

WHERE
GROWTH IS
PROMINENT



Annual Report 2012/13



हिमालयन बैंक लिमिटेड
Himalayan Bank Limited
THE POWER TO LEAD

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Our 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.

Our 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.

Objective

To become the Bank of first choice is the main objective of the Bank.

About us

We at Himalayan Bank believe that we are 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. With a helping hand to assist along the path of progress, these dreams could be achieved. We believe we have a strong role to play in these endeavors for growth by stepping in to help financially. Whether it is for business establishment or business growth, manageable social obligation, children's education, housing needs, medical expenses etc., we can step in as a helping hand.

With so many banks and financial institutions in the market, what makes us so different? Himalayan Bank being one of the most experienced banks in the country

was established as one of the first four private commercial banks and has a solid portfolio of commendable and unimpeachable achievements. We have helped many people to stand on their own feet. We have assisted many entrepreneurs to set up their businesses and have supported many people in their time of need. Our products have the flexibility to be tailored as per requirement of our clientele.

Himalayan Bank Ltd (HBL) was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese banking sector, we have been able to maintain a lead in the primary banking activities-loans and deposits.

From the Desk of CHAIRMAN



Dear Shareholders,

I am glad to report to you yet another successful year for the Bank. The Bank has been consistently performing well over the years in terms of maintaining growth of its portfolio, both on the asset and liability sides. Despite the adversities in the economy that was flushed with excess liquidity owing to lack of adequate investment opportunities, the Bank was able to stand tall against the odds and still maintain its consistency during the fiscal year 2012-13.

The investment climate of Nepal is far from ideal. Political uncertainty, regulatory changes, labor unrest and energy crisis continue to be some of the major barriers to economic growth, particularly the manufacturing sector. The financial sector of Nepal, that is integral part of the economy, has been suffering the brunt of all these economic barriers. Timely announcement of budget, reasonably better government disbursements and increasing inward remittances have been some of the positives during the fiscal year. However, the lack of adequate investment opportunities in the market has led to excess liquidity leaving idle money at the banks' coffer. The interest rates have

The upcoming fiscal year will be very important to Himalayan Bank as it intends to gain further ground in terms of serving more customers and serving them better with better products, better services and better control mechanisms.

continuously been on the downward trend. Regulatory restrictions coupled with lack of investment opportunities have put immense pressure on the Bank's profitability. Despite these challenges, the Bank was still able to register growth and due credit needs to be given to the Management and the Board of Directors for this achievement.

The Bank was able to achieve most of the set targets during the fiscal year. While the Bank was able to roll out new innovative products and services, it was also able to review and revise its policies and operating manuals to strengthen its control mechanism and overcome the weaknesses. The Bank was also able to expand its coverage via establishing new branch offices. Inward remittances have been contributing significantly to the Bank's income from fees/commission and foreign exchange gains and the fiscal year 2012-13 proved to be successful year for the Bank in being able to solicit inward remittances to a great extent.

Now that the election to the constituent assembly has been completed and results declared, we are hopeful that the new government will provide that much required stability to the country and the economy. We are hopeful that the Nepali people will see the new constitution that will address major concerns of the public at large. With a prosperity centric mandate of the general public, we are also hopeful that the new government will introduce investment friendly policies that will promote the economy and increase the employment opportunities within the country. The upcoming fiscal year will be very important to Himalayan Bank as it intends to gain further ground in terms of serving more customers and serving them better with better products, better services and better control mechanisms.

Thank you.

Manoj Bahadur Shrestha
Chairman, Board of Directors





Sitting (Left to Right)

Mr. Himalaya SJB Rana - Chief Advisor to the Board
 Mr. Bijaya Bahadur Shrestha - Director



Standing (left to right)

Mr. Prachanda Bahadur Shrestha - Director
 Mr. Sushil Bikram Thapa - Director
 Mr. Surendra Silwal - Alternate Director

Sitting (Left to Right)

Mr. Salim Amlani - First Vice Chairman
 Mr. Manoj Bahadur Shrestha - Chairman

Standing (left to right)

Mr. Radha Krishna Pote - Director
 Mr. Upendra Keshari Poudyal - Professional Director

Board of Directors

From the Desk of CEO



The banking industry in Nepal is undergoing changes with the passage of time and HBL has always been at the forefront when it came to pro-actively adapting those changes. Most of the variables in the banking industry have been the same for the last few years with subtle changes here and there.

The fiscal year saw a flush in liquidity. With the country still reeling through political uncertainty, investors seem to be taking a wait and watch strategy and hence there are not many opportunities that the banks and financial institutions can capitalize on. This has led to parking funds in treasury bills thereby squeezing the interest income further. The central bank too is aware of this and is trying its best to mop up excess liquidity from the market to ensure that inflation is contained. This trend seems to be continued for the upcoming fiscal year as well and therefore the Bank needs to be on a look out for opportunities to generate income and capitalize on this excess liquidity and lower cost of funds.

The central bank brought about number of changes in its regulation and the Bank, as always, stands committed to accepting and adapting those changes. The government budget was presented on time unlike in the past. The major political parties deployed a care taker government of the ex-bureaucrats

and this has paved way to successful comple ssembly that would also form the new government is expected to provide that much required stability in the country and the general public is upbeat about Nepal's future. Since the major political parties have specifically reflected their commitment to economic prosperity in their respective election manifestos, the private players in the economy that also include banks and financial institutions, are hopeful that some concrete positive steps would be undertaken by the new government to improve the country's investment climate.

The performance of the Bank during the fiscal year has been good given the circumstances. The overall portfolio on both deposit and credit sides continued to grow. Despite a major set-back from one of the off-balance sheet transactions where we have been mistreated by a correspondent partner, the overall profitability of the Bank also improved. On the off balance sheet transaction, the Bank is exploring all options including litigation and is hopeful that the provided loss will be written back to the books. The Bank was able to expand its coverage in Nepal through establishment of new branches and also it was able to expand its remittance business through establishment of new relationships in various locations abroad. The organization structure of the Bank was further streamlined to create a separate vertical for SMEs and the Bank plans to allocate adequate resources to promote its SME portfolio- this would on the one hand help in portfolio diversification and on the other, enhance the Bank's yield. Similarly, the Bank is going to continue focusing on its remittance business that has been yielding excellent returns for the Bank. Besides, the bank also plans to expand the scope of its Treasury and Trade Departments to leverage on its rich network of correspondent partners. In addition, the Bank will continue to explore opportunities to enhance profitability from ancillary services such as cards, drafts, internet banking, mobile banking and so forth.

Learning from the bitter experiences of the past, the Bank will be putting special effort to strengthen its control mechanism- both on the technology and human side. The Bank's IT will be independently audited for identification of gaps and necessary actions will be initiated to ensure that the loopholes are well addressed. Similarly, the standard operating manuals and various policies of the Bank will be reviewed and revised to ensure proper checks are in place.

I would like to thank my employees for their hard work and resilience, Board of Directors for their guidance, the regulators for their advice, our Customers for their long standing trust on the Bank and all other stakeholders for their continued support. I am personally very positive on our goals going forward and together, I do feel HBL stands a very good chance of achieving the goals and bouncing back to become the leading banks of the country.

Ashoke SJB Rana
Chief Executive Officer
Himalayan Bank Ltd.

Executive Members

Standing (left to right)

Mr. Anup Maskay (Asst. General Manager)

Mr. Ujjal R. Rajbhandary (Asst. General Manager)

SITTING (left to right)

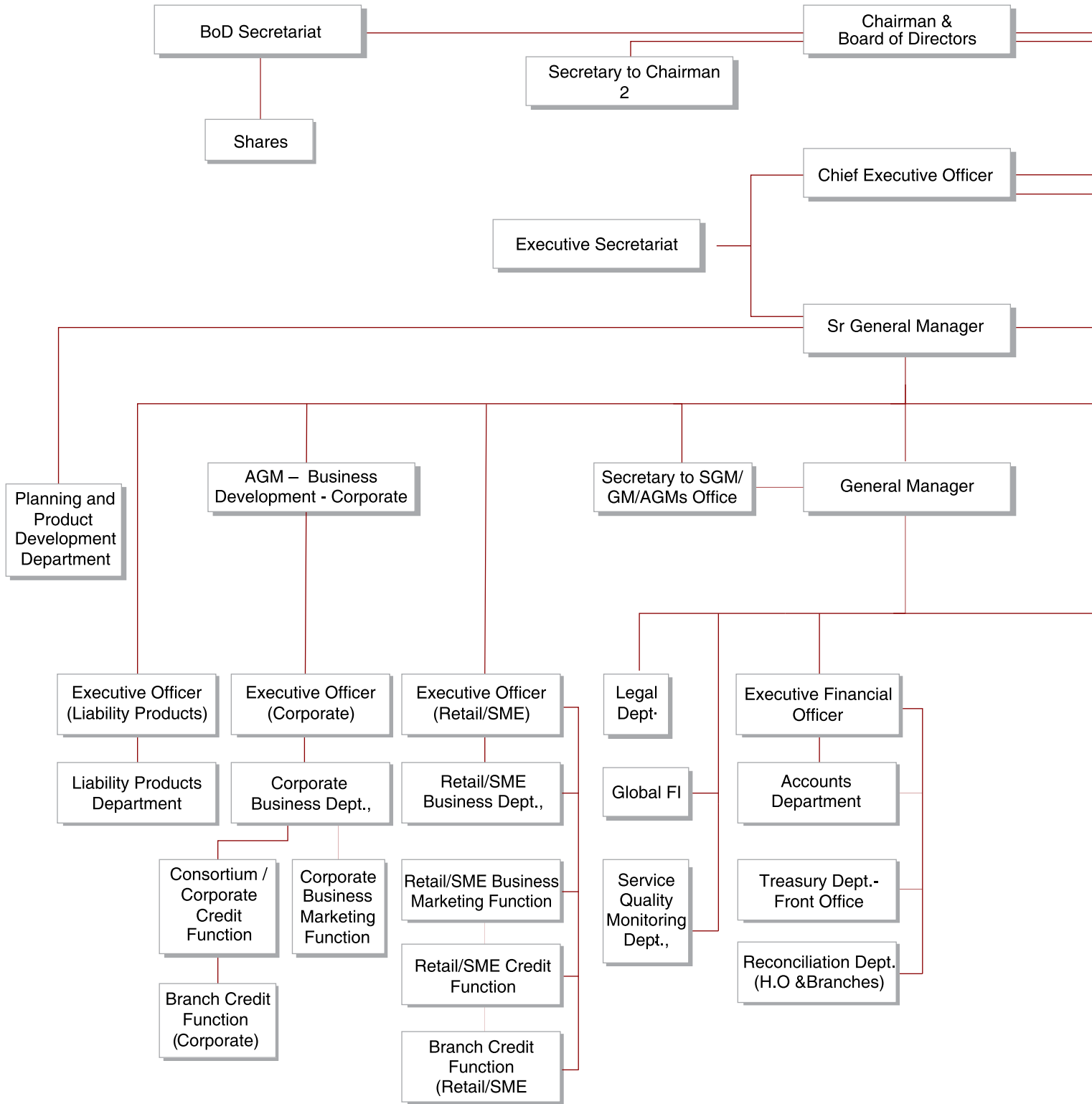
Mr. Sushiel Joshi (General Manager)

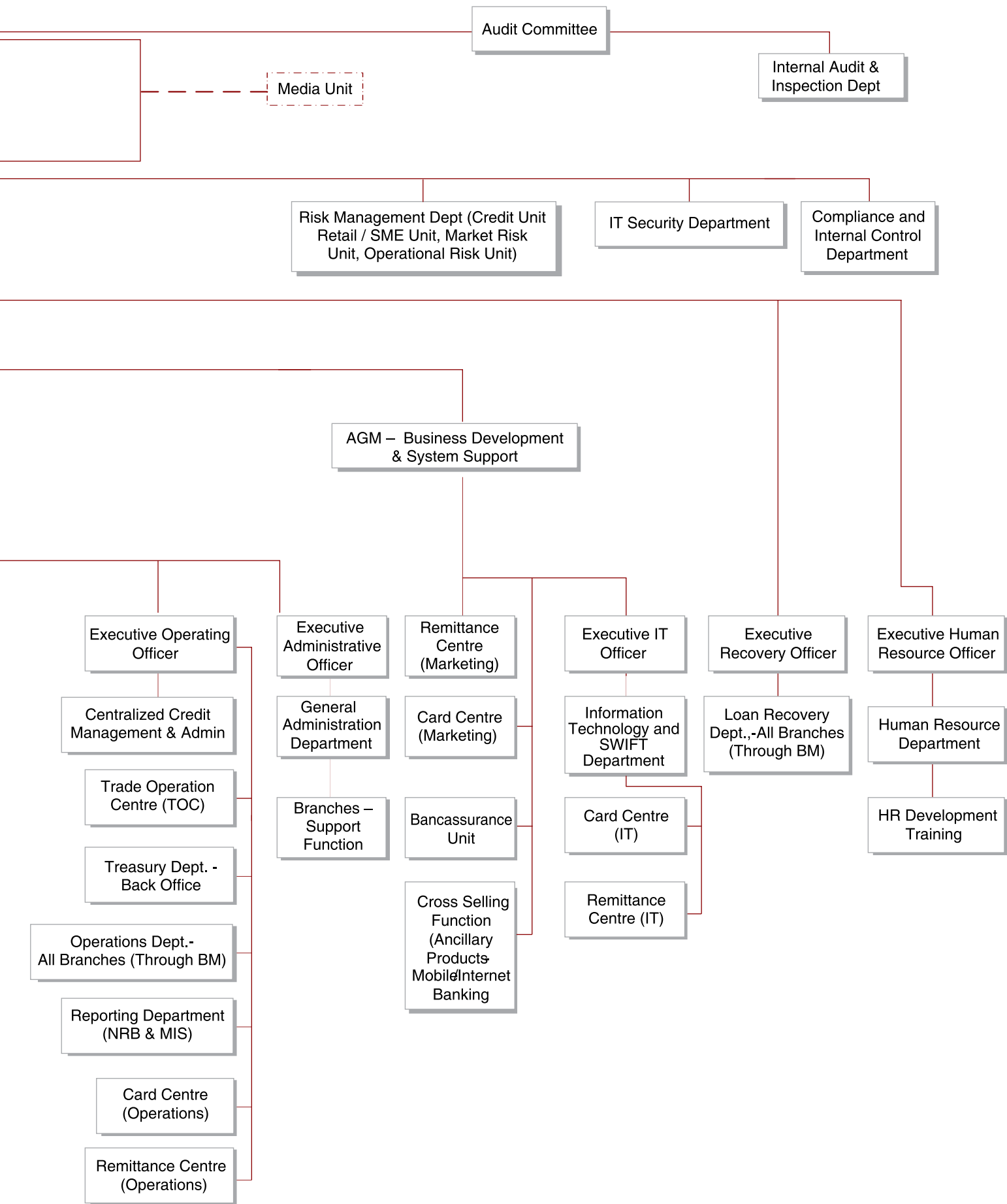
Mr. Ashoke SJB Rana (Chief Executive Officer)

Mr. Ejaz Qadeer Gill (Senior General Manager)



Our Structure





HBL Profile/History

HBL recently completed its 21 years of banking in the Nepalese banking industry. We take great pride in being able to meet the expectations of the Customers, employees, shareholders, regulators and other stakeholders who have been providing relentless support to us through these 21 years. HBL continues to be one of the leading banks in Nepal and we strongly believe we can take the Bank even to greater heights in the upcoming future.

We have been pioneering many products and services in Nepal and innovation continues to be the order of the day for HBL. Like in the past, we feel we stand a good chance of introducing new products and services to the banking industry of Nepal where not only our customers but customers being served by other banks and financial institutions would also benefit. With a strong capital

base, quality human resource and strong governance in place, we can only move forward and upward.

Going forward, the focus of the Bank in the next few years will be around capacity building of its human resource, diversification of its portfolio, enhancement of returns, introduction of new products and services and building a robust risk management system to make it resilient and adversity proof.

HBL would like to take this opportunity to thank its customers for their unwavering support on the Bank, its employees for their continued hard work and honesty, board of directors for their guidance, regulators for their advice and all other stakeholders for their continued support. We at HBL would like to reiterate our commitment providing best of services to our customers while also ensuring good returns to the shareholders.



Product and Services

Himalayan Bank Ltd. has a diverse range of products and services that cater to the different individual needs of its many customers. The Bank has earned a well-deserved reputation as a pioneer in introducing many innovative products.

DEPOSIT PRODUCTS

Himalayan Bank offers a choice of deposit products that customers can choose from to suit their individual requirements. Savings products include the following accounts:

- Normal Saving Account (with minimum balance)
- Himal Savings Account (zero balance account)
- Premium Savings Account (with exclusive services)
- Super Premium Savings Account (with exclusive service & high returns)
- Himal Remit Savings Account (customized for remitters and beneficiaries),
- Recurring Savings Account (for monthly deposits)
- Bishesh Savings Account (for minor, senior citizens, physically handicapped, and illiterate people)
- Shareholders' Savings Account (for the shareholders of Himalayan Bank).
- Special Payroll Account (for payroll employees of corporate houses)

A Current Account is available for daily business transactions.

- Call Account (with an earning opportunity for businesses)
- Current Call (for NGOs, INGOs, and charitable trusts with attractive interest rates)

Fixed deposit products for individuals and institutions include:

Fixed Term Deposit Account (for those willing to park funds for 2 to 5 years and earn attractive returns).

CREDIT SERVICES

Himalayan Bank offers a wide range of tailor-made funded and non-funded credit facilities to suit different funding requirements.

CORPORATE LENDING:

Project financing, consortium financing, fixed term loan, working capital financing, trade financing, and loan against first class bank guarantee.

RETAIL/CONSUMER LENDING:

Home Loan, hire purchase loan, fixed rate home/hire purchase loan, mortgage loan, credit card loan, housing loan, subidha loan, and FD with OD facility, 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 to small and medium enterprises (SMEs), Small Personal Business Loan, Trade Services (LC) and guarantee (bid bond, performance bond, advance payment, and counter guarantee).

CARD SERVICES

Himalayan Bank was the first to introduce the first Nepali credit card for the domestic market. HBL Card, which was the most popular card in the country at one time. Now, Himalayan Bank is offering various types of card services like; HBL SCT/Visa / Master Debit Card, HBL Visa Credit Card, HBL Master Credit Card, HBL Prepaid Visa Card and Himalayan Bank American Express Gold Credit Card. The Bank has been facilitating its customer by providing acquiring card service of JCB and China Union Pay cards through its network.

HIMALREMIT

Himalayan Bank is a pioneer in the field of retail money transfer business with over a decade-long customized service delivery experience in the field. The bank conducts this business through HimalRemit, a state-of-art web-based online money transfer system that is easily accessible through our main web domain www.himalayanbank.com. It can be directly accessed by all our branches and network thus ensuring prompt execution of remittances. The product is monitored and serviced 24/7 by our Remittance Promotion Department dedicated to deliver fast and reliable services to the customers. HimalRemit has the largest payment network with more than 2000 payment locations covering all cities, towns, and villages of the country.

