



HIMALAYAN BANK LTD.

Annual Report 2007/08

PEOPLE + EMPOWERMENT = POWER TO LEAD



EMPOWERING
EVERYONE TO
ASK QUESTIONS
AND NOT BE
CONTENT WITH
ORDINARY
ANSWERS.

EVERYDAY

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EMPOWERING
EACH AND EVERY
STAFF TO THINK
BEYOND AND ACT
BEYOND THE
REALM OF THEIR
RESPONSIBILITIES.

EVERYDAY



INTRODUCTION

Himalayan Bank Limited - established and promoted in 1993 by a group of prominent businessmen, bankers and financial institutions with Habib Bank Limited of Pakistan, as the joint-venture partner today stands as one of the largest private-sector commercial banks in the country. The Bank's loan portfolio, comprising of a healthy mix of diversified sectors stands at Rs. 20.18 billion, whereas the deposit portfolio of the Bank stands at Rs. 31.84 billion, which is one of the biggest portfolios vis-à-vis other private-sector commercial banks in the country. The Bank also possesses a healthy foreign currency deposit portfolio that provides good returns. Inward remittances have consistently been on the upswing for years, enabling the Bank to earn much required forex earnings and providing a cushion for trade financing.

The fast growth of the Bank has been made possible through the strategic approach we have undertaken and the years of hard work and perseverance on the part of the Board, top management and qualified human resources. Any business opportunities that have come along has been thoroughly evaluated and tapped whenever found feasible. We have put into use all available forms of resources to grab the opportunities available in the banking sector.

Today we boast of having one of the largest ATM networks in the country. The number of branches have grown at a steady pace. To increase our service base and tap new businesses in these emerging markets, we have invested heavily in cutting-edge technology to complement our business capability, with the understanding that technology in today's world has become a necessity as a driving force if we are to excel. In line with this, we have upgraded our software to the T24r8 version of TEMENOS. The card business has expanded rapidly and the Bank today offers all forms of cards services for its customers – credit cards, debit card and pre-paid cards. The card business has turned out to be a lucrative and impressive business for the Bank as more and more customers are being attracted towards card banking.

To support both the trade financing and remittance businesses, we have been continuously expanding our correspondent network. To ensure that customers optimally enjoy modern banking, we are providing technology-driven services such as Internet banking and SMS banking.

Our progress over the last 15 years is a testimony to the quality of our leadership and human resources. We believe in hiring the best and giving the best. We have followed a customer-oriented approach and therefore have been able to win the trust of the customers over the years.



MESSAGE FROM THE CHAIRMAN

It is my pleasure to inform all the shareholders that the Bank has been able to fulfill its growth targets even at the situation when there is mounting competition in the market. We are extremely delighted to inform our shareholders that the Bank has crossed Rs. 1 billion operating profit for the first time in its history. This profitability target was achieved as a result of healthy growth in both loans and deposit portfolio. Besides meeting the target for profit, we were also able to achieve most of the strategic goals that were set for FY 2007-2008. Thanks to the sound management of Himalayan Bank Limited, without which, it would not have been possible to achieve all these goals.

Though there is stiff competition in the market, the changed situation of the country has also opened new avenues for banking. To take advantage of the easy accessibility to rural areas, we have made plans to gradually open branches in various parts of the country. However, our objective is not only limited at spreading our network or making huge business growth, but we are equally committed to provide same quality service to every valued customer, no matter whether our branch is in the capital itself or in far-off rural areas.

Sound management, effective planning and dedication alone are not enough to accomplish the goal of becoming market leader in today's world. Like other sectors, banking sector also cannot move forward without adopting appropriate technology. Himalayan Bank Limited, from its inception, has been conscious about this fact, and has been giving top priority to upgrade the banking technology—both hardware and software. All our branches are working hard to provide VISA Debit Card to all interested account holders.

Similarly, the internal control mechanism of the Bank has been further strengthened during this year. The revised Organization Structure of the Bank has now been fully implemented, along with clear hierarchical reporting lines, in order to ensure proper checks and balances all across the organization. Delegation of authority for various banking operations was revised to ensure prompt decision-making and proper accountability. Concrete steps were taken to make sure that our operations are fully complied with regulatory and statutory requirements, so that credit, operational and market risks could be mitigated. With vigorous efforts at branch and corporate levels, the Bank is now well prepared for full implementation of Basel II.

Various policies and manuals required for smooth operation of the Bank were prepared, updated and implemented during the year. Training and briefing sessions for the concerned staff members were also arranged to better acquaint them about the usage of various policy documents, manuals and work procedures. The Bank took initiative for proper placement of manpower and systematization of various activities to ensure optimum utilization of resources. The Bank has always been very much conscious when it comes to legal, regulatory and statutory requirements. The Bank has fully complied with all such requirements and is very much committed to fulfilling its duty as a responsible corporate house.

The Bank was also able to launch various deposit products for the customers. On credit front, the Bank had signed an agreement with IFC-SEDF to formulate a strategy and implement SME banking scheme. Shortly, we are going to introduce Small & Medium Enterprises (SME) loan scheme. In inward remittance front, the Bank has been able to maintain its status as one of the leaders in this business. We have placed additional representative officers in different countries to further increase the business.

We, in Himalayan Bank Limited, are always involved in various charitable and social events. Whether it is the issue of conservation of temples and historic monuments, whether it is the issue of donating educational materials like computers to schools, or helping various social and charitable organizations in providing free health, education and other services, or promoting various sports and cultural activities, or helping the victims of natural calamities, we, as a responsible organization, always allocate certain amount of fund to fulfill these corporate social responsibilities.

With all the above activities and programs, I am fully confident that the Bank will keep on growing and maintaining its status as one of the best commercial banks in Nepal.

Thank you.

Manoj Bahadur Shrestha
Chairman





BOARD OF DIRECTORS

STANDING (LEFT TO RIGHT)

Mr. Upendra Keshari Poudyal
Director

Dr. Ramesh Kumar Bhattarai
Director
Nominated from Employee Provident Fund

Mr. Prachanda Bahadur Shrestha
Director

Mr. Amar SJB Rana
Director

Mr. Bijay Bahadur Shrestha
Director
Elected by Public Shareholders

SITTING (LEFT TO RIGHT)

Mr. Prem Prakash Khetan
Second Vice Chairman

Mr. Manoj Bahadur Shrestha
Chairman

Mr. Ashraf M. Wathra
First Vice Chairman
Nominated from Habib Bank Limited, Pakistan

Mr. Himalaya SJB Rana
Chief Advisor to the Board

A man in a dark suit stands in an office with his arms crossed. He is looking towards the camera. The background shows a large abstract painting on the wall and a wooden chair. The lighting is warm and focused on the man.

FROM THE DESK OF THE CEO

It gives me an immense pleasure, on behalf of Himalayan Bank Limited, to announce one more successful year of the Bank.

Our deposit base grew to Rs. 31.84 billion, the loan portfolio to the tune of Rs. 20.18 billion and the investment portfolio to Rs. 13.34 billion with a registered growth of 5.97%, 13.41% and 12.83% respectively as compared to the last fiscal year. Our operating profit crossed the one billion mark registering a growth of 32.35%. It is a matter of gratification that our non-performing loan today stands at 2.36% down from 3.61% last year which is more than 0.64% of the target. We increased the paid-up capital to Rs. 1.01 billion, in consequence of which the net worth of the Bank reached Rs. 2.51 billion.

Treading the path of achievement through customer-focused service culture, we have been successful in expanding our branches to 17 and further extended our network of ATMs establishing ourselves as one of the private-sector banks having such a large network in the country.

This year, we have upgraded our existing products and services with enhanced features to better serve the customers' needs, uphold our existing deposit base and meet the ever growing expectation of our customers. This has helped retain and strengthen the trust of the general public towards our Bank. To sustain and further boost this growth, we are planning to introduce newer and more sophisticated banking products and services so as to encourage saving habits by providing a wider range of products and services. To further expand our credit base we are involving ourselves in larger infrastructure development projects to foster economic development.

Meeting our customers' needs has always been our main objective, by providing them with customized and affordable banking products. This of course could not have been possible if it were not for one of our greatest strength - our team of highly trained and motivated staff. We have encouraged and empowered each and every level of our staff to think and act beyond the domain of their responsibilities. Continuous efforts at training, job rotation, enlargement and enrichment programs, cross-departmental assignments and target-based performance and staff participation at every level of decision-making in one form or the other helps not only in career development of individual staff but has also acted as a catalyst in the progress of the Bank. The Bank's exemplary corporate culture acts not only as the backbone of the entire team, but also imparts strength for the entire HBL family to move ahead and be a leader in the banking sector.

Finally, I would like to thank all the stakeholders and well-wishers of the Bank for their continued cooperation and support.

Thank you.

Ashoke SJB Rana
Chief Executive Officer



EXECUTIVE TEAM

CORPORATE CULTURE

The corporate culture of our Bank has always centered on our people and their empowerment for value creation through innovation and change. It has always acted as a guiding principle for effective output through team work, to encompass thorough scrutiny, however minute it may be, to have jobs done in a right manner in an environment marked by freedom, discretion, encouragement to take the initiative, confidence in making rationale commitments, explore opportunities for growth, flexibility of being receptive and adaptive to the changing economic and environmental situations and opportunities for taking charge of personal responsibilities. It is directly related to encourage our human resource make a difference by unleashing themselves and going beyond their job description. Further, it has proved to be a sine qua non for the successful adoption of corporate values and standards of behavior reflecting the objectives of the Bank. Work-groups within the Bank have developed their own behavioral patterns and interactions, producing a positive effect on the whole working system of the Bank. We have a strong culture whereby staff respond to stimuli generated by incentives and motivators associated with organizational values. The philosophy of 'Think Customer' embedded in the mind of each individual has always helped us to move ahead with outstanding performance for better service delivery. We believe in imperative customization of each and every aspect of the Bank- be it products or services, the delivery system or the supporting functions, for successful and meaningful products and services as per customer needs. We follow a participatory culture that brings about a sense of esprit de corps among the entire banking team. Inspirational and charismatic leadership has been one of the key factors for the outcomes of such a corporate culture that has catapulted us into the present pedestal of success through total quality management.

PEOPLE MATTER FOR BUSINESS SUCCESS

Human capital is the most valuable asset of our organization. It is our human resources that come up with innovative and fertile ideas to make us competitive and to draw upon hidden reserves at a time of crisis and to keep the tab on quality of products and services beyond the normal defined requirements of job. They explore ways and means to economize the resources to the optimum utilization for enhancement of quality of both service delivery and working environment.



OUR MOTTO

Over the past 15 years, we have been able to acquire a large customer base enabling us to become the market leader. This has been possible through our continuous and vigorous efforts over the years to give the very best to the customers. Although we do focus on the core products and services, we believe in thinking out of the box, so as not to limit ourselves to the usual and normal banking products and services, but rather explore and work vigorously on new product ideas so as to deliver something new to our customers at all times. It is the innovative approach that gives us that edge over other banks when it comes to introducing modern banking products and services into the banking sector. It was us that paved the way for the card services in the country by issuance of HBL proprietary card, the first card to be issued in the country. We were also the first to introduce ATMs. Besides this, many of the banking products and services that are today in the menus of almost all the banks in the country, were introduced by us.

All of this has been possible because of young, professional, qualified and experienced human resources we have. The high quality of the human resources has been equally supplemented by empowerment— a critical aspect of the decision-making process. Inherent quality of strong human resource, empowerment and cutting edge technology has been the key factors for us to proudly justify our motto- 'The Power to Lead'.

CORE VALUES

We believe in and adhere to the following core values:

- Providing quality services for the customers. With innovations and customizations to meet customer needs to uphold quality of service.
- Building a healthy future for its employees.
- Providing attractive returns for the stakeholders.
- Upholding honesty and sincerity.
- Carrying out extracurricular activities to bring about the feel of fun at work
- Developing a fruitful bond with society through corporate social responsibilities



PRODUCTS AND SERVICES

Our focus has always remained on providing quality product and services for the customers at a reasonable and affordable cost. Ideas/suggestions on existing and new products and services keep pouring in from all staff. These ideas are deliberated upon through the process of brainstorming and are further refined at different levels so that when it finally comes to the point of delivery, it is the best ones that reach out to our customers. Product ideas or concepts alone are not adequate; the structure of decision-making and service delivery across different levels plays a vital role for success of any products to ensure this. The product papers that define well-structured procedures and clear-cut authority are in place before launching/revising any of the products/services.

The following are the Bank's array of products and services that are tailor-made to suit the growing and ever-changing needs of the customers:

Deposits

We have been able to establish ourselves as one of the most innovative banks in the country. Through our visionary approach, we have introduced the Premium Savings Account, now popularly known as PSA, way back in 1997. This was the first privileged deposit scheme in the country introduced primarily to suit and cater to the needs of the prime customers. We adopted this scheme long before other banks realized the significance of market segmentation and now have similar products in their menu. This has become so successful; it now contributes heavily to our deposit portfolio and is one of the most stable deposits in the entire portfolio today. We did not stop here. With a view to adding more value to the deposit customers, we became the first bank in the country to install ATMs - one more trail it blazed in the banking sector. Further, we offer fixed deposits with different tenures and attractive interest rates. For the convenience of institutional depositors, we have been offering the current call account that is an operating account with healthy returns. We have one of the highest deposit portfolios amongst the commercial banks of the country and serve more than one hundred thousand depositors which reflect our commitment to our customer service.

Corporate Financing

Big lending requires big resources and a strong capital base. Over the years, we have been able to build a very stable deposit base and a strong capital base through issuance of bonus shares and accumulation of reserves. With these two things in place, we have been able to continuously support big corporate houses in meeting their financial needs, through tailor made packages. We well understand the significance of the corporate sector in the overall economy. It is the sector that thrives on productivity and adds value directly to the country's GDP, generates employment opportunities, encourages self sustenance of the country and enhances export. We therefore, believe in supporting and growing along with these corporate houses. We have been quite successful in this endeavor.





Consortium Financing

Big projects require huge financing, whether they are industrial or infrastructure project. One of the ways to get involved in such financing is by distributing the risks among numbers of banks. In line with this, we have resorted to what is popularly dubbed consortium financing- mostly as a lead bank and co-lead bank and in few cases as a member bank. Our role as the lead bank when it comes to consortium financing is well accepted in the banking industry. We have recently been appointed as the lead bank to bring together Banks and other Financial Institutions in the country, for financing of the much-touted Upper Tamakoshi Hydro Project.

Retail Financing

To help individuals uplift their standard of living, we have undertaken a prudent retail financing strategy. Individuals are provided with adequate financing based on their requirements and their cash flow, to buy houses and automobiles. Home loans are provided for individuals to buy houses or apartments, construct new houses or extend their existing houses. Automobile loans come in the form of standard and customized loans depending on the customers' requirements. We have from time to time, has tied up with dealers to simply financing for individuals. The rates on both home loans and auto loans are competitive vis-à-vis other financial institutions. Similarly, we also have tie-up arrangements for financing schemes through our Credit Cards. Besides, we also offer the Subidha loan or hassle-free loan to customers to finance their social and educational requirements. Similarly, very recently, we have introduced Personal loans to support various financial needs of the customers against high value fixed assets as security.

Small and Medium-sized Business Financing

Small and medium-sized enterprises (SMEs) are the most extensive form enterprises in the country. Unfortunately, this sector has remained largely untouched by the banking industry, mainly because their nature of holding within the family member in most cases and the lack of proper readily available documentations and information. On the other hand these enterprises have largely been shy in approaching the banks for their financing needs and depend on funding from informal markets. Considering the need for these enterprises to grow, the growth potential they possess and low probability of default by customers belonging to this category, we have introduced customized packages particularly to suit this segment of the market. This approach has helped us reach out to the greater segments of the markets. This we believe besides helping in stimulating business activities and generating employment opportunities, and provides us with the much needed diversification of our portfolio. As a step further, we have tied-up with IFC-SEDF, Bangladesh, to adopt a strategy to further penetrate this segment, targeting as many customers as possible. We have priced these packages at very competitive and affordable prices so as to encourage more and more entrepreneur to come into the formal banking sector to stimulate their business growth.



Trade Business Services

We boast being the largest trade business provider among commercial banks in Nepal. We have a centralized Trade Operation Center (TOC), to channel and standardize our trade business, with highly professional approach in processing of trade documents. Our correspondence network with more than 400 banks around the globe has given us the reach to almost every corner of the globe. Wide acceptability of the beneficiaries, line of credit by most the reputed banks across the globe, a largest correspondence network and a well versed team of staff has enabled us to stand tall in the area of trade business amongst commercial banks in Nepal.

Card Services

With a view to providing modern banking products and services to the customers, we came up with the HBL proprietary card in 1994. This was the first credit card to be issued in the country. With the wide acceptance of this product in the market, in view of the popularity of VISA card and MasterCard catching up in the developed nations, we attained VISA and MasterCard membership. Now, we have a host of cards and card services available for our customers. We now offer the Visa credit card, Visa debit card, Visa pre-paid card and MasterCard to our customers with involvement in both issuance and acquiring businesses. To further beef up our card business hundreds of POS machines have been installed across the country to support a broad range of the Bank's merchant establishments. Similarly, to enhance our service capability we were the first bank to install ATMs in the country and today can boast of having one of the widest networks of ATMs in the country.

