australian markets with a focus on sophisticated services.
4. To establish 10 Himal Center Flagship Counters at strategic locations.
5. To introduce Loyalty Card for customers of HimalRemit.
6. To install an additional 200 POS machines.
7. To set up an additional 16 ATMs at various places (Till now, three ATMs already installed – at Corporate Office and Nagarkot).
8. To bring all the ATMs under CCTV surveillance.
9. To introduce new deposit and credit products.
16. To take the initiative in the establishment of a private sector bank in Bhutan as a joint venture utilizing the technical and economic excellence/resources.
17. To shift the ICT infrastructure to the new corporate office premises.
18. To make the ambience of various branches convenient and eco-friendly.
19. To introduce the Web-based system to monitor and manage fixed assets.
20. To start credit card business with Union Pay.
21. To take the initiative in having 10 % of the total loan & advances under the SME portfolio.

## Corporate Social Responsibility

Since its incorporation, the Bank has been actively involved in social responsibilities through various social and allied institutions. The main services being rendered by the Bank on this front include those relating to education, healthcare, sports, culture and social services. This year, the Bank has provided suitable solar panels for household lighting to uplift the standard of living of the Chepangs, one of the country's most underprivileged and undeveloped communities, who live a nomadic life in the jungle. The Bank provided financial assistance for the 60th anniversary program of Nepal Cultural Association. Further, the Bank also provided financial assistance during World Autism Day. Similarly, the Bank provided financial assistance for the sanitation program outside the valley and sponsored Wheelchair Cricket for the disabled.

The Bank has been continuously involved in the development of sports culture such as cricket, football, basketball, golf and badminton, besides sponsoring dance and other cultural programs. Similarly, the Bank sponsored various cultural programs like painting exhibitions and dance and music competitions. Likewise, the Bank sponsored the 'Made in Pakistan Exhibition' here to help promote products made in neighboring Pakistan. The Bank is well aware of its responsibilities in such and other similar fields in the social sector.

## Board of Directors

Mr. Manoj Bahadur Shrestha, representing N. Trading; Mr. Ashraf M. Wathra, representing Habib Bank Limited, Pakistan, and Mr. P.P Khetan,

representing Mutual Trading Company, continue on the Board as Chairman, First Vice-Chairman and Second Vice-Chairman respectively.

Mr. Prachanda Bahadur Shrestha, representing Chhaya International, Mr. Sushil Bikram Thapa, representing Ava International, Dr. Ramesh Kumar Bhattarai, representing Employees Provident Fund and Mr. Bijay Bahadur Shrestha, representing the general public, continue on the Board as Directors. Similarly, Mr. Upendra Keshari Poudyal continues on the Board as Professional Director.

In a similar vein, Miss Menuka Shrestha, representing Chhaya International, Mrs. Ranjana Shrestha, representing N. Trading, Mr. Sunil Bahadur Thapa, representing Ava International, Mr. Surendra Silwal, representing Mutual Trading Company and Mr. Rajendra Kafle, representing Employees Provident Fund, continue on the Board as Alternate Directors.

Further, Mr. Himalaya SJB Rana is on the Board in the capacity of Chief Advisor.

Furthermore, effective from February 04, 2011, Mr. Upendra Keshari Poudyal has been re-appointed as Professional Director for the next four years. Similarly, effective from September 23, 2011, Director Dr. Ramesh Kumar Bhattarai and Alternate Director Mr. Rajendra Kafle, representing Employee Provident Fund, have been re-appointed for the next four years.

I would like to congratulate the re-appointed Directors and Alternate Director to the Board and expect their cooperation towards the Bank's progress and prosperity. Further, the Board, on

this occasion, expresses its firm commitment to always working towards the best interests of the Bank.

### **Audit, Balance Sheet and Other Financials**

The Balance Sheet as on July 16, 2011, the Profit and Loss Account for the fiscal year 2010-11, the Profit and Loss Appropriation Account for the fiscal year 2010-11, the Cash Flow Statement for the fiscal year 2010-11, relevant annexes and the Auditors' Report are enclosed with this report. Further, information required to be disclosed as per the provisions of Company Act 2063, Chapter 7, Clause 109, and Sub-Clause (4) is presented as Annex E.

### **Profit and Loss Appropriation**

The net profit of the Bank amounted to Rs. 893.11 million for the fiscal year 2010-11. Besides, the retained earnings of Rs. 13.65 million from the previous year, 20% of Rs. 17.86 million, have been appropriated to the Statutory General Reserve Fund. A sum of Rs. 5.453 million transferred from the Suspense Fund and a sum of Rs. 38.61 million transferred from the Capital Adjustment Fund are available for the appropriation. Similarly, out of the net profit of this year, Rs. 6.682 million has been

appropriated to the Exchange Fluctuation Fund, Rs. 71.4 million to the HBL Bond Redemption Fund and Rs. 47.25 million to the Investment Adjustment Fund as per the NRB directives.

I would like to announce with pleasure a special resolution on giving a 20% bonus share and a 16.8421% cash dividend on the paid-up capital to the shareholders for the fiscal year 2010/11. For the bonus shares and dividends, an amount of Rs. 73.68 million has been earmarked. After the distribution of the bonus shares, the paid-up capital of the Bank will amount to Rs. 2.40 billion.

### **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 Executives, staff and associates 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.**

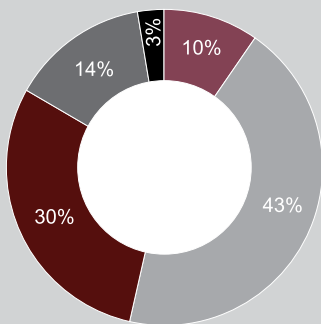
On behalf of the Board of Directors  
P. P. Khetan  
Second Vice-Chairman

Manoj Bahadur Shrestha  
Chairman



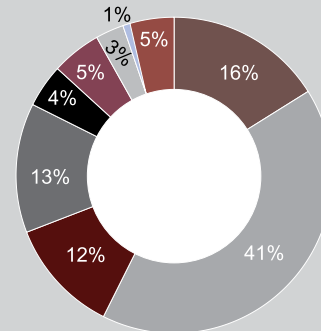
# Financial Highlights

Deposit Composition



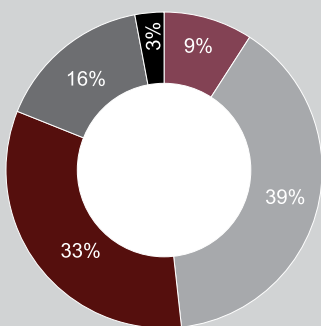
- Saving Deposit
- Fixed Deposit
- Call Deposit
- Other Deposit
- Current Deposit

Loan Composition



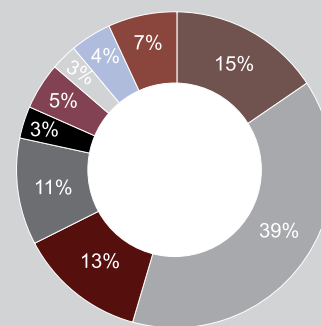
- Working Capital Loan
- Import/Export Loan
- Real Estate Loan
- Margin Lending
- Hire Purchase Loan
- Deprived Sector Loan
- Bills Purchased & Discounted
- Other Loan
- Term Loan

Financial Year 2066/67



- Saving Deposit
- Fixed Deposit
- Call Deposit
- Other Deposit
- Current Deposit

Financial Year 2066/67

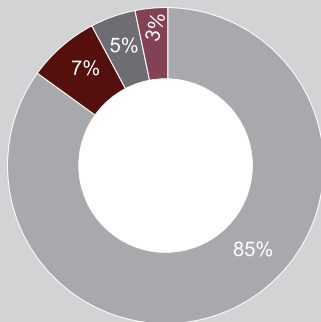


- Working Capital Loan
- Import/Export Loan
- Real Estate Loan
- Margin Lending
- Hire Purchase Loan
- Deprived Sector Loan
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- Term Loan

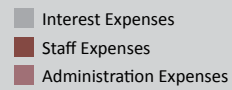
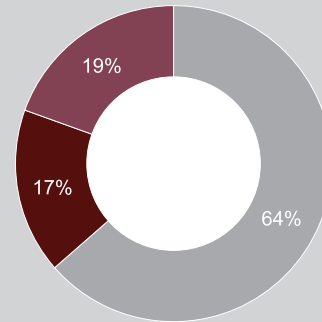
Financial Year 2067/68

Financial Year 2067/68

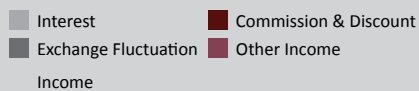
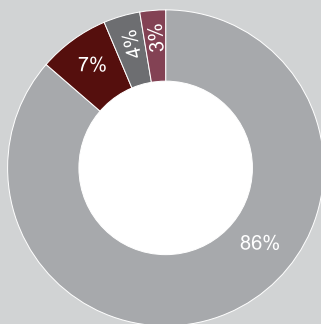
### Income Composition



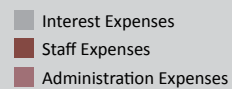
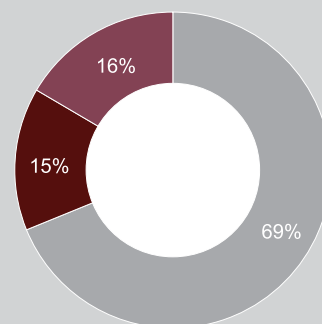
### Expense Composition



### Financial Year 2066/67



### Financial Year 2066/67



### Financial Year 2067/68

### Financial Year 2067/68







# Working together with shareholders

HBL is committed to exploring and capitalizing on new opportunities without in any way deviating from its empirical and time-tested methods of risk management so that all stakeholders' interests are secure and profitable.

A special resolution has been announced to award 20 % bonus share and 16.84 % cash dividend on the paid-up capital to the shareholders for the fiscal year 2010/11.



# Our Services

We at Himalayan Bank offer a variety of products and services to our customers focusing on their diverse and varied financial needs. Our product development and modification process is directly targeted towards catering to the needs of our existing as well as potential customers and we continuously engage our research unit in understanding the needs of the market and customer behavior, which is crucial to customer satisfaction. Likewise, we are convinced that this enabled us to explore and discover varied kinds of emerging financial needs. Further, we are also constantly on the look-out for emerging market trends. This has, time and time again, enabled us to tap uncharted niches in the market. Such a strategy has enabled us to capitalize on our potential for achieving a comparative advantage and to be known as a trendsetter among our competitors and counterparts. We feel proud to be recognized as a pioneer in introducing many innovative products and services. We are well known in the market as a convenient bank for performing financial transactions. Our customers and stakeholders enjoy secure financial transactions with us. Our innovative and quick-learn approach in the technical field has enabled us to stand out as a techno-savvy bank in the market. In short, we strive to bring banking services to our customers' doorsteps.

## Deposit Products

We offer a choice of deposit products that customers can choose from to suit their individual requirements. Savings products include Normal Savings Account, Premium Savings Account (with

exclusive counter services), Super Premium Savings Account (with high returns), Himal Savings Account (zero balance account), Himal Remit Savings Account (customized for remitters), Bishesh Savings Account (for minors, senior citizens, the physically handicapped and the illiterate) and Shareholders' Savings Account (for the convenience of our shareholders).

We offer Current Account for daily business transactions. Call Account gives an earning opportunity for businesses in their current account, while Non-Profit Organization Current Call Account is designed for NGOs, INGOs and charitable trusts and has an attractive interest rate. Fixed Deposit products include Fixed Term Deposit, Three-Year Recurring Deposit (for monthly deposits) and Jumbo Term Deposit (for those willing to deposit funds for 3 to 5 years and earn attractive returns).

## Credit Services

We offer a wide range of tailor-made funded and non-funded credit facilities to individuals and companies to meet their different funding requirements. Such facilities include Corporate Lending (including Project Financing and Consortium Financing), Fixed Term Loan, Working Capital Financing, Trade Financing and Loan against First-Class Bank Guarantee.

Similarly, Retail/Consumer Lending includes Hire Purchase Loan, Mortgage Loan, Credit Card Loan, Housing Loan, Subidha Loan (a hassle-free loan) and FD with an OD facility. Retail Lending also includes Card Merchant Loan, Educational

Institution Financing, Loan against Fixed Deposit Receipt, Loan against Government Bonds/Securities and Loan against Shares. Specialized Lending is directed towards providing credit facilities for small and medium enterprises (SMEs), while Trade Services include LC (Advising, Confirmation, Negotiation and Reimbursement) and Guarantee (Bid Bond, Performance Bond, Advance Payment and Counter-Guarantee).

### Card Services

We are the first financial institution to introduce Credit Card in the domestic market – HBL Card. It was the most popular card in the country at one time. Currently, we offer Visa and MasterCard, a further reflection of our commitment to providing products tailored to match clients' requirements. The various card services include HBL SCT/Visa /Master Debit Card, HBL Visa Credit Card, HBL Master Credit Card and HBL Prepaid Visa Card. Recently, Himalayan Bank Limited and JCBI have signed a credit card issuing and acquiring license agreement. JCB International (JCBI) is the international subsidiary of JCB, the only global payment brand and leading credit card issuer and acquirer based in Japan. Through this agreement, JCB card members will be able to use JCB credit cards at approximately 1,200 HBL merchant outlets and ATMs starting this fall, and the Bank will be the first to issue JCB cards in Nepal, which is scheduled next year.

### HimalRemit

We are the pioneer in the field of retail money transfer business with over a decade-long customized service delivery experience in the field. We conduct this business through HimalRemit, a state-of-the-art web-based online money transfer system that is easily accessible through our main web domain

[www.himalayanbank.com](http://www.himalayanbank.com). It can be directly accessed by all our branches and networks, thus ensuring prompt execution of remittance payment. The product is monitored and serviced by our Remittance Promotion Department dedicated to delivering fast and reliable services to customers. HimalRemit has the largest payment network covering all cities, towns and villages of the country and over two thousand three hundred locations across Nepal rely on this service for remittance payment. In fact, we have representatives in major remittance originating countries to facilitate and assist our remittance customers.

### Ancillary Services

We offer a host of ancillary services that provide convenience, security and comfort for our customers. They are:

- Safe Deposit Lockers: Lockers of various sizes as per our customers' preference and convenience of location.
- SMS Banking: Allows our customers to check their balance, status of cheque (encashed or not), HBL's foreign exchange rate and contact numbers of branches.
- Internet Banking: Banking can be done safely and securely through internet access round the clock.
- TC sales/purchase.
- 24/7 Automated Teller Machines (ATMs): in more than 50 locations.
- Everyday Easy Banking Service.
- Any Branch Banking Services.
- Funds Transfer: Within and outside the country.
- Fee Collection/Payment Services: For educational institutions.
- Service Package for Students: For those going abroad for higher studies.



# Corporate Social Responsibility



Corporate Social Responsibility (CSR) is a very important aspect of HBL's activities. Right from the time of its establishment, it has been discharging its social responsibilities through various social and allied institutions. We always consider ourselves as an active and responsible corporate citizens of the

country and have always promoted social welfare activities. Many activities that are beneficial to society have been undertaken by the Bank in the past and we are determined to do so in the future as well. The major services being rendered by the Bank on this front include those relating to education, healthcare, sports, culture and social services. The Bank allocates a significant portion of its "Annual Sponsorship and Donation Budget" towards fulfilling social responsibilities.

Some of the major CSR activities by HBL are listed below:



- ▶ **2011:** Sponsorship of ANBUG rally for social drive supporting schools, cleft lip support surgeries, etc.
- ▶ **2011:** Blood donation program organized by the Bank at Bhaktapur Durbar Square.
- ▶ **2010:** Donation of Rs. 0.5 million to Embassy of Pakistan, Kathmandu, as humanitarian aid to conduct rescue and relief operations in the flood affected areas of Pakistan.
- ▶ **2010:** Sponsorship of cricket tournament organized by WATO Nepal aimed at raising funds for planting of 2000 trees in Kathmandu city.



WATO Nepal is a member of 'Clean Up The World' which, in partnership with the United Nations Environment Programme (UNEP), works towards inspiring and empowering communities to clean up and conserve the environment through waste removal, tree plantation and water and energy conservation projects.

- ▶ **2010:** Active participation in the opening ceremony of Nepal Tourism Year 2011 organized by NTY 2011 Coordinating Committee in coordination with Nepal Tourism Board.
- ▶ **2009-10:** Financial contribution to Spinal Injury Rehabilitation Center, Kavre.



- ▶ **2009:** Financial assistance to Muscular Dystrophy Child Care Society –Nepal.
- ▶ **2009:** Entered into agreement with Dairy Development Corporation (DDC) to extend financing of up to Rs.1 million to the local dairy product processing centers for installation of hi-tech equipment.
- ▶ **2009:** Financial assistance for renovation/ construction of various temples and historical places in Kathmandu city.
- ▶ **2009:** Donation to flood victims of Nepal.
- ▶ **2009:** Founder Member of National Children Eye Hospital and Rehabilitation Center, Bhaktapur.

- ▶ **2008-10:** Extension of helping hand to various government bodies for maintaining peace and security in various regions of the country.
- ▶ **2008-09:** Assistance to various institutions including Friends of Bagmati to conduct activities relating to environmental conservation.
- ▶ **2008-09:** Assistance to differently abled citizens to publish newsletters and magazines as part of intellectual development activities designed for them by various institutions.
- ▶ **2008:** Charity to various orphanages and physically challenged poor children.
- ▶ **2008:** Sponsorship of a dental health checkup camp organized by Budhanilkantha School.
- ▶ **2008:** Sponsorship of various blood donation camps.











We are not just an important part of the country's financial sector but also an equally responsible corporate citizen of the country. Ever since our inception, we have been aware of our Corporate Social Responsibility (CSR). In this regard, we have promoted many social welfare causes.

# Working together with society

We have sponsored blood donation programs, organized sporting events (to raise funds for conservation), donated for humanitarian aid, provided financial assistance for specialized medical care centers and for preservation of heritage, and given charity to various orphanages.



