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Report of the Board of Directors To The Thirteenth Annual General Meeting

Dear Shareholders,

On behalf of the Board of Directors, I cordially welcome you to the Thirteenth Annual General Meeting of Himalayan Bank Limited. The Balance Sheet as on July 15, 2005, the Profit and Loss Account for the fiscal year 2004-05, the Profit and Loss Appropriation Account and other financial statements as required have been presented together with our Report for approval by the General Meeting.

Review of the Bank's Performance for the fiscal year 2004-05

During the review year, the overall economic and financial situation of the country didn't improve as expected. I feel pleased and proud to inform you that despite such a situation, our Bank was able to carry on its activities and operations satisfactorily. Moreover, the support and goodwill the Bank received from the national and international sectors during the period were noteworthy.

The Bank's total deposit reached Rs. 24,814 million during the period under review, recording an increase of 12.74 percent over the deposit of Rs. 22,010 million during the previous year. Similarly, the loans and advances reached Rs. 13,451.2 million during the period under review, recording an increase of 4.11 percent over the figure of Rs. 12,919.6 million during the previous year. These figures of total deposits and loans and advances represent 9.83 and 8.43 percent respectively of the total deposits and loans and advances recorded in the overall banking sector. Our Bank has continued to top the private banks in terms of deposits and loans for the past many years.

The net assets of the Bank increased by 12.06 percent, reaching Rs. 2,568.4 million during the review period, while the gross assets increased by 12.21 percent and is valued at Rs. 28,871.3 million.

The Bank was able to make an operating profit of Rs. 742.75 million during the review period vis-à-vis Rs. 664.52 million in the previous year. The net profit of the Bank reached Rs. 308.28 million, registering a growth of 17.19 percent over the net profit of Rs. 263.05 million during the previous year.

The loan loss provision increased by 6.08 percent during the review period as against 14.83 percent during the previous year.

Comparative Financial Indicators of the Bank

The comparative financial indicators of the fiscal years 2003-04 and 2004-05 are presented below:

(Rs. in Million)

S.N.	Particulars	2003-04 As on July 15	2004-05 As on July 15	Incr./ (Decr.) Percent
1.	Net Assets (Net Worth)	2,291.92	2,568.39	12.06
2.	Gross Assets	25,729.79	28,871.34	12.21
3.	Deposits	22,010.33	24,814.01	12.74
4.	Loans, Overdrafts and Bills Purchased and Discounted	12,919.63	13,451.17	4.11
5.	Investments	9,292.10	11,692.34	25.83
6.	Net Interest Income	754.35	884.50	17.25
7.	Other Income	273.72	314.21	14.79
8.	Operating and Staff Expense	363.56	455.96	25.42
9.	Operating Profit	664.52	742.75	11.77
10.	Net Profit	263.05	308.28	17.79

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

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

Impact of National and International Events on the Activities of the Bank

The overall economic growth rate of the world is estimated to have reached 5.1 percent in 2004 vis-a-vis 2.0 percent in 2002 and 3.0 percent in 2003. As per the estimate of the International Monetary Fund the overall economic growth rate of all the Asian nations is estimated at 7.4 percent compared to 8.2 percent during the previous year. However, the economic growth rate of the country in 2004-05 was estimated at only 2.0 percent as against 3.3 percent during the previous year.

The economic and commercial activities in the country could not gather pace. Consequently, all-round economic, banking and financial activities of the country remained stagnant. The tourism sector could not improve, either, thus affecting the huge investments of the banking sector in this industry.

The deposits in the banking sector rose by 8.00 percent to reach Rs. 252,410 million during the fiscal year 2004-05 vis-a-vis Rs. 233,670 million during the previous year. Similarly, loans and advances registered a growth of 15.2 percent to reach Rs. 159,640 million vis-a-vis Rs. 138,560 million during the previous year.

Current Financial and Banking Environment

During the first few months of the fiscal year 2005-06, the law and order situation in the country witnessed some improvement. The economic and financial sectors as well as the tourism sector also showed signs of improvement.

It is hoped that with Nepal becoming a member of the WTO and BIMSTEC and SAFTA being implemented with effect from January 1, 2006, our economic and financial activities will gain momentum. Furthermore, preparations

are being made for the establishment of the Investment Board to generate a favorable commercial environment for mobilization of domestic and foreign investment.

It is reported that the banking and other sectors will benefit from the Electronic Clearing House to be established by Nepal Rastra Bank in cooperation with the Asian Development Bank. Furthermore, increase in the rate of re-financing from 3.0 percent to 3.5 percent and continuation of re-financing to sick industries are encouraging signs for the banking sector.

At present, there are 17 commercial banks, 32 development banks, 63 finance companies and five rural development banks operating across the country. Additionally, twenty cooperatives and around four dozen NGOs are involved in micro finance activities. A few more development banks and finance companies may come into operation this year. It is certain that competition will intensify among commercial banks, development banks and finance companies. Under such circumstances, it is imperative for the Bank to have its own separate identity in the market by formulating a special strategy.

The Bank has a progressive Human Resource policy with robust recruitment process that attracts the best talent in the industry, provides excellent working environment and serves to retain high performer and loyal employees by offering the best remunerations, facilities and ample career growth opportunities within the Bank.

The financial status of the Bank as on October 17, 2005 (Aswin-end of the current fiscal year) is given below:

(Rs. in Million)

S.N.	Particulars	2004-05 As on Oct 17	2005-06 As on Oct 17	Incr./ (Decr.) Percent
1.	Gross Assets	27,597.50	29,100.96	5.45
2.	Deposits	23,577.13	24,996.38	6.02
3.	Loans, Overdrafts and Bills Purchased and Discounted	13,666.59	14,887.64	8.93
4.	Investments	9,654.27	10,944.14	13.36
5.	Operating Profit	165.64	189.69	14.52

Change in the Board of Directors

Habib Bank Limited nominated Mr. Aziz Rajkotwala as the Director and Vice-Chairman of the Board of Directors with effect from December 4, 2004 in place of Mr. Khaleeq Kayani. Also, Mr. Jharendra Narayan Singh, nominee director representing Group Ka 1 resigned from the Board and in his place, Mr. Amar Rana joined the Board of Directors with effect from October 13, 2004.

The Board extends its hearty thanks to Mr. Kayani and Mr. Singh for their valuable contribution to the progress and prosperity of the Bank and welcomes Mr. Rajkotwala and Mr. Rana to the Board of Directors.

Implementation of the Strategy and Program of the Bank

1. Internet banking service which was under trial now fully operational.
2. Subidha Loan for social activities launched.
3. Bank's representatives deputed to Riyadh, Dammam and Jeddah to render banking services to Nepalese workers in Saudi Arabia.
4. Bank's office located in the basement area of Sanchaya Kosh building renovated as modern and customer-friendly premise. Premises for Head Office under construction on first floor.
5. Establishment of new branch at Butwal at final stage.
6. Use of debit card widened.

Future Programmes

1. To extend network of ATMs to various others cities of country.
2. To integrate Globus banking software with branches in Valley and beyond.
3. To revise credit strategy and procedure for restricting bad loans.
4. To revise various policy directives.
5. To identify, develop and introduce new services and products.
6. To construct the building for Corporate Office on the newly acquired land.

Corporate Social Responsibility

In pursuance of its Corporate Social Responsibility, the Bank contributed to the procurement of relief material to the earthquake victims of Pakistan and provided financial assistance to Nepal Sri Lanka Friendship Association for relief operation to Tsunami orphans in Sri Lanka. Likewise, we donated 20 computers to Nepal Wireless Networking Project for the benefit of school children in the western region of the country. Furthermore, we provided financial support to many charitable and philanthropic organizations, sponsored several social and cultural programmes and contributed to the maintenance of public places in the Kathmandu valley. The Bank also made some contribution to sports by sponsoring events like Himalayan Bank Cup Football Championship, Himalayan Bank Cup Open Golf Championship and National Boxing Championship.

Audit and Balance Sheet

The Balance Sheet as on July 15, 2005, the Profit and Loss Account for the fiscal year 2004-05, the Cash Flow Statement for the fiscal year 2004-05, relevant annexes and the Auditors' Report form integral part of this report. Further, additional disclosure required as per Company Ordinance 2062, Chapter 7, Clause 109, Sub-Clause (4) is given in Annex-5.

Profit and Loss Appropriation

The net profit reached Rs. 308.275 million during the review period. With the retained earnings of Rs. 169.968 million, a total amount of Rs. 478.243 million is available for appropriation, out of which, Rs. 61.655 million, i.e. 20 percent of the net profit for this year, has been appropriated to the Statutory General Reserve Fund. It is imperative to increase our paid-up capital so as to reach the capital adequacy norm prescribed by Nepal Rastra Bank. Therefore, I would like to propose with pleasure a special resolution on declaring a 20 percent bonus share and 11.58 percent cash dividend on the paid-up capital to the shareholders for the fiscal year 2004-05. For this, an amount of Rs. 203.211 million has been earmarked. After setting aside Rs. 51.428 million to HBL Bond 2066 Redemption Reserve, the remaining amount of Rs. 158.175 has been posted to the Balance Sheet. Such an amount was Rs. 169.968 million in the previous year.

