



CSC & CO.

an associated firm of PricewaterhouseCoopers

AUDITOR'S REPORT

To the Shareholders of Himalayan Bank Limited

We have audited the attached Balance Sheet of Himalayan Bank Ltd. as of Ashadh 32, 2063 (16 July 2006) and the Profit and Loss Account and Cash flow Statement for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing and the auditing standards generally accepted in Nepal. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 32 Ashadh, 2063 (16 July 2006), and of the results of its operations and its cash flows for the year then ended in accordance with the accounting practices generally accepted in Nepal and those statements are in conformity with the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act.

Madan Krishna Sharma

Partner
CSC & Co.

Chartered Accountants
Place: Kathmandu
Date: 7/12/2006

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BALANCE SHEET

As at 16 July 2006 (32 Ashadh 2063)

CAPITAL AND LIABILITIES	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Share Capital	4.1	772,200,000	643,500,000
2. Reserves and Funds	4.2	993,975,616	898,246,461
3. Debentures and Bonds	4.3	360,000,000	360,000,000
4. Borrowings	4.4	144,624,897	146,048,286
5. Deposits	4.5	26,490,851,640	24,814,011,984
6. Bills Payables	4.6	73,577,730	68,399,189
7. Proposed and Dividend Payables		238,409,026	80,120,166
8. Income Tax Liabilities		-	3,250,506
9. Other Liabilities	4.7	386,750,763	404,581,281
Total Liabilities		29,460,389,672	27,418,157,873

ASSETS	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Cash Balance	4.8	305,428,144	286,529,934
2. Balance with Nepal Rastra Bank	4.9	1,096,253,097	1,604,148,857
3. Balance with Banks/Financial Institutions	4.10	315,671,095	123,792,166
4. Money at Call and Short Notice	4.11	1,005,280,000	441,080,900
5. Investments	4.12	10,889,031,449	11,692,341,559
6. Loan Advances and Bills Purchase	4.13	14,642,559,555	12,424,520,646
7. Fixed Assets	4.14	540,824,021	295,822,023
8. Non - Banking Assets	4.15	21,732,523	31,929,675
9. Other Assets	4.16	643,609,788	517,992,113
Total Assets		29,460,389,672	27,418,157,873

Contingent Liabilities	Schedule 4.17
Declaration of Directors	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of Risk Weighted Assets	Schedule 4.30(A)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33
Schedules 4.1 to 4.17 form integral parts of the Balance Sheet	

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

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

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants

Date: 7/12/2006

**PROFIT AND LOSS ACCOUNT**

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

PARTICULARS	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Interest Income	4.18	1,626,473,819	1,446,468,083
2. Interest Expenses	4.19	648,841,818	561,963,770
Net Interest Income		977,632,001	884,504,313
3. Commission and Discount	4.20	165,447,872	132,815,882
4. Other Operating Incomes	4.21	52,324,749	41,300,617
5. Exchange Fluctuation Income	4.22	198,130,134	137,300,987
Total Operating Income		1,393,534,756	1,195,921,799
6. Staff Expenses	4.23	234,588,969	178,589,357
7. Other Overhead Expenses	4.24	329,699,087	277,375,035
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before Provision for Possible Losses		829,246,700	739,957,407
9. Provision for Possible Losses	4.25	145,154,520	73,898,230
Operating Profit		684,092,180	666,059,177
10. Non-Operating Income/Loss	4.26	1,887,070	2,794,642
11. Loan Loss Provision Written-Back	4.27	56,561,901	
Profit from Regular Operations		742,541,151	668,853,819
12. Loss from Extra-ordinary Activities	4.28	2,902,317	88,253,189
Net Profit after considering all Activities		739,638,834	580,600,630
13. Staff Bonus Provision		67,239,895	58,060,063
14. Tax Provision			
a) Current Years		214,941,243	214,265,396
b) Previous Years		-	
Net Profit		457,457,696	308,275,171

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

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

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

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date

Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants

Date: 7/12/2006



PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

PARTICULARS	SCHEDULES	THIS YEAR (Rs)	PREVIOUS YEAR (Rs)
Income			
1. Accumulated Profit up to Last Year		158,174,836	169,968,100
2. Current Year's Profit		457,457,696	308,275,171
3. Exchange Fluctuation Fund			
Total		615,632,532	478,243,271
Expenses			
1. Accumulated Loss up to Last Year			
2. Current year's Loss			
3. General Reserve		91,491,540	61,655,034
4. Contingent Reserve			-
5. Institutional Development Fund			-
6. Dividend Equalization Fund			-
7. Staff Related Reserve Fund			-
8. Proposed Dividend		231,660,000	74,510,526
9. Proposed Issue of Bonus Share		38,610,000	128,700,000
10. Special Reserve Fund			
11. Exchange Fluctuation Fund		5,906,146	-
12. Capital Redemption Reserve Fund		51,428,571	51,428,571
13. Capital Adjustment Fund		38,610,000	
14. Prior Period Tax		1,368,540	3,774,304
Total		459,074,797	320,068,435
Accumulated Profit		156,557,735	158,174,836

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S Rana
Chief Executive Officer

Directors

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

Manoj Bahadur Shrestha
Chairman

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

Date: 7/12/2006

**STATEMENT OF CHANGES IN EQUITY**

Fiscal Year 2062-63

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	CAPITAL ADJUSTMENT RESERVE	PROPOSED BONUS SHARE	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVE FUND	TOTAL AMOUNT
Opening Balance	643,500,000	158,174,836	443,444,000	-	-	-	13,641,911	154,285,713	1,413,046,460
Adjustments	128,700,000	(1,617,101)	91,491,540	38,610,000	38,610,000	-	5,906,146	51,428,571	353,129,156
Closing Balance	772,200,000	156,557,735	534,935,540	38,610,000	38,610,000	-	19,548,057	205,714,284	1,766,175,616



CASH FLOW STATEMENT

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
585,545,427	A. Cash Flow from Operation Activities	590,608,284
1,760,345,858	1. Cash Receipt	1,897,766,254
1,446,468,083	1.1 Interest Income	1,419,900,506
132,815,882	1.2 Commission and Discount Income	165,447,872
137,300,987	1.3 Income from Foreign Exchange Transaction	198,130,134
-	1.4 Recovery of Loan Written off	(2,902,317)
43,760,906	1.5 Other Income	117,190,059
1,174,800,431	2. Cash Payment	1,307,157,970
561,963,770	2.1 Interest Expenses	648,841,818
178,589,357	2.2 Staff Expenses	191,638,231
223,232,416	2.3 Office Overhead Expenses	235,879,091
211,014,888	2.4 Income Tax Paid	230,798,830
	2.5 Other Expenses	-
540,947,408	Cash Flow before Changes in Working Capital (a)	(600,312,694)
3,364,963,051	(Increase/Decrease) of Current Assets	2,249,199,158
72,180,900	1. Increase/Decrease in Money at Call and Short Notice	564,199,100
2,400,239,049	2. Increase/Decrease in Short-term Investment	(801,968,750)
619,790,462	3. Increase/Decrease in Loan & Bills Purchases	2,318,893,556
272,752,640	4. Increase/Decrease in Others Assets	168,075,252
2,824,015,643	(Increase/Decrease) of Current Liabilities	1,648,886,464
2,803,679,000	1. Increase/Decrease in Deposits	1,676,839,656
	2. Increase/Decrease in Certificate of Deposits	
9,000,000	3. Increase/Decrease in Short Term Borrowing	(1,423,389)
11,336,643	4. Increase/Decrease in Others Liabilities	(26,529,803)
31,311,283	B. Cash Flow from Investment Activities	(287,414,211)
	1. Increase/(Decrease) in Long Term Investments	
31,645,636	2. Increase/(Decrease) in Fixed Assets	288,025,916
	3. Interest Income from Long Term Investment	
(334,353)	4. Dividend Income	(611,705)
	5. Others	
	C. Cash Flow from Financing Activities	-
-	1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	-
-	2. Increase/(Decrease) in Share Capital	-
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
-	D. Income/Loss from change in exchange rate in Cash and Bank Balances	-
13,286,736	E. Current Year's Cash Flow from All Activities (A-a-B-C)	(297,118,621)
2,001,184,221	F. Opening Balance of Cash and Bank Balances	2,014,470,957
2,014,470,957	F. Closing Balance of Cash and Bank Balances	1,717,352,336