Global Footprints in Remittances

We are also known as the best provider of remittance services amongst the commercial banks of the country. By taking advantage of our brand recognition and the wide correspondent network we have managed to channel inward remittances promptly to the doorsteps of the beneficiaries through extensive networks of hundreds of agents across the country. We have deployed a number of representative officers across the globe to facilitate Nepalese migrant worker mainly in the Middle East countries and Malaysia. To serve these compatriots, we have entered into agreements with a number of institutions in Dubai, Bahrain, Saudi Arabia, Qatar and Malaysia. A good number of our permanent staff have been assisting the Nepalese remitters in sending money back home through HimalRemit, an online funds transfer channel based on a simple but very safe technology. Similarly, we are making our presence felt in other countries such as the United Kingdom, Australia and South Korea to provide remittance facilities for the Nepalese working there. Our proprietary online funds transfer channel, popularly known as HimalRemit, backed up by a wide network of agents across the country, has helped us provide end-to-end remittance service.

Treasury Services

We have a good treasury setup that has over several years generated healthy returns from foreign exchange transactions both in terms of trading gain from FX transactions as well as interest earned from secure placements of foreign currencies with Banks around the world. The returns have been possible mainly because of the good foreign currency deposit base that we have and the continuous inflow of foreign currency in the form of remittance and export business.

Apart from foreign exchange trading and placements, treasury has managed to invest around 20% of local currency deposits in secure portfolios such as Treasury Bills and Government Bonds, which depicts the Bank's prudent liquidity management.

Ancillary Services

We have introduced SMS banking and Internet banking to provide e-banking services to our customers. We are in the process of further upgrading related technology, both software and hardware, to enable us to deliver better services to our customers through these medias. Besides this to give the customers a sound sleep, we offer safe deposit locker services on the office premises fully guarded by armed security guards. Locker services are available in almost all the branches. Lockers of various sizes are available as per the customers' requirements.

RISK MANAGEMENT

Risks and returns are parts and parcels of commercial banking. The environment in which the Bank and its staff can perform extremely well may also provide a breeding ground for unmanageable risks. On the other hand we also believe that if handled well, this can be converted into our competitive edge. With proper grooming of the team that can perform beyond the level of standard performance we believe we can convert these into advantages and make it 'return-friendly'. In line with the international banking norms three major risks- operational risk, credit risk and market risk are being managed through proactive risk management by our team who are one of the best and brightest talents in the industry today.

Operational Risk Management

We have been able to lessen our operational risks arising from different activities by adopting an in-built e financial system which despite of appearing as being rigid, is also flexible enough not to adversely effect our service delivery which in turn boosts public trust and confidence. It has a well-built system for controlling Information Technology (IT) functions aimed at maximizing all the possible benefits that could be harvested from technology and supporting activities geared towards attaining

the goals and objectives of the Bank. Probable operational problems arising from any field are pre-evaluated and corrective measures are immediately put in place in order to stop occurrence of such problems, nullify its impact and reduce the chances of reoccurrence of such cases in future. We have developed strong monitoring and control systems that have automatic check and balance mechanisms in place to mitigate operational risks, to identify and control breaches in the internal controls and to preclude fraud and other untoward events.

Market Risk Management

In today's world banking operation is unpredictable and volatile with intrinsic market risks, if calculated moves are not taken in time. Adverse movement in the market rates/prices, interest rates, foreign exchange rates, commodity prices and equity prices are the major factors responsible for engendering market risks the commercial banks face today. With the well-trained and efficient workforce, we have been successful in weathering the turbulence that have come across our path and surge on with the confidence that we will manage those that may cross our path in the future. Risks associated with breakdown of traditional correlations between market rates, asset-price uncertainty, ineffective hedging behaviour and adverse effects on collateral valuation are tracked by making right decisions at the right time. With over fifteen years of our operations, we have been able to continuously maintain effective competitive intelligence through our strength of well-knit staff team and effective management style. We have always been successful in neutralizing or mitigating the factors responsible for generating market risks. On the strength of market knowledge and past experiences, we have over the years managed such risk factors and at times used them to our advantage to get better returns in the domestic or international market.

Credit Risk Management

Today we are in a very strong position to assess and take care of credit risks, with a strong team of dedicated and responsible employees. It is the aptitude and the experience of this team that gives us the upper hand vis-à-vis our competitors. The inherent knowledge of our credit analysts at different levels of the organization provide us with the confidence to move ahead in this area. A sense of empowerment harboured by the employees to carry out different operations related to credit business is what ultimately has made the difference in generating the power to drive us in comparison to our competitors in the financial sector.

Credit risk if not tackled well has a direct and long-lasting impact on bank management and it's growth. The credit ratings under different classes are managed by different levels of staff to assist in varied degrees of analytical and decision-making ability. We have created different teams of analysts to develop expertise in specific fields and related activities to handle different types/levels of credit cases to facilitate unassailable decision-making capability in the field of credit management.

We understand that there is inherent credit risk in any business proposal in the banking sector. But the ability to identify these risks and develop ways to mitigate these risks with the capability to properly monitor insurable inflow of predetermined returns has been our basic guidelines in approach to credit. We have our own documented Credit Policy Guideline in place which has set the parameters of our





credit operation. We have always believed in making good choices that are investment-friendly rather than making a meretricious market presence in credit business.

We can pride ourselves today for having a reputation of a very sound A-class financial institution because of the valuable investments we have made in human resource development by enhancing and upgrading analytical skills of both our credit team and the concerned supervisory authorities. This has in turn helped us with the effective formulation and implementation of various risk management techniques and procedures.

DELEGATION OF AUTHORITY, RESPONSIBILITY AND ACCOUNTABILITY

We believe in delegation. But we also understand the aspect of accountability that goes hand in hand with the authority being delegated. These two aspects help in the effective attainment of organizational goals of the Bank. Delegation of authority is taken as a prerequisite for the successful implementation of the planned course of action adopted by the Bank. In order to inculcate a feeling of accountability in individuals, we put utmost focus on empowering our employees through the clear-cut delegation of authority in all areas, including in the area of human resource development and management. This is also taken as a performance measurement tool. We follow a system whereby authority inherent in individuals at various levels to perform tasks and conduct or manage activities are always guided and checked by their position-specific accountability. Such a mechanism has always been beneficial as it creates a productive and responsible working environment. Whether it is a team or an individual, this sense of accountability helps deter undesirable behavior and fosters the habit of taking charge for better performance.

RECRUITMENT

Recruitment is a key factor for maintaining our competitive edge. Through effective selection mechanism, it ensures fair selection of right people in right positions from the widest pool of available potential talents within the organization and from market. We have a policy in place that recognizes the value of our internal resources and prioritizes possible candidates from within the organization first and foremost, to be groomed, developed and placed in various required positions and departments as and when required. This not only empowers and motivates the existing workforce but also ensures better job fit due to evident knowledge and better understanding of the organizational knowledge already gained by the incumbents.

For recruitment from outside we are an equal-opportunity employer, with a transparent recruitment process in place free from partiality and prejudice. Maybe this is why we are the first choice amongst those in pursuit of their career in the banking industry. We provide learning opportunities for all the jobseekers and new entrants at all levels, by deploying them to different departments, branches and cross-functional teams to share ideas, knowledge and information and encourage their participation in various training programs.

TRAINING AND DEVELOPMENT

The training and development activities we are carrying out, focuses on optimizing the utilization of human resource for achieving organizational as well as individual goals.

On the basis of job requirements, performance appraisal, Training Need Assessment surveys we carry out in-house as well as outstation training programs in the country and abroad. We maintain an annual training calendar on the basis of which, our employees at various levels, i.e. starting from new recruits to executives are encouraged to participate in appropriate training programs, workshops and seminars. During the fiscal year, we have organized 13 in-house programs and have our employees participate in 59 external programs within the country as well as 13 programs abroad. Such approach provides benefits for the staff in a broader perspective, besides contributing to the overall development of the workforce in the organization by imparting them with up to date technical and behavioral skills. This has also acted as a catalyst in enhancing their job knowledge and skills; in broadening their horizon; and in developing overall personality, which is of course passed on to the other members of the team. This nurtures a healthy working environment full of team spirit ensuring quality of work. This has also infused our employees with leadership skills, motivation and positive attitudes to bring about changes in the organization.

REWARD AND RECOGNITION

In comparison to other private and public-sector commercial banks in the country, the Bank has designed an attractive emolument package. Besides this we also have a system in place where additional benefits are awarded to our employees on the basis of performance appraisals. Promotions, job posting, job enlargement and job enrichment responsibilities with added authority, autonomy and decision-making powers are also emphasized accordingly. Our management has always taken the initiative in providing the staff at all levels with one of the best compensation packages in the market, which is revised every 2 to 3 years.

We are confident that with our compensation package, together with rewards and recognition embedded in the organizational culture, we have created an enabling environment wherein every employee has an opportunity for self-development. We believe and recognize the value of our people and strive to cherish and nurture our most valuable asset – our staff.



OTHER SOCIAL ACTIVITIES

We encourage our employees to participate in social, recreational and sports activities, as a means for overall development. Such activities not only give them a respite from their routine course of official assignments, but also help in interactive enhancement of management skills, fostering teamwork and whetting knowledge-sharing and communication skills. We encourage our staff to come forth with proposals to participate in such activities. We believe such activities provide them with opportunities to interact with others individuals of different organizations. This builds a spirit of team encourages coordination and cooperation among the colleagues and members participating in such interaction activities.

We also acknowledge and value the close interdependence between society and business. As part of our corporate social responsibility (CSR) we have sponsored and extended our helping hands to victims of natural calamities donation to flood victims, we have made financial contribution to sponsor cultural events, fun fairs and publication of magazines relating to children and the disabled in the society. We also sponsor healthcare activities, and cultural and educational programs organized by schools, colleges and universities as part of our corporate social responsibility (CSR). In view of this we are willing to give our full support to social, recreational, sports and (CSR) activities.

CONCLUSION

We are today a trusted and recognized brand in the country. Over the last 15 years, we have been able to win the hearts and trust of the customers, which has enabled us to build one of the biggest customer bases with one of the biggest loan and deposit portfolios in the banking sector. We have penetrated and created our niche in areas of SME market, remittances and card business. Starting with one branch we now boast of a wide-range of branch networks across the nation further supplemented with one of the widest ATM network – one more channel of delivery providing a 24/7 service to our customers. To support our operation we have adopted state-of-the-art cutting-edge technology and now run on TEMENOS T24r8 version of software. We have gained the trust of a large number of international banks that support our trade operations. This in itself is a testimony to our credibility and standing as a well recognized bank. And of course has been possible through the high quality human resources we possess and all the hard work, sincerity, loyalty and strong determination our employees have put in through the years. The vision and the guidance provided by our Board of Directors and a strong management team has put us where we stand today. The training and development programs we run every year and a number of employees we send for both domestic and international training programs are a testimony to our commitment for sustainable human resource development. The regular transfers of staff within the organization is a part our job refreshment and enrichment program. We also believe in decentralization and delegation of authority as critical aspect for prompt decision-making ability and good succession planning. We have empowered our employees to ensure that all ends meet and they meet well. With this we strongly believe that we have the edge over our competitors to cruise smoothly in our way to 'The Power to Lead'.

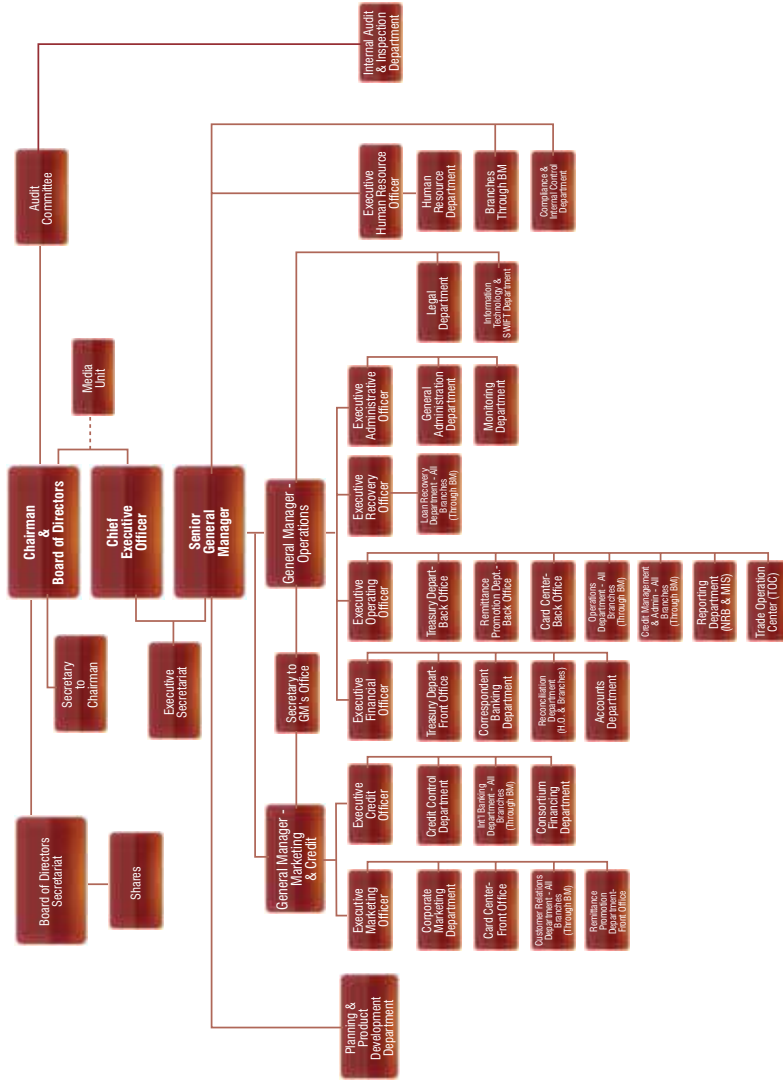


PEOPLE + EMPOWERMENT = POWER TO LEAD

THE TRUE ASSET OF ANY BANK IS REALLY INSPIRED AND EMPOWERED PEOPLE. AND IT IS THESE PEOPLE THAT MAKE ALL THE DIFFERENCE. ONE SMALL STEP AT A TIME TOWARDS A LARGER GOAL.

EVERYDAY

CORPORATE STRUCTURE



PEOPLE + EMPOWERMENT = POWER TO LEAD

RESPONSIBILITY IS TAKEN, NOT GIVEN. EMPOWERMENT IS A STATE OF MIND AND GOING BEYOND A 'JOB DESCRIPTION' IS WHAT ULTIMATELY MAKES THE DIFFERENCE.

EVERYDAY



REPORT OF THE BOARD OF DIRECTORS TO THE SIXTEENTH ANNUAL GENERAL MEETING

Dear Shareholders,

We cordially welcome all the shareholders present at this Sixteenth Annual General Meeting of Himalayan Bank Limited on behalf of the Board of Directors. I would like to present the Balance Sheet as on July 15, 2008, the Profit and Loss Account for the fiscal year 2007-08, the Profit and Loss Appropriation Account and other financial statements for approval by the Annual General Meeting.

There are now socio-economic and other challenges facing us. The banking sector is amid these challenges and so tireless efforts need to be geared up towards confronting them. As our Bank has crossed over a decade and a half and is among the experienced and leading banks, it is fully familiar with the present problems and challenges. Accordingly, we are successfully pressing ahead by overcoming various challenges- a matter of pleasure for all of us. We are firmly convinced that all this has been possible through the strong trust shown by our esteemed customers towards us, the cooperation, direct or indirect, of our shareholders and the dynamism of the Bank Management. I would like to elucidate, as usual, the fact that the development of the healthy banking system for national welfare is our main objective.

REVIEW OF THE BANK'S OPERATIONS

During the period under review, the Bank's total deposit reached Rs. 31,842.8 million, recording an increase of 5.97 percent over the previous year. Similarly, the loans and advances reached Rs. 20,180.0 million during the period under review, recording an increase of 13.41 percent over the previous year. These figures of the total deposits and loans and advances represent 7.49 and 6.82 percent respectively of the total deposits and loans and advances in the overall banking sector.

The net assets of the Bank increased by 8.61 percent, reaching Rs. 3,195.5 million during the review period, while the gross assets increased by 7.41 percent and are valued at Rs. 36,858.0 million.

The Bank was able to make an operating profit of Rs. 902.529 million during the review period. The net profit of the Bank reached Rs. 635.868 million, registering a growth of 29.29 percent over that of Rs. 491.823 million during the previous year.

The financial status of the Bank as on October 16, 2008 (Aswin-end of the current fiscal year) is given below:

(In Rs. million)

S.N.	PARTICULARS	2007-08 AS ON OCT 17	2008-09 AS ON OCT 16	INCREASE (DECREASE) %
1.	Gross Assets	36,818.02	38,928.00	5.73
2.	Deposits	30,209.95	33,239.20	10.03
3.	Loans, Overdrafts and Bills			
	Purchased and Discounted	19,847.18	21,114.54	6.39
4.	Investments	12,287.45	10,096.16	(17.83)

During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 94.995 million. The Bank was able to reduce the percentage of its NPA, which was 3.61 percent during the previous year, to 2.36 percent during the year under review. This could happen due to the tight procedures adopted by the Bank in loan disbursement and management and the initiative taken by the Bank in loan recovery.