Vote of Thanks

On behalf of the Board of Directors, I would like to extend sincere thanks to the shareholders, customers and officials of His Majesty's Government and Nepal Rastra Bank for their co-operation. I would also like to place on record special thanks to of our joint venture partner, Habib Bank Limited, Pakistan, the Bank's Chief Executive Officer, General Manager, Deputy General Managers, senior executives and other staff of the Bank for their valuable 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 who have supported us.

Thank you.

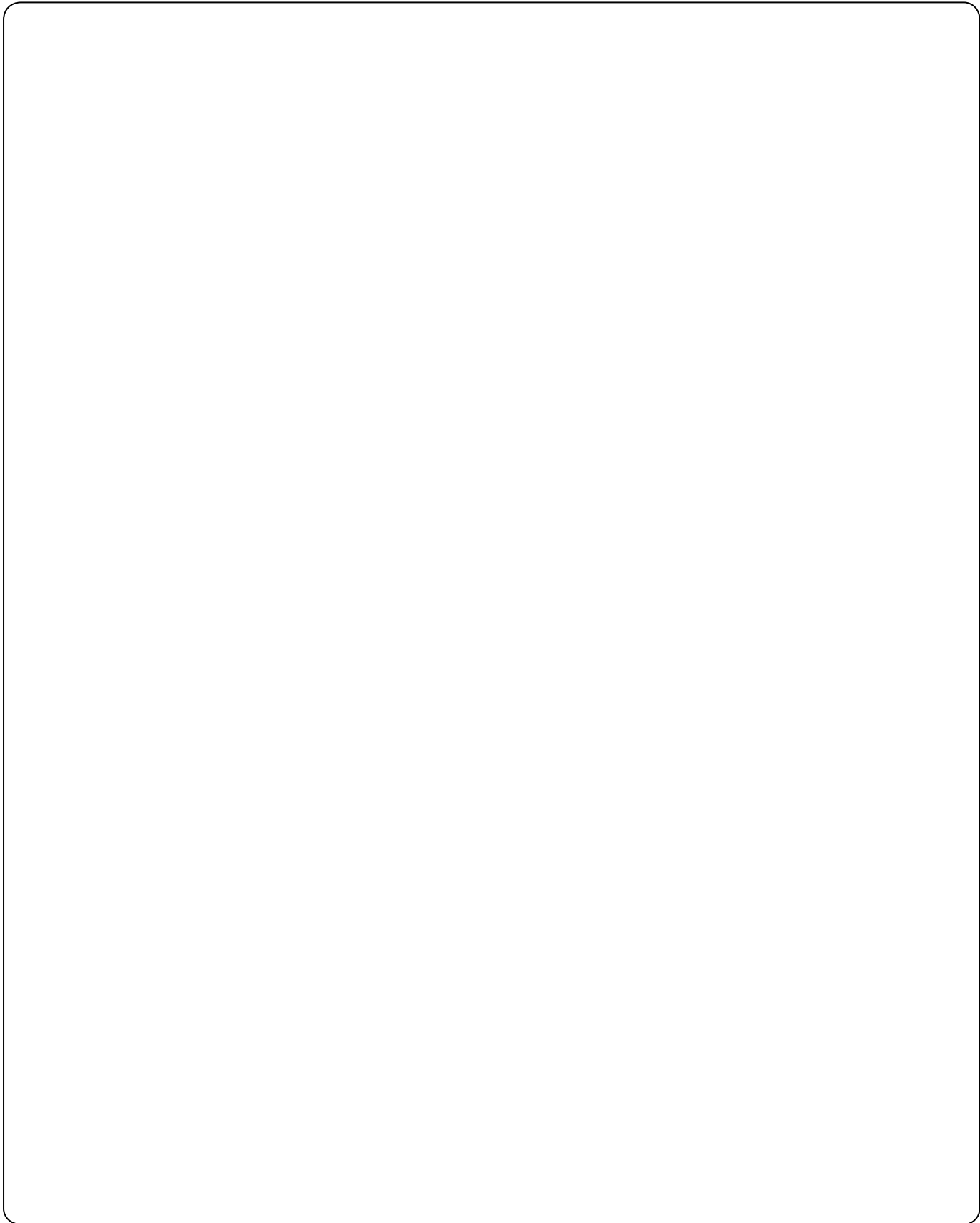
On behalf of the Board of Directors

Second Vice Chairman
(Prem Prakash Khetan)

Chairman
(Manoj Bahadur Shrestha)

December 11, 2005





ADDITIONAL DISCLOSURE AS PER SECTION 109(4) OF COMPANIES ORDINANCE, 2062

1) Detail of Share Forfeiture:

No Shares have been forfeited till date.

2) Transaction with Subsidiaries:

The Bank has no Subsidiaries

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

- 1) Shares sold by Chhaya International Pvt. Ltd. to Sumit Kumar Agarwal with the approval of the Board of Directors and NRB.
- 2) Shares sold by N.Trading Co. Pvt. Ltd. to Ananda Bhakta Rajbhandari with the approval of the Board of Directors and NRB.
- 3) Shares sold by Syakar Company Pvt. Ltd. to Sumit Kumar Agarwal with the approval of the Board of Directors and NRB.

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

No such transaction was reported to the Bank.

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

No such information was received during the year.

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

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

7) Detail of Internal Control System:

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

- 1) Strong internal checks and controls
- 2) Operation Manuals, procedures and guidelines for orderly conduct of operations.
- 3) Credit Policy Guidelines and Manual
- 4) Independent Internal Audit Department
- 5) Periodic review of internal control system by Audit Committee.

8) Total Management expenses during the year:

Employee Expenses during the FY	: Rs. 178,589,357
Administrative Expenses during the FY	: <u>Rs. 277,375,035</u>
Total	: <u>Rs. 455,964,392</u>

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

Audit Committee members:

- | | |
|-----------------------------------|------------------|
| 1) Dr. Ramesh Kumar Bhattarai | Chairman |
| 2) Mr. Prachanda Bahadur Shrestha | Member |
| 3) Mr. Amar SJB Rana | Member |
| 4) Mr. Tulu Islam | Member |
| 5) Mr. Mushtaq Ali | Member Secretary |

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

The Committee conducted 8 meetings during the FY 2061/62 during which it, among others:

- 1) Reviewed the Internal Audit Reports and gave necessary instruction to the Management for rectification.
- 2) Reviewed Annual Accounts and Preliminary Audit Report issued by Statutory Auditors and recommended their adoption by the Board of Directors after incorporation of the directives/instructions issued by the Committee to the Management.
- 3) Directed the Management to improve Internal Control systems and procedures and recommended policies and procedures for improvements, wherever necessary.

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

NIL

11) Remuneration, Allowances and facilities given to Directors, Managing Director, Chief Executive Officer and Officials during the year:

S.N.	Particulars	Directors	CEO	Managers
1.	Meeting Fee	11,45,300	-	-
2.	Salary	-	30,48,000	1,47,28,125
3.	Allowances	-	21,12,000	60,32,563
4.	Dashain Allowance	-	4,30,000	11,87,250
5.	P.F.Contribution	-	3,04,800	11,67,300
6.	Telephone/Mobile	1,76,391	1,56,000	4,26,462
7.	Others	2,25,170	60,000	90,000
	Total	15,46,861	61,10,800	2,36,31,700
8.	Car Facility	No	Yes	Yes
9.	Accommodation	No	No	No*
10.	Insurance Coverage	Yes	Yes	Yes
11.	Number of Persons	12	1	13

Notes:

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

12) Unclaimed Dividend:

Total Unclaimed Dividend : Rs. 56,09,639.08 as on Asadh 31, 2062.

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

-

14) Other relevant issues:

-



P. L. Shrestha & Co.
Chartered Accountants

AUDITOR'S REPORT TO THE SHAREHOLDERS OF HIMALAYAN BANK LTD.

1. We have audited the accompanying Balance Sheet of Himalayan Bank Limited as of Ashad 31, 2062 (July 15, 2005), and the related Statement of Income, and Cash Flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. On the basis of our examination, we would like to report that:
 - i. We have obtained all the information and explanations, which were necessary for the purpose for our audit.
 - ii. The Balance Sheet, Income Statement, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Bank.
 - iii. In our opinion, proper books of accounts as required by law have been kept by the Bank.
 - iv. The returns received from branches of the Bank were adequate for the purpose of our audit.
 - v. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member there of or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the bank.
4. In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of Ashad 31, 2062, and of the results of its operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards and Generally Accepted Accounting Principles and comply with Company Act 2053, Banks and Financial Institutions Ordinance, 2062 and Nepal Rastra Bank's Directives.
5. In addition to above report, we further report that:
 - i. The Bank has made provision for possible losses as per Nepal Rastra Bank's directives,
 - ii. The operations of the Bank were within its jurisdiction,
 - iii. The Bank has acted as per Nepal Rastra Bank's directives, and
 - iv. The operations were carried out in the interest of the Bank and its depositors.