ANCILLARY SERVICES

Himalayan Bank offers a host of ancillary services that provide convenience, security and comfort to its customers. Among these are:

- Safe deposit lockers: Locker facilities of varying sizes as per its customers' preference, and at convenient locations.
- SMS banking: Allows customers to check their balance, status of cheque (encashed or not), the last three transactions, and the Bank's foreign exchange rate.
- Himal@net - Internet Banking: Banking can be done safely and securely at all times of the day from wherever there is a connection.
- 24/7 Automated Teller Machines (ATMs): in more than 70 locations.
- 365 days banking.
- Any Branch Banking Services (ABBS).
- Fund transfer: within and outside the country.
- Fee collection/payment services: for educational institutions.
- Service package for students: for those going abroad for higher studies.



Correspondent Network





Local Network





Directors' Report

Dear Shareholders.

On behalf of the Board of Directors, we cordially welcome all the shareholders present at this Twenty-first Annual General Meeting of Himalayan Bank Limited. I would like to present the Balance Sheet as on July 16, 2013, the Profit and Loss Account for the fiscal year 2012-13, the Profit and Loss Appropriation Account and other financial statements for approval by the Annual General Meeting.

Having provided efficient service over the last 21 years HBL today stands as one of the leading, secured and dependable bank in the country. As of F.Y. 2012-13 the Bank was able to maintain deposit of Rs. 53.7 billion. As compared to last year loan portfolio of the Bank increased by 14.15% and operating profit increased by 8.41%.

During the review period the Bank established total of 2 new branches outside the valley while at the same time the Bank introduced its ATM services at 5 new locations. This has taken the Bank's total number of Branches to 41 and total number of ATM to 77.

REVIEW OF THE BANK'S OPERATIONS

During the period under review, the Bank's total deposit reached Rs. 53.7 billion, recording an increase of 11.19 percent over the previous year. Similarly, the loans and advances reached Rs. 41.5 billion during the period under review, recording an increase of 14.15 percent over the previous year.

The net assets of the Bank increased by 14.41 percent, reaching Rs. 5.29 billion during the review period, while the gross assets increased by 12.86 percent and are valued at Rs. 62.48 billion.

The Bank was able to make an operating profit of Rs. 1.14 billion during the review period. The net profit of the Bank reached Rs. 943.69 million.

The financial status of the Bank as on October 17, 2013

(first quarter end) is given below:

		(In Rs. million)	
S.N.	Particulars	2012 As on Oct 17	2013 As on Oct 17
	Increase (Decrease) %		
1.	Gross Assets 23.62	55,977	69,197
2.	Deposits 23.28	48,153	59,361
3.	Loans, Overdrafts and Bills Purchased and Discounted 12.12	37,215	41,725
4.	Investments 32.51	106,797	141,517

During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 16.6 million. The Bank's NPA increased to 2.89 percent during the year under review.

COMPARATIVE FINANCIAL INDICATORS OF THE BANK

The comparative financial indicators of the fiscal years 2011-12 and 2012-13 are presented below:

		(In Rs. million)		
S.N.	Particulars	2011-12 As on July 16	2012-13 As on July 16	Increase (Decrease) %
1.	Net Assets (Net Worth)	46,320	52,997	14.40
2.	Gross Assets	553,675	624,866	12.86
3.	Deposits	477,310	530,723	11.19
4.	Loans, Overdrafts and Bills Purchased and Discounted	359,685	410,574	14.15
5.	Investments	100,316	129,920	29.51
6.	Net Interest Income	19,084	25,082	31.43
7.	Other Income	14,737	13,840	(6.08)
8.	Operating and Staff Expense	13,487	15,351	13.82
9.	Operating Profit	10,571	11,460	8.41
10.	Net Profit	9,586	9,437	(1.56)

The comparative compositions of deposit, credit, income and expenditure of the Bank during the fiscal year 2068/69 and the year under review are presented below as an:

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 world economy continues to struggle for growth. Most of the developed countries, particularly America and European countries are finding it difficult to recover. The overall GDP of the world continues to shrink. The impact of the global slowdown has been seen in Asian countries as well. India, the biggest trade partner of Nepal, has been worst hit in South Asia. It's economy has been worst hit with its currency tumbling down, closing in to as low as IRs 70 for a US dollar. Subsequently, Nepal was also hit with high prices of import and worsening balance of trade. The growth of Nepal's economy will largely depend on how quickly the Indian economy will recover. Also, a lot will depend on the productivity of the import substituting manufacturing industry in the country. The political uncertainty appears to be continued going ahead thereby adversely impacting investments.

As per Nepal Rastra Bank, the GDP growth of Nepal stood at 3.6% during 2069/70 while the GDP growth rate in the previous year was 4.5%. The inflation rate that clocked 8.3% last year stood at 9.9% in F.Y. 2069/70. Export growth during the review year stood at 3.6% while import growth rate stood at 20.6% which at previous year stood at 16.5%. Due to the strong base and high growth rate of imports compared to exports, total trade deficit went up by 23.9 percent to Rs. 479.82 billion in the review year. Trade deficit had expanded by 16.7 percent in the previous year.

The overall BOP recorded a surplus of Rs. 68.94 billion during the review period compared to a surplus of Rs. 131.63 billion in the previous year. Current account posted a surplus of Rs. 57.6 billion in the review year compared

to a surplus of Rs. 75.98 billion in the previous year. The current account surplus was lower in the review year due mainly to a substantial rise in imports of services.

The gross foreign exchange reserves surged by 21.4 percent to Rs. 533.30 billion in mid-July 2013 from a level of Rs. 439.46 billion as at mid-July 2012. Such reserves had increased by 61.5 percent in the previous year.

During the year under review, the total deposits in the banking sector increased by Rs. 176.27 billion (17.4%). Similarly, the loans and advances in the banking sector increased by Rs. 180.20 billion (18.6%). Last year the total loans and advances had increased by Rs. 112 billion.

CURRENT FINANCIAL AND BANKING ENVIRONMENT

Nepal's GDP continues to struggle and the growth rate has not been able to go beyond 5%. Remittance continues to be the mainstay of the economy. There is little we can hope going ahead given the political instability that prevails in the country. The election of the constituent assembly held on November 19, 2013 and is expected to pave way for a much stable government to promote investments and economic development. Although Nepal Rastra Bank continues to focus on getting banks to prioritize productive sectors, particularly, without a conducive investment environment and adequate infrastructure, banks and financial institutions are still hesitant to venture into these sectors. With the consolidation strategy taken by the central bank, the trend of bank mergers is expected to continue.

Total number of bank and financial institutions licensed by NRB dropped to 254 as in mid-July 2013 from 266 as of mid-July 2012. Though, 10 additional financial institutions comprising of 3 development banks and 7 microfinance institutions come into operation in FY 2012/13, the reduction in the total number of banks and financial institutions is attributed to the merger of 2 commercial banks, 2 development banks merged into one commercial bank, 10 development banks and 12 finance companies merged to form 7 development banks and 2 finance companies and license of 5 non-governmental organizations was revoked.

IMPLEMENTATION STATUS OF THE STRATEGY AND PROGRAM OF THE BANK FOR THE FY 2012-2013



1. Established 2 branches outside the valley at Birtamod and Betrawati. The total number of branches of the Bank reached to 41.
2. ATMs installed at Tandi, Siddhi Poly Clinic, Babar-Mahal re-visited, Birendra Sainik School and Birtamod. The total number of ATMs installed by the Bank is 77.
3. NPA limited to 2.89 percent.
4. Continuity given to the recovery of written-off loans in an active manner.
5. Expanded remittance business to Asian, European and American markets with a focus on sophisticated services.
6. Established 6 Himal Center Flagship Counters at strategic location.
7. Introduced Loyalty Card for the customers of Himal Remit in international market.
8. Started card business with Union Pay and AMEX.
9. Installed additional 283 POS machines for the convenience of the debit and credit card customers.
10. Introduced loan product – “HBL Fixed Rate Home Loan and Hire Purchase Loan” and “Home Loan Plus”.
11. Providing extended hour counter service in the name of ‘Non-Stop Banking’.
12. Made deposit and loan products more attractive as per the demand of the general public.
13. Upgraded T24 banking software browser
14. Continuous effort to make the ambience of branches convenient and environmental friendly.
15. Regionalization concept introduced – Biratnagar, Bhairahawa, Bharatpur and Birgunj Branch as Regional Branches.
16. Issued HBL Bond 2077 worth Rs. 600 million at the rate of 8% per annum.

STRATEGIES AND PROGRAMS FOR FY 2013/2014

1. To contain NPA at the lowest.
2. To establish 4 branches within and outside the valley.
3. To establish first representative office in Malaysia.
4. Introduction of Loyalty Card for the customers of Himal Remit in domestic market.
5. To expand remittance business to Asian, European and American markets with a focus on sophisticated services.
6. Enhance service delivery of the branches and profit centers

7. To set up additional 7 ATMs at various places. Till date 77 ATMs has been installed.
8. To install additional 500 POS machines.
9. To introduce new deposit, credit products and services.
10. The Bank shall focus on getting into an agreement to provide gateway service to Bank of Bhutan for the connectivity of JCB Cards and also to include JCB brand cards for the switching/routing through HBL network.
11. To give continuity to recovery of written –off loans in an active manner.
12. To introduce new deposit, credit products and services
13. To make the ambience of various branches convenient and environmental friendly.
14. To upgrade T24 version and fine tune for better performance

CORPORATE SOCIAL RESPONSIBILITY

From its commencement, the Bank has been discharging its 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. The Bank has provided financial assistance for the purchase of necessary goods to the old age home situated at Thankot, Helping Hands Children Home at Chauni and Nepal Children’s Home situated at Chapali, Bhadrakali.

The Bank has been continuously involved in the development of sports culture such as the cricket, football, basketball, golf, badminton besides sponsoring dance and other cultural programs. Similarly, the Bank sponsored various cultural programs that include dance competition, painting exhibition and music competition. The Bank is alert in discharging its responsibilities in such and other additional fields.

BOARD OF DIRECTORS

During the review period, Mr. Manoj Bahadur Shrestha (representing N. Trading) and Mr. P.P Khetan (representing Mutual Trading Company) continue to chair the Board as Chairman and Second Vice Chairman respectively. Similarly, Mr. Prachanda Bahadur Shrestha (representing Chhaya International), Mr. Sushil Bikram Thapa (representing Ava International), Mr. Radha Krishna Pote (representing Employees Provident Fund)



continue as Directors in the Bank's Board of Directors. In addition to this, Mr. Bijaya Bahadur Shrestha representing the general public shareholders and Mr. Upendra Keshari Poudyal Professional Director continue as Directors in the Bank's Board of Directors.

Mr. Ashraf M. Wathra, First Vice-Chairman representing Habib Bank Limited has been replaced by Mr. Salim Amlani as First Vice-Chairman of the Bank with effect from January 01, 2013.

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 continues as the Alternate Director in the Bank's Board of Directors.

Mr. Rajendra Kafle, Alternate Director representing Employees Provident Fund has been replaced by Mr. Himalaya Prasad Siwakoti as the Alternate Director of the Bank with effect from February 26, 2013.

Further, Mr. Himalaya SJB Rana continues to hold the position of Chief Advisor.

I would like to congratulate the new Director, Alternate Director to the Board, Chief Executive Officer and the Sr. General Manager and expect their future cooperation towards the Bank's progress and prosperity. I would like to also thank former director Mr. Ashraf M. Wathra and former Alternate Director, Mr. Rajendra Kafle for their invaluable contributions to the Bank's success for years. Further, the Board, on this occasion, expresses its firm commitment to continue work in the best interest of the Bank.

AUDIT, BALANCE SHEET AND OTHER FINANCIALS

The Balance Sheet as on July 16, 2013, the Profit and Loss Account for fiscal year 2012-13, the Profit and Loss Appropriation Account for the fiscal year 2012-13, the Cash Flow Statement for the fiscal year 2012-13, 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, Sub-Clause (4) are presented as Annex E.

PROFIT AND LOSS APPROPRIATION

The net profit of the Bank amounts Rs. 943.69 million for the fiscal year 2012-13. Besides this, the retained earnings of Rs 72.89 million in last year's balance sheet is available for distributions. 20% the net profit of it i.e. Rs. 188.73 million, has been appropriated to the Statutory General Reserve Fund. The claim towards the Performance Bond Guarantee issued in favor of Melamchi Drinking Water Development Board, which is under consideration at the court of law in Kathmandu as well as in Zhengzhou court in China. On the same, the Bank has made a contingent liability reserve of Rs 212.516 million from its profit for fiscal year 2069-70. Similarly, the Bank has allocated Rs 157.143 million from its annual profit for FY 2069-70 in bond redemption reserve towards redemption of HBL Bonds worth Rs 1.1 billion.

I would like to announce with pleasure a special resolution on giving a 5 percent bonus share and a 10 percent cash dividend on the paid-up capital to the shareholders for the fiscal year 2012/13. For the bonus shares and dividends, an amount of Rs. 414 million has been earmarked. After the distribution of the bonus shares, paid - up capital of the Bank would amount to Rs. 2.898 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, Assistant General Managers, 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.

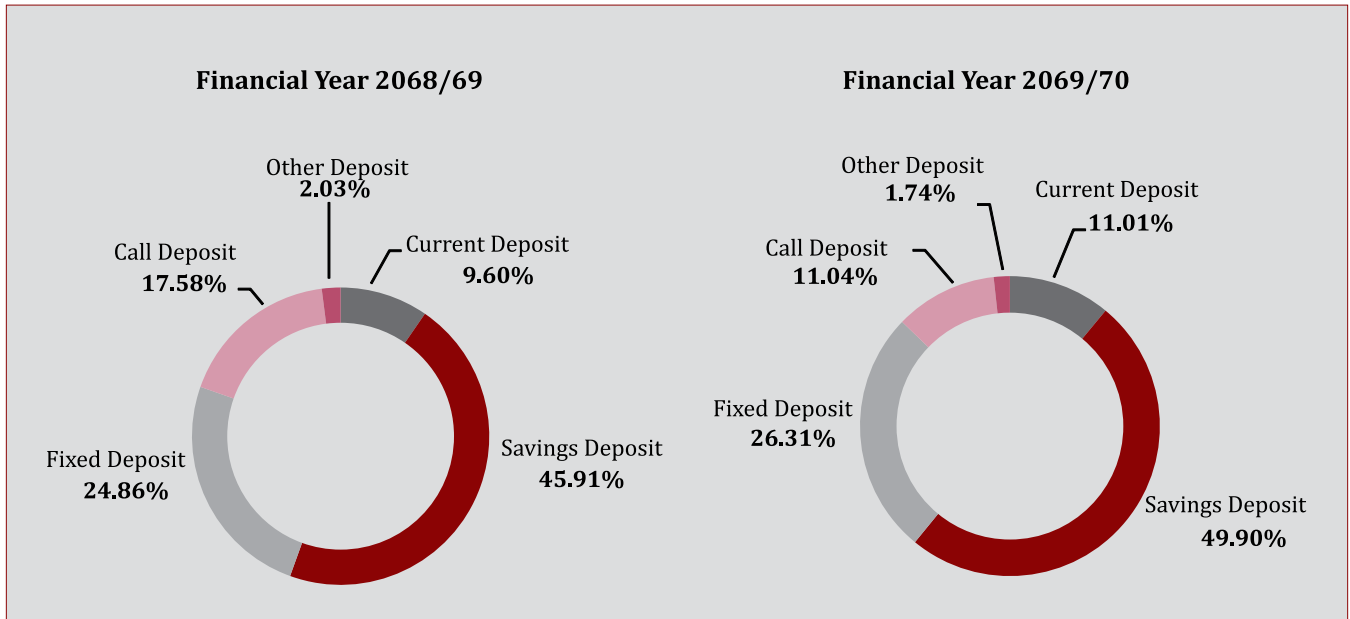
Thank you.