**SHARE CAPITAL AND OWNERSHIP**

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.1

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Share Capital	-
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a. 10,000,000 Ordinary shares of Rs 100 each.	1,000,000,000
	b. Non-redeemable Preference Shares of Rs - each	-
	c. Redeemable Preference Shares of Rs - each	-
650,000,000	1.2 Issued Capital	772,200,000
650,000,000	a. 7,722,000 Ordinary Shares of Rs 100 each	772,200,000
	b. Non-redeemable Preference Shares of Rs - each	-
	c. Redeemable Preference Shares of Rs - each	-
643,500,000	1.3 Paid up Capital	772,200,000
643,500,000	a. 7,722,000 Ordinary Shares of Rs 100 each (Last year 6,435,000 ordinary Shares of Rs 100 each)	772,200,000
	b. Non-redeemable Preference Shares of Rs - each	-
	c. Redeemable Preference Shares of Rs - each	-

SHARE OWNERSHIP

PREVIOUS YEAR (Rs)	PARTICULARS	%	THIS YEAR (Rs)
546,975,000	1. Promoters & Other Institutions	85.00	656,370,000
-	1.1 Nepal Government	-	-
128,700,000	1.2 Foreign Institution	20.00	154,440,000
-	1.3 "A" Classs Licensed Institutions	-	-
90,090,000	1.4 Other Licensed Institutions	14.00	108,108,000
328,185,000	1.5 Other Entities	51.00	393,822,000
	1.6 Personal		
-	1.7 Others	-	-
96,525,000	General Public	15.00	115,830,000
643,500,000	Total	100.00	772,200,000

7,722,000 ordinary shares of Rs. 100 each fully paid up, which includes:

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



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

NAME	NO. OF SHARES	PERCENT	AMOUNT
AVA INTERNATIONAL PVT. LTD.	882,624	11.43	88,262,400
CHHAYA INTERNATIONAL PVT. LTD.	686,359	8.89	68,635,900
HABIB BANK LIMITED	1,544,400	20.00	154,440,000
INTERNATIONAL TRADE LINKS PVT. LTD.	50,965	0.66	5,096,500
KARMACHARI SANCHAYA KOSH	1,081,080	14.00	108,108,000
MUTUAL TRADING CO. PVT. LTD.	974,516	12.62	97,451,600
N. TRADING CO. PVT. LTD.	981,338	12.71	98,133,800
SHARMA & CO. PVT. LTD.	50,965	0.66	5,096,500
SUMIT KUMAR AGRAWAL	202,524	2.62	20,252,400
SYAKAR CO. LTD.	76,448	0.99	7,644,800
Total	6,531,219	84.58	653,121,900
Total Number of Share of Bank:	7,722,000		

RESERVES & FUNDS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.2

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
443,444,000	1. General Reserve Fund	534,935,540
128,700,000	2. Proposed Bonus Share	38,610,000
-	3. Capital Reserve Fund	-
154,285,714	4. Capital Redemption Reserve (HBL Bond 2066)	205,714,285
-	5. Capital Adjustment Fund	38,610,000
-	6. Other Reserve Fund	-
	a. Contingent Reserve	-
	b. Institution Development Fund	-
	c. Dividend Equalization Fund	-
	d. Special Reserve Fund	-
	e. Assets Revaluation Reserve	-
	f. Other Free Reserves	-
	g. Other Reserve Fund	-
158,174,836	7. Accumulated Profit/Loss	156,557,735
13,641,911	8. Exchange Fluctuation Fund	19,548,056
898,246,461	Total	993,975,616

**DEBENTURES AND BONDS**

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.3

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
360,000,000	1. 8.5 Percent Bond/Debentures of Rs 1000 each (Issued on Ashadh 2059 and maturing on Ashadh 2066) (Outstanding balance of Redemption Reserve Rs 205,714,285)	360,000,000
-	2.Percent Bond/Debentures of Rs each (Issued on and matured on) (Outstanding balance of Redemption Reserve Rs.....)	-
360,000,000	Total	360,000,000

BORROWINGS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.4

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
	A. Local		
-	1. Nepal Government		-
25,000,000	2. Nepal Rastra Bank	23,000,000	23,000,000
-	3. Repo Obligation		-
10,000,000	4. Inter Bank and Financial Institutions		
	5. Other Financial Institutions		
	6. Others		
35,000,000	Total		23,000,000
	B. Foreign		
111,048,286	1. Banks	121,624,897	121,624,897
	2. Others		
111,048,286	Total		121,624,897
146,048,286	Total (A+B)		144,624,897



STATEMENT OF DEPOSITS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.5

PREVIOUS YEAR (Rs)	PARTICULARS			THIS YEAR (Rs)
	1. Non Interest Bearing accounts			
5,045,160,928	A. Current Deposits		5,028,150,556	
3,479,030,380	1. Local Currency	3,681,942,340		
1,546,653,451	1.1 Nepal Government	1,501,910,745		
45,499,257	1.2 "A" Classs Licensed Institutions	18,304,727		
153,001,319	1.3 Other Licensed Institutions	222,958,443		
1,190,767,790	1.4 Other Organized Institutions	1,481,558,477		
135,613,806	1.5 Individuals	157,176,411		
407,494,757	1.6 Others	300,033,537		
1,566,130,548	2. Foreign Currency	1,346,208,216		
999,113,204	2.1 Nepal Government	647,557,502		
-	2.2 "A" Classs Licensed Institutions			
78,336	2.3 Other Licensed Institutions	183,581		
333,605,079	2.4 Other Organized Institutions	582,849,649		
9,378,986	2.5 Individuals	11,522,391		
223,954,943	2.6 Others	104,095,093		
586,043,416	B. Margin Deposits		488,031,556	
-	1. Employees Guarantee	-		
300,107,959	2. Guarantee Margin	203,563,045		
285,935,457	3. Letters of Credit Margin	284,468,511		
-	C. Others		-	
-	1. Local Currency	-		
-	1.1 Financial Institutions	-		
-	1.2 Other Organized Institution	-		
-	1.3 Individual	-		
-	2. Foreign Currency	-		
-	2.1 Financial Institutions	-		
-	2.2 Other Organized Institutions	-		
-	2.3 Individual	-		
5,631,204,344	Total of Non-Interest Bearing Accounts			5,516,182,112



STATEMENT OF DEPOSITS
As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.5

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
	2. Interest Bearing accounts		
12,852,414,902	A. Saving Deposits		14,582,855,172
11,925,347,986	1. Local Currency	13,287,743,287	
902,001,188	1.1 Organized Institutions	1,022,207,855	
10,695,780,146	1.2 Individuals	11,618,295,694	
327,566,652	1.3 Others	647,239,738	
927,066,916	2. Foreign Currency	1,295,111,885	
386,754,428	2.1 Organized Institutions	660,492,625	
523,678,636	2.2 Individuals	583,800,185	
16,633,852	2.3 Others	50,819,075	
6,107,430,801	B. Fixed Deposits		6,350,202,266
2,486,412,029	1. Local Currency	2,353,299,998	
1,390,140,156	1.1 Organized Institutions	1,329,678,760	
917,835,627	1.2 Individuals	851,658,567	
178,436,246	1.3 Others	171,962,671	
3,621,018,772	2. Foreign Currency	3,996,902,268	
3,354,991,687	2.1 Organized Institutions	3,601,003,667	
125,179,693	2.2 Individuals	197,533,841	
140,847,392	2.3 Others	198,364,760	
222,961,937	C. Call Deposits		41,612,090
40,918,010	1. Local Currency	7,325,000	
	1.2 "A" Class Licensed Institutions		
	1.3 Other Licensed Institutions		
10,834,328	1.4 Other Organized Institutions	1,865,000	
28,583,682	1.5 Individuals	3,988,000	
1,500,000	1.6 Others	1,472,000	
182,043,927	2. Foreign Currency	34,287,090	
-	2.1 "A" Class Licensed Institutions	-	
	2.2 Other Licensed Institutions		
168,634,557	2.3 Other Organized Institutions	26,188,800	
4,224,870	2.4 Individuals	8,098,290	
9,184,500	2.5 Others		
	D. Certificate of Deposits	-	
	1. Other Organized Institutions		-
	2. Individual	-	
	3. Other	-	
19,182,807,640	Total of Interest Bearing Accounts		20,974,669,528
24,814,011,984	Total Deposits		26,490,851,640



BILLS PAYABLE

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.6

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
36,261,599	1. Local Currency	59,377,538
32,137,590	2. Foreign Currency	14,200,192
68,399,189	Total	73,577,730