Place: Kathmandu

Date: December 15, 2005

Jha 1/100 Maharajgunj, Kathmandu, Nepal. Tel: 4425761, 4418220, E-mail: plshrestha@wlink.com.np


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P.L. Shrestha, FCA

Partner

P.L. Shrestha & Co.

Chartered Accountants

P. L. Shrestha & Co. is a member of  International. A world-wide organization of accounting firms & business advisors.

BALANCE SHEET AS ON 15 JULY 2005 (31 ASHAD 2062)

Capital and Liabilities				Assets			
Previous Year Rs.		Sche.	This Year Rs.	Previous Year Rs.		Sche	This Year Rs.
536,250,000	1. Share Capital	1	643,500,000	274,235,328	1. Cash Balance	7	286,529,934
787,916,357	2. Reserve Funds	2	898,246,461	1,726,948,893	2. Balance with Banks	8	1,727,941,023
659,005,881	3. Borrowings	3	506,048,286	368,900,000	3. Money at call and Short Notice	9	441,080,900
22,010,332,984	4. Deposit Accounts	4	24,814,011,984	9,292,102,510	4. Investments	10	11,692,341,559
64,381,663	5. Bills Payable	5	68,399,189	11,951,869,350	5. Loans, Avances and Bills Purchased	11	12,424,520,646
759,482,985	6. Other Liabilities	6	914,488,735	299,642,817	6. Fixed Assets	12	295,822,023
				903,670,972	7. Other Assets	13	976,458,570
24,817,369,870	Total Liabilities		27,844,694,655	24,817,369,870	Total Assets		27,844,694,655

Contingent Liabilities	Schedule 14
Directors Declaration	Schedule 23
Capital Adequacy	Schedule 24
Key Indicators	Schedule 25
Cash Flow Statement	Schedule 26
Principal Accounting Policies	Schedule 27
Notes to the Accounts	Schedule 28

Schedules 1 to 14 form integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 16 JULY 2004 TO 15 JULY 2005

Previous Year Rs.	Expenses	Sche	This Year Rs.	Previous Year Rs.	Income	Sche.	This Year Rs.
491,543,353	1. Interest Expenses	15	561,963,770	1,245,895,020	1. Interest Income	18	1,446,468,083
152,508,886	2. Employees Expenses	16	178,589,357	123,928,995	2. Commission and Discount	19	132,815,882
211,046,959	3. Office Overhead Expenses	17	277,375,035	112,419,406	3. Exchange Gain	20	137,300,987
-	4. Exchange Loss	20	-	3,299,067	4. Non-Operating Income	21	2,794,642
-	5. Non-Operating Expenses	21	-	34,076,151	5. Other Income	22	41,300,617
-	6. Bad Debts Written off		88,253,189	-	6. Net Loss Carried Down		-
186,225,770	7. Provision for Loan Loss		58,885,977				
10,987,917	8. Provision for Non Banking Assets		15,012,253				
46,730,575	9. Provision for Staff Bonus		58,060,063				
157,521,684	10. Provision for Income Tax		214,265,396				
263,053,495	11. Net Profit Carried Down		308,275,171				
1,519,618,639	Total		1,760,680,211	1,519,618,639	Total		1,760,680,211

Schedules 15 to 22 form integral part of the Profit and Loss Account

PROFIT AND LOSS APPROPRIATION ACCOUNT FOR THE PERIOD 16 JULY 2004 TO 15 JULY 2005

Previous Year Rs.	Particulars	This Year Rs.	Previous Year Rs.	Particulars	This Year Rs.
-	1. Accumulated loss up to last year	-	122,493,662	1. Accumulated Profit up to Last Year	169,968,100
-	2. This year's Loss	-	-	-	-
52,610,699	3. General Reserve Fund	61,655,034	263,053,495	2. This Year's Profit	308,275,171
-	4. Contingent Reserve	-	-	3. Accumulated Loss	-
-	5. Bank Development Fund	-	-	-	-
-	6. Dividend Equalization Fund	-	-	-	-
-	7. Employees Related Fund	-	-	-	-
-	8. Interim and Proposed Dividend	74,510,526	-	-	-
107,250,000	9. Issue of Bonus Share	128,700,000	-	-	-
51,428,571	10. Special Reserve Fund	51,428,571	-	-	-
2,270,446	11. Exchange Fluctuation Reserve	-	-	-	-
2,019,341	12. Prior Period Tax	3,774,304	-	-	-
169,968,100	13. Accumulated Profit	158,174,836	-	-	-
385,547,157	Total	478,243,271	385,547,157	Total	478,243,271

Schedule 1 : Share Capital and Ownership

Previous Year Rs.	Particulars	This Year Rs.
-	1. Share Capital	-
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a. 10,000,000 Ordinary shares of Rs 100 each	1,000,000,000
-	b.Non-redeemable shares of Rs.....each	-
-	c.Redeemable shares of Rs..... each	-
650,000,000	1.2 Issued Capital	650,000,000
650,000,000	a. 6,500,000 Ordinary Shares of Rs 100 each	650,000,000
-	b.Non-redeemable shares of Rs.....each	-
-	c.Redeemable shares of Rs.....each	-
536,250,000	1.3 Paid up Capital	643,500,000
536,250,000	a. 6,435,000 Ordinary Shares of Rs 100 each	643,500,000
-	b.Non-redeemable shares of Rs.....each	-
-	c.Redeemable shares of Rs.....each	-

Share Ownership

Previous Year Rs.	Particulars	%	This Year Rs.
429,000,000	1. Local Ownership	80.00	514,800,000
-	1.1 His Majesty's Government	-	-
-	1.2 Commercial Banks	-	-
75,075,000	1.3 Financial Institutions	14.00	90,090,000
273,487,500	1.4 Organized Institutions	51.00	328,185,000
80,437,500	1.5 General Public	15.00	96,525,000
-	1.6 Others	-	-
107,250,000	2. Foreign Ownership	20.00	128,700,000
536,250,000	Total	100.00	643,500,000

6,435,000 Ordinary Shares of Rs. 100 each fully paid up, which includes:

Year	Particulars
F.Y. 1994-95	Rs. 60,000,000 capitalized
F.Y. 1997-98	Issued 720,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1998-99	Issued 480,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1999-00	Issued 600,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2000-01	Issued 900,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2001-02	Issued 390,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2002-03	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2003-04	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up

Schedule 4 : Statement of Deposits

Previous Year Rs.	Particulars	This Year Rs.		
	1. Non Interest Bearing Accounts			
4,145,447,916	A. Current Deposits		5,045,160,928	
3,098,880,912	1. Local Currency	3,479,030,380		
843,261,347	1.1 His Majesty's Government	1,546,653,451		
26,081,132	1.2 Commercial Banks	45,499,257		
737,386,495	1.3 Financial Institutions	153,001,319		
841,107,444	1.4 Other Organized Institutions	1,190,767,790		
141,464,626	1.5 Individuals	135,613,806		
509,579,868	1.6 Others	407,494,757		
1,046,567,004	2. Foreign Currency	1,566,130,548		
429,993,918	2.1 His Majesty's Government	999,113,204		
1,488,181	2.2 commercial Banks	-		
14,503,595	2.3 Financial Institutions	78,336		
313,895,064	2.4 Other Organized Institutions	333,605,079		
52,989,684	2.5 Individuals	9,378,986		
233,696,562	2.6 Others	223,954,943		
425,019,903	B. Margin Deposits		586,043,416	
-	1. Employees Guarantee	-		
237,681,226	2. Guarantee Margin	300,107,959		
187,338,677	3. Letters of Credit Margin	285,935,457		
	C. Others		-	
-	1. Local Currency	-		
-	1.1 Financial Institutions	-		
-	1.2 Other Organized Institutions	-		
-	1.3 Individual	-		
-	2. Foreign Currency	-		
-	2.1 Financial Institutions	-		
-	2.2 Other Organized Institutions	-		
-	2.3 Individual	-		
4,570,467,819	Total of Non-Interest Bearing Accounts			5,631,204,344

