

HIMALAYAN BANK LTD.

Annual Report 2008/09



Under the Shade  
of stability & growth

हिमालयन बैंक लिमिटेड  
**Himalayan Bank Limited**  
(A Joint Venture with Habib Bank Limited - Pakistan)  
The Power to Lead

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## CONCEPT NOTE

Since the very beginning, Himalayan Bank has always been at the helm of the banking scenario of Nepal. That's why we know the game inside-out. And our journey till date has been a mixture of varied experiences. We have strived right through the tough times, the ups and downs and the ever growing challenges. And in the course we have prevailed and overcome every competition.

Today, we stand more stable, wiser, more reliable and more innovative. The lesson we have learned is that no matter how old or rich is the experience you gather, there's still a long way to go. And as we march ahead into the future we take with us a vision and a believe that is still young and confident.

That is the spirit that keeps us going with a focus, in all our endeavors to serve you better.





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Empowering you  
with a strong base and a new outlook

## INTRODUCTION

Himalayan Bank Limited is one of the largest and oldest private-sector commercial banks in the country. The Bank is known for, inter alia, professionalism, quality service delivery, quality human resources, innovation and technology. The Bank has been consistently growing over the last 17 years, and stands as one of the biggest banks in the country today.

On the portfolio size, the Bank's loan portfolio, comprising a healthy mix of diversified sectors as of mid-July 2009 stands at Rs. 25.51 billion. The deposit portfolio of the Bank as of mid-July 2009 stands at Rs. 34.68 billion, which is one of the biggest portfolios held by commercial banks in the country. The Bank possibly has one of the best mixes in deposits comprising savings deposits, fixed deposits, current deposits and current call deposits. Low-cost savings deposits that are much more stable in nature and that are collected from thousands of customers contribute the most to the overall deposit portfolio of the Bank, thus reflecting the trust of general public. Owing to this strength, the Bank has been able to maintain a healthy spread. The Bank's operating profit as of mid-July 2009 registered a growth of 21.47 percent vis-a-vis the previous corresponding fiscal year-end. Similarly, the Bank has been posting healthy and constant growth rates in distribution of bonus shares and dividends to its shareholders.

Moreover, the Bank possibly holds the best foreign currency deposit portfolio in the entire banking industry. Among others, the business of inward remittances, now considered a separate line of business in the banking industry, has been constantly rising, creating opportunities for the Bank to make a good deal of foreign exchange gains and fee-based incomes through foreign exchange transactions and through trade finance activities.

The consistent growth of the Bank has been possible due to the visionary board members coupled with the efficient management team working cohesively together for the betterment of the institution as a whole. The workforce of the Bank is considered one of the best in the industry. The Bank has adopted a proactive policy and so does not lag behind in securing any business opportunity that comes its way to capitalize on it so as to enhance its profitability. The product range of the Bank is constantly growing and existing products and services are continuously evolving in a manner that would suit the requirements of the customers.

On the technology side, the Bank has one of the best core banking softwares in the world in Temenos, version t24r8. It is the availability of this high-end software that has equipped the Bank to enable it to provide high-quality real-time services for its customers. The Bank has leveraged its technological investments by providing modern banking services such as SMS Banking and Internet Banking for its customers. Similarly, the Bank possesses a wide network of 40 ATMs spread across the country. In order to cater to as many and as diversified customers as possible, the Bank has been constantly increasing its branch network; currently, the Bank has a network of 23 branches located in various strategic hubs of the country. Card business of the Bank now stands as one of the most important payment solutions for its customers. The Bank offers cards in all forms- credit cards, debit cards and pre-paid cards and is an associate member of VISA and MasterCard. As the market around us evolves with popularity of cards on the rise, the Bank has been able to attract thousands of new customers each year and the profitability from the card business is increasing year after year. Similarly, the Bank is one of the best and biggest providers of remittance services amongst the commercial banks in the country. The Bank has deployed a number of representative officers across the globe and has also appointed hundreds of agents across the country to deliver funds to beneficiaries at their doorstep in time. The online funds transfer channel popularly known as HimalRemit, backed up by a wide network of agents across the country, has helped the Bank provide an end-to-end remittance service for its customers.

The Bank has correspondent relationships with a number of international banks such as Habib Bank, JP Morgan, Mashreq Bank, Citibank and Standard Chartered. These correspondent banking relationships have translated well into significant business in different forms such as trade finance and remittance.

The Bank's consistent growth over the last 17 years has been possible through its strategic approach, quality manpower, investments in technology and constantly-evolving products and services.





## MESSAGE FROM THE CHAIRMAN

It gives me immense pleasure to apprise our esteemed shareholders about the achievements of the Bank during FY 2008-2009. Despite of the unfavourable scenario in the Nepalese banking industry, Himalayan Bank Limited has achieved its targets and grew further in all banking aspects during the review period.

During the period when the Nepalese economy went through very low growth rate, it was obvious for the financial institutions to face tough competition. The global economic slow down is one of the reasons for such competition. However, through the farsightedness of the Bank, periodic review and revision of annual strategy and proper planning, we were able to achieve our targets in FY 2008-2009. Ever growing reputation of Himalayan Bank Limited in the market, exemplary successful joint-venture between Himalayan Bank Limited and Habib Bank Limited of Pakistan, and our continued quest to provide better and personalized service to our valued clients have also contributed to our success. For this, I would like to heartily congratulate all the board members, management team, and all staff members for their respective role behind this achievement. The valuable feedback and suggestions of our respected shareholders are also equally responsible for this achievement. I once again thank all of you.

During FY 2008-2009, the Bank was able to adopt some additional operating manuals and policies, and update the existing ones. Due to various check and balance measures taken by the Bank, we were able to circumvent various operational and other banking risks. It is my pleasure to inform that our Bank is now Basel II-compliant and is fully conducting its operations as per the regulatory and statutory norms set by Nepal Rastra Bank. This shows our commitment and seriousness towards good corporate governance.

The organizational structure of the Bank is fully functional and has helped a lot in streamlining reporting lines—thus facilitating in the direction of smooth decision-making. The recent upgrading of our Core Banking Software has enhanced the operational efficiency, and has, indeed, helped the Bank to explore new avenues in product planning and launching in accordance with the requirement of the customers. It is our firm belief that the importance of human resources is paramount for the success of any institution. With a view of further polishing the already experienced and skilled human resources of the Bank, various trainings, symposium, and orientation programs were conducted throughout the year. Besides, various physical and financial measures were introduced for the betterment of our staff members.

The Bank was able to launch a number of new products to suit the changing needs of the customers. Likewise, more branches were opened in various places and additional ATM outlets were established. Feasibility studies were conducted for the establishment of branches and ATM outlets to be opened in the near future. The inward remittance business of the Bank has grown further due to the placement of additional representative officers in different countries. The Bank has been able to build a strong and wide network of correspondent relationships with more international banks. Special tie-ups and alliances were made with international financial institutions such as The World Bank (WB) and International Financial Corporation (IFC). We hope that this type of alliance will surely help boost our international banking business and enhance the line of credit facility in the days ahead.

During the review period, the Bank continued to be involved in various social and community services. A number of social activities related to sports, education, culture, environment and healthcare were undertaken directly or were sponsored by the Bank. Himalayan Bank Limited will continue to conduct or sponsor such activities in future as well.

I am optimistic about the fact that the Bank will be able to continue its legacy and achieve its targets and goals in FY 2009-2010 and onwards also.

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. Amar SJB Rana  
Director

Mr. Prachanda Bahadur Shrestha  
Director

Mr. Bijay Bahadur Shrestha  
Director  
Elected by Public Shareholders

### SITTING (LEFT TO RIGHT)

Mr. Prem Prakash Khetan  
Second Vice Chairman

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

Mr. Manoj Bahadur Shrestha  
Chairman

Mr. Himalaya SJB Rana  
Chief Advisor to the Board





## FROM THE DESK OF CEO

It is a matter of pride to present, on behalf of Himalayan Bank Limited, a glimpse of another successful year of performance.

From its inception in 1993, Himalayan Bank Limited has marked itself as a unique and growing commercial bank in Nepal. The development of financial institutions in Nepal has been, to a large extent, a function of economic and technological revolutions. HBL has been successful in establishing itself as a significant player among the leading financial institutions in the country.

The year 2008-2009 was the most difficult year for the world economy as experienced in recent times. The credit crisis which cropped up in the second half of 2007 continued to affect the world economy during 2008, triggering off the waves of turmoil in the fragile Nepalese market towards the end of the year. The resultant extraordinary conditions moderately affected the Nepalese banking industry, and the Bank was no exception in this regard.

However, the Bank continued growing and remained profitable throughout the period of crisis thanks to its strong foundation.

Amid the challenges and tireless efforts geared towards confronting them, our deposit base grew to Rs. 34.68 billion, and the loan portfolio to the tune of Rs. 25.51 billion with a registered growth of 8.91 and 26.46 percent respectively as compared to the last fiscal year. Our operating profit once again crossed the one billion mark, registering a growth of 21.47%. It is a matter of gratification that our non-performing loans today stand at 2.16 percent, down from 2.36 percent last year. As a sign of our prosperity and commitment to shareholders, the Bank announced a 12 percent cash dividend. The Bank increased the paid-up capital to Rs. 1.6 billion by issuing 31.5557 percent bonus shares. The net worth of the Bank reached Rs. 3.12 billion.

We have been successful in expanding our branch network to 23 and our ATM network to 40 locations of the country to serve people at their doorsteps with technically advanced, globally recognized but practically simplified versions of banking products and services.

We have upgraded our existing products and services with enhanced features to better serve customer needs, uphold the existing customer base and meet the ever-growing expectations of our customers. Moreover, we are planning to introduce world-class-technology-driven products and services that suit the demand of our rural and urban customers. The Bank's focus will be on broadening the customer deposit in the form of remittances from the Bank's existing network and outlets spread across the international market.

Further, the Bank has also collaborated with International Finance Corporation (IFC) and Asian Development Bank (ADB) and entered into a Guarantee Facility Agreement under the IFC Global Trade Finance Program and a PCG Facility Limit under the Trade Finance Facilitation Program.