OTHER LIABILITIES

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.7

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Pension / Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
58,060,063	4. Provision for Staff Bonus	67,239,895
49,221,288	5. Interest Payable on Deposit	56,921,991
16,292,474	6. Interest Payable on Borrowings	15,352,932
88,585,333	7. Unearned Discount & Commission	-
17,765,409	8. Sundry Creditors	8,673,570
-	9. Branch Adjustment Account	1,254,814
174,656,714	10. Others	237,307,561
-	a) Provision for Audit Fee	678,000.00
-	b) Others	236,629,561
404,581,281	Total	386,750,763

CASH BALANCE

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.8

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
243,452,984	1 Local Currency (Including coin)	263,301,370
43,076,950	2. Foreign Currency	42,126,774
286,529,934	Total	305,428,144

**BALANCE WITH NEPAL RASTRA BANK**

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.9

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			THIS YEAR (Rs)
			INR	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
1,604,148,857	1. Nepal Rastra Bank	1,093,817,893	-	2,435,204	2,435,204	1,096,253,097
1,604,148,857	a. Current Account	1,093,817,893	-	2,435,204	2,435,204	1,096,253,097
	b. Other Account	-	-	-	-	-
1,604,148,857	Total	1,093,817,893	-	2,435,204	2,435,204	1,096,253,097

Note: Total balance as per the statement received from respective bank is Rs 1,007,098,252

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.10

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			THIS YEAR (Rs)
			INR	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
38,646,856	1. Local Licensed Institutions	83,362,159	-	1,286,602	1,286,602	84,648,761
38,646,856	a. Current Account	83,362,159	-	1,286,602	1,286,602	84,648,761
-	b. Other Account	-	-	-	-	-
85,145,310	2. Foreign Bank	-	27,043,647	203,978,687	231,022,334	231,022,334
85,145,310	a. Current Account	-	27,043,647	203,978,687	231,022,334	231,022,334
	b. Other Account	-	-	-	-	-
123,792,166	Total	83,362,159	27,043,647	205,265,289	232,308,936	315,671,095

Note: Total balance as per the statement received from respective bank is Rs 407,541,658

MONEY AT CALL AND SHORT NOTICE

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.11

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
200,000,000	1. Local Currency	-
241,080,900	2. Foreign Currency	1,005,280,000
441,080,900	Total	1,005,280,000



INVESTMENTS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.12

PREVIOUS YEAR (Rs)	PARTICULARS	PURPOSE		THIS YEAR (Rs)
		TRADING	OTHERS	
4,819,700,000	1. Nepal Government Treasury Bills		4,565,320,060	4,565,320,060
637,693,000	2. Nepal Government Saving/Development Bonds		566,657,000	566,657,000
12,335,940	3. Nepal Government Other Securities		12,335,940	12,335,940
	4. NRB Development Bonds			
	5. Foreign Securities			
-	6. Local Licensed Institutions			
6,182,703,822	7. Foreign Banks		5,706,151,012	5,706,151,012
39,908,797	8. Corporate Shares	-	39,908,797	39,908,797
	9. Corporate Bonds and Debentures	-		
	10. Other Investments			-
11,692,341,559	Total Investment	-		10,890,372,809
	Provision			(1,341,360)
11,692,341,559	Net Investment	-		10,889,031,449

INVESTMENTS IN SHARES, DEBENTURE AND BONDS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.12 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	COST PRICE (Rs)	MARKET VALUE PER SHARE	PROVISION FOR INVESTMENT	THIS YEAR (Rs)
22,356,000	1. Investment in Shares				
	1.1 Himalayan Distillery Ltd.	22,356,000	94	1,341,360	21,014,640
	223,560 Shares @ 100				
7,485,000	1.2 Rural Microfinance Dev Centre	7,485,000	-		7,485,000
	74,850 Shares @ 100				
3,000,000	1.3 Western Rural Development Bank	3,000,000	103		3,000,000
	30,000 Shares @ 100				
3,000,000	1.4 Nirdhan Utthan Bank Ltd.	3,000,000	100		3,000,000
	30,000 Share @ 100				
1,200,000	1.5 Chhimek Bikas Bank Ltd.	1,200,000	100		1,200,000
	12,000 Shares @ 100				
2,400,000	1.6 Centre For Self Help Dev.	2,400,000	-		2,400,000
	24,000 Shares @ 100				
114,797	1.7 Swift SC	114,797	-		114,797
	1 Share @ BEF 61,000				
353,000	1.8 Credit Information Bureau	353,000	-		353,000
	2. Investment in Debentures and Bonds				
	2.1 Companies (. Pvt. Ltd / Ltd)				
	2.2				
	2.3.....				
39,908,797	Total Investment	39,908,797		1,341,360	38,567,437
	3. Provision for Loss				
	3.1 Up to previous year				
	3.2 Addition this year	1,341,360			
-	Total Provision	1,341,360		1,341,360	
	Net Investment	38,567,437			

Note: Shares of Himalayan Distillery Limited, Western Rural Development Bank, Chhimek Bikas Bank Ltd and Nirdhan Utthan Bank Limited are listed in Nepal Stock Exchange. Non of these companies except RMDC, Chhimek Bikas Bank Ltd., Nirdhan Utthan and Western Rural Development Bank have declared dividends in the last 3 Years



CLASSIFICATION OF LOAN AND BILL PURCHASE AND PROVISIONING
As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.13

PREVIOUS YEAR	PARTICULARS	ADVANCES						BILLS PURCHASED / DISCOUNTED			THIS YEAR
		DOMESTIC			FOREIGN	TOTAL	LOCAL	FOREIGN	TOTAL		
		PRIORITY		OTHER							
		INSURED	UN-INSURED		OTHER	FOREIGN	TOTAL	LOCAL	FOREIGN	TOTAL	
12,449,820,947	1. Performing Loan	38,793,525	36,684,447	14,396,534,012	-	14,472,011,984	69,363,000	179,843,275	2,49,206,275	14,721,218,259	
11,821,694,843	1.1 Pass Loan	38,466,376	35,156,307	13,732,274,857	-	13,805,897,540	69,363,000	179,843,275	2,49,206,275	14,055,103,815	
628,126,104	1.2 Re-structured	327,149	1,528,140	664,259,155	-	666,114,444	-	-	-	666,114,444	
1,001,347,320	2. Non-Performing Loan	17,983,680	11,806,280	1,007,560,793	-	1,037,350,753	-	3,407,070	3,407,070	1,040,757,823	
69,549,651	2.1 Substandard	1,680,369	-	105,547,519	-	107,227,888	-	-	-	107,227,888	
242,116,379	2.2 Doubtful	-	-	228,498,188	-	228,498,188	-	-	-	228,498,188	
689,681,290	2.3 Loss	16,303,311	11,806,280	673,515,086	-	701,624,677	-	3,407,070	3,407,070	705,031,747	
13,451,168,267	(A) Total Loan	56,777,205	48,490,727	15,404,094,805	-	15,509,362,737	69,363,000	183,250,345	252,613,345	15,761,976,082	
-	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	
117,648,411	3.1 Pass	96,166	351,563	138,414,761	-	138,862,490	693,630	1,798,433	2,492,063	141,354,553	
66,276,399	3.2 Re-structured	10,223	191,018	53,255,321	-	53,456,562	-	-	-	53,456,562	
41,866,119	3.3 Substandard	105,023	-	61,848,962	-	61,953,985	-	-	-	61,953,985	
114,358,189	3.4 Doubtful	-	-	155,755,034	-	155,755,034	-	-	-	155,755,034	
686,498,503	3.5 Loss	4,429,823	11,806,278	687,253,222	-	703,489,323	-	3,407,070	3,407,070	706,896,393	
1,026,647,621	(B) Total Provisioning	4,641,235	12,348,859	1,096,527,300	-	1,113,517,394	693,630	5,205,503	5,899,133	1,119,416,527	
-	4. Provisioning up to Previous Year	-	-	-	-	-	-	-	-	-	
112,782,502	4.1 Pass	189,512	3,036,058	111,030,797	-	114,256,367	3,392,044	-	3,392,044	117,648,411	
62,022,022	4.2 Re-structured	250,000	3,125,000	62,901,399	-	66,276,399	-	-	-	66,276,399	
110,338,076	4.3 Substandard	7	-	41,866,112	-	41,866,119	-	-	-	41,866,119	
27,624,508	4.4 Doubtful	250,000	-	114,108,189	-	114,358,189	-	-	-	114,358,189	
654,994,536	4.5 Loss	5,027,596	-	675,485,247	-	680,512,843	5,985,660	-	5,985,660	686,498,503	
967,761,644	(C) Total Previous year 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	
-	(D) Prov. W/Back during Year	-	-	51,044,254	-	51,044,254	-	-	-	51,044,254	
58,885,977	(E) Additional Prov. during the Year	-	-	143,813,160	-	143,813,160	-	-	-	143,813,160	
58,885,977	(F) Net Differences during the Year	-	-	92,768,906	-	92,768,906	-	-	-	92,768,906	
12,424,520,646	Net Loan (A-B)	52,135,970	36,141,868	14,307,567,505	-	14,395,845,343	68,669,370	178,044,842	246,714,212	14,642,559,555	