# Corporate Governance

We are committed to carrying on all our operations in full compliance with Nepal Rastra Bank (NRB)'s guidelines and our own sets of internal guidelines and policies to maintain good corporate governance, some of which go beyond mandatory regulatory directives and requirements. Similarly, all the Board members and Bank employees fully adhere to the code of ethics as prescribed by NRB. We have adopted adequate internal control systems in different areas of our operations. This has helped us to ensure implementation of good corporate governance. Executive Officers, Branch Managers, Department Heads and Management Team members are always up-to-date with the level of responsibility and accountability designated to them to monitor and manage internal control mechanisms in the Bank. Above all, we have an Internal Audit Department that reports directly to the Audit Committee. The Audit Committee is responsible for monitoring and ensuring compliance with NRB directives/guidelines/circulars by all units of the Bank. It also maintains impartial checks and balances for compliance with set standards, internal policies, guidelines and manuals in the daily course of action of all units of the Bank. The Audit Department visits various units frequently and reviews and compares actual performance with the set standards. It provides grades for the units on the basis of the outcome achieved in the survey. It takes the initiative in formulating work-friendly policies and correctives, if found necessary, after the survey. Based on the feedback from the Internal Audit Department,

the Audit Committee reviews the Bank's financial position and the adequacy of its internal control systems and provides needed guidelines.

Furthermore, we are in compliance with directives laid down by Nepal Rastra Bank for the prevention of money laundering. We have a KYC Due Diligence and Anti-Money Laundering Policy where Customer Identification Procedures (CIP), Customer Acceptance Policy (CAP) and Customer Transaction Monitoring Procedures (CTMP) are well defined and are being followed. We categorize the clients as high risk, medium risk or low risk at the time of opening accounts. Account grading is reviewed periodically based on the transaction/volume in the account. Sources of funds for deposit/remittance above the threshold are ascertained and transactions above the threshold are regularly reviewed/monitored to ensure legitimate business.

The past and present environments of the country with its successive unstable governments hindering government policies; disruptions in power supply due to power outages; union problems in industries; slow GDP growth; rising inflation; declining exports; worsening trade deficit; flourishing hundi (illegal fund transfers) business and outflow of enormous amounts of money to foreign lands are a setback to a desirable level of progress in the country's economic sector. However, we have an excellent record of steady growth through which we have been able to uphold our brand image. Because of this, we are confident that we can weather

any storm in the future as well. We have planned a course of action that will help in sustaining our efforts at maintaining a leading position in the country. We will endeavor to maintain our well-deserved reputation as a reliable and prudent institution.

At the same time, we are continuously exploring new business opportunities. Simultaneously, we are continuously striving to enhance customer networks by discovering new and wider service delivery channels. Providing financial products and services exactly as desired by our customers, along with an excellent customer-friendly approach, is the main reasons for our ability to retain our customers. We are very much committed to maintaining this position.

In the coming days, the Bank will be dedicated to maintaining its lead as a customer-centric bank by utilizing world-class technological advances and customer care. As always, we will put in all our efforts to develop excellent customer relationships through our customized quality services. We believe in serving our customers beyond their expectations.

The single most important thing that we believe in is 'Customer Satisfaction' from all our customer contact points. All our units are dedicated to getting the end result of 'Satisfied Customers'. The wisdom gained through years of experience of our entire workforce has empowered us with 'The Power To Lead'. We want to share this power with our customers.



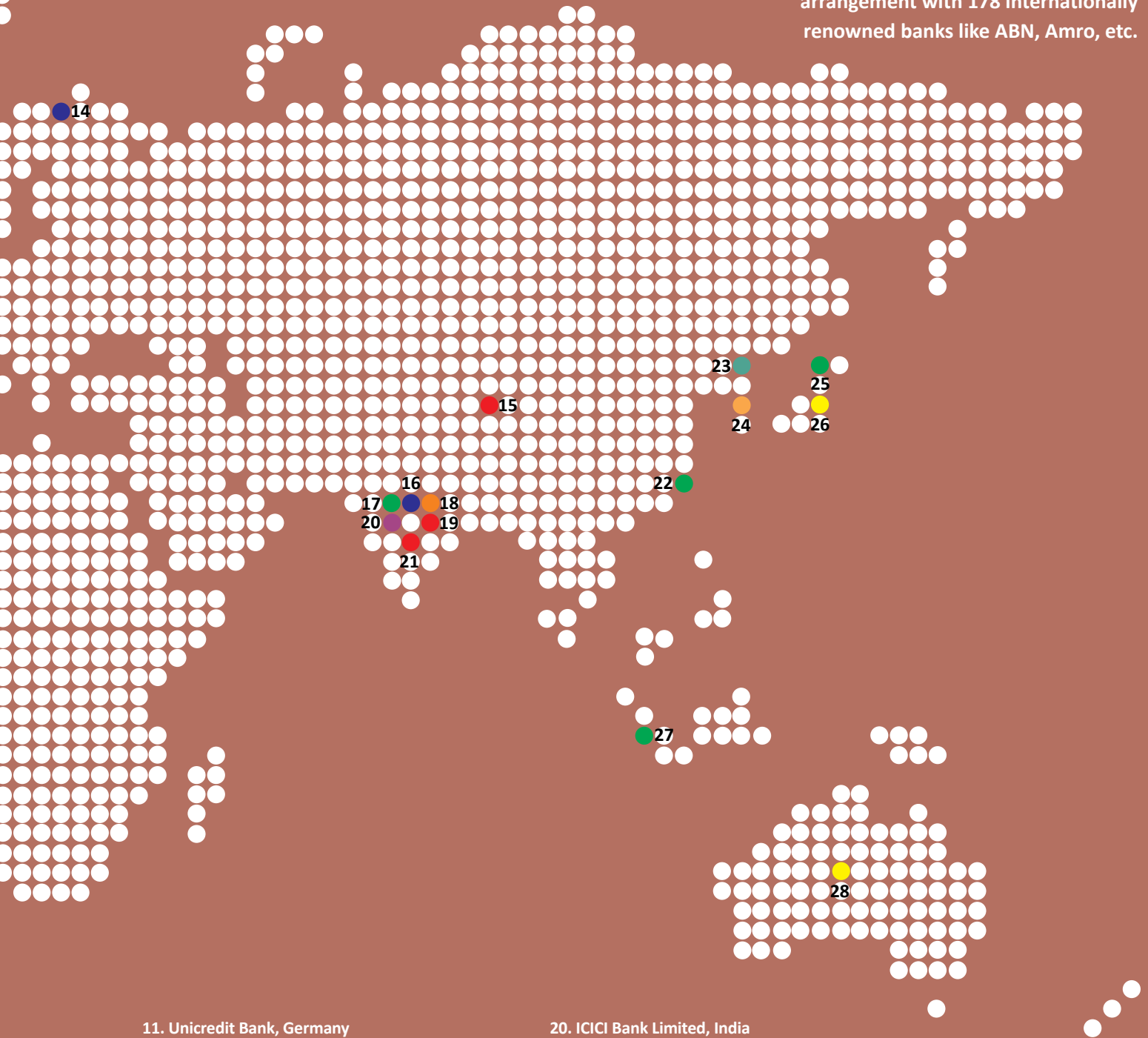
Himalayan Bank has access to the worldwide correspondent network of Habib Bank for fund transfer, letter of credit or any banking business anywhere in the world.



Working  
together  
with  
global  
partners

- 1. Canadian Imperial Bank Of Commerce, Canada
- 2. Standard Chartered Bank, USA
- 3. Habib Bank Limited, USA
- 4. Habib American Bank, USA
- 5. J.P. Morgan Chase Bank, USA
- 6. Mashreqbank, USA
- 7. Standard Chartered Bank, UK
- 8. Habib-UK Plc, UK
- 9. Standard Chartered Bank, Germany
- 10. Commerz Bank, Germany

Habib Bank is the largest and oldest bank in Pakistan having over 1800 correspondents worldwide. Besides, Himalayan Bank has correspondent arrangement with 178 internationally renowned banks like ABN, Amro, etc.



- 11. Unicredit Bank, Germany
- 12. WESTLB, Germany
- 13. Habib Bank, Switzerland
- 14. Nordea Bank, Norway
- 15. Bank Of China, China
- 16. Bank Of India, India
- 17. Standard Chartered Bank, India
- 18. HDFC Bank Limited, India
- 19. Bank Of America, India

- 20. ICICI Bank Limited, India
- 21. Axis Bank Limited, India
- 22. Habib Finance International Ltd., Hongkong
- 23. Korea Exchange Bank, South Korea
- 24. Kookmin Bank, South Korea
- 25. Standard Chartered Bank, Japan
- 26. National Bank Of Pakistan, Japan
- 27. Habib Bank Limited, Singapore
- 28. Commonwealth Bank, Australia

# Additional Disclosure

as per Section 109 (4) of Companies Act, 2063

- 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) Compliance & Internal Control Department designed for monitoring compliance of & periodic review of internal control system
- 5) Independent Internal Audit & Inspection Department
- 6) 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. 517,591,827
Administrative expenses during the FY	: Rs. 582,209,813
<b>Total</b>	<b>: Rs. 1,099,801,640</b>
- 9) **List of Audit Committee members, their remuneration and facilities and description (and suggestions if any) of the Committee's performance during the year:**

Audit Committee members:

1) Mr. Ashraf M Wathra	Chairman
2) Dr. Ramesh Kumar Bhattarai	Member
3) Mr. Upendra Keshari Poudel	Member
3) Mr. Muhammad Siddique	Member & Secretary

The Committee members have been paid no other remuneration/facility other than the under-mentioned meeting fees:

Chairman: Rs. 4,000 per meeting  
Members: Rs. 3,400 per meeting

The Committee conducted 8 meetings during the FY 2067/68 during which it performed the following tasks, 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 improvement 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)**

SN	Particulars	Directors	CEO	Managers
1	Meeting Fees	885,600		
2	Salary		4,500,000	71,348,677
3	Allowances		4,496,000	37,699,542
4	PF Contribution		450,000	5,992,536
5	Telephone / Mobile	156,683	178,575	3,144,219
6	Others	2,964,705	219,161	6,758,952
	<b>Total</b>	<b>4,006,988</b>	<b>9,843,736</b>	<b>124,943,926</b>
7	Car Facility	No	Yes	Yes
8	Accommodation	No	No	No*
9	Insurance Coverage	Yes	Yes	Yes
	Number of persons	13	1	76

Notes:

- 1) An office car with facilities for a driver, fuel and maintenance is provided for CEO, General Manager and expatriate executives (Sr. General Manager & Chief Internal Auditor). Managers are provided with a car loan facility with fuel as per the Bank's policy.

- 2) \*Fully furnished accommodation at the Bank's cost is provided for expatriate executives.

- 3) (a) Directors are covered with a medical insurance of Rs. 200,000 for self and an accident Insurance policy of Rs. 3,000,000.

b) CEO and Managers (except expatriate executives) are covered with accidental Insurance, medical insurance and life insurance as per the Bank's Staff Rules. Expatriate executives are covered with accidental insurance and medical insurance as per their terms of contract.

- 4) Mobile bills are paid by the Bank on an actual basis for CEO, SGM and CIA. In case of Managers, reimbursement up to a maximum of Rs. 2,000 per month is made by the Bank as per the policy.

- 5) Water and electricity bills are reimbursed on an actual basis to CEO and GM.

- 6) Bonus as per Bonus Act, 1974 was paid to all employees except the expatriate executives. The expatriate executives were paid cash gifts in lieu of Bonus to the tune of Rs. 1,551,065 to Sr. General Manager and Rs. 737,000 to Chief Internal Auditor.

**12) Amount of Dividend remaining unpaid:**

Total Unpaid Dividend : Rs.21,943,031 as on Asar 32, 2068.

**13) Others matters required to be disclosed in the Directors' Report by this Ordinance or others Laws in force:**

NIL

**14) Other relevant issues:**

NIL

P. P. Khetan

2nd Vice Chairman

Manoj Bahadur Shrestha

Chairman

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIMALAYAN BANK LIMITED

We have audited the accompanying financial statements of **Himalayan Bank Limited** (*hereinafter referred to as 'the Bank'*), that comprises of Balance Sheet as at July 16, 2011 (*Ashadh 32, 2068*) and the related Profit & Loss Account, Cash Flow and Changes in Equity Statements for the year then ended.

The preparation & fair presentation of 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 of Auditing and relevant practices. Those standards and practices 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 examination 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Based on our examination of the financial statements as aforesaid, we report that:

1. We have obtained all the information and explanations required for the purpose of our audit.
2. The Balance Sheet, Profit & Loss Account, Cash Flow Statement and the Schedules thereto are presented in conformity with the formats prescribed by Nepal Rastra Bank and are in agreement with the books of accounts maintained by the Bank.
3. The accounts and records of the Bank have been maintained as required by law and practice.
4. Returns received from the branch offices of the Bank were adequate for the purpose of our audit though the statements are independently not audited.
5. The capital fund, risk bearing fund and the provisions for possible impairment of assets of the bank are adequate considering the Directives issued by Nepal Rastra Bank.

6. To the best of our information and according to the explanation given to us and from our examination of the books of accounts of the Bank, we have not come across any case where the Board or Directors or any office bearer of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Bank and violated Directives issued by Nepal Rastra Bank or acted in a manner, as would jeopardize the interest and security of the Bank, its shareholders and its depositors.

7. The business of the Bank has been conducted satisfactorily and operated within its jurisdiction and has been functioning as per NRB Directives.

8. In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the Principal Accounting Policies (*Schedule 32*) and Notes to Accounts (*Schedule 33*), give a true and fair view, in all material respects -

- ~ in case of Balance Sheet, of the state of affairs of the Bank as at July 16, 2011 (*Ashadh 32, 2068*),
- ~ in case of Profit & Loss Account, of the operating results of the Bank for the year ended on that date, and
- ~ in case of Cash Flow Statement, the cash flows of the Bank for the year ended on that date,

in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing laws and comply with the directives from Nepal Rastra Bank, Banks and Financial Institutions Act, 2063 and Company Act, 2063.



**CA. Ranjeev Shrestha**  
Partner  
G. P. Rajbahak & Co.  
Chartered Accountants

Date: *November 03, 2011*  
Place: *Kathmandu*

## Balance Sheet

As at 16 July 2011 (32 Ashadh 2068)

Amount in NPR

CAPITAL & LIABILITIES		SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1.	Share Capital	1	2,400,000,000	2,000,000,000
2.	Reserves and Funds	2	1,595,478,273	1,439,205,130
3.	Debentures and Bonds	3	500,000,000	500,000,000
4.	Borrowings	4	10,000,000	-
5.	Deposits	5	40,920,627,030	37,611,202,274
6.	Bills Payables	6	31,655,586	216,158,879
7.	Proposed Dividend		336,842,000	189,473,600
8.	Income Tax Liabilities		-	-
9.	Other Liabilities	7	941,600,995	761,084,730
<b>Total Capital &amp; Liabilities</b>			<b>46,736,203,884</b>	<b>42,717,124,613</b>

ASSETS		SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1.	Cash Balance	8	632,046,156	514,223,569
2.	Balance with Nepal Rastra Bank	9	1,390,625,787	2,604,790,901
3.	Balance with Banks / Financial Institutions	10	941,979,378	747,476,214
4.	Money at Call and Short Notice	11	734,000,000	308,840,000
5.	Investments	12	8,769,938,671	8,444,910,165
6.	Loan Advances and Bills Purchase	13	31,566,976,755	27,980,628,760
7.	Fixed Assets	14	1,187,493,049	1,061,870,757
8.	Non - Banking Assets	15	-	-
9.	Other Assets	16	1,513,144,088	1,054,384,247
<b>Total Assets</b>			<b>46,736,203,884</b>	<b>42,717,124,613</b>

Contingent Liabilities	Schedule 17
Declaration of Directors	Schedule 29
Statement of Capital Fund	Schedule 30 (A)
Credit Risk	Schedule 30 (B)
Credit Risk Mitigation	Schedule 30 (C)
Operation Risk	Schedule 30 (D)
Market Risk	Schedule 30 (E)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

Schedules 1 to 17 & 32 and 33 form an integral part of this Balance Sheet

**Satish Raj Joshi** Executive Financial Officer  
**Sushiel Joshi** General Manager  
**Masood UI Hasan** Senior General Manager

**Ashoke S. Rana** Chief Executive Officer  
**Manoj Bahadur Shrestha** Chairman

As per our attached report of even date

Prem Prakash Khetan, Second Vice Chairman  
 Prachanda Bahadur Shrestha  
 Bijaya Bahadur Shrestha  
 Dr. Ramesh Kumar Bhattarai  
 Sushil Bikram Thapa  
 Upendra Keshari Poudyal

**CA. Ranjeev Shrestha**  
 Partner  
 G.P. Rajbahak & Co.  
 Chartered Accountants



## Profit and loss account

For The Period From July 17, 2010 To July 16 , 2011 (Shrawan 1, 2067 To Ashadh 32, 2068)

Amount in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	18	4,326,140,588	3,148,605,196
2. Interest Expenses	19	2,414,807,243	1,553,530,687
<b>Net Interest Income</b>		<b>1,911,333,345</b>	<b>1,595,074,509</b>
3. Commission and Discount	20	350,365,112	270,258,732
4. Other Operating Income	21	129,516,981	112,346,425
5. Exchange Fluctuation Income	22	195,528,538	180,278,743
<b>Total Operating Income</b>		<b>2,586,743,976</b>	<b>2,157,958,409</b>
6. Staff Expenses	23	517,591,827	414,983,894
7. Other Operating Expenses	24	582,209,813	471,102,966
8. Exchange Fluctuation Loss	22	-	-
<b>Operating Profit before Provision for Possible Losses</b>		<b>1,486,942,336</b>	<b>1,271,871,549</b>
9. Provision for Possible Losses	25	471,728,863	692,640,089
<b>Operating Profit</b>		<b>1,015,213,473</b>	<b>579,231,460</b>
10. Non-Operating Income/(Loss)	26	15,855,933	12,382,440
11. Loan Loss Provision Written-Back	27	228,145,590	265,542,038
<b>Profit from Regular Operations</b>		<b>1,259,214,996</b>	<b>857,155,938</b>
12. Profit/(Loss) from Extra-ordinary Activities	28	102,292,025	(25,855,926)
<b>Net Profit after considering all Activities</b>		<b>1,361,507,021</b>	<b>831,300,012</b>
13. Staff Bonus Provision		123,773,366	75,572,728
14. Tax Provision		344,618,512	246,929,091
a) Current Years		338,351,341	246,070,406
b) Previous Year's Additional Tax		813,229	1,454,373
c) Deferred Tax		5,453,942	(595,688)
<b>Net Profit/(Loss)</b>		<b>893,115,143</b>	<b>508,798,193</b>