Finally, I would like to thank all the staff, stakeholders and well-wishers of the Bank whose continued support and cooperation has been equally important for our success and growth.

Thank you.

Ashoke SJB Rana  
Chief Executive Officer





MANAGEMENT TEAM





EXECUTIVE TEAM



## FOUNDATION FOR SUCCESS

### Our Motto

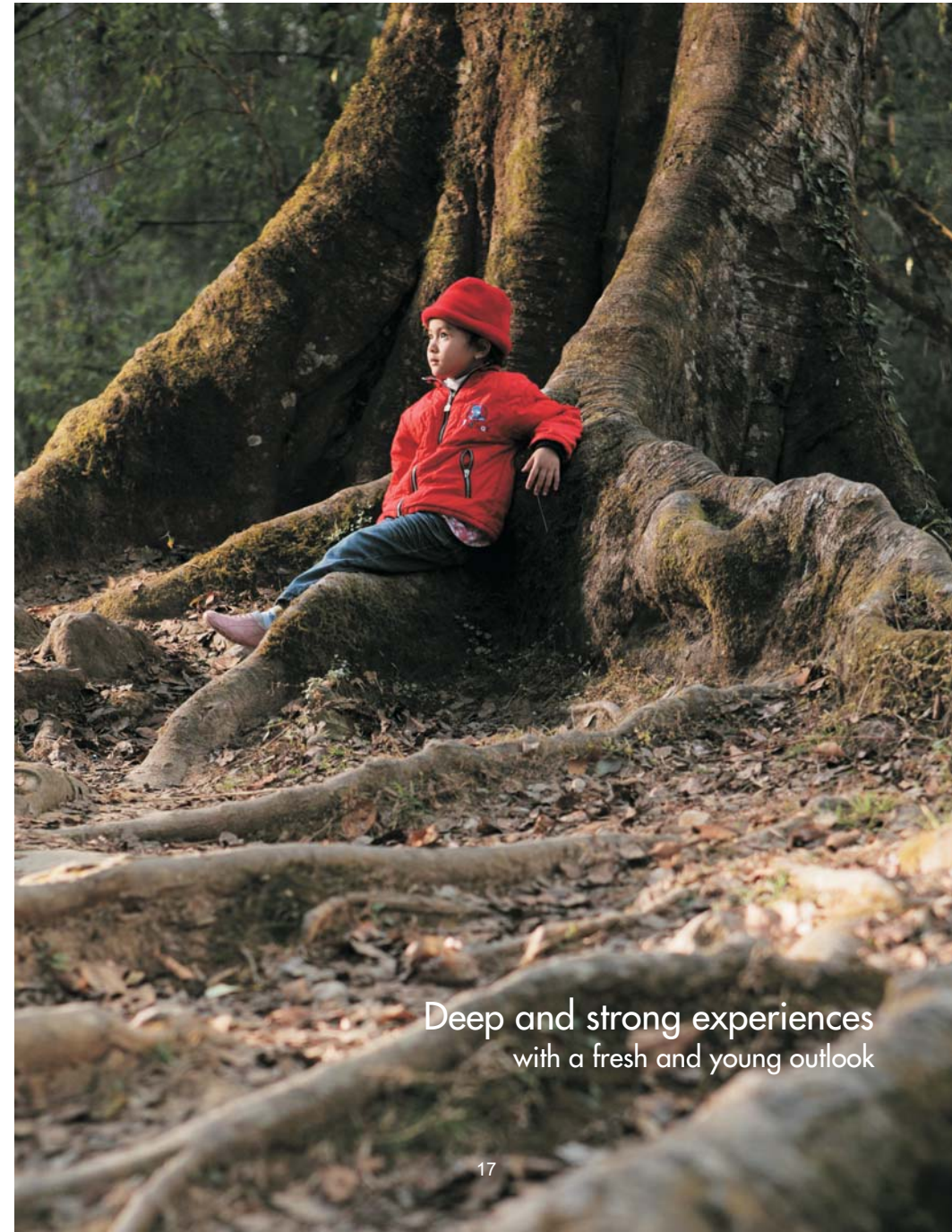
Over the last 17 years, the Bank has been able to acquire a significant and diversified customer base and become the leader in all major parameters. This has been possible through the Bank's continuous and vigorous efforts over the years to deliver the best of products and services to the customers. The Bank is known for its innovation and roll-out of new products and services in the market. While the focus is on the core products and services, continuous efforts are being put in to bring about innovative products and services in the market. The Bank was the first bank in Nepal to come up with card services in the country through the HBL proprietary credit card. Similarly, ATM services were first introduced in Nepal by the Bank.

All 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 high quality and empowerment can proudly be fallen back upon to justify our motto—The Power to Lead.

### Core Values

The Bank believes in and adheres to the following core values:

1. Providing quality services for the customers with innovation and customization to meet customer needs to uphold quality of service.
2. Building a healthy future for its employees.
3. Providing attractive returns for the stakeholders.
4. Upholding honesty and sincerity.
5. Carrying on extracurricular activities for refreshment and fun at work.
6. Developing a fruitful bond with society through corporate social responsibilities.



Deep and strong experiences  
with a fresh and young outlook



## CORPORATE CULTURE

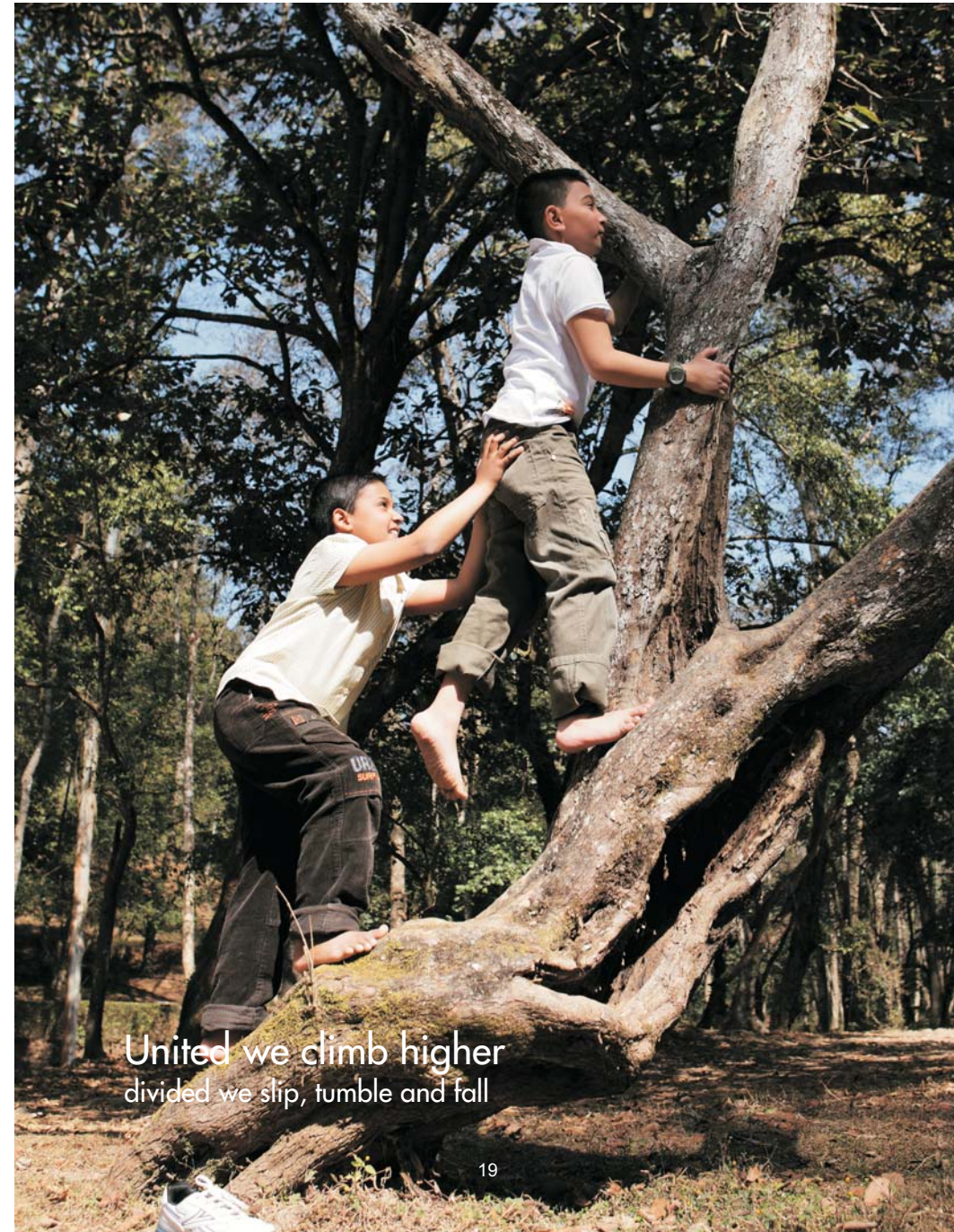
Since the very beginning, the senior management of the Bank has been focusing on building a cohesive corporate culture in the organization. The primary objective of the Management is to create values and customs within the organization that would ultimately help in attaining the overall objective of the Bank. The staff members of the Bank are like family members and are aware of the vision and mission of the Bank. The collective effort of the workforce is directed towards achievement of the objectives of the Bank. The Bank has an environment conducive for encouraging team spirit and esprit de corps within the organization. The workforce across the various echelons of the organization are well-empowered to deliver the goods. The corporate culture is such that it always encourages creativity and innovation. It has always acted as a guiding principle for scrutinizing everything, however minute it may be, to have jobs done in a right manner in an environment marked by freedom, discretion and encouragement to take the initiative in confidently making fearless judgment and flexibility of being receptive of and adaptive to the changing economic and environmental situations and opportunities to take charge of personal responsibilities. The culture of delivering more than what is prescribed is very much embedded in the Bank and amongst all staffers. All the staff members of the Bank demonstrate courteous behaviour. Work-groups within the Bank have developed their own behavioural patterns and interactions, producing a synergistic effect on the working system of the entire Bank. The Bank has a strong culture whereby staff respond to stimuli generated by incentives and motivators associated with organizational values. The philosophy of 'Think Customer' is embedded in the minds of all staff members and this has resulted in helping the Bank to register consistent growth over the years. The Bank follows a participatory culture and sense of belongingness. Inspirational and charismatic leadership is one of the outcomes of such a corporate culture that has helped the Bank become one of the leading banks in the country, transforming it into a bank that continuously evolves through total quality management.