COMPARATIVE FINANCIAL INDICATORS OF THE BANK

The comparative financial indicators of the fiscal years 2006-07 and 2007-08 are presented below:

(In Rs. million)

S.N.	PARTICULARS	2006-07 AS ON JULY 16	2007-08 AS ON JULY 15	INCREASE (DECREASE) %
1.	Net Assets (Net Worth)	2,942.23	3,195.42	8.61
2.	Gross Assets	34,314.87	36,858.01	7.41
3.	Deposits	30,048.42	31,842.79	5.97
4.	Loans, Overdrafts and Bills			
	Purchased and Discounted	17,793.72	20,180.00	13.41
5.	Investments	11,823.00	13,340.18	12.83
6.	Net Interest Income	1,008.17	1,139.90	13.07
7.	Other Income	485.45	598.79	23.35
8.	Operating and Staff Expense	613.79	636.53	3.71
9.	Operating Profit	688.89	902.53	31.01
10.	Net Profit	491.82	635.87	29.29

The following graphs/charts are presented as annexes to give information about the comparative compositions of deposit, credit, income and expenditure of the Bank during the fiscal year 2063/64 and the year under review:

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

NATIONAL AND INTERNATIONAL EVENTS AND THEIR IMPACT ON THE BANK

The year 2008 did not turn out to be favorable for the world economy. Sluggish economic growth and high price hikes posed main challenges to the world economy. The overall economic growth rate of the world, which was 4.9 percent in 2007, was estimated to have slid by 1.2 percent to reach 3.7 percent in 2008. The high economic growth rates of our close neighbors China and India, which have a direct impact on the economy of Nepal, was expected to reach 9.3 percent and 7.9 percent only in 2008 vis-à-vis 11.4 percent and 9.3 percent respectively in 2007. The economic growth of the whole of South Asia is projected to go downhill this year. However, Nepal's economic growth rate is projected at 5.56 percent, the highest over the last seven years. Inflation increased during the year under review compared to the preceding year. The consumer price index, which was 6.4 percent in Asadh of 2064 and 7.7 percent in Asadh of 2065, was, as per the concerned sources, projected at around 13 percent during the first quarter of the current fiscal year vis-à-vis the same period of the previous year.

The economic meltdown sweeping the American and European nations in the year 2008 has badly affected the world economy. It is obvious that although the economic meltdown does not have a direct impact on the least developed countries like Nepal, it will have an indirect one in the days to come. This will directly affect export business and development projects. On the contrary, several experts have opined that such a situation can be turned to good account by the developing countries like ours.

The rate of export growth remained marginal during the fiscal year 2064/65, whereas imports grew by 16.1 percent, thus leading to an increase in the trade deficit. The annual growth rate of total foreign exchange registered 28.8 percent. The exchange rate of the Nepalese rupee declined by 5.3 percent to the US dollar in Asadh of 2065 over Asadh of 2064.

The total deposits in the banking sector registered a growth of 26 percent to reach Rs. 421.52 billion during the year under review. Such a huge increase in deposits was attributed to the establishment of new banks, expansion of bank branches, an

increase in remittances and suchlike factors. Similarly, the loans and advances in the private banking sector registered a remarkable growth of 26.9 percent. Due to the banks enhancing loan disbursements by enhancing additional capital besides deposit mobilization, the credit-deposit ratio of the banks stood at 82.6 percent.

CURRENT FINANCIAL AND BANKING ENVIRONMENT

Although there has been a gradual improvement in the country's peace and security, and stability, the rate of growth in exports of woollen carpets, readymade garments, pashmina, handicrafts and the like has been on the decline since the fiscal year 2062/63 and it was even negative in some years. Some exportables have notched up a positive growth rate during the fiscal year, whereas the status of others is as it was in the past. The tourism industry has, however, improved considerably with a gradual improvement in the law and order situation in the country. The concerned sector is of the opinion that as the solid infrastructure has not yet been in place for export promotion, it is facing difficulty in drawing up the future plans in this direction.

Let's hark back to the budget for the fiscal year 2065/66. It was mentioned in the budget, inter alia, that sick industries would be rehabilitated, emphasis would be put on opening agro-based industries, public-private partnership (PPP) would be made a base for capital investment, infrastructural development would be prioritized for the development of the tourism industry, an investment-friendly environment would be created, etc. It is clear that if the aforesaid announcements were translated into practice with a commitment, it would greatly contribute to developing the national economy. It is believed that it would also have a very positive impact on the development of the banking sector.

During the fiscal year 2064/65, additional 5 commercial banks, 20 development banks, 4 finance companies and 1 micro-finance company were incorporated. Thus, the number of commercial banks has reached 25, development banks 58, finance companies 78, micro-finance companies 12, co-operative societies allowed by Nepal Rastra Bank to engage in limited banking operations 16 and non-governmental organizations allowed by Nepal Rastra Bank to engage in limited banking operations 46, thus increasing the number of institutions engaged in financial operations to 235. The licensing of such institutions will go on in the days to come.

BOARD OF DIRECTORS

The Bank has re-appointed Mr. Manoj Bahadur Shrestha, who has been representing the Board on behalf of N. Trading, as Director on 2064.11.19. Further, consequent upon the expiry of his tenure of chairmanship the Board has re-appointed Mr. Shrestha as Chairman unopposed with effect from 2065.01.01. Likewise, Mr. Ashraf M. Wathra has been nominated, in place of Mr. Tulu Islam, to the Board on behalf of Habib Bank Limited, Pakistan with effect from 2064.11.14. He will work as the First Vice-Chairman of the Board. Mr. P.P. Khetan has been re-nominated as Director and re-elected as Second Vice-Chairman on behalf of Mutual Trading Company with effect from 2064.11.24.

Directors Mr. Prachanda Bahadur Shrestha and Mr. Amar SJB Rana have been re-elected as Directors on behalf of Chhaya International and Ava International respectively with effect from 2064.11.13 and 2064.12.30 respectively. Similarly, Dr. Ramesh Kumar Bhattarai has been re-nominated to the Board on behalf of the Employees Provident Fund with effect from 2064.06.06. Further, Mr. Bijay Bahadur Shrestha, who has been representing the Board on behalf of the general public and Mr. Upendra Keshari Poudyal, who has been representing the Board as Professional Director, are still on the Board as Directors.

In a similar vein, those appointed as Alternate Directors are Miss Menuka Shrestha in place of Mr. Kishor Bade Shrestha on behalf of Chhaya International; Mr. Sushil Bikram Thapa; and Mr. Krishna Prasad Acharya in place of Mr. Laxman Maskay on behalf of the Employees Provident Fund. Mrs. Ranjana Shrestha and Mr. Surendra Silwal, who have been representing the Board on behalf of N. Trading and Mutual Trading Company respectively, are still on the Board as Alternate Directors.

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

Mr. Ashoke SJB Rana has been re-appointed to the post of Chief Executive Officer with effect from 2065.01.09 as per the

resolution of the Board. The Board is convinced that he will be, as usual, actively involved in the progress, prosperity and advancement of the Bank.

I would like to welcome the newly appointed First Vice-Chairman and Second Vice-Chairman, and re-appointed Directors and Alternate Directors to the Board and expect their further co-operation towards the Bank's progress and prosperity. Further, the Board, on this occasion, expresses its firm commitment to always working towards the welfare of the Bank. The Board also expresses its gratitude to the former officials of the Board for their contributions to the Bank.

IMPLEMENTATION OF THE STRATEGY AND PROGRAM OF THE BANK DURING THE FY 2064/65

1. NPA limited to 2.36 percent after achieving the target of reducing it to 3 percent.
2. The Globus software of the Bank upgraded.
3. Branches established at Nepalgunj and Teku as per the Bank's plan of establishing branches at various places. The Bhaktapur branch relocated from Surya Binayak to Sukuldhoka.
4. Visa Debit Card, Prepaid Card and MasterCard business expanded.
5. Twelve ATMs installed at Dharan; Butwal; Lakeside, Pokhara; Bharatpur; Bhairahawa; United World Trade Centre, Tripureswor; Lalitpur Supermarket; Teaching Hospital, Maharajgunj; Hetauda; Armed Police Force, Halchowk; Shahid Gangalal Hospital, Bansbari; and Nepalgunj, thus increasing the number of ATMs to 32.
6. Premium savings account made further attractive for the general public. Mortgage loan launched.
7. Treasury operations reformed further and use of technology made more sophisticated.
8. Construction of the corporate building going on in full swing. It is expected to be complete in time. Physical infrastructure of various branches made convenient.
9. Continuity given to recovery of written-off loans in an active manner.

STRATEGIES AND PROGRAMS FOR FY 2008/09

1. To formulate and implement short-term and long-term small and medium enterprises as a contract has been signed with IFC-SEDF, Bangladesh for small and medium enterprise (SME) banking.
2. To keep NPA to 2.5 percent.
3. To upgrade the banking software Globus to the latest version of r8/t24. (Now done)
4. To establish six to ten branches in the valley and beyond. For this, infrastructural works being in progress at Chabahal and Baneswor of the Valley and at Itahari (now complete), Palpa, Damak and so on outside the Valley.
5. To expand remittance business to Asian, European and American markets with a focus on further sophisticated services.
6. To diversify card business by focusing on Visa Debit Card, Prepaid Card and MasterCard.
7. To set up an additional 30 ATMs at various places. (Four ATMs already installed till now)
8. To install two kiosk machines on the premises of the Valley's two largest branches as per the Bank's pilot project. To gradually expand the installation of such kiosks.
9. To introduce an additional loan product and some deposit products- Bishesh Savings Account, Jumbo Term Deposit, Recurring Savings Account and Himal Savings Account. (Now brought into practice)
10. To give continuity to recovery of written-off loans in an active manner.
11. To provide locker services at various branches of the Bank.
12. To complete the construction of the Corporate Office building going on at an estimated cost of Rs. 220 million within one and a half years and to make the ambience of various branches convenient and eco-friendly.
13. To install an additional 300 POS machines for the convenience of debit and credit card customers.
14. To impart training on management and competence development and other relevant matters for the development of skills of staff at various levels.
15. To make available morning and evening counter services at all branches of the Bank.
16. To introduce deposit products tied up with debit and credit cards for the purpose of increasing the number of debit and credit card customers remarkably.
17. To introduce banking and other ancillary services based on technology-driven websites.

CORPORATE SOCIAL RESPONSIBILITY

From its commencement, the Bank has, in discharging its social responsibilities, made available financial and physical facilities and help for various purposes through financial and allied institutions. The main services being rendered by the Bank on this front include those relating to education, healthcare, sports, culture, natural calamities and social services. This year, the Bank, along with its employees, provided financial assistance for the rehabilitation of the the Koshi flood (embankment breach) victims. Similarly, the Bank provided assistance for the orphans and helpless children through various institutions. The Bank has continuously been involved in the development of sports such as the road race, football and cricket besides sponsoring dance and other cultural programs. The Bank is alert in discharging its responsibilities in such and other additional fields.

AUDIT, BALANCE SHEET AND OTHER FINANCIALS

The Balance Sheet as on July 15, 2008, the Profit and Loss Account for fiscal year 2007-08, the Profit and Loss Appropriation Account for the fiscal year 2007-08, the Cash Flow Statement for the fiscal year 2007-08, relevant annexes and the Auditors' Report form integral part of this Report. Further, those items not mentioned in the annexes to the Report as per Company Act 2063, Chapter 7, Clause 109, Sub-Clause (4) are presented as annex E.

PROFIT AND LOSS APPROPRIATION

The net profit of the Bank reached Rs. 635.869 million during the fiscal year 2007/08. This figure includes the retained earnings of Rs. 168.388 million posted to the Balance Sheet during the previous year, which is also available for appropriation. Out of the net profit, Rs. 127.174 million, i.e. 20 percent of it, has been appropriated to the Statutory General Reserve Fund. It is imperative to increase our paid-up capital every year in order to meet the directive on paid-up capital as prescribed by Nepal Rastra Bank. Therefore, I would like to announce with pleasure a special resolution on giving a 20 percent bonus share and a 25 percent cash dividend on the paid-up capital to the shareholders for the fiscal year 2007/08. For the bonus shares and dividends, an amount of Rs. 456.081 million has been earmarked. Also, an amount of Rs. 308.571 million and an amount of Rs. 71.429 million have been appropriated to the Reserve Fund for repayment of interest on Himalayan Bank Bond 2066 and Himalayan Bank Bond 2072 respectively. And the remaining amount of Rs. 96.842 has been posted to the Balance Sheet. Such an amount was Rs. 184.386 million during the previous year.

VOTE OF THANKS

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

Thank you.

On behalf of the Board of Directors

P. P. Khetan
Second Vice-Chairman

Manoj Bahadur Shrestha
Chairman

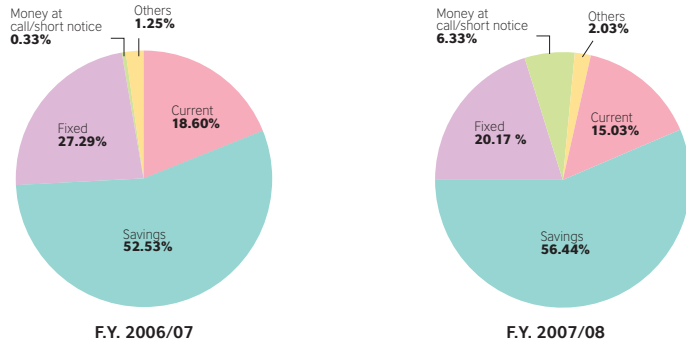
APPROVAL OF NEPAL RASTRA BANK

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

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

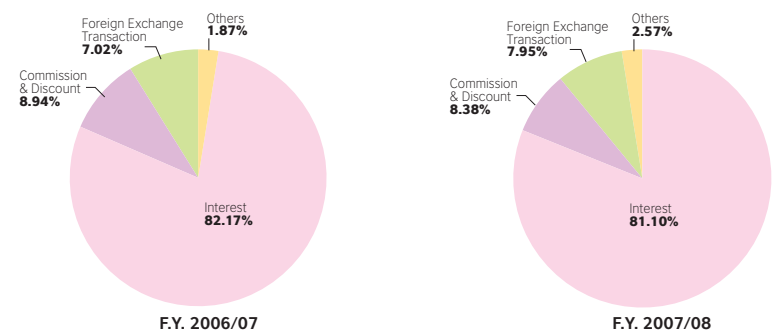
DEPOSIT COMPOSITION

Annex A



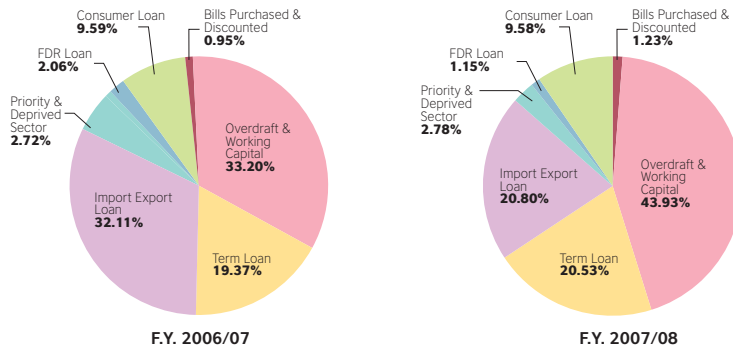
INCOME COMPOSITION

Annex C



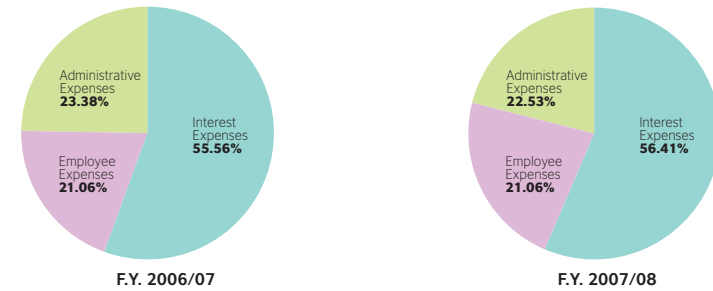
LOANS & ADVANCES COMPOSITION

Annex B



EXPENSES COMPOSITION

Annex D



ADDITIONAL DISCLOSURE AS PER SECTION 109(4) OF COMPANIES ACT, 2063

1. Detail of Share Forfeiture:
No Shares were forfeited during the year.
2. Transaction with Subsidiaries:
The Bank has no Subsidiaries
3. Information provided to the Company by its Substantial Shareholders:
NIL
4. Shares purchased by Directors and Officials of the Company during the year:
No such transaction was reported to the Bank.
5. Information received on the personal interest of Directors and their close relatives in any Agreement/Contract entered into by the Company:
No such information was received during the year.
6. Detail of Share Buy-Back during the year:
The Bank didn't buy-back its own shares during the year.
7. Detail of Internal Control System:
The Bank has a very effective Internal Control System in operation which has the following major components:
 1. Strong internal checks and controls
 2. Operation Manuals, Comprehensive policies, procedures and guidelines for orderly conduct of operations.
 3. Credit Policy Guidelines and various manuals
 4. Independent Internal Audit & Inspection Department
 5. Periodic review of internal controls and significant audit issues by Audit Committee.
8. Total Management expenses during the year:

Employee Expenses during the FY	: Rs. 30,75,28,289
Administrative Expenses during the FY	: Rs. 32,90,05,632
Total	: Rs. 63,65,33,921
9. List of Audit Committee members, their remuneration and facilities and description (and suggestions if any) of the Committee's performance during the year:
 - a. Audit Committee members:

Mr. Ashraf M Wathra	Chairman
Dr. Ramesh Kumar Bhattarai	Member
Mr. Upendra Keshari Poudyal	Member
Mr. Muhammad Siddique	Member & Secretary