LOANS, ADVANCES AND BILLS PURCHASED SECURITY WISE

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.13 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
13,451,168,267	(A) Secured	15,761,976,082
11,036,495,267	1. Movable / Immovable Assets	13,536,939,929
83,000,000	2. Guarantee of Local Licensed Institutions	78,000,000
178,990,653	3. Government Guarantee	16,035,858
141,300,000	4. Internationally Rated Bank Guarantee	219,480,000
-	5. Export Documents	321,017,545
404,082,000	6. Fixed Deposit Receipts	454,809,727
388,020,000	a. Own FDR	452,346,881
16,062,000	b. FDR of other Licensed Institutions	2,462,846
269,741,000	7. NG Bonds	176,860,265
680,941,348	8. Counter Guarantee	649,662,457
45,946,000	9. Personal Guarantee	33,967,778
610,671,999	10. Other Securities	275,202,523
-	(B) Unsecured	-
13,451,168,267	Total	15,761,976,082

FIXED ASSETS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.14

PREV. YEAR (Rs)	PARTICULARS	ASSETS					THIS YEAR (Rs)
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS (LAND)	
	1. At Cost						
445,877,879	a. Previous Year Balance	25,102,425	75,003,628	181,445,200	113,711,594	83,212,840	478,475,687
35,570,668	b. Addition this year	-	33,875,852	30,747,509	63,950,128	165,275,200	293,848,689
-	c. Revaluation/Written back this year	-	-	-	-	-	-
(2,839,920)	d. This year sold	-	(6,703,420)	-	(175,475)	-	(6,878,895)
(132,940)	e. This Year written off	(99,258)	-	(1,979,700)	(143,550)	-	(2,222,508)
478,475,687	Total Cost (a+b+c+d+e)	25,003,167	102,176,060	210,213,009	177,342,697	248,488,040	763,222,973
	2. Depreciation						
148,707,003	a. Up to previous year	6,288,842	31,054,048	95,119,056	52,678,159	-	185,140,105
37,405,217	b. For this year	938,535	9,675,778	21,138,718	13,104,535	-	44,857,566
(972,115)	c. Depreciation on revaluation	-	-	-	-	-	-
	d. Depreciation Adjustment/Written Back	(15,626)	(2,737,699)	(1,584,719)	(215,951)	-	(4,553,995)
185,140,105	Total Depreciation	7,211,751	37,992,127	114,673,055	65,566,743	-	225,443,676
293,335,582	3. Book Value (WDV)*(1-2)	17,791,416	64,183,933	95,539,954	111,775,954	248,488,040	537,779,297
	4. Land						
2,486,441	5. Capital Construction	3,044,724	-	-	-	-	3,044,724
-	6. Leasehold assets	-	-	-	-	-	-
295,822,023	Total (3+4+5)	20,836,140	64,183,933	95,539,954	111,775,954	248,488,040	540,824,021

**NON BANKING ASSETS**

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.15

PREVIOUS YEAR (Rs)	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		THIS YEAR (Rs)
				IN %	IN AMOUNT	
3,879,000	Nepal F.P. Information	2003.03.18	3,879,000	100	3,879,000	-
3,400,000	Everest Boiler Farm	2003.04.09	3,400,000	100	3,400,000	-
760,000	Narayani Packaging	2005.01.28	760,000	50	380,000	380,000
2,807,812	Narayani Packaging	2005.01.28	2,807,812	50	1,403,906	1,403,906
112,500	Ayusha Garment	2005.05.29	112,500	50	56,250	56,250
9,080,000	Vivid Textile	2005.03.23	9,080,000	50	4,540,000	4,540,000
5,117,733	Evergreen Oriental	2005.07.05	5,117,733	50	2,558,866	2,558,867
3,362,500	Malla Electric					
1,500,000	Ceaser Fashion					
14,975,000	Trikumar Garments					
1,256,000	R. D. Polutry Farming					
5,260,000	Flora Carpet					
6,419,300	BOM Garment P. Ltd.					
	Priti Uni Dhago	2006.07.06	1,500,000	25	375,000	1,125,000
	Nepal Airways	2006.07.05	6,737,500	25	1,684,375	5,053,125
	Hotel Himalaya Safari	2006.07.12	2,600,000	25	650,000	1,950,000
	Pashupati Agrochem	2005.07.23	4,900,000	25	1,225,000	3,675,000
	Aslam Textile	2006.07.02	1,320,500	25	330,125	990,375
57,929,845	Grand Total		42,215,045		20,482,522	21,732,523
26,000,170	Provision made during year		20,482,522			
31,929,675	Net Non-banking Assets		21,732,523			

OTHER ASSETS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.16

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
7,429,200	1. Stock of Stationery	14,952,321
67,193,276	2. Income Receivable on investments	144,156,028
511,181,015	3. Accrued interest on Loan	550,369,217
(426,536,782)	Less : Interest Suspense Amount	(487,951,932)
-	4. Commission Receivable	-
58,418,255	5. Sundry Debtors	27,103,387
60,764,064	6. Staff Loan and Advances	109,425,806
12,699,588	7. Prepayments	13,619,296
649,000	8. Cash in Transit	9,830
-	9. Other Transit Items(Including Cheques)	-
-	10. Drafts Paid without Notice	-
65,436,533	11. Expenses not written off	121,531,093
28,789,710	12. Branch Adjustment Account	
131,968,254	13. Others	150,394,742
-	a. Advance Income Tax Deposited	15,857,588
131,968,254	b.Others	134,537,154
517,992,113	Total	643,609,788



OTHER ASSETS (ADDITIONAL STATEMENT)

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.16 (A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)			TOTAL
		UPTO 1 YEAR	1-3 YEAR	ABOVE 3 YEARS	
511,181,015	1. Accrued interest on Loan	201,911,287	64,532,398	283,925,532	550,369,217
	2. Drafts Paid without Notice		-	-	
	3. Branch Adjustment A/c				

CONTINGENT LIABILITIES

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.17

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	1. Claims on Institutions but not accepted by Institutions	-
3,469,133,735	2. Letters of Credit (full amount)	3,068,891,261
3,458,749,235	a. Less than 6 months maturity	2,244,187,517
10,384,500	b. More than 6 months maturity	824,703,744
-	3. Rediscounted Bills	-
2,371,535,626	4. Unmatured Guarantees/Bonds	1,383,992,499
160,196,588	a. Bid Bond	190,028,632
2,211,339,038	b. Performance Bond	1,193,963,867
-	b. Other Guarantees/ Bonds	
-	5. Unpaid Shares in Investment	-
2,818,000	6. Forward Exchange contract liabilities	-
536,783,200	7. Bills under collection	65,904,982
472,995,119	8. Acceptance and Endorsements	274,642,882
-	9. Underwriting Commitments	-
-	10. Irrevocable Loan Commitments	-
286,214,623	11. Counter Guarantee of internationally Rated Banks	1,556,814,535
318,759,059	12. Advance Payment Guarantee	207,450,236
1,737,243	13. Financial Guarantee	437,243
20,975,483	14. Contingent Liabilities on Income Tax	20,975,483
237,795,618	15. Others	-
7,718,747,706	Total	6,579,109,121