Previous Year Rs.	Particulars	This Year Rs.	
	2. Interest Bearing Accounts		
11,759,602,072	A. Saving Deposits		12,852,414,902
10,669,502,581	1. Local Currency	11,925,347,986	
812,481,082	1.1 Organized Institutions	902,001,188	
9,618,863,669	1.2 Individuals	10,695,780,146	
238,157,830	1.3 Others	327,566,652	
1,090,099,491	2. Foreign Currency	927,066,916	
413,186,703	2.1 Organized Institutions	386,754,428	
617,105,772	2.2 Individuals	523,678,636	
59,807,016	2.3 Others	16,633,852	
4,710,176,693	B. Fixed Deposits		6,107,430,801
1,857,785,828	1. Local Currency	2,486,412,029	
758,311,595	1.1 Organized Institutions	1,390,140,156	
1,038,438,025	1.2 Individuals	917,835,627	
61,036,208	1.3 Others	178,436,246	
2,852,390,865	2. Foreign Currency	3,621,018,772	
2,238,181,786	2.1 Organized Institutions	3,354,991,687	
137,888,165	2.2 Individuals	125,179,693	
476,320,914	2.3 Others	140,847,392	
970,086,400	C. Call Deposits		222,961,937
427,286,704	1. Local Currency	40,918,010	
413,954,962	1.1 Organized Institutions	10,834,328	
13,331,742	1.2 Individuals	28,583,682	
-	1.3 Others	1,500,000	
542,799,696	2. Foreign Currency	182,043,927	
489,383,056	2.1 Organized Institutions	168,634,557	
8,866,858	2.2 Individuals	4,224,870	
44,549,782	2.3 Others	9,184,500	
-	D. Certificate of Deposits	-	-
17,439,865,165	Total of Interest Bearing Accounts		19,182,807,640
22,010,332,984	Total Deposits (1+2)		24,814,011,984

Schedule 5 : Bills Payable

Previous Year Rs.	Particulars	This Year Rs.
49,049,434	1. Local Currency	36,261,599
15,332,229	2. Foreign Currency	32,137,590
64,381,663	Total	68,399,189

Schedule 6 : Other Liabilities

Previous Year Rs.	Particulars	This Year Rs.
46,975,692	1. Pension / Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
46,730,575	4. Provision for Staff Bonus	58,060,063
6,320,634	5. Unpaid Dividend	5,609,640
-	6. Provision for Income Tax (less advance tax paid)	3,250,506
5,403,711	7. Interest Payable on Deposits	49,221,288
17,045,022	8. Interest Payable on Borrowings	16,292,474
40,079,142	9. Unearned Interest on Treasury Bill	88,585,333
-	10. Proposed Dividend	74,510,526
417,489,204	11. Interest Suspense	426,536,782
12,255,796	12. Sundry Creditors	17,765,409
21,039,378	13. Branch Adjustment Account	-
146,143,831	14. Others	174,656,714
759,482,985	Total	914,488,735

Schedule 7 : Cash Balance

Previous Year Rs.	Particulars	This Year Rs.
208,488,911	1 Local Currency (Including coins)	243,452,984
65,746,417	2. Foreign Currency	43,076,950
274,235,328	Total	286,529,934

Schedule 8 : Balance with Banks

Previous Year Rs.	Particulars	Local Currency Rs.	Foreign Currency			This Year Rs.
			INR Rs.	Foreign Currency Rs.	Total Rs.	
1,625,983,236	1. Nepal Rastra Bank	1,565,319,297	-	38,829,560	38,829,560	1,604,148,857
1,625,983,236	a. Current Account	1,565,319,297	-	38,829,560	38,829,560	1,604,148,857
-	b. Other Account	-	-	-	-	-
36,759,409	2. Other Local Banks	34,726,615	-	3,920,241	3,920,241	38,646,856
36,759,409	a. Current Account	34,726,615	-	3,920,241	3,920,241	38,646,856
-	b. Other Account	-	-	-	-	-
64,206,248	3. Foreign Banks	-	21,653,523	63,491,787	85,145,310	85,145,310
64,206,248	a. Current Account	-	21,653,523	63,491,787	85,145,310	85,145,310
-	b. Other Account	-	-	-	-	-
1,726,948,893	Total	1,600,045,912	21,653,523	106,241,588	127,895,111	1,727,941,023

Schedule 9 : Money At Call and Short Notice

Previous Year Rs.	Particulars	This Year Rs.
220,000,000	1. Local Currency	200,000,000
148,900,000	2. Foreign Currency	241,080,900
368,900,000	Total	441,080,900

Schedule 11 : Classification of Loans, Advances and Bills Purchased and Provisioning

Previous Year Rs.	Particulars	Advances					Bills Purchased/Discounted				This Year Rs.
		Domestic			Foreign	Total	Domestic		Foreign	Total	
		Priority		Other			Priority	Other			
		Insured	Uninsured		In-sured	Un-insured					
11,772,168,356	1. Performing Loan	77,804,983	328,605,765	11,704,205,769	-	12,110,616,517	-	339,204,430	-	339,204,430	12,449,820,947
11,275,992,182	1.1 Pass Loan	75,804,983	303,605,765	11,103,079,665	-	11,482,490,413	-	339,204,430	-	339,204,430	11,821,694,843
496,176,174	1.2 Re-structured	2,000,000	25,000,000	601,126,104	-	628,126,104	-	-	-	-	628,126,104
1,147,462,638	2. Non-Performing Loan	22,110,493	-	973,251,166	-	995,361,659	-	5,985,661	-	5,985,661	1,001,347,320
423,163,354	2.1 Substandard	111	-	69,549,540	-	69,549,651	-	-	-	-	69,549,651
54,474,884	2.2 Doubtful	2,000,000	-	240,116,379	-	242,116,379	-	-	-	-	242,116,379
669,824,400	2.3 Loss	20,110,382	-	663,585,247	-	683,695,629	-	5,985,661	-	5,985,661	689,681,290
12,919,630,994	(A) Total Loan	99,915,476	328,605,765	12,677,456,935	-	13,105,978,176	-	345,190,091	-	345,190,091	13,451,168,267
-	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	-
112,782,502	3.1 Pass	189,512	3,036,058	111,030,797	-	114,256,367	-	3,392,044	-	3,392,044	117,648,411
62,022,022	3.2 Re-structured	250,000	3,125,000	62,901,399	-	66,276,399	-	-	-	-	66,276,399
110,338,076	3.2 Substandard	7	-	41,866,112	-	41,866,119	-	-	-	-	41,866,119
27,624,508	3.3 Doubtful	250,000	-	114,108,189	-	114,358,189	-	-	-	-	114,358,189
654,994,536	3.4 Loss	5,027,596	-	675,485,247	-	680,512,843	-	5,985,660	-	5,985,660	686,498,503
967,761,644	(B) Total Provision	5,717,115	6,161,058	1,005,391,744	-	1,017,269,917	-	9,377,704	-	9,377,704	1,026,647,621
-	4. Provision up to Previous Year	-	-	-	-	-	-	-	-	-	-
96,016,810	4.1 Pass	222,749	3,729,651	105,632,514	-	109,584,914	-	3,197,588	-	3,197,588	112,782,502
23,164,221	4.2 Re-structured	-	-	62,022,022	-	62,022,022	-	-	-	-	62,022,022
62,628,891	4.3 Substandard	484,254	-	109,853,822	-	110,338,076	-	-	-	-	110,338,076
184,210,912	4.4 Doubtful	-	-	27,624,508	-	27,624,508	-	-	-	-	27,624,508
476,729,970	4.5 Loss	4,943,288	-	647,941,928	-	652,885,216	-	2,109,320	-	2,109,320	654,994,536
842,750,804	(C) Total Previous Year Provison	5,650,291	3,729,651	953,074,794	-	962,454,736	-	5,306,908	-	5,306,908	967,761,644
125,010,840	(D) Additions this year	-	-	-	-	-	-	-	-	-	58,885,977
-	(E) Write Off during Year	-	-	-	-	-	-	-	-	-	-
-	(F) Total Provision this Year	-	-	-	-	-	-	-	-	-	-
11,951,869,350	Net Loan (A-B)	94,198,361	322,444,707	11,672,065,191	-	12,088,708,259	-	335,812,387	-	335,812,387	12,424,520,646

Schedule 12 : Fixed Assets

Previous Year Rs.	Particulars	Assets					This Year Rs.
		Building	Vehicles	Machinery	Office Equipment	Others (Land)	
	1. At Cost						
346,077,856	a. Previous Year Balance	25,102,425	72,603,298	170,171,918	101,740,524	76,259,714	445,877,879
107,769,603	b. Addition This Year	-	5,240,250	11,406,224	11,971,069	6,953,125	35,570,668
-	c. Revaluation / Written back this year	-	-	-	-	-	-
(6,517,079)	d. Sold This Year	-	(2,839,920)	-	-	-	(2,839,920)
(1,452,501)	e. This Year Written Off	-	-	(132,940)	-	-	(132,940)
445,877,879	Total Cost (a+b+c+d+e)	25,102,425	75,003,628	181,445,202	113,711,593	83,212,839	478,475,687
	2. Depreciation						
118,678,685	a. Up to previous year	5,298,653	24,569,256	74,621,012	44,218,082	-	148,707,003
34,727,459	b. For this year	990,189	7,392,324	20,562,627	8,460,077	-	37,405,217
(4,699,141)	c. Depreciation on assets sold/written off	-	(907,532)	(64,583)	-	-	(972,115)
148,707,003	Total Depreciation	6,288,842	31,054,048	95,119,056	52,678,159	-	185,140,105
297,170,876	3. Book Value (WDV*) (1-2)	18,813,583	43,949,580	86,326,146	61,033,434	83,212,839	293,335,582
2,471,941	4. Capital Construction(Pending Capitalization)	2,486,441	-	-	-	-	2,486,441
-	5. Leasehold assets	-	-	-	-	-	-
299,642,817	Total (3+4+5)	21,300,024	43,949,580	86,326,146	61,033,434	83,212,839	295,822,023