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

	Chairman	Members
Until February 2008	2,600	2,200
From March 2008	4,000	3,400

- c. The Committee conducted 12 meetings during the FY 2064/65 during which it, among others:
 1. Reviewed the Internal Audit Reports and gave necessary instruction to the Management for resolution of audit issues.
 2. Reviewed investigation reports and made various recommendations to the management.
 3. Reviewed Annual Accounts and Auditors Preliminary Audit Report issued by Statutory Auditors and recommended their adoption by the Board of Directors after incorporation of the directives/instructions issued by the Committee by the Management.
 4. Directed the Management to improve Internal Control systems and procedures and recommended Manuals, Policies and procedures for improvements and effective control, wherever necessary.
10. Amount receivable by the Company from Directors, Managing Director, Substantial Shareholders and their close relatives and associated firms, Companies etc:
NIL
11. Remuneration, Allowances and facilities given to Directors, Managing Director, Chief Executive Officer and Officials during the year:

Managerial Remuneration for the purpose of section 109(4)

SN	PARTICULARS	DIRECTORS	CEO	MANAGERS
1	Meeting Fees	900,200	-	-
2	Salary	-	3,960,000	48,999,534
3	Allowances	-	4,015,692	25,694,312
4	PF Contribution	-	396,000	3,778,773
5	Telephone/Mobile	224,141	280,087	515,192
6	Others	491,400	60,000	203,402
		1,615,741	8,711,779	79,191,213
7	Car Facility	No	Yes	Yes
8	Accommodation	No	No	No*
9	Insurance Coverage	Yes	Yes	Yes
	NUMBER OF PERSONS	12	1	56

Notes:

- 1) Office Car with driver, fuel and maintenance is provided to the CEO, General Manager and Ex-Pats (Sr. General Manager & Chief Internal Auditor). The Managers are given Car Loan facility with fuel as per the Bank's policy.
 - 2) *Fully furnished accommodation at Bank's cost is provided to the Ex-pats.
 - 3) (a) Directors are covered with medical insurance of Rs. 1,00,000 for self, spouse and dependent children and Accident Insurance policy of Rs. 30,00,000.
 b) CEO and Managers (except Ex-pats) are covered for Accidental Insurance, Medical Insurance and Life Insurance as per the Bank's Staff Rules. Ex-pat staffs are covered for Accidental Insurance and Medical Insurance as per their terms of contract.
 - 4) Mobile bill is paid by the Bank on actual basis for CEO, SGM and CIA. In case of Managers, reimbursement, as per policy, upto a maximum of Rs. 3,500 per month is done by the Bank.
 - 5) Water and Electricity bill is reimbursed on actual basis to the CEO and GM.
 - 6) Bonus as per Bonus Act, 1974 was paid to all employees except the ex-pats. The ex-pat staff were paid cash gift in lieu of bonus amounting to Rs. 732,775 to Sr. General Manager and Rs. 700,510 to the Chief Internal Auditor.
12. Amount of Dividend remaining unpaid:
- | | |
|-----------------------|---------------------------------------|
| Total Unpaid Dividend | : Rs. 96,98,194 (as on Asar 31, 2065) |
|-----------------------|---------------------------------------|
13. Others matters required to be disclosed in the Directors' Report by this Ordinance or others Laws in force:
NIL
14. Other relevant issues:
NIL

 P.P. Khetan
 Second Vice Chairman

 Manoj Bahadur Shrestha
 Chairman

CSC & Co.

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HIMALAYAN BANK LIMITED

FINANCIAL STATEMENTS AND MANAGEMENT'S RESPONSIBILITY

We have audited the accompanying financial statements of Himalayan Bank Limited which comprise the balance sheet as of July 15, 2008 (Ashadh 31, 2065) and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Bank's management.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we 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.

REPORT ON THE REQUIREMENTS OF BANKS AND FINANCIAL INSTITUTIONS ACT 2063 AND COMPANY ACT 2063

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 returns received from the branch offices of the bank were adequate for the purpose of the audit; the financial statements including 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 they are in agreement with 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 bank has taken actions for protection of the interest of depositors and investors; the capital fund and risk bearing fund were adequately maintained; loans have been written off as specified; the business of the Bank was conducted satisfactorily and the Bank's transactions were found to be within the scope of its authority. 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.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 Ashad, 2065 (15 July 2008), and its financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards, the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act 2063.

Date: 25 November 2008
 Place: Kathmandu

Madan Krishna Sharma
 Partner
 CSC & Co.
 Chartered Accountants

BALANCE SHEET

As on July 15, 2008 (Ashad 31, 2065)

CAPITAL AND LIABILITIES	SCHEDULES	CURRENT YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Share Capital	4.1	1,013,512,500	810,810,000
2. Reserves and Funds	4.2	1,499,479,102	1,335,689,655
3. Debentures and Bonds	4.3	860,000,000	360,000,000
4. Borrowings	4.4	83,177,973	235,967,811
5. Deposits	4.5	31,842,789,356	30,048,417,756
6. Bills Payables	4.6	102,669,796	91,303,206
7. Proposed and Dividend Payables		263,076,319	130,939,748
8. Income Tax Liabilities		19,131,036	11,913,476
9. Other Liabilities	4.7	491,695,555	494,099,459
TOTAL LIABILITIES		36,175,531,637	33,519,141,111
ASSETS	SCHEDULES	CURRENT YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Cash Balance	4.8	278,183,489	177,242,226
2. Balance with Nepal Rastra Bank	4.9	935,841,697	1,272,543,067
3. Balance with Banks / Financial Institutions	4.10	234,117,704	307,555,959
4. Money at Call and Short Notice	4.11	518,529,500	1,710,023,859
5. Investments	4.12	13,340,176,785	11,822,984,558
6. Loan Advances and Bills Purchase	4.13	19,497,520,482	16,997,997,046
7. Fixed Assets	4.14	726,068,462	574,060,430
8. Non - Banking Assets	4.15	10,306,683	12,766,060
9. Other Assets	4.16	634,786,835	643,967,906
TOTAL ASSETS		36,175,531,637	33,519,141,111

Contingent Liabilities	Schedule 4.17
Statement of Loans advanced to Promoters, Directors, CEO, Employees and Shareholders holding more than 1% shares	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of Risk Weighted Assets	Schedule 4.30(A)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33
Schedules 4.1 to 4.17 form integral parts of the Balance Sheet	

Sushiel Joshi
General Manager

Masood Ul Hasan
Senior General Manager

Ashoke S. Rana
Chief Executive Officer

Directors

Ashraf M. Wathra, Vice Chairman
Prem Prakash Khetan, Second Vice Chairman
Prachanda Bahadur Shrestha
Bijay Bahadur Shrestha
Dr. Ramesh Kumar Bhattarai
Amar S. Rana
Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants
Date: 25 Nov, 2008

PROFIT AND LOSS ACCOUNT

For the period July 17, 2007 to July 15, 2008 (Shrawan 1, 2064 to Ashad 31, 2065)

PARTICULARS	SCHEDULES	CURRENT YEAR (Rs)	PREVIOUS YEAR (Rs)
1. Interest Income	4.18	1,963,647,472	1,775,582,617
2. Interest Expenses	4.19	823,744,838	767,411,247
Net Interest Income		1,139,902,634	1,008,171,370
3. Commission and Discount	4.20	202,888,358	193,224,228
4. Other Operating Incomes	4.21	62,103,241	40,328,872
5. Exchange Fluctuation Income	4.22	192,600,803	151,637,322
Total Operating Income		1,597,495,036	1,393,361,792
6. Staff Expenses	4.23	307,528,289	290,921,268
7. Other Operating Expenses	4.24	329,005,633	322,865,061
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before Provision for Possible Losses		960,961,114	779,575,463
9. Provision for Possible Losses	4.25	58,431,489	90,688,827
Operating Profit		902,529,625	688,886,636
10. Non-Operating Income/Loss	4.26	9,700,477	3,493,278
11. Loan Loss Provision Written-Back	4.27	184,106,852	412,654,152
Profit from Regular Operations		1,096,336,954	1,105,034,066
12. Loss from Extra-ordinary Activities	4.28	52,614,217	315,890,702
Net Profit after considering all Activities		1,043,722,737	789,143,364
13. Staff Bonus Provision		94,883,886	71,740,305
13A. Profit after Staff Bonus		948,838,851	717,403,059
14. Tax Provision		312,970,332	225,580,154
a) Current Years		309,154,692	
b) Previous Years		-	
c) Deferred		3,815,640	
11. NET PROFIT		635,868,519	491,822,905

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

Ashraf M. Wathra, Vice Chairman
Prem Prakash Khetan, Second Vice Chairman
Prachanda Bahadur Shrestha
Bijay Bahadur Shrestha
Dr. Ramesh Kumar Bhattarai
Amar S. Rana
Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants
Date: 25 Nov, 2008

PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period July 17, 2007 to July 15, 2008 (Shrawan 1, 2064 to Ashad 31, 2065)

PARTICULARS	SCHEDULES	CURRENT YEAR (Rs)	PREVIOUS YEAR (Rs)
Income			
1. Accumulated Profit up to Last Year		168,387,674	156,557,736
2. Current Year's Profit		635,868,519	491,822,905
3. Excess Income Tax Provision of last year		-	10,122,632
TOTAL		804,256,193	658,503,273
Expenses:			
1. Accumulated Loss up to Last Year		-	-
2. Current year's Loss		-	-
3. General Reserve		127,173,704	98,364,581
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserve Fund		-	-
8. Proposed Dividend		253,378,125	121,621,500
9. Proposed Issue of Bonus Share		202,702,500	202,702,500
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		1,302,453	-
12. Capital Redemption Reserve Fund		122,857,143	51,428,571
13. Capital Adjustment Fund		-	-
14. Prior Period Tax		-	-
TOTAL		707,413,925	474,117,152
15. ACCUMULATED PROFIT		96,842,268	184,386,121

Sushiel Joshi
General Manager

Masood UI Hasan
Senior General Manager

Ashoke S. Rana
Chief Executive Officer

Directors
Ashraf M. Wathra, Vice Chairman
Prem Prakash Khelan, Second Vice Chairman
Prachanda Bahadur Shrestha
Bijay Bahadur Shrestha
Dr. Ramesh Kumar Bhattarai
Amar S. Rana
Upendra Keshari Poudyal

Manoj Bahadur Shrestha
Chairman

As per our attached report of even date
Madan K. Sharma, FCA
Partner
CSC & Co.
Chartered Accountants
Date: 25 Nov, 2008

STATEMENT OF CHANGES IN EQUITY

Fiscal Year 2007-08 (2064-65)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	PROPOSED BONUS SHARE	CAPITAL ADJUSTMENT RESERVE	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVE FUND	TOTAL AMOUNT
Opening Balance as at 17 July 2007	810,810,000	184,386,121	633,300,120	202,702,500	38,610,000	-	19,548,057	257,142,857	2,146,499,655
Adjustments (Deferred Tax)	-	(15,998,447)	-	-	-	-	-	-	(15,998,447)
Restated Balance as at 17 July 2007	810,810,000	168,387,674	633,300,120	202,702,500	38,610,000	-	19,548,057	257,142,857	2,130,501,208
Surplus/ Deficit on revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/ Deficit on revaluation of investments	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	635,868,519	-	-	-	-	-	-	635,868,519
Transfer to General Reserve	-	(127,173,704)	127,173,704	-	-	-	-	-	-
Proposed Dividend	-	(253,378,125)	-	-	-	-	-	-	(253,378,125)
Issue of Bonus Share	202,702,500	-	-	(202,702,500)	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(202,702,500)	-	202,702,500	-	-	-	-	-
Issue of Share Capital	-	-	-	-	-	-	1,302,453	-	-
Exchange Fluctuation Fund	-	(1,302,453)	-	-	-	-	-	-	-
Capital Redemption Fund	-	(122,857,143)	-	-	-	-	-	122,857,143	-
CLOSING BALANCE	1,013,512,500	96,842,268	760,473,824	202,702,500	38,610,000	-	20,850,510	380,000,000	2,512,991,602

CASH FLOW STATEMENT

For the period July 17, 2007 to July 15, 2008 (Shrawan 1, 2064 to Ashad 31, 2065)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
700,779,770	A. Cash Flow from Operating Activities	273,069,708
2,102,484,745	1. Cash Receipt	1,944,218,365
1,617,037,594	1.1 Interest Income	1,444,245,205
193,224,228	1.2 Commission and Discount Income	202,888,358
151,637,322	1.3 Income from Foreign Exchange Transaction	192,600,803
(315,890,702)	1.4 Recovery of Loan Written off	42,380,758
456,476,303	1.5 Other Income	62,103,241
1,401,704,975	2. Cash Payment	1,671,148,657
767,411,247	2.1 Interest Expenses	823,744,838
268,208,968	2.2 Staff Expenses	307,528,289
168,275,671	2.3 Office Overhead Expenses	240,568,995
197,809,089	2.4 Income Tax Paid	299,306,535
-	2.5 Other Expenses	-
336,720,749	Cash Flow before Changes in Working Capital	195,947,225
3,333,372,039	(Increase/Decrease) of Current Assets	1,359,713,338
704,743,859	1. Increase/Decrease in Money at Call and Short Notice	(1,191,494,359)
-	2. Increase/Decrease in Short-term Investment	-
2,354,101,063	3. Increase/Decrease in Loan & Bills Purchases	2,504,143,790
274,527,117	4. Increase/Decrease in Others Assets	47,063,907
3,670,092,788	(Increase/Decrease) of Current Liabilities	1,555,660,563
3,557,566,116	1. Increase/Decrease in Deposits	1,794,371,600
-	2. Increase/Decrease in Certificate of Deposits	-
91,342,914	3. Increase/Decrease in Short Term Borrowing	(152,789,838)
21,183,758	4. Increase/Decrease in Others Liabilities	(85,921,199)
(997,511,604)	B. Cash Flow from Investment Activities	(1,144,971,686)
(933,953,109)	1. Increase/(Decrease) in Long Term Investments	(1,517,192,227)
(64,278,817)	2. Increase/(Decrease) in Fixed Assets	(237,756,761)
-	3. Interest Income from Long Term Investment	573,707,690
720,322	4. Dividend Income	1,850,862
-	5. Others	34,418,750
-	C. Cash Flow from Financing Activities	366,756,392
-	1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	500,000,000
-	2. Increase/(Decrease) in Share Capital	-
-	3. Increase/(Decrease) in Other Liabilities	(133,243,608)
-	4. Increase/(Decrease) in Refinance/facilities received from NRB.	-
-	D. Income/Loss from change in exchange rate in Cash and Bank Balances	-
39,988,915	E. Current Year's Cash Flow from All Activities	(309,198,361)
1,717,352,336	F. Opening Balance of Cash and Bank Balances	1,757,341,251
1,757,341,251	G. Closing Balance of Cash and Bank Balances	1,448,142,890

SHARE CAPITAL AND OWNERSHIP

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.1

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Share Capital	-
1,000,000,000	1.1 Authorized Capital	2,000,000,000
1,000,000,000	a. 20,000,000 Ordinary shares of Rs 100 each.	2,000,000,000
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-
810,810,000	1.2 Issued Capital	1,013,512,500
810,810,000	a. 10,135,125 Ordinary Shares of Rs 100 each	1,013,512,500
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-
810,810,000	1.3 Paid up Capital	1,013,512,500
810,810,000	a. 10,135,125 Ordinary Shares of Rs 100 each fully paid up (Last year 8,108,100 ordinary shares of Rs 100 each)	1,013,512,500
-	b. Non-redeemable Preference Shares of Rs - each	-
-	c. Redeemable Preference Shares of Rs - each	-

SHARE OWNERSHIP

SHARE CAPITAL	PARTICULARS	%	SHARE CAPITAL
689,188,500	1. Promoters & Other Institutions	85	861,485,625
-	1.1 Nepal Government	-	-
162,162,000	1.2 Foreign Institution	20	202,702,500
-	1.3 "A" Classes Licensed Institutions	-	-
-	1.4 Other Licensed Institutions	-	-
527,026,500	1.5 Other Entities	65	658,783,125
-	1.6 Individual	-	-
-	1.7 Others	-	-
121,621,500	General Public	15	152,026,875
810,810,000	TOTAL	100	1,013,512,500

10,135,125 ordinary shares of Rs. 100 each fully paid up, which includes:

YEAR	PARTICULARS
-	Rs. 60,000,000 Initial Paid Up Capital
F.Y. 1994-95	Rs. 60,000,000 capitalized
F.Y. 1997-98	Issued 720,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1998-99	Issued 480,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 1999-00	Issued 600,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2000-01	Issued 900,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2001-02	Issued 390,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2002-03	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2003-04	Issued 1,072,500 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2004-05	Issued 1,287,000 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2005-06	Issued 3,86,100 Bonus Shares of Rs. 100 each fully paid up
F.Y. 2006-07	Issued 2,027,025 Bonus Shares of Rs 100 each fully paid up

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

NAME	NUMBER OF SHARE	PERCENT	AMOUNT
AVA INTERNATIONAL PVT. LTD.	1,153,820	11.38	115,382,000
CHHAYA INTERNATIONAL PVT. LTD.	900,847	8.89	90,084,700
HABIB BANK LIMITED	2,027,025	20.00	202,702,500
KARMACHARI SANCHAYA KOSH	1,418,918	14.00	141,891,800
MUTUAL TRADING CO. PVT. LTD.	1,279,053	12.62	127,905,300
N. TRADING CO. PVT. LTD.	1,288,007	12.71	128,800,700
SHARMA & CO. PVT. LTD.	66,892	0.66	6,689,200
SYAKAR CO. LTD	100,338	0.99	10,033,800
SUMIT KUMAR AGRAWAL	268,515	2.65	26,851,500
TOTAL	8,503,415	83.90	850,341,500
TOTAL NUMBER OF SHARE OF BANK	10,135,125		