Schedules 18 to 28 & 32 and 33 form an integral part of this Profit and Loss Account

Satish Raj Joshi                      Sushiel Joshi                      Masood UI Hasan  
Executive Financial Officer      General Manager                  Senior General Manager

As per our attached report of even date

Ashoke S. Rana                      Manoj Bahadur Shrestha  
Chief Executive Officer              Chairman

Prem Prakash Khetan, Second Vice Chairman  
Prachanda Bahadur Shrestha  
Bijaya Bahadur Shrestha  
Dr. Ramesh Kumar Bhattarai  
Sushil Bikram Thapa  
Upendra Keshari Poudyal

CA. Ranjeev Shrestha  
Partner  
G.P. Rajbahak & Co.  
Chartered Accountants

## PROFIT AND LOSS APPROPRIATION ACCOUNT

For The Period From July 17, 2010 To July 16, 2011 (Shrawan 1, 2067 To Ashadh 32, 2068)

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Income</b>		
1. Accumulated Profit up to Last Year	136,587,269	36,525,513
2. Current Year's Profit	893,115,143	508,798,193
3. Transfer from Bond Adjustment Reserve	-	356,000,000
4. Transfer from Deferred Tax Reserve	5,453,942	-
5. Transfer from Capital Adjustment Fund	38,610,000	-
<b>Total</b>	<b>1,073,766,354</b>	<b>901,323,706</b>
<b>Expenses</b>		
1. Accumulated Loss up to Last Year	-	-
2. Current year's Loss	-	-
3. General Reserve	178,623,029	101,759,639
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserve Fund	-	-
8. Proposed Dividend	336,842,000	189,473,600
9. Proposed Issue of Bonus Share	400,000,000	400,000,000
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	6,682,321	-
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Fund	-	-
14. Bond Redemption Reserve	71,428,571	71,428,571
15. Deferred Tax Reserve	-	595,688
16. Investment Adjustment Reserve	47,258,636	1,478,939
<b>Total</b>	<b>1,040,834,557</b>	<b>764,736,437</b>
<b>17. Accumulated Profit / (Loss)</b>	<b>32,931,797</b>	<b>136,587,269</b>

**Satish Raj Joshi**  
Executive Financial Officer

**Sushiel Joshi**  
General Manager

**Masood Ul Hasan**  
Senior General Manager

**Ashoke S. Rana**  
Chief Executive Officer

**Manoj Bahadur Shrestha**  
Chairman

As per our attached report of even date

Prem Prakash Khetan, Second Vice Chairman  
Prachanda Bahadur Shrestha  
Bijaya Bahadur Shrestha  
Dr. Ramesh Kumar Bhattarai  
Sushil Bikram Thapa  
Upendra Keshari Poudyal

**CA. Ranjeev Shrestha**  
Partner  
G.P. Rajbahak & Co.  
Chartered Accountants

## Statement of Change in equity

For The Period From July 16, 2010 To July 16, 2011 (Shrawan 1, 2067 To Ashadh 32, 2068 )

Amount in NPR

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/(LOSS)	GENERAL RESERVE	PROPOSED BONUS SHARE	CAPITAL ADJUSTMENT RESERVE	SPECIAL RESERVE FUND	EXCHANGE FLUCTUATION	OTHER RESERVE FUND	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	TOTAL AMOUNT
											3,439,205,130
Opening Balance as at 17 July 2010	1,600,000,000	136,587,269	1,012,800,410	400,000,000	38,610,000	4,000,000	23,087,577	214,285,714	8,355,221	1,478,939	3,439,205,130
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at 17 July 2010	1,600,000,000	136,587,269	1,012,800,410	400,000,000	38,610,000	4,000,000	23,087,577	214,285,714	8,355,221	1,478,939	3,439,205,130
Net Profit for the year	-	893,115,143	-	-	-	-	-	-	-	-	893,115,143
Transfer to General Reserve	-	(178,623,029)	178,623,029	-	-	-	-	-	-	-	-
Bond Redemption Fund transferred	-	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	(336,842,000)	-	-	-	-	-	-	-	-	(336,842,000)
Issue of Bonus Share	400,000,000	-	-	(400,000,000)	-	-	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(400,000,000)	-	400,000,000	-	-	-	-	-	-	-
Transfer from Capital Adjustment Fund	-	38,610,000	-	-	(38,610,000)	-	-	-	-	-	-
Transfer from Deferred Tax Reserve	-	5,453,942	-	-	-	-	-	-	(5,453,942)	-	-
Transfer to Exchange Fluctuation Fund	-	(6,682,321)	-	-	-	-	6,682,321	-	-	-	-
Transfer to Bond Redemption Fund	-	(71,428,571)	-	-	-	-	-	71,428,571	-	-	-
Investment Adjustment Reserve	-	(47,258,636)	-	-	-	-	-	-	-	47,258,636	-
Closing Balance	2,000,000,000	32,931,797	1,191,423,439	400,000,000	-	4,000,000	29,769,898	285,714,285	2,901,279	48,737,575	3,995,478,273



## CASH FLOW STATEMENT

For The Period From July 17, 2010 To July 16, 2011 (Shrawan 1, 2067 To Ashadh 32, 2068)

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Cash Flow from Operating Activities</b>	<b>1,229,722,130</b>	<b>1,158,165,935</b>
<b>1. Cash Received</b>	<b>4,935,565,536</b>	<b>3,725,806,343</b>
1.1 Interest Income	4,156,612,894	3,156,864,066
1.2 Commission and Discount Income	350,365,112	270,258,732
1.3 Income from Foreign Exchange Transaction	195,528,538	180,278,743
1.4 Recovery of Loan Written off	103,542,011	6,058,377
1.5 Other Income	129,516,981	112,346,425
<b>2. Cash Payment</b>	<b>(3,705,843,406)</b>	<b>(2,567,640,408)</b>
2.1 Interest Expenses	(2,301,679,351)	(1,418,373,200)
2.2 Staff Expenses	(474,458,856)	(401,203,232)
2.3 Office Overhead Expenses	(463,319,467)	(366,232,241)
2.4 Income Tax Paid	(390,813,004)	(275,171,136)
2.5 Other Expenses	(75,572,728)	(106,660,599)
<b>Cash Flow before Changes in Working Capital</b>	<b>(1,767,764,421)</b>	<b>(291,939,156)</b>
(Increase) / Decrease in Current Assets	(4,914,320,570)	(3,407,394,497)
1. (Increase) / Decrease in Money at Call and Short Notice	(425,160,000)	861,953,650
2. (Increase) / Decrease in Other Short-term Investment	(282,115,000)	(197,305,000)
3. (Increase) / Decrease in Loan & Bills Purchases	(3,846,141,395)	(3,647,325,111)
4. (Increase) / Decrease in Others Assets	(360,904,175)	(424,718,036)
Increase / (Decrease) in Current Liabilities	3,146,556,149	3,115,455,341
1. Increase/(Decrease) in Deposits	3,309,424,756	2,928,895,411
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowing	10,000,000	184,311,488
4. Increase/(Decrease) in Others Liabilities	(172,868,607)	2,248,442
<b>B. Cash Flow from Investment Activities</b>	<b>(138,743,550)</b>	<b>296,685,024</b>
1. (Increase)/Decrease in Long Term Investments	(682,555,022)	1,168,469,288
2. (Increase)/Decrease in Fixed Assets	(217,817,619)	(224,388,290)
3. Interest Income from Long Term Investment	92,823,514	23,166,496
4. Dividend Income	8,378,920	6,996,002
5. Others	660,426,657	(677,558,472)
<b>C. Cash Flow from Financing Activities</b>	<b>(225,053,522)</b>	<b>(344,947,907)</b>
1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	(2,845,000)	(198,248,497)
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	(222,208,522)	(146,699,410)
4. Increase/(Decrease) in Refinance/ facilities received from NRB.	-	-
<b>D. Income/Loss from change in exchangerate in Cash and Bank Balances</b>	<b>-</b>	<b>-</b>
<b>E. Current Year's Cash Flow from All Activities</b>	<b>(901,839,363)</b>	<b>817,963,896</b>
<b>F. Opening Balance of Cash and Bank Balances</b>	<b>3,866,490,684</b>	<b>3,048,526,788</b>
<b>G. Closing Balance of Cash and Bank Balances</b>	<b>2,964,651,321</b>	<b>3,866,490,684</b>

## Share Capital & Ownership

Schedule 1  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>1. Share Capital</b>		
<b>1.1 Authorized Capital</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>
a. 30,000,000 Ordinary Shares of Rs 100 each.	3,000,000,000	3,000,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.2 Issued Capital</b>	<b>2,000,000,000</b>	<b>1,600,000,000</b>
a. 20,000,000 Ordinary Shares of Rs 100 each	2,000,000,000	1,600,000,000
(Previous year 16,000,000 Ordinary Shares of Rs. 100 each)		
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.3 Paid up Capital</b>	<b>2,000,000,000</b>	<b>1,600,000,000</b>
a. 20,000,000 Ordinary Shares of Rs 100 each fully paid up	2,000,000,000	1,600,000,000
(Previous year 16,000,000 Ordinary Shares of Rs 100 each fully paid up)		
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.4 Proposed Bonus Shares</b>	<b>400,000,000</b>	<b>400,000,000</b>
<b>1.5 Calls-in-advance</b>	<b>-</b>	<b>-</b>
<b>1.6 Total</b>	<b>2,400,000,000</b>	<b>2,000,000,000</b>

## SHARE OWNERSHIP

Amount in NPR

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	%	SHARE CAPITAL	%	SHARE CAPITAL
<b>1. Domestic Ownership</b>	<b>80.00</b>	<b>1,600,000,000</b>	<b>80</b>	<b>1,280,000,000</b>
1.1 Nepal Government	-	-	-	-
1.2 "A" Classes Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	65.00	1,300,000,000	65	1,040,000,000
1.5 General Public	15.00	300,000,000	15	240,000,000
1.6 Others	-	-	-	-
<b>2. Foreign Ownership</b>	<b>20.00</b>	<b>400,000,000</b>	<b>20</b>	<b>320,000,000</b>
<b>Total</b>	<b>100.00</b>	<b>2,000,000,000</b>	<b>100</b>	<b>1,600,000,000</b>

## Particulars of Individual/Group/Firm/Company holding 0.5% or above are as follows:

Amount in NPR

NAME OF SHAREHOLDER	NUMBER OF SHARES	%	SHARE CAPITAL
Habib Bank Limited	4,000,000	20.00	400,000,000
Karmachari Sanchaya Kosh	2,800,000	14.00	280,000,000
N. Trading Co. Pvt. Ltd.	2,541,669	12.71	254,166,900
Mutual Trading Co. Pvt. Ltd.	2,524,000	12.62	252,400,000
Ava International Pvt. Ltd.	2,276,873	11.38	227,687,300
Chhaya International Pvt. Ltd.	1,777,674	8.89	177,767,400
Sumit Kumar Agrawal	529,869	2.65	52,986,900
Syakar Co. Ltd.	198,001	0.99	19,800,100
Sharma & Co. Pvt. Ltd.	132,000	0.66	13,200,000
<b>Total</b>	<b>16,780,086</b>	<b>83.90</b>	<b>1,678,008,600</b>

## Reserves and Funds

Schedule 2

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. General Reserve Fund	1,191,423,439	1,012,800,410
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	38,610,000
5. Other Reserve Fund	341,353,139	228,119,874
a. Contingent Reserve	-	-
b. Institution Development Fund	-	-
c. Dividend Equalization Fund	-	-
d. Special Reserve Fund	4,000,000	4,000,000
e. Assets Revaluation Reserve	-	-
f. Deferred Tax Reserve	2,901,279	8,355,221
g. Other Free Reserves	-	-
h. Bond Redemption Reserve	285,714,285	214,285,714
i. Other Reserve (Investment Adjustment Reserve)	48,737,575	1,478,939
7. Accumulated Profit / (Loss)	32,931,797	136,587,269
8. Exchange Fluctuation Fund	29,769,898	23,087,577
<b>Total</b>	<b>1,595,478,273</b>	<b>1,439,205,130</b>

## Debentures and Bonds

Schedule 3

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. 8 Percent HBL Bond 2072 of Rs 1,000 each (Issued in June/July 2008 and maturing in July 2015 ) [Balance in Redemption Reserve Rs 285,714,285 (Previous Year Rs. 214,285,714)]	500,000,000	500,000,000
<b>Total</b>	<b>500,000,000</b>	<b>500,000,000</b>

## Borrowings

Schedule 4

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Local</b>		
1. Nepal Government	-	-
2. Nepal Rastra Bank	10,000,000	-
3. Repo Obligation	-	-
4. Inter Bank and Financial Institutions	-	-
5. Other Financial Institutions	-	-
6. Others	-	-
<b>Total</b>	<b>10,000,000</b>	-
<b>B. Foreign</b>		
1. Banks	-	-
2. Others	-	-
<b>Total</b>	-	-
<b>Total ( A+B)</b>	<b>10,000,000</b>	-



## Deposits

Schedule 5

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Non Interest Bearing accounts		
<b>A. Current Deposits</b>	<b>3,694,249,426</b>	<b>3,745,624,493</b>
<b>1. Local Currency</b>	<b>2,903,865,089</b>	<b>2,885,401,105</b>
1.1 Nepal Government	83,561,854	137,280,881
1.2 "A" Classs Licensed Institutions	148,514,126	72,981,395
1.3 Other Licensed Institutions	349,538,845	303,714,106
1.4 Other Organized Institutions	1,420,274,274	1,409,944,595
1.5 Individuals	759,629,886	814,891,065
1.6 Others	142,346,104	146,589,063
<b>2. Foreign Currency</b>	<b>790,384,337</b>	<b>860,223,388</b>
2.1 Nepal Government	80,814,018	70,110,875
2.2 "A" Classs Licensed Institutions	46,993	49,402
2.3 Other Licensed Institutions	199,831,038	268,267,485
2.4 Other Organized Institutions	223,050,691	277,301,761
2.5 Individuals	193,308,361	155,210,899
2.6 Others	93,333,236	89,282,967
<b>B. Margin Deposits</b>	<b>1,219,365,273</b>	<b>946,871,896</b>
1. Employees Guarantee	-	-
2. Guarantee Margin	776,901,606	150,133,199
3. Letters of Credit Margin	442,463,667	796,738,697
<b>C. Others</b>	-	-
<b>1. Local Currency</b>	-	-
1.1 Financial Institutions	-	-
1.2 Other Organized Institution	-	-
1.3 Individual	-	-
<b>2. Foreign Currency</b>	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
<b>Total of Non-Interest Bearing Accounts</b>	<b>4,913,614,699</b>	<b>4,692,496,389</b>

CONTINUED

Schedule 5

Amount in NPR

## Deposits

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
2. Interest Bearing accounts		
<b>A. Saving Deposits</b>	<b>15,994,563,707</b>	<b>16,294,680,337</b>
<b>1. Local Currency</b>	<b>15,233,399,813</b>	<b>15,494,591,313</b>
1.1 Organized Institutions	288,345,837	234,974,920
1.2 Individuals	14,944,944,112	15,259,510,199
1.3 Others	109,864	106,194
<b>2. Foreign Currency</b>	<b>761,163,894</b>	<b>800,089,024</b>
2.1 Organized Institutions	14,527,644	20,504,449
2.2 Individuals	738,419,962	770,360,409
2.3 Others	8,216,288	9,224,167
<b>B. Fixed Deposits</b>	<b>13,507,370,421</b>	<b>11,328,635,821</b>
<b>1. Local Currency</b>	<b>12,501,738,459</b>	<b>10,153,602,555</b>
1.1 Organized Institutions	6,291,977,069	6,203,841,187
1.2 Individuals	6,059,413,840	3,838,959,968
1.3 Others	150,347,550	110,801,400
<b>2. Foreign Currency</b>	<b>1,005,631,962</b>	<b>1,175,033,266</b>
2.1 Organized Institutions	736,692,559	728,219,395
2.2 Individuals	178,305,603	274,201,940
2.3 Others	90,633,800	172,611,931
<b>C. Call Deposits</b>	<b>6,505,078,203</b>	<b>5,295,389,727</b>
<b>1. Local Currency</b>	<b>5,160,403,047</b>	<b>3,834,098,227</b>
1.2 "A" Classes Licensed Institutions	-	-
1.3 Other Licensed Institutions	3,128,728,079	2,192,821,118
1.4 Other Organized Institutions	1,924,950,838	1,457,860,841
1.5 Individuals	106,724,130	183,416,267
1.6 Others	-	-
<b>2. Foreign Currency</b>	<b>1,344,675,156</b>	<b>1,461,291,500</b>
2.1 "A" Classes Licensed Institutions	3,266,551	3,225,854
2.2 Other Licensed Institutions	1,100,125,234	1,207,986,979
2.3 Other Organized Institutions	241,283,371	250,078,668
2.4 Individuals	-	-
2.5 Others	-	-
<b>D. Certificate of Deposits</b>	-	-
1. Other Organized Institutions	-	-
2. Individual	-	-
3. Other	-	-
<b>Total of Interest Bearing Accounts</b>	<b>36,007,012,331</b>	<b>32,918,705,886</b>
<b>Total Deposits</b>	<b>40,920,627,030</b>	<b>37,611,202,274</b>

## Bills Payables

Schedule 6

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	24,955,617	212,665,093
2. Foreign Currency	6,699,969	3,493,786
<b>Total</b>	<b>31,655,586</b>	<b>216,158,879</b>

## Other Liabilities

Schedule 7

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Pension / Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	123,773,366	75,572,728
5. Interest Payable on Deposit	245,726,224	172,598,332
6. Interest Payable on Borrowings/Bonds	23,751,114	23,031,523
7. Unearned Discount & Commission	-	-
8. Sundry Creditors	72,428,981	74,282,439
9. Branch Adjustment Account	-	103,494,371
10. Deferred Tax Liability	-	-
11. Dividend Payable	21,943,031	15,397,544
12. Others		
a. Provision for Audit Fee	678,000	678,000
b. Provision for leave encashment	77,383,708	62,268,078
c. Matured HBL Bond Payable	1,120,000	3,965,000
d. Provision for Gratuity	58,946,092	30,928,751
e. Interest Suspense on NBA	892,259	892,259
f. Others	314,958,220	197,975,705
<b>Total</b>	<b>941,600,995</b>	<b>761,084,730</b>

## Cash Balance

Schedule 8

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency (Including coins)	595,552,373	478,067,207
2. Foreign Currency	36,493,783	36,156,362
<b>Total</b>	<b>632,046,156</b>	<b>514,223,569</b>

## Balance with Nepal Rastra Bank

Schedule 9

Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	CONVERTIBLE CURRENCY	TOTAL		
1. Nepal Rastra Bank	1,342,048,477	-	48,577,310	48,577,310	1,390,625,787	2,604,790,901
a. Current Account	1,342,048,477	-	48,577,310	48,577,310	1,390,625,787	2,604,790,901
b. Other Account	-	-	-	-	-	-
<b>Total</b>	<b>1,342,048,477</b>	<b>-</b>	<b>48,577,310</b>	<b>48,577,310</b>	<b>1,390,625,787</b>	<b>2,604,790,901</b>

Note : Total balance as per the statement of Nepal Rastra Bank is 1,502,062,312.