*Written Down Value

Schedule 12 (A) : Securities Against Loans, Advances and Bills Purchased

Previous Year Rs.	Particulars	This Year Rs.	
12,919,630,994	(A) Secured		13,451,168,267
10,127,279,692	1. Collateral of Movable / Immovable Assets		11,036,495,267
9,085,793	2. Guarantee of Local Banks and Financial Institutions		83,000,000
202,461,986	3. HMG Guarantee		178,990,653
42,682,587	4. Foreign Banks Guarantee		141,300,000
475,308,512	5. Export Documents		-
<u>583,880,198</u>	6. Fixed Deposit Receipts		404,082,000
568,182,615	a. Own FDR	388,020,000	
15,697,583	b. FDR of other Banks	<u>16,062,000</u>	
307,387,968	7. Government Bonds		269,741,000
-	8. Counter Guarantee		680,941,348
57,130,946	9. Personal Guarantee		45,946,000
1,114,413,312	10. Other Securities		610,671,999
-	(B) Unsecured		-
12,919,630,994	Total		13,451,168,267

Schedule 13 : Other Assets

Previous Year Rs.	Particulars	This Year Rs.	
7,833,080	1. Stock of Stationery		7,429,200
37,710,510	2. Income Receivable on investments		67,193,276
526,648,395	3. Accrued interest on Loan		511,181,015
-	4. Commission Receivable		-
15,645,249	5. Sundry Debtors		58,418,255
56,223,034	6. Staff Loan and Advances		60,764,064
14,199,447	7. Prepayments		12,699,588
-	8. Cash in Transit		649,000
-	9. Other Transit Items(Including Cheques)		-
-	10. Drafts Paid without Notice		-
69,897,240	11. Expenses not written off		65,436,533
36,265,208	12. Non-Banking Assets	57,929,845	31,929,675
-	Less: Provision for Non Banking Assets	<u>(26,000,170)</u>	
-	13. Branch Adjustment Account		28,789,710
<u>139,248,809</u>	14. Others		131,968,254
55,344,879	a. Advance Income Tax Deposited		-
83,903,930	b. Others	131,968,254	
903,670,972	Total		976,458,570

Schedule 13 (A) : Other Assets (Additional Statement)

Previous Year Rs.	Particulars	This Year Rs.			
		Upto 1 year	1 to 3 years	Above 3 years	Actual
526,648,395	1. Accrued interest on Loans & Advances	224,369,358	162,010,151	124,801,506	511,181,015
-	2. Drafts Paid without Notice	-	-	-	-
-	3. Branch Adjustment Account	-	-	-	-

Schedule 14 : Contingent Liabilities

Previous Year Rs.	Particulars	This Year Rs.	
-	1. Claims on Bank not Acknowledged as Liabilities by the Bank		-
2,420,343,017	2. Letters of Credit (full amount)		3,469,133,735
	a. Less than 6 months maturity	3,458,749,235	
	b. More than 6 months maturity	10,384,500	
-	3. Rediscounted Bills		-
<u>2,026,005,361</u>	4. Unexpired Guarantees/Bonds		2,371,535,626
336,999,721	a. Bid Bonds	160,196,588	
1,689,005,640	b. Performance Bonds	2,211,339,038	
-	5. Unpaid Shares in Investment		-
116,132,077	6. Forward Exchange Contract Liabilities		2,818,000
356,170,604	7. Bills under collection		536,783,200
610,304,432	8. Acceptance and Endorsements		472,995,119
-	9. Underwriting Commitments		-
-	10. Irrevocable Loan Commitments		-
547,600,112	11. Counter Guarantee of Internationally Rated Banks		286,214,623
107,594,581	12. Advance Payment Guarantee		318,759,059
24,437,243	13. Financial Guarantee		1,737,243
20,975,483	14. Contingent Liabilities on Income Tax		20,975,483
336,375	15 Others		237,795,618
6,229,899,285	Total		7,718,747,706

Schedule 15 : Interest Expenses

Previous Year Rs.	Particulars	This Year Rs.	
	A. On Deposit Liabilities		
	1. Fixed Deposits		162,483,307
121,386,597	1.1 Local Currency	102,180,754	
88,348,326	1.2 Foreign Currency	60,302,553	
33,038,271	2. Saving Deposits		254,814,800
256,448,804	1.1 Local Currency	243,992,707	
252,209,374	1.2 Foreign Currency	10,822,093	
4,239,430	3. Call Deposits		108,450,501
78,042,778	1.1 Local Currency	83,845,705	
57,443,175	1.2 Foreign Currency	24,604,796	
20,599,603	4. Certificate of Deposits		-
4,720,029	B. On Borrowings		5,615,162
-	1. Overdraft	-	
591,737	2. Loan from Nepal Rastra Bank	287,521	
4,128,292	3. Inter Bank Borrowing	5,327,641	
-	4. Other Loan and Refinances	-	
30,945,145	C. Others		30,600,000
30,600,000	1. Hbl Bond	30,600,000	
345,145	2. Credit Card Deposit	-	
491,543,353	Total		561,963,770

Schedule 16 : Expenses Relating to Employees

Previous Year Rs.	Particulars	This Year Rs.
70,253,745	1. Salary	87,232,897
47,558,979	2. Allowances	57,978,240
5,786,960	3. Contribution to Provident Fund	7,192,687
5,309,496	4. Training Expenses	5,024,425
1,709,247	5. Uniform	926,114
-	6. Medical	-
4,064,735	7. Insurance	4,736,378
15,049,800	8. Pension and Gratuity Provision	12,627,533
2,775,924	9. Others	2,871,083
152,508,886	Total	178,589,357

Schedule 17 : Office Overhead Expenses

Previous Year Rs.	Particulars	This Year Rs.	
25,137,239	1. House Rent & Office Rent		33,262,429
8,426,637	2. Electricity and Water		9,251,378
<u>8,865,699</u>	3. Repair and Maintance		11,397,602
2,666,276	a. Building	3,118,895	
484,435	b. Vehicles	725,160	
5,714,988	c. Others	<u>7,553,547</u>	
6,764,817	4. Insurance		6,729,717
13,365,990	5. Postage Telex, Telephone, Fax		15,589,007
741,630	6. Capital Items Charged Off		574,790
7,360,714	7. Travelling Allowances and Expenses		12,502,023
12,528,902	8. Stationery and Printing		9,381,767
480,208	9. Books and Periodicals		443,808
8,999,406	10. Advertisements		13,292,426
727,601	11. Legal Expenses		439,350
42,013	12. Donations		13,001
<u>1,191,348</u>	13. Expenses Relating to Board of Directors		1,945,228
225,774	a. Meeting Fees	584,100	
965,574	b. Other Expenses	<u>1,361,128</u>	
1,268,796	14. Annual General Meeting Expenses		1,751,324
<u>685,374</u>	15. Expenses Relating to Audit		939,812
200,000	a. Audit Fees	250,000	
485,374	b. Other Expenses	<u>689,812</u>	
-	16. Commission on Remittances		37,405,216
34,727,459	17. Depreciation on Fixed Assets		-
-	18. Amortization of Preliminary Expenses		-
-	19. Share Issue Expenses		-
-	20. Technical Services Fee		2,099,083
2,047,049	21. Entertainment		-
-	22. Written off Expenses		4,124,585
3,427,174	23. Security Expenses		1,094,751
1,358,390	24. Credit Guarantee Premium		17,873,894
20,975,484	25. Commission and Discount		97,263,844
<u>51,925,029</u>	26. Others		
19,771,168	a. Registration Fee and Charges	23,091,464	
13,599,300	b. Amortization	16,737,403	
-	c. Provision for Possible Losses	30,507,000	
18,554,561	d. Others	<u>26,927,977</u>	
211,046,959	Total		277,375,035

Schedule 19 : Commission and Discount

Previous Year Rs.	Particulars	This Year Rs.	
21,662,585	A. Bills Purchased and Discounted		14,348,737
-	1. Local		-
-	2. Foreign		-
<u>78,802,925</u>	B. Commission		91,752,533
28,984,767	1. Letters of Credit	28,682,066	
20,293,897	2. Guarantees	23,830,906	
5,174,342	3. Collection Fees	9,092,619	
16,979,734	4. Remittance Fees	29,714,172	
7,084,048	5. Credit Cards	432,200	
-	6. Share Underwriting /Issues	-	
286,137	7. Government Transactions	570	
-	8. Agency Commissions	-	-
-	9. Exchange Fees	-	-
23,463,485	C. Others		26,714,612
123,928,995	Total		132,815,882