RESERVES FUND

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.2

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
633,300,121	1. General Reserve Fund	760,473,824
202,702,500	2. Proposed Bonus Share	202,702,500
-	3. Capital Reserve Fund	-
257,142,857	4. Capital Redemption Reserve	380,000,000
-	a. HBL Bond 2066	308,571,429
-	b. HBL Bond 2072	71,428,571
38,610,000	5. Capital Adjustment Fund	38,610,000
-	6. Other Reserve Fund	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserve Fund	-
184,386,121	7. Accumulated Profit / Loss	96,842,268
19,548,056	8. Exchange Fluctuation Fund	20,850,510
1,335,689,655	TOTAL	1,499,479,102

DEBENTURES AND BONDS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.3

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
360,000,000	1) 8.5 Percent Bond/Debentures of Rs 1000 each (Issued in Ashadh 2059 and maturing in Ashadh 2066) (Balance in Redemption Reserve Rs 308,571,429)	360,000,000
-	2) 8 Percent Bond/Debentures of Rs 1,000 each (Issued in Ashadh 2065 and maturing in Ashadh 2072) (Balance in Redemption Reserve Rs 71,458,571)	500,000,000
360,000,000	TOTAL	860,000,000

BORROWINGS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.4

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
202,202,452	A. Local	83,177,973
-	1. Nepal Government	-
202,202,452	2. Nepal Rastra Bank	-
-	3. Repo Obligation	-
-	4. Inter Bank and Financial Institutions	83,177,973
-	5. Other Financial Institutions	-
-	6. Others	-
202,202,452	Total	83,177,973
33,765,359	B Foreign	-
-	1. Banks	-
-	2. Others	-
33,765,359	TOTAL	-
235,967,811	TOTAL (A+B)	83,177,973

STATEMENT OF DEPOSITS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.5

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	1. Non Interest Bearing accounts	
5,589,580,391	A. Current Deposits	4,784,216,160
4,512,637,015	1. Local Currency	3,688,654,549
1,931,782,631	1.1 Nepal Government	1,144,552,723
40,981,848	1.2 "A" Classs Licensed Institutions	27,201,872
358,244,856	1.3 Other Licensed Institutions	244,616,426
1,479,864,787	1.4 Other Organized Institutions	433,049,055
145,209,790	1.5 Individuals	1,208,772,292
556,553,103	1.6 Others	630,462,181
1,076,943,376	2. Foreign Currency	1,095,561,611
267,410,594	2.1 Nepal Government	709,368,332
1,791,951	2.2 "A" Classs Licensed Institutions	1,098,875
1,313,926	2.3 Other Licensed Institutions	6,980,214
628,702,229	2.4 Other Organized Institutions	1,168,462
5,425,635	2.5 Individuals	374,661,863
172,299,041	2.6 Others	2,283,865
375,026,163	B. Margin Deposits	645,186,699
	1. Employees Guarantee	-
119,016,264	2. Guarantee Margin	133,753,232
256,009,899	3. Letters of Credit Margin	511,433,467
	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	-
5,964,606,554	TOTAL OF NON-INTEREST BEARING ACCOUNTS	5,429,402,859

STATEMENT OF DEPOSITS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.5

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
	2. Interst Bearing accounts	
15,784,769,766	A. Saving Deposits	17,972,440,577
14,573,038,825	1. Local Currency	16,764,821,114
1,290,288,789	1.1 Organized Institutions	870,096,366
12,633,537,859	1.2 Individuals	15,738,304,090
649,212,177	1.3 Others	156,420,658
1,211,730,941	2. Foreign Currency	1,207,619,463
633,829,612	2.1 Organized Institutions	346,702,875
510,460,241	2.2 Individuals	613,468,323
67,441,088	2.3 Others	247,448,265
8,201,134,697	B. Fixed Deposits	6,423,874,106
4,076,414,936	1. Local Currency	3,101,835,200
2,530,823,121	1.1 Organized Institutions	1,472,269,642
1,281,864,795	1.2 Individuals	1,567,143,768
263,727,020	1.3 Others	62,421,790
4,124,719,761	2. Foreign Currency	3,322,038,906
3,750,902,700	2.1 Organized Institutions	2,535,162,559
235,847,708	2.2 Individuals	502,766,264
137,969,353	2.3 Others	284,110,083
97,906,739	C. Call Deposits	2,017,071,814
1,130,705	1. Local Currency	1,294,649,354
-	1.1 "A" Classs Licensed Institutions	53,006,717
-	1.2 Other Licensed Institutions	-
-	1.3 Other Organized Institutions	-
1,130,705	1.4 Individuals	567,018,371
-	1.5 Others	674,624,266
96,776,034	2. Foreign Currency	722,422,460
-	2.1 "A" Classs Licensed Institutions	-
-	2.2 Other Licensed Institutions	-
42,477,800	2.3 Other Organized Institutions	722,422,460
11,970,344	2.4 Individuals	-
42,327,890	2.5 Others	-
-	D. Certificate of Deposits	-
-	1. Other Organized Institutions	-
-	2. Individual	-
-	3. Other	-
24,083,811,202	TOTAL OF INTEREST BEARING ACCOUNTS	26,413,386,497
30,048,417,756	TOTAL DEPOSITS	31,842,789,356

BILLS PAYABLE

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.6

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
78,242,590	1. Local Currency	89,253,321
13,060,616	2. Foreign Currency	13,416,475
91,303,206	TOTAL	102,669,796

OTHER LIABILITIES

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.7

PRE YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
-	1. Pension / Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
71,740,306	4. Provision for Staff Bonus	94,883,886
75,424,611	5. Interest Payable on Deposit	45,390,816
15,300,000	6. Interest Payable on Borrowings	15,301,370
-	7. Unearned Discount & Commission	-
24,124,505	8. Sundry Creditors	23,030,498
1,255,120	9. Branch Adjustment Account	37,182,990
306,254,917	10. Others	275,905,995
-	a) Provision for Audit Fee	678,000
-	b) Deferred tax liability	19,814,087
-	c) Others	255,413,908
494,099,459	TOTAL	491,695,555

CASH BALANCE

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.8

PREV. YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
155,112,044	1 Local Currency (Including coins)	262,183,693
22,130,182	2. Foreign Currency	15,999,796
177,242,226	TOTAL	278,183,489

BALANCE WITH NEPAL RASTRA BANK

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.9

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			GRAND TOTAL (Rs)
			INR Rs.	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
1,272,543,067	1. Nepal Rastra Bank	898,807,453	-	37,034,244	37,034,244	935,841,697
1,272,543,067	a. Current Account	898,807,453	-	37,034,244	37,034,244	935,841,697
-	b. Other Account	-	-	-	-	-
1,272,543,067	TOTAL	898,807,453		37,034,244	37,034,244	935,841,697

Note: Total balance as per the statement received from respective bank is Rs 804,796,298

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.10

PREVIOUS YEAR (Rs)	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			GRAND TOTAL (Rs)
			INR Rs	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
211,653,970	1. Local Licensed Institutions	63,854,823	-	301,398	301,398	64,156,221
211,653,970	a. Current Account	63,854,823	-	301,398	301,398	64,156,221
-	b. Other Account	-	-	-	-	-
95,901,989	2. Foreign Bank	-	3,153,249	166,808,234	169,961,483	169,961,483
95,901,989	a. Current Account	-	3,153,249	166,808,234	169,961,483	169,961,483
-	b. Other Account	-	-	-	-	-
307,555,959	TOTAL	63,854,823	3,153,249	167,109,632	170,262,881	234,117,704

Note: Total balance as per the statement received from respective bank is Rs 317,333,635

MONEY AT CALL AND SHORT NOTICE

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.11

PREV. YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)
130,000,000	1. Local Currency	-
1,580,023,859	2. Foreign Currency	518,529,500
1,710,023,859	TOTAL	518,529,500

INVESTMENTS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.12

PREVIOUS YEAR (Rs)	PARTICULARS	PURPOSE		THIS YEAR (Rs)
		TRADING	OTHERS	
6,079,376,471	1.Nepal Government Treasury Bills	-	7,166,534,338	7,166,534,338
-	2. NRB Development Bonds	-	-	-
-	3.Nepal Government Other Securities	-	-	-
375,497,000	4 Nepal Government Saving Bond	-	305,133,566	305,133,566
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
5,294,687,228	7. Foreign Banks	-	5,778,950,522	5,778,950,522
73,423,859	8.Corporate Shares	-	89,558,359	89,558,359
-	9. Corporate Bonds and Debentures	-	-	-
-	10. Other Investments	-	-	-
11,822,984,558	Total Investment	-	-	13,340,176,785
-	Provision	-	-	-
11,822,984,558	Net Investment	-	-	13,340,176,785

INVESTMENTS IN SHARES, DEBENTURE AND BONDS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.12(A)

PREVIOUS YEAR (Rs)	PARTICULARS	THIS YEAR (Rs)	MARKET VALUE PER SHARE	PROVISION FOR INVESTMENT
22,356,000	1. Investment in Shares			
	1.1 Himalayan Distillery Ltd.		100	-
37,500,000	223,560 Shares @ 100	48,000,000	-	-
	1.2 Rural Microfinance Dev Centre			
3,000,000	4,80,000Shares @ 100	3,000,000	511	-
	1.3 Western Rural Development Bank			
3,000,000	30,000 Shares@ 100	7,752,000	134	-
	1.4 Nirdhan Utthan Bank Ltd.			
3,600,000	(77,520 Share @ 100 and 18,312 Bonus Share)	3,600,000	265	-
	1.5 Chhimek Bikas Bank Ltd.			
2,400,000	(36,000 Shares @ 100)	2,400,000	1601	-
	1.6 Swabalamban Bikas Bank Ltd.			
1,214,859	24,000 Shares @ 100	1,214,859	-	-
	1.7 Swift SC			
353,000	6 Shares	1,235,500	-	-
	1.8 Credit Information Corporation Limited			
	2. Investment in Debentures and Bonds			
	2.1 Companies .(Pvt. Ltd / Ltd)	-	-	-
	2.2	-	-	-
	2.3	-	-	-
73,423,859	Total Investment	89,558,359		
	3. Provision for Loss			
	3.1 Up to previous year	-	-	-
	3.2 Addition this year	-	-	-
	Total Provision			
73,423,859	Net Investment	89,558,359		

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

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CLASSIFICATION OF LOANS AND BILL PURCHASED AND PROVISIONINGS

As on July 15, 2008 (Ashad 31, 2065)

Previous Year	Particulars	Advances						Bills Purchased/ Discounted			This Year
		Domestic			Foreign			Total			
		Priority	Un-Insured		Other	Total	Local	Others	Foreign	Total	
			Insured	Other							
171,152,108,557	1.1 Performing Loan	26,800,331	178,356,191	19,255,002,029	-	19,469,158,551	242,225,395	-	242,225,395	19,702,383,946	
16,897,714,159	1.1 Pass Loan	26,650,401	176,185,328	18,912,535,328	-	19,115,374,855	242,225,395	-	242,225,395	19,357,600,250	
454,394,398	1.2 Re-structured	149,930	2,166,895	342,466,001	-	344,783,696	-	-	-	344,783,696	
641,615,306	2. Non-Performing Loan	587,083	5,324,278	464,819,387	-	470,730,728	6,498,495	-	6,498,495	477,229,223	
72,076,059	2.1 Substandard	-	885,304	53,033,877	-	53,919,981	-	-	-	53,919,981	
194,976,256	2.2 Doubtful	-	851,697	219,624,617	-	214,476,314	-	-	-	214,476,314	
374,562,991	2.3 Loss	587,083	3,586,277	198,161,083	-	202,334,433	6,498,495	-	6,498,495	208,832,928	
177,597,728,963	(A) Total Loan	27,397,384	183,880,489	19,719,921,416	-	19,930,889,279	248,729,890	-	248,729,890	20,179,619,169	
	3. Loan Loss Provision										
167,225,322	3.1 Pass	66,626	1,761,895	192,293,302	-	194,057,821	2,422,254	-	2,422,254	196,480,075	
140,064,491	3.2 Re-structured	4,885	1,793,582	154,349,599	-	156,137,866	-	-	-	156,137,866	
18,348,848	3.3 Substandard	-	221,576	13,258,419	-	13,479,995	-	-	-	13,479,995	
97,488,128	3.4 Doubtful	-	425,849	106,812,308	-	107,238,157	-	-	-	107,238,157	
372,599,028	3.5 Loss	500,729	3,586,277	198,161,083	-	202,248,089	6,498,495	-	6,498,495	208,746,594	
795,728,817	(B) Total Provisioning	572,940	7,775,177	654,820,721	-	675,171,938	8,620,749	-	8,620,749	682,802,687	
	4. Provisioning up to Previous Year										
141,354,553	4.1 Pass	117,016	3,335,850	162,094,596	-	165,547,462	1,677,860	-	1,677,860	167,225,322	
59,456,562	4.2 Re-structured	5,985	5,869,695	134,088,861	-	140,064,491	-	-	-	140,064,491	
61,953,985	4.3 Substandard	-	347,294	18,002,964	-	18,349,848	-	-	-	18,349,848	
155,755,034	4.4 Doubtful	-	1,084,156	96,399,972	-	97,488,128	-	-	-	97,488,128	
708,896,394	4.5 Loss	654,654	16,249,063	353,913,951	-	370,817,708	1,781,520	-	1,781,520	372,599,028	
1,119,416,527	(C) Total Provision up to Last Year	777,695	26,890,048	764,499,894	-	792,287,637	3,459,180	-	3,459,180	795,728,817	
322,393,282	(D) This year written off									94,894,975	
411,312,762	(E) Previous year's provision written back									168,056,011	
85,838,133	(F) This year's additional provision									52,423,861	
62,568,710	(F) Net adjustment during the year									(11,634,150)	
16,997,897,046	Net Loan (A-B)	26,816,354	175,901,292	19,055,000,695	-	19,257,717,341	239,803,141	-	239,803,141	19,497,520,482	

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LOAN, ADVANCES AND BILLS PURCHASED (SECURITY WISE)

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.13 (A)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
17,793,723,864	(A) Secured	20,179,613,169
15,929,067,202	1. Movable / Immovable Assets	18,755,796,948
120,185,635	2. Guarantee of Local Licensed Institutions	-
-	3. Government Guarantee	-
111,726,020	4. Internationally Rated Bank Guarantee	74,601,464
562,810,802	5. Export Documents	674,530,842
757,068,860	6. Fixed Deposit Receipts	396,684,965
683,511,458	a. Own FDR	381,909,636
73,557,402	b. FDR of other Licensed Institutions	14,775,329
68,292,149	7. Nepal Government Bonds	156,580,990
63,731,074	8. Counter Guarantee	99,365,694
15,112,329	9. Personal Guarantee	20,482,983
165,729,793	10. Other Securities	1,569,283
-	(B) Unsecured	-
17,793,723,864	TOTAL	20,179,613,169

FIXED ASSETS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.14

PREVIOUS YEAR (Rs)	PARTICULARS	ASSETS BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS (LAND)	THIS YEAR (Rs)
763,222,971	1. At Cost						829,082,648
91,946,805	a. Previous Year Balance	39,191,769	118,048,852	217,034,918	206,319,069	248,488,040	93,691,107
	b. Addition this year	281,183	22,219,353	28,371,338	30,325,387	12,493,846	-
	c. This year's revaluation	-	-	-	-	-	-
(16,184,901)	d. This year sold	-	(21,997,000)	(11,568,834)	(5,279,155)	(523,544)	(39,368,533)
(9,902,226)	e. This Year written off	-	-	(389,280)	(408,119)	-	(797,399)
829,082,649	Total Cost (a+b+c+d+e)	39,472,952	118,271,205	233,448,142	230,957,182	260,458,342	882,607,823
225,443,674	2. Depreciation						257,790,542
51,643,636	a. Up to previous year	8,724,321	39,831,568	130,575,297	78,659,356	-	52,078,053
(19,296,768)	b. For this year	1,531,574	11,934,022	19,257,659	19,354,798	-	(17,198,642)
	d. Depreciation Adjusted/Written Back	-	(9,398,205)	(7,216,727)	(583,710)	-	-
257,790,542	Total Depreciation	10,255,895	42,367,385	142,616,229	97,430,444	-	292,669,953
571,292,107	3. Book Value (WDV)*(1-2)	29,217,057	75,903,820	90,831,913	133,526,738	260,458,342	589,937,870
-	4. Land	-	-	-	-	-	-
2,768,323	5. Capital Construction	136,130,592	-	-	-	-	136,130,592
-	6. Leasehold assets	-	-	-	-	-	-
574,060,430	TOTAL (3+4+5)	165,347,649	75,903,820	90,831,913	133,526,738	260,458,342	726,068,462

NON BANKING ASSETS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.15

PREVIOUS YEARS	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		THIS YEAR (Rs)
				%	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	-	-	-	-	-
760,000	Narayani Packaging	2005.01.28	760,000	100	760,000	-
2,807,812	Narayani Packaging	2005.01.28	2,807,812	100	2,807,812	-
112,500	Ayusha Garment	2005.05.29	112,500	100	112,500	-
9,080,000	Vivid Textile	-	-	-	-	-
5,117,733	Evergreen Oriental	-	-	-	-	-
4,900,000	Pasupati Agrochem	2005.07.23	4,900,000	75	3,675,000	1,225,000
6,737,500	Nepal Airways	2006.07.05	-	-	-	-
776,567	Saroj Furniture	2006.11.21	776,567	50	388,284	388,283
2,527,165	KCS Vehicles AG	2007.07.16	-	-	-	-
	Addition during the year ;					
	Kalika English Sec. School Bhaktapur	2008.07.06	9,341,200	25	2,335,300	7,005,900
	Standard Tanning Ind. Birgunj	2008.07.15	2,250,000	25	562,500	1,687,500
40,098,277	GRAND TOTAL		24,827,079		14,520,396	10,306,683
	OP Balance : NBA Provision		27,332,217		-	-
	Addition during the year		(12,811,821)		-	-
27,332,217	Closing provision on NBA		14,520,396		-	-
12,766,060	NET NON-BANKING ASSETS		10,306,683		-	-