On behalf of the Board of Directors
Manoj Bahadur Shrestha
Chairman

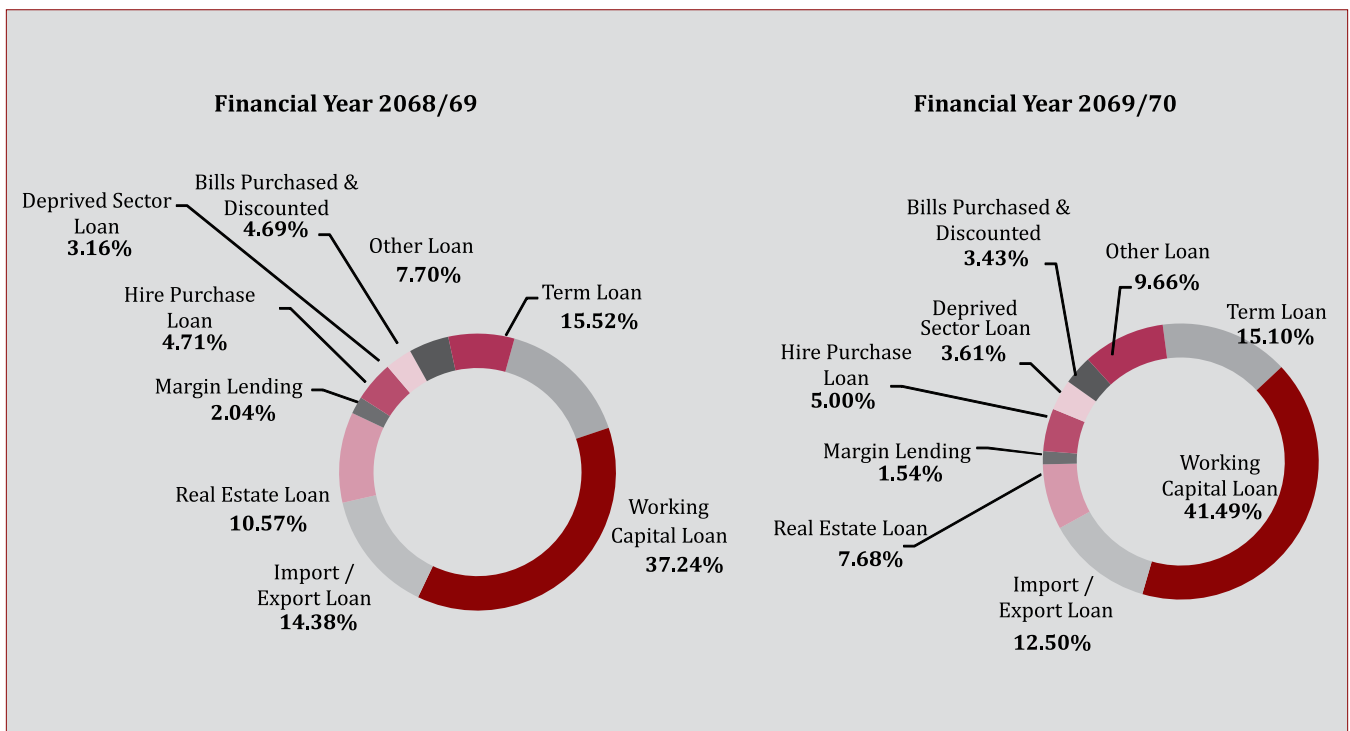


Financial Highlight

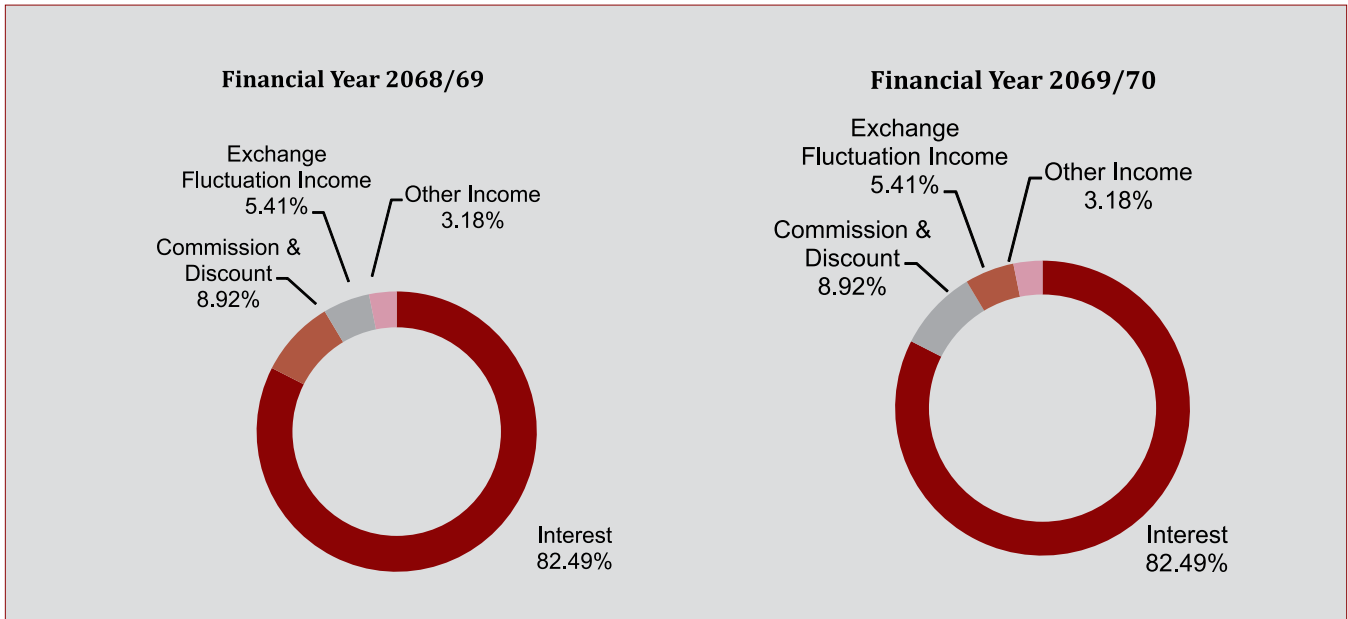
DEPOSIT COMPOSITION



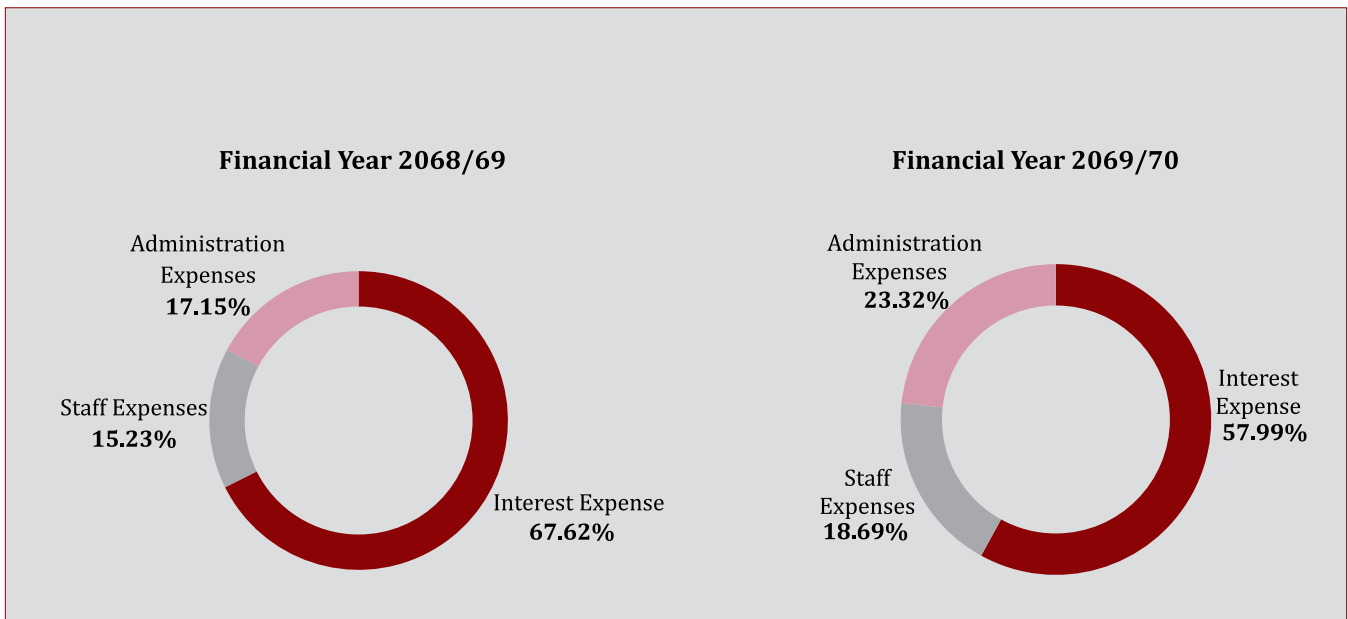
LOAN COMPOSITION



INCOME COMPOSITION



EXPENSE COMPOSITION



Head office and Branches

Inside Valley Branches

CORPORATE OFFICE

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Tel: 4389035
Fax: 4389036
sorakhutte@himalayanbank.com

SATDOBATO BRANCH

Satdobato Chowk, Lalitpur
Tel: 01-5002645
Fax: 01-5002535
satdobato@himalayanbank.com

PATAN BRANCH

Pulchowk, P.O. Box 20551, Lalitpur, Nepal
Tel: 5010656, 5010654
Fax: 977-1- 5010754
patan@himalayanbank.com

NEWROAD BRANCH

Bishal Bazaar, P.O.Box 8764,
Kathmandu, Nepal.
Tel: 4243107, 4224787
Fax: 977-1-4240086
newroad@himalayanbank.com

NEW BANESHWOR BRANCH

New Baneshwor Chowk, Kathmandu
Tel: 4-785583
Fax: 4-785589
nbaneshwor@himalayanbank.com

MAHARAJGUNJ BRANCH

Tribhuvan University Teaching Hospital,
Maharajgunj.
P.O. Box # : 20590, Kathmandu, Nepal
Tel: 4425183, 4424292
Fax: 977-1-4425181
maharajgunj@himalayanbank.com

KAUSHALTAR BRANCH

Madhyapur Thimi
Tel: 01-6639564
Fax: 01-6639563

KALANKI BRANCH

Kalanki Chowk
Tel: 4279762
Fax: 4279765
kalanki@himalayanbank.com

DILLI BAZAR BRANCH

Bijay Memorial School,
Dilli Bazaar, Kathmandu
Tel: 4431658
Fax: 4431659
dillibazar@himalayanbank.com

THAMEL BRANCH

Karmachari Sanchaya Kosh Building
Tridevi Marg, Thamel,
P.O. Box 20590, Kathmandu, Nepal.
Tel:phones : 4250202, 4250359
Tel:fax : 977-1-4250356
thamel@himalayanbank.com

CHABAHIL BRANCH

Chuchepati, Chabahil
Kathmandu.
Tel: 4462045
chabahil@himalayanbank.com

CARD CENTER

Corporate Office, Kamaladi,
Kathmandu, Nepal.
Tel: +977-1-4246218 / 4246219
Fax: +977-1-4245932

BHAKTAPUR BRANCH

Sukuldhoka, Bhaktapur, Nepal.
Tel: 6617493
Fax: 977-1-6617492
bhaktapur@himalayanbank.com

BATTISPUTALI BRANCH

Battisputali, Kathmandu
Tel: 01-4484990
Fax: 01-4484991
battisputali@himalayanbank.com

SAMAKHUSI BRANCH

Samakhusi, Kathmandu
Tel: 01-4354663
Fax: 01-4354446
samakhusi@himalayanbank.com

Outside Valley Branches

BAGLUNG BRANCH

Jeep Park, Baglung
Tel: 068-522690 Fax: 068-522691
baglung@himalayanbank.com

BANEPA BRANCH

Banepa - 10, Panauti Road
Tel : 011-664734 Fax : 977-11-664735
banepa@himalayanbank.com

BARAHABISE BRANCH

Barahabise, Sindhupalchowk
Tel: 011-489290 Fax: 011-489291
barahabise@himalayanbank.com

BETRAWATI BRANCH

Laharepauwa 1, Betrawati, Rasuwa
Tel:/Fax no: 010 - 681343
betrawati@himalayanbank.com

BHAIRAHAWA BRANCH

Prahari Tole, Bhairahawa, Nepal
Tel : 071-526945, Fax : 977-71-524407
bhairahawa@himalayanbank.com

BHARATPUR BRANCH

Pulchowk, Chitwan, Nepal
Tel:p : 056-572097 Fax : 977-056-571822
bharatpur@himalayanbank.com

BIRATNAGAR BRANCH

Sanihat, Mainroad North, Biratnagar, Nepal
Tel: 021-524653, Fax no: 021-528452
biratnagar@himalayanbank.com

BIRGUNJ BRANCH

Mahabir Road ,Birgunj, Parsa,Nepal
Tel: 051-524678, Fax : 051-527518
birgunj@himalayanbank.com

BIRTAMODE BRANCH

Sanischarya Road, Anarmani, Birtamod
Tel: 023-545611 Fax: 023-545610
birtamod@himalayanbank.com

BUTWAL BRANCH

Traffic chowk, Butwal, Ruapandehi
Tel: 071-551016, Fax : 071-546908
butwal@himalayanbank.com

DAMAK BRANCH

Highway, Damak
Tel: 023-585291 Fax : 023-585292
damak@himalayanbank.com

DHADING BRANCH

Beech Bazaar, Dhading Besi, Dhading
Phone: 010-521111

DHANGADI BRANCH

Address: Rato Pool Dhangadi
Tel: 091-520202 Fax : 091-520204
dhangadi@himalayanbank.com

DHARAN BRANCH

Putali Line, Dharan
Tel: 025-528966 Fax : 025-528968
dharan@himalayanbank.com

GHORAH BRANCH

New Road, Dang
Tel: 082-562901 Fax : 082-562902
ghorahi@himalayanbank.com

GORKHA BRANCH

Address: Bus Park, Gorkha
Tel: 064-421520 Fax : 064-421521
gorkha@himalayanbank.com

HETAUDA BRANCH

Main Road, Ward No. 10 Hetauda, Nepal
Tel: 057-525877 Fax : 977-57-523156
hetauda@himalayanbank.com

ITAHARI BRANCH

Pathibhara Market, Dharan Road, Itahari,
Sunsari.
Tel: 025-587041 Fax: 025-587940
itahari@himalayanbank.com

KAWASOTI BRANCH

Kawasoti, Nawalparasi
Tel: 078-541040 Fax: 078-5410451
kawasoti@himalayanbank.com

NEPALGUNJ BRANCH

Dhamboji Chowk, Nepalgunj
Tel: 081-527490
Fax: 081-527491
nepalgunj@himalayanbank.com

PALPA BRANCH

Silkhan Tole, Ward no. 4, Tansen, Palpa
Tel: 075-522641 Fax : 075-522642
palpa@himalayanbank.com

PARSA BRANCH

Naya Road, Parsa, Chitwan
Tel: 056-583628 Fax no: 056-583629
Email: parsa@himalayanbank.com

POKHARA BRANCH

New Road, Pokhara-9
Tel: 061-538907 Fax : 061-538908
Email : pokhara@himalayanbank.com

RAM BAZAAR BRANCH

Amarsingh Chowk, RamBazaar Pokhara
Tel: 061-430301
Fax: 061-430302

TANDI BRANCH

Sauraha Chowk, Tandi
Tel: 056-560750 Fax : 056-561850
tandi@himalayanbank.com

TRISHULI BRANCH

Bidur Chowk, Trishuli
Tel: 010-561696 Fax no: 010-561697
Email: trishuli@himalayanbank.com



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

We have audited the accompanying Balance Sheet of Himalayan Bank Ltd. (hereinafter referred to as 'the Bank') as of Ashad 31, 2070 (corresponding to 15 July 2013), the related Profit and Loss Account, Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As per the requirement of the Company Act, 2063 and Bank and Financial Institution Act, 2063 we report that:

- a) We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b) Proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of such books.
- c) Returns received from branches of the Bank were adequate for the purpose of the audit.
- d) The Bank has accounted interest income from Loans & Advances on cash basis as per Nepal Rastra Bank's Directives which is not in line with Nepal Accounting Standards.



- e) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are prepared in the format prescribed by Nepal Rastra Bank and are in agreement with the books of accounts maintained by the Bank.
- f) So far as appears from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.
- g) So far as appears from our examination of the books, the business of the Bank has been conducted satisfactorily and found within its authority.
- h) To the best of our information and according to explanations given to us and from our examination of the books of accounts of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank, except as provided under Schedule 25 # 4, and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardise the interest and security of the Bank, its depositors and investors.

Except as stated in para 'd' above, in our opinion, and to the best of our information and according to the explanations given to us, the financial statements referred to above, read together with Notes to Accounts, which forms an integral part of this report, present fairly in all material respects the financial position of the Bank as of Ashad 31, 2070 (July 15, 2013) and of the results of its operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing laws, the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act 2063.



Prabhu R. Bhandary
Managing Partner

Joshi & Bhandary
Chartered Accountants



Date: January 03, 2014 (Poush 19, 2070)
Place: Kathmandu

BALANCE SHEET

AS AT ASHAD 31, 2070 (JULY 15, 2013)

(Amount in Rs.)

CAPITAL AND LIABILITIES	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital	1	2,898,000,000	2,760,000,000
2. Reserves and Funds	2	2,401,708,123	1,872,010,133
3. Debentures and Bonds	3	1,100,000,000	500,000,000
4. Borrowings	4	88,429,000	-
5. Deposits	5	53,072,319,487	47,730,993,909
6. Bills Payables	6	24,267,960	19,003,372
7. Proposed Dividend		276,000,000	322,106,400
8. Income Tax Liabilities		33,290,473	-
9. Other Liabilities	7	1,258,950,310	1,160,314,068
Total Capital & Liabilities		61,152,965,353	54,364,427,882

ASSETS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Cash Balance	8	865,059,928	951,333,515
2. Balance with Nepal Rastra Bank	9	2,427,014,381	3,979,163,789
3. Balance with Banks / Financial Institutions	10	356,124,343	1,431,798,854
4. Money at Call and Short Notice	11	2,061,831,588	264,600,000
5. Investments	12	12,992,044,772	10,031,580,497
6. Loan Advances and Bills Purchase	13	39,723,805,566	34,965,433,862
7. Fixed Assets	14	1,308,773,543	1,305,364,357
8. Non - Banking Assets	15	-	-
9. Other Assets	16	1,418,311,232	1,435,153,008
Total Assets		61,152,965,353	54,364,427,882

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

Ejaz Qadeer Gill
Senior General Manager

As per our attached report of even date

Ashoke S. Rana
Chief Executive Officer

Manoj Bahadur Shrestha
Chairman

Directors
Salim Amlani, First Vice Chairman
Prachanda Bahadur Shrestha
Bijaya Bahadur Shrestha
Radha Krishna Pote
Sushil Bikram Thapa
Uendra Keshari Poudyal

CA. Prabhu Ram Bhandary
Managing Partner
Joshi & Bhandary
Chartered Accountants

Date: January 3, 2014

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM SHRAWAN 1, 2069 TO ASHAD 31, 2070 (JULY 16, 2012 TO JULY 15, 2013)

(Amount in Rs.)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	18	4,627,335,224	4,724,887,323
2. Interest Expenses	19	2,119,062,154	2,816,441,404
Net Interest Income		2,508,273,070	1,908,445,919
3. Commission and Discount	20	550,149,068	510,840,279
4. Other Operating Income	21	165,071,706	182,028,635
5. Exchange Fluctuation Income	22	300,469,098	309,897,962
Total Operating Income		3,523,962,942	2,911,212,795
6. Staff Expenses	23	682,978,114	634,228,832
7. Other Operating Expenses	24	852,110,746	714,436,436
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before Provision for Possible Losses		1,988,874,082	1,562,547,527
9. Provision for Possible Losses	25	842,900,089	505,491,167
Operating Profit		1,145,973,993	1,057,056,360
10. Non-Operating Income/(Loss)	26	5,999,157	8,005,610
11. Loan Loss Provision Written-Back	27	369,392,717	859,976,635
Profit from Regular Operations		1,521,365,867	1,925,038,605
12. Profit/(Loss) from Extra-ordinary Activities	28	(7,003,881)	(397,037,895)
Net Profit after considering all Activities		1,514,361,986	1,528,000,710
13. Staff Bonus Provision		137,669,271	138,909,155
14. Tax Provision		432,994,725	430,453,295
a) Current Years		471,705,889	450,548,218
b) Previous Year's Additional Tax		801,818	377,880
c) Deferred Tax		(39,512,982)	(20,472,803)
Net Profit/(Loss)		943,697,990	958,638,260

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

Satish Raj Joshi
Executive Financial Officer

Sushiel Joshi
General Manager

Ejaz Qadeer Gill
Senior General Manager

As per our attached report of even date

Ashoke S. Rana
Chief Executive Officer

Manoj Bahadur Shrestha
Chairman

Directors
Salim Amlani, First Vice Chairman
Prachanda Bahadur Shrestha
Bijaya Bahadur Shrestha
Radha Krishna Pote
Sushil Bikram Thapa
Upendra Keshari Poudyal

CA. Prabhu Ram Bhandary
Managing Partner
Joshi & Bhandary
Chartered Accountants

Date: January 3, 2014



**PROFIT AND LOSS APPROPRIATION ACCOUNT
FOR THE PERIOD FROM SHRAWAN 1, 2069 TO ASHAD 31, 2070
(JULY 16, 2012 TO JULY 15, 2013)**