## Balance with Banks / Financial Institutions

Schedule 10  
Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	CONVERTIBLE CURRENCY	TOTAL		
<b>1. Local Licensed Institutions</b>	<b>143,838,219</b>	-	<b>2,668,649</b>	<b>2,668,649</b>	<b>146,506,868</b>	<b>383,361,221</b>
a. Current Account	143,838,219	-	2,668,649	2,668,649	146,506,868	383,361,221
b. Other Account	-	-	-	-	-	-
<b>2. Foreign Bank</b>	-	<b>182,023,235</b>	<b>613,449,275</b>	<b>795,472,510</b>	<b>795,472,510</b>	<b>364,114,993</b>
a. Current Account	-	182,023,235	613,449,275	795,472,510	795,472,510	364,114,993
b. Other Account	-	-	-	-	-	-
<b>Total</b>	<b>143,838,219</b>	<b>182,023,235</b>	<b>616,117,924</b>	<b>798,141,159</b>	<b>941,979,378</b>	<b>747,476,214</b>

Note : Total balance as per the statement received from respective bank is 1,012,597,170.

## Money at Call and Short Notice

Schedule 11  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	200,000,000	100,000,000
2. Foreign Currency	534,000,000	208,840,000
<b>Total</b>	<b>734,000,000</b>	<b>308,840,000</b>



## Investments

Schedule 12

Amount in NPR

PARTICULARS	PURPOSE		CURRENT YEAR	PREVIOUS YEAR
	TRADING	OTHER		
1. Nepal Government Treasury Bills	-	4,725,584,865	4,725,584,865	3,455,030,155
2. Nepal Government Saving Bond	-	-	-	-
3. Nepal Government Other Securities	-	1,681,777,676	1,681,777,676	1,010,342,254
4. NRB Bonds	-	-	-	-
5. Foreign Bonds	-	-	-	-
6. Local Licensed Institutions	-	479,420,000	479,420,000	197,305,000
7. Foreign Banks	-	1,794,368,930	1,794,368,930	3,703,350,297
8. Corporate Shares	-	88,787,200	88,787,200	78,882,459
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
<b>Total Investment</b>	-	<b>8,769,938,671</b>	<b>8,769,938,671</b>	<b>8,444,910,165</b>
<b>Provision</b>	-	-	-	-
<b>Net Investment</b>			<b>8,769,938,671</b>	<b>8,444,910,165</b>

## Investments in Shares, Debentures and Bonds

Schedule 12(A)

Amount in NPR

PARTICULARS	COST PRICE	MARKET VALUE	PROVISION	CURRENT YEAR	PREVIOUS YEAR
<b>1. Investment in Shares</b>					
1.1 Rural Microfinance Dev Centre 480,000 Shares @ Rs. 100 per share, fully paid up	48,000,000	48,000,000	-	48,000,000	48,000,000
1.2 Western Rural Development Bank 33,000 Shares (including 3,000 bonus shares) @ Rs. 100 per share, fully paid up	3,000,000	3,300,000	-	3,000,000	3,000,000
1.3 Nirdhan Utthan Bank Ltd. 187,856 Shares (including 59,923 bonus shares) @ Rs.100 per share, fully paid up	12,793,300	44,146,160	-	12,793,300	7,752,000
1.4 Chhimek Bikas Bank Ltd. 113,402 Shares (including 39,601 bonus shares) @ Rs. 100 per share, fully paid up	7,380,100	29,597,922	-	7,380,100	7,380,100
1.5 Swabalamban Bikas Bank Ltd. 143,055 Shares (including 18,150 bonus shares) @ Rs. 100 per share, fully paid up	12,490,500	22,888,800	-	12,490,500	6,600,000
1.6 Swift SC 6 Shares	1,214,859	1,214,859	1,214,859	-	1,214,859
1.7 Credit Information Corporation Limited 27,294 shares (including 13,061 bonus shares) @ Rs. 100 per share, fully paid up	1,423,300	2,729,400	-	1,423,300	1,235,500
1.8 Nepal Clearing House 25,000 shares @ Rs. 100 each, fully paid up	2,500,000	2,500,000	-	2,500,000	2,500,000
1.9 VISA Card International 5,860 nos. of Common Stock	-	-	-	-	-
1.10 Nepal Bankers' Training Institute 12000 shares @ Rs. 100 per share, partly paid	1,200,000	1,200,000	-	1,200,000	1,200,000
<b>2. Investment in Debentures and Bonds</b>					
2.1 .....					
2.2 .....					
2.3 .....					
<b>Total Investment</b>	<b>90,002,059</b>	<b>155,577,141</b>	<b>1,214,859</b>	<b>88,787,200</b>	<b>78,882,459</b>
<b>3. Provision for Loss</b>					
3.1 Up to previous year			-		
3.2 Addition this year			1,214,859		
<b>Total Provision</b>			<b>1,214,859</b>		
<b>Net Investment</b>				<b>88,787,200</b>	<b>78,882,459</b>

Note : Shares of Chhimek Bikas Bank Limited, Nirdhan Utthan Bank Limited and Swabalamban Bikas Bank Limited are listed in Nepal Stock Exchange. Companies except RMDC, Chhimek Bikas Bank Limited, Nirdhan Utthan Bank Limited, Swabalamban Bikas Bank Limited and Western Rural Development Bank have not declared dividend in the last three years.

## Investments in Shares, Debentures and Bonds

Schedule 12.1

Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE AS AT		PROFIT / LOSS		REMARKS
		16-JUL-2010	16-JUL-2011	CURRENT YEAR	PREVIOUS YEAR	
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	-	-	-	-	-	-
7. Debentures and Bonds of Local Licensed Institution	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	-	-	-	-	-	-
9. Placement in Foreign Banks	-	-	-	-	-	-
10. Inter Bank Lending	-	-	-	-	-	-
11. Other Investments	-	-	-	-	-	-
<b>Total Investments</b>	-	-	-	-	-	-

## Held to Maturity Investments

Schedule 12.2

Amount in NPR

PARTICULARS	COST PRICE	IMPAIRED AMOUNT TILL		PROFIT / LOSS		REMARKS
		16-JUL-2010	16-JUL-2011	THIS YEAR	PREVIOUS YEAR	
1. Nepal Government Treasury Bills	4,725,584,865	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	1,681,777,676	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	-	-	-	-	-	-
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	-	-	-	-	-	-
9. Placement in Foreign Banks	1,794,368,930	-	-	-	-	-
10. Other Investments	479,420,000	-	-	-	-	-
<b>Total Investments</b>	<b>8,681,151,471</b>					

## Available for Sale Investments

Schedule 12.3

Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE AS AT		THIS YEAR INVESTMENT ADJUSTMENT RESERVE (B-A)	PREVIOUS YEAR PROFIT/ LOSS	REMARKS
		16-JUL-2010	16-JUL-2011			
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	83,663,900	159,874,390	147,932,882	-	-	-
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	5,123,300	5,112,000	6,429,400	-	-	-
9. Placement in Foreign Banks	-	-	-	-	-	-
10. Other Investments	1,214,859	1,214,859	1,214,859	-	-	-
<b>Total Investments</b>	<b>90,002,059</b>	<b>166,201,249</b>	<b>155,577,141</b>			

\*For the shares, which are not listed in Nepal Stock Exchange, cost of acquisition is considered as the market price.

## Classification of Loans and Bills Purchased and Provisioning

Schedule 13  
Amount in NPR

PARTICULARS	LOANS & ADVANCES			BILLS PURCHASED & DISCOUNTED			CURRENT YEAR	PREVIOUS YEAR		
	DOMESTIC		FOREIGN	LOCAL		FOREIGN			TOTAL	
	PRIORITY	UN-INSURED	OTHER	TOTAL	FOREIGN	TOTAL	TOTAL	TOTAL		
<b>1. Performing Loan</b>	-	15,199,372	29,771,977,140	477,889,936	30,265,066,448	133,890,339	1,177,565,528	1,311,455,867	31,576,522,315	27,915,637,063
1.1 Pass Loan	-	15,199,372	29,771,977,140	477,889,936	30,265,066,448	133,890,339	1,177,565,528	1,311,455,867	31,576,522,315	27,915,637,063
<b>2. Non-Performing Loan</b>	-	-	1,381,389,328	10,193,255	1,391,582,583	-	165,400	165,400	1,391,747,983	1,208,117,826
2.1 Re-structured	-	-	188,464,341	-	188,464,341	-	-	-	188,464,341	183,285,864
2.2 Substandard	-	-	216,053,013	-	216,053,013	-	-	-	216,053,013	122,760,170
2.3 Doubtful	-	-	73,457,250	-	73,457,250	-	-	-	73,457,250	220,519,809
2.4 Loss	-	-	903,414,724	10,193,255	913,607,979	-	165,400	165,400	913,773,379	681,551,983
<b>(A) Total Loan</b>	-	15,199,372	31,153,366,468	488,083,191	31,656,649,031	133,890,339	1,177,730,928	1,311,621,267	32,968,270,298	29,123,754,889
<b>3. Loan Loss Provision</b>	-	-	-	-	-	-	-	-	-	-
3.1 Pass	-	151,994	300,087,072	4,778,899	305,017,965	1,338,903	11,775,655	13,114,558	318,132,523	282,483,799
3.2 Re-structured	-	-	78,620,452	-	78,620,452	-	-	-	78,620,452	22,910,733
3.3 Substandard	-	-	54,038,564	-	54,038,564	-	-	-	54,038,564	46,818,580
3.4 Doubtful	-	-	36,728,625	-	36,728,625	-	-	-	36,728,625	110,259,905
3.5 Loss	-	-	903,414,724	10,193,255	913,607,979	-	165,400	165,400	913,773,379	680,653,112
<b>(B) Total Provisioning</b>	-	151,994	1,372,889,437	14,972,154	1,388,013,585	1,338,903	11,941,055	13,279,958	1,401,293,543	1,143,126,129
<b>4. Provisioning up to Previous Year</b>	-	-	-	-	-	-	-	-	-	-
4.1 Pass	-	-	281,013,641	-	281,013,641	-	1,470,158	1,470,158	282,483,799	247,686,763
4.2 Re-structured	-	-	22,910,733	-	22,910,733	-	-	-	22,910,733	117,613,270
4.3 Substandard	-	-	46,818,580	-	46,818,580	-	-	-	46,818,580	74,157,874
4.4 Doubtful	-	-	110,259,905	-	110,259,905	-	-	-	110,259,905	99,025,370
4.5 Loss	-	-	680,486,421	-	680,486,421	-	166,691	166,691	680,653,112	187,880,535
<b>(C) Total Provision up to Last Year</b>	-	-	1,141,489,280	-	1,141,489,280	-	1,636,849	1,636,849	1,143,126,129	726,363,812
<b>(D) Provision written back this year</b>	-	-	-	-	-	-	-	-	-	-
<b>(E) This year's additional provision</b>	-	151,994	231,400,157	14,972,154	246,524,305	1,338,903	10,304,206	11,643,109	470,138,004	667,416,941
<b>(F) Net adjustment during the year</b>	-	15,047,378	29,780,477,031	473,111,037	30,268,635,446	132,551,436	1,165,789,873	1,298,341,309	258,167,414	416,762,317
<b>Net Loan (A - B)</b>	-	-	-	-	-	-	-	-	31,566,976,755	27,980,628,760

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

Schedule 13 (A)

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>(A) Secured</b>	<b>32,968,270,298</b>	<b>29,123,754,889</b>
1. Movable / Immovable Assets	26,859,693,792	24,253,403,675
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	-	-
4. Internationally Rated Bank Guarantee	21,776,749	16,863,773
5. Export Documents	1,311,621,402	147,182,522
6. Fixed Deposit Receipts	338,302,421	937,402,686
a. Own FDR	337,945,105	889,571,575
b. FDR of other Licensed Institutions	357,316	47,831,111
7. Nepal Government Bonds	7,823,000	18,024,266
8. Counter Guarantee	888,828,914	867,350,325
9. Personal Guarantee	3,459,884	13,409,886
10. Other Securities	3,536,764,136	2,870,117,756
<b>(B) Unsecured</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>32,968,270,298</b>	<b>29,123,754,889</b>

## Fixed Assets

Schedule 14

Amount in NPR

PARTICULARS	ASSETS					CURRENT YEAR	PREVIOUS YEAR
	BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS		
<b>1. At Cost</b>							
a. Previous Year Balance	52,578,280	147,827,183	296,594,807	311,726,698	-	808,726,968	713,389,393
b. Addition this year	-	63,668,110	31,733,985	38,946,407	-	134,348,502	109,350,993
c. Revaluation / Written back this year	-	-	-	-	-	-	-
d. This year sold	-	(5,172,150)	(1,181,585)	(177,187)	-	(6,530,922)	(12,779,557)
e. This Year written off	-	(17,348,935)	(91,921)	(748,314)	-	(18,189,170)	(1,233,861)
<b>Total Cost (a + b + c + d + e)</b>	<b>52,578,280</b>	<b>188,974,208</b>	<b>327,055,286</b>	<b>349,747,604</b>	<b>-</b>	<b>918,355,378</b>	<b>808,726,968</b>
<b>2. Depreciation</b>							
a. Up to previous year	14,380,510	59,703,479	182,435,935	141,266,263	-	397,786,187	342,355,801
b. For this year	1,909,888	18,026,926	24,789,479	26,713,104	-	71,439,397	62,533,206
c. Depreciation on revaluation/written back	-	-	-	-	-	-	-
d. Depreciation Adjusted/Written Back	-	(13,096,346)	(1,194,081)	(744,417)	-	(15,034,844)	(7,102,820)
<b>Total Depreciation</b>	<b>16,290,398</b>	<b>64,634,059</b>	<b>206,031,333</b>	<b>167,234,950</b>	<b>-</b>	<b>454,190,740</b>	<b>397,786,187</b>
<b>3. Book Value (WDV)*(1-2)</b>	<b>36,287,882</b>	<b>124,340,149</b>	<b>121,023,953</b>	<b>182,512,654</b>	<b>-</b>	<b>464,164,638</b>	<b>410,940,781</b>
<b>4. Land</b>						325,671,342	325,671,342
<b>5. Capital Construction (WIP)</b>						307,292,982	233,057,056
<b>6. Leasehold Assets</b>						90,364,087	92,201,577
<b>Total (3 + 4 + 5)</b>						<b>1,187,493,049</b>	<b>1,061,870,757</b>

## Non Banking Assets

Schedule 15

Amount in NPR

NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		CURRENT YEAR	PREVIOUS YEAR
			%	IN AMOUNT		
BRD Traders	2009.03.12	-	100	-	-	3,000,000
Yuyutsuva Packaging	2009.07.06	12,940,464	100	12,940,464	-	14,940,464
Ravi International	2009.07.09	790,400	100	790,400	-	790,400
Blue Man Fashion	2010.01.04	-	-	-	-	11,175,000
Addition during the year: Ramesh Babu Shrestha	2010.12.09	376,000	100	376,000	-	-
<b>Grand Total</b>		<b>14,106,864</b>		<b>14,106,864</b>	<b>-</b>	<b>29,905,864</b>
Opening Balance of NBA Provision		29,905,864				19,570,130
Addition during the year		(15,799,000)				10,335,734
Closing provision on NBA		14,106,864				29,905,864
<b>Net Non-banking Assets</b>		<b>-</b>			<b>-</b>	<b>-</b>



## Other Assets

Schedule 16

Amount in NPR

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Stock of Stationery		25,039,810	13,785,619
2. Income Receivable on investments		137,097,154	72,011,804
3. Accrued Interest on Loan	618,429,700		500,244,635
Less : Interest Suspense Amount	(606,810,870)	11,618,830	(500,244,635)
4. Commission Receivable		-	-
5. Sundry Debtors		-	-
6. Staff Loan and Advances		720,392,682	524,161,889
7. Prepayments		38,211,291	42,681,000
8. Cash in Transit		-	-
9. Other Transit Items(Including Cheques)		1,982,492	122,438,330
10. Drafts Paid without Notice		-	-
11. Expenses not written off		89,472,717	63,483,585
12. Branch Adjustment Account		54,540,841	-
13. Deferred Tax Assets		2,901,279	8,355,221
14. Others		431,886,992	207,466,799
a. Advance for capital works	93,147,059		60,291,162
b. Advance Corporate Tax	69,131,676		17,483,242
c. Others	326,434,464		187,252,222
Less: Provision for possible losses	(56,826,207)		(57,559,827)
<b>Total</b>		<b>1,513,144,088</b>	<b>1,054,384,247</b>

## Other Assets (Additional Statement)

Schedule 16 (A)

Amount in NPR

PARTICULARS	CURRENT YEAR				PREVIOUS YEAR
	UPTO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	TOTAL	
1. Accrued interest on Loan	210,108,817	205,494,582	202,826,301	618,429,700	500,244,635
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment A/c	-	-	-	-	-
4. Agency Balance	-	-	-	-	-
<b>Total</b>	<b>210,108,817</b>	<b>205,494,582</b>	<b>202,826,301</b>	<b>618,429,700</b>	<b>500,244,635</b>