## PEOPLE MATTER FOR BUSINESS SUCCESS

The Bank has always catered on people and growth in their career path. It is well aware of the fact that stable, qualified and satisfied employees enhance overall customer satisfaction that further results in the creation of a strong foundation of the organization.

Over the last 17 years, the Bank has created such an environment that automatically stabilizes the most valuable asset, human capital, and nourishes it in an environment marked by freedom, discretion, encouragement to take the initiative, confidence in making rational judgements, adaptive, resilient and flexible attitudes and customer-centrism. The Bank has constantly been encouraging its human capital to explore opportunities for growth in the varied spectrum of its organizational structures at different branches, units, centres and departments.

The Bank believes in the fact that a healthy working environment with satisfied employees is a cornerstone that would insulate 'the tacit knowledge' embedded in the workforce. Additionally, it is a strong foundation for organizational growths in the days ahead.



United we climb higher  
divided we slip, tumble and fall



## Recruitment

The Bank is an equal-opportunity provider with a transparent recruitment and upgrade process in place free from any kind of partiality and prejudice. In the fiscal year under review, the Bank put emphasis on grooming, empowering and developing its existing workforce. It unleashed the entire functional areas to have a better job fit of their existing manpower on the basis of proven/evident knowledge and better understanding of their unit's circumferential duties & responsibilities.

The Bank believes in recruitment practices that are responsive to the ever-increasing competitive market to secure suitably qualified and capable recruits at all levels, both internally and externally.

## Training and Development

The Bank strives to conduct training and development activities not as a piecemeal process but as a continuous process in order to enhance skills and competence of its employees with the theme 'Training to All' in order to ensure that each staff gets an opportunity to attend training programs as per their needs and aptitude.

During the fiscal year under review, the Bank conducted 12 in-house, 39 out-house and 5 out-of-the-country training programs. The fiscal year was, in a sense, a year of all-round development of its workforce at different levels. The Bank enrolled its new entrants and middle-level employees in outdoor training programs organized at various places in the country. Likewise, the Bank nominated candidates for overseas training programs for the middle level, upper middle level and higher level workforce to expose them to global perspectives, ensuring assimilation of better know-how, ideas and advanced practices in today's global culture.

## Women's Empowerment

The ratio between male and female workforces in the Bank is 70:30. The Bank has been continuously trying to even up the composition of male and female staff at all levels. At present, the proportion of female staff at the lower level is higher than that of middle and executive levels. With the objective of providing opportunities for staff at all levels to enhance performance and also as a step towards women's empowerment, the Bank has been giving first priority to female staff. It has been providing a platform to bridge gaps and inefficiencies, if any, if the Bank Management has to make a choice between male and female staff for recruitment and/or assignments/projects. Recently, the Bank has adopted the strategy of upgrading and promoting female staff working in various units, departments and branches at the management level. It has already initiated the practice of assigning capable female staff to branches as Branch Managers or In-charges depending on their competence. Some of such branches are Chabahil, Baglung and Parsa.

However, the Bank follows the policy of 'Equal Opportunity Provider to All'.

## PRODUCTS AND SERVICES

Himalayan Bank has always been committed to providing quality products and services for its customers. Even the pricing of the products is done giving due consideration to the customer segments and nature of the products. All the staff are encouraged to provide new ideas and concepts on existing and new products of the Bank. These ideas are deliberated upon through brainstorming and conceptualized across different levels of the organization, as a result of which the best of the ideas are rolled out to cater to different needs of the customers. In order to make a product successful in the market, the structure of decision-making and service delivery across different levels needs to be well-designed. For the same, product papers are crafted to define detailed procedures relating to the products and, accordingly, authority is delegated in line with the product requirements. In addition to bringing out new products and services, revision of existing products and services is also the Bank's thrust and is taking place on an ongoing basis.

Some of the Bank's major products and services designed to suit the growing and ever-changing needs of the customers are given below.

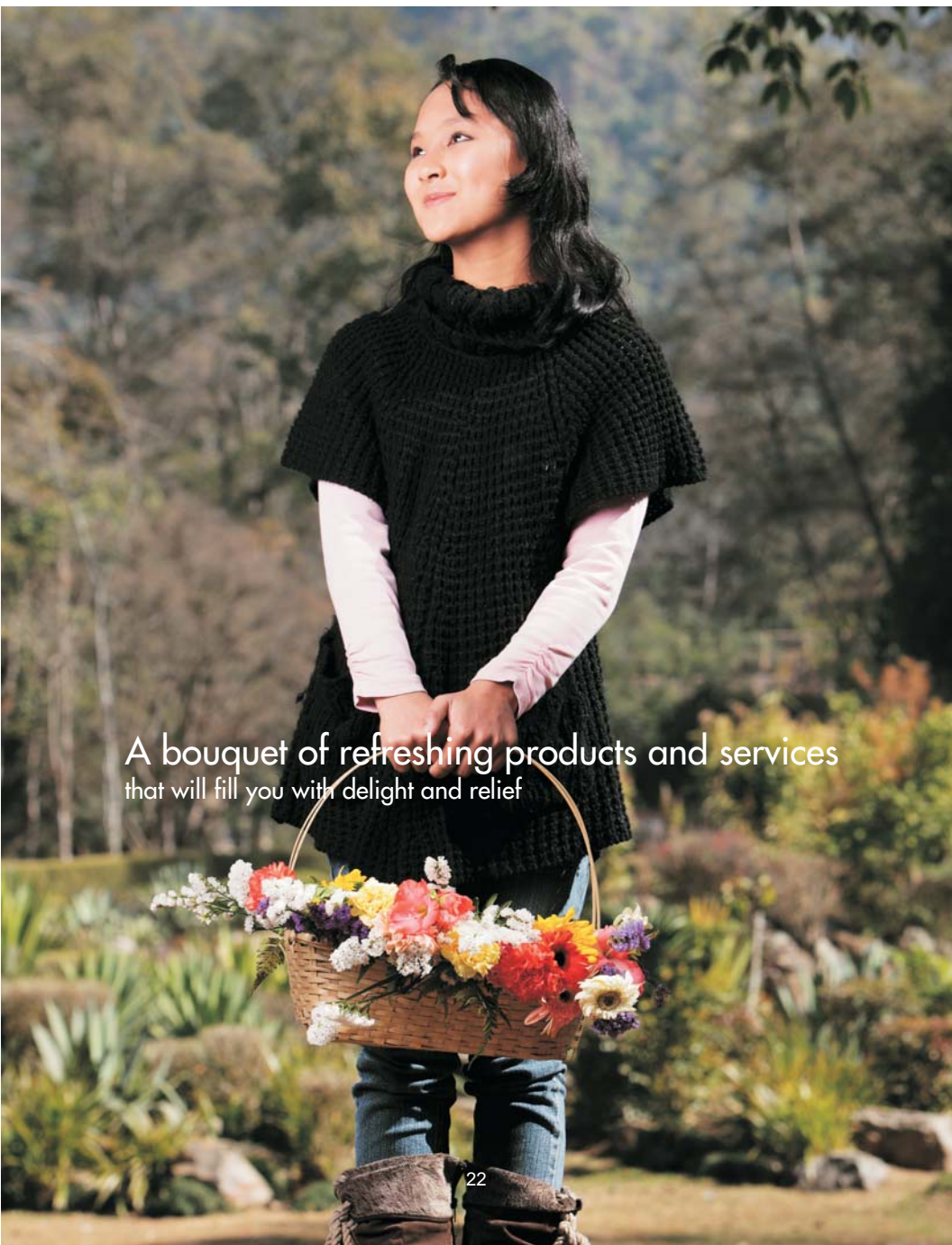
### Deposits:

Himalayan Bank is known for its innovation in products and services. The Bank accentuated innovation primarily in the country's deposit domain. The Bank, through its visionary management, introduced the premium savings account, now popularly known as PSA, way back in 1997. This was the first privileged deposit scheme in the country rolled out primarily to suit prime customers. The Bank adopted this scheme long before other banks realized the significance of market segmentation in the country. Since bringing out new products and services is a continuous process, the Bank, with a view to adding more value to the deposit customers, became the first bank in the country to instal the ATM - one of its trail-blazing products in the banking sector. Further, the Bank boasts fixed deposits with different tenures and attractive interest rates. For the convenience of particularly institutional depositors, the Bank has been offering the current call account that is an operating account with healthy returns- the returns are defined in line with the market conditions. The Bank serves more than one hundred thousand depositors ranging from commoners to renowned NGOs and INGOs, something that reflects its commitment to customer service. Similarly, the Bank recently came out with two deposit products to cater to two different customer segments- the Himal savings account and Shareholders' savings account. The former is an account where customers are not required to maintain any minimum balance; they are expected to make this account an operating account by the use of debit cards. In order to make shareholders of the Bank account-holders, the Bank came out with a special savings account meant for them only. This account is expected to smoothen the collection of annual dividend payouts and enhance efficiency on the part of the Bank.

### Corporate Financing:

Creating of loan assets requires big resources and a strong capital base. Over the years, the Bank has 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, the Bank has been able to continuously support big corporate houses in meeting their financial needs. They come in the form of project loans, revolving and non-revolving cash credit, trade finance-related loans and the like. The Bank has very well understood the significance of the corporate sector in the overall economy. It is the sector that thrives on productivity that contributes directly to the country's GDP, that generates employment opportunities and that enhances exports. The Bank, therefore, believes in supporting growth of these corporate houses. The Bank has been quite successful in this endeavour.