<i>(Amount in Rs.)</i>		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
Income		
1. Accumulated Profit up to Last Year	72,898,928	32,931,797
2. Current Year's Profit	943,697,990	958,638,260
3. Transfer from Capital Adjustment Fund		
4. Transfer from Deferred Tax Reserve	-	-
5. Transfer from Investment Adjustment Reserve		47,064,297
Total	1,016,596,918	1,038,634,354
Expenses		
1. Accumulated Loss up to Last Year	-	-
2. Current year's Loss	-	-
3. General Reserve	188,739,598	191,727,652
4. Contingent Reserve	212,516,333	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserve Fund	-	-
8. Proposed Dividend	276,000,000	322,106,400
9. Proposed Issue of Bonus Share	138,000,000	360,000,000
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	-	-
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Fund	-	-
14. Bond Redemption Reserve	157,142,857	71,428,571
15. Deferred Tax Reserve	39,512,982	20,472,803
16. Investment Adjustment Reserve		
Total	1,011,911,770	965,735,426
17. Accumulated Profit / (Loss)	4,685,148	72,898,928

Satish Raj Joshi
Executive Financial Officer

Sushiel Joshi
General Manager

Ejaz Qadeer Gill
Senior General Manager

As per our attached report of even date

Ashoke S. Rana
Chief Executive Officer

Manoj Bahadur Shrestha
Chairman

Directors
Salim Amlani, First Vice Chairman
Prachanda Bahadur Shrestha
Bijaya Bahadur Shrestha
Radha Krishna Pote
Sushil Bikram Thapa
Upendra Keshari Poudyal

CA. Prabhu Ram Bhandary
Managing Partner
Joshi & Bhandary
Chartered Accountants

Date: January 3, 2014

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM SHRAWAN 1, 2069 TO ASHAD 31, 2070 (JULY 16, 2012 TO JULY 15, 2013)

(Amount in Rs.)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/(LOSS)	GENERAL RESERVE	PROPOSED BONUS SHARE	SPECIAL RESERVE FUND	EXCHANGE FLUCTUATION	OTHER RESERVE FUND	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	TOTAL AMOUNT
Opening Balance as at 16 July 2012	2,400,000,000	72,898,928	1,383,151,091	360,000,000	4,000,000	29,769,898	357,142,856	23,374,082	1,673,278	4,632,010,133
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-
Restated Balance as at 16 July 2012	2,400,000,000	72,898,928	1,383,151,091	360,000,000	4,000,000	29,769,898	357,142,856	23,374,082	1,673,278	4,632,010,133
Net Profit for the year	-	943,697,990	-	-	-	-	-	-	-	943,697,990
Transfer to General Reserve	-	(188,739,598)	188,739,598	-	-	-	-	-	-	-
Bond Redemption Fund transferred	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	(276,000,000)	-	-	-	-	-	-	-	(276,000,000)
Issue of Bonus Share	360,000,000	-	-	(360,000,000)	-	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(138,000,000)	-	138,000,000	-	-	-	-	-	-
Transfer to Deferred Tax Reserve	-	(39,512,982)	-	-	-	-	-	39,512,982	-	-
Transfer to Exchange Fluctuation Fund	-	-	-	-	-	-	-	-	-	-
Transfer to Bond Redemption Fund	-	(157,142,857)	-	-	-	-	157,142,857	-	-	-
Transfer to Contingent Reserve	-	(212,516,333)	-	-	-	-	212,516,333	-	-	-
Closing Balance	2,760,000,000	4,685,148	1,571,890,689	138,000,000	4,000,000	29,769,898	726,802,046	62,887,064	1,673,278	5,299,708,123



CASH FLOW STATEMENT

FOR THE PERIOD FROM SHRAWAN 1, 2069 TO ASHAD 31, 2070 (JULY 16, 2012 TO JULY 15, 2013)

<i>(Amount in Rs.)</i>		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Cash Flow from Operating Activities	1,489,617,130	1,195,103,583
1. Cash Received	5,488,581,832	5,650,227,914
1.1 Interest Income	4,463,256,155	4,643,354,751
1.2 Commission and Discount Income	550,149,068	510,840,279
1.3 Income from Foreign Exchange Transaction	300,469,098	309,897,962
1.4 Recovery of Loan Written off	9,635,805	4,106,287
1.5 Other Income	165,071,706	182,028,635
2. Cash Payment	(3,998,964,702)	(4,455,124,331)
2.1 Interest Expenses	(2,129,360,493)	(2,805,346,867)
2.2 Staff Expenses	(639,014,466)	(580,346,618)
2.3 Office Overhead Expenses	(660,815,839)	(555,510,573)
2.4 Income Tax Paid	(430,864,749)	(390,146,907)
2.5 Other Expenses	(138,909,155)	(123,773,366)
Cash Flow before Changes in Working Capital	(2,772,272,720)	4,311,043,125
(Increase) / Decrease in Current Assets	(8,217,401,650)	(2,657,652,379)
1. (Increase) / Decrease in Money at Call and Short Notice	(1,797,231,588)	469,400,000
2. (Increase) / Decrease in Other Short-term Investment	(1,130,746,916)	391,220,000
3. (Increase) / Decrease in Loan & Bills Purchases	(5,188,673,457)	(3,401,346,685)
4. (Increase) / Decrease in Others Assets	(100,749,689)	(116,925,694)
Increase / (Decrease) in Current Liabilities	5,445,128,930	6,968,695,504
1. Increase/(Decrease) in Deposits	5,341,325,578	6,810,366,879
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowing	-	(10,000,000)
4. Increase/(Decrease) in Others Liabilities	103,803,352	168,328,625
B. Cash Flow from Investment Activities	(1,765,436,570)	(1,729,279,565)
1. (Increase)/Decrease in Long Term Investments	(876,795,259)	(1,677,379,030)
2. (Increase)/Decrease in Fixed Assets	(128,643,739)	(242,472,976)
3. Interest Income from Long Term Investment	189,884,737	144,159,425
4. Dividend Income	3,039,791	7,594,515
5. Others	(952,922,100)	38,818,501
C. Cash Flow from Financing Activities	333,994,654	(379,222,306)
1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	599,860,000	(565,000)
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	(354,294,346)	(378,657,306)
4. Increase/(Decrease) in Refinance/facilities received from NRB.	88,429,000	-
D. Income/Loss from change in exchange rate in Cash and Bank Balances	-	-
E. Current Year's Cash Flow from All Activities	(2,714,097,506)	3,397,644,837
F. Opening Balance of Cash and Bank Balances	6,362,296,158	2,964,651,321
G. Closing Balance of Cash and Bank Balances	3,648,198,652	6,362,296,158

SHARE CAPITAL & OWNERSHIP

Schedule 1		
(Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital		
1.1 Authorized Capital	4,000,000,000	3,000,000,000
a. 40,000,000 Ordinary Shares of Rs 100 each.	4,000,000,000	3,000,000,000
b. Non -redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.2 Issued Capital	2,760,000,000	2,400,000,000
a. 27,600,000 Ordinary Shares of Rs 100 each (Previous year 24,000,000 Ordinary Shares of Rs. 100 each)	2,760,000,000	2,400,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.3 Paid up Capital	2,760,000,000	2,400,000,000
a. 27,600,000 Ordinary Shares of Rs 100 each fully paid up (Previous year 24,000,000 Ordinary Shares of Rs 100 each fully paid up)	2,760,000,000	2,400,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.4 Proposed Bonus Shares	138,000,000	360,000,000
1.5 Calls-in-advance		
1.6 Total	2,898,000,000	2,760,000,000

SHARE OWNERSHIP

(Amount in Rs.)				
PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	80.00	2,208,000,000	80	1,920,000,000
1.1 Nepal Government	-	-	-	-
1.2 "A" Classs Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	65.00	1,794,000,000	65	1,560,000,000
1.5 General Public	15.00	414,000,000	15	360,000,000
1.6 Others	-	-	-	-
2. Foreign Ownership	20.00	552,000,000	20	480,000,000
Total	100.00	2,760,000,000	100	2,400,000,000

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

(Amount in Rs.)			
Name of Shareholder	Number of Shares	%	Share Capital
Habib Bank Limited	5,520,000	20.00	552,000,000
Karmachari Sanchaya Kosh	3,864,000	14.00	386,400,000
N. Trading Co. Pvt. Ltd.	3,507,503	12.71	350,750,300
Mutual Trading Co. Pvt. Ltd.	3,483,120	12.62	348,312,000
Ava International Pvt. Ltd.	3,142,085	11.38	314,208,500
Chhaya International Pvt. Ltd.	2,453,190	8.89	245,319,000
Sumit Kumar Agrawal	731,220	2.65	73,122,000
Syakar Co. Ltd.	273,241	0.99	27,324,100
Sharma & Co. Pvt. Ltd.	182,160	0.66	18,216,000
Total	23,156,519	83.90	2,315,651,900



RESERVES AND FUNDS

Schedule 2 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. General Reserve Fund	1,571,890,689	1,383,151,091
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserve Fund	795,362,388	386,190,216
a. Contingent Reserve	212,516,333	-
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	62,887,064	23,374,082
g. Other Free Reserves	-	-
h. Bond Redemption Reserve	514,285,713	357,142,856
i. Investment Adjustment Reserve	1,673,278	1,673,278
6. Accumulated Profit / (Loss)	4,685,148	72,898,928
7. Exchange Fluctuation Fund	29,769,898	29,769,898
Total	2,401,708,123	1,872,010,133

DEBENTURES AND BONDS

Schedule 3 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. 8 Percent HBL Bond 2072 of Rs 1,000 each (Issued in Ashadh 2065 and maturing in Ashadh 2072) [Balance in Redemption Reserve Rs. 428,571,427 (Previous Year Rs. 357,142,856)]	500,000,000	500,000,000
2. 8 Percent HBL Bond 2077 of Rs 1,000 each (Issued in Ashadh 2070 and maturing in Ashadh 2077) [Balance in Redemption Reserve Rs. 85,714,286]	600,000,000	-
Total	1,100,000,000	500,000,000

BORROWINGS

Schedule 4 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Local		
1. Nepal Government	-	-
2. Nepal Rastra Bank	88,429,000	-
3. Repo Obligation	-	-
4. Inter Bank and Financial Institutions	-	-
5. Other Financial Institutions	-	-
6. Others	-	-
Total	88,429,000	-
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total	-	-
Total (A+B)	88,429,000	-

DEPOSITS

Schedule 5		
(Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Non Interest Bearing accounts		
A. Current Deposits	5,844,054,504	4,584,233,497
1. Local Currency	4,607,905,855	3,593,562,442
1.1 Nepal Government	92,768,685	80,628,888
1.2 "A" Classs Licensed Institutions	177,644,003	70,198,211
1.3 Other Licensed Institutions	227,112,368	462,973,422
1.4 Other Organized Institutions	3,471,289,446	1,488,063,551
1.5 Individuals	639,091,353	1,372,546,146
1.6 Others	-	119,152,224
2. Foreign Currency	1,236,148,649	990,671,055
2.1 Nepal Government	21,193,119	16,427,770
2.2 "A" Classs Licensed Institutions	15,780,941	146,961
2.3 Other Licensed Institutions	109,585	375,402,069
2.4 Other Organized Institutions	1,035,964,115	234,359,533
2.5 Individuals	163,100,889	250,108,755
2.6 Others	-	114,225,967
B. Margin Deposits	920,948,609	971,296,581
1. Employees Guarantee	-	-
2. Guarantee Margin	354,771,943	464,665,721
3. Letters of Credit Margin	566,176,666	506,630,860
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organized Institution	-	-
1.3 Individual	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
Total of Non-Interest Bearing Accounts	6,765,003,113	5,555,530,078

continued...



DEPOSITS

continued...

Schedule 5		
(Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
2. Interest Bearing accounts		
A. Saving Deposits	26,484,280,238	21,915,374,201
1. Local Currency	25,652,046,435	21,195,019,560
1.1 Organized Institutions	547,107,486	459,222,302
1.2 Individuals	25,104,938,949	20,735,093,723
1.3 Others	-	703,535
2. Foreign Currency	832,233,803	720,354,641
2.1 Organized Institutions	24,060,831	8,180,762
2.2 Individuals	808,172,972	695,680,934
2.3 Others	-	16,492,945
B. Fixed Deposits	13,964,638,491	11,866,679,120
1. Local Currency	12,714,880,328	11,091,770,888
1.1 Organized Institutions	4,954,619,695	2,929,409,169
1.2 Individuals	7,760,260,633	7,971,587,544
1.3 Others	-	190,774,175
2. Foreign Currency	1,249,758,163	774,908,232
2.1 Organized Institutions	1,099,586,320	602,499,801
2.2 Individuals	150,171,843	153,660,931
2.3 Others	-	18,747,500
C. Call Deposits	5,858,397,645	8,393,410,510
1. Local Currency	4,637,502,959	7,424,530,049
1.1 "A" Class Licensed Institutions	-	-
1.2 Other Licensed Institutions	248,430,370	536,228,864
1.3 Other Organized Institutions	4,094,593,617	6,612,143,773
1.4 Individuals	294,478,972	276,157,412
1.5 Others	-	-
2. Foreign Currency	1,220,894,686	968,880,461
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	90,864	1,711,457
2.3 Other Organized Institutions	735,198,905	961,172,252
2.4 Individuals	485,604,917	5,996,752
2.5 Others	-	-
D. Certificate of Deposits	-	-
1. Other Organized Institutions	-	-
2. Individual	-	-
3. Other	-	-
Total of Interest Bearing Accounts	46,307,316,374	42,175,463,831
Total Deposits	53,072,319,487	47,730,993,909

BILLS PAYABLES

Schedule 6
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	24,179,856	18,610,383
2. Foreign Currency	88,104	392,989
Total	24,267,960	19,003,372

OTHER LIABILITIES

Schedule 7
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Pension / Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	137,669,271	138,909,155
5. Interest Payable on Deposit	166,390,915	216,820,761
6. Interest Payable on Borrowings/Bonds	19,266,931	19,330,554
7. Unearned Discount & Commission	-	-
8. Sundry Creditors	122,719,916	97,520,941
9. Branch Adjustment Account	10,715,257	33,555,262
10. Deferred Tax Liability	-	-
11. Dividend Payable	32,555,469	24,548,285
12. Others		
a. Provision for Audit Fee	745,800	678,000
b. Provision for leave encashment	178,408,291	139,376,479
c. Matured HBL Bond Payable	415,000	555,000
d. Provision for Gratuity	55,767,371	50,835,535
e. Others	534,296,089	438,184,096
Total	1,258,950,310	1,160,314,068



CASH BALANCE

Schedule 8
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1 Local Currency (Including coins)	810,375,805	916,270,042
2. Foreign Currency	54,684,123	35,063,473
Total	865,059,928	951,333,515

BALANCE WITH NEPAL RASTRA BANK

Schedule 9
(Amount in Rs.)

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible Currency	Total		
1. Nepal Rastra Bank	2,339,796,430	-	87,217,951	87,217,951	2,427,014,381	3,979,163,789
a. Current Account	2,339,796,430	-	87,217,951	87,217,951	2,427,014,381	3,979,163,789
b. Other Account	-	-	-	-	-	-
Total	2,339,796,430	-	87,217,951	87,217,951	2,427,014,381	3,979,163,789

Note: Total balance as per the statement of Nepal Rastra Bank is Rs 2,535,332,302

BALANCE WITH BANKS / FINANCIAL INSTITUTIONS

Schedule 10
(Amount in Rs.)

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible Currency	Total		
1. Local Licensed Institutions	95,218,373	-	-	-	95,218,373	234,354,278
a. Current Account	95,218,373	-	-	-	95,218,373	234,354,278
b. Other Account	-	-	-	-	-	-
2. Foreign Bank	-	152,313,407	108,592,563	260,905,970	260,905,970	1,197,444,576
a. Current Account	-	152,313,407	108,592,563	260,905,970	260,905,970	1,197,444,576
b. Other Account	-	-	-	-	-	-
Total	95,218,373	152,313,407	108,592,563	260,905,970	356,124,343	1,431,798,854

Note: Total balance as per the statement received from respective bank is Rs 1,208,938,257

MONEY AT CALL AND SHORT NOTICE

Schedule 11
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	50,000,000	-
2. Foreign Currency	2,011,831,588	264,600,000
Total	2,061,831,588	264,600,000

INVESTMENTS

Schedule 12
(Amount in Rs.)

PARTICULARS	PURPOSE		CURRENT YEAR	PREVIOUS YEAR
	Trading	Other		
1. Nepal Government Treasury Bills	-	7,279,759,154	7,279,759,154	6,402,963,895
2. Nepal Government Saving Bond	-	-	-	-
3. Nepal Government Other Securities	-	2,607,001,327	2,607,001,327	2,759,259,402
4. NRB Bonds	-	-	-	-
5. Foreign Bonds	-	-	-	-
6. Local Licensed Institutions	-	1,218,946,916	1,218,946,916	88,200,000
7. Foreign Banks	-	1,797,550,175	1,797,550,175	692,370,000
8. Corporate Shares	-	90,002,059	90,002,059	90,002,059
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
Total Investment	-	12,993,259,631	12,993,259,631	10,032,795,356
Provision			1,214,859	1,214,859
Net Investment			12,992,044,772	10,031,580,497



INVESTMENTS IN SHARES, DEBENTURES AND BONDS

Schedule 12 (A)
(Amount in Rs.)

PARTICULARS	COST PRICE	MARKET VALUE	PROVISION	CURRENT YEAR	PREVIOUS YEAR
1. Investment in Shares					
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. 224,465 Shares (including 96,532 bonus shares) @ Rs.100 per share, fully paid up	12,793,300	62,850,200	-	12,793,300	12,793,300
1.4 Chhimek Laghu Bitta Bikas Bank Ltd. 189,003 Shares (including 115,202 bonus shares) @ Rs. 100 per share, fully paid up	7,380,100	96,580,533	-	7,380,100	7,380,100
1.5 Swabalamban Laghu Bitta Bikas Bank Ltd. 158,051 Shares (including 33,146 bonus shares) @ Rs. 100 per share, fully paid up	12,490,500	51,840,728	-	12,490,500	12,490,500
1.6 Swift SC 6 Shares	1,214,859	1,214,859	1,214,859	1,214,859	1,214,859
1.7 Credit Information Corporation Limited 32,753 shares (including 18,520 bonus shares) @ Rs. 100 per share, fully paid up	1,423,300	3,275,300	-	1,423,300	1,423,300
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 National Banking Training Institute 12,000 shares @ Rs. 100 each, fully paid up	1,200,000	1,200,000		1,200,000	1,200,000
2. Investment in Debentures and Bonds					
2.1					
2.2					
2.3					
Total Investment	90,002,059	270,761,620	1,214,859	90,002,059	90,002,059
3. Provision for Loss					
3.1 Up to previous year			1,214,859	1,214,859	1,214,859
3.2 Addition this year			-		
Total Provision			1,214,859	1,214,859	1,214,859
Net Investment				88,787,200	88,787,200

Note:

- Shares of Chhimek Laghu Bitta Bikas Bank Limited, Nirdhan Utthan Bank Limited and Swabalamban Laghu Bitta Bikas Bank Limited are listed in Nepal Stock Exchange.
- Companies except RMDC, Chhimek Laghu Bitta Bikas Bank Limited, Nirdhan Utthan Bank Limited, Western Rural Development Bank, Swabalamban Laghu Bitta Bikas Bank Limited and Credit Information Corporation Limited have not declared dividend in the last three Years.