Schedule 20 : Exchange Gain / Loss

Previous Year Rs.	Particulars	This Year Rs.
9,081,785	(A) Revaluation Gain	-
103,337,621	(B) Trading Gain (except exchange Fees)	137,300,987
112,419,406	Total Income (Loss)	137,300,987

Schedule 23 : Statement of Loans and Advances Extended to Directors/Chief Executive/Promoters/Employees and Shareholders Holding more than 1% Shares

As at 15 July 2005 (31 Ashad 2062)

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders holding more than 1 percent shares and to the 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:

Name of Promoter/ Director/Chief Executive	Last Years's Balance		This Year Recovery		Additinal Lending in this Year Rs.	Balance as of Ashad End
	Principal	Interest	Principal	Interest		
(A) Directors						
(B) Chief Executive						
(C) Promoters	36,339,922	-	36,339,922	-	-	-
Syakar Company Pvt. Ltd.	36,339,922	-	36,339,922	-	-	-
(D) Employees						
(E) Shareholders' Holding more than 1%						
Total	36,339,922		36,339,922	-	-	-

Schedule 24: Capital Adequacy

Particulars	Previous Year Rs.	This Year Rs.
A. Core Capital	1,297,384,208	1,525,773,390
1. Paid Up Capital	536,250,000	643,500,000
2. Share Premium	-	-
3. Non-Redeemable Preference Share	-	-
4. General Reserve Fund	381,788,966	443,444,000
5. Cumulative Profit/ Loss (upto previous year)	122,493,662	169,968,100
6. Current Year Profit/ Loss as per Balance Sheet	154,724,437	116,906,736
7. Bond (HBL) Redemption Reserve	102,857,143	154,285,714
8. Excess Investment in Shares	(730,000)	(2,331,160)
B. Supplementary Capital	498,834,651	491,290,322
1. Loan Loss provision	112,782,502	117,648,411
2. Exchange Equalization Reserve	26,052,149	13,641,911
3. Assets Revaluation Reserve	-	-
4. Hybrid Capital instruments	-	-
5. Unsecured Subordinated Term Debt	360,000,000	360,000,000
6. Interest Rate Fluctuation Fund	-	-
7. Other Free Reserves	-	-
C. Total Capital Fund (A+B)	1,796,218,859	2,017,063,712
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund	10.65	11.01
Core Capital	7.69	8.33
Capital fund Excess/Short	(0.35)	0.01
Core Capital Excess/Short	2.19	2.83

Schedule 25 : Key Indicators of Last Five Years

Particulars	Unit	F.Y.	F.Y.	F.Y.	F.Y.	F.Y.
		2000/01 2057/2058	2001/02 2058/2059	2002/03 2059/2060	2003/04 2060/2061	2004/05 2061/2062
Net Profit/Total Income	Percent	33.39	28.96	27.51	30.75	32.98
Earning Per Share	Rs.	93.57	60.26	49.45	49.05	47.91
Market Value Per Share	Rs.	1500	1000	836	840	920
Price Earning Ratio	Ratio	16.03	16.59	16.91	17.12	19.20
Dividend on Share Capital (Including Bonus)	Percent	57.50	35.00	25.00	20.00	31.58
Cash Dividend in Share Capital	Percent	27.50	25	1.32	-	11.58
Interest Income/Loan and Advances	Percent	14.71	12.89	11.08	9.64	10.75
Staff Expenses/Total Operating Expenses	Ratio	46.00	48.00	39	40	41.95
Interest Expenses on Total Deposit	Percent	4.19	3.11	2.64	2.23	2.26
FX Gain/Total Income	Percent	19.30	12.89	7.54	7.40	7.80
Staff Bonus/Total Staff Expenses	Percent	38.60	27.63	24.98	23.45	24.53
Net Profit/Loan and Advances	Percent	3.11	2.64	2.12	2.20	2.48
Net Profit/Total Assets	Ratio	1.44	1.14	0.91	1.06	1.11
Total Loan/Deposits	Percent	51.42	47.89	47.61	54.30	50.07
Total Operating Expenses/Total Income	Percent	26.43	21.31	23.19	27.00	29.19
Capital Adequacy Ratio:						
A. Core Capital	Percent	4.67	6.55	7.07	7.69	8.33
B. Supplementary Capital	Percent	3.34	5.01	3.85	2.96	2.68
C. Total Capital Fund	Percent	8.01	11.56	10.93	10.65	11.01
Liquidity (CRR)	Percent	11.77	11.69	8.30	8.28	7.86
Non-performing Loan/Total Loan	Percent		12.10	10.08	8.88	7.44
Weighted Average Interest Rate Spread	Percent	4.05	3.53	3.33	3.25	3.19
Book Network	Rs.	240.19	220.02	247.81	246.93	239.59
Total Share	Number	3,000,000	3,900,000	4,290,000	5,362,500	6,435,000
Total Staff	Number	359	357	385	455	501

Schedule 26 : Cash Flow Statement

Previous Year Rs	Particulars	This Year Rs.
725,692,002	A. Cash Flow from Operations	796,894,668
1,519,618,639	1. Cash Receipts	1,760,680,211
1,245,895,020	1.1 Interest Income	1,446,468,083
123,928,995	1.2 Commission and Discount	132,815,882
112,419,406	1.3 Currency Exchange Income	137,300,987
3,299,067	1.4 Non Operating Income	2,794,642
34,076,151	1.5 Other Income	41,300,617
793,926,637	2. Cash Payments	963,785,543
491,543,353	2.1 Interest Expenses	561,963,770
152,508,886	2.2 Staff Expenses	178,589,357
149,874,398	2.3 Operating Expenses	223,232,416
-	2.4 Currency Exchange Loss	-
-	2.5 Non Operating Expenses	-
-	2.6 Other Expenses	-
1,921,645,410	B. Cash Flow from Investing Activities	3,450,675,636
144,929,213	1. Increase/(Decrease) in Bank Balances	992,130
218,800,000	2. Increase/(Decrease) in Money at call	72,180,900
(883,332,507)	3. Increase/(Decrease) in Investments	2,400,239,049
2,136,246,935	4. Increase/(Decrease) in Loan and Advances and BP	619,790,462
102,295,169	5. Increase/(Decrease) in Fixed Assets	31,645,636
202,706,600	6. Increase/(Decrease) in Other Assets	325,827,459
1,072,999,419	C. Cash Flow from Financing Activities	2,666,075,574
50,873,423	1. Increase/(Decrease) in Borrowings	(152,957,595)
965,246,244	2. Increase/(Decrease) in Deposits	2,803,679,000
17,654,458	3. Increase/(Decrease) in Bills Payable	4,017,526
39,225,294	4. Increase/(Decrease) in Other Liabilities	11,336,643
(122,953,989)	D. This Year's Net Cash Flow	12,294,606
397,189,317	E. Opening Cash Balance	274,235,328
274,235,328	F Closing Cash Balance	286,529,934

Schedule 27 : Principal Accounting Policies

The Financial Statements have been prepared in historical cost basis in conformity with Nepal Accounting Standards and other generally accepted accounting standards, Company Act 2053, Bank and Financial Institution Ordinance, 2062 and Nepal Rastra Bank's Directives. The major accounting policies adopted for the preparation and presentation of accounts are summarized below:

A. Basis of Accounting:

i. Accrual Basis of Accounting

Financial Statements are prepared on Accrual Basis of Accounting, except specifically stated otherwise.

ii. Interest Income/Expense Recognition:

- a. Interest expenses on deposits and interest income on loans and advances are computed on the basis of 365 days a year.
- b. Interest expense on interest bearing deposit liabilities and interest income on interest earning assets other than loans and advances are accounted for on accrual basis.
- c. Interest income on Loans and Advances are recognized as income on cash basis in accordance with Nepal Rastra Bank's Directive. As per the directive, interest realized during the first month of the following fiscal year, i.e. Shrawan, 2062 has been accounted as income of the fiscal year 2061/62. Uncollected interest reflected as Accrued Interest Receivable has been booked in Interest Suspense Account.
- d. Interest income on Investment is recognized on accrual basis.

iii. Commission Income Recognition:

Commission and Fees on Bills Purchased and Discounted, Guarantee and Documentary Credit are accounted on Cash Basis.

iv. Gratuity:

Gratuity has been accounted for on accrual basis. The Bank has created HBL Retirement Fund as per Income Tax Act 2058 as a separate entity. Gratuity Fund to the extent of gratuity liabilities for eligible employees as per Bank's Gratuity scheme assuming the year end date as retirement date has been transferred to above mentioned Retirement Fund.

v. Income from Staff Loans and Advance:

Income from staff loans has been accounted for on accrual basis.

vi. Staff Leave Encashment:

Staff leave encashment has been accounted for on cash basis.