A bouquet of refreshing products and services that will fill you with delight and relief

### Consortium Financing:

In order to participate in big projects requiring huge financing, the Bank has resorted to what is popularly dubbed consortium financing- sometimes as a lead bank and at other times as a co-lead or a member bank. The Bank has resorted to consortium financing many a time. The Bank has a proper implementing and monitoring mechanism that ensures smooth implementation of projects.

### Retail Financing:

To help individuals uplift their standard of living, the Bank has undertaken a prudent retail financing strategy. Individuals are provided with adequate financing based on their requirements and affordability to buy houses and automobiles. Auto loans come in the form of standard and customized loans depending on the customers' requirements. The Bank, 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. Besides, the Bank also offers Subidha loans or hassle-free loans to customers to finance their social and educational requirements. Similarly, very recently, the Bank has introduced the mortgage loan to support various financial needs of the customers. This product has been designed keeping in mind particularly the financing needs of the customers who have enough fixed assets but not adequate liquid assets. In order to help the Bank's card merchants fulfill their financing needs, the Bank has designed a special loan package to suit their requirements. The Bank believes this financing will also help in enhancing its card business in the future.

### Small and Medium-sized Business Financing:

Small and medium-sized enterprises (SMEs) are the most common form of enterprises in the country. Unfortunately, this is the sector that was long ignored by the banking sector. Considering the need for these enterprises to grow, the growth potential they possess and the low probability of default on their part, the Bank has introduced a loan package customized particularly to suit this segment of the market. The loans disbursed under this category have been comparatively safe in terms of repayment. More importantly, it has helped small and medium-sized enterprises to grow further. The Bank believes that this segment not only contributes to its loan portfolio but also acts as a catalyst in providing the much required diversification in the loan portfolio. What is most important is that it has helped generate employment opportunities in the country besides adding to productivity, thus directly contributing to the country's GDP. The pricing of these loan packages has been done based on the risk involved and is competitive, making it affordable to the small entrepreneurs.

### Card Services:

With a view to providing modern banking products and services for the customers, the Bank came up with the HBL proprietary card in 1994. This was the first credit card of its kind in the Nepalese banking sector. With the VISA card and MasterCard catching up in the developed nations, the Bank has attained VISA and MasterCard membership. Now, the Bank has a raft of cards for the customers. The Bank now offers the Visa credit card, Visa debit card, Visa pre-paid card and MasterCard to the customers. The Bank is involved in both issuance and acquiring businesses. In the course of beefing up card business, thousands of POS machines have been installed across the country to support a broad range of the Bank's merchant establishments. The Bank is in the process of changing its card type going from a traditional magnetic strip card to an EMV chip-based card; this is the first time any bank is rolling out this card type and it is expected to further boost the HBL brand in the market. Similarly, to add one more delivery channel for the customers, the Bank installed the first ATM in the country. Today, the Bank has one of the widest ATM networks in the country with ATMs installed not only in the capital city but also across many other major economic hubs of the country.



## International Trade Business Services:

The Bank is the largest provider of trade financing facilities among the commercial banks in Nepal. It has a centralized Trade Operation Center (TOC) to channel and standardize its trade finance-related business. The Bank executes its trade financing service with utmost professionalism. Our correspondence network comprising over 400 banks around the globe has given us access to almost every corner of the globe. Far-reaching acceptance by the beneficiaries, lines of credit offered by most of the reputed banks across the globe and a versatile and well-versed team of staff have enabled us to make our presence felt in the area of trade financing in the country.

## Inward Remittances:

The Bank is one of the best and biggest providers of remittance services amongst the commercial banks of the country. The Bank has been able to take advantage of its brand name and the wide correspondent network it boasts. The Bank has deployed a number of representative officers across the globe. Nepalese migrants have been concentrated in the Middle East countries and Malaysia over the last few years. To serve these compatriots, the Bank has entered into agreements with a number of institutions in Dubai, Bahrain, Saudi Arabia, Qatar, Oman, Kuwait and Malaysia. The Bank's permanent staff have been assisting the Nepalese remitters in sending money back home through HimalRemit, which is an online funds transfer channel backed up by a wide network of agents across the country. It has helped the Bank provide end-to-end remittance services for its customers. Similarly, the Bank is making its presence felt in other countries such as the United States of America, United Kingdom, Australia and Hong Kong to provide remittance facilities for the Nepalese working there. With a view of delivering funds to beneficiaries at their doorstep and in time, the Bank has appointed hundreds of agents across the country.

## Treasury Services:

The Bank has a considerable size of treasury arrangements. The primary function of the Treasury Department is funds management. The Bank has been able to generate healthy returns through its foreign exchange transactions. The healthy returns have been possible through the huge foreign currency deposit base the Bank boasts and the continuous inflow of foreign currency in the form of remittances. This has also helped in meeting the trade financing needs of the Bank. The Bank is planning to further expand its treasury setup to reap even better returns. The Bank's Treasury Department also looks after local and foreign currency placements in local and international banks. Similarly, the Bank's lending and borrowing decisions are managed by the Treasury Department.

## Safe Deposit Locker Services:

The Bank also offers 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.

## Ancillary Services

The Bank has introduced SMS banking and Internet banking to provide e-banking services for the customers. The Bank believes in the continuous process of upgrading its technology, both software and hardware, to enable the system to deliver state-of-the-art banking services at the doorstep of the customers.

## RISK MANAGEMENT

For the financial service industry, risk has always been an inherent part of doing business. But in recent years, increased globalization, market uncertainty, turbulent capital markets and an increased number of financial institutions in the domestic industry have highlighted risk and the consequences of poorly managing it. The continuing explosion in transaction volumes and the demand for automation and speed have escalated the cost of risk. So has an emerging regulatory climate that demands new levels of control and visibility of risk. The Bank is constantly striving to review, reframe and strengthen the existing risk management framework across the organization to cope with any kind of risk as strongly as ever.

## Operation Risk:

Operational risk is the risk of negative effects on the financial result and capital of a bank caused by omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems and unforeseeable external events.

The Bank has a proven track record of managing its operation risk effectively. Efforts are being directed towards making it more robust with an increasing number of transactions due to its ever-growing presence across the country through branch expansion and ATM networks. The Bank has developed a standard framework to undertake each operational activity of the bank, which is supposed to be followed by the staff with zero tolerance. To monitor the daily transactions of the Bank and detect any possible lapses in time, the Bank has implemented the practice of concurrent audit, which is a unit under its Internal Audit Department. All the transactions of the Bank are subject to dual control. For better management and security of the data, the information systems are upgraded regularly. We have maintained real-time off-site data backup of all the data, which will reduce our down-time even in the worst of times.

We have an independent Internal Audit Department, which is led by a professional with international exposure and expertise to ensure that our standard policies and procedures are implemented in all the transactions we carry on. In a similar vein, an independent Compliance & Internal Control Department has been established to ensure that all the regulatory requirements are adhered to at all times.

## Credit Risk:

While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management or lack of attention to changes in economic or other circumstances that can deteriorate the credit standing of a bank's counterparties.

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.



Our relationship managers are trained and groomed to identify the target customers, who meet our minimum credit standard. To have a check on the entire credit proposals originating from the branches that are not in line with the business target, the Bank successfully strengthened its existing Credit Control Department and brought into existence a new Risk Management Department in 2009. The role of this department is to allow such loan proposals to get through as meet acceptable parameters of credit standards as outlined in the Credit Policy Guidelines of the Bank.

We have centralized our Project Financing Unit and all the projects over the size NPR 50 M have to be appraised by an expert credit analyst with the Risk Management Department. This is done with the objective of getting all high exposure proposals assessed by a team of experienced and talented credit experts.

All credit exposures are constantly monitored to detect any signs of credit quality deterioration. Standard procedures for carrying out periodic credit reviews, frequency and monitoring processes are documented in the Credit Policy Guideline. All such reviews and customer contacts are duly documented.

It is the Bank's policy to set limits and manage concentration risk to ensure that exposure in any particular sector/industry, customer and product does not exceed a predefined cap of the total portfolio in order to mitigate/minimize losses from events that could affect an industry. We have formed a high-level Portfolio Committee, which reviews the risk asset portfolio on a periodic basis.


For our NPA management, a dedicated Loan Recovery Department is in place. Any account that falls under the substandard category is handled by this department. The idea is to have substandard accounts rigorously monitored by a dedicated team so that the burden of our Relationship Managers is reduced and they can focus on meeting the business goal of the organization.

## Market Risk:

Market risk is the risk of incurring losses resulting from changes in interest rates, foreign currency exchange rates, and equity and commodity prices. The objective of market risk management is to minimize the impact of losses on earnings and equity capital due to market risk. The Bank has an ALCO (Asset Liability Management Committee), which meets periodically to review and assess the market risks and to adopt necessary measures to effectively manage these risks.

For deposits and advances, maturity profiles of assets and liabilities, interest rate review of the Bank, funding policy and balance sheet management of the Bank, the Treasury Department ensures adequate liquidity at all times through systematic funds planning and maintenance of liquid investments as well as by focusing on more stable funding sources.

The treasury services of Himalayan Bank help keep up growth in terms of returns, both from FX gains and interest from placements despite a decrease in interest rates of foreign currency deposits. The Treasury Department is constantly involved in monitoring and organizing cash and borrowing with a view to optimizing interest yield and minimizing the cost of funds. With a view to optimizing the yield from funds available, the Treasury Department has prudently handled liquidity of the Bank, while managing to keep its investment in government securities at around 15 percent of its total local currency deposits. With the help of good foreign currency deposits of the Bank and a good foreign currency inflow in the form of remittances and export business, we believe that the Treasury Department will keep up the spirit of growth and help to further sustain and strengthen the brand image of the Bank- that of being one of the leading banks in the country.



Always there to give you a hand  
when you want to rise above the ordinary



## STRATEGIC PLANNING

The Bank today stands as one of the prominent players in the banking industry of the country. Despite cutthroat competition, the Bank has been able to constantly post positive healthy growth in all major parameters. Its operational experience of over 17 years has clearly given the Bank an edge over its competitors to leverage its resources to the best of use to deliver excellent services to the widely diverse customers it possesses.