HELD FOR TRADING INVESTMENTS

PARTICULARS	COST PRICE	MARKET PRICE AS AT		PROFIT / LOSS		Schedule 12.1 (Amount in Rs.)
		15-Jul-2012	15-Jul-2013	Current Year	Previous Year	REMARKS
		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	-	-	-	-	-	
Total Investments	-	-	-	-	-	

HELD TO MATURITY INVESTMENTS

PARTICULARS	COST PRICE	IMPAIRED AMOUNT TILL		PROFIT / LOSS		REMARKS
		15-Jul-2012	15-Jul-2013	Current Year	Previous Year	
		1. Nepal Government Treasury Bills	7,279,759,154	-	-	
2. Nepal Government Saving Bonds	-	-	-			
3. Nepal Government Other Securities	2,607,001,327					
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	1,797,550,175	-	-			
10. Other Investments	1,218,946,916	-	-			
Total Investments	12,903,257,572					

AVAILABLE FOR SALE INVESTMENTS

PARTICULARS	COST PRICE	MARKET PRICE AS AT		PROFIT / LOSS		REMARKS
		15-Jul-2012	15-Jul-2013	Current Year	Previous Year	
		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	153,572,348	262,571,461			
7. Debentures and Bonds of Local Licensed Institutions	-					
8. Shares, Debentures and Bonds of Local Organised Institutions	5,123,300	6,429,400	6,975,300			
9. Placement in Foreign Banks	-					
10. Other Investments	1,214,859	1,214,859	1,214,859			
Total Investments	90,002,059	161,216,607	270,761,620			

* 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 Rs.)

PARTICULARS	LOANS & ADVANCES						BILLS PURCHASED & DISCOUNTED			CURRENT YEAR	PREVIOUS YEAR
	Domestic			Foreign	Total	Local	Foreign	Total			
	Priority	Other									
		Insured	Uninsured								
1. Performing Loan	-	-	37,777,979,923	684,722,087	38,462,702,010	27,670,168	1,380,835,405	1,408,505,573	39,871,207,583	35,217,307,884	
1.1 Pass Loan	-	-	37,777,979,923	684,722,087	38,462,702,010	27,670,168	1,380,835,405	1,408,505,573	39,871,207,583	35,217,307,884	
2. Non-Performing Loan	-	-	1,182,446,505	3,544,340	1,185,990,845	-	199,105	199,105	1,186,189,950	751,164,917	
2.1 Re-structured	-	-	153,485,973	-	153,485,973	-	-	-	153,485,973	123,791,145	
2.2 Substandard	-	-	73,774,236	-	73,774,236	-	-	-	73,774,236	76,405,667	
2.3 Doubtful	-	-	456,150,359	-	456,150,359	-	-	-	456,150,359	62,067,787	
2.4 Loss	-	-	499,035,937	3,544,340	502,580,277	-	199,105	199,105	502,779,382	488,900,318	
(A) Total Loan	-	-	38,960,426,428	688,266,427	39,648,692,855	27,670,168	1,381,034,510	1,408,704,678	41,057,397,533	35,968,472,801	
3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	-	
3.1 Pass	-	-	450,017,234	6,847,221	456,864,455	276,702	13,808,354	14,085,056	470,949,511	359,029,377	
3.2 Re-structured	-	-	113,344,335	-	113,344,335	-	-	-	113,344,335	104,973,933	
3.3 Substandard	-	-	18,443,559	-	18,443,559	-	-	-	18,443,559	19,101,417	
3.4 Doubtful	-	-	228,075,180	-	228,075,180	-	-	-	228,075,180	31,033,894	
3.5 Loss	-	-	499,035,937	3,544,340	502,580,277	-	199,105	199,105	502,779,382	488,900,318	
(B) Total Provisioning	-	-	1,308,916,245	10,391,561	1,319,307,806	276,702	14,007,459	14,284,161	1,333,591,967	1,003,038,939	
4. Provisioning up to Previous Year	-	-	-	-	-	-	-	-	-	-	
4.1 Pass	-	-	333,630,233	8,543,362	342,173,595	520,070	16,335,712	16,855,782	359,029,377	318,132,523	
4.2 Re-structured	-	-	104,973,933	-	104,973,933	-	-	-	104,973,933	78,620,452	
4.3 Substandard	-	-	19,101,417	-	19,101,417	-	-	-	19,101,417	54,038,564	
4.4 Doubtful	-	-	31,033,894	-	31,033,894	-	-	-	31,033,894	36,728,625	
4.5 Loss	-	-	482,623,035	6,003,863	488,626,898	-	273,420	273,420	488,900,318	913,773,379	
(C) Total Provision up to Last Year	-	-	971,362,512	14,547,225	985,909,737	520,070	16,609,132	17,129,202	1,003,038,939	1,401,293,543	
(D) Provision written back this year	-	-	(356,773,420)	(5,130,686)	(361,904,106)	(243,631)	(6,477,423)	(6,721,054)	(368,625,160)	(846,245,771)	
(E) This year's additional provision	-	-	694,327,153	975,022	695,302,175	263	3,875,750	3,876,013	699,178,188	447,991,167	
(F) Net adjustment during the year	-	-	337,553,733	(4,155,664)	333,398,069	(243,368)	(2,601,673)	(2,845,041)	330,553,028	(398,254,604)	
Net Loan (A - B)	-	-	37,651,510,183	677,874,866	38,329,385,049	27,393,466	1,367,027,051	1,394,420,517	39,723,805,566	34,965,433,862	

SECURITY WISE DETAIL OF LOANS, ADVANCES AND BILLS PURCHASED

PARTICULARS	Schedule 13 (A) (Amount in Rs.)	
	CURRENT YEAR	PREVIOUS YEAR
(A) Secured	41,057,397,533	35,968,472,801
1. Movable / Immovable Assets	37,077,239,290	31,990,441,432
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	-	-
4. Internationally Rated Bank Guarantee	28,066,673	19,800,945
5. Export Documents	1,408,704,678	1,685,851,578
6. Fixed Deposit Receipts	519,850,811	333,776,606
a. Own FDR	519,850,811	333,419,115
b. FDR of other Licensed Institutions	-	357,491
7. Nepal Government Bonds	240,000	240,000
8. Counter Guarantee	1,426,919,932	1,138,151,981
9. Personal Guarantee	32,324,781	10,182,327
10. Other Securities	564,051,368	790,027,932
(B) Unsecured	-	-
Total	41,057,397,533	35,968,472,801

FIXED ASSETS

PARTICULARS	ASSETS				Schedule 14 (Amount in Rs.)	
	Building	Vehicles	Machinery	Office Equipment	CURRENT YEAR	PREVIOUS YEAR
1. At Cost						
a. Previous Year Balance	407,821,319	214,274,308	363,151,265	455,663,070	1,440,909,962	918,355,378
b. Addition this year	15,328,393	35,000,900	30,832,515	40,446,652	121,608,460	540,733,086
c. Revaluation / Written back this year	-	-	-	-	-	-
d. This year sold	-	(25,631,791)	(251,990)	(418,100)	(26,301,881)	(16,988,720)
e. This Year written off	-	-	(973,551)	(421,754)	(1,395,305)	(1,189,782)
Total Cost (a + b + c + d + e)	423,149,712	223,643,417	392,758,239	495,269,868	1,534,821,236	1,440,909,962
2. Depreciation						
a. Up to previous year	34,258,673	77,331,535	231,488,298	203,169,830	546,248,336	454,190,740
b. For this year	19,125,885	22,310,153	27,758,267	37,998,542	107,192,847	101,312,234
c. Depreciation on revaluation/written back	-	-	-	-	-	-
d. Depreciation Adjusted/Written Back	-	(15,769,506)	(924,390)	(445,373)	(17,139,269)	(9,254,638)
Total Depreciation	53,384,558	83,872,182	258,322,175	240,722,999	636,301,914	546,248,336
3. Book Value (WDV)*(1-2)	369,765,154	139,771,235	134,436,064	254,546,869	898,519,322	894,661,626
4. Land					325,671,342	325,671,342
5. Capital Construction (WIP)					6,852,109	2,255,561
6. Leasehold Assets					77,730,770	82,775,828
Total (3 + 4 + 5+6)					1,308,773,543	1,305,364,357



NON BANKING ASSETS

Schedule 15
(Amount in Rs.)

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		
Ramesh Babu Shrestha	2010.12.09	376,000	100	376,000	376,000	376,000
Everest Floriculture	2013.07.15	83,109,039	100	83,109,039	83,109,039	-
Grand Total		83,485,039		83,485,039	83,485,039	376,000
Opening Balance of NBA Provision					376,000	14,106,864
Addition during the year					83,109,039	(13,730,864)
Closing provision on NBA					83,485,039	376,000
Net Non-Banking Assets					-	-

OTHER ASSETS

Schedule 16
(Amount in Rs.)

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Stock of Stationery		21,729,453	16,518,282
2. Income Receivable on investments		60,283,463	86,089,131
3. Accrued Interest on Loan	651,046,236		534,366,185
Less : Interest Suspense Amount	(651,046,236)	-	(534,366,185)
4. Commission Receivable		-	-
5. Sundry Debtors		-	-
6. Staff Loan and Advances		799,601,079	824,844,442
7. Prepayments		53,556,249	47,729,032
8. Cash in Transit		-	-
9. Other Transit Items(Including Cheques)		-	-
10. Drafts Paid without Notice		-	-
11. Expenses not written off		195,079,123	93,561,034
12. Branch Adjustment Account		-	-
13. Deferred Tax Assets		62,887,064	23,374,082
14. Others		225,174,801	343,037,005
a. Advance for capital works	19,720,216		16,388,271
b. Advance Corporate Tax	-		8,352,485
c. Others	338,600,373		432,262,663
Less: Provision for possible losses	(133,145,788)		(113,966,414)
Total		1,418,311,232	1,435,153,008

OTHER ASSETS (Additional Statement)

Schedule 16 (A)
(Amount in Rs.)

PARTICULARS	CURRENT YEAR				PREVIOUS YEAR
	Upto 1 year	1 to 3 Year	Above 3 Years	Total	
1. Accrued interest on Loan	281,085,694	94,766,744	275,193,798	651,046,236	534,366,185
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment A/c	-	-	-	-	-
4. Agency Balance					
Total	281,085,694	94,766,744	275,193,798	651,046,236	534,366,185

CONTINGENT LIABILITIES

Schedule 17		
<i>(Amount in Rs.)</i>		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Claims on Institutions but not accepted by bank	657,703,739	16,888,000
2. Letters of Credit (full amount)	3,697,028,276	3,983,149,810
a. Less than 6 months maturity	3,407,349,096	3,508,113,277
b. More than 6 months maturity	289,679,180	475,036,533
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,786,121,157	1,773,093,643
a. Bid Bond	138,921,351	145,162,845
b. Performance Bond	1,377,795,689	1,148,990,370
c. Other Guarantees/ Bonds	269,404,117	478,940,428
5. Unpaid Shares in Investment	-	-
6. Forward Exchange contract liabilities	174,794,978	199,188,089
7. Bills under collection	2,352,049,320	2,535,509,614
8. Acceptance and Endorsements	1,132,497,904	727,810,764
9. Underwriting Commitments	-	-
10. Irrevocable Loan Commitments	3,573,845,874	3,374,492,606
11. Counter Guarantee of internationally Rated Banks	569,722,321	1,598,761,643
12. Advance Payment Guarantee	393,250,015	189,911,732
13. Financial Guarantee	-	-
14. Contingent Liabilities on Income Tax	44,291,281	38,049,568
15. Others		
Total	14,381,304,865	14,436,855,469



INTEREST INCOME

Schedule 18
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. On Loan, Advances and Overdraft	4,261,373,692	4,216,329,884
1. Loan and Advances	3,090,912,514	3,050,354,021
2. Overdraft	1,170,461,178	1,165,975,863
B. On Investment	326,766,166	474,916,377
1. Nepal Government Securities	326,766,166	474,916,377
a. Treasury Bills	137,281,229	316,117,134
b. Development Bonds	189,484,937	158,799,243
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	-	-
C. On Agency Balances	459,593	264,304
1. Local Banks	-	16,557
2. Foreign Banks	459,593	247,747
D. On Money at Call and Short Notice	3,128,456	2,687,033
1. Local Banks	3,117,083	2,676,700
2. Foreign Banks	11,373	10,333
E. On Others	35,607,317	30,689,725
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	8,519,059	7,464,524
3. FCY Placements	27,088,258	23,225,201
Total	4,627,335,224	4,724,887,323

INTEREST EXPENSES

Schedule 19		
<i>(Amount in Rs.)</i>		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. On Deposit Liabilities		
1. Fixed Deposits	941,259,831	1,403,379,243
1.1 Local Currency	916,931,689	1,381,801,794
1.2 Foreign Currency	24,328,142	21,577,449
2. Saving Deposits	844,894,776	869,511,260
2.1 Local Currency	840,403,834	865,461,575
2.2 Foreign Currency	4,490,942	4,049,685
3. Call Deposit	230,617,935	475,771,027
3.1 Local Currency	206,289,793	463,460,302
3.2 Foreign Currency	24,328,142	12,310,725
4. Certificate of Deposits	-	-
B. On Borrowings	102,289,612	67,779,874
1. Debentures and Bonds	40,131,507	40,000,000
2. Loan from Nepal Rastra Bank	6,209,781	-
3. Inter Bank/Financial Institutions Borrowing	55,948,324	27,779,874
4. Other Corporate Bodies	-	-
5. Other Loans	-	-
C. Others	-	-
Total	2,119,062,154	2,816,441,404

COMMISSION AND DISCOUNT INCOME

Schedule 20		
<i>(Amount in Rs.)</i>		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Bills Purchased and Discounted	58,086,129	83,765,688
1. Local	10,491,907	-
2. Foreign	47,594,222	83,765,688
B. Commission	405,062,257	348,564,544
1. Letters of Credit	34,072,986	33,903,532
2. Guarantees	64,242,337	63,926,348
3. Collection Fees	25,416,114	29,777,890
4. Remittance Fees	95,559,852	79,825,502
5. Credit Cards Fee	185,770,968	141,131,272
6. Share Underwriting /Issue	-	-
7. Government Transactions	-	-
8. Agency Commissions	-	-
9. Exchange Fees	-	-
C. Others	87,000,682	78,510,047
Total	550,149,068	510,840,279



OTHER OPERATING INCOME

Schedule 21
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Safe Deposit Lockers Rental	9,306,707	9,373,630
2. Issue and Renewal of Credit Cards	51,806,748	58,922,399
3. Issue and Renewals of ATM Cards	36,420,170	37,004,698
4. Telex/ T. T	14,828,973	12,735,858
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	52,709,108	63,992,050
Total	165,071,706	182,028,635

EXCHANGE GAIN / (LOSS)

Schedule 22
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Revaluation Gain/(Loss)	(43,691,223)	(34,885,931)
B. Trading Gain (including exchange Fee on INR)	344,160,321	344,783,893
Total Income / (Loss)	300,469,098	309,897,962

STAFF EXPENSES

Schedule 23
(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Salary	254,821,527	237,102,991
2. Allowances	280,202,263	249,892,417
3. Contribution to Provident Fund	23,433,855	20,543,676
4. Training Expenses	5,075,617	3,659,884
5. Uniform	5,672,515	5,821,870
6. Medical	-	-
7. Insurance	28,137,848	24,406,462
8. Pension and Gratuity	55,767,371	50,835,535
9. Others	29,867,118	41,965,997
Total	682,978,114	634,228,832

OTHER OPERATING EXPENSES

		Schedule 24 (Amount in Rs.)	
PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Office Rent		95,436,822	86,576,814
2. Electricity & Water		17,695,143	15,715,979
3. Repairs and Maintenance		68,477,681	46,927,613
a. Building	2,785,845		381,988
b. Vehicles	1,887,509		1,571,735
c. Others	63,804,327		44,973,890
4. Insurance		11,598,315	11,294,092
5. Postage Telex, Telephone, Fax		30,999,399	25,737,865
6. Office Equipment & Furniture- Repairs		634,219	445,210
7. Travelling Allowances and Expenses		38,986,002	30,426,379
8. Printing and Stationery		29,141,535	23,343,452
9. Books and Periodicals		1,173,293	938,793
10. Advertisements		30,780,423	43,487,984
11. Legal Expenses		18,692,091	3,126,852
12. Donations		459,051	285,100
13. Expenses Relating to Board of Directors		5,856,202	5,093,413
a. Meeting Fees	944,500		766,800
b. Other Expenses	4,911,702		4,326,613
14. Annual General Meeting Expenses		966,518	779,454
15. Expenses Relating to Audit		1,390,080	1,254,977
a. Audit Fees	745,800		678,000
b. Other Expenses	644,280		576,977
16. Commission on Remittances		-	-
17. Depreciation on Fixed Assets		107,192,847	101,312,234
18. Amortization		83,343,488	56,857,366
19. Share Issue Expenses		-	-
20. Technical Services Fee		-	-
21. Entertainment		1,505,969	1,438,587
22. Written off Expenses		758,572	756,263
23. Security Expenses		23,563,695	22,694,928
24. Deposit Guarantee Premium		23,127,190	12,407,513
25. Commission and Discount		7,494,521	5,734,348
26. Others		252,837,690	217,801,220
a. Registration Fee and Charges	32,655,408		25,007,813
b. Card Membership and other expenses	154,500,394		135,862,786
c. Committee Meeting Fees	960,800		414,200
d. Fuel, Janitorial & Cleaning	49,588,315		38,814,860
e. Others	15,132,773		17,701,561
Total		852,110,746	714,436,436



PROVISION FOR POSSIBLE LOSSES

Schedule 25 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Increase in Loan Loss Provision	699,178,188	447,991,167
2. Increase in Provision for Loss on Investment	-	-
3. Provision against Non-Banking Assets	83,109,039	-
4. Provision against Other Assets	60,612,862	57,500,000
Total	842,900,089	505,491,167

NON OPERATING INCOME / (LOSS)

Schedule 26 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Profit/(Loss) on Sale on Investment	-	-
2. Profit / (Loss) on Sale of Assets	2,959,366	411,095
3. Dividend	3,039,791	7,594,515
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. interest subsidy	-	-
c. Exchange counter	-	-
5. Others	-	-
Total Non- Operating Income (Loss)	5,999,157	8,005,610

LOSS PROVISIONS WRITTEN BACK

Schedule 27 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Loan Loss Provision Written Back	368,625,160	846,245,771
2. Provision against Non-Banking Assets Written Back	-	13,730,864
3. Investment Provision Written Back	-	-
4. Provision against Other Assets Written Back	767,557	-
Total	369,392,717	859,976,635

PROFIT / (LOSS) FROM EXTRA - ORDINARY ACTIVITIES

Schedule 28 (Amount in Rs.)		
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Recovery of Writen off Loan	9,635,805	4,106,287
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write/off's [Schedule 28 (A)]	(16,639,686)	(401,144,182)
4. Other Expenses/Income	-	-
Total	(7,003,881)	(397,037,895)

STATEMENT OF LOANS WRITTEN-OFF

Schedule 28 (A)
(Amount in Rs.)