## Contingent Liabilities

Schedule 17

Amount in NPR

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Claims on Institutions but not accepted by bank		19,686,000	25,890,000
2. Letters of Credit (full amount)		3,574,914,189	5,294,496,264
a. Less than 6 months maturity	2,770,868,748		2,991,720,160
b. More than 6 months maturity	804,045,441		2,302,776,104
3. Rediscounted Bills			
4. Unmatured Guarantees/Bonds		1,618,620,141	1,363,751,841
a. Bid Bond	211,570,031		176,711,709
b. Performance Bond	912,098,556		865,968,032
c. Other Guarantees/ Bonds	494,951,554		321,072,100
5. Unpaid Shares in Investment		-	-
6. Forward Exchange contract liabilities		821,619,502	5,603,339
7. Bills under collection		1,643,374,408	374,167,438
8. Acceptance and Endorsements		559,358,323	645,610,771
9. Underwriting Commitments		-	-
10. Irrevocable Loan Commitments		3,227,315,980	2,467,703,643
11. Counter Guarantee of internationally Rated Banks		1,674,338,582	2,451,496,514
12. Advance Payment Guarantee		267,064,419	289,382,806
13. Financial Guarantee		-	-
14. Contingent Liabilities on Income Tax		26,879,423	-
15. Others		-	-
<b>Total</b>		<b>13,433,170,967</b>	<b>12,918,102,616</b>

## Interest Income

Schedule 18

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. On Loan, Advances and Overdraft</b>	<b>3,843,311,617</b>	<b>2,836,250,975</b>
1. Loan and Advances	2,767,676,307	2,003,145,512
2. Overdraft	1,075,635,310	833,105,463
<b>B. On Investment</b>	<b>389,103,743</b>	<b>216,035,586</b>
1. Nepal Government Securities	389,103,743	216,035,586
a. Treasury Bills	296,280,229	192,869,090
b. Development Bonds	92,823,514	23,166,496
c. National Saving Certificate	-	-
2. Foreign Securities	-	-
a. ....	-	-
b. ....	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lending	-	-
A. Bank/Financial Institutions	-	-
B. Other Organizations	-	-
<b>C. On Agency Balances</b>	<b>1,521,778</b>	<b>481,828</b>
1. Local Banks	1,234,228	410,959
2. Foreign Banks	287,550	70,869
<b>D. On Money at Call and Short Notice</b>	<b>33,980,475</b>	<b>9,258,974</b>
1. Local Banks	33,836,267	9,200,947
2. Foreign Banks	144,208	58,027
<b>E. On Others</b>	<b>58,222,975</b>	<b>86,577,833</b>
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	18,107,016	8,926,075
3. FCY Placements	40,115,959	77,651,758
<b>Total</b>	<b>4,326,140,588</b>	<b>3,148,605,196</b>

## Interest Expenses

Schedule 19

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. On Deposit Liabilities</b>		
1. <b>Fixed Deposits</b>	<b>1,285,319,384</b>	<b>709,662,939</b>
1.1 Local Currency	1,267,468,808	687,201,288
1.2 Foreign Currency	17,850,576	22,461,651
2. <b>Saving Deposits</b>	<b>706,968,453</b>	<b>560,238,241</b>
2.1 Local Currency	702,257,792	551,660,582
2.2 Foreign Currency	4,710,661	8,577,659
3. <b>Call Deposit</b>	<b>355,287,262</b>	<b>205,670,132</b>
3.1 Local Currency	343,623,184	187,603,970
3.2 Foreign Currency	11,664,078	18,066,162
4. <b>Certificate of Deposits</b>	-	-
<b>B. On Borrowings</b>	<b>67,232,144</b>	<b>77,959,375</b>
1. Debentures and Bonds	40,000,000	40,000,000
2. Loan from Nepal Rastra Bank	1,632,759	26,105,543
3. Inter Bank/Financial Institutions Borrowing	25,599,385	11,853,832
4. Other Corporate Bodies	-	-
5. Other Loans	-	-
<b>C. Others</b>	-	-
<b>Total</b>	<b>2,414,807,243</b>	<b>1,553,530,687</b>

## Commission and Discount Income

Schedule 20

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Bills Purchased and Discounted</b>	<b>15,508,942</b>	<b>16,501,290</b>
1. Local	11,833,348	16,304,133
2. Foreign	3,675,594	197,157
<b>B. Commission</b>	<b>272,573,412</b>	<b>180,201,381</b>
1. Letters of Credit	36,165,185	40,276,536
2. Guarantees	55,608,929	51,766,899
3. Collection Fees	48,857,634	10,929,607
4. Remittance Fees	51,806,056	49,921,094
5. Credit Cards Fee	80,135,608	27,307,245
6. Share Underwriting /Issue	-	-
7. Government Transactions	-	-
8. Agency Commissions	-	-
9. Exchange Fees	-	-
<b>C. Others</b>	<b>62,282,758</b>	<b>73,556,061</b>
<b>Total</b>	<b>350,365,112</b>	<b>270,258,732</b>

## Other Operating Income

Schedule 21

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Safe Deposit Lockers Rental	7,516,338	8,214,273
2. Issue and Renewal of Credit Cards	51,000,532	43,595,966
3. Issue and Renewals of ATM Cards	3,406,786	2,419,335
4. Telex/ T. T	13,188,803	11,998,618
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	54,404,522	46,118,233
<b>Total</b>	<b>129,516,981</b>	<b>112,346,425</b>

## Exchange Gain / (Loss)

Schedule 22

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Revaluation Gain/(Loss)	26,729,284	(10,045,679)
B. Trading Gain (including exchange Fee on INR)	168,799,254	190,324,422
<b>Total Income / (Loss)</b>	<b>195,528,538</b>	<b>180,278,743</b>

## Staff Expenses

Schedule 23

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Salary	213,045,880	170,466,049
2. Allowances	166,258,076	151,089,543
3. Contribution to Provident Fund	18,114,288	15,162,643
4. Training Expenses	3,184,322	3,176,851
5. Uniform	4,934,000	5,397,018
6. Medical	-	-
7. Insurance	24,965,352	11,988,099
8. Pension and Gratuity	58,946,092	30,928,751
9. Others	28,143,817	26,774,940
<b>Total</b>	<b>517,591,827</b>	<b>414,983,894</b>

## Other Operating Expenses

Schedule 24

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Office Rent	79,128,303	63,493,567
2. Electricity & Water	13,716,779	13,109,944
3. Repairs and Maintenance	43,475,099	36,951,270
a. Building	545,732	440,023
b. Vehicles	1,499,505	1,092,520
c. Others	41,429,862	35,418,727
4. Insurance	9,581,664	10,708,504
5. Postage Telex, Telephone, Fax	14,487,594	17,309,966
6. Office Equipment & Furniture- Repairs	350,204	799,796
7. Travelling Allowances and Expenses	22,319,487	16,111,266
8. Printing and Stationery	17,727,809	15,665,683
9. Books and Periodicals	945,067	706,943
10. Advertisements	38,417,009	38,090,485
11. Legal Expenses	31,335,112	229,350
12. Donations	541,026	21,400
13. Expenses Relating to Board of Directors	7,300,180	4,739,988
a. Meeting Fees	885,600	883,800
b. Other Expenses	6,414,580	3,856,188
14. Annual General Meeting Expenses	996,167	722,656
15. Expenses Relating to Audit	1,022,638	1,052,623
a. Audit Fees	678,000	678,000
b. Other Expenses	344,638	374,623
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	71,439,397	62,533,206
18. Amortization	47,195,266	39,162,479
19. Share Issue Expenses	-	-
20. Technical Services Fee	-	-
21. Entertainment	1,627,333	1,011,295
22. Written off Expenses	255,683	3,175,040
23. Security Expenses	18,883,955	14,867,166
24. Credit Guarantee Premium	-	-
25. Commission and Discount	2,293,195	26,972,288
26. Others	159,170,846	103,668,051
a. Registration Fee and Charges	22,423,656	19,727,348
b. Card Membership and other expenses	95,864,563	50,974,985
c. Committee Meeting Fees	812,800	830,310
d. Fuel, Janitorial & Cleaning	26,585,557	20,304,453
e. Others	13,484,270	11,830,955
<b>Total</b>	<b>582,209,813</b>	<b>471,102,966</b>

## Provision for Possible Losses

Schedule 25

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Increase in Loan Loss Provision	470,138,004	667,416,941
2. Increase in Provision for Loss on Investment	1,214,859	-
3. Provision against Non-Banking Assets	376,000	25,223,148
4. Provision against Other Assets	-	-
<b>Total</b>	<b>471,728,863</b>	<b>692,640,089</b>



## Non Operating Income / (Loss)

Schedule 26

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Profit/(Loss) on Sale on Investment	-	-
2. Profit / (Loss) on Sale of Assets [Includes profit on sale of NBA Rs. 5,825,000 (Previous year profit of Rs. 4,291,381)]	7,477,013	5,386,438
3. Dividend	8,378,920	6,996,002
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. interest subsidy	-	-
c. Exchange counter	-	-
5. Others	-	-
<b>Total Non- Operating Income (Loss)</b>	<b>15,855,933</b>	<b>12,382,440</b>

## Loss Provisions Written Back

Schedule 27

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Loan Loss Provision Written Back	211,970,590	250,654,624
2. Provision against Non-Banking Assets Written Back	16,175,000	14,887,414
3. Investment Provision Written Back	-	-
4. Provision against Other Assets Written Back	-	-
<b>Total</b>	<b>228,145,590</b>	<b>265,542,038</b>

## Profit / (Loss) from Extra-ordinary Activities

Schedule 28

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Recovery of Writen off Loan	103,918,011	17,233,377
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write/off's [Schedule 28 (A)]	(1,625,986)	(43,089,303)
4. Other Expenses/Income	-	-
<b>Total</b>	<b>102,292,025</b>	<b>(25,855,926)</b>

## Statement of loans written-off

Schedule 28a

Amount in NPR

S. N.	TYPE OF LOAN	AMOUNT WRITTEN OFF	SECURITY DETAIL	BASIS OF VALUATION	APPROVING AUTHORITY	RECOVERY STEPS TAKEN	REMARKS
1	Overdraft Loan	1,582			Branch Manager	Follow-up through telephonic calls.	Petty amounts overdrawn in various customer accounts
2	Trust Receipt Loan	481,692	Hypothecated stock under TR deed	value of stock as per import documents	Branch Manager	Served various follow-up letters, 35 days notice published in newspaper. Promoters of the borrower and PG holders have been blacklisted.	
3	Credit Card Loan	1,142,712			SGM	Follow-up through telephonic calls an written notices served to the card holder. 35 days notice published in newspaper along with the photographs.	Amounts outstanding in various card accounts
	<b>Total Loan</b>	<b>1,625,986</b>					

## Statement of Loans & Advances given to Directors / CEO / Promoters / Employees and Shareholders

Out of total Bills Purchased and Discounted, Loans, Advances and Overdraft, amount provided to the Directors, Chief Executive, Promoters Employees, 1% Shareholders and to individual 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 29

Amount in NPR

NAME OF PROMOTERS / DIRECTORS /CHIEF EXECUTIVE	PREVIOUS YEARS'S BALANCE		THIS YEAR RECOVERY		THIS YEAR ADDITIONS	BALANCE AS OF ASHAD 32, 2068	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST
<b>(A) Directors</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(B) Chief Executives</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(C) Promoters</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(D) Employees</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(E) Shareholders</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

Note: The Bank has various Staff Loan Schemes and the loans availed under such schemes by the Staffs are included under "Schedule 16 - Other Assets"

## Table of Capital Fund

Schedule 30(A)

Amount in NPR

1. 1 RISK WEIGHTED EXPOSURES	CURRENT YEAR	PREVIOUS YEAR
a Risk Weighted Exposure for Credit Risk	39,545,254,061	36,049,314,954
b Risk Weighted Exposure for Operational Risk	2,953,963,235	2,434,296,290
c Risk Weighted Exposure for Market Risk	185,012,202	56,451,697
Adjustment under Pillar II		
Add 2% of gross income for operational risk	586,607,505	431,591,682
Add: 2% of total RWE for overall risk	853,684,590	385,400,629
<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>44,124,521,593</b>	<b>39,357,055,251</b>
<b>1. 2 CAPITAL</b>		
<b>Core Capital (Tier I)</b>	<b>3,916,970,800</b>	<b>3,414,638,614</b>
a Paid up Equity Share Capital	2,000,000,000	1,600,000,000
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus Equity Shares	400,000,000	400,000,000
e Statutory General Reserves	1,191,423,439	1,012,800,410
f Retained Earnings	32,931,797	136,587,269
g Current year profit/(loss)	-	-
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	-	38,610,000
j Dividend Equalization Reserves	-	-
k Debenture Redemption Reserve	285,714,285	214,285,714
l Special Reserve	4,000,000	4,000,000
m Deferred Tax Reserve	2,901,279	8,355,221
n Less: Goodwill	-	-
o Less: Miscellaneous Expenditure not written off	-	-
p Less: Investment in equity in licensed Financial Institutions	-	-
q Less: Investment in equity of institutions with financial interests	-	-
r Less: Investment in equity of institutions in excess of limits	-	-
s Less: Investments arising out of underwriting commitments	-	-
t Less: Reciprocal crossholdings	-	-
u Less: Other Deductions	-	-
<b>Adjustment under Pillar II</b>		
Less shortfall in Provision	-	-
Less loans and facilities extended to related parties and restricted lending	-	-
<b>Supplementary Capital (Tier II)</b>	<b>794,272,695</b>	<b>803,722,886</b>
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	400,000,000	500,000,000
c Hybrid Capital Instruments	-	-
d General loan loss provision	315,765,222	279,156,371
e Exchange Equalization Reserve	29,769,898	23,087,577
f Investment Adjustment Reserve	48,737,575	1,478,939
g Assets Revaluation Reserve	-	-
h Other Reserves	-	-
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>4,711,243,495</b>	<b>4,218,361,500</b>
<b>1.3 CAPITAL ADEQUACY RATIOS</b>		
Tier 1 Capital to Total Risk Weighted Exposures	8.88	8.68
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	10.68	10.72

## RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 16, 2011 ( Ashad 32, 2068)

Schedule 30(B)

Amount in NPR

PARTICULARS	CURRENT YEAR					RISK WEIGHTED EXPOSURES F=D*E	PREVIOUS YEAR	
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT		NET VALUE	RISK WEIGHTED EXPOSURES
	A	B	C	D=A-B-C	E			
Cash Balance	632,046,156	-	-	632,046,156	0%	-	514,223,569	-
Balance With Nepal Rastra Bank	1,390,625,787	-	-	1,390,625,787	0%	-	2,607,790,901	-
Investment in Nepalese Government Securities	6,407,431,252	-	-	6,407,431,252	0%	-	-	-
All Claims on Government of Nepal	255,195,221	-	-	255,195,221	0%	-	4,465,372,409	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	255,195,221	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	690,557,154	-	133,286,967	557,270,187	150%	835,905,280	378,824,924	568,252,385
Claims on domestic banks that meet capital adequacy requirements	735,991,883	-	-	735,991,883	20%	147,198,377	634,352,875	126,870,575
Claims on domestic banks that do not meet capital adequacy requirements	89,934,985	-	-	89,934,985	100%	89,934,985	46,313,346	46,313,346
Claims on foreign bank (ECA Rating 0-1)	1,067,011,626	-	-	1,067,011,626	20%	213,402,325	1,827,836,035	365,567,207
Claims on foreign bank (ECA Rating 2)	10,892,778	-	-	10,892,778	50%	5,446,389	15,695,405	7,847,703
Claims on foreign bank (ECA Rating 3-6)	28,952,453	-	-	28,952,453	100%	28,952,453	6,273,911	6,273,911
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	2,035,448,672	-	-	2,035,448,672	20%	407,089,734	2,465,964,501	493,192,900
Claims on Domestic Corporates	20,279,925,106	7,231,540	210,277,127	20,062,416,439	100%	20,062,416,439	17,861,63,214	17,861,631,214
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	2,916,193,376	456,845	121,924,149	2,793,812,382	75%	2,095,359,286	2,516,942,112	1,887,876,584
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	1,306,628,983	1,895,368	-	1,304,733,615	60%	782,840,169	955,056,345	573,033,812
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	33,907,430	5,093,065	-	28,814,365	100%	28,814,365	5,420,485	5,420,485
Claims secured by Commercial real estate	1,464,505,941	-	5,197,406	1,459,308,535	100%	1,459,308,535	1,557,198,360	1,557,198,360
Past due claims (except for claim secured by residential properties)	1,471,882,592	1,053,986,621	-	417,895,971	150%	626,843,957	427,955,749	641,933,623
High Risk claims	4,549,474,494	16,864,882	62,490,948	4,470,118,665	150%	6,705,177,997	3,669,199,484	5,503,799,226
Investments in equity and other capital instruments of institutions listed in the stock exchange	32,663,900	-	-	32,663,900	100%	32,663,900	21,732,100	21,732,100
Investments in equity and other capital instruments of institutions not listed in the stock exchange	57,338,159	-	-	57,338,159	150%	86,007,239	57,150,359	85,725,539
Other Assets	3,938,844,384	1,518,544,071	-	2,420,300,313	100%	2,420,300,313	2,032,134,939	2,032,134,939
<b>TOTAL</b>	<b>49,395,452,331</b>	<b>2,604,072,391</b>	<b>533,176,597</b>	<b>46,258,203,343</b>		<b>36,027,661,743</b>	<b>42,319,274,150</b>	<b>31,784,633,908</b>



## RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 16, 2011 ( Ashad 32, 2068)

CONTINUED

Amount in NPR

PARTICULARS	CURRENT YEAR					PREVIOUS YEAR		
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE	RISK WEIGHTED EXPOSURED
	A	B	C	D=A-B-C	E	F=D*E		
<b>B. OFF BALANCE SHEET EXPOSURES</b>								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	1,643,374,408	-	-	1,643,374,408	0%	-	374,167,438	-
Forward Exchange Contract Liabilities	821,619,502	-	-	821,619,502	10%	82,161,950	5,603,339	560,334
LC Commitments With Original Maturity								
Upto 6 months domestic counterparty	2,770,868,748	-	332,711,385	2,438,157,364	20%	487,631,473	2,494,554,603	4598,910,921
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
LC Commitments With Original Maturity								
Over 6 months domestic counterparty	804,045,441	-	82,350,716	721,694,725	50%	360,847,363	21,163,195,201	1,081,967,601
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Bid Bond, Performance Bond and								
Counter guarantee domestic counterparty	1,618,620,141	-	129,542,042	1,489,078,099	50%	744,539,050	1,236,573,483	618,286,742
foreign counterparty (ECA Rating 0-1)	554,330,295	-	443,464,236	110,866,059	20%	22,173,212	25,840,243	5,168,049
foreign counterparty (ECA Rating 2)	1,075,502,579	-	537,751,289	537,751,289	50%	268,875,645	1,149,969,847	574,984,923
foreign counterparty (ECA Rating 3-6)	44,505,708	-	267,485	44,238,222	100%	44,238,222	22,355,604	22,355,604
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
Underwriting commitments	-	-	-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-	-	-
Advance Payment Guarantee	267,064,419	-	23,289,770	243,774,649	100%	243,774,649	271,515,374	271,515,374
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	559,358,323	-	-	559,358,323	100%	559,358,323	645,610,771	645,610,771
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	3,227,315,980	-	-	3,227,315,980	20%	645,463,196	2,467,703,643	493,540,729
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
Other Contingent Liabilities	26,879,423	-	-	26,879,423	100%	26,879,423	-	-
Unpaid guarantee claims	19,686,000	-	3,861,094	15,824,906	200%	31,649,812	25,890,000	51,780,000
TOTAL	13,433,170,968	-	1,553,238,017	11,879,932,950		3,517,592,318	10,883,719,546	4,264,681,046
Total RWE for credit Risk (A) +(B)	62,828,623,299	2,604,072,391	2,086,414,615	58,138,136,293		39,545,254,061	53,202,993,797	36,049,314,954
Adjustment under Pillar II								
Add:10% of the loan and facilities in excess of Single Obligor Limits								
Add:1% of the contract(sale) value in case of the sale of credit with recourse								
<b>Total RWE for credit Risk (A) +(B)+©</b>	<b>62,828,623,299</b>	<b>2,604,072,391</b>	<b>2,086,414,615</b>	<b>58,138,136,293</b>		<b>39,545,254,061</b>		

# ELIGIBLE CREDIT RISK MITIGANTS

As at July 16, 2011 ( Ashad 32, 2068)

Schedule 30(c)

Amount in NPR

CREDIT EXPOSURES	DEPOSITS	DEPOSITS	GOLD	GOVT. &	G'TEE OF	SEC/G'TEE OF	G'TEE OF	G'TEE OF	SEC/G'TEE OF	TOTAL
	WITH BANK	WITH OTHER		NRB	GOVT. OF	OTHER	DOMESTIC	MDBS	FOREIGN	
	(A)	BANKS/FI	(C)	SECURITIES	NEPAL	SOVEREIGNS	BANKS		BANKS	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	
<b>A. Balance Sheet Exposures</b>										
Cash balance										-
Balance with NRB										-
Gold										-
Investment in Nepalese Government Securities										-
All Claims on Government of Nepal										-
Investment in Nepal Rastra Bank securities										-
All claims on Nepal Rastra Bank										-
Claims on Foreign Government and Central Bank (ECA 0-1)										-
Claims on Foreign Government and Central Bank (ECA -2)										-
Claims on Foreign Government and Central Bank (ECA -3)										-
Claims on Foreign Government and Central Bank (ECA-4-6)										-
Claims on Foreign Government and Central Bank (ECA -7)										-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework										-
Claims on Other Multilateral Development Banks										-
Claims on Public Sector Entity (ECA 0-1)										-
Claims on Public Sector Entity (ECA 2)										-
Claims on Public Sector Entity (ECA 3-6)										-
Claims on Public Sector Entity (ECA 7)	133,286,967									133,286,967
Claims on domestic banks that meet capital adequacy requirements										-
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank (ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates	186,783,459			12,149,995				11,343,673		210,277,127
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporates (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)	118,905,044	470,000		2,549,105						121,924,149
Claims fulfilling all criterion of regulatory retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial real estate	5,197,406									5,197,406
Past due claims (except for claim secured by residential properties)										-
High Risk claims	49,208,982			2,848,889				10,433,076		62,490,948
Investments in equity and other capital instruments of institutions listed in the stock exchange										-
Investments in equity and other capital instruments of institutions not listed in the stock exchange										-
Other Assets (as per attachment)										-
<b>TOTAL</b>	<b>493,381,859</b>	<b>470,000</b>	<b>-</b>	<b>17,547,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,776,749</b>	<b>533,176,597</b>

**ELIGIBLE CREDIT RISK MITIGANTS**

As at July 16, 2011 ( Ashad 32, 2068)

CONTINUED

Amount in NPR

CREDIT EXPOSURES	DEPOSITS	DEPOSITS	GOLD	GOVT. &	G'TEE OF	SEC/G'TEE OF	G'TEE OF	G'TEE OF	SEC/G'TEE OF	TOTAL
	WITH BANK	WITH OTHER		NRB	GOVT. OF	OTHER	DOMESTIC	MDBS	FOREIGN	
	(A)	BANKS/FI (B)	(C)	SECURITIES (D)	NEPAL (E)	SOVEREIGNS (F)	BANKS (G)	(I)	BANKS (J)	
<b>B. Off Balance Sheet Exposures</b>										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto	332,711,385									332,711,385
6 months domestic counterparty										
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity	82,350,716									82,350,716
Over 6 months domestic counterparty										
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance Bond and Counter guarantee										
domestic counterparty	129,542,042									129,542,042
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	443,464,236	443,464,236
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	537,751,289	537,751,289
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	267,485	267,485
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of	-	-	-	-	-	-	-	-	-	-
Securities as collateral										
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	23,289,770									23,289,770
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments										
Claims on Guarantee	3,861,094									3,861,094
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>571,755,006</b>								<b>981,483,011</b>	<b>1,553,238,017</b>
<b>Total (a+b)</b>										<b>2,086,414,615</b>

**RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK**

Schedule 30 (D)

Amount in NPR

PARTICULARS	JULY 15, 2008	JULY 15, 2009	JULY 16, 2010	PREVIOUS YEAR
Net Interest Income	1,139,902,634	1,407,420,164	1,595,074,509	
Commission and Discount Income	187,819,983	284,302,277	270,258,732	
Other Operating Income	62,103,241	46,342,872	112,346,425	
Exchange Fluctuation Income	207,669,178	249,982,606	180,278,743	
Additional/Deduction in Interest Suspense during the period	10,917,784	30,010,191	123,497,130	
<b>Gross Income (a)</b>	<b>1,608,412,820</b>	<b>2,018,058,110</b>	<b>2,281,455,539</b>	
Alfa (b)	0.15	0.15	0.15	
<b>Fixed percentage of Gross Income [c=(a*b)]</b>	<b>241,261,923</b>	<b>302,708,717</b>	<b>342,218,331</b>	
Capital Requirement for operational risk (d) (average of c)	295,396,323			243,429,629
Risk Weight (reciprocal of capital requirement of 10% times) (e)	10			10
<b>Equivalent Risk Weight Exposure [f=(d*e)]</b>	<b>2,953,963,235</b>			<b>2,434,296,290</b>

**RISK WEIGHTED EXPOSURE FOR MARKET RISK**

Schedule 30 (E)

Amount in NPR

S.NO.	CURRENCY	OPEN POSITION (FCY)	MID RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION	PREVIOUS YEAR RELEVANT OPEN POSITION
1	AED	(24,495)	19.21	(470,426)	470,426	519,172
2	AUD	(104,451)	76.29	(7,968,018)	7,968,018	3,811,434
3	CAD	(51,958)	74.00	(3,844,863)	3,844,863	2,753,501
4	CHF	(22,597)	87.15	(1,969,249)	1,969,249	180,817
5	CNY	(10,094)	11.02	(111,185)	111,185	83,103
6	DKK	(920)	13.48	(12,397)	12,397	53,865
7	EUR	(48,737)	100.71	(4,908,333)	4,908,333	1,785,165
8	GBP	1,855	114.81	212,952	212,952	2,671,812
9	HKD	(138,430)	9.08	(1,256,944)	1,256,944	1,287,828
10	INR	(123,508,919)	1.60075	(197,706,902)	197,706,902	91,561,394
11	JPY	(17,432,722)	0.90	(15,654,584)	15,654,584	228,850
12	MYR	(3,886)	23.53	(91,418)	91,418	159,928
13	NOK	(32,673)	12.86	(420,015)	420,015	418,306
14	QAR	(21,216)	19.37	(410,954)	410,954	147,824
15	SAR	(46,489)	18.81	(874,226)	874,226	1,204,831
16	SEK	(3,350)	10.77	(36,080)	36,080	-
17	SGD	(41,886)	58.45	(2,448,002)	2,448,002	141,021
18	THB	(23,000)	2.37	(54,395)	54,395	3,893
19	USD	1,847,942	71.20	131,573,460	131,573,460	5,890,650
<b>Total Open Position (a)</b>					<b>370,024,403</b>	<b>112,903,393</b>
<b>Fixed Percentage (b)</b>					<b>5%</b>	<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>					<b>18,501,220</b>	<b>5,645,170</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) times (d)</b>					<b>10</b>	<b>10</b>
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>					<b>185,012,202</b>	<b>56,451,697</b>



## Principal Indicators for Last Five Years

Schedule 31

Amount in NPR

PARTICULARS	UNIT	FY	FY	FY	FY	FY
		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
		2063/2064	2064/2065	2065/2066	2066/2067	2067/2068
Net Profit/Total Income	Percent	34.90	41.58	39.96	22.13	25.46
Per Share Income	Rs.	60.66	62.74	61.90	31.80	44.66
Per Share Market Value	Rs.	1740	1980	1760	816	575
Price Earning Ratio	Ratio	28.69	31.56	28.43	25.66	12.88
Dividend on Share Capital (Including Bonus)	Percent	40.00	45.00	43.56	36.84	36.84
Cash Dividend on Share Capital	Percent	15.00	25.00	12.00	11.84	16.84
Interest Income/Loan and Advances	Percent	9.98	9.73	9.18	10.81	13.12
Staff Expenses/Total Operating Expenses	Percent	47.40	45.91	47.54	46.83	47.06
Interest Expenses on Total Deposit	Percent	2.55	2.59	2.70	4.13	5.90
FX Fluctuation Gain/Total Income	Percent	6.71	8.27	8.51	4.80	3.66
Staff Bonus/Total Staff Expenses	Percent	19.78	24.51	22.81	15.41	19.30
Net Profit/Loan and Advances	Percent	2.89	3.26	3.04	1.82	2.83
Net Profit/Total Assets	Ratio	1.47	1.76	1.91	1.19	1.91
Total Loan/Deposits	Percent	59.22	63.37	73.58	77.43	80.57
Total Operating Expenses/Total Income	Percent	30.32	29.14	29.49	25.60	22.88
Capital Adequacy Ratio:						
a. Core Capital	Percent	9.61	9.36	8.81	8.68	8.88
b. Supplementary Capital	Percent	1.51	3.06	2.21	2.04	1.80
c. Total Capital Fund	Percent	11.13	12.42	11.02	10.72	10.68
Liquidity ( CRR )	Percent	5.92	5.13	6.76	6.76	5.75
Non-performing Loan/Total Loan	Percent	3.61	2.36	2.16	3.52	4.22
Weighted Average Interest Rate Spread	Percent	3.57	3.66	3.66	4.21	3.96
Book Network per share	Rs.	264.74	247.95	256.52	226.79	199.77
Total Share	Number	8,108,100	10,135,125	12,162,150	16,000,000	20,000,000
<b>Total Staff</b>	<b>Number</b>	<b>584</b>	<b>591</b>	<b>591</b>	<b>577</b>	<b>647</b>

## Significant Accounting Policies

Schedule 32

### 1. General Information

Himalayan Bank Limited ("the Bank") is a public limited liability company domiciled in Nepal, with its registered office as G.P.O. Box No. 20590, Karmachari Sanchaya Kosh Building, Thamel, Kathmandu, Nepal. The Bank is a Joint-venture of Habib Bank Limited, Pakistan & is licensed by Nepal Rastra Bank, the central bank of Nepal, to carry out commercial banking activities in Nepal as class 'A' financial institution under the Bank and Financial Institution Act, 2063. The Bank is listed in Nepal Stock Exchange Limited.

### 2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation & presentation of the financial statements of the Bank are stated herein below. The said policies have been consistently applied to all the years presented, unless stated otherwise.

#### 2.1 Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards (NAS) except as otherwise stated; generally accepted accounting principles; Banks and Financial Institutions Act, 2063; directives issued by Nepal Rastra Bank and the Company Act, 2063.

#### 2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention. The preparation of the financial statements in conformity with NAS and generally accepted accounting principles requires the use of certain critical accounting estimates as well as management's judgement & discretion in the process of applying the Bank's accounting policies.

#### 2.3 Interest Income

Interest income on loans and advances is recognised on cash basis as per the directives issued by Nepal Rastra Bank, which however is not in conformity with Nepal Accounting Standards that requires income recognition on accrual basis.

Interest income on Investments, however, is recognized on accrual basis.

#### 2.4 Fees and Commission Income

Commission and fee income on bills purchased and discounted, guarantees and documentary credit are booked at the time of transaction.

#### 2.5 Dividend Income

Dividend income (net of withholding tax) is accounted for as and when right to receive is established.

#### 2.6 Foreign Exchange Transactions

Foreign currency assets and liabilities are translated into local currency at mid exchange rate prevailing on the Balance Sheet date. Net differences arising from such conversion is accounted for as "Revaluation gain/(Loss)". As required by NRB Directives, 25% of such revaluation gain during the accounting year is transferred

to Exchange Fluctuation Reserve by charging to Profit and Loss Appropriation Account. Income/(expenses) arising due to the differences between buying and selling rates of foreign currencies are accounted for as trading gain/(loss).

#### 2.7 Recovery from written-off Loans

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

All transaction costs viz., legal costs, commission fee etc. incurred for the recovery of written-off loans are included in Schedule 24 (Legal Expenses) of the financial statements.

#### 2.8 Interest Expenses

Interest expenses on deposit liabilities & borrowings from other banks are accounted for on accrual basis.

#### 2.9 Loans and Advances, Overdraft and Bills Purchased

Loans and advances, overdrafts and bills purchased represent direct financing provided to the customers & include all long / short term loans, consumer loans, credit card facilities & loans given to the deprived sector. Such loans are subject to regular review and are classified as per the directives issued by Nepal Rastra Bank. Loans and advances including bills purchased are shown net of loan loss provision.

#### 2.10 Staff Loans

Loans and advances provided to staff in accordance with the Bank's policies are shown under Other Assets.

#### 2.11 Loan Loss Provision

Provision for possible losses on loans and advances & bills purchased is provided at 1.0% to 100% on the basis of assets classification in accordance with NRB Directives. Additional provision over the prescribed requirement is provided at the discretion of the management on prudent basis.

#### 2.12 Loans & Advances Write off

Loans and advances classified as loss loan for at least a year and deemed irrecoverable are written off in accordance with the by-laws of the Bank duly approved by Nepal Rastra Bank.

Amounts recovered against loans written off in earlier years are recognized as income in the profit and loss account in the year of recovery.

#### 2.13 Investments

The investments held by the Bank comprise following three categories as per NRB Directives:

- a) **Held For Trading:** These investments are held primarily with an intention of resale over a short period of time. Any gain or loss arising from trading / revaluation are recognised in Profit and Loss Account.
- b) **Held Till Maturity:** These investments are purchased with positive intent and ability to hold till maturity and are recorded at cost or at cost adjusted for amortisation of premiums or discounts. Premiums paid on acquiring these investments are subsequently amortized as

reversal of interest income on proportionate basis till the maturity date. Any impairment losses arising in such investments are provisioned and charged in the Profit or Loss Account.

- c) **Available for Sale:** These investments are held for sale rather than continuing to hold and are initially measured at cost and subsequently recognised at market value. Gains or losses arising from sale / revaluation are recognised on Investment Adjustment Reserve / Retained Earning. The investments classified under this category but not listed in the stock exchange, are carried at cost at the Balance Sheet. Amount equivalent to at least 2% of such investments are earmarked as Investment Adjustment Reserve from the Retained Earnings in line with NRB Directives.

#### 2.14 Fixed Assets and Depreciation

- a. Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that are directly attributable to the acquisition of the assets.
- b. Non-consumable items normally having useful life of less than one year and / or costing less than Rs.5,000 are expensed off in the year of purchase.
- c. Fixed assets other than freehold land are depreciated on diminishing balance method at the following rates:

S.N.	NATURE OF ASSETS	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 on the assets acquired during the accounting year is charged from the month subsequent to the date of acquisition, whereas depreciation on the assets disposed off during the year is charged up to the month prior to disposal.

Depreciation for Income Tax purpose is calculated at the rates and manners prescribed by the Income Tax Act, 2058.

#### 2.15 Amortization

Software applications purchased by the Bank are amortized over a period of 5 years from the month of purchase. Licence fees paid by the Bank are amortized over the period of the licence. Leasehold improvements are amortized in equal annual instalments over the period of lease.

#### 2.16 Lease Rental

All leases entered into by the Bank are operating leases. Total payments made under operating leases are charged to profit and loss account as 'Other Operating Expenses' on monthly basis.

#### 2.17 Retirement Benefits

The Bank has provision of Gratuity and Provident Fund as retirement benefits to the employees. Expenses on account of Gratuity and Provident Fund are recognised on accrual basis with contributions made in accordance with the provisions of the Bank's Staff Service By-Laws. Such contributions are transferred to the Approved Retirement Fund (an entity independent of the Bank) on regular basis as per the rules and regulations of the said Retirement Fund.

#### 2.18 Staff Leave Encashment Provision

Accumulated staff leave liability is accounted for on accrual basis. Leave balance in excess of 120 days of annual leave & 90 days of sick leave as on mid April is encashed each year as per the amendment in the Staff Service By-Laws.

#### 2.19 Employees' Housing Scheme

In view of provision of housing loan facilities to its employees, Bank does not make provision for Employees' Housing Fund as required under the Labour Act, 2048.