OTHER ASSETS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.16

PREVIOUS YEAR	PARTICULARS	THIS YEAR
13,619,017	1. Stock of Stationery	10,699,024
158,545,024	2. Income Receivable on investments	104,239,601
-	3. Accrued interest on Loan	-
-	Less : Interest Suspense Amount	(347,629,573)
-	4. Commission Receivable	-
33,194,870	5. Sundry Debtors	1,318,830
151,747,783	6. Staff Loan and Advances	170,521,298
17,835,347	7. Prepayments	19,717,128
990,280	8. Cash in Transit	446,000
-	9. Other Transit Items(Including Cheques)	99,051,295
-	10. Drafts Paid without Notice	150,000
117,686,116	11. Expenses not written off	115,746,561
-	12. Branch Adjustment Account	-
150,349,469	13 Others	112,897,098
-	a. Advance Income Tax Deposited	-
-	b. Advance for capital works	-
-	c. Others	112,897,098
643,967,906	TOTAL	634,786,835

OTHER ASSETS (ADDITIONAL STATEMENT)

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.16 A

PREVIOUS YEAR	PARTICULARS	THIS YEAR (Rs)			TOTAL
		UPTO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	
336,711,789	1. Accrued interest on Loan	110,652,639	200,051,071	36,925,863	347,629,573
-	2. Drafts Paid without Notice	-	150,000	-	150,000
-	3. Branch Adjustment A/c	-	-	-	-
336,711,789	TOTAL	110,652,639	200,201,071	36,925,863	347,779,573

CONTINGENT LIABILITIES

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.17

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Claims on Institutions but not accepted by Institutions	-
2,916,470,345	2. Letters of Credit (full amount)	6,125,564,892
2,786,253,046	a. Less than 6 months maturity	5,888,009,672
130,217,299	b. More than 6 months maturity	237,555,220
-	3. Rediscounted Bills	-
1,375,589,559	4. Unmatured Guarantees/Bonds	1,644,702,663
112,486,203	a. Bid Bond	199,462,010
1,263,103,356	b. Performance Bond	1,445,240,653
-	c. Other Guarantees/ Bonds	-
-	5. Unpaid Shares in Investment	-
165,278,399	6. Forward Exchange contract liabilities	13,997,638
301,705,381	7. Bills under collection	354,791,609
351,549,445	8. Acceptance and Endorsements	624,096,294
-	9. Underwriting Commitments	-
-	10. Irrevocable Loan Commitments	-
1,435,198,612	11. Counter Guarantee of internationally Rated Banks	1,923,378,051
176,431,771	12. Advance Payment Guarantee	163,996,737
110,437,243	13. Financial Guarantee	437,243
20,975,483	14. Contingent Liabilities on Income Tax	20,975,483
-	15 Others	-
6,853,636,238	TOTAL	10,871,940,610

INTEREST INCOME

Fiscal Year 2007-2008 (2064-65)

Schedule 4.18

PREVIOUS YEAR	PARTICULARS	THIS YEAR
1,242,850,250	A. On Loan, Advances and Overdraft	1,444,245,205
938,608,270	1. Loan and Advances	1,126,110,457
304,241,980	2. Overdraft	318,134,748
191,558,737	B. On Investment	201,309,901
155,317,132	1. NG Securites	
36,241,605	a. Treasury Bills	185,955,241
-	b. Development Bonds	15,354,660
-	c. National Saving Certificate	-
-	2. Foreign Securites	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture and Bonds	-
-	5. Interest on Inter Bank Lending	-
-	A. Bank/Financial Institutions	-
-	B. Other Organizations	-
6,631,523	C. On Agency Balances	10,870,681
-	1. Local Banks	-
6,631,523	2. Foreign Banks	10,870,681
26,184,358	D. On Money at Call and Short Notice	26,289,498
1,500,831	1. Local Banks	4,676,077
24,683,527	2. Foreign Banks	21,613,421
308,357,749	E. On Others	280,932,187
-	1. Certificate of Deposits	-
11,980,738	2. Inter-Bank Loan	18,920,644
296,377,011	3. Others	262,011,543
1,775,582,617	TOTAL	1,963,647,472

INTEREST EXPENSES

Fiscal Year 2007-2008 (2064-65)

Schedule 4.19

PREVIOUS YEAR	PARTICULARS		THIS YEAR
314,395,944	A. On Deposit Liabilities	-	288,433,185
	1. Fixed Deposits	-	-
119,309,392	1.1 Local Currency	124,329,573	-
195,086,552	1.2 Foreign Currency	164,103,612	-
313,383,691	2. Saving Deposits	-	347,794,570
291,523,630	2.1 Local Currency	331,826,336	-
21,860,061	2.2 Foreign Currency	15,968,234	-
104,840,457	3. Call Deposit	-	137,043,563
90,082,457	3.1 Local Currency	98,389,454	-
14,758,000	3.2 Foreign Currency	38,654,109	-
-	4. Certificate of Deposits	-	-
34,791,155	B. On Borrowings	-	50,473,520
30,600,000	1. Debentures and Bonds	30,819,659	-
504,457	2. Loan from Nepal Rastra Bank	1,411,406	-
3,686,698	3. Inter Bank/Financial Institutions Borrowing	18,242,455	-
-	4. Other Corporate Body	-	-
-	C. Others	-	-
767,411,247	TOTAL	-	823,744,838

COMMISSION AND DISCOUNT INCOME

Fiscal Year 2007-2008 (2064-65)

Schedule 4.20

PREVIOUS YEAR	PARTICULARS		THIS YEAR
13,416,459	A. Bills Purchase and Discount	-	13,292,305
-	1. Local	13,095,256	-
-	2. Foreign	197,049	-
134,621,213	B. Commission	-	149,688,113
34,039,845	1. Letters of Credit	37,406,089	-
34,261,846	2. Guarantees	24,173,608	-
8,119,361	3. Collection Fees	8,788,019	-
36,307,345	4. Remittance Fees	38,274,806	-
21,892,816	5. Credit Cards Fee	25,977,216	-
-	6. Share Underwriting /Issue	-	-
-	7. Government Transactions	-	-
-	8. Agency Commissions	-	-
-	9. Exchange Fees	15,068,375	-
45,186,556	C. Others	-	39,907,940
193,224,228	TOTAL	-	202,888,358

OTHER OPERATING INCOME

Fiscal Year 2007-2008 (2064-65)

Schedule 4.21

PREVIOUS YEAR	PARTICULARS	THIS YEAR
7,396,966	1. Safe Deposit Lockers Rental	8,000,364
10,605,012	2. Issue and Renewal of Credit Cards	14,676,497
1,025,809	3. Issue and Renewals of ATM Cards	1,070,212
10,590,302	4. Telex/ T. T	10,577,054
-	5. Service Charges	-
-	6. Renewal Fees	-
10,710,783	7. Others	27,779,114
40,328,872	TOTAL	62,103,241

EXCHANGE FLUCTUATION GAIN /LOSS

Fiscal Year 2007-2008 (2064-65)

Schedule 4.22

PREVIOUS YEAR	PARTICULARS	THIS YEAR
(4,861,398)	(A) Revaluation Gain/(Loss)	5,209,813
156,498,720	(B) Trading Gain (except exchange Fee)	187,390,990
151,637,322	TOTAL INCOME (LOSS)	192,600,803

EXPENSES RELATED TO EMPLOYEES

Fiscal Year 2007-2008 (2064-65)

Schedule 4.23

PREVIOUS YEAR	PARTICULARS	THIS YEAR
140,308,824	1. Salary	153,696,194
88,049,953	2. Allowances	89,186,407
10,907,768	3. Contribution to Provident Fund	11,105,130
6,340,454	4. Training Expenses	4,582,364
2,720,336	5. Uniform	2,420,072
-	6. Medical	-
5,631,856	7. Insurance	6,779,530
32,142,475	8. Pension and Gratuity Provision	34,205,500
4,819,602	9. Others	5,553,092
290,921,268	TOTAL	307,528,289

OTHER OPERATING EXPENSES

Fiscal Year 2007-2008 (2064-65)

Schedule 4.24

PREVIOUS YEAR	PARTICULARS	THIS YEAR
40,726,610	1. Office Rent	48,959,014
11,959,056	2. Electricity & Water	11,166,097
17,295,717	3. Repair and Maintenance	21,270,616
840,873	a. Building	558,402
1,055,431	b. Vehicles	837,751
15,399,413	c. Others	19,874,463
10,738,496	4. Insurance	11,279,184
20,408,373	5. Postage Telex, Telephone, Fax	15,603,897
426,188	6. Office Equipment, Furniture and Repair	402,820
16,013,748	7. Travelling Allowances and Expenses	17,052,149
12,120,438	8. Printing and Stationary	13,199,200
419,116	9. Periodicals and Books	607,738
24,090,446	10. Advertisements	20,997,144
87,131	11. Legal Expenses	43,016
210,231	12. Donations	145,551
2,429,038	13. Expenses Relating to Board of Directors	3,054,415
750,500	a. Meeting Fees	900,200
1,678,538	b. Other Expenses	2,154,215
896,571	14. Annual General Meeting Expenses	704,440
1,071,459	15. Expenses Relating to Audit	1,073,821
678,000	a. Audit Fees	678,000
393,459	b. Other Expenses	395,821
51,643,636	16. Commission on Remittances	52,078,053
30,952,887	17. Depreciation on Fixed Assets	34,175,359
-	18. Amortization	-
-	19. Share Issue Expenses	-
-	20. Technical Services Fee	-
2,886,178	21. Entertainment	1,234,429
1,268,337	22. Written off Expenses	2,183,226
7,271,047	23. Security Expenses	7,623,379
497,726	24. Credit Guarantee Premium	390,060
12,230,167	25. Commission and Discount	13,836,803
57,222,465	26. Others	51,925,222
23,176,740	A. Registration Fee and Charges	22,782,754
-	B. Provision for possible losses	-
34,045,725	C. Others	29,142,468
322,865,061	TOTAL	329,005,633

PROVISION FOR POSSIBLE LOSSES

Fiscal Year 2007-2008 (2064-65)

Schedule 4.25

PREVIOUS YEAR	PARTICULARS	THIS YEAR
83,839,133	1. Increase in Loan Loss Provision	52,423,881
-	2. Increase in Provision for Loss on Investment	-
6,849,694	3. Provision against Non-Banking Assets	5,237,020
-	4. Provision against Other Assets	770,588
90,688,827	TOTAL	58,431,489

NON OPERATING INCOME/LOSS

Fiscal Year 2007-2008 (2064-65)

Schedule 4.26

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Profit (Loss) on Sale on Investment	-
2,772,955	2. Profit (Loss) on Sale of Assets	7,849,615
720,323	3. Dividend	1,850,862
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. interest subsidy	-
-	c. Exchange counter	-
-	5. Others	-
3,493,278	TOTAL NON- OPERATING INCOME (LOSS)	9,700,477

LOSS PROVISIONS WRITTEN BACK

Fiscal Year 2007-2008 (2064-65)

Schedule 4.27

PREVIOUS YEAR	PARTICULARS	THIS YEAR
411,312,792	1. Loan Loss Provision Written Back	166,058,011
-	2. Provision against Non-Banking Assets Written Back	18,048,841
1,341,360	3. Investment Provision Written Back	-
-	4. Provision against Other Assets Written Back	-
412,654,152	TOTAL	184,106,852

PROFIT/LOSS FROM EXTRA-ORDINARY ACTIVITIES

Fiscal Year 2007-2008 (2064-65)

Schedule 4.28

PREVIOUS YEAR	PARTICULARS	THIS YEAR
6,462,580	1. Recovery of Written off Loan	42,380,758
-	2. Voluntary Retirement Scheme Expenses	-
(322,353,282)	3. Loan Write-offs (4.28 (a))	(94,994,975)
-	4. Other Expenses/Income	-
(315,890,702)	TOTAL	(52,614,217)

STATEMENT OF LOANS WRITTEN-OFF

Fiscal Year 2007-2008 (2064-65)

Schedule 4.28 (a)

SN	TYPE OF LOAN	WRITTEN OFF	SECURITY DETAIL	BASIS OF VALUATION	APPROVING AUTHORITY	RECOVERY STEPS TAKEN	REMARKS
1	Time Loan	66,021,112	Land and current assets	Approved valuator's report and statements submitted by the borrower	Board of Directors	Served repeated verbal and written notices. Took over securities Blacklisted the borrowers. Filed recovery suits at DRT.	
2	Fixed term Loan	10,650,000	Loans, Building and Aircraft	Approved valuator's report and suppliers' invoices	Board of Directors	Got the securities sold off	
3	Hire Purchase Loan	7,189,973	Registration of vehicle	Supplier' invoices	DGM/GM/CEO	Followed up through telephonic calls & written notices Blacklisted the borrowers	
4	Overdraft Loan	7,950,285	Current Assets	Statements submitted by the borrower	Board of Directors	Served repeated verbal and written notices. Took over securities Blacklisted the borrowers Filed recovery suits at DRT.	
5	Trust Receipt Loan	1,363,190	Current Assets	Suppliers' invoices & statements submitted by the borrower.	DGM/GM/CEO	-----do-----	
6	Credit Card Loan	1,520,602	Nil	NA	Deputy General Manager	Followed up through telephonic calls and written notices	
7	East West Carpet Industries	299,813	Nil	NA	General Manager	-----do-----	
TOTAL LOAN		94,994,975					

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

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.29

The amounts 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 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		THIS YEAR ADDITIONS	BALANCE AS OF ASHAD END	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST
(A) Directors							
1.....							
2.....							
3.....							
(B) Chief Executives							
1.....							
2.....							
3.....							
(C) Promoters							
1.....	-	-	-	NIL	NIL	NIL	
2.....							
3.....							
(D) Employees							
1.....							
2.....							
3.....							
(E) Shareholders							
1.....							
2.....							
3.....							
TOTAL					NIL	NIL	

Note: Staff Loans advanced as per different Staff Loans Schemes have been shown under 'Other Assets'.

TABLE OF CAPITAL FUND

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.30

PARTICULARS	PREVIOUS YEAR	THIS YEAR
A. Core Capital	2,104,595,598	2,469,785,092
1. Paid Up Capital	810,810,000	1,013,512,500
2. Share Premium	-	-
3. Non-Redeemable Preference Share	-	-
4. General Reserve Fund	633,300,120	760,473,824
5. Cumulative Profit/ Loss	184,386,121	96,842,268
6. Capital Redemption Reserve	257,142,857	380,000,000
7. Capital Adjustment Reserve/Bonus share	241,312,500	241,312,500
8. Other Free Reserves	-	-
Less: Goodwill	-	-
Investment in excess of prescribed limit	-	-
Fictitious Assets	-	-
Underwritten Shares	(22,356,000)	(22,356,000)
Investment in companies with financial interest	-	-
B. Supplementary Capital	330,773,378	783,730,889
1. Pass Loan Loss provision	167,225,322	190,880,379
2. Assets Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	144,000,000	572,000,000
5. Exchange Equalization Reserve	19,548,056	20,850,510
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	-	-
C. Total Capital Fund (A+B)	2,435,368,976	3,253,515,981
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund	11.13	12.70
Core Capital	9.61	9.64
Supplementary Capital	1.51	3.06
Capital fund Excess/Short	0.13	1.70
Core Capital Excess/Short	4.11	4.14

TABLE OF RISK WEIGHTED ASSETS

As on July 15, 2008 (Ashad 31, 2065)

Schedule 4.30 (a)