S. N.	TYPE OF LOAN	AMOUNT WRITTEN OFF	SECURITY DETAIL	BASIS OF VALUATION	APPROVING AUTHORITY	RECOVERY STEPS TAKEN	REMARKS
1	Overdrafts	4,603,493	Mortgage of land, building, machinery and hypothecation of stock	70% market value 30% government value	Executive committee	Served various follow-up letters, 35 days notice published in newspaper. Owners have been blacklisted.	
2	Time Loan	572,936	Personal Guarantee of Directors and corporate Guarantee of Company	-	Executive Director / CEO	Served various follow-up letters, 35 days notice published in newspaper. Owners have been blacklisted.	
3	Hire Purchase	3,068,816	Vehicle registered in favour of bank	Purchase / invoice value	DGM/SGM/CEO	Served various follow-up letters, 35 days notice published in newspaper. Owners have been blacklisted.	
4	TC Purchased	87,750	-	-	BM	Follow up through telephone calls	Walk in client
5	Credit Card Loan	8,306,690	Personal Guarantee	-	BM/DGM/CEO	Follow-up through telephonic calls and written notices served to the card holder. 35 days notice published in newspaper along with the photographs.	
	Total Loan	16,639,686					



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, 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 Rs.)							
NAME OF PROMOTERS / DIRECTORS / CHIEF EXECUTIVE	PREVIOUS YEARS'S BALANCE		THIS YEAR RECOVERY		THIS YEAR Additions	BALANCE AS OF ASHAD 31, 2070	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(B) Chief Executive							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(C) Promoters							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(D) Employees							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(E) Shareholders							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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 AS AT ASHAD 31, 2070 (JULY 15, 2013)

		Schedule 30 (A) (Amount in Rs.)	
	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1.1	RISK WEIGHTED EXPOSURES		
a	Risk Weighted Exposure for Credit Risk	49,526,322,948	42,584,895,177
b	Risk Weighted Exposure for Operational Risk	3,906,766,930	3,496,411,930
c	Risk Weighted Exposure for Market Risk	442,298,029	250,523,459
	Adjustment under Pillar II		
	Add 2% of gross income for operational risk	567,753,622	676,431,429
	Add: 2% of total RWE for overall risk	1,077,507,758	926,636,611
	Total Risk Weighted Exposures (a+b+c)	55,520,649,287	47,934,898,606
1.2	CAPITAL		
	Core Capital (Tier I)	4,972,173,697	4,600,146,030
a	Paid up Equity Share Capital	2,760,000,000	2,400,000,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	138,000,000	360,000,000
e	Statutory General Reserves	1,571,890,689	1,383,151,091
f	Retained Earnings	4,685,148	72,898,928
g	Current year profit/(loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Debenture Redemption Reserve	514,285,713	357,142,856
l	Special Reserve	4,000,000	4,000,000
m	Deferred Tax Reserve	62,887,064	23,374,082
n	Less: Goodwill	-	-
o	Less: Miscellaneous Expenditure not written off	500,856	420,927
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	83,074,061	-
	Adjustment under Pillar II		
	Less shortfall in Provision	-	-
	Less loans and facilities extended to related parties and restricted lending	-	-
	Supplementary Capital (Tier II)	1,442,263,755	683,754,044
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	800,000,000	300,000,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	398,304,246	352,310,868
e	Exchange Equalization Reserve	29,769,898	29,769,898
f	Investment Adjustment Reserve	1,673,278	1,673,278
g	Assets Revaluation Reserve	-	-
h	Other Reserves	212,516,333	-
	Total Capital Fund (Tier I and Tier II)	6,414,437,452	5,283,900,074
1.3	CAPITAL ADEQUACY RATIOS		
	Tier 1 Capital to Total Risk Weighted Exposures	8.96	9.60
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.55	11.02



RISK WEIGHTED EXPOSURE FOR CREDIT RISK

AS AT ASHAD 31, 2070 (JULY 15, 2013)

Schedule 30 (B)
(Amount in Rs.)

PARTICULARS	Current Year						PREVIOUS YEAR	
	BOOK VALUE A	SPECIFIC PROVISION B	ELIGIBLE CRM C	NET VALUE D=A-B-C	RISK WEIGHT E	RISK WEIGHTED EXPOSURES F=D*E	NET VALUE	RISK WEIGHTED EXPOSURE
A. BALANCE SHEET EXPOSURES								
Cash Balance	865,059,928	-	-	865,059,928	0%	-	951,333,515	-
Balance With Nepal Rastra Bank	2,427,014,381	-	-	2,427,014,381	0%	-	3,979,163,789	-
Gold	-	-	-	-	0%	-	-	-
Investment in Nepalese Government Securities	9,886,760,481	-	-	9,886,760,481	0%	-	6,440,634,695	-
All Claims on Government of Nepal	255,195,221	-	-	255,195,221	0%	-	255,195,221	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-
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)	339,662,220	-	155,124,410	184,537,810	150%	276,806,715	406,913,548	610,370,322
Claims on domestic banks that meet capital adequacy requirements	1,437,816,109	-	-	1,437,816,109	20%	287,563,222	224,841,316	44,968,263
Claims on domestic banks that do not meet capital adequacy requirements	606,658,983	-	-	606,658,983	100%	606,658,983	97,712,963	97,712,963
Claims on foreign bank (ECA Rating 0-1)	1,679,208,302	-	-	1,679,208,302	20%	335,841,660	1,647,343,052	329,468,610
Claims on foreign bank (ECA Rating 2)	1,173,567,852	-	-	1,173,567,852	50%	586,783,926	5,045,627	2,522,814
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	15,892,874	15,892,874
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	1,045,871,779	-	-	1,045,871,779	20%	209,174,356	500,268,835	100,053,767
Claims on Domestic Corporates	25,494,271,189	39,780,309	284,855,763	25,169,635,117	100%	25,169,635,117	21,692,611,756	21,692,611,756
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)	4,651,552,412	455,412	157,545,337	4,493,551,663	75%	3,370,163,747	3,801,162,553	2,850,871,915
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	2,686,284,955	-	-	2,686,284,955	60%	1,611,770,973	1,827,737,352	1,096,642,411
Claims not fully secured by residential properties	272,070,878	3,527,901	-	268,542,977	150%	402,814,466	-	-
Claims secured by residential properties (Overdue)	61,109,869	13,796,630	-	47,313,239	100%	47,313,239	38,413,510	38,413,510
Claims secured by Commercial real estate	1,198,649,270	28,881,644	-	1,169,767,626	100%	1,169,767,626	1,392,117,405	1,392,117,405
Past due claims (except for claim secured by residential properties)	1,990,923,107	830,939,047	-	1,159,984,060	150%	1,739,976,090	599,480,860	899,221,290
High Risk claims	4,107,678,413	17,906,779	72,186,644	4,017,584,990	150%	6,026,377,485	4,757,844,262	7,136,766,393
Investments in equity and other capital instruments of institutions listed in the stock exchange	83,663,900	-	-	83,663,900	100%	83,663,900	32,663,900	32,663,900
Investments in equity and other capital instruments of institutions not listed in the stock exchange	6,338,159	1,214,859	-	5,123,300	150%	7,684,950	56,123,300	84,184,950
Staff loan secured by residential Property	720,151,739	-	-	720,151,739	60%	432,091,043	-	-
Interest Receivable/Claim on Government securities	54,845,685	-	-	54,845,685	0%	-	-	-
Cash in transit & other cash items in the process of collection	-	-	-	-	20%	-	-	-
Other Assets	3,733,686,413	1,913,429,513	-	1,820,256,900	100%	1,820,256,900	2,542,877,584	2,542,877,584
TOTAL	64,778,041,245	2,849,932,094	669,712,154	61,258,396,997		44,184,344,398	51,265,377,912	38,967,360,727

continue...

RISK WEIGHTED EXPOSURE FOR CREDIT RISK AS AT ASHAD 31, 2070 (JULY 15, 2013)

continued
Schedule 30 (B)
(Amount in Rs.)

PARTICULARS	Current Year						PREVIOUS YEAR	
	BOOK VALUE A	SPECIFIC PROVISION B	ELIGIBLE CRM C	NET VALUE D=A-B-C	RISK WEIGHT E	RISK WEIGHTED EXPOSURES F=D*E	NET VALUE	RISK WEIGHTED EXPOSURE
B. OFF BALANCE SHEET EXPOSURES								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	2,352,049,320	-	-	2,352,049,320	0%	-	2,535,509,614	-
Forward Exchange Contract Liabilities	174,794,978	-	-	174,794,978	10%	17,479,498	199,188,089	19,918,809
LC Commitments With Original Maturity Upto 6 months								
domestic counterparty	3,407,349,096	-	457,142,772	2,950,206,324	20%	590,041,265	3,256,319,175	651,263,835
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	289,679,180	-	44,907,218	244,771,962	50%	122,385,981	150,925,664	75,462,832
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	1,786,121,158	-	132,405,120	1,653,716,038	50%	826,858,019	1,632,615,584	816,307,792
foreign counterparty (ECA Rating 0-1)	84,213,739	-	-	84,213,739	20%	16,842,748	32,884,724	6,576,945
foreign counterparty (ECA Rating 2)	275,712,236	-	-	275,712,236	50%	137,856,118	616,288,073	308,144,036
foreign counterparty (ECA Rating 3-6)	1,437,000	-	-	1,437,000	100%	1,437,000	42,336,000	42,336,000
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	393,250,015	-	15,922,836	377,327,179	100%	377,327,179	174,370,805	174,370,805
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	1,132,497,904	-	-	1,132,497,904	100%	1,132,497,904	727,810,764	727,810,764
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	3,573,845,874	-	-	3,573,845,874	20%	714,769,175	3,294,387,427	658,877,485
Irrevocable Credit commitments (long term)	14,644,047	-	-	14,644,047	50%	7,322,024	80,105,179	40,052,590
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	208,359,347	-	-	208,359,347	20%	41,671,869	159,425,880	31,885,176
Other Contingent Liabilities	44,291,281	-	-	44,291,281	100%	44,291,281	38,049,568	38,049,568
Unpaid guarantee claims	657,703,739	-	2,104,494	655,599,245	200%	1,311,198,490	13,238,906	26,477,812
TOTAL	14,395,948,914	-	652,482,440	13,743,466,474		5,341,978,550	12,953,455,452	3,617,534,449
Total RWE for credit Risk (A) +(B)	79,173,990,159	2,849,932,094	1,322,194,594	75,001,863,471		49,526,322,948	64,218,833,370	42,584,895,177
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								
Total credit risk (after under pillar II adjustment)	79,173,990,159	2,849,932,094	1,322,194,594	75,001,863,471		49,526,322,948	64,218,833,370	42,584,895,177



ELIGIBLE CREDIT RISK MITIGANTS AS AT ASHAD 31, 2070 (JULY 15, 2013)

Schedule 30 (C)
(Amount in Rs.)

CREDIT EXPOSURES	DEPOSITS WITH BANK (A)	DEPOSITS WITH OTHER BANKS/FI (B)	GOLD (C)	GOVT. & NRB SECURITIES (D)	G'TEE OF NEPAL (E)	SEC/G'TEE OF OTHER SOVEREIGNS (F)	G'TEE OF DOMESTIC BANKS (G)	G'TEE OF MDBS (H)	SEC/G'TEE OF FOREIGN BANKS (I)	TOTAL
A. Balance Sheet Exposures										
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	-	-	-	-	-	-	-	-	-	-
Claims on other multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	155,124,410	-	-	-	-	-	-	-	-	155,124,410
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic Bank that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic Bank 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 incorporate in SAARC region Operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	250,630,790	6,158,300	-	-	-	-	-	-	28,066,673	284,855,763
Claims on Foreign Corporates (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	157,010,909	-	-	534,428	-	-	-	-	-	157,545,337
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	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by residential properties)	62,331,098	-	-	9,855,546	-	-	-	-	-	72,186,644
High Risk claims	-	-	-	-	-	-	-	-	-	-
Investments in equity and other Capital Instrument of Institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Assets (as per attachment)	-	-	-	-	-	-	-	-	-	-
Total	625,097,207	6,158,300	-	10,385,974	-	-	-	-	28,066,673	669,712,154

continue...

ELIGIBLE CREDIT RISK MITIGANTS AS AT ASHAD 31, 2070

continued
Schedule 30 (C)
(Amount in Rs.)

CREDIT EXPOSURES	DEPOSITS WITH BANK (A)	DEPOSITS WITH OTHER BANKS/FI (B)	GOLD (C)	GOVT. & NRB SECURITIES (D)	G'TEE OF NEPAL (E)	SEC/G'TEE OF OTHER SOVEREIGNS (F)	G'TEE OF DOMESTIC BANKS (G)	G'TEE OF MIDBS (H)	SEC/G'TEE OF FOREIGN BANKS (I)	TOTAL
B. Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	457,142,772	-	-	-	-	-	-	-	-	457,142,772
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 Over 6 months domestic counterparty	44,907,218	-	-	-	-	-	-	-	-	44,907,218
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	132,405,120	-	-	-	-	-	-	-	-	132,405,120
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
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	15,922,836	-	-	-	-	-	-	-	-	15,922,836
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Party paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments	-	-	-	-	-	-	-	-	-	-
Claims on Guarantee	1,783,294	-	-	-	-	-	-	-	-	1,783,294
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total	652,161,240	-	-	-	-	-	-	-	-	652,161,240
Total (a+b)	-	-	-	-	-	-	-	-	-	1,321,873,394



RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

Schedule 30 (D)
(Amount in Rs.)

PARTICULARS	JULY 16, 2010	JULY 16, 2011	JULY 15, 2012	PREVIOUS YEAR
Net Interest Income	1,595,074,509	1,911,333,345	1,908,445,919	
Commission and Discount Income	270,258,732	350,365,112	510,840,279	
Other Operating Income	112,346,425	129,516,981	182,028,635	
Exchange Fluctuation Income	180,278,743	195,528,538	309,897,962	
Additional/Deduction in Interest Suspense during the period	123,497,130	106,566,235	(72,444,685)	
Gross Income (a)	2,281,455,539	2,693,310,211	2,838,768,110	
Alfa (b)	0.15	0.15	0.15	
Fixed percentage of Gross Income [c=(a*b)]	342,218,331	403,996,532	425,815,217	
Capital Requirement for operational risk (d) (average of c)	390,676,693			349,641,193
Risk Weight (reciprocal of capital requirement of 10% times) (e)	10			10
Equivalent Risk Weight Exposure [f=(d*e)]	3,906,766,930			3,496,411,930

RISK WEIGHTED EXPOSURE FOR MARKET RISK

Schedule 30 (E)
(Amount in Rs.)

S.NO.	CURRENCY	OPEN POSITION (FCY)	MID RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION	PREVIOUS YEAR RELEVANT OPEN POSITION
1	AED	(45,730)	25.00	(1,143,250)	1,143,250	644,236
2	AUD	(12,503)	87.08	(1,088,708)	1,088,708	3,066,752
3	CAD	(48,770)	91.83	(4,478,512)	4,478,512	2,644,004
4	CHF	(160,661)	100.65	(16,169,689)	16,169,689	3,297,240
5	CNY	(31,089)	15.45	(480,170)	480,170	201,959
6	DKK	(15,600)	16.73	(260,988)	260,988	47,044
7	EUR	17,200	124.94	2,149,015	2,149,015	3,341,928
8	GBP	22,974	144.47	3,318,975	3,318,975	8,546,169
9	HKD	(12,423)	12.31	(152,926)	152,926	1,520,019
10	INR	(187,192,788)	1.60	(299,522,501)	299,522,501	302,712,129
11	JPY	(1,548,988)	0.96	(1,485,944)	1,485,944	4,513,740
12	MYR	(6,845)	28.40	(194,398)	194,398	234,118
13	NOK	(2,650)	15.81	(41,883)	41,883	1,371,931
14	QAR	(45,546)	25.35	(1,154,591)	1,154,591	166,279
15	SAR	(76,864)	24.37	(1,872,791)	1,872,791	687,798
16	SEK	(14,190)	14.12	(200,292)	200,292	867
17	SGD	(24,802)	75.70	(1,877,406)	1,877,406	4,422,108
18	THB	(2,210)	2.94	(6,486)	6,486	12,170
19	USD	(5,730,663)	95.80	(548,997,534)	548,997,534	163,616,430
Total Open Position (a)					884,596,059	501,046,918
Fixed Percentage (b)					5%	5%
Capital Charge for Market Risk [c=(a*b)]					44,229,803	25,052,346
Risk Weight (reciprocal of capital requirement of 10%) times (d)					10	10
Equivalent Risk Weight Exposure [e=(c*d)]					442,298,029	250,523,459

PRINCIPAL INDICATORS FOR LAST FIVE YEARS

Schedule 31
(Amount in Rs.)

PARTICULARS	UNIT	FY	FY	FY	FY	FY
		2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
		2065/2066	2066/2067	2067/2068	2068/2069	2069/2070
Net Profit/Total Income	Percent	39.96	22.13	25.46	24.65	25.19
Per Share Income	Rs.	61.90	31.80	44.66	39.94	34.19
Per Share Market Value	Rs.	1760	816	575	653	700
Price Earning Ratio	Ratio	28.43	25.66	12.88	16.35	20.47
Dividend on Share Capital (Including Bonus)	Percent	43.56	36.84	36.84	28.42	15.00
Cash Dividend on Share Capital	Percent	12.00	11.84	16.84	13.42	10.00
Interest Income/Loan and Advances	Percent	9.18	10.81	13.12	13.14	11.27
Staff Expenses/Total Operating Expenses	Percent	47.54	46.83	47.06	47.03	44.49
Interest Expenses on Total Deposit	Percent	2.70	4.13	5.90	5.90	3.99
FX Fluctuation Gain/Total Income	Percent	8.51	4.80	3.66	5.00	5.00
Staff Bonus/Total Staff Expenses	Percent	22.81	15.41	19.30	17.97	16.78
Net Profit/Loan and Advances	Percent	3.04	1.82	2.83	2.74	2.38
Net Profit/Total Assets	Ratio	1.91	1.19	1.91	1.76	1.54
Total Loan/Deposits	Percent	73.58	77.43	80.57	75.36	77.36
Total Operating Expenses/Total Income	Percent	29.49	25.60	22.88	24.00	27.83
Capital Adequacy Ratio:						
A. Core Capital	Percent	8.81	8.68	8.88	9.60	8.96
B. Supplementary Capital	Percent	2.21	2.04	1.80	1.43	2.60
C. Total Capital Fund	Percent	11.02	10.72	10.68	11.02	11.55
Liquidity (CRR)	Percent	6.76	6.76	5.75	8.72	6.08
Non-performing Loan/Total Loan	Percent	2.16	3.52	4.22	2.09	2.89
Weighted Average Interest Rate Spread	Percent	3.66	4.21	3.96	4.25	4.25
Book Networth per share	Rs.	256.52	226.79	199.77	193.00	192.02
Total Share	Number	12,162,150	16,000,000	20,000,000	24,000,000	27,600,000
Total Staff	Number	591	577	647	793	830



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, Kamaladi, 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 borrowers.