**INTEREST INCOME**

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.18

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
1,122,392,088	A. On Loan, Advances and Overdraft		1,140,686,731
865,765,627	1. Loan and Advances	896,816,745	
256,626,461	2. Overdraft	243,869,986	
	B. On Investment ¹		172,242,276
149,131,370	1. NG Securites		
110,927,163	a. Treasury Bills	133,804,708	
38,204,207	b. Development Bonds	38,437,568	
	c. National Saving Certificate	-	
	2. Foreign Securites		-
	a.	-	
	b.....	-	
	3. Nepal Rastra Bank Bonds		-
	4. Debenture and Bonds		-
	5. Interest on Inter Bank Lending		
	a. Bank/Financial Institutions	-	
	b. Other Organizations	-	
	c. On Agency Balances		7,181,413
	1. Local Banks		-
	2. Foreign Banks	7,181,413	-
10,219,080	d. On Money at Call and Short Notice		20,608,110
1,469,465	1. Local Banks	538,422	
8,749,615	2. Foreign Banks	20,069,688	
164,725,545	e. On Others		
	1. Certificate of Deposits		285,755,289
	2. Inter-Bank Loan		
164,725,545	3. Others	285,755,289	
1,446,468,083	Total		1,626,473,819



INTEREST EXPENSES

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.19

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
	A. On Deposit Liabilities		
162,483,307	1. Fixed Deposits		240,010,651
102,180,754	1.1 Local Currency	90,011,998	
60,302,553	1.2 Foreign Currency	149,998,653	
254,814,800	2. Saving Deposits		264,093,976
243,992,707	2.1 Local Currency	256,660,099	
10,822,093	2.2 Foreign Currency	7,433,877	
108,450,501	3. Call Deposit		109,774,777
83,845,705	3.1 Local Currency	79,716,688	
24,604,796	3.2 Foreign Currency	30,058,089	
	4. Certificate of Deposits		-
36,215,162	B. On Borrowings		34,962,414
30,600,000	1. Debentures and Bonds	30,600,000	
287,521	2. Loan from Nepal Rastra Bank	125,877	
5,327,641	3. Inter Bank/Financial Institutions Borrowing	4,236,537	
	4. Other Corporate Body	-	
	C. Others		
561,963,770	Total		648,841,818

COMMISSION AND DISCOUNT INCOME

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.20

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
14,348,737	A. Bills Purchase and Discount		15,635,638
	1. Local		
	2. Foreign		
91,752,533	B. Commission		115,155,155
28,682,066	1. Letters of Credit	36,806,449	
23,830,906	2. Guarantees	22,047,559	
9,092,619	3. Collection Fees	5,045,120	
29,714,172	4. Remittance Fees	34,649,331	
432,200	5. Credit Cards	16,606,696	
-	6. Share Underwriting /Issue		-
570	7. Government Transactions		-
-	8. Agency Commissions		-
-	9. Exchange Fees		-
26,714,612	C. Others		34,657,079
132,815,882	Total		165,447,872

**OTHER OPERATING INCOME**

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.21

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
4,690,387	1. Safe Deposit Lockers Rental	5,454,497
13,360,285	2. Issue and Renewal of Credit Cards	4,972,412
635,359	3. Issue and Renewals of ATM Cards	1,437,617
13,935,386	4. Telex/ T. T	11,503,701
-	5. Service Charges	-
-	6. Renewal Fees	-
8,679,200	7. Others	28,956,522
41,300,617	Total	52,324,749

EXCHANGE FLUCTUATION GAIN/LOSS

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.22

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	(A) Revaluation Gain/(Loss)	23,624,584
137,300,987	(B) Trading Gain (except exchange Fee)	174,505,550
137,300,987	Total Income (Loss)	198,130,134

EXPENSES RELATING TO EMPLOYEES

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.23

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
87,232,897	1. Salary	95,108,066
57,978,240	2. Allowances	68,656,893
7,192,687	3. Contribution to Provident Fund	8,779,310
5,024,425	4. Training Expenses	6,928,544
926,114	5. Uniform	3,359,595
-	6. Medical	-
4,736,378	7. Insurance	6,209,967
12,627,533	8. Pension and Gratuity Provision	20,291,825
2,871,083	9. Others	25,254,769
178,589,357	Total	234,588,969



OFFICE OVERHEAD EXPENSES

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.24

PREVIOUS YEAR (Rs)	PARTICULARS		THIS YEAR (Rs)
33,262,429	1. Office Rent		37,771,707
9,251,378	2. Electricity & Water		10,058,204
11,397,602	3. Repair and Maintenance		13,263,959
3,118,895	a. Building	1,010,541	
725,160	b. Vehicles	769,590	
7,553,547	c. Others	11,483,828	
6,729,717	4. Insurance		7,552,538
15,589,007	5. Postage, Telex, Telephone, Fax		19,798,454
574,790	6. Office Equipment, Furniture and Repair		770,359
12,502,023	7. Travelling Allowances and Expenses		14,206,242
9,381,767	8. Printing and Stationery		12,342,933
443,808	9. Periodicals and Books		470,444
13,292,426	10. Advertisements		18,803,569
439,350	11. Legal Expenses		371,036
13,001	12. Donations		1,286,041
1,945,228	13. Expenses Relating to Board of Directors		3,325,655
584,100	a. Meeting Fees	496,400	
1,361,128	b. Other Expenses	2,829,255	
1,751,324	14. Annual General Meeting Expenses		533,541
939,812	15. Expenses Relating to Audit		1,007,555
250,000	a. Audit Fees	678,000	
689,812	b. Other Expenses	329,555	
-	16. Commission on Remittances		
37,405,216	17. Depreciation on Fixed Assets		44,886,365
	18. Amortization		
-	19. Share Issue Expenses		-
-	20. Technical Services Fee		-
2,099,083	21. Entertainment		2,445,346
16,737,403	22. Written off Expenses		24,332,944
4,124,585	23. Security Expenses		5,231,324
1,094,751	24. Credit Guarantee Premium		944,115
17,873,894	25. Commission and Discount		16,160,629
80,526,441	26. Others		94,136,127
23,091,464	a. Registration Fee and Charges	21,856,156	
30,507,000	b. Provision for possible losses	24,600,687	
26,927,977	c. Others	47,679,284	
277,375,035	Total		329,699,087

**PROVISION FOR POSSIBLE LOSSES**

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.25

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
58,885,977	1. Increase in Loan Loss Provision	143,813,160
	2. Increase in Provision for Loss on Investment	1,341,360
15,012,253	3. Provision against Non-Banking Assets	
	4. Provision against Other Assets	
73,898,230	Total	145,154,520

NON OPERATING INCOME/LOSS

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.26

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Profit (Loss) on Sale on Investment	-
1,924,287	2. Profit (Loss) on Sale of Assets	1,275,365
-	3. Dividend	611,705
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest subsidy	-
-	c. Exchange counter	-
870,355	5. Others	
2,794,642	Total Non- Operating Income (Loss)	1,887,070

LOSS PROVISIONS WRITTEN BACK

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.27

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

PROFIT/LOSS FROM EXTRA-ORDINARY ACTIVITIES

For the period 16 July 2005 to 16 July 2006 (1 Shrawan 2062 to 32 Ashadh 2063)

Schedule 4.28

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	1. Recovery of Writen off Loan	5,183,424
	2. Voluntary Retirement Scheme Expenses	-
(88,253,189)	3. Loan Write/offs (4.28 (a))	(8,085,741)
	4. Other Expenses/Income	
(88,253,189)	Total	(2,902,317)



STATEMENT OF LOANS WRITTEN-OFF

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.28 (A)

S. NO.	TYPES OF LOAN	WRITTEN OFF	TYPE OF SECURITY	BASIS OF VALUATION OF COLLATERAL	LOAN APPROVED BY NAME/ DESIGNATION	INITIATIONS MADE FOR RECOVERY	REMARKS
1	Working Capital Loan	91,085	Mortgage land/building/ hypo stock/PG of Proprietor	2.65 M of FAC	AGM	Followup Letter/35 Days Notice/Auction notice published	
2	Fixed Term Loan	1,611,817	Registered mortgage of Fixed Asset/Hypo stock/ current asset on pari-passu clause	139.81 M of FAC	GM/ED	Vigorous follow up/several reminder/blacklisted in CIB	
3	BLC	464,249	-	-	AGM	Vigorous follow up/several reminder	
4	Personal Loan (GT)	596,404	Mortgage land/building/ hypo stock/PG of Proprietor	2.24 M of FAC	GM/ED	Followup Letter/35 Days Notice/ Auction notice published	
5	OD	4,677,956	Corporate Guarantee of Company		BOD	Several reminder letters	
6	Credit Card Loan	644,230	Personal Guarantee		DGM	Several reminder letters/ 35 Days notice published	
Total Loan		8,085,741	-	-	-	-	