If we are to go by the economic indicators in the last few years, the economy of the country is yet to pick up and grow. The economic growth of the country is still beset with a number of stumbling-blocks. Lack of a conducive business environment for investments, lack of proper investment-friendly policies and lack of security are some of the challenges the country is currently facing. Similarly, the country still lacks proper transport infrastructures. Moreover, power has become one of the major constraints for economic development. Inward remittances which are one of the mainstays of the economy have not been properly channelized for economic development. The majority of inward remittances are being used for unproductive purposes like consumption, social spending and the real estate sector. Agriculture that employs the majority of the rural populace has not produced output as expected for lack of access to scientific and modern practices and for lack of markets.

Although the government has been vowing to embark upon ambitious economic development activities every year, the outcome has been disappointing as it is unable to deliver the goods. Despite development-oriented fiscal budgets, the country lags behind expected growth every year for lack of serious implementation and execution. For instance, in the FY 2008-2009, the budget spelled out a number of economic developmental activities and allocated funds therefore. But lack of earnest implementation on the part of the government resulted in accumulation of revenues in the government coffers, squeezing the overall liquidity. Similarly, an increase in the demand for labourers and trade unions has given rise to an increase in the number of strikes and industrial lockouts. Owing to all this, the country's economy has failed to register growth. On the other hand, inflation is constantly hovering at the double-digit figure.

The number of financial institutions entering the market has been continuously increasing. With limited market opportunities and market size, this increase in the number of players and higher investment costs has given rise to unhealthy competition. The players are waging price wars, thus creating disharmony in the financial sector. Similarly, with limited manufacturing and trading activities in the market, the increase in the loan portfolios of the financial institutions has made their asset quality questionable.

Given that the country is still going through a transition phase and that lack of political consensus amongst the political parties, stable government policies seem to still be miles away. Therefore, we may not expect robust economic growth in the foreseeable future. In line with these assumptions, the Bank has set itself modest targets and aligned its strategic plans accordingly.

The Bank has envisioned the snagging of the number one position amongst financial institutions (FIs) in the country in terms of financial stability, reliability and health, while assuring full security and comfort to the customers.

In order to achieve the aforementioned vision, the Bank has planned to take up certain strategic steps that primarily include the following:

- a. Branch expansion
- b. Expanding remittance services
- c. Establishment of modern web-based services
- d. Revising existing products and services to suit market needs
- e. Explore avenues to cater to other financial institutions in the country
- f. Expand correspondent relationships
- g. Further development of card business
- h. Enhance operational efficiency through centralization of operations, credit and marketing, strengthen the Information Technology Department and strengthen the Human Resources Department

The Bank targets to set a benchmark in the country in service delivery. We believe meeting of this objective would help us build high quality loan and deposit portfolios and accordingly enhance the Bank's profitability to become a lead bank in the country.

## CONCLUSION

Himalayan Bank today stands as one of the prominent commercial banks in the country. The range of products and services the Bank offers to the customers is wide and caters to the needs of different segments of customers. The technology the Bank has employed is one that is being used globally by international banks and one that has been able to help the Bank serve its customers efficiently and effectively. The Bank has highly professional and skilled human resources being constantly guided by the strategic direction of the seasoned professionals in the management. The directors of the Bank come from various sectors in the business community, and with years of experience they are helping the Bank instill a clear vision among the staff and also helping the Bank with the right strategic intent and crystalline policies to ensure sound corporate governance.

The Bank has been amongst leaders in the market. The portfolio size of the Bank in both deposits and loans & advances is one of the biggest in the market. The capital base of the Bank has always exceeded regulatory expectations. The return on equity has been constantly growing year after year. The Bank, in addition to providing conventional products and services, believes in innovation and therefore products and services such as cards, ATMs and any branch banking system were first introduced in the market by the Bank. Today, the Bank boasts one of the widest networks of branches and ATMs in the country. The Bank is one of the biggest providers of remittance services with payment outlets spread across the country. In order to make remittance business effective, the Bank has deployed a number of relationship officers to the Middle East countries and Malaysia. Similarly, the Bank has special tie-ups with exchange houses and remittance companies in various countries, including Qatar, Saudi Arabia, Bahrain, Australia and the United Kingdom. The Bank continues to grow in leaps and bounds every year in terms of its remittance business. Similarly, the Bank has a stronghold in trade financing activities. The correspondent banking relationship of the Bank are widespread, with banks such as Habib Bank, Citibank, Mashreq Bank and HSBC Bank as its major correspondent partners when it comes to trade operations, foreign currency placements and other treasury operations.

The Bank aims to grow further in the future. The success of any bank is very much associated with the quality of human resources it possesses. The Bank structures its training and development programs well enough to improve its people working at different levels across the organization, which has helped the Bank a great deal to achieve the objectives.

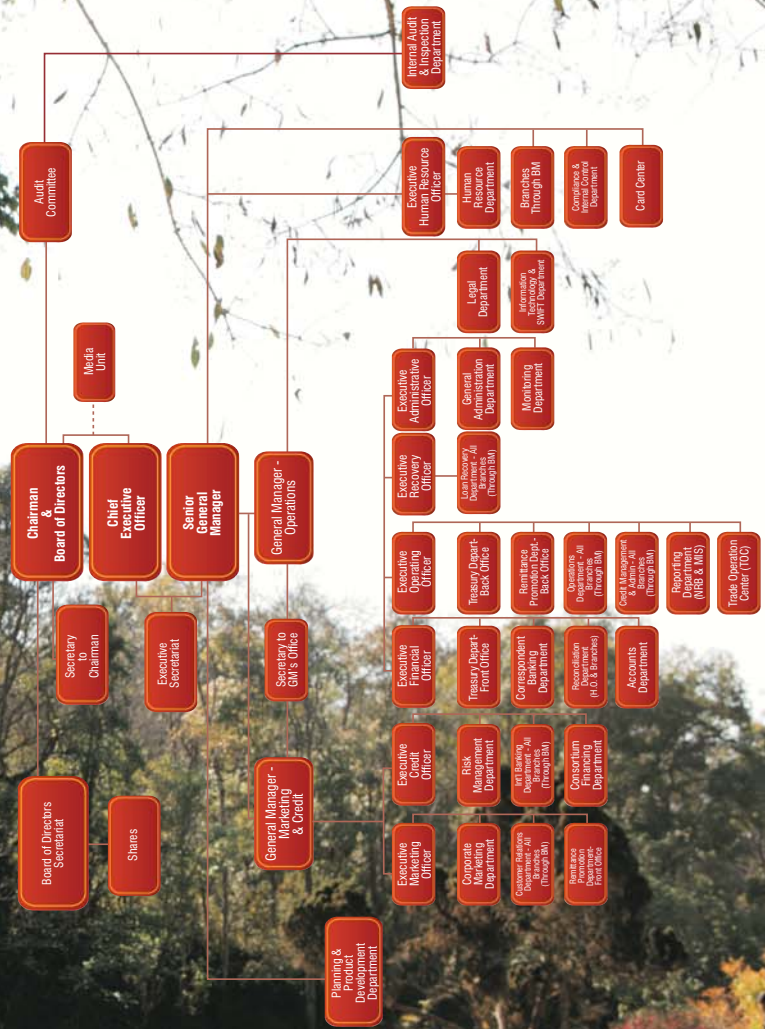
The organizational structure of the Bank too has led to prompt decision-making by way of delegation of authority and empowering its staff. To ensure smooth and safe operations, the Bank has a set of operational manuals, which are being continuously reviewed with adequate checks and balances for each of its functionality.

With the right people, technology, product range and effective marketing, the Bank continues to aim to possess enough power to lead the banking sector in the country in line with its vision of 'The Power to Lead'.



One on top of other  
but all working together as one

# CORPORATE STRUCTURE





# REPORT OF THE BOARD OF DIRECTORS TO THE SEVENTEENTH ANNUAL GENERAL MEETING

Dear Shareholders,

On behalf of Board of Directors, we cordially welcome all the shareholders present at this Seventeenth Annual General Meeting of Himalayan Bank Limited. I would like to present the Balance Sheet as on July 16, 2009, the Profit and Loss Account for the fiscal year 2008-09, the Profit and Loss Appropriation Account and other financial statements for approval by the Annual General Meeting.

The Institute of Chartered Accountants of Nepal (ICAN) has awarded 'Best Presented Accounts (BPA) Award 2008' to the Bank under the category of banking sector subject to prudential supervision. Similarly, the Bank was also able to glorify itself by bagging the Merit Award from South Asian Federation of Accountants.

## REVIEW OF THE BANK'S OPERATIONS

During the period under review, the Bank's total deposit reached Rs. 34,681.30 million, recording an increase of 8.91 percent over the previous year. Similarly, the loans and advances reached Rs. 25,519.50 million during the period under review, recording an increase of 26.46 percent over the previous year. These figures of total deposits and loans and advances represent 6.30 and 5.71 percent respectively of the total deposits and loans and advances in the overall banking system of the country.

The net assets of the Bank increased by 24.15 percent, reaching Rs. 3,119.90 million during the review period, while the gross assets increased by 8.65 percent and are valued at Rs. 40,046.60 million.

The Bank was able to make an operating profit of Rs. 1,159.945 million during the review period. The net profit of the Bank reached Rs. 752.835 million, registering a growth of 18.39 percent over that of the previous year, which was Rs. 635.87 million.