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. In addition to this, directors & staffs of the bank are provided with credit card facility under approved policy of the bank.

2.11. Loan Loss Provision

Provision for possible losses on loans and advances & bills purchased is provided at 0.25% 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 of the 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 are investments not falling under "Held for Trading" or "Held Till Maturity" and are marked to market on regular basis. 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 this portfolio is 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 assets acquired during the accounting year is charged from the month subsequent to the date of acquisition, whereas depreciation on 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 as well as 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, 2012 to July 15, 2013 (Shrawan 01, 2069 to Ashadh 31, 2070)

1. Status of Bank Reconciliation

With Nepal Rastra Bank

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	2,233,532	40,685,539	602,390	55,421,474
1 to 3 months	1,430,501	12,001,785	24,058,898	16,662,952
3 to 6 months	5,011,424	4,396,425	4,000,000	13,598,778
6 to 12 months	-	-	-	-
1 to 2 years	-	-	-	2,818,669
above 2 years	-	-	195,000	264,045
Total	8,675,457	57,083,750	28,856,288	88,765,917

With Other Authorized Local Financial Institutions

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	6,258,570	645,893	2,036	9,811,873
1 to 3 months	-	-	-	36
3 to 6 months	-	-	-	50,000
6 to 12 months	-	199,082	-	208,007
1 to 2 years	-	31,000	-	-
above 2 years	-	-	-	-
Total	6,258,570	875,975	2,036	10,069,916

With Foreign Banks

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	133,438,079	626,876,572	142,929,062	406,251,811
1 to 3 months	4,168,429	54,739,255	4,945,164	5,617,092
3 to 6 months	2,732,678	4,552,983	126,031	2,609,725
6 to 12 months	7,069,491	3,708,047	78,427	3,577,381
1 to 2 years	40,775	368,830	140,807	12,029,966
above 2 years	258,935	4,708,613	-	19,016,232
Total	147,708,386	694,954,300	148,219,492	449,102,207

A sum of **Rs.10,715,257 (Credit 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.20,663,042 has been amortized during the year, leaving a balance of Rs. 77,730,770 for future amortization (Previous year amortized Rs. 22,719,982 and balance Rs. 82,775,828).

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. 62,460,164 has been amortized during the year, leaving a balance of Rs. 194,578,267 for future amortization (Previous year amortized Rs. 33,967,590 and balance Rs. 93,140,107).

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. 220,282 has been amortized during the year under review, leaving a balance of Rs. 500,856 (Previous year amortized Rs 169,793 and balance Rs 420,927)

3. Summary of Loans and Advances

Rs. in '000

PARTICULARS	2011-12	2012-13	CHANGE %
Loan & Advances outstanding as at the year end	35,968,473	41,057,398	14.15
Loan Written-off during the year	401,144	16,640	(95.86)

4. Summary of Changes in Deposit Liabilities

Rs. in '000

PARTICULARS	2011-12	2012-13	CHANGE %
Interest Free Deposits	5,555,530	6,765,003	21.77
Interest Bearing Deposits	42,175,464	46,307,316	9.79
Total	47,730,994	53,072,319	11.19

5. Weighted Average Interest Rate Spread

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	9.99
Weighted Average Interest Rate on Deposits, Bonds and Borrowing	4.81
Net Spread	5.17

6. Details of Deferred Expenses

Rs. in '000

PARTICULARS	2011-12	2012-13
1. At Cost	262,246	426,444
a) Upto Last Year	223,957	262,246
b) Addition this year	38,289	164,198
c) Deduction this year	-	-
2. Amortization	168,685	231,365
3. Remaining Value	93,561	195,079

7. Summary of Concentration of Exposure

Figures in Rs.'000

PARTICULARS	LOAN AND ADVANCES	CONTINGENT
Total Amount as on 15 July 2012	41,057,398	7,753,415
Highest Exposure to single unit	680,861	353,493
Highest % of exposure to single unit	1.66	4.56

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
Assets						
Cash Balance	865,060	-	-	-	-	865,060
Balance with Banks	1,895,052	-	-	-	888,087	2,783,139
Money at Call	2,061,832	-	-	-	-	2,061,832
Treasury Bills	2,695,316	1,923,892	240,176	2,420,375	-	7,279,759
Govt. Bonds	-	406,736	-	658,923	1,541,342	2,607,001
Other Investments	1,732,724	637,324	-	646,449	90,002	3,106,499
Loans & Advances /Bills purchase	15,413,234	5,207,031	4,674,251	2,647,578	13,115,304	41,057,398
Fixed Assets	-	-	-	-	1,308,774	1,308,774
Other Assets	259,394	56,801	37,787	42,491	1,021,840	1,418,313
Total Assets (A)	24,922,612	8,231,784	4,952,214	6,415,816	17,965,349	62,487,775
Liabilities						
Borrowings						
Current Deposits	1,461,014	1,168,811	1,461,014	1,461,014	292,203	5,844,056
Call Deposits	5,858,398	-	-	-	-	5,858,398
Saving Deposits	6,621,070	2,648,428	1,324,214	6,621,070	9,269,498	26,484,280
Fixed Deposits	2,716,990	2,150,119	3,186,631	4,621,882	1,289,017	13,964,639
Margin Deposits	920,949	-	-	-	-	920,949
Bills Payable	24,268	-	-	-	-	24,268
Bonds	-	-	-	-	1,100,000	1,100,000
Share Capital & Reserves	-	-	-	-	5,299,708	5,299,708
Other Liabilities	1,004,547	465,314	2,778	2,778	1,516,060	2,991,477
Total Liabilities (B)	18,607,236	6,432,672	5,974,637	12,706,744	18,766,486	62,487,775
Net Financial Assets (A-B)	6,315,376	1,799,112	(1,022,423)	(6,290,928)	(801,137)	-
Cumulative Net Financial Assets	6,315,376	8,114,488	7,092,065	801,137	-	-

NOTE: A) Loan has been categorized in Gross amount & 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

Paid up share capital of the Bank has moved over the years as follows:

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
F.Y. 2010-11 (BS 2067-68)	2,400,000,000.00	Issue of 20% bonus share
F.Y. 2011-12 (BS 2068-69)	2,760,000,000.00	Issue of 15% bonus share

10. Dividend and Bonus

The Board of Directors has recommended 10% cash dividend & 5% stock dividend for the financial year.

11. Unpaid Dividend

As on the balance sheet date, unpaid dividend over five years amounts to Rs. 5,244,714.



12. Deferred Tax

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

The movement in deferred tax assets / (liabilities) during the year is as follows:

	BALANCE 15 JUL 2012	BALANCE 15 JUL 2013
Opening Deferred Tax Assets / (Liabilities)	2,901,279	23,374,082
Movement During the Year	20,472,803	39,512,982
Closing Deferred Tax Assets / (Liabilities)	23,374,082	62,887,064

The movement during the year is credited to the Profit and Loss Account & transferred to Deferred Tax Reserve through Profit & Loss Appropriation A/C.

13. Provision for Gratuity

During the year, the Bank has provided Rs. 55,767,371 (Previous Year Rs. 50,835,535) 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. 46,438,809 has been charged to the profit and loss account during the year.

16. Dividend Income

A total of Rs. 8,967,791.00 has been received as dividend during the year from investment in shares made by the bank. However, a sum of Rs. 5,928,000.00 received as dividend from Rural Microfinance Development Center for the FY 2066/67 has been refunded to the company under instruction received from Nepal Rastra Bank.

17. 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.

18. Interest suspense

A sum of Rs. 651,046,236 has been provided as interest suspense representing interest accrued on loans but not realised as at the year-end.

19. Contingent Liability

Beneficiaries of bank guarantees have claimed Rs. 20,154,739 which the bank has not accepted as debt. In addition to this, the bank has received a claim of USD 6,655,000 made by Melamchi Water Supply Development Board against a performance bond guarantee issued by the bank on behalf of CRCC 15 Bureau J/V, China which has also been shown as contingent liability. The claim is sub-judice in Zhengzhou Intermediate People's Court, China as well as in Kathmandu District Court, Nepal. An equivalent amount in NPR has been blocked in the bank's account maintained with Nepal Rastra Bank till the conclusion of the case as per the decision of Patan Appellate Court. The bank has further appropriated a sum of Rs. 212,516,333 (one-third of the claim amount) to a contingent reserve in respect of the said claim.

Self assessment returns filed by the bank for the financial years 2009-10 (2066-67), 2010-11 (2067-68) & 2011-12 (2068-69) are pending for assessment with Inland Revenue Department. Assessments of the years prior to those mentioned above have been completed and taxes fully settled. However, the bank has filed appeal with the Revenue Tribunal against the assessment done by Large Tax Payers Office & the Inland Revenue Department pertaining to FY 2006-07 (2063-64), 2007-08 (2064-65 BS) & 2008-09 (2065-66), with respect to which a sum of Rs. 44,291,281 has been shown as contingent liability.

20. 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. 57,600,216 has been repatriated to Habib Bank on account of dividend payable for F.Y.2068-69.

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. Salim Amlani	Vice Chairman
Mr. Prem Prakash Khetan	Second Vice Chairman
Mr. Prachanda Bahadur Shrestha	Director
Mr. Bijaya Bahadur Shrestha	Director
Mr. Radha Krishna Pote	Director
Mr. Sushil Bikram Thapa	Director
Mr. Upendra Keshari Poudyal	Director
Mrs. Ranjana Shrestha	Alternate Director
Mr. Surendra Silwal	Alternate Director
Ms. Menuka Shrestha	Alternate Director
Mr. Himalaya Prasad Siwakoti	Alternate Director
Mr. Sunil Bahadur Thapa	Alternate Director
Mr. Ashoke S. Rana	Chief Executive Officer

• Compensation to Key Management Personnel of the Bank

The service of the CEO is governed by the terms of the contract entered into between him and the bank. Total compensation paid to Chief Executive Officer during the year is as follows:

a) Total Salary & Allowances	Rs. 9,483,500
b) Utilities Payment	Rs. 918,718
d) Medical and Accidental Insurance Premium	Rs. 13,480
Total Staff Expenses of this FY	Rs. 682,978,114

Chief Executive Officer is also provided the following benefits as per the terms of the contract:

- 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.

NATURE OF TRANSACTION	Amount in Rs. CURRENT YEAR
Meeting Fees Paid	944,500
Allowance and other fees & expenses	4,911,702

21. Operating Lease Commitment

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

22. Disclosure under New Capital Adequacy Framework

I. Capital structure and capital adequacy

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

SN	PARTICULARS	AMT IN RS.
	Core Capital (Tier I)	4,972,173,697
1	Paid up Equity Share Capital	2,760,000,000
2	Statutory General Reserves	1,571,890,689
3	Retained Earnings	4,685,148
4	Proposed Bonus Equity Shares	138,000,000
5	Capital Adjustment Reserve	-
6	Debenture Redemption Reserve	514,285,713
7	Special Reserve	4,000,000
8	Deferred Tax Reserve	62,887,064
9	Miscellaneous Expenditure not w/off	(83,574,917)

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

SN	PARTICULARS	AMT IN RS.
	Supplementary Capital (Tier II)	1,442,263,755
1	Subordinated Term Debt	800,000,000
2	General loan loss provision	398,304,246
3	Exchange Equalization Reserve	29,769,898
4	Investment Adjustment Reserve	1,673,278
5	Other Reserves	212,516,333

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:

	HBL Bond 2072	HBL Bond 2077
Bond Issued	NPR 500,000,000	NPR 600,000,000
Outstanding Amount	8%	8%
Interest Rate	July 2015	July 2020
Maturity Date	Half Yearly Basis	Half Yearly Basis
Interest Payment	7 Years	7 Years
Tenor	Amount recognised as capital	NPR 200,000,000
Amount recognised as capital	NPR 200,000,000	NPR 600,000,000

d. Total qualifying capital:

SN	PARTICULARS	AMT IN RS.
1	Core Capital (Tier I)	4,972,173,697
2	Supplementary Capital (Tier II)	1,442,263,755
	Total	6,414,437,452

e. Capital adequacy ratio:

Core Capital to Total Risk weighted Exposure	8.96
Total Capital to Total Risk Weighted Exposure	11.55

II. Risk exposures

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

SN	PARTICULARS	AMT IN RS.
a	Risk Weighted Exposure for Credit Risk	49,526,322,948
b	Risk Weighted Exposure for Operational Risk	3,906,766,930
c	Risk Weighted Exposure for Market Risk Adjustment under Pillar II	442,298,029
	Add 2% of gross income for operational risk	567,753,622
	Add: 2% of total RWE for overall risk	1,077,507,758
	Total Risk Weighted Exposures (a+b+c)	55,520,649,287

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

SN	PARTICULARS	AMT IN RS.
1	Claims on government & central bank	-
2	Claims on other official entities	276,806,715
3	Claims on banks	2,026,022,147
4	Claims on domestic corporates & securities firms	25,169,635,117
5	Claims on regulatory retail portfolio	3,370,163,747
6	Claims secured by residential properties	2,446,676,482
7	Claims secured by commercial real estate	1,169,767,626
8	Past due claims	1,787,289,329
9	High risk claims	6,026,377,485
10	Other assets	1,911,605,750
11	Off balance sheet items	5,341,978,550
	Total	49,526,322,948

c. Total Risk Weight Exposures calculation table

SN	PARTICULARS	AMT IN RS.
1	Total Risk Weighted Exposure	55,520,649,287
2	Total Core Capital Fund (Tier I)	4,972,173,697
3	Total Capital Fund (Tier I & II)	6,414,437,452
	Total Core Capital to Total RWE	8.96
	Total Capital to Total RWE	11.55

d. Amount of NPAs

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION	NET NPA
1	Restructured Loan	153,485,973	11,344,335	40,141,638
2	Substandard Loan	73,774,236	18,443,559	55,330,677
3	Doubtful Loan	456,150,359	228,075,180	228,075,179
4	Loss Loan	502,779,382	502,779,382	-
	Total	1,186,189,950	862,642,456	323,547,494

e. NPA ratios

PARTICULARS	PERCENTAGE
Gross NPA to Gross Advances	2.89
Net NPA to Net Advances	0.81

f. Movement of Non Performing Assets

SN	LOAN CLASSIFICATION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Restructured Loan	153,485,973	123,791,145	23.99
2	Substandard Loan	73,774,236	76,405,667	(3.44)
3	Doubtful Loan	456,150,359	62,067,787	634.92
4	Loss Loan	502,779,382	488,900,318	2.84
	Total	1,186,189,950	751,164,917	36.67

g. Write off of Loans and Interest Suspense

PRINCIPAL	INTEREST	TOTAL (RS)
16,639,686	8,498,241	25,137,927

h. Movements in Loan Loss Provisions and Interest Suspense

• Movement in Loan Loss Provision

SN	LOAN LOSS PROVISION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Pass Loan	470,949,511	359,029,377	31.17
2	Restructured Loan	113,344,335	104,973,933	7.97
3	Substandard Loan	18,443,559	19,101,417	(3.44)
4	Doubtful Loan	228,075,180	31,033,894	634.92
5	Loss Loan	502,779,382	488,900,318	2.84
	Total	1,333,591,967	1,003,038,939	32.96

• **Movement in Interest Suspense**

PARTICULARS	CURRENT	PREVIOUS	MOVEMENT
	YEAR	YEAR	
Interest Suspense	651,046,236	534,366,185	21.84

i. Segregation of Investment Portfolio

PARTICULARS	AMT IN RS.
Available for Sale	
Investment in equity	90,002,059
Held to Maturity	
Investment in Treasury Bills	7,279,759,154
Investment in Government Bonds	2,607,001,327
Placements	5,078,328,679
	14,965,089,160

III. Risk Management

HBL has set up a strong control & monitoring environment & system for comprehensive risk management at all levels of operation. A strong internal control system is in place which defines rights, authorities, roles and responsibilities at different levels of management and detailed working procedures have been laid out for various operational aspects. A systematic assessment process is in place to ensure compliance with the requirements of the Capital Adequacy Framework based on Basel II accord.

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. These policies, manual & product documents lay down the basic framework for credit appraisal & authority for approval. 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 Risk Management Department periodically reviews & appraises the overall loan portfolio of the bank with respect to risk concentration, market scenario & recommends initiatives to be taken for improved risk management. The Board of Directors on its own & through Risk Management Committee under coordination of a non-executive director further reviews the overall credit & other 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 financial institutions. For proper management of the risk, the bank has developed and implemented different operation manuals like Cash & Customer Service Manual, Bills and Remittance Manual, Fund 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 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 at branch level by KYC Officers & 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 Operating 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 to the maximum possible extent.

Risks associated with adverse movements in exchange rates, interest rate, 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. Net open position of all currencies is prepared on daily basis and reported to the management for necessary 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 makes periodic 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 in continuous 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.