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CEO/PROMOTORS/EMPLOYEES AND SHAREHOLDERS HOLDING MORE THAN 1% SHARES

As at 16 July 2006 (32 Ashadh 2063)

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

Schedule 4.29

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



TABLE OF CAPITAL FUND
As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.30

PARTICULARS	PREVIOUS YEAR (Rs)	THIS YEAR (Rs)
A. Core Capital	1,525,773,390	1,721,940,400
1. Paid Up Capital	643,500,000	772,200,000
2. Share Premium		
3. Non-Redeemable Preference Share		
4. General Reserve Fund	443,444,000	534,935,540
5. Cumulative Profit/ Loss	286,874,836	156,557,735
6. Capital Redemption Reserve	154,285,714	205,714,285
7. Capital Adjustment Reserve & Bonus share		77,220,000
8. Other Free Reserves		
Less:		
Goodwill		
Investment in excess of prescribed limit	(2,331,160)	(2,331,160)
Fictitious Assets		-
Underwriting Share of Himalayan Distillery Ltd.		(22,356,000)
B. Supplementary Capital	491,290,322	520,902,609
1. Loan Loss provision on Pass Loans	117,648,411	141,354,553
2. Assets Revaluation Reserve		
3. Hybrid Capital Instruments		
4. Unsecured Subordinated Term Debt	360,000,000	360,000,000
5. Exchange Equalization Reserve	13,641,911	19,548,056
6. Additional Loan Loss Provision		-
7. Investment Adjustment Reserve		-
8. Provision for Loss on Investment		-
C. Total Capital Fund (A+B)	2,017,063,712	2,242,843,009
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (11%)	11.01	11.26
Core Capital (5.50%)	8.33	8.65
Capital fund Excess/Short	0.01	0.26
Core Capital Excess/Short	2.83	3.15



TABLE OF RISK WEIGHTED ASSETS

As at 16 July 2006 (32 Ashadh 2063)

Schedule 4.30 (A)

ON BALANCE SHEET ASSETS	WEIGHTAGE	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	RISK WEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	0%	286,529,934	-	305,428,144	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	1,604,148,857	-	1,096,253,097	-
Investment in Govt. Securities	0%	5,469,728,940	-	5,144,313,000	-
Investment in NRB Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	388,020,000	-	452,346,881	-
Fully secured loan against Govt. Securities	0%	269,741,000	-	176,860,265	-
Balance with Domestic Licensed Banks and Fin Institution	20%	38,646,856	7,729,371	84,648,761	16,929,752
Fully secured FDR loan against FDR of Other Licensed Banks and Fin. Institutions	20%	16,062,000	3,212,400	2,462,846	492,569
Balance with Foreign Banks	20%	85,145,310	17,029,062	231,022,334	46,204,467
Money at Call	20%	441,080,900	88,216,180	1,005,280,000	201,056,000
Loan against Guarantee of Internationally Rated Banks	20%	141,300,000	28,260,000	219,480,000	43,896,000
Other Investments with Internationally Rated Banks	20%	6,182,703,822	1,236,540,764	5,706,151,012	1,141,230,202
Investment in Shares Debentures and Bonds	100%	39,908,797	39,908,797	39,908,797	39,908,797
Other Investments	100%	-	-	-	-
Loan Advances and Bills Purchased / Discounted	100%	12,636,045,266	12,636,045,266	14,910,826,089	14,910,826,089
Fixed Assets	100%	295,822,023	295,822,023	540,824,021	540,824,021
All Other Assets	100%	976,458,570	976,458,570	608,903,049	608,903,049
Total (A)		28,871,342,275	15,329,222,433	30,524,708,296	17,550,270,946
Off Balance Sheet Items					
Bills Collection	0%	536,783,200	-	65,904,982	-
Forward Foreign Exchange Contract	10%	2,818,000	281,800	-	-
Letters of Credit with maturity of less than 6 months	20%	3,458,749,235	691,749,847	2,244,187,517	448,837,503
Guarantees provided against Counter Guarantee of Internationally Rated Foreign Banks	20%	286,214,623	57,242,925	1,556,814,535	311,362,907
Letters of Credit with maturity more than 6 months	50%	10,384,500	5,192,250	824,703,744	412,351,872
Bid Bond	50%	160,196,588	80,098,294	190,028,632	95,014,316
Performance Bond	50%	2,211,339,038	1,105,669,519	1,193,963,867	596,981,934
Advance Payment Guarantee	100%	318,759,059	318,759,059	207,450,236	207,450,236
Financial Guarantee	100%	1,737,243	1,737,243	437,243	437,243
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liability in respect of Income tax	100%	20,975,483	20,975,483	20,975,483	20,975,483
All other contingent liabilities	100%	710,790,737	710,790,737	274,642,882	274,642,882
		-	-	-	-
Total (B)		7,718,747,706	2,992,497,157	6,579,109,121	2,368,054,376
Total Risk Weighted Assets (A+B)		36,590,089,981	18,321,719,590	37,103,817,417	19,918,325,322



KEY INDICATORS FOR LAST FIVE YEARS

Schedule 4.31

SNO.	PARTICULARS	UNIT	FY	FY	FY	FY	FY
			2001/2002 2058/2059	2002/2003 2059/2060	2003/2004 2060/2061	2004/2005 2061/2062	2005/2006 2062/2063
1	Net Profit/Total Income	Percent	28.96	27.51	30.75	32.98	35.16
2	Per Share Income	Rs.	60.26	49.45	49.05	47.91	59.24
3	Per Share Market Value	Rs.	1,000	836	840	920	1,100
4	Price Earning Ratio	Ratio	16.59	16.91	17.12	19.20	18.57
5	Dividend in Share Capital (Including Bonus)	Percent	35	25	20	31.58	35
6	Cash Dividend in Share Capital	Percent	25	1.32	0	11.58	30
7	Interest Income/Loan and Advances	Percent	12.89	11.08	9.64	10.75	10.32
8	Staff Expenses/Total Operating Expenses	Percent	48	39	40	41.95	41.57
9	Interest Expenses in Total Deposit	Percent	3.11	2.64	2.23	2.26	2.45
10	FX Fluctuation Gain/Total Income	Percent	12.89	7.54	7.40	7.80	9.42
11	Staff Bonus/Total Staff Expenses	Percent	27.63	24.98	23.45	24.53	22.28
12	Net Profit/Loan and Advances	Percent	2.64	2.12	2.20	2.48	3.12
13	Net Profit/Total Assets	Ratio	1.14	0.91	1.06	1.11	1.55
14	Total Loan/Deposits	Percent	47.89	47.61	54.30	50.07	55.27
15	Total Operating Expenses/Total Income	Percent	21.31	23.19	27	29.19	30.02
16	Capital Adequacy Ratio:						
	A. Core Capital	Percent	6.55	7.07	7.69	8.33	8.65
	B. Supplementary Capital	Percent	5.01	3.85	2.96	2.68	2.62
	C. Total Capital Fund	Percent	11.56	10.93	10.65	11.01	11.26
17	Liquidity (CRR)	Ratio	11.69	8.30	8.28	7.86	5.92
18	Non-performing Loan/Total Loan	Percent	12.10	10.08	8.88	7.44	6.60
19	Weighted Average Interest Rate Spread	Percent	3.53	3.33	3.25	3.19	3.80
20	Book Network	Rs.	220.02	247.81	246.93	239.59	228.72
21	Total Shares	Number	3,900,000	4,290,000	5,362,500	6,435,000	7,722,000
22	Total Staff	Number	357	385	455	501	561



PRINCIPAL ACCOUNTING POLICIES

Schedule 4.32

BASIS OF PREPARATION

The accounting and reporting policies adopted by the bank in the preparation of the financial statements are based on Nepal Accounting Standards, other generally accepted accounting standards, Company Ordinance 2062, Bank and Financial Institution Ordinance, 2062, directives issued by Nepal Rastra Bank (NRB) from time to time and practices generally prevailing within the banking industry in Nepal. The financial statements have been prepared following the accrual method of accounting, except where otherwise stated, and the historical cost convention.

i. Revenue Recognition

- a. Interest income on Loans and Advances are recognized in the profit and loss account on cash basis in accordance with Nepal Rastra Bank's Directive. Additionally, as permitted by NRB directive, interest realized during the first month of the following fiscal year, i.e. Shrawan, 2063 has been accounted as income of the fiscal year 2062/63. Interest accrued and due are accounted as interest receivable by crediting to interest suspense account.
- b. Income from staff loans has been accounted for on cash basis.
- c. Despite the accrual basis for recognition of commission and fee on Bill Purchased and Discounted, Guarantee and Documentary Credit as per the Nepal Accounting Standard, bank has accounted such income on Cash Basis.
- d. Interest income on Investment is recognized on accrual basis.