#### 2.20 Income and Deferred Taxes

##### a. Corporate Tax:

Corporate Income Tax liability has been calculated as per the provisions of Income-Tax Act, 2058.

##### b. Deferred Tax:

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are recognized where the carrying amount of the assets exceeds its tax base so that taxable economic benefits arising in future will exceed the amount that will be allowed as deduction for tax purposes.

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

#### 2.21 Non- Banking Assets

Non-Banking Assets are the assets obtained as security for loans & advances subsequently taken over by the Bank in the course of loan recovery. Such assets are valued at fair market value (Panchakrit Mulya) or total amount due from the borrower, whichever is lower as per NRB directives.

Provision for possible losses on non banking assets is made as per the directives of Nepal Rastra Bank.

## Notes to Accounts

Schedule 33

For the Financial Year July 16, 2010 to July 16, 2011 (Shrawan 01, 2067 to Ashadh 32, 2068)

### 1. Status of Bank Reconciliation

#### With Nepal Rastra Bank

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	253,773,295	170,999,762	121,836,525	320,776,166
1 to 3 months	2,332,046	7,736,397	20,040,876	3,318,378
3 to 6 months	2,560,550	11,218,457	12,590,711	222,830
6 to 12 months	22,847	9,281,331	3,310,048	2,989,745
1 to 2 years	90,900	2,014,140	2,123,773	25,868
above 2 years		1,380,895	52,201	206,328
<b>Total</b>	<b>258,779,638</b>	<b>202,630,982</b>	<b>159,954,133</b>	<b>327,539,315</b>

#### With Other Authorized Local Financial Institutions

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	18,418,327	5,852,417	242,835	3,228,379
1 to 3 months	4,710,050	1,236,452	1,223,671	(In Rs2)
3 to 6 months	77,134	39,083	616,128	278,034
6 to 12 months	151,497	39,909	4,200	154,150
1 to 2 years	23,757	233,120	239,232	3,066
above 2 years	-	23,236	2,000	210,968
<b>Total</b>	<b>23,380,765</b>	<b>7,424,216</b>	<b>2,328,066</b>	<b>3,874,599</b>

#### With Foreign Banks

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	215,419,342	165,575,354	235,250,600	308,145,761
1 to 3 months	14,654,374	23,471,521	14,671,691	49,434,881
3 to 6 months	8,105,909	3,877,510	4,384,251	24,817,488
6 to 12 months	16,404,406	1,384,283	1,963,488	10,488,571
1 to 2 years	5,914,740	1,675,979	2,298,947	6,353,598
above 2 years	17,946	1,116,119	40,245	8,098,492
<b>Total</b>	<b>260,516,718</b>	<b>197,100,766</b>	<b>258,609,223</b>	<b>407,338,791</b>

A sum of Rs.54,540,841 (Debit Balance) is outstanding in Inter Branch Account. Major part of these pending entries pertain to payments made by branches through Head Office, inter-branch transfers etc.

### 2. Amortization of expenses not written off

Expenses incurred by way of construction and other improvements 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 instalments over the lease period. Accordingly, Rs.22,407,942 has been amortized during the year, leaving a balance of Rs.90,364,087 for future amortization (Previous year amortized Rs.20,013,512 and balance Rs.92,201,577).

The computer software has been capitalized as Deferred Revenue Expenditure for amortization within five years effective from the date of

commencement of operation and from the date of purchase including any subsequent purchase. Accordingly, a sum of Rs.24,694,607 has been amortized during the year, leaving a balance of Rs.89,351,717 for future amortization (Previous year amortized Rs. 19,027,124 and balance Rs. 63,359,278).

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.92,717 has been amortized during the year under review, leaving a balance of Rs.120,999 (Previous year amortized Rs 121,842 and balance Rs 124,306)

### 3. Summary of Loans and Advances

Rs. in '000

PARTICULARS	2009-10	2010-11	CHANGE %
Loan & Advances outstanding as at the year end	29,123,755	32,968,270	13.20
Loan Written-off during the year	43,089	1,625	(96.23)

### 4. Summary of Changes in Deposit Liabilities

Rs. in '000

PARTICULARS	2009-10	2010-11	CHANGE %
Interest Free Deposits	4,692,496	4,913,615	4.72
Interest Bearing Deposits	32,918,706	36,007,012	4.91
<b>Total</b>	<b>37,611,202</b>	<b>40,920,627</b>	<b>8.80</b>

### 5. Weighted Average Interest Rate Spread

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	11.11
Weighted Average Interest Rate on Deposits, Bonds and Borrowing	7.15
<b>Net Spread</b>	<b>3.96</b>

### 6. Details of Deferred Expenses

Figure in Rs

PARTICULARS	2009-10	2010-11
1. At Cost	173,239,756	223,957,067
a) Upto Last Year	140,343,077	173,239,756
b) Addition this year	32,896,679	50,717,311
c) Deduction this year	-	-
2. Amortization	109,756,172	134,484,350
<b>3. Remaining Value</b>	<b>63,483,584</b>	<b>89,472,717</b>

### 7. Summary of Concentration of Exposure

Figures in Millions Rs.

PARTICULARS	LOAN AND ADVANCES	CONTINGENT
Total Amount as on 16 July 2011	32,968	8,516
Highest Exposure to single unit	609	257
Highest % of exposure to single unit	1.84	3.02



**8. Classification of Assets and Liabilities based on Maturity**

Figures in Rs. '000

PARTICULARS	UP TO 90 DAYS	91 TO 180 DAYS	181 TO 270 DAYS	271 TO 365 DAYS	ABOVE 1 YR.	TOTAL
<b>Assets</b>						
Cash Balance	632,046	-	-	-	-	632,046
Balance with Banks	403,353	-	-	-	1,929,252	2,332,605
Money at Call	734,000	-	-	-	-	734,000
Treasury Bills	1,391,216	1,312,897	918,645	1,102,827	-	4,725,585
Govt. Bonds	-	-	-	-	1,681,778	1,681,778
Other Investments	635,460	527,910	314,310	242,400	642,496	2,362,576
Loans & Advances /Bills purchase	12,826,289	4,720,699	3,558,213	1,688,239	10,174,831	32,968,270
Fixed Assets	-	-	-	-	1,187,493	1,187,493
Other Assets	302,282	165,724	67,085	47,131	930,922	1,513,144
<b>Total Assets (A)</b>	<b>16,924,646</b>	<b>6,727,230</b>	<b>4,858,254</b>	<b>3,080,596</b>	<b>16,546,772</b>	<b>48,137,497</b>
<b>Liabilities</b>						
<b>Borrowings</b>						
Current Deposits	923,562	738,850	923,562	923,562	184,712	3,694,249
Call Deposits	6,505,078	-	-	-	-	6,505,078
Saving Deposits	3,998,641	1,599,456	799,728	3,998,641	5,598,097	15,994,564
Fixed Deposits	1,719,581	2,367,485	2,705,415	4,171,480	2,543,410	13,507,370
Margin Deposits	1,219,365	-	-	-	-	1,219,365
Bills Payable	31,656	-	-	-	-	31,656
Bonds	-	-	-	-	500,000	500,000
Share Capital & Reserves	-	-	-	-	3,995,478	3,995,478
Other Liabilities	1,142,059	10,014	14	77,397	1,460,253	2,689,737
<b>Total Liabilities (B)</b>	<b>15,539,942</b>	<b>4,715,805</b>	<b>4,428,719</b>	<b>9,171,080</b>	<b>14,281,951</b>	<b>48,137,497</b>
<b>Net Financial Assets (A-B)</b>	<b>1,384,704</b>	<b>2,011,424</b>	<b>429,535</b>	<b>(6,090,484)</b>	<b>2,264,821</b>	-
<b>Cumulative Net Financial Assets</b>	<b>1,384,704</b>	<b>3,396,128</b>	<b>3,825,663</b>	<b>(2,264,821)</b>	-	

NOTE: A) Loan has been categorized in Gross amount &amp; provision provided is included in other liabilities under above 1 year bucket.

B) The Bank has no borrowings against the collateral of its own assets.

**9. Paid up Share Capital**

FINANCIAL YEAR	CUMULATIVE PAID UP CAPITAL RS.	REMARKS
Initial capital	60,000,000.00	
F.Y.1994-95 (BS 2051-52)	120,000,000.00	Issue of 100% bonus share
F.Y. 1997-98 (BS 2054-55)	192,000,000.00	Issue of 60% bonus share
F.Y. 1998-99 (BS 2055-56)	240,000,000.00	Issue of 25% bonus share
F.Y. 1999-00 (BS 2056-57)	300,000,000.00	Issue of 25% bonus share
F.Y. 2000-01 (BS 2057-58)	390,000,000.00	Issue of 30% bonus share
F.Y. 2001-02 (BS 2058-59)	429,000,000.00	Issue of 10% bonus share
F.Y. 2002-03 (BS 2059-60)	536,250,000.00	Issue of 25% bonus share
F.Y. 2003-04 (BS 2060-61)	643,500,000.00	Issue of 20% bonus share
F.Y. 2004-05 (BS 2061-62)	772,200,000.00	Issue of 20% bonus share
F.Y. 2005-06 (BS 2062-63)	810,810,000.00	Issue of 5% bonus share
F.Y. 2006-07 (BS 2063-64)	1,013,512,500.00	Issue of 25% bonus share
F.Y. 2007-08 (BS 2064-65)	1,216,215,000.00	Issue of 20% bonus share
F.Y. 2008-09 (BS 2065-66)	1,600,000,000.00	Issue of 31.56% bonus share
F.Y. 2009-10 (BS 2066-67)	2,000,000,000.00	Issue of 25% bonus share

**10. Dividend and Bonus**

The Board of Directors has recommended 16.8421% cash dividend &amp; 20% stock dividend for the financial year.

**11. Unpaid Dividend**

As on the balance sheet date, unpaid dividend over five years amounts to Rs. 3,357,756.

**12. Deferred Tax**

Deferred income taxes are calculated on temporary differences using an effective tax rate of 30%.

The items attributable to deferred income tax assets and liabilities and their movement are as follows:

	BALANCE 16 JUL 2010	BALANCE 16 JUL 2011
Deferred Tax Assets / (Liabilities)		
On fiscal allowance of fixed assets	(19,296,961)	(24,545,892)
On other temporary differences	27,652,182	27,447,171
Deferred Tax Assets / (Liabilities)	8,355,221	2,901,279

The movement during the year is credited to the profit and loss account.

Explanation of the relationship between tax expense and accounting profit is presented below:

	AMOUNT IN RS. CURRENT YEAR
Accounting Profit Before Tax	1,237,733,656
Tax at the applicable rate of 30%	371,320,097
Tax effect of expenses/(income) that are not deductible/included in determining taxable profit	
Donation	162,308
Dividend Income	(2,513,676)
Profit on Sale of Assets	(1,747,500)
Expenses Written Off	76,704
Loan Written Off	487,796
Provision for NBA written back	(4,852,500)
Recovery of Loan written Off	(31,175,403)
Provision for Other Assets	75,000
Provision for Investment	364,458
Prior Period Tax	813,229
Tax expenses before adjustment of temporary differences	333,010,512
Tax effect of expenses/(income) that are deductible/included in determining taxable profit	6,154,057
Deferred tax adjustment	5,453,942
Tax Expense	344,618,512

### 13. Provision for Gratuity

During the year, the Bank has provided Rs.58,946,092 (Previous Year Rs. 30,928,751) on account of gratuity .

### 14. Provision for Bonus

Provision for bonus has been made as per the Bonus Act, 2030 and provided for at 10% of net profit, after making adjustments for loan loss provision and bonus.

### 15. Staff Leave Encashment Provision

Provision for staff leave expenses amounting to Rs 15,115,630 has been charged to the profit and loss account during the year.

### 16. Investments in Visa Card International

Visa Card International on conversion into a private stock corporation allocated its franchisee class C common stock to members in recognition of their membership interest. The bank currently holds 5,860 units of class C common stock.

### 17. Interest suspense

Out of the total Interest Receivable outstanding as at year-end, Rs.11,618,830 was recovered during the following one month. The amount has been recognised as income in line with the time extension given by Nepal Rastra Bank (circular Bai.Bi.Ni.Bi/Niti/Paripatra/01/068/69, dated July 19, 2011).

Accrued interest amounting to Rs.892,259 pertaining to NBA is included in the total interest suspense. The interest suspense related to NBA is recognized as income only on realization of NBA.

### 18. Contingent Liability

Beneficiaries of bank guarantees have claimed Rs.19,686,000, which the bank has not accepted as debt.

Self assessment returns filed by the bank for the financial years 2007-08 (2064-65 BS), 2008-09 (2065-66) & 2009-10 (2066-67) are pending for assessment at the Inland Revenue Department. Assessments of the years prior to those mentioned above have been completed and taxes fully settled. However, the bank has gone for administrative review of tax assessment done by the department for FY 2006-07 (2063-64), with respect to which a sum of Rs. 26,879,423 has been shown as contingent liability.

### 19. Related Parties Disclosure

Habib Bank Ltd. is a joint venture partner with the bank holding 20% of total share capital. During the review period Rs.31,999,984 has been repatriated to Habib Bank on account of dividend payable for FY.2066-67.

### Key Management Personnel

Key Management Personnel of the Banks includes Directors of the Board and Chief Executive Officer and are as follows:

Mr. Manoj Bahadur Shrestha	Chairman
Mr. Ashraf M. Wathra	Vice Chairman
Mr. Prem Prakash Khetan	Second Vice Chairman
Mr. Prachanda Bahadur Shrestha	Director
Mr. Bijaya Bahadur Shrestha	Director
Dr. Ramesh Kumar Bhattarai	Director
Mr. Sushil Bikram Thapa	Director
Mr. Upendra Keshari Poudyal	Director
Mrs. Ranjana Shrestha	Alternate Director
Mr. Surendra Silwal	Alternate Director
Mrs. Menuka Shrestha	Alternate Director
Mr. Rajendra Kafle	Alternate Director
Mr. Sunil Bahadur Thapa	Alternate Director
Mr. Ashoke S. Rana	Chief Executive Officer

● **Compensation to Key Management Personnel of the Bank**

Total of Compensation paid to Chief Executive Officer for the year is Rs.9,843,736 comprising of the following -

A) Short Term Employment Benefits	Rs.9,843,736 (Salary, Allowance, PF, Telephone/Mobile,)
B) Post Employment Benefits	NIL
C) Other Long Term Benefits	NIL
D) Termination Benefits	NIL
E) Share Based Payment	NIL

Chief Executive Officer is also provided the following benefits:

- Benefits as per Staff Service Bye-laws,
- Bonus to local staff as per Bonus Act,
- Vehicle Facility

● **Transaction with Key Management Personnel of the Bank**

The following provides transactions between the Bank and Key Management Personnel of the Bank during the year.

	<i>Amount in Rs.</i>
<b>NATURE OF TRANSACTION</b>	<b>CURRENT YEAR</b>
Meeting Fees Paid	885,600
Allowance and other fees & expenses	6,414,580

**20. Operating Lease Commitment**

The future minimum lease payment under non-cancellable operating leases with the bank as lessee is NIL.

**21. Disclosure under New Capital Adequacy Framework**

**I. Capital structure and capital adequacy**

**a. Tier 1 capital and a breakdown of its components:**

<b>SN</b>	<b>PARTICULARS</b>	<b>AMT IN RS.</b>
	<b>Core Capital (Tier I)</b>	<b>3,916,970,800</b>
1	Paid up Equity Share Capital	2,000,000,000
2	Statutory General Reserves	1,191,423,439
3	Retained Earnings	32,931,797
4	Proposed Bonus Equity Shares	400,000,000
5	Capital Adjustment Reserve	-
6	Debenture Redemption Reserve	285,714,285
7	Special Reserve	4,000,000
8	Deferred Tax Reserve	2,901,279

**b. Tier 2 capital and a breakdown of its components:**

<b>SN</b>	<b>PARTICULARS</b>	<b>AMT IN RS.</b>
	<b>Supplementary Capital (Tier II)</b>	<b>794,272,695</b>
1	Subordinated Term Debt	400,000,000
2	General loan loss provision	315,765,222
3	Exchange Equalization Reserve	29,769,898
4	Investment Adjustment Reserve	48,737,575

**c. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised during the year and amount eligible to be reckoned as capital funds:**

Bond Issued	HBL Bond 2072
Outstanding Amount	NPR 500,000,000
Interest Rate	8%
Maturity Date	July 2015
Interest Payment	Half Yearly Basis
Tenor	7 Years
Amount recognised as capital	NPR 400,000,000

**d. Total qualifying capital:**

<b>SN</b>	<b>PARTICULARS</b>	<b>AMT IN RS.</b>
1	Core Capital (Tier I)	3,916,970,800
2	Supplementary Capital (Tier II)	794,272,695
	<b>Total</b>	<b>4,711,243,495</b>

**e. Capital adequacy ratio:**

Core Capital to Total Risk weighted Exposure	8.88
Total Capital to Total Risk Weighted Exposure	10.68

**II. Risk exposures**

**a. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk**

<b>SN</b>	<b>PARTICULARS</b>	<b>AMT IN RS.</b>
a	Risk Weighted Exposure for Credit Risk	39,545,254,061
b	Risk Weighted Exposure for Operational Risk	2,953,963,235
c	Risk Weighted Exposure for Market Risk	185,012,202
	<i>Adjustment under Pillar II</i>	-
	Add 2% of gross income for operational risk	586,607,505
	Add: 2% of total RWE for overall risk	853,684,590
	<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>44,124,521,593</b>

**b. Risk Weighted Exposures under each of 11 categories of Credit Risk**

<b>SN</b>	<b>PARTICULARS</b>	<b>AMT IN RS.</b>
1	Claims on government & central bank	-
2	Claims on other official entities	835,905,280
3	Claims on banks	892,024,263
4	Claims on domestic corporates & securities firms	20,062,416,439
5	Claims on regulatory retail portfolio	2,095,359,286
6	Claims secured by residential properties	782,840,169
7	Claims secured by commercial real estate	1,459,308,535
8	Past due claims	655,658,322
9	High risk claims	6,705,177,997
10	Other assets	2,538,971,452
11	Off balance sheet items	3,517,592,318
	<b>Total</b>	<b>39,545,254,061</b>