The financial status of the Bank as on October 17, 2009 (first quarter-end) is given below:

(In Rs. million)

S.N.	PARTICULARS	AS ON OCT 16 2008-09	AS ON OCT 17 2009-10	INCREASE (DECREASE) %
1.	Gross Assets	38,928.00	43,202.83	10.98
2.	Deposits	33,239.20	37,979.90	14.26
3.	Loans, Overdrafts and Bills			
	Purchased and Discounted	21,114.54	26,262.48	24.38
4.	Investments	10,096.16	11,074.87	9.69

During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 14.9 million. The Bank was able to reduce the percentage of its NPA, which was 2.36 percent during the previous year, to 2.16 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 2007-08 and 2008-09 are presented below:

(In Rs. million)

S.N.	PARTICULARS	AS ON JULY 16 2007-08	AS ON JULY 15 2008-09	INCREASE (DECREASE) %
1.	Net Assets (Net Worth)	2,512.99	3,119.88	24.15
2.	Gross Assets	36,857.62	40,046.68	8.65
3.	Deposits	31,842.78	34,681.34	8.91
4.	Loans, Overdrafts and Bills			
	Purchased and Discounted	20,179.61	25,519.52	26.46
5.	Investments	13,340.17	8,710.69	(34.70)
6.	Net Interest Income	1,139.90	1,407.42	23.47
7.	Other Income	546.36	593.95	8.71
8.	Operating and Staff Expense	636.53	759.29	19.29
9.	Operating Profit	954.95	1,159.94	21.47
10.	Net Profit	635.84	752.83	18.39

The following graphs/charts are presented as annexes to give information about the comparative compositions of the deposit, credit, income and expenditure of the Bank during the fiscal year 2064/65 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. The economic meltdown sweeping the American and European nations in the year 2008 has badly affected the world economy, casting doubt on the very existence of a number of American and European banks. Hence, we transferred our deposits from European and American markets to our deposit account in Nepal Rastra Bank to secure our deposits. This, however, adversely affected the interest income of the Bank. The Bank revised its annual corporate strategy and avoided risky areas of credit. Although, the economic crisis slightly affected the business volume of incoming remittances, the Bank could meet its targets. The effects of the economic meltdown have now started to slowly fade away due to the injection of funds into the commercial banks by the American and European nations. Apparently, the global economic crisis has not, however, made any remarkable impact on the economic activities of India and China.

As per the economic survey of FY 2008-09 published by the government, the national economic growth rate has dropped to 4.7% as compared to the previous fiscal years. Despite the fact that the government has been successful in earning a substantial amount of income tax, the consumer price index has registered a growth of 12.3%, compelling the government to take some special steps to protect the citizens from price hikes.

During the year under review, the total deposits in the banking sector registered a growth of 30.4 percent to reach Rs. 549,830 billion. 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 31.6 percent. Due to the banks increasing loan disbursements by enhancing additional capital besides deposit mobilization, the credit-deposit ratio of the banks stood at 81.2 percent.



## CURRENT FINANCIAL AND BANKING ENVIRONMENT

Although there has been a gradual improvement in the country's peace and security situation, the ongoing labor unrest and energy supply related problems have caused adverse impact on industrial productivity. The tourism industry has, however, improved considerably with a gradual improvement in the law and order situation in the country. But, this would not be enough for free flow additional credit facilities by Banks. Nepal Rastra Bank has issued directives with limitations on extending home loan and real estate loans. Similarly, Nepal Rastra Bank has issued directives restricting commercial banks from providing loans against shares as collateral. Therefore, banks are facing difficulty in increasing their secured credit base.

During the fiscal year 2065/66, an additional one commercial bank, three development banks and one micro-finance company were incorporated. No additional finance companies were registered during the period. Thus, the number of commercial banks has reached 26, development banks 61, finance companies 78, micro-finance companies 13, 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 45, thus increasing the number of institutions engaged in financial operations to 239. The licensing of such institutions is expected to go up in the days to come.

## BOARD OF DIRECTORS

There was no significant change in the structure of the Board of Directors of the Bank.

Mr. Manoj Bahadur Shrestha, representing N. Trading; Mr. M. Wathra, representing Habib Bank Limited, Pakistan and Mr. P.P Khetan, representing Mutual Trading Company will continue to chair the Board as Chairman, First Vice-Chairman and Second Vice-Chairman respectively.

Mr. Prachanda Bahadur Shrestha, representing Chhaya International, Mr. Amar SJB Rana representing Ava International and Dr. Ramesh Kumar Bhattarai, representing Employees Provident Fund and Mr. Bijay Bahadur Shrestha, representing the general public will continue to chair the Board as Directors.

Similarly, Mr. Upendra Keshari Poudyal will stay on the Board as Professional Director.

In a similar vein, Miss Menuka Shrestha representing Chhaya International, Mr. Sushil Bikram Thapa representing Ava International, Mrs Ranjana Shrestha representing N. Trading and Mr. Surendra Silwal representing Mutual Trading Company will continue to chair the Board as Alternate Directors.

Mr. Rajendra Kafle has been appointed as Alternate Director in place of Mr. Krishna Prasad Acharya on behalf of Employees Provident Fund.

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

I would like to welcome the newly-appointed Alternate Director to the Board and expect his future cooperation in 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 Mr. Acharya, the former Alternate Director of the Board for his sterling contribution to the Bank.

## IMPLEMENTATION STATUS OF THE STRATEGY AND PROGRAM OF THE BANK DURING THE FY 2008-2009

1. NPA limited to 2.16 percent against the target of 2.36 percent.
2. Upgraded the banking software Globus from the desktop version to r8/t24 and further to the web-based version.
3. Introduced and successfully put into operation the high-tech domino e-mail system.

4. Branches established at Trishuli, Palpa, Itahari, Ghorahi, Chabahil and Swoyambhu. The total number of branches of the Bank reached 23.
5. ATMs installed at Itahari, Sagarmatha Complex-Thamel, Hotel Manang-Thamel, Ghorahi, Palpa, Chabahil, New Baneshwore, Battispatali, Patan, Ason Ganeshthan, Gairidhara Chowk, Banepa and Bhaktapur Durbar Square. The total number of ATMs installed by the Bank has reached 40.
6. Normal Savings Account made more attractive to the general public. Introduced deposit products – Bishesh Savings Account, Jumbo Term Deposit, Recurring Savings Account and Himal Savings Account.
7. Installed an additional 207 POS machines for the convenience of the debit and credit card customers.
8. Continuity given to the recovery of written-off loans in an active manner.
9. Formulated and implemented short-term and long-term strategies for Small & Medium Enterprises Loan.
10. Expanded remittance business to Asian, European, American and Australian markets with a focus on sophisticated services.
11. Made available evening counter service from Tandri and Bharatpur branches.
12. Made available holiday counter service from Tandri and Pokhara branches.
13. Entered into an agreement with International Finance Corporation (IFC) for a credit line of USD 3.0 million under 'IFC Global Trade Finance Program'.
14. Entered into an agreement with Asian Development Bank (ADB) for a credit line of USD 1.5 million under 'Trade Finance Facilitation Program'.
15. Entered into an agreement with Dairy Development Corporation to extend financing of up to Rs. 1 million for the installation of equipments in local dairy product processing centres.

## STRATEGIES AND PROGRAMS FOR FY 2009/2010

1. To keep NPA to 2.25 percent.
2. To establish 10 branches within and outside the valley. Till date, New Baneshwore, Baglung, Damak and Parsa branches have been completed. Infrastructural works for Dillibazar, Dhangadi and Gorkha branches are in full swing.
3. To further expand remittance business to Asian, American, European and Australian markets with a focus on further sophisticated services.
4. To install an additional 150 POS machines.
5. To set up an additional 20 ATMs at various places. (Till now, seven ATMs have already been installed – Baglung, Parsa, Damak, Putalisadak, Maitidevi, Chhetrapati and Durbar Marg).
6. To introduce new deposit and credit products (Card Merchant Loan already introduced).
7. To give continuity to recovery of written-off loans in an active manner.
8. To make Himal Savings Account and other deposit products more attractive as per the demand of the general public.
9. To complete the construction of the corporate office building now going on within one year and to make the ambience of various branches convenient and eco-friendly.
10. To introduce electronic chip-based SmartCard.
11. To upgrade Globus banking software to 'Temenos Arc Internet Banking'.
12. To make available morning and evening counter services in all the branches of the Bank.
13. To introduce the Fixed Assets Web-Based System for the management of fixed assets.
14. To take the initiative in establishing a private-sector bank in Bhutan as a joint venture utilizing technical and economic expertise and resources.
15. In order to provide special services to esteemed shareholders, the Bank has introduced Shareholder's Savings Account. Shareholders can open this deposit account with a minimum balance of Rs. 500.00. The Bank will provide interest at the rate of 1% higher than that of Normal Savings Account. Dividend amounts due to shareholders having such accounts will be automatically transferred to the accounts, thus obviating hassles of collecting and encashing dividend cheques.

## CORPORATE SOCIAL RESPONSIBILITY

From its commencement, the Bank has been discharging its social responsibilities through various social and allied institutions. The main services being rendered by the Bank on this front include those relating to education, healthcare, sports, culture and social services. This year, the Bank, provided financial assistance for the renovation work of Tridevi temples situated at

Thamel. The Bank provided assistance to the orphans and helpless children to publish newsletters and magazines as part of the intellectual development activities designed for them by various institutions. The Bank provided financial assistance to blood donation and free dental health checkup camps. The Bank has been continuously involved in the development of sports such as the cricket, football, basketball, golf and badminton, besides sponsoring dance and other cultural programs. Likewise, the Bank sponsored the 'Made in Nepal Exhibition' program designed to uplift and promote products made in Nepal. The Bank is alert in discharging its responsibilities in such and other additional fields.

The Bank had to bear the untimely and sad demise of Mr. Vinay Kumar Joshi, the then Branch Manager of Bhairahawa Branch, on 17th Asoj 2066. The entire Himalayan Bank family pays tribute to him and pays for eternal peace to the departed soul. The Bank is committed to extending necessary help and cooperation to the grieved family. The Bank is grateful to the sterling contribution made by Mr. Joshi to the progress and prosperity of the Bank.

## AUDIT, BALANCE SHEET AND OTHER FINANCIALS

The Balance Sheet as on July 16, 2009, the Profit and Loss Account for fiscal year 2008-09, the Profit and Loss Appropriation Account for the fiscal year 2008-09, the Cash Flow Statement for the fiscal year 2008-09, relevant annexes and the Auditors' Report are enclosed with this report. Further, information that needs to be disclosed as per Company Act 2063, Chapter 7, Clause 109, Sub-Clause (4) is presented as annex E.