B. Translation of Foreign Currency Transactions

- i. Foreign currency assets and liabilities have been converted into Rupees at the prevailing middle exchange rate (i.e. the average buying and selling rate) as of 15 July 2005 (Ashad 31, 2062).
- ii. Income earned from the difference arising from current days' transaction, converted at the days' average buying and selling rates is accounted for and shown as "Trading Gain/Loss" under Schedule 20 as "Exchange Gain/Loss".
- iii. Income earned from the difference arising from previous day balance of foreign currency assets and liabilities converted at current day's average buying and selling rates of Foreign Exchange is accounted for and shown as



F. Income Tax Matters:

i. Corporate Income Tax:

The corporate income tax has been calculated as per the Income-Tax Act, 2058. Accordingly, provision of Rs. 214,265,396 has been made for the same.

ii. Contingent Tax Liability:

Inland Revenue Department has assessed Bank's income tax liability up to the FY 2000/2001 (2057/58). There is a contingent liability of Rs.20,975,483 on account of tax assessment made by Inland Revenue Department on income for the Fiscal Years 1996/97 (2053/54), FY1997/98 (2054/55) and 19998/99 (2055/56) against which, Bank has filed appeals. Matter is still pending with the authorities.

G. Non-Banking Assets

The bank has the practice of acquiring the collateral obtained as security of the loan and advance granted, if such assets could not be disposed off due to unsatisfactory bids received at the time of auction. Non-Banking assets are valued at Panchakrit Mulya.

H. Staff Advance

Staff Advances, provided as per Employee Rules, are accounted for as Other Assets.

Schedule 28 : Notes to the Accounts

1. Branch Reconciliation

A sum of Rs 28,789,710 is outstanding in Inter Branch Account. Major part of these pending pertains to LC payments made by the branches through Head Office Nostro Accounts, inter-branch transfers etc. Most of these pending items have been reconciled after year end date.

2. Amortization of expenses not written off

- i) Expenses incurred by way of construction and other improvement on the leased banking premises are capitalized as "Leasehold Improvements". The Bank has adopted the policy of amortizing the same on a yearly basis in equal installments during the lease period. Accordingly, Rs. 5,435,394 has been amortized during the year, leaving a balance of Rs.35,102,324 for future amortization (Previous year amortized Rs. 3,814,405 and balance Rs. 33,262,897).
- ii) The computer software program 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 for any subsequent purchase. Accordingly, a sum of Rs. 11,153,396 has been amortized during the year, leaving a balance of Rs.29,968,968 for future amortization (Previous year amortized Rs. 9,690,950 and balance Rs. 36,500,831).
- iii. Expenses incurred on office furnishing are capitalized as deferred revenue expenditure for amortization in three years effective from the date of purchase. Accordingly, a sum of Rs. 148,613 has been amortized during the year under review, leaving a balance of Rs. 365,239 (Previous year amortized Rs. 93,945 and balance Rs. 133,512)

3. Staff Bonus

Bonus to staff is provided at 10% of the net profit before tax as per Bonus Act, 2030.

4. Employees' Housing Scheme

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

5. Summary of Loans and Advances

Rs. in '000

Particulars	2061-62	2060-61
Loans & Advances Outstanding	13,451,168	12,919,631
Loan Written-off	88,253	61,215

6. Advances entirely settled after Balance Sheet Date but before financial statements are approved are considered as good and provisioned accordingly.

12. Classification of Assets and Liabilities based on Maturity

Figure in Million Rs.

Particulars	1-90 Days	91-180 Days	181-270 Days	271 Days-1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	340					340
2. Balance with Bank	1,285					1,285
3. Investment in Foreign Banks	1,992	1,800	671	1,961		6,424
4. HMG Securities					650	650
5. HMG Bonds		1,242		3,578		4,820
6. Inter Bank Lending	200					200
7. Loans, Advances & B/Purchased	3,130	2,930	1,528	1,679	4,324	13,591
8. Other Assets						
Total Assets	6,947	5,972	2,199	7,218	4,974	27,310
b) Liabilities						
1. Borrowing			25			25
2. Current Deposits	5,013					5,013
3. Saving Deposits					12,852	12,852
4. Fixed Deposits	2,032	2,916	891	392	148	6,379
5. Debentures (Bonds)					360	360
6. Other Liabilities, Capital & Reserve						
Total Liabilities	7,045	2,916	916	392	13,360	24,629
Net Financial Assets	(98)	3,056	1,283	6,826	(8,386)	2,681
Cumulative Net Financial Assets	(98)	2,958	4,241	11,067	2,681	

13. Borrowing by Bank against the collateral of own assets is nil

14. Contingent liability on account of credit risk associated on loans and advances shared with other commercial banks is calculated on the basis of outstanding certification issued by respective banks. Accordingly, Rs 237,795,618 has been provided as contingent liability in Schedule 14 of the Balance Sheet.

15. An employee of the bank has embezzled funds to the extent of approximately Rs 55.1 Million (estimated on the basis of preliminary investigation) by entering hypothetical entries in Inter Branch Transaction Accounts. Out of this amount Rs. 30,507,000 pertaining to F. Y. 2061-62 has been charged to Profit & Loss Account.

16. Statement of Changes in Equity

(Figure in Rs. 000)

Particulars	Share Capital	Pro. Bonus Share	General Reserve	Special Reserve	Exchange Fluctuation Reserve	Accumulated Profit	Total
Balance at 16 July 2004	536,250		381,789	102,858	26,052	169,968	1,324,167
Change in A/c Policy							
Restated Balance	536,250		381,789	102,858	26,052	169,968	1,324,167
Surplus on Revaluation of Properties							
Deficit on Revaluation of Investment							
Currency Translation Difference							
Prior Period Tax Liability						(3,774)	(3,774)
Net Profit for the period						308,275	308,275
Transfer to General Reserve			61,655			(61,655)	
Declaration of Dividend						(74,511)	(74,511)
Issue of Bonus Share Capital	107,250	128,700				(128,700)	
Deficit on Revaluation of Properties							
Surplus on Revaluation of Investment							
Currency Transaction Difference					(12,410)		(12,410)
Capital Adj. Fund/Bond Redemption Reserve				51,429		(51,429)	
Balance at 15 July 2005	643,500	128,700	443,444	154,287	13,642	158,174	1,541,747

17. Additional loan loss provision of Rs 18,189,364 has been made and staff bonus has been adjusted accordingly to comply the instruction issued by Nepal Rastra Bank.

Schedules 2, 6, 11, 24, 25, 26, 27 and 28 of Balance Sheet and Profit & Loss account have been revised to comply the instruction of Nepal Rastra Bank.

18. Regrouping

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

19. Rounding Off

Figures have been rounded off to the nearest rupee.

Nepal Rastra Bank's Approval and Direction:

The direction given by Nepal Rastra Bank vide the letter number Bai.Su.Bi/Offsite/AGM 17/062-63 dated 2062.08.21 in course of providing approval for publishing the Financial Statement of the F. Y. 2061-62 are as follows:

- a) Downgrade certain loans, observed during on-site inspection, and adjust the additional loan loss provision thereon of Rs. 1,81,89,364 to retained earnings of Asadh Masanta during the current month. Also, adjustment to be made in Employees Bonus and other related heads accordingly and intimation to be given to Nepal Rastra Bank.

Bank's Reply:

The Loan Loss Provision amount has been adjusted in the Balance Sheet, Profit & Loss Accounts and other related schedules as on Asadh End 2062 and same has been duly notified to Nepal Rastra Bank.

- b) NRB to be intimated after addressing the observations of the External Auditors.

Bank's Reply:

The remarks will be fully complied.

10 Years' Financial Summary BALANCE SHEET

(Rs. '000)