- e. Dividend is accounted for on cash basis.

ii. Investments

- a. Investments in Government securities and listed companies' shares are valued at cost or market value whichever is lower. Accordingly, provision for expenses has been made for the investments whose market price is lower than the costs.
- b. Investments in shares not listed with Stock Exchange are valued at costs as permitted by NRB.

iii. Loans and Advances

- a. Loans and advances are presented at net of provision for loan losses.
- b. Loans and advances are classified as per NRB directives, into performing and non-performing assets. Performing assets are classified as pass and re-structured loans and non-performing assets are classified as substandard, doubtful and loss assets based on the criteria stipulated by NRB directives.
- c. Provision for possible losses has been made as per NRB directive to cover the risk inherent in Bank's loan portfolio.
- d. Amounts recovered against loans written off in earlier years are recognized as income in the profit and loss account.

iv. Basis of Interest Computation

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

v. Fixed Assets Depreciation & Amortization:

- a. Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.
- b. Land is not depreciated. Other fixed assets are depreciated on diminishing balance method at the following rates. In case of fixed assets purchased during the year, depreciation is charged from the month subsequent to the month of acquisition. Similarly complete depreciation is charged at the time of disposal of fixed assets.

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

Depreciation for Income Tax purpose is calculated at the rates and manner prescribed by the Income Tax Act 2058. Accordingly, depreciation amounting to Rs 19,448,413 has been short charged in the accounts as compared to the depreciation computed for tax purpose.

- c. Deferred expenditures/Leasehold improvements are amortized in equal installments over the period of lease.
- d. Software application costs are amortized in 5 years.
- e. Expenses on furnishing of Bank premises/office are amortized in 3 years.



f. Gains and losses on disposal of fixed assets are determined by comparing proceeds with carrying amount and included in profit and loss account.

g. Non-consumable items normally having useful life of less than one year and/or costing less than Rs. 5,000 are expensed off during the year of acquisition.

vi. Foreign currency transactions

- a. 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 16 July 2006 (Ashad 32, 2063).
- b. Income earned from the difference arising from on current days' transaction, converted at the days' average buying and selling rates is accounted for and shown as "Trading Gain/Loss".
- c. 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 "Revaluation Gain or Loss".

vii. Gratuity

Staff 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.

viii. Staff Leave Encashment Provision

Staff leave expenses has been accounted for on accrual basis. Accordingly provision for such expenses has been calculated from the period of establishment till this year amounting to Rs 22,658,913 has been charged to the profit and loss account during the year.

ix. Staff Bonus

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

x. Employees' Housing Scheme

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

xi. Income Taxes

a. Corporate Tax:

The corporate tax has been calculated as per the Income-Tax Act, 2058. Accordingly, provision of Rs. 214,941,243 has been made for the same.

b. Contingent Tax Liability:

Inland Revenue Office has made assessment of the tax returns filed by the bank for the years 1996/97 (2053/54), FY1997/98 (2054/55) and 1998/99 (2055/56) and made additional claim of Rs. 20,975,483. The bank has filed appeals against this assessment and the matter is pending with Inland Revenue Tribunal.

xii. Non- Banking Assets

- a. The bank acquires the collateral assets obtained as security for the loan and advances, if such assets could not be disposed off due to unsatisfactory bids received at the time of auction. Such assets are accounted as Non- Banking assets and valued at Panchakrit Mulya or amount due from the borrower whichever is lower.
- b. Provision for possible losses on the non banking assets has been made as per Nepal Rastra Bank's directive.

xiii. Staff Advance

Staff Advances provided as per Staff Service Rule 1994 is accounted as Other Assets.

xiv. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with NRB, balances with other banks and financial institutions and money at call and short notice.



NOTES TO THE ACCOUNTS

Schedule 4.33

1. RECONCILIATION

A. Inter-Branch

A sum of Rs 1,254,814 (Credit Balance) is outstanding in Inter Branch Account. Major part of these pending pertains to payments made by the branches through Head Office, inter-branch transfers etc. Most of these pending items have been reconciled after year end date.

B. With Nepal Rastra Bank (in NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	109,222,749	18,779,061	90,022,320	109,241,420
1 to 3 months	31	377,533	1,123,558	21,795,480
3 to 6 months	20,000,000	-	91,402	4,086,420
6 to 12 months	14,101,449	884,967	175,111	-
1 to 2 years	511,977	-	268	44,060
above 2 years	-	-	-	48,082

C. With other Authorized Local Financial Institutions (in NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	56,240	5,426,243	9,562,395	2,685,229
1 to 3 months	1,960,796	4,962,388	1,130,628	290,209
3 to 6 months	15,950	5,206,752	539	12,465
6 to 12 months	34,516	211,975	769,359	13,916
1 to 2 years	4,748,322	826,080	1,176,702	51,450
above 2 years	1,233,840	1,918,600	612,459	114,208

D. With Foreign Financial Institutions (in NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	227,539,827	392,694,951	222,794,271	278,083,064
1 to 3 months	142,150,997	48,958,959	35,657,205	156,306,108
3 to 6 months	68,449,720	40,028,414	39,072,465	106,202,769
6 to 12 months	20,798,581	10,336,201	7,479,351	8,704,635
1 to 2 years	4,831,083	1,197,957	3,050,731	5,625,035
above 2 years	27,634,896	21,909,249	3,439,050	2,395,270



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. 10,806,096 has been amortized during the year, leaving a balance of Rs 76,891,685 for future amortization (Previous year amortized Rs. 5,435,394 and balance Rs. 35,102,324).
- 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 including any subsequent purchase. Accordingly, a sum of Rs. 13,195,288 has been amortized during the year, leaving a balance of Rs. 43,639,199 for future amortization (Previous year amortized Rs. 11,153,396 and balance Rs. 29,968,968).
- 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. 331,560 has been amortized during the year under review, leaving a balance of Rs. 1,000,209. (Previous year amortized Rs. 148,613 and balance Rs. 365,239.)

3. CAPITAL ADJUSTMENT FUND

Rs. 38,610,000 is proposed for bonus shares and Rs. 38,610,000 has been transferred to Capital Adjustment Fund from the profit and loss appropriation account to make the Bank's paid up capital minimum Rs. 1,000 million by 2009 as per NRB Directive.



4. SUMMARY OF LOANS AND ADVANCES

Rs in '000

PARTICULARS	2062-63	2061-62	CHANGE %
Loan & Advances O/s	15,761,976	13,451,168	17.18
Loan Written-off	8,086	88,253	(90.83)

5. SUMMARY OF CHANGES IN DEPOSIT LIABILITIES

Rs in '000

PARTICULARS	2062-63	2061-62	CHANGE %
Interest bearing deposits	5,516,182	5,631,204	(2.04)
Non-interest bearing deposits	20,974,670	19,182,808	9.34
Total deposits	26,490,852	24,814,012	6.75

6. WEIGHTED AVERAGE INTEREST RATE SPREAD

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	6.36
Weighted Average Interest Rate on Deposits and Borrowing	2.48
Net Spread	3.88

7. DETAILS OF DEFERRED EXPENSES

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. At Cost	235,285,316	155,948,113
a) Up to Last year	155,948,113	143,765,100
b) Addition this year	79,337,203	12,183,013
c) Deduction this Year	-	-
2. Amortization	113,754,223	90,511,580
3 Remaining Value	121,531,093	65,436,533

8. SUMMARY OF CONCENTRATION OF EXPOSURE

Rs in Millions

PARTICULARS	LOANS & ADVANCES	CONTINGENT
Total Amount as on 16 July 2006	15,762	6,514
Highest Exposure to single unit	429	768
Highest % of exposure to single unit	2.72%	11.78%