## PROFIT AND LOSS APPROPRIATION

The net profit of the Bank amounted to Rs. 752.84 million for the fiscal year 2008/09. Besides, the retained earnings of Rs. 96.84 million were posted to the Balance Sheet during the previous year, which is also available for appropriation. Out of the net profit, 20% of it, i.e. Rs. 15.57 million, 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 31.5557 percent bonus share and a 12 percent cash dividend on the paid-up capital to the shareholders for the fiscal year 2008/09. For the bonus shares and dividends, an amount of Rs. 529.73 million has been earmarked. After the distribution of the bonus shares, the paid-up capital of the Bank will amount to Rs. 1.60 billion. We are proud to achieve the paid-up capital target four years before the deadline given by Nepal Rastra Bank. Also, an amount of Rs. 51.43 million and an amount of Rs. 71.43 million have been appropriated to the Reserve Fund for repayment of Himalayan Bank Bond 2066 and Himalayan Bank Bond 2072 respectively. And the remaining amount of Rs. 36.52 million has been transferred to the Balance Sheet. Such an amount was Rs. 96.84 million during the previous year. As the HBL Bond 2066 matures and becomes payable at the end of the fiscal year, an amount of Rs. 360 million already appropriated to the Reserve Fund has now been transferred to the Special Reserve Fund.

## 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

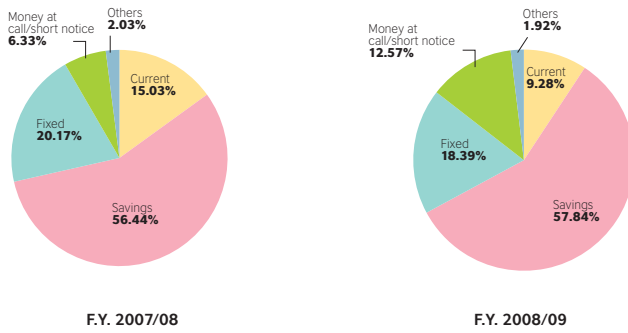
\_\_\_\_\_  
Manoj Bahadur Shrestha  
Chairman



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

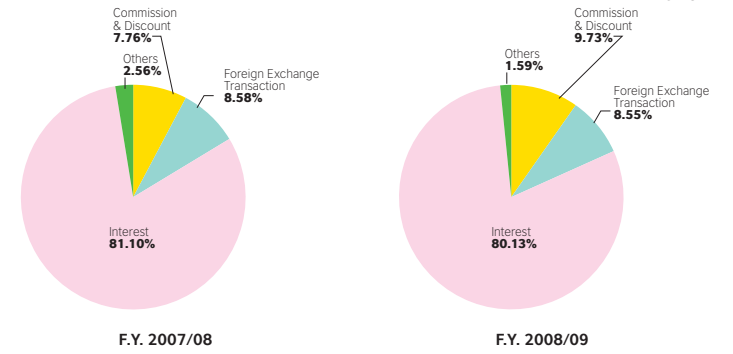
**DEPOSIT COMPOSITION**

Annex A



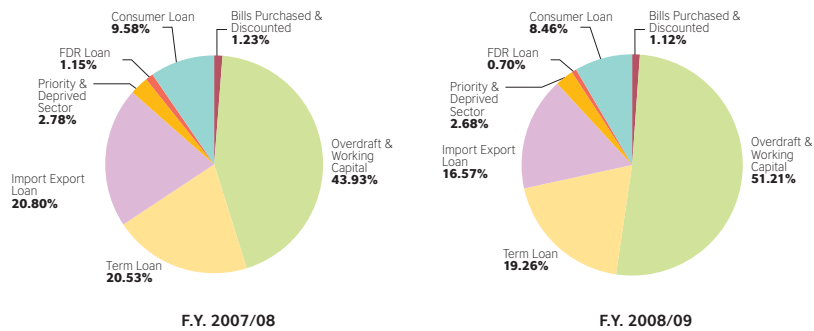
**INCOME COMPOSITION**

Annex C



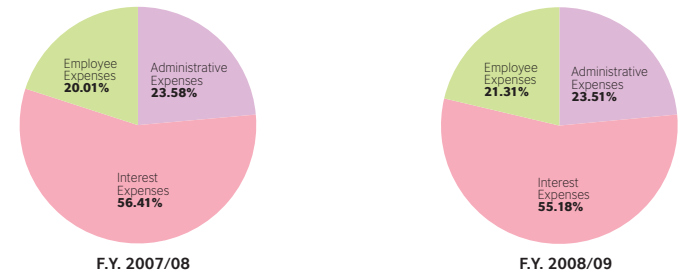
**LOANS & ADVANCES COMPOSITION**

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. 360,980,641
Administrative Expenses during the FY	: Rs. 398,316,566
<b>TOTAL</b>	<b>: RS. 759,297,207</b>
9. List of Audit Committee members, their remuneration and facilities and description (and suggestions if any) of the Committee's performance during the year:
  - a. Audit Committee members:
 

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

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

Chairman Rs. 4,000	Members Rs. 3,400
-----------------------	----------------------
- c. The Committee conducted 7 meetings during the FY 2008/09 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	748,800	-	-
2	Salary	-	3,960,000	55,218,034
3	Allowances	-	3,972,295	28,364,643
4	PF Contribution	-	396,000	4,372,577
5	Telephone/Mobile	-	287,104	710,791
6	Others	822,016	60,000	173,050
	TOTAL	1,570,816	8,675,398	88,839,095
7	Car Facility	No	Yes	Yes*
8	Accommodation	No	No	No**
9	Insurance Coverage	Yes	Yes	Yes
10	Number of persons	13	1	60

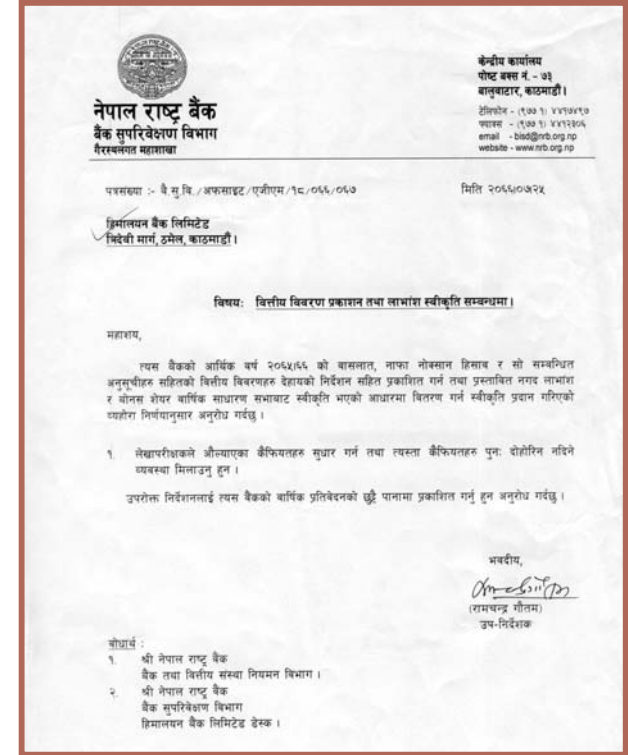


Notes:

- 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. 100,000 for self , spouse and dependent children and Accident Insurance policy of Rs. 3,000,000.  
 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. 1,224,053 to Sr. General Manager.
- 12) Amount of Dividend remaining unpaid:  
 Total Unpaid Dividend : Rs. 16,151,154 as on Asar 31, 2066.
- 13) Other matters required to be disclosed in the Directors' Report by this Ordinance or other Laws in force:  
 NIL
- 14) Other relevant issues:  
 NIL

\_\_\_\_\_  
 Manoj Bahadur Shrestha  
 Chairman

\_\_\_\_\_  
 Ashraf M Wathra  
 Vice Chairman



**APPROVAL OF NEPAL RASTRA BANK**

It is informed that the permission has been granted to publish financial statement of the Bank as of fiscal year 2008-09 including Balance Sheet, Profit & Loss account and related annexure along with the below mentioned instruction. Further permission has been granted to provide the proposed cash dividend and bonus share upon approval of annual general meeting of the Bank.

1. Adopt corrective measure on the observations / comments presented by Auditors and ensure that similar shortcoming does not repeat in future.

**G.P. Rajbahak & Co.**  
Chartered Accountants

**BKR**  
INTERNATIONAL

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

We have audited the accompanying Balance Sheet of **Himalayan Bank Limited** (hereinafter referred to as 'the Bank'), as at July 15, 2009 (Ashadh 31, 2066) and the related Profit & Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

- We have obtained all information and explanations required for the purpose of our audit.
- The Balance Sheet, Profit & Loss Account and Cash Flow Statement thereto are presented in conformity with the formats prescribed by Nepal Rastra Bank and are in agreement with the accounts maintained by the Bank.
- The account and records of the Bank have been maintained as required by law and practice.
- Returns received from the branch offices of the Bank are adequate for the purpose of our audit.
- The capital fund and risk bearing fund of the bank are adequate considering the Directives issued by the Nepal Rastra Bank.


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

7. The business of the Bank has been conducted satisfactorily and found within its authority.

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

- in case of Balance Sheet, of the state of affairs of the Bank as at July 15, 2009 (Ashadh 31, 2066),
- in case of Profit & Loss Account, of the operating results of the Bank for the year ended on that date, and
- in case of Cash Flow Statement, the cash flows of the Bank for the year ended on that date,

in accordance with Nepal Accounting Standards or relevant practices, the directives from Nepal Rastra Bank, Bank and Financial Institution Act, 2063 and Company Act, 2063.

  
**Gopal P. Rajbahak, FCA**  
For, G. P. Rajbahak & Co.  
Chartered Accountants

Date: November 04, 2009  
Place: Kathmandu

Suite 606  
Bharat Complex  
Tegurewore, Kathmandu  
Nepal

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Email: gp@bkr.com.np

**BALANCE SHEET**  
As on July 15, 2009 (Ashadh 31, 2066)

(Amount in Rs.)