**c. Total Risk Weight Exposures calculation table**

SN	PARTICULARS	AMT IN RS.
1	Total Risk Weighted Exposure	44,124,521,593
2	Total Core Capital Fund (Tier I)	3,916,970,800
3	Total Capital Fund (Tier I & II)	4,711,243,495
	Total Core Capital to Total RWE	8.88
	Total Capital to Total RWE	10.68

**d. Amount of NPAs**

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION	NET NPA
1	Restructured Loan	188,464,341	78,620,452	109,843,889
2	Substandard Loan	216,053,013	54,038,564	162,014,449
3	Doubtful Loan	73,457,250	36,728,625	36,728,625
4	Loss Loan	913,773,379	913,773,379	-
	<b>Total</b>	<b>1,391,747,983</b>	<b>1,083,161,020</b>	<b>308,586,963</b>

**e. NPA ratios**

PARTICULARS	PERCENTAGE
Gross NPA to Gross Advances	4.22
Net NPA to Net Advances	0.98

**f. Movement of Non Performing Assets**

SN	LOAN CLASSIFICATION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Restructured Loan	188,464,341	183,285,864	2.83
2	Substandard Loan	216,053,013	122,760,170	76.00
3	Doubtful Loan	73,457,250	220,519,809	(66.69)
4	Loss Loan	913,773,379	681,551,983	34.07
	<b>Total</b>	<b>1,391,747,983</b>	<b>1,208,117,826</b>	<b>13.19</b>

**g. Write off of Loans and Interest Suspense**

PRINCIPAL	INTEREST	TOTAL (RS)
1,625,986	3,890,101	5,516,087

**h. Movements in Loan Loss Provisions and Interest Suspense****• Movement in Loan Loss Provision**

SN	LOAN CLASSIFICATION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Pass Loan	318,132,523	282,483,799	12.62
2	Restructured Loan	78,620,452	22,910,733	243.16
3	Substandard Loan	54,038,564	46,818,580	15.42
4	Doubtful Loan	36,728,625	110,259,905	(66.69)
5	Loss Loan	913,773,379	680,653,112	34.25
	<b>Total</b>	<b>1,401,293,543</b>	<b>1,143,126,129</b>	<b>22.58</b>

**• Movement in Interest Suspense**

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
Interest Suspense	606,810,870	500,244,635	21.30

**i. Segregation of Investment Portfolio**

PARTICULARS	AMT IN RS.
<b>Available for Sale</b>	
Investment in equity	88,787,200
<b>Held to Maturity</b>	
Investment in Treasury Bills	4,725,584,865
Investment in Government Bonds	1,681,777,676
<b>Placements</b>	<b>2,273,788,930</b>
	<b>8,681,151,471</b>

**III. Risk Management**

HLB has set up a control & monitoring mechanism to ensure compliance with the requirements of the Capital Adequacy Framework based on Basel II accord & at the same time achieve systematic risk assessment & management through strong internal control systems defining rights, authorities, roles and responsibilities at different levels of management and detailed working procedures for various operational aspects.

Credit Risk at HBL is being managed through implementation of Credit Policy Guidelines, Credit Policy Manual, and specific Product Documents developed for each banking product. The Risk Management Department reporting to the senior management through Executive Credit Officer identifies deviations and exceptions to these defined policies and procedures and processes them for approval of competent authorities after ascertaining justification for all such deviations & exceptions. A Portfolio Management Committee has been formed with the objective of monitoring the Bank's existing credit exposure in terms of portfolio diversification & assessing the potential for growth or realignment of credit portfolio in various sectors. A comprehensive credit risk assessment process has been defined which involves individual appraisal of all borrowers including corporate, institutional & SME borrowers against stipulated criteria & also encompasses assignment of credit ratings. The Board of Directors further reviews the overall credit risk on the basis of the current market conditions & management analysis & issue necessary instructions or amend the policies in order to strengthen the bank's credit portfolio.

The bank recognizes operational risk as a significant potential risk faced by banks. For proper management of the risk, the bank has developed and implemented different operation manuals like Cash & Customer Service Manual, Bills and Remittance Manual, Funds Transfer Manual, SMS and Internet Banking Manual, IT Policy, Document Retention Manual, Record & Reconciliation Manual etc. which define policy as well as procedural matters for the operation of banking activities at different levels. Compliance to these policy

& procedures, prudential guidelines and other directives and circulars issued by Nepal Rastra Bank is monitored centrally by Compliance & Internal Control Department. Heads of each business units and branch managers further collect data related to operational risks at local level and make reports to the Executive Operation Officer and General Manager at the Head Office. The management analyses these data, assesses risk and related internal control systems and takes corrective & preventive actions to remedy any breakdown in the system. Capital charge on account of exposure to operational risk is measured and reviewed by the senior management of the bank. The management is strongly committed towards maintaining a strong internal control system at all levels of banking activities in order to mitigate operational risks.

Risks associated with adverse movements in exchange rates, interest rates, liquidity and investment in equity are covered under market risk management. This risk is continuously monitored by the Treasury Department under direct supervision of the Executive Financial Officer & General Manager. A comprehensive treasury manual is in place which defines procedures & authority aimed at regulating the related activities including setting up of various risk limits, maintaining liquidity levels & risk hedging. Treasury Department further prepares net open position of all currencies on daily basis and reports to the management for further review & risk / return assessment. Periodic reporting is done to Assets Liabilities Management Committee which reviews the associated risks and returns, assesses the impact of the exposure on the bank's capital adequacy position and reports to the Board of Directors.

In addition to the credit, operational and market risk, the bank gives due significance to legal, reputation & other risks associated with banking activities as well. These risks are identified, assessed and monitored at regular intervals by the senior management. The Board of Directors also reviews these risks on the basis of feedback from the management & the prevailing market scenario & issue necessary instructions to the management. An effective MIS is in place which provides factual data on all risks, including credit, operational and market exposures which is instrumental in analysis & management of the risks & assessment of capital requirement.

A strong & effective internal control system continuously in operation is inevitable for smooth functioning of any organization. Management is primarily entrusted with the responsibility of ensuring that all control systems are in place & are functioning as required within the bank. Compliance & Internal Control Department at Head Office monitors the day to day functioning of the bank through off-site & on-site reviews with particular emphasis on proper functioning of internal control systems & makes reporting to the senior management along with recommendations for necessary corrective actions. Internal Audit function within the bank is fully independent with the department directly reporting to the Audit Committee of the Board. Any lapses or non-compliance with the stipulated control systems as identified during the audit of various business units, branches & departments is reported by the department to the Audit Committee & the Board where upon instructions are issued to the management to remedy such reported instances.

## 22. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Previous year figures have been reclassified / re-arranged to facilitate fair comparison, where necessary

## Statement of loans availed by promoters / shareholders falling under promoters' group from other banks and financial institutions by pledging shares of the Bank under their ownership

Schedule 34  
Amount in NPR

S. PROMOTERS / N. SHAREHOLDERS CLASSIFIED UNDER	SHARES REGISTERED IN THE NAME OF PROMOTERS		PARTICULARS OF LOAN			REMARKS
	TOTAL NO. OF SHARES	% OF PAID UP CAPITAL	NAME OF BANK / FINANCIAL INSTITUTION PROVIDING LOAN	LOAN AMOUNT (RS.)	NO. OF SHARES PLEGDED	
1 Ilu Sharma	26,399	0.13	Global Bank Ltd. Sunrise Bank Limited	1,583,000 1,850,000	5,758 14,821	
2 Sumit Kumar Agrawal	529,869	2.65	Nepal Bank Ltd	90,000,000	320,056	



## Comparison of Unaudited and Audited Financial Statements

Schedule 35

Amount in NPR

PARTICULARS	AS PER UNAUDITED FINANCIAL STATEMENTS	AS PER AUDITED FINANCIAL STATEMENTS	VARIANCE	VARIANCE %	REASONS FOR VARIANCE
<b>1. TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>48,084,350</b>	<b>46,736,204</b>	<b>(1,348,146)</b>	<b>(2.80)</b>	
1.1 Paid Up Capital	2,000,000	2,400,000	400,000	-	declaration of bonus shares
1.2 Reserve And Surplus	2,328,062	1,595,478	(732,584)	(31.47)	change in tax liability after audit, declaration of bonus shares & cash dividend
1.3 Debenture And Bond	500,000	500,000	-	-	
1.4 Borrowings	10,000	10,000	-	-	
1.5 Deposits (A + B)	40,920,627	40,920,627	-	-	
A. Domestic Currency	36,417,576	36,417,576	-	-	
B. Foreign Currency	4,503,051	4,503,051	-	-	
1.6 Income Tax Liability	-	-	-	-	
1.7 Other Liabilities	2,325,661	1,310,099	(1,015,562)	(43.67)	Provision for loan loss netted off with loans, regrouping of account balances
<b>2. TOTAL ASSETS (2.1 TO 2.7)</b>	<b>48,084,350</b>	<b>46,736,204</b>	<b>(1,348,146)</b>	<b>(2.80)</b>	
2.1 Cash And Bank Balance	2,964,364	2,964,651	287	0.01	recording of pending balance
2.2 Money At Call And Short Notice	734,000	734,000	-	-	
2.3 Investments	8,771,222	8,769,939	(1,283)	(0.01)	provision on investment
2.4 Loans And Advances	32,968,270	31,566,977	(1,401,293)	(4.25)	Netting off of loans & advances with provision made for possible losses
2.5 Fixed Assets	1,187,160	1,187,493	333	0.03	Adjustment of depreciation expenses
2.6 Non Banking Assets	-	-	-	-	
2.7 Other Assets	1,459,334	1,513,144	53,810	3.69	Regrouping of account balances, decrease in estimated tax liability
<b>3. PROFIT AND LOSS ACCOUNT</b>					
3.1 Interest Income	4,326,690	4,326,141	(549)	(0.01)	adjustment of interest suspense
3.2 Interest Expense	2,413,857	2,414,807	950	0.04	Booking of pending balances
<b>A. Net Interest Income (3.1 - 3.2)</b>	<b>1,912,833</b>	<b>1,911,333</b>	<b>(1,500)</b>	<b>(0.08)</b>	
3.3 Fees, Commission And Discount	352,281	350,365	(1,916)	(0.54)	Regrouping of account balances
3.4 Other Operating Income	129,516	129,517	-	-	
3.5 Foreign Exchange Gain/Loss (Net)	195,528	195,529	-	-	
<b>B. Total Operating Income (A. + 3.3 + 3.4 + 3.5)</b>	<b>2,590,158</b>	<b>2,586,744</b>	<b>(3,414)</b>	<b>(0.13)</b>	
3.6 Staff Expenses	515,789	517,592	1,803	0.35	booking of expenses in excess of provision made
3.7 Other Operating Expenses	585,861	582,210	(3,651)	(0.62)	Reversal of excess provision made for expenses
<b>C. Operating Profit Before Provision (B. - 3.6 - 3.7)</b>	<b>1,488,508</b>	<b>1,486,942</b>	<b>(1,566)</b>	<b>(0.11)</b>	
3.8 Provision For Possible Losses	226,031	471,729	245,698	108.70	adjustment of loan loss provision, disclosure of gross increase
<b>D. Operating Profit (C. - 3.8)</b>	<b>1,262,477</b>	<b>1,015,213</b>	<b>(247,264)</b>	<b>(19.59)</b>	
3.9 Non Operating Income / Expenses (Net)	15,859	15,856	(3)	(0.02)	additional income / expense booked
3.10 Write Back Of Provision For Possible Loss	17,648	228,146	210,498	1,192.76	adjustment of loan loss provision, disclosure of gross decrease
<b>E. Profit From Regular Activities (D. + 3.9 + 3.10)</b>	<b>1,295,984</b>	<b>1,259,215</b>	<b>(36,769)</b>	<b>(2.84)</b>	
3.11 Extraordinary Income / Expenses (Net)	102,069	102,292	223	0.22	additional income booked
<b>F. Profit Before Bonus And Taxes (E. + 3.11)</b>	<b>1,398,053</b>	<b>1,361,507</b>	<b>(36,546)</b>	<b>(2.61)</b>	
3.12 Provision For Staff Bonus	127,096	123,773	(3,323)	(2.61)	Decrease in net profit before tax
3.13 Provision For Tax	382,100	344,619	(37,481)	(9.81)	Decrease in tax liability on final computation
<b>G. Net Profit / Loss (F. - 3.12 - 3.13)</b>	<b>888,857</b>	<b>893,115</b>	<b>4,258</b>	<b>0.48</b>	

## Unaudited Financial Results

PARTICULARS ENDING	THIS QUARTER QUARTER ENDING	PREVIOUS PREVIOUS YEAR QUARTER ENDING	CORRESPONDING
<b>1. TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>48,084,350</b>	<b>46,600,754</b>	<b>43,860,251</b>
1.1 PAID UP CAPITAL	2,000,000	2,000,000	2,000,000
1.2 RESERVE AND SURPLUS	2,328,062	2,104,932	1,439,205
1.3 DEBENTURE AND BOND	500,000	500,000	500,000
1.4 BORROWINGS	10,000	200,000	-
1.5 DEPOSITS (A + B)	40,920,627	39,569,419	37,611,202
A. DOMESTIC CURRENCY	36,417,576	35,070,288	33,314,565
B. FOREIGN CURRENCY	4,503,051	4,499,131	4,296,637
1.6 INCOME TAX LIABILITY	-	-	-
1.7 OTHER LIABILITIES	2,325,661	2,226,403	2,309,844
<b>2. TOTAL ASSETS (2.1 TO 2.7)</b>	<b>48,084,350</b>	<b>46,600,754</b>	<b>43,860,251</b>
2.1 CASH AND BANK BALANCE	2,964,364	3,358,656	3,866,491
2.2 MONEY AT CALL AND SHORT NOTICE	734,000	340,175	308,840
2.3 INVESTMENTS	8,771,222	8,373,417	8,444,910
2.4 LOANS AND ADVANCES	32,968,270	31,868,489	29,123,755
a. Real Estate Loan	3,650,371	2,796,206	3,069,568
1. Residential Real Estate (except Personal Home Loan upto Rs. 80 Lacs)	207,819	152,720	125,022
2. Business Complex & Residential Apartment Construction	1,090,280	1,031,255	915,887
3. Income Generating Commercial Complex Loan	214,881	187,717	114,738
4. Other Real Estate Loan (including Land Purchase & Plotting)	2,137,391	1,424,514	1,913,921
b. Personal Home Loan of Rs. 80 Lacs or less	1,143,727	1,044,013	850,316
c. Margin Type Loan	989,730	866,492	1,266,161
d. Term Loan	5,128,681	5,251,531	4,727,100
e. Overdraft Loan/TR Loan/WC Loan	17,089,381	17,175,652	15,359,186
f. Others	4,966,380	4,734,595	3,851,424
2.5 FIXED ASSETS	1,187,160	1,166,174	1,061,871
2.6 NON BANKING ASSETS	-	-	-
2.7 OTHER ASSETS	1,459,334	1,493,844	1,054,384
<b>3. PROFIT AND LOSS ACCOUNT</b>			
3.1 INTEREST INCOME	4,326,690	3,073,680	3,148,605
3.2 INTEREST EXPENSE	2,413,857	1,712,778	1,553,531
<b>A. NET INTEREST INCOME (3.1 - 3.2)</b>	<b>1,912,833</b>	<b>1,360,902</b>	<b>1,595,074</b>
3.3 FEES, COMMISSION AND DISCOUNT	352,281	237,184	270,259
3.4 OTHER OPERATING INCOME	129,516	85,857	112,346
3.5 FOREIGN EXCHANGE GAIN/LOSS (NET)	195,528	131,463	180,279
<b>B. TOTAL OPERATING INCOME (A+3.3+3.4+3.5)</b>	<b>2,590,158</b>	<b>1,815,406</b>	<b>2,157,958</b>
3.6 STAFF EXPENSES	515,789	305,171	414,984
3.7 OTHER OPERATING EXPENSES	585,861	410,215	471,103
<b>C. OPERATING PROFIT BEFORE PROVISION (B-3.6-3.7)</b>	<b>1,488,508</b>	<b>1,100,020</b>	<b>1,271,871</b>
3.8 PROVISION FOR POSSIBLE LOSSES	226,031	181,602	692,640
<b>D. OPERATING PROFIT (C - 3.8)</b>	<b>1,262,477</b>	<b>918,418</b>	<b>579,231</b>
3.9 NON OPERATING INCOME / EXPENSES (NET)	15,859	15,736	12,382
3.10 WRITE BACK OF PROVISION FOR POSSIBLE LOSSES	17,648	15,200	265,542
<b>E. PROFIT FROM REGULAR ACTIVITIES (D + 3.9 + 3.10)</b>	<b>1,295,984</b>	<b>949,354</b>	<b>857,156</b>
3.11 EXTRAORDINARY INCOME / EXPENSES (NET)	102,069	96,772	(25,856)
<b>F. PROFIT BEFORE BONUS AND TAXES (E + 3.11)</b>	<b>1,398,053</b>	<b>1,046,126</b>	<b>831,300</b>
3.12 PROVISION FOR STAFF BONUS	127,096	95,102	75,573
3.13 PROVISION FOR TAX	382,100	285,307	246,929
<b>G. NET PROFIT / LOSS (F - 3.12 - 3.13)</b>	<b>888,857</b>	<b>665,717</b>	<b>508,798</b>
<b>4. RATIOS</b>			
4.1 CAPITAL FUND TO RWA	11.45	11.47	10.72
4.2 NON PERFORMING LOAN (NPL) TO TOTAL LOAN	3.92	3.87	3.52
4.3 TOTAL LOAN LOSS PROVISION TO TOTAL NPL	105.74	107.21	111.54
4.4 COST OF FUNDS	7.15	6.86	4.80
4.5 CREDIT TO DEPOSIT RATIO (As per NRB Directives)	76.96	77.48	79.29
<b>5. ADDITIONAL INFORMATION</b>			
5.1 AVERAGE YIELD	11.11	10.77	8.98
5.2 NET INTEREST SPREAD	3.96	3.91	4.18
5.3 RETURN ON EQUITY - ROE	22.90	23.53	15.51
5.4 RETURN ON ASSETS - ROA	1.93	1.96	1.21





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