ON BALANCE SHEET ASSETS	WEIGHTAGE	LAST YEAR		THIS YEAR	
		AMOUNT	RISK WEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	0%	177,242,226	-	278,183,490	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	1,272,543,067	-	935,841,697	-
Investment in Govt. Securities	0%	6,454,873,471	-	74,71,667,904	-
Investment in NRB Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	683,511,458	-	381,909,636	-
Fully secured loan against Govt. Securities	0%	68,292,149	-	156,580,990	-
Accrued Interest on Government Bonds	-	-	-	61,808,398	-
Balance with Domestic Banks and Fin Institution	20%	211,653,969	42,330,794	64,156,221	12,831,244
Fully secured FDR loan against FDR of Other Banks and Fin. Institutions	20%	73,557,402	14,711,480	14,775,329	2,955,066
Balance with Foreign Banks	20%	95,901,989	19,180,398	169,961,483	33,992,297
Money at Call	20%	1,710,023,859	342,004,772	518,529,500	103,705,900
Loan against Guarantee of internationally rated bank	20%	111,726,020	22,345,204	74,601,464	14,920,293
Other Investments with Internationally rated/ Foreign banks	20%	5,294,687,228	1,058,937,445	5,778,950,522	1,155,790,104
Investment in Shares Debentures and Bonds	100%	73,423,859	73,423,859	89,558,359	89,558,359
Other Investments	100%	-	-	-	-
Loan Advances and Bills Purchased / Discounted	100%	16,856,636,835	16,856,636,835	19,551,745,750	19,551,745,750
Fixed Assets	100%	574,060,430	574,060,430	726,068,462	726,068,462
All Other assets (Except net Advance Tax Deposit)	100%	612,966,369	612,966,369	618,587,912	618,587,912
TOTAL (A)		34,271,100,331	19,616,597,586	36,892,927,117	22,310,155,387
OFF BALANCE SHEET ITEMS					
Bills Collection	0%	301,705,381	-	354,791,609	-
Forward Foreign Exchange Contract	10%	165,278,399	16,527,840	13,997,638	1,399,764
Letters of Credit with maturity of less than 6 months	20%	2,786,253,046	557,250,609	5,888,009,672	1,177,601,934
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	1,435,198,612	287,039,722	1,923,378,051	384,675,610
Letters of credit with maturity more than 6 months	50%	130,217,299	65,108,650	237,555,220	118,777,610
Bid Bond	50%	112,486,203	56,243,101	199,462,010	99,731,005
Performance Bond	50%	1,263,103,356	631,551,678	1,445,240,653	722,620,326
Advance Payment Guarantee	100%	176,431,771	176,431,771	163,996,737	163,996,737
Financial Guarantee	100%	110,437,243	110,437,243	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%	351,549,445	351,549,445	624,096,294	624,096,294
TOTAL (B)		6,853,636,238	2,273,115,542	10,871,940,610	3,314,312,006
TOTAL RISK WEIGHTED ASSETS (A+B)		41,124,736,569	21,889,713,128	47,764,867,727	25,624,467,393

PRINCIPAL INDICATORS FOR LAST FIVE YEARS

Schedule 4.31

PARTICULARS	UNIT	FY	FY	FY	FY	FY
		2003/2004 2060/2061	2004/2005 2061/2062	2005/2006 2062/2063	2006/2007 2063/2064	2007/2008 2064/2065
Net Profit/Total Income	Percent	30.75	32.98	35.16	34.90	40.73
Per Share Income	Rs.	49.05	47.91	59.24	60.66	62.74
Per Share Market Value	Rs.	840	920	1100	1740	1980
Price Earning Ratio	Ratio	17.12	19.20	18.57	28.69	31.56
Dividend in Share Capital (Including Bonus)	Percent	20.00	31.58	35.00	40.00	45.00
Cash Dividend in Share Capital	Percent	0.00	11.58	30.00	15.00	25.00
Interest Income/Loan and Advances	Percent	9.64	10.75	10.32	9.98	9.73
Staff Expenses/Total Operating Expenses	Percent	40.00	41.95	41.57	47.40	48.31
Interest Expenses in Total Deposit	Percent	2.23	2.26	2.45	2.55	2.59
FX Fluctuation Gain/Total Income	Percent	7.40	7.80	9.42	6.71	7.52
Staff Bonus/Total Staff Expenses	Percent	23.45	24.53	22.28	19.78	23.58
Net Profit/Loan and Advances	Percent	2.20	2.48	3.12	2.89	3.26
Net Profit/Total Assets	Ratio	1.06	1.11	1.55	1.47	1.76
Total Loan/Deposits	Percent	54.30	50.07	55.27	56.57	61.23
Total Operating Expenses/Total Income	Percent	27.00	29.19	30.02	30.32	28.54
Capital Adequacy Ratio:						
A. Core Capital	Percent	7.69	8.33	8.65	9.61	9.64
B. Supplementary Capital	Percent	2.96	2.68	2.62	1.51	3.06
C. Total Capital Fund	Percent	10.65	11.01	11.26	11.13	12.70
Liquidity (CRR)	Percent	8.28	7.86	5.92	5.92	5.13
Non-performing Loan/Total Loan	Percent	8.88	7.44	6.60	3.61	2.36
Weighted Average Interest Rate Spread	Percent	3.25	3.19	3.80	3.57	3.66
Book Networth per share	Number	246.93	239.59	228.72	264.74	247.95
Total Share	Number	5,362,500	6,435,000	7,722,000	8,108,100	10,135,125
Total Staff	Number	455	501	561	584	591

SIGNIFICANT ACCOUNTING POLICIES

Schedule 4.32

1. GENERAL INFORMATION

Himalayan Bank Ltd (the "Bank") is a limited liability company domiciled in Nepal. The address of its registered office is G.P.O. Box 20590, Karmachari Sanchaya Kosh Building, Thamel, Kathmandu, Nepal. The Bank has a primary listing on Nepal Stock Exchange Limited. The Bank is a Joint-venture of Habib Bank Ltd, Pakistan.

The Bank carries out commercial banking activities in Nepal under license from Nepal Rastra Bank (the central bank of Nepal) as Class A licensed institution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements of the bank are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards (NAS) issued by the Nepal Accounting Standards Board (ASB) except recognition of interest income on loans and advances as stated in paragraph 2.3 below, generally accepted accounting principles, and the provisions of Bank and Financial Institution Act, 2063, directives issued by Nepal Rastra Bank (Central Bank) and the Company Act, 2063.

2.2 Basis of preparation

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

2.3 Interest Income

Interest income on loans and advances is recognised on cash basis as per the directive issued by Nepal Rastra Bank, which is not in accordance with Nepal Accounting Standards.

Interest income on Investments is recognized on accrual basis.

2.4 Commission Income

Commission and fee on bills purchased and discounted, guarantee and documentary credit is accounted for on cash basis.

2.5 Dividend Income

Dividend income is accounted for on cash basis.

2.6 Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at mid-point exchange rates of the Nepal Rastra Bank after adjustment for effective trading rate. Net difference arising from the conversion of foreign currency assets and liabilities is accounted for as revaluation gain. In conformity with the directives of Nepal Rastra Bank, 25% of the total revaluation gain is transferred to Exchange Fluctuation Fund by charging to Profit and Loss Appropriation Account.

Income realised from the difference between buying and selling rates of foreign currencies is accounted for as trading gains.

2.7 Interest Expenses

Interest on deposit liabilities and borrowing from other banks are accounted for on accrual basis at 365 days a year.

2.8 Loans and Advances, Overdraft and Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to the customers such as bank overdrafts, credit card, personal loans, term loans, hire purchase finance and loans to deprived sectors. All loans are subject to regular review and are graded according to the level of credit risk and classified as per Nepal Rastra Bank's Directives. Loans and advances, overdraft and bills purchased are net of loan loss provisions.

2.9 Staff Loans

Loans and advances granted to staff in accordance with the staff loan scheme are reflected under Other Assets.

2.10 Loan Loss Provision

Provision is made for possible losses on loans and advances, overdraft and bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with the directives of Nepal Rastra Bank. Additional provisions than the minimum requirement as per Nepal Rastra Bank directives, are made by the management on prudent basis.

2.11 Loans & Advances Write off

Unrecoverable loans and advances are written off in accordance with the by-laws of the Bank approved by Nepal Rastra Bank.

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

2.12 Investments

Investment in Treasury Bills, Government of Nepal Development Bonds and Special Bonds are those which the Bank has purchased with the positive intent and ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

Investments in shares held for strategic purpose are stated at lower of cost or market value with additional provisions for possible diminution in value as estimated by the management on prudent basis.

All investments are subject to regular review according to the directives of Nepal Rastra Bank.

2.13 Fixed Assets and Depreciation:

- Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.
- Non-consumable items normally having useful life of less than one year and/or costing less than Rs. 5,000.00 are expensed off during the year of acquisition.
- Fixed assets other than freehold land are depreciated on diminishing balance method at the following rates.

S.N.	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 1,180,486 has been short charged in the accounts as compared to the depreciation computed for tax purpose.

- Expenses on furnishing of Bank premises/office are amortized in 3 years.
- Advances given for the purpose of capital works have been shown under fixed assets as capital work in progress.

2.14 Amortization

Software applications purchased by the Bank are amortised over a period of 5 years from the month of purchase.

Licence fees paid by the Bank are amortised over the period of the licence. Leasehold improvements are amortized in equal annual installments over the period of lease.

2.15 Lease Rental

The leases entered into by the Bank are operating leases. The total payments made under operating leases are charged to Other Operating Expenses in the profit and loss account on monthly basis.

2.16 Retirement Benefits

The Bank has schemes of retirement benefits namely Gratuity and Provident Fund. Provision for expenses on account of Gratuity and Provident Fund is made on accrual basis with the amount of liabilities computed by the bank in accordance with its applicable schemes. Contributions to approved retirement fund are made on a regular basis as per the Retirement Fund Rules and Regulations.

2.17 Staff Leave Encashment Provision

Provision for staff leave expenses amounting to Rs 59,73,049 has been charged to the profit and loss account during the year.

2.18 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.

2.19 Income Taxes

- Corporate Tax:

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

- Deferred Income Tax

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

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

Deferred tax related to temporary differences in opening balances is credited or charged directly to equity and subsequent year differences are recognized in the income statement together with the deferred gain or loss.

- Contingent Tax Liability:

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

2.20 Non- Banking Assets

The bank takes over collaterals, taken as security for loans and advances, in the course of recovery. Such assets are accounted as Non- Banking Assets and valued at Panchakrit Mulya or amount due from the borrower, whichever is lower as per NRB's directives.

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

3. Rounding off and Comparative Figures

The financial statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

NOTES TO ACCOUNTS

Financial Year 17 July 2007 to 15 July 2008 (1 Shrawan 2064 to 31 Ashad 2065)

1. Branch Reconciliation

a. With Nepal Rastra Bank (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	394,360.12	21,175,989.05	12,144,500.05	317,372.68
1 to 3 months	-	1,000,000.00	-	1,224,008.62
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
TOTAL	394,360.12	22,175,989.05	12,144,500.05	1,541,381.30

b. With Other Authorized Local Financial Institutions (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	362,203.95	12,135,414.09	1,303,246.49	7,696,033.11
1 to 3 months	-	73,330.15	1,237.60	583,980.18
3 to 6 months	24,081.81	73,176.00	-	-
6 to 12 months	-	56,212.00	-	52,467.03
1 to 2 years	-	-	-	-
TOTAL	386,285.76	12,338,132.24	1,304,484.09	8,332,480.32

c. With Foreign Banks (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	184,763,159.04	443,803,222.32	133,072,377.30	1,018,588,485.90
1 to 3 months	4,665,611.80	41,225,746.72	4,889,851.60	74,506,860.50
3 to 6 months	-	473,858.00	-	28,344,644.40
6 to 12 months	-	701,550.00	-	40,910.10
1 to 2 years	-	-	-	281,566.60
TOTAL	189,428,770.84	486,204,377.04	137,962,228.90	1,121,762,467.50

A sum of Rs 2,571,610 (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.

2. Amortization of expenses not written off

- 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. 20,885,866 has been amortized during the year, leaving a balance of Rs 87,668,785 for future amortization (Previous year amortized Rs. 16,260,944 and balance Rs. 87,321,909).
- 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. 14,796,638 has been amortized during the year, leaving a balance of Rs. 25,574,747 for future amortization (Previous year amortized Rs. 14,103,979 and balance Rs. 29,581,216).
- 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. 570,969 has been amortized during the year under review, leaving a balance of Rs. 424,916 (Previous year amortized Rs. 587,964 and balance Rs. 782,992.)

3. Summary of Loans and Advances

Rs. in '000

PARTICULARS	2063-64	2064-65	CHANGE%
Loan & Advances O/S	17,793,724	20,179,614	13.41
Loan Written-off	322,353	94,995	-70.53

4. Summary of Changes in Deposit Liabilities

Rs. in '000

PARTICULARS	2063-64	2064-65	CHANGE%
Interest Free Deposits	5,964,607	5,429,403	-8.97
Interest Bearing Deposits	24,083,811	26,413,386	9.67
TOTAL	30,048,418	31,842,789	5.97

5. Weighted Average Interest Rate Spread

PARTICULARS	RATE%
Weighted Average Interest Rate on Loans and Investments	5.73
Weighted Average Interest Rate on Deposits and Borrowing	2.58
NET SPREAD	3.15

6. Details of Deferred Expenses

Figures in Rs

PARTICULARS	2063-64	2064-65
1. At cost	246,820,618	279,035,446
a. Up to Last Year	235,285,317	246,820,618
b. Addition this year	11,535,301	32,214,828
2. Amortization	129,134,502	163,288,885
3. Remaining Value	117,686,116	115,746,561

7. Summary of Concentration of Exposure

Figures in Millions

PARTICULARS	LOAN AND ADVANCES	CONTINGENT
Total Amount as on 15 July 2008	20,180	10,872
Highest Exposure to single unit	606	299
Highest % of exposure to single unit	3.00%	2.75%

8. Classification of Assets and Liabilities based on Maturity

Figures in Millions

PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271 -1 YEAR	OVER 1 YEAR	TOTAL
a) Assets						
1. Cash Balance	278	-	-	-	-	278
2. Balance with Bank	1,170	-	-	-	-	1,170
3. Investment in Foreign Banks	4,132	1,419	297	-	450	6,298
4. NG Bonds	-	-	-	-	305	305
5. Treasury Bills	2,895	1,132	784	2,355	-	7,166
6. Inter Bank Lending	-	-	-	-	-	-
7. Loan, Advance & B/Purchased	7,827	2,792	1,997	1,555	6,008	20,179
8. Other Assets	816	-	-	-	645	1,461
TOTAL ASSETS	17,118	5,343	3,078	3,910	7,408	36,857
b) Liabilities						
1. Borrowing	83	-	-	-	-	83
2. Current Deposits	1,700	1,360	1,700	1,700	340	6,800
3. Saving Deposits	4,484	1,793	897	4,484	6,315	17,973
4. Fixed Deposits	3,028	1,025	452	722	1,197	6,424
5. Margin Deposit	645	-	-	-	-	645
6. Debentures (Bonds)	-	-	-	-	860	860
7. Other Liabilities, Capital & Reserve	623	-	-	-	3,449	4,072
TOTAL LIABILITIES	10,563	4,178	3,049	6,906	12,161	36,857
NET FINANCIAL ASSETS	6,555	1,165	29	(2,996)	(4,753)	(0)
CUMULATIVE NET FINANCIAL ASSETS	6,555	7,720	7,749	4,753	(0)	-

9. Provision for Bonus

Provision for bonus has been calculated and provided for at 10% of net profit, after making adjustments for loan loss provision and bonus.

10. Staff Housing Fund

As the terms of service of the staff has a provision for extending housing loans to the eligible staff, a separate housing fund has not been created in accordance with Labour Act, 2048.

11. Tax Settlement Outstanding / Contingent Liability

Self assessment returns filed by the bank for the financial year 2005-06 (2062-63 BS) and 2006-07 (2063-64 BS) are pending assessment at the Inland Revenue Office. Assessments of the years prior to those mentioned above have been completed and taxes fully settled.

12. Provision for Gratuity

During the year, the Bank has provided Rs. 3,42,05,500 (Previous Year Rs. 3,21,42,475 on account of gratuity .

13. Dividend and Bonus

The Board has recommended 45% dividend (including bonus shares) out of which Rs. 253,378,125.00 to be distributed as cash and balance as bonus issue in the ratio of 5:1 i.e. Rs. 202,702,500.

14. Unpaid Dividend

As on the balance sheet date, unpaid dividend over five years amounts to Rs. 3,399,620.

15. Paid up Share Capital

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

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

16. Deferred Tax

Deferred income taxes are calculated on temporary differences using an effective tax rate of 31.50% (previous year rate: 31.50%)

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

DEFERRED TAX LIABILITIES	BALANCE 16 JULY 2007	MOVEMENT DURING THE YEAR	BALANCE 15 JULY 2008
Accelerated Depreciation in Financial Statement	32,891,418	835,780	33,727,198
Total Deferred Tax Liability	32,891,418	835,780	33,727,198
Deferred Tax Assets			
Provision for Leave Encashment	8,283,323	1,055,863	9,339,186
Provision for Non-Banking Assets	8,609,648	-4,035,723	4,573,925
Total Deferred Tax Assets	16,892,971	-2,979,860	13,913,111
Net-Deferred Income Tax Liability	15,998,447	3,815,640	19,814,087

The net deferred tax liability as on 16 July 2007 has been directly debited to equity (retained earnings) and movement during the year is debited to the profit and loss account.

17. Compensation Details for Key Management Personnel

Total of Key Management Personnel Compensation	Rs. 7,919,213
a) Short Term Employee Benefits (Salary, Allowance, PF)	Rs. 7,919,213
b) Post Employment Benefits	NIL
c) Other Long Term Benefits	NIL
d) Termination Benefits	NIL
e) Share Based Payment	NIL

Additional information:

- Key Management Personnel includes 2 expatriate staff.
- Key Management Personnel are also provided with the following benefits:
 - Benefits as per Staff Service Bye-laws,
 - Bonus to local staff as per Bonus Act,
 - Car Facility as per Bank's Car Scheme.

18. Operating Lease Commitment

The future minimum lease payment under non-cancelable operating leases, where the bank is lessee is NIL.