9. CLASSIFICATION OF ASSETS AND LIABILITIES BASED ON MATURITY Rs in Millions

Particular	1-90 Days	91-180 Days	181-270 Days	271 Days - 1 Year	Over 1 Year	Total
a) Assets						
1. Cash Balance	305					305
2. Balance with Bank	445				967	1,412
3. Investment in Foreign Banks	3,469	916	1,172	409	744	6,710
4. HMG Securities	-	6	2	195	374	577
5. Nepal Rastra Bank Bond	1,931	701	1,017	916	40	4,605
6. Inter Bank Lending						
7. Loan, Advance & B/Purchased	3,527	4,739	1,396	1,974	3,007	14,643
8. Other Assets	665				541	1,206
Total Assets	10,342	6,362	3,587	3,494	5,673	29,458
b) Liabilities						
1. Borrowing		141				141
2. Current Deposits	4,800				717	5,517
3. Saving Deposits					14,583	14,583
4. Fixed Deposits	3,276	1,153	811	852	300	6,392
5. Debentures (Bonds)					360	360
6. Other Liabilities, Capital & Reserve					2,465	2,465
Total Liabilities	8,076	1,294	811	852	18,425	29,458
Net Financial Assets	2,266	5,068	2,776	2,642	(12,752)	
Cumulative Net Financial Assets	2,266	7,334	10,110	12,752		

10. Borrowing by Bank against the collateral of own assets are nil.

11. An employee of the bank embezzled funds of Rs 55,107,687 in the year 2004-05 by entering hypothetical entries in Inter Branch Transactions Accounts which has been fully provided as expenses. Further a sum of Rs 4,138,440 has been provided as expenses on account of fraudulent case by an employee during the year. The employee has provided fixed assets to cover the loss to the bank.

12. Excess investment in shares amounting to Rs. 2,331,160 has been deducted from core capital while calculating capital fund as required by NRB Directive.

13. REGROUPING

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

14. ROUNDING OFF

Figures have been rounded off to the nearest rupee.



DETAILS ATTACHED TO THE ANNUAL REPORT AS PER THE SUGGESTIONS OF NEPAL RASTRA BANK

Nepal Rastra Bank has granted permission to make public the audited financial statements of Himalayan Bank limited for FY 2005/2006 after incorporation of the under-mentioned instructions given during the examination of unaudited financial statements and preliminary audit report of the Himalayan Bank Limited.

Details:

1. Rectification of format errors in the financial statements:

Bank's Reply : The format errors in the financial statements have been rectified.

2. Himalayan Bank Limited has allocated a loan loss provisioning of 12.50% on restructured or rescheduled loans and booked income in contradiction to the clause no.9 (c) of directive no. 2/061/62 of Nepal Rastra Bank's which reads as follows, "In case of restructured or rescheduled loans, where the principle and interest is made current during two consecutive years after restructure and reschedulement, the loan loss provisioning pertaining to such loans may be adjusted". The bank should make additional loan loss provision amounting to Rs. 21,478.00 thousand on all restructured or rescheduled loans as of quarter ending mid April 2006.

Bank's Reply: The adjustment of additional loan loss provisioning of Rs. 21,478.00 thousand was made while submitting the unaudited financial statements to Nepal Rastra Bank.

3. Comply with the observations made by the External Auditor.

Bank's Reply: The observations of the External Auditor will be fully complied with.



TEN YEAR'S FINANCIAL SUMMARY
Balance Sheet

PARTICULARS	(In Rs '000)									
	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	2062/63 2005/06
Assets										
Cash & Bank Balances	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	1,717,352
Placements	855,107	2,146,929	4,125,854	4,682,762	4,057,654	352,350	150,100	368,900	441,081	1,005,280
Investments	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	10,889,031
Loans, Advances & Bills Purchased	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	15,761,977
Fixed Assets	100,766	110,602	171,313	193,046	201,679	318,844	229,871	299,643	295,822	540,825
Other Assets	159,208	250,861	429,801	644,882	707,557	665,738	818,760	848,326	976,459	665,343
Total Assets	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	30,579,808
Liabilities										
Borrowings	264,768	-	232,653	128,646	79,527	534,013	645,840	659,006	506,048	504,625
Deposit Liabilities	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	26,490,852
Other Liabilities	254,244	457,527	543,604	821,462	690,369	660,931	638,872	768,520	982,888	698,738
Total Liabilities	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	27,694,215
Net Assets	432,361	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593
Shareholders' Equity										
Paid up Capital	120,000	120,000	192,000	240,000	300,000	390,000	429,000	536,250	643,500	772,200
Proposed capitalisation of profits	-	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700	77,220
Reserves	85,322	122,895	157,144	200,600	261,697	309,585	404,389	510,698	611,372	760,198
Reserve for Doubtful Debts	121,464	179,349	243,919	344,484	477,663	643,414	842,751	967,762	1,026,648	1,119,417
Retained Earnings	105,575	69,171	54,040	25,451	68,912	119,530	122,493	169,968	158,175	156,558
Total Shareholders' Equity	432,361	563,415	695,103	870,535	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593
Total Capital + Liabilities	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	30,579,808
Contingent Liabilities										
Letter of Credit	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	3,068,891
Guarantees	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	3,423,337
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	86,880
Total Contingent Liabilities	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	6,579,108



TEN YEAR'S FINANCIAL SUMMARY

Profit & Loss Account

(In Rs '000)

PARTICULARS	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	2062/63 2005/06
Income										
Interest Income	640,255	753,973	862,054	1,033,660	1,326,378	1,148,998	1,201,233	1,245,895	1,446,468	1,626,474
Interest Expense	365,162	474,490	533,590	594,800	734,518	578,134	554,128	491,543	561,964	648,842
Net Interest Income	275,093	279,483	328,464	438,860	591,860	570,864	647,105	754,352	884,504	977,632
Commission & Discount	60,145	71,682	101,983	110,330	96,065	101,704	102,562	123,929	132,816	165,448
Foreign Exchange Income	22,429	75,775	63,958	87,327	119,261	104,601	109,599	112,419	137,301	198,130
Other Income	5,548	4,391	5,624	9,685	31,220	32,038	30,154	34,076	41,301	52,325
Non Operating Income	21	625	1,061	1,695	2,303	2,451	10,760	3,299	2,795	58,449
Total Income	363,236	431,956	501,090	647,897	840,709	811,658	900,180	1,028,075	1,198,717	1,451,984
Expenses										
Staff Expenses	29,811	45,252	47,364	59,880	85,575	101,537	120,145	152,509	178,589	234,589
Operating Expenses	72,146	87,735	109,746	132,545	141,116	155,786	177,131	211,047	277,375	329,699
Provision for Doubtful Debts	35,396	57,885	64,570	103,249	134,320	166,506	202,873	186,226	147,139	145,155
Provision for Staff Bonus	22,574	24,108	27,941	34,855	48,336	38,783	40,003	46,731	58,060	67,240
Non-Operating Expenses	144	-	-	3,672	-	-	-	10,988	15,012	2,902
Total Expenses	160,071	214,980	249,621	334,201	409,347	462,612	540,152	607,501	676,175	779,585
Profit before Tax	203,165	216,976	251,469	313,696	431,362	349,046	360,028	420,574	522,542	672,399
Income Tax provision	65,072	81,007	86,221	114,316	154,323	114,023	147,896	157,522	214,265	214,941
Net Profit after Tax	138,093	135,969	165,248	199,380	277,039	235,023	212,132	263,052	308,277	457,458
P/L Appropriation										
Profit/Loss carried down	193,764	241,544	234,419	253,420	302,490	303,934	331,660	385,546	478,245	615,634
Interest Spread Reserve reversed	-	-	-	-	-	-	(770)	-	-	-
Statutory General Reserve	27,618	27,194	33,050	39,876	57,117	47,005	42,426	52,611	61,655	91,492
Exchange Equalisation Fund	(1,429)	10,379	429	3,580	3,962	901	1,720	2,270	-	5,906
Interest Spread Reserve Fund	-	-	770	-	-	-	-	-	-	-
HBL Bond 2066 redemption fund	-	-	-	-	-	-	-	-	-	-
Interim Dividend	18,000	18,000	28,800	36,000	60,000	-	-	-	-	-
Proposed Dividend	42,000	42,000	67,200	84,000	22,500	97,500	5,645	-	74,511	231,660
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	-	72,000	48,000	60,000	90,000	39,000	107,250	107,250	128,700	77,220
Income Tax of last year	-	-	-	813	-	-	1,466	2,018	3,774	1,369
Staff Gratuity Fund	2,000	2,800	2,130	3,700	-	-	-	-	-	-
Profit transferred to Balance Sheet	105,575	69,171	54,040	25,451	68,911	119,528	122,494	169,968	158,176	156,558