PARTICULARS	2052/53 1995/96	2053/54 1996/97	2054/55 1997/98	2055/56 1998/99	2056/57 1999/00	2057/58 2000/01	2058/59 2001/02	2059/60 2002/03	2060/61 2003/04	2061/62 2004/05
Assets										
Cash & Bank Balances	575,822	1,001,734	1,029,104	802,208	901,907	1,435,175	1,264,672	1,979,209	2,001,184	2,014,471
Placements	694,030	855,107	2,146,929	4,125,854	4,682,762	4,057,654	352,350	150,100	368,900	441,081
Investments	693,552	1,352,181	973,980	468,945	2,216,416	4,083,160	9,157,107	10,175,435	9,292,103	11,692,342
Loans, Advances & Bills Purchased	2,863,324	3,321,420	4,223,067	5,245,975	7,224,727	9,015,347	9,557,137	10,844,599	12,919,631	13,451,168
Fixed Assets	87,191	100,766	110,602	171,313	193,046	201,679	318,844	229,871	299,643	295,822
Other Assets	90,894	159,208	250,861	429,801	644,882	707,557	665,738	818,760	848,326	976,459
Total Assets	5,004,813	6,790,416	8,734,543	11,244,096	15,863,740	19,500,572	21,315,848	24,197,974	25,729,787	28,871,343
Liabilities										
Borrowings	-	264,768	-	232,653	128,646	79,527	534,013	645,840	659,006	506,048
Deposit Liabilities	4,518,004	5,839,043	7,713,601	9,772,736	14,043,097	17,532,404	18,619,375	21,007,379	22,010,333	24,814,012
Other Liabilities	165,938	254,244	457,527	543,604	821,462	690,369	660,931	638,872	768,520	982,888
Total Liabilities	4,683,942	6,358,055	8,171,128	10,548,993	14,993,205	18,302,300	19,814,319	22,292,091	23,437,859	26,302,948
Net Assets	320,871	432,361	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395
Shareholders' Equity										
Paid up Capital	120,000	120,000	120,000	192,000	240,000	300,000	390,000	429,000	536,250	643,500
Proposed capitalisation of profits	-	-	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700
Reserves	59,132	85,322	122,895	157,144	200,600	261,697	309,585	404,389	510,698	611,372
Reserve for Doubtful Debts	86,068	121,464	179,349	243,919	344,484	477,663	643,414	842,751	967,762	1,026,648
Retained Earnings	55,671	105,575	69,171	54,040	25,451	68,912	119,530	122,493	169,968	158,175
Total Shareholders' Equity	320,871	432,361	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395
Total Capital + Liabilities	5,004,813	6,790,416	8,734,543	11,244,096	15,863,740	19,500,572	21,315,848	24,197,974	25,729,787	28,871,343
Contingent Liabilities										
Letter of Credit	784,661	852,358	1,298,878	1,933,970	2,413,461	1,965,318	2,445,699	2,008,618	2,420,343	3,469,134
Guarantees	837,367	1,055,049	1,478,562	2,029,963	2,078,969	1,992,446	2,572,031	3,394,050	3,315,942	3,451,242
Forward Exchange Contract			380,763	844,294	780,093	1,096,562	224,349	19,995	116,132	2,818
Other Contingent Liabilities					37,438	58,413	142,975	106,733	377,482	795,554
Total Contingent Liabilities	1,622,028	1,907,407	3,158,203	4,808,227	5,309,961	5,112,739	5,385,054	5,529,396	6,229,899	7,718,748

10 Years' Financial Summary PROFIT & LOSS STATEMENT

(Rs. '000)

PARTICULARS	2052/53 1995/96	2053/54 1996/97	2054/55 1997/98	2055/56 1998/99	2056/57 1999/00	2057/58 2000/01	2058/59 2001/02	2059/60 2002/03	2060/61 2003/04	2061/62 2004/05
Income										
Interest Income	460,048	640,255	753,973	862,054	1,033,660	1,326,378	1,148,998	1,201,233	1,245,895	1,446,468
Interest Expense	249,659	365,162	474,490	533,590	594,800	734,518	578,134	554,128	491,543	561,964
Net Interest Income	210,389	275,093	279,483	328,464	438,860	591,860	570,864	647,105	754,352	884,504
Commission & Discount	64,026	60,145	71,682	101,983	110,330	96,065	101,704	102,562	123,929	132,816
Foreign Exchange Income	31,782	22,429	75,775	63,958	87,327	119,261	104,601	109,599	112,419	137,301
Other Income	1,677	5,548	4,391	5,624	9,685	31,220	32,038	30,154	34,076	41,301
Non Operating Income	-	21	625	1,061	1,695	2,303	2,451	10,760	3,299	2,795
Total Income	307,874	363,236	431,956	501,090	647,897	840,709	811,658	900,180	1,028,075	1,198,717
Expenses										
Staff Expenses	22,888	29,811	45,252	47,364	59,880	85,575	101,537	120,145	152,509	178,589
Operating Expenses	61,747	72,146	87,735	109,746	132,545	141,116	155,786	177,131	211,047	277,375
Provision for Doubtful Debts	25,093	35,396	57,885	64,570	103,249	134,320	166,506	202,873	186,226	147,139
Provision for Staff Bonus	19,814	22,574	24,108	27,941	34,855	48,336	38,783	40,003	46,731	58,060
Non-Operating Expenses	-	144	-	-	3,672	-	-	-	10,988	15,012
Total Expenses	129,542	160,071	214,980	249,621	334,201	409,347	462,612	540,152	607,501	676,175
Profit before Tax	178,332	203,165	216,976	251,469	313,696	431,362	349,046	360,028	420,574	522,542
Income Tax provision	54,217	65,072	81,007	86,221	114,316	154,323	114,023	147,896	157,522	2,14,265
Net Profit after Tax	124,115	138,093	135,969	165,248	199,380	277,039	235,023	212,132	263,052	308,277
P/L Appropriation										
Profit/Loss carried down	124,492	193,764	241,544	234,419	253,420	302,490	303,934	331,660	385,547	478,245
Interest Spread Reserve reversed	-	-	-	-	-	-	-	(770)	-	-
Statutory General Reserve	24,823	27,618	27,194	33,050	39,876	57,117	47,005	42,426	52,611	61,655
Exchange Equalisation Fund	-	(1,429)	10,379	429	3,580	3,962	901	1,720	2,270	-
Interest Spread Reserve Fund	-	-	-	770	-	-	-	-	-	-
HBL Bond 2066 redemption fund	-	-	-	-	-	-	-	51,429	51,429	51,429
Interim Dividend	12,000	18,000	18,000	28,800	36,000	60,000	-	-	-	-
Proposed Dividend	30,000	42,000	42,000	67,200	84,000	22,500	97,500	5,645	-	74,511
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	-	-	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700
Income Tax of last year	-	-	-	-	813	-	-	1,466	2,019	3,774
Staff Gratuity Fund	1,998	2,000	2,800	2,130	3,700	-	-	-	-	-
Profit Transferred to Balance Sheet	55,671	105,575	69,171	54,040	25,451	68,911	119,528	122,494	169,968	158,176

Management Team

Head Office

Sulap Raj Aryal	:	Deputy Manager (Loan Monitoring & Follow up Department)
Sunita Shrestha	:	Deputy Manager (Reconciliation Department)
Maheshwar Prasad Joshi	:	Deputy Manager (Legal & Share)
Kanchan Basnyat	:	Deputy Manager (Information Technology)
Vinay Kumar Joshi	:	Deputy Manager (Information Technology)
Sisam Pradhanang Joshi	:	Deputy Manager (Credit Management Administration Department)
Gyem Raj Adhikari	:	Deputy Manager (Company Secretary)
Nirmal Dahal	:	Assistant Manager (Customer Relation Department - Thamel Branch)
Nabin Kumar Paudyal	:	Assistant Manager (Consortium Cell)
Lokesh Rana	:	Assistant Manager (Branch Co-ordination Cell)
Shyam Khatri	:	Assistant Manager (Legal & Share)
Uttam Maharjan	:	Assistant Manager (Human Resources)
Ananta Rajbhandary	:	Assistant Manager (Remittance Promotion Cell)
Bhawani Ghimire	:	Assistant Manager (Branch Co-ordination Cell)
Shankar Joshi	:	Assistant Manager (General Administration)
Babu Ram Gyawali	:	Assistant Manager (Account & Treasury)
Satish Raj Joshi	:	Assistant Manager (Internal Audit and Inspection)
Samir Dahal	:	Assistant Manager (Internal Audit and Inspection)

Branches

Bina Pandey	:	Deputy Manager (Operations - Thamel Branch)
Yadav Raj Pandey	:	Deputy Manager (Manager - Maharajgunj Branch)
Govinda Gurung	:	Deputy Manager (Manager - Pokhara Branch)
Rabindra Narayan Pradhan	:	Deputy Manager (Deputy Branch Manager - New Road Branch)
Navaraj Giri	:	Assistant Manager (Bills & Remittance - Thamel Branch)
Mrigendra Pradhan	:	Assistant Manager (Manager - Hetauda Branch)
Bijaya Man Nakarmi	:	Assistant Manager (Manager - Credit Card Centre)
Robin Kumar Nepal	:	Assistant Manager (Manager - Birgunj Branch)
Gaurav Bikram Shah	:	Assistant Manager (International Banking - Thamel Branch)
Kapil Prasad Lohani	:	Assistant Manager (Manager - Dharan Branch)
Sunil Prasad Gorkhali	:	Assistant Manager (Manager - Patan Branch)
Pritam Lal Shrestha	:	Assistant Manager (New Road Branch)
Atish Krishna Shrestha	:	Assistant Manager (New Road Branch)
Prakash Bhandari	:	Assistant Manager (Manager - Bharatpur Branch)
Pumalata Rajbhandary	:	Assistant Manager (Biratnagar Branch)
Rajesh Chandra Pradhan	:	Assistant Manager (Maharajgunj Branch)
Rajesh Bhattarai	:	Assistant Manager (Patan Branch)
Sujata Karmacharya	:	Assistant Manager (Birgunj Branch)
Sundar Bastola	:	Assistant Manager (Manager - Bhairahawa Branch)
Satyaman Maharjan	:	Incharge (Banepa Branch)
Madhusudhan Khadka	:	Incharge (Bhaktapur Branch)
Gajendra Bahadur Pradhan	:	Incharge (Tandi Branch)