Disclosure as per Bank's disclosure policy under the Basel –II Capital Accord of Nepal Rastra Bank

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

a. Tier 1 capital and breakdown of its components:

	As on 15.07.2008
Core Capital (Tier I Capital)	2,469,785,092
a Paid Up Share Capital	1,013,512,500
b Statutory General Reserves	760,473,824
c Retained Earnings	96,842,268
d Other Reserves	621,312,500
e Less: Underwritten Shares	(22,356,000)

b. Tier 2 capital and breakdown of its components:

	As on 15.07.2008
Supplementary Capital (Tier II Capital)	783,730,889
a General Loan Loss Provision	190,880,379
b Exchange Equalisation Reserve	20,850,510
c Unsecured Sub-ordinated Term Debt	572,000,000

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

	As on 15.07.2008	Maturity Date	Amt. qualifying as Capital
Unsecured Sub-ordinated Term Debt	860,000,000		572,000,000
a HBL Bond 2066	360,000,000	13.07.2009	72,000,000
b HBL Bond 2072	500,000,000	13.07.2015	500,000,000

HBL Bond, 2072 amount to Rs. 500,000,000 was raised during the year.

d. Deductions from capital:

Rs. 22,356,000 which is the amount of investment in Equity Shares of Himalayan Distilleries Limited, arising out of underwriting of the issue, is deducted from capital for the purpose of calculating the capital fund of the Bank.

e. Total qualifying capital:

Rs. 3,253,515,981

f. Capital adequacy ratio:

11.56%

- g. **Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable; and**

Board and Senior Management Oversight

The senior management of the Bank is responsible for assessing the nature and level of risk taken by the bank. The Board of Directors and its Committees review the risk periodically and relate the risk to the capital adequacy level of the Bank. The Credit Control Department headed by Executive Credit officer and the senior management continuously monitor the bank's credit exposure. The Executive Committee which is headed by a non-executive director reviews Credit Risk, analyses the possible impact of internal and external factors and updates the Board periodically.

Heads of each business units and branch managers collect data related to operational risks and make reports to the Executive Operation Officer and General Manager at the Head Office. The EOO and GM analyse the data, assess the risk and related internal control systems in place and take corrective actions immediately. For this purpose valuable inputs are taken from Internal audit & Inspection Department and Compliance and Internal Control Department. Capital charge on account of exposure to operational risk is measured and reviewed by the senior management of the Bank.

With regard to market risk, the Treasury Department prepares net open position of all currencies on daily basis and submits to the General Manager. The General Manager reviews the positions, assess the risks and returns and makes periodic reports to Assets Liabilities Committee which while taking reviewing the impact on risks and returns also assesses the impact of the exposure on the Bank's Capital adequacy position.

Sound Capital Assessment

For sound capital assessment it is important that the risks are properly understood by the Board, senior management and all other staff of the Bank. Once the risks are understood, they need to be managed in a systematic and structured manner which is only possible with strong internal control systems in place that defines rights and authorities, clear roles and responsibilities and detailed working procedures.

Credit Risk is managed through implementation of Credit Policy Guidelines, Credit Policy Manual, and specific Product Documents developed for each banking product. The Credit Control Department identifies deviations and exceptions to these defined policies and procedures and escalates them for the approval of the competent authorities stipulated in the policy, manual and the product documents.

The bank has developed and implemented different operation manuals like Cash & Customer Service Manual, Bills and Remittance Manual, Funds Transfer Manual, SMS and Internet Banking Manual, IT Policy, Document Retention Manual, Record & Reconciliation Manual etc. which define policy as well as procedural matters for the operation of different banking activities. Prudential guidelines and other directives and circulars issued by the Nepal Rastra Bank also have been implemented strictly. The senior management has a strong commitment towards maintaining a very strong internal control system in place which is seen to be instrumental in mitigating operational risks to a large extent.

The market risks are managed in line with the Liquidity, Market Risk and the Credit Policy of the Bank.

COMPREHENSIVE ASSESSMENT OF RISKS

Credit Risk

The credit risk of individual borrowers or counterparties as well as at the portfolio level is assessed. The credit review assessment cover risk rating systems, portfolio analysis, large exposures and risk concentrations. All Corporate and Institutional borrowers including SME borrowers, at individual and group level, are assigned internal credit rating that supports identification and measurement of risk and integrated into overall credit risk analysis.

Operational Risk

The ORMAF adopted by the bank provides comprehensive risk management tools for managing the operational risk. The governance structure of OR is as follows:

Market Risk

Risks arising out of adverse movements in exchange rates, interest rates, liquidity and prices of equity are covered under market risk management. In line with capital framework prescribed by NRB, the bank focuses on exchange risk management for managing/computing the capital charge on market risk. In addition the interest rate risk, liquidity risk and equity risk are assessed at a regular interval to strengthen market risk management.

Other Risks

In addition to the credit, operational and market risk, the bank identifies, assesses and monitors legal and reputation risk on a regular basis. These risks are managed by the Board of Directors in consultation with the CEO.

Monitoring and Reporting

The Bank has established a central Reporting Cell at the head office which gathers all business data and prepares daily, weekly and monthly reports for different end users. The daily report includes a factual report on all risks, including credit, operational and market exposures. Once the reports are prepared, the Risk Owner is responsible for analysis of the risk and will thus monitor it, mitigate or escalate it to appropriate authority. The bank has adequate system for monitoring and reporting risks exposures and assessing how the changing risk profile affects the need for capital.

Internal Control Review

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its committees, Management and Internal Audit. The Audit Committee has reviewed the effectiveness of the internal control system during the FY 2064/65 and reported on its review to the Board. The Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Company through its program of business/unit audits. The Internal Audit function is focused on the areas of greatest risk as determined by a risk-based assessment methodology. Internal Audit reports regularly to the Audit Committee. The findings of all adverse audits are reported to the Chief Executive Officer and Business Heads for immediate corrective actions.

h. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.
Bank has fully paid equity shares as qualifying capital.

2. RISK EXPOSURES

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

	As on 15.07.2008
Total Risk Weighted Exposure (1+2+3)	28,152,903,923
1 Risk Weighted Exposure for Credit Risk	26,006,889,740
2 Risk Weighted Exposure for Operational Risk	2,003,490,000
3 Risk Weighted Exposure for Market Risk	142,524,183

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

SN	Particulars	Book Value	Net Value	RWE as on
		15.07.2008	15.07.08	15.07.2008
1	Claims on domestic banks that meet CAR	20,403,031	20,403,031	4,080,606
2	Claims on domestic banks that do not meet CAR	23,841,747	23,841,747	23,841,747
3	Claims on foreign banks	6,467,589,129	6,467,589,129	1,509,137,510
4	Claims on domestic corporates	14,933,249,416	14,604,411,344	14,604,411,344
5	Claims on regulatory retail portfolio	2,153,843,678	1,992,739,873	1,494,554,905
6	Claim secured by residential properties	529,180,489	529,180,489	317,508,293
7	Claim secured by residential properties (overdue)	13,816,160	11,037,355	11,037,355
8	Claims secured by commercial real state	505,254,013	505,254,013	505,254,013
9	Past due Claims	932,185,957	462,477,376	693,716,064
10	High risk claims	1,151,222,891	1,099,612,311	1,649,418,466
11	Investments in equity and other capital instruments of institutions listed in stock exchange	39,108,000	39,108,000	39,108,000
12	Investments in equity & other capital instruments of institutions not listed in stock exchange	50,450,359	50,450,359	75,675,539
13	Other Assets	2,547,417,219	1,317,772,103	1,317,772,103
14	Off Balance sheet Items	13,664,416,916	12,094,291,314	3,766,983,490
TOTAL		43,031,979,006	39,218,168,445	26,012,499,436

c. Amount of NPAs (both Gross and Net)

- **Substandard Loan** Gross value Rs.53, 919,981; Net values Rs. 40,439,985
- **Doubtful Loan** Gross value Rs. 214,476,313; Net value Rs. 107,238,156
- **Loss Loan** Gross value Rs. 208,832,928; Net value: 86,334

d. NPA ratios

- **Gross NPA to gross advances** 2.36%
- **Net NPA to net advances** 0.76%

e. Movement of Non Performing Assets

Downward movement of Rs. 164,386,083.

f. Write off of Loans and Interest Suspense

Loans Written off during the year is Rs. 94,995,975 and interest suspense written off during the year is 68,980,022.

g. Movements in Loan Loss Provisions and Interest Suspense

Downward movement in Loan Loss Provisions of Rs. 116,310,070.
Upward movement in Interest suspense of Rs. 10,917,784

h. Details of additional Loan Loss Provisions

Provisions due to growth in the volume have been added. No major additional provisions have been made.

3. RISK MANAGEMENT FUNCTION

a. For each separate risk area (Credit, Market and Operational risk), banks must describe their risk management objectives and policies, including:

- Strategies and processes;
- The structure and organization of the relevant risk management function;
- The scope and nature of risk reporting and/or measurement systems; and
- Policies for hedging and/or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges/mitigants.

Credit Risk Management strategies include effectively managing the risk of financial loss arising out of taking an exposure on counterparty and also ensuring independence of the Credit Risk Management function from the origination and sales function.

Credit risk under both consumer banking and wholesale banking is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is clear segregation of duties between transactions originators and the approvers in the risk functions.

An alpha numeric grading system is used for quantifying the risk associated with the counterparty for corporate and institutional clients (including SME). The grading is based on a probability of default measure, with customers analyzed against a range of quantitative and qualitative measures. In addition to nominal aggregate exposure, Loss Given Default is used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. Significant exposures beyond the authority of Credit Officers in both WB and CB are approved by CEO as per delegation of authority by the Board of Directors after support from the respective credit risk function in group level.

Credit origination in consumer banking uses standard application forms which are processed in central units and credit approval process is guided by product development document (PDD) and credit operating manual. The probability of default is calculated using portfolio delinquency flow rates.

There are risk officers for both Consumer Banking and Wholesale Banking businesses that have their primary reporting line into the group functional level and the CEO. We have manual approval process.

The scope and nature of risk reporting and/or measurement procedures are covered in the Country Underwriting Standards approved by the board, PDD and credit operating manual and other group level policies & procedures adopted after the board approval. The quarterly Risk Management Committee meeting reviews the portfolio exposure, portfolio quality.

PDD / credit operating manual lay down the Bank's policies and processes for hedging and/or mitigating and monitoring risk. Collateral types which are eligible for risk mitigation and valuation of collateral are reviewed every year. Collateral held against impaired loans is maintained at fair value.

b. Types of eligible credit risk mitigants used and the benefits availed under CRM.

SN	Credit Risk Mitigant	As on 15.07.08
1	Deposit with Banks	891,886,295
2	Deposit with other Banks/FI's	31,022,379
3	Government and NRB Securities	43,304,204
4	Security/Guarantee of Foreign Banks	1,133,744,452
Total		2,099,957,330

* net of supervisory haircut

10 YEAR'S FINANCIAL SUMMARY
 BALANCE SHEET

PARTICULARS	(Rs '000)									
	2055/56 1998/99	2057/58 2000/01	2058/59 2001/02	2059/60 2002/03	2060/61 2003/04	2061/62 2004/05	2062/63 2005/06	2063/64 2006/07	2064/65 2007/08	2065/06 2007/08
Assets										
Cash & Bank Balances	802,208	1,435,175	1,264,672	1,979,209	2,001,184	2,014,471	1,717,352	1,757,341	1,448,143	
Placements	4,125,654	4,057,664	352,350	150,100	368,900	441,081	1,005,280	1,710,024	518,530	
Investments	468,945	4,083,160	9,157,107	10,175,435	9,292,103	11,692,342	10,689,031	11,822,985	13,340,177	
Loans Advances & Bills Purchased	5,245,975	7,224,727	9,557,137	10,844,599	12,919,631	13,451,168	15,761,977	17,793,724	20,179,995	
Fixed Assets	171,313	201,579	318,844	229,871	399,643	295,822	540,825	574,060	726,068	
Other Assets	429,803	707,557	665,738	619,760	648,326	676,459	665,343	656,724	645,094	
TOTAL ASSETS	11,244,096	19,509,372	21,315,648	24,197,974	25,729,787	28,871,343	30,579,808	34,314,668	36,666,006	
Liabilities										
Borrowings	232,653	79,527	534,013	645,940	659,006	506,048	504,625	595,968	943,178	
Deposit Liabilities	9,772,736	17,532,404	18,619,375	21,007,379	22,010,333	24,814,012	26,490,852	30,048,418	31,842,789	
Other Liabilities	543,604	690,389	660,931	638,672	768,520	982,888	698,738	728,256	876,573	
TOTAL LIABILITIES	10,548,993	18,302,300	19,814,319	22,292,091	23,437,859	26,302,948	27,694,215	31,372,641	33,662,540	
NET ASSETS	695,103	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593	2,942,226	3,195,466	
Shareholders' Equity										
Paid up Capital	192,000	300,000	390,000	429,000	536,250	643,500	772,200	810,810	1,013,513	
Proposed capitalisation of profits	48,000	90,000	39,000	107,250	128,700	128,700	71,220	202,703	202,703	
Reserves	157,144	261,697	306,585	404,389	510,688	611,372	760,196	948,601	1,189,934	
Reserve for Doubtful Debts	243,919	344,484	64,314	64,271	96,762	1,026,646	1,119,417	785,727	682,474	
Retained Earnings	54,040	25,451	119,530	122,493	169,968	158,175	156,558	184,386	96,642	
Total Shareholders' Equity	695,103	1,198,272	1,501,529	1,905,883	2,291,928	2,568,395	2,885,593	2,942,226	3,195,466	
TOTAL CAPITAL + LIABILITIES	11,244,096	19,509,372	21,315,648	24,197,974	25,729,787	28,871,343	30,579,808	34,314,668	36,666,006	
Contingent Liabilities										
Letter of Credit	1,933,970	1,965,318	2,445,699	2,008,618	2,420,343	3,469,134	3,088,891	2,916,470	6,125,665	
Guarantees	2,029,963	1,992,446	2,572,031	3,394,050	3,315,942	3,451,242	3,423,337	3,449,207	4,356,611	
Forward Exchange Contract	844,294	780,093	224,349	19,995	116,132	2,818	-	165,278	322,681	
Other Contingent Liabilities	37,438	58,413	142,975	106,733	377,482	795,554	86,880	322,681	375,767	
TOTAL CONTINGENT LIABILITIES	4,805,665	5,112,239	5,388,054	5,523,396	6,223,899	7,718,748	6,579,108	6,853,636	10,871,944	

**10 YEAR'S FINANCIAL SUMMARY
PROFIT & LOSS ACCOUNT**

PARTICULARS	(Rs '000)									
	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	2063/64 2006/07	2064/65 2007/08	
Income	206,566	205,768	205,859	205,960	206,061	206,162	206,263	206,364	206,465	
Interest Income	882,054	1,326,378	1,148,998	1,201,233	1,245,895	1,446,468	1,626,474	1,775,583	1,963,647	
Interest Expense	533,590	594,800	734,518	554,128	491,543	561,964	646,842	767,411	823,745	
Net Interest Income	328,464	438,860	591,860	647,105	754,352	884,504	977,632	1,008,171	1,139,903	
Commission & Discount	101,963	110,330	96,065	101,704	102,962	132,816	165,448	193,224	202,888	
Foreign Exchange Income	63,968	67,327	119,261	104,601	109,899	112,419	136,130	151,637	162,601	
Other Income	5,624	9,685	31,220	32,038	30,154	41,301	52,325	40,329	62,103	
Non-Operating Income	1,061	1,695	2,303	10,760	3,299	2,795	1,667	3,493	9,700	
TOTAL INCOME	501,060	647,897	840,709	900,160	1,028,075	1,198,717	1,395,422	1,396,655	1,607,196	
Expenses										
Staff Expenses	47,364	59,880	85,575	120,145	152,509	178,589	234,589	290,921	307,528	
Operating Expenses	109,746	132,545	141,116	177,131	211,047	277,375	329,699	332,865	328,006	
Provision for Doubtful Debts	64,570	103,249	134,320	186,506	186,226	147,139	88,593	90,689	58,431	
Provision for Staff Bonus	27,941	34,855	48,336	40,003	46,731	58,060	67,240	71,740	94,884	
Non-Operating Expenses	-	3,672	-	-	10,888	15,012	2,902	(96,763)	(131,493)	
Total Expenses	249,621	334,201	409,347	540,152	607,501	676,175	723,023	679,452	658,357	
Profit before tax	251,469	313,696	431,362	360,028	420,574	522,542	672,399	717,403	948,839	
Income Tax provision	86,221	114,316	154,323	147,896	157,522	214,265	214,941	225,580	312,970	
NET PROFIT AFTER TAX	165,248	199,380	277,039	212,132	263,052	308,277	457,458	491,823	635,869	
P/L Appropriation										
Profit/loss carried down	234,419	253,420	302,490	331,660	385,546	478,245	616,634	648,381	820,254	
Interest Spread Reserve reversed	-	-	-	770	-	-	-	-	-	
Statutory General Reserve	33,050	39,876	57,117	42,428	52,811	61,655	91,482	98,365	127,174	
Exchange Equalisation Fund	429	3,560	3,962	1,720	2,270	-	5,906	-	1,302	
Interest Spread Reserve Fund	770	-	-	-	-	-	-	-	-	
HBL Bond redemption fund	-	-	-	-	-	-	-	-	-	
Interim Dividend	28,800	36,000	60,000	51,429	51,429	51,429	51,429	51,429	122,857	
Proposed Dividend	67,200	84,000	22,500	-	-	-	-	-	-	
Transfer to Paid up Capital	-	-	97,500	5,645	-	74,511	231,660	121,622	253,378	
Proposed capitalisation of profit-Bonus Share	-	-	90,000	107,250	107,250	128,700	77,220	202,703	-	
Income Tax of last year	48,000	60,000	38,000	1,466	2,018	3,774	1,369	-	-	
Staff Gratuity Fund	2,130	3,700	-	-	-	-	-	-	-	
Profit Transferred to Balance Sheet	54,040	25,451	68,911	122,494	169,968	158,176	156,558	184,386	96,842	