23. 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

PROMOTERS/ SHAREHOLDERS CLASSIFIED UNDER PROMOTERS GROUP	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 PLEGGED	
	1	Sumit Kumar Agrawal	731,220	2.65	Nepal Bank Ltd	

Comparison of Unaudited and Audited Financial Statements

Schedule 35
Amount in NPR
In thousand

PARTICULARS	AS PER UNAUDITED FINANCIAL STATEMENTS	AS PER AUDITED FINANCIAL STATEMENTS	VARIANCE	VARIANCE %	REASONS FOR VARIANCE
1. TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)	62,447,067	62,486,557	39,490	0.06	
1.1 Paid Up Capital	2,760,000	2,898,000	138,000	5.00	Declaration of Bonus Shares
1.2 Reserve And Surplus	2,896,420	2,401,708	(494,712)	(17.08)	additional loan loss provisions, reversal of excess provisions , declaration of bonus shares & cash dividend
1.3 Debenture And Bond	1,100,000	1,100,000	-	-	
1.4 Borrowings	88,429	88,429	-	-	
1.5 Deposits (A + B)	53,072,319	53,072,319	-	-	
A. Domestic Currency	48,338,971	48,338,971	-	-	
B. Foreign Currency	4,733,348	4,733,348	-	-	
1.6 Income Tax Liability	75,349	33,290	(42,059)	(55.82)	change in estimated tax liability after audit
1.7 Other Liabilities	2,454,550	2,892,810	438,260	17.86	additional loan loss provision, reversal of excess provisions, declaration of cash dividend & regrouping of account balances
2. TOTAL ASSETS (2.1 TO 2.7)	62,447,067	62,486,557	39,490	0.06	
2.1 Cash And Bank Balance	3,648,199	3,648,199	-	-	
2.2 Money At Call And Short Notice	2,061,832	2,061,832	-	-	
2.3 Investments	12,992,045	12,992,045	-	-	
2.4 Loans And Advances	41,057,398	41,057,398	-	-	
a. Real Estate Loan	3,154,574	3,154,574			
1. Residential Real Estate (except Personal Home Loan upto Rs. 10 Mil)	431,623	431,623			
2. Business Complex & Residential Apartment Construction	934,681	934,681			
3. Income Generating Commercial Complex Loan	144,279	144,279			
4. Other Real Estate Loan (including Land Purchase & Plotting)	1,643,991	1,643,991			
b. Personal Home Loan of Rs. 10 Mil or less	2,591,601	2,591,601			
c. Margin Type Loan	631,126	631,126			
d. Term Loan	6,198,857	6,198,857			
e. Overdraft Loan/TR Loan/WC Loan	22,165,293	22,165,293			
f. Others	6,315,947	6,315,947			
2.5 Fixed Assets	1,308,795	1,308,774	(21)	(0.00)	
2.6 Non Banking Assets	-	-	-	-	
2.7 Other Assets	1,378,798	1,418,311	39,513	2.87	Regrouping of account balances
3. PROFIT AND LOSS ACCOUNT					
3.1 Interest Income	4,626,872	4,627,335	463	0.01	adjustment of interest suspense
3.2 Interest Expense	2,119,062	2,119,062	-	-	
A. Net Interest Income (3.1 - 3.2)	2,507,810	2,508,273	463	0.02	
3.3 Fees, Commission And Discount	550,612	550,149	(463)	(0.08)	adjustment of provisions made
3.4 Other Operating Income	165,072	165,072	-	-	
3.5 Foreign Exchange Gain/Loss (Net)	300,469	300,469	-	-	
B. Total Operating Income (A. + 3.3 + 3.4 + 3.5)	3,523,963	3,523,963	-	-	
3.6 Staff Expenses	710,074	682,978	(27,096)	(3.82)	adjustment of provisions made
3.7 Other Operating Expenses	852,436	852,111	(325)	(0.04)	adjustment of provisions made
C. Operating Profit Before Provision (B. - 3.6 - 3.7)	1,961,453	1,988,874	27,421	1.40	
3.8 Provision For Possible Losses	636,967	842,900	205,933	32.33	additional loan loss provision
D. Operating Profit (C. - 3.8)	1,324,486	1,145,974	(178,512)	(13.48)	
3.9 Non Operating Income / Expenses (Net)	5,999	5,999	-	-	
3.10 Write Back Of Provision For Possible Loss	369,393	369,393	-	-	
E. Profit From Regular Activities (D. + 3.9 + 3.10)	1,699,878	1,521,366	(178,512)	(10.50)	
3.11 Extraordinary Income / Expenses (Net)	(7,004)	(7,004)	-	-	
F. Profit Before Bonus And Taxes (E. + 3.11)	1,692,874	1,514,362	(178,512)	(10.54)	
3.12 Provision For Staff Bonus	153,898	137,669	(16,229)	(10.55)	Post audit decrease in net profit before tax
3.13 Provision For Tax	514,566	432,995	(81,571)	(15.85)	change in tax liability on final computation
G. Net Profit / Loss (F. - 3.12 - 3.13)	1,024,410	943,698	(80,712)	(7.88)	



UNAUDITED FINANCIAL RESULTS

Schedule 36

Amount in NPR In thousand

PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS YEAR QUARTER ENDING
1. Total Capital and Liabilities (1.1 TO 1.7)	62,447,067	59,344,348	55,367,467
1.1 Paid up capital	2,760,000	2,760,000	2,760,000
1.2 Reserve and surplus	2,896,420	2,590,070	1,872,010
1.3 Debenture and bond	1,100,000	500,000	500,000
1.4 Borrowings	88,429.00	3,000,092	-
1.5 Deposits (A + B)	53,072,319	47,916,210	47,730,994
A. Domestic Currency	48,338,971	43,787,275	43,968,314
B. Foreign Currency	4,733,348	4,128,935	3,762,680
1.6 Income tax liability	75,349	-	-
1.7 Other liabilities	2,454,550	2,577,976	2,504,463
2. Total Assets (2.1 TO 2.7)	62,447,067	59,344,348	55,367,467
2.1 Cash and bank balance	3,648,199	5,429,695	6,362,296
2.2 Money at call and short notice	2,061,832	32,981	264,600
2.3 Investments	12,992,045	10,716,136	10,031,580
2.4 Loans and Advances	41,057,398	40,180,991	35,968,473
a. Real Estate Loan	3,154,574	3,126,363	3,801,947
1. Residential Real Estate (except Personal Home Loan upto Rs. 10 Mil)	431,623	330,351	327,478
2. Business Complex & Residential Apartment Construction	934,681	956,264	1,041,645
3. Income Generating Commercial Complex Loan	144,279	152,339	144,544
4. Other Real Estate Loan (including Land Purchase & Plotting)	1,643,991	1,687,409	2,288,280
b. Personal Home Loan of Rs. 10 Mil or less	2,591,601	2,421,913	1,550,338
c. Margin Type Loan	631,126	626,819	732,354
d. Term Loan	6,198,857	6,152,851	5,581,688
e. Overdraft Loan/TR Loan/WC Loan	22,165,293	22,337,663	18,565,042
f. Others	6,315,947	5,515,382	5,737,104
2.5 Fixed Assets	1,308,795	1,297,730	1,305,364
2.6 Non Banking Assets	-	-	-
2.7 Other Assets	1,378,798	1,686,815	1,435,154
3. Profit and Loss Account			
3.1 Interest income	4,626,872	3,333,398	4,724,887
3.2 Interest expense	2,119,062	1,551,904	2,816,441
A. Net interest income (3.1 - 3.2)	2,507,810	1,781,494	1,908,446
3.3 Fees, commission and discount	550,612	394,286	510,840
3.4 Other Operating Income	165,072	118,946	182,029
3.5 Foreign Exchange Gain/loss (net)	300,469	217,565	309,898
B. Total Operating Income (A+3.3+3.4+3.5)	3,523,963	2,512,291	2,911,213
3.6 Staff Expenses	710,074	420,717	634,229
3.7 Other Operating Expenses	852,436	592,017	714,436
C. Operating Profit Before Provision (B-3.6-3.7)	1,961,453	1,499,557	1,562,548
3.8 Provision for Possible Losses	636,967	378,856	46,659
D. Operating Profit (C - 3.8)	1,324,486	1,120,701	1,515,889
3.9 Non Operating Income / Expenses (Net)	5,999	2,165	8,006
3.10 Write Back of Provision for Possible Losses	369,393	5,770	-
E. Profit from Regular Activities (D + 3.9 + 3.10)	1,699,878	1,128,636	1,523,894
3.11 Extraordinary Income /Expenses (Net)	(7,004)	1,003	4,106
F. Profit Before Bonus and Taxes (E + 3.11)	1,692,874	1,129,639	1,528,001
3.12 Provision for Staff Bonus	153,898	102,694	138,909
3.13 Provision for Tax	514,566	308,885	430,453
G. Net Profit / Loss (F - 3.12 - 3.13)	1,024,410	718,060	958,638

10 Year's Financial Summary

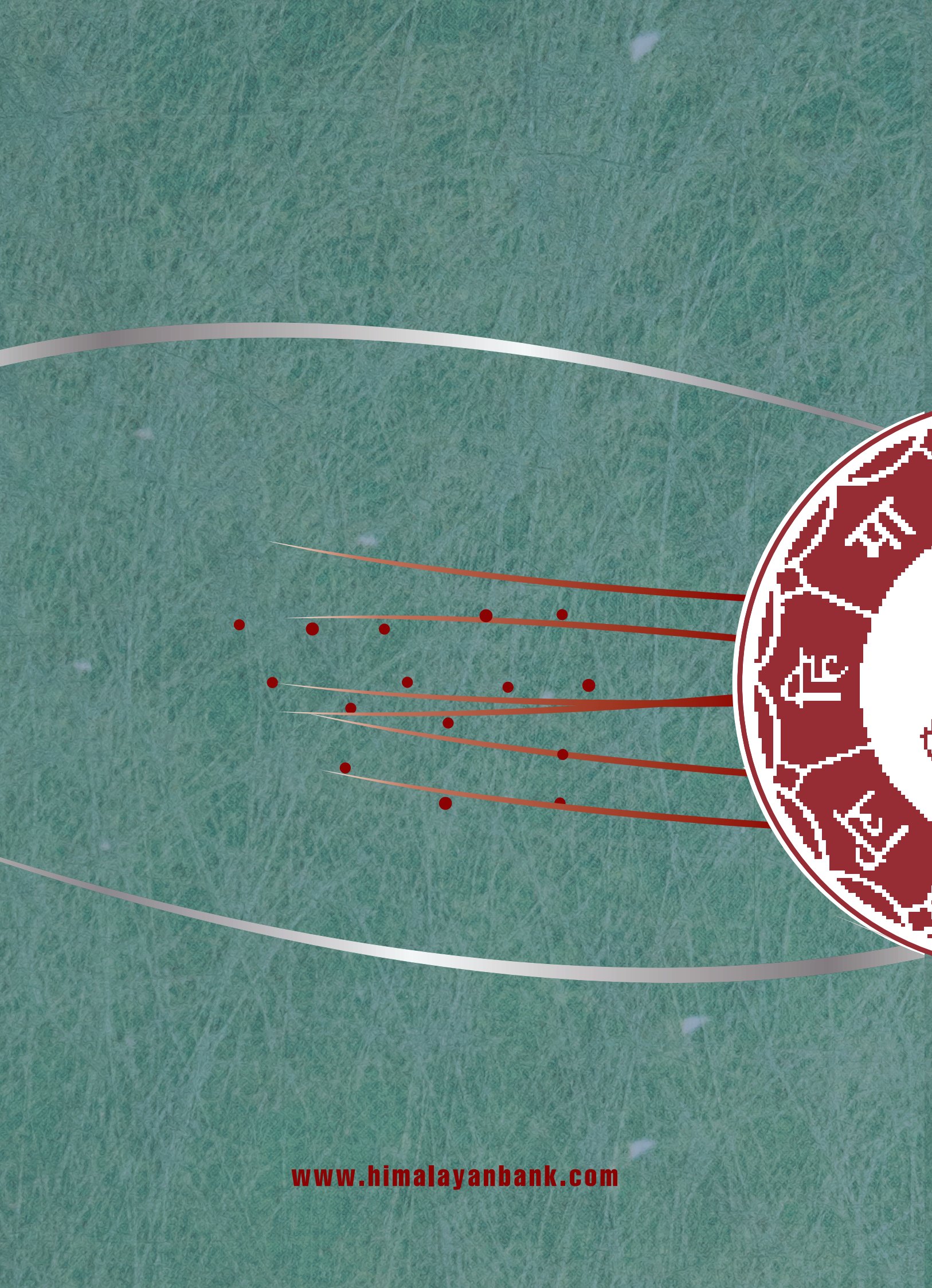
BALANCE SHEET

PARTICULARS	Amount in NPR In thousand									
	2060/61 2003/04	2061/62 2004/05	2062/63 2005/06	2063/64 2006/07	2064/65 2007/08	2065/66 2008/09	2066/67 2009/10	2067/68 2010/11	2068/69 2011/12	2069/70 2012/13
Assets										
Cash & Bank Balances	2,001,184	2,014,471	1,717,352	1,757,341	1,448,143	3,048,527	3,866,491	2,964,651	6,362,296	3,648,199
Money at Call	368,900	441,081	1,005,280	1,710,024	518,530	1,170,794	308,840	734,000	264,600	2,061,832
Investments	9,292,103	11,692,342	10,889,031	11,822,985	13,340,177	8,710,691	8,444,910	8,769,939	10,031,580	12,992,045
Loans, Advances & Bills Purchased	12,919,631	13,451,168	15,761,977	17,793,724	20,179,613	25,519,519	29,123,755	32,968,270	35,968,473	41,057,398
Fixed Assets	299,643	295,822	540,825	574,060	795,310	952,196	1,061,871	1,187,493	1,305,364	1,308,774
Other Assets	848,326	976,459	665,343	656,734	575,852	644,959	1,054,384	1,513,144	1,435,153	1,418,311
Total Assets	25,729,787	28,871,343	30,579,808	34,314,868	36,857,624	40,046,686	43,860,251	48,137,497	55,367,467	62,486,557
Liabilities										
Borrowings	659,006	506,048	504,625	595,968	943,178	500,000	500,000	510,000	500,000	1,188,429
Deposit Liabilities	22,010,333	24,814,012	26,490,852	30,048,418	31,842,789	34,681,345	37,611,202	40,920,627	47,730,994	53,072,319
Reserve for Doubtful Debts	967,762	1,026,648	1,119,417	795,727	682,093	726,364	1,143,126	1,401,294	1,003,039	1,333,592
Other Liabilities	768,520	982,888	698,738	728,256	876,573	1,019,096	1,166,717	1,310,099	1,501,424	1,592,509
Total Liabilities	24,405,621	27,329,596	28,813,632	32,168,368	34,344,633	36,926,805	40,421,046	44,142,019	50,735,457	57,186,849
Net Assets	1,324,166	1,541,747	1,766,176	2,146,500	2,512,992	3,119,881	3,439,205	3,995,478	4,632,010	5,299,708
Shareholders' Equity										
Paid up Capital	536,250	643,500	772,200	810,810	1,013,513	1,216,215	1,600,000	2,000,000	2,400,000	2,760,000
Proposed capitalisation of profits	107,250	128,700	38,610	202,703	202,703	383,785	400,000	400,000	360,000	138,000
Reserves	510,698	611,372	798,808	948,601	1,199,934	1,483,355	1,302,618	1,562,546	1,799,111	2,397,023
Retained Earnings	169,968	158,175	156,558	184,386	96,842	36,526	136,587	32,932	72,899	4,685
Total Shareholders' Equity	1,324,166	1,541,747	1,766,176	2,146,500	2,512,992	3,119,881	3,439,205	3,995,478	4,632,010	5,299,708
Total Capital + Liabilities	25,729,787	28,871,343	30,579,808	34,314,868	36,857,624	40,046,686	43,860,251	48,137,497	55,367,467	62,486,557
Contingent Liabilities										
Letter of Credit	2,420,343	3,469,134	3,068,891	2,916,470	6,125,565	7,042,307	5,294,496	3,574,914	3,983,150	3,697,028
Guarantees	3,315,942	3,451,242	3,423,337	3,449,207	1,644,703	1,701,268	4,104,631	3,292,959	3,371,855	2,355,843
Forward Exchange Contract	116,132	2,818	-	165,278	13,998	169,911	5,603	821,620	199,188	174,795
Other Contingent Liabilities	377,482	795,554	86,880	322,681	3,087,675	5,836,222	3,513,372	5,743,679	6,882,662	8,153,638
Total Contingent Liabilities	6,229,899	7,718,748	6,579,108	6,853,636	10,871,941	14,749,708	12,918,103	13,433,171	14,436,855	14,381,305



10 Year's Financial Summary PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount in NPR In thousand									
	2060/61 2003/04	2061/62 2004/05	2062/63 2005/06	2063/64 2006/07	2064/65 2007/08	2065/66 2008/09	2066/67 2009/10	2067/68 2010/11	2068/69 2011/12	2069/70 2012/13
Income										
Interest Income	1,245,895	1,446,468	1,626,474	1,775,583	1,963,647	2,342,198	3,148,605	4,326,141	4,724,887	4,627,335
Interest Expense	491,543	561,964	648,842	767,411	823,745	934,778	1,553,531	2,414,807	2,816,441	2,119,062
Net Interest Income	754,352	884,504	977,632	1,008,171	1,139,903	1,407,420	1,595,075	1,911,333	1,908,446	2,508,273
Commission & Discount	123,929	132,816	165,448	193,224	187,820	284,302	270,259	350,365	510,840	550,149
Foreign Exchange Income	112,419	137,301	198,130	151,637	207,669	249,983	180,279	195,529	309,898	300,469
Other Income	34,076	41,301	52,325	40,329	62,103	46,343	112,346	129,517	182,029	165,072
Non Operating Income	3,299	2,795	1,887	3,493	9,700	3,810	12,382	15,856	8,006	5,999
Total Income	1,028,075	1,198,717	1,395,422	1,396,855	1,607,196	1,991,858	2,170,341	2,602,600	2,919,218	3,529,962
Expenses										
Staff Expenses	152,509	178,589	234,589	290,921	292,213	360,981	414,984	517,592	634,229	682,978
Operating Expenses	211,047	277,375	329,699	322,865	344,321	398,317	471,103	582,210	714,436	852,111
Provision for Doubtful Debts	186,226	147,139	88,593	90,689	6,008	68,806	692,640	471,729	505,491	842,900
Provision for Staff Bonus	46,731	58,060	67,240	71,740	94,884	106,661	75,573	123,773	138,909	137,669
Non-Operating Expenses	10,988	15,012	2,902	(96,763)	(79,069)	(9,511)	(239,686)	(330,438)	(462,939)	(362,389)
Total Expenses	607,501	676,175	723,023	679,452	658,357	925,252	1,414,614	1,364,866	1,530,127	2,153,269
Profit before Tax	420,574	522,542	672,399	717,404	948,839	1,066,606	755,727	1,237,734	1,389,092	1,376,693
Income Tax provision	157,522	214,265	214,941	225,580	312,970	313,771	246,929	344,619	430,453	432,995
Net Profit after Tax	263,052	308,277	457,458	491,823	635,869	752,835	508,798	893,115	958,638	943,698
P/L Appropriation										
Profit/Loss carried down	385,546	478,244	615,633	648,380	820,254	849,676	901,324	1,073,766	1,038,634	1,016,597
Interest Spread Reserve reversed	-	-	-	-	-	-	-	-	-	-
Statutory General Reserve	52,611	61,655	91,492	98,365	127,174	150,567	101,760	178,623	191,728	188,740
Exchange Equalisation Fund	2,270	-	5,906	-	1,302	2,237	-	6,682	-	-
Interest Spread Reserve Fund	-	-	-	-	-	-	-	-	-	-
HBL Bond redemption fund	51,429	51,429	51,429	51,429	122,857	122,857	71,429	71,429	71,429	157,143
Interim Dividend	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	74,511	231,660	121,622	253,378	145,946	189,474	336,842	322,106	276,000
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Adjustment A/c	-	-	38,610	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	107,250	128,700	38,610	202,703	202,703	383,785	400,000	400,000	360,000	138,000
Income Tax of last year	2,018	3,774	1,369	(10,122)	15,998	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	7,760	596	-	20,473	39,513
Investment Adjustment Reserve	-	-	-	-	-	-	1,479	47,259	-	-
Contingent Reserve	-	-	-	-	-	-	-	-	-	212,516
Profit Transferred to Balance Sheet	169,967	158,175	156,557	184,385	96,842	36,525	136,587	32,932	72,899	4,685



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