CAPITAL AND LIABILITIES	SCHEDULES	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital	1	1,216,215,000	1,013,512,500
2. Reserves and Funds	2	1,903,665,537	1,499,479,102
3. Debentures and Bonds	3	500,000,000	860,000,000
4. Borrowings	4	-	83,177,973
5. Deposits	5	34,681,345,179	31,842,789,356
6. Bills Payables	6	113,509,140	102,669,796
7. Proposed and Dividend Payables		162,096,954	263,076,319
8. Income Tax Liabilities		10,163,115	19,131,036
9. Other Liabilities	7	733,327,144	491,695,555
<b>TOTAL LIABILITIES</b>		<b>39,320,322,069</b>	<b>36,175,531,637</b>

ASSETS	SCHEDULES	CURRENT YEAR	PREVIOUS YEAR
1. Cash Balance	8	473,759,695	278,183,489
2. Balance with Nepal Rastra Bank	9	2,328,405,821	935,841,697
3. Balance with Banks / Financial Institutions	10	246,361,272	234,117,704
4. Money at Call and Short Notice	11	1,170,793,650	518,529,500
5. Investments	12	8,710,690,646	13,340,176,785
6. Loan Advances and Bills Purchase	13	24,793,155,269	19,497,520,482
7. Fixed Assets	14	952,196,395	795,309,700
8. Non - Banking Assets	15	22,694,688	10,306,683
9. Other Assets	16	622,264,633	565,545,597
<b>TOTAL ASSETS</b>		<b>39,320,322,069</b>	<b>36,175,531,637</b>

Contingent Liabilities Schedule 17  
Statement of Loans advanced to Promoters, Directors, CEO, Employees and Shareholders holding more than 1% shares Schedule 29  
Statement of Capital Fund Schedule 30 (A1)  
Credit Risk Schedule 30 (B)  
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Principal Indicators Schedule 31  
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Notes to Accounts Schedule 33  
Statement of Promoters' Loan Schedule 34  
Unaudited Financial Results Schedule 35  
Comparison of Unaudited & Audited Financial Statements Schedule 36  
Schedules 1 to 17 & 32 and 33 form an integral part of this 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 Khelatan, 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

**Gopal P. Rajbahak, FCA**  
For & on behalf of  
G.P. Rajbahak & Co.  
Chartered Accountants  
Date: 4 Nov, 2009



## PROFIT AND LOSS ACCOUNT

For the period from July 16, 2008 to July 15, 2009 (Shrawan 1, 2065 to Ashad 31, 2066)

(Amount in Rs.)

PARTICULARS	SCHEDULES	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	18	2,342,198,179	1,963,647,472
2. Interest Expenses	19	934,778,015	823,744,838
<b>Net Interest Income</b>		<b>1,407,420,164</b>	<b>1,139,902,634</b>
3. Commission and Discount	20	284,302,277	187,819,983
4. Other Operating Incomes	21	46,342,872	62,103,241
5. Exchange Fluctuation Income	22	249,982,606	207,669,178
<b>Total Operating Income</b>		<b>1,988,047,919</b>	<b>1,597,495,036</b>
6. Staff Expenses	23	360,980,641	292,213,138
7. Other Operating Expenses	24	398,316,566	344,320,784
8. Exchange Fluctuation Loss	22	-	-
<b>Operating Profit before Provision for Possible Losses</b>		<b>1,228,750,712</b>	<b>960,961,114</b>
9. Provision for Possible Losses	25	68,805,514	6,007,608
<b>Operating Profit</b>		<b>1,159,945,198</b>	<b>954,953,506</b>
10. Non-Operating Income/(Loss)	26	3,810,145	9,700,477
11. Loan Loss Provision Written-Back	27	19,484,655	131,682,971
<b>Profit from Regular Operations</b>		<b>1,183,239,998</b>	<b>1,096,336,954</b>
12. Profit/(Loss) from Extra-ordinary Activities	28	(9,973,406)	(52,614,217)
<b>Net Profit after considering all Activities</b>		<b>1,173,266,592</b>	<b>1,043,722,737</b>
13. Staff Bonus Provision		106,660,599	94,883,886
14. Tax Provision		313,771,258	312,970,332
a) Current Years		340,776,052	309,154,692
b) Previous Year's Additional Tax		568,826	-
c) Deferred Tax		(27,573,620)	3,815,640
<b>NET PROFIT/(LOSS)</b>		<b>752,834,735</b>	<b>635,868,519</b>

Schedules 18 to 28 and 33 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

**Gopal P. Rajbahak, FCA**  
For & on behalf of  
G.P. Rajbahak & Co.  
Chartered Accountants  
Date: 4 Nov, 2009

## PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period July 16, 2008 to July 15, 2009 (Shrawan 1, 2065 to Ashad 31, 2066)

(Amount in Rs.)

PARTICULARS	SCHEDULES	PREVIOUS YEAR	CURRENT YEAR
<b>Income</b>			
1. Accumulated Profit up to Last Year		96,842,268	168,387,674
2. Current Year's Profit		752,834,735	635,868,519
3. Transfer from Bond Adjustment Reserve		360,000,000	-
<b>TOTAL</b>		<b>1,209,677,003</b>	<b>804,256,193</b>
<b>Expenses</b>			
1. Accumulated Loss up to Last Year		-	-
2. Current year's Loss		-	-
3. General Reserve		150,566,947	127,173,704
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserve Fund		-	-
8. Proposed Dividend		145,945,800	253,378,125
9. Proposed Issue of Bonus Share		383,785,000	202,702,500
10. Special Reserve Fund		360,000,000	-
11. Exchange Fluctuation Fund		2,237,067	1,302,453
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Bond Redemption Reserve		122,857,143	122,857,143
15. Deferred Tax Reserve		7,759,533	-
<b>TOTAL</b>		<b>1,173,151,490</b>	<b>707,413,925</b>
15. Accumulated Profit		36,525,513	96,842,268

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

**Gopal P. Rajbahak, FCA**  
For & on behalf of  
G.P. Rajbahak & Co.  
Chartered Accountants  
Date: 4 Nov, 2009

**STATEMENT OF CHANGES IN EQUITY**  
For the period from July 16, 2008 to July 15, 2009 (Shrawan 1, 2065 to Ashad 31, 2066)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	PROPOSED BONUS SHARE	CAPITAL ADJUSTMENT RESERVE	SPECIAL AND OTHER RESERVES	EXCHANGE FLUCTUATION	OTHER RESERVE FUND	TOTAL AMOUNT
Opening Balance as at 16 July 2008	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
Changes in Accounting Policies	-	96,842,268	760,473,824	-	38,610,000	-	-	-	2,512,991,602
Restated Balance as at 16 July 2008	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
Net Profit for the year	-	752,854,735	-	-	-	-	-	-	752,854,735
Transfer to General Reserve	-	(150,566,947)	150,566,947	-	-	-	-	-	-
Bond Redemption Fund transferred	-	380,000,000	-	-	-	-	-	(380,000,000)	-
Proposed Dividend	-	(145,945,800)	-	-	-	-	-	-	(145,945,800)
Issue of Bonus Share	202,702,500	-	-	(202,702,500)	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(383,785,000)	-	383,785,000	-	-	-	-	-
Transfer to Special Reserve Fund	-	(380,000,000)	-	-	-	380,000,000	-	-	-
Transfer to Deferred Tax Reserve	-	(7,759,533)	-	-	-	7,759,533	-	-	-
Transfer to Exchange Fluctuation Fund	-	(2,237,067)	-	-	-	-	2,237,067	-	-
Transfer to Bond Redemption Fund	-	(122,857,143)	-	-	-	-	-	122,857,143	-
<b>CLOSING BALANCE</b>	<b>1,216,215,000</b>	<b>3,652,513</b>	<b>911,040,771</b>	<b>383,785,000</b>	<b>38,610,000</b>	<b>387,799,533</b>	<b>23,087,577</b>	<b>142,857,143</b>	<b>3,119,880,537</b>

**CASH FLOW STATEMENT**

For the period July 16, 2008 to July 15, 2009 (Shrawan 1, 2065 to Ashad 31, 2066)

(Amount in Rs.)

PREVIOUS YEAR (Rs)	PARTICULARS	CURRENT YEAR (Rs)
<b>273,069,707</b>	<b>A. Cash Flow from Operating Activities</b>	<b>978,388,741</b>
1,944,218,365	1. Cash Received	2,909,793,503
1,444,245,205	1.1 Interest Income	2,324,173,095
202,888,358	1.2 Commission and Discount Income	284,302,277
192,600,803	1.3 Income from Foreign Exchange Transaction	249,982,606
42,380,758	1.4 Recovery of Loan Written off	4,992,653
62,103,2411	1.5 Other Income	46,342,872
<b>1,671,148,658</b>	<b>2. Cash Payment</b>	<b>(1,931,404,763)</b>
823,744,838	2.1 Interest Expenses	(832,463,329)
307,528,289	2.2 Staff Expenses	(345,418,184)
240,568,995	2.3 Office Overhead Expenses	(305,661,329)
299,306,535	2.4 Income Tax Paid	(352,978,035)
-	2.5 Other Expenses	(94,883,886)
<b>195,947,225</b>	<b>Cash Flow before Changes in Working Capital</b>	<b>(3,255,079,634)</b>
<b>1,359,713,338</b>	<b>(Increase) / Decrease in Current Assets</b>	<b>(6,057,661,056)</b>
(1,191,494,359)	1. (Increase) / Decrease in Money at Call and Short Notice	(652,264,150)
-	2. (Increase) / Decrease in Short-term Investment	-
2,504,143,790	3. (Increase) / Decrease in Loan & Bills Purchases	(5,378,904,089)
47,063,907	4. (Increase) / Decrease in Others Assets	(26,492,817)
<b>1,555,660,563</b>	<b>(Increase/Decrease) in Current Liabilities</b>	<b>2,802,581,422</b>
1,794,371,600	1. Increase/Decrease in Deposits	2,838,555,823
-	2. Increase/Decrease in Certificate of Deposits	-
(152,789,838)	3. Increase/Decrease in Short Term Borrowing	(83,177,973)
(85,921,199)	4. Increase/Decrease in Others Liabilities	47,203,572
<b>(1,144,971,685)</b>	<b>B. Cash Flow from Investment Activities</b>	<b>4,385,907,130</b>
(1,517,192,226)	1. (Increase)/Decrease in Long Term Investments	4,629,311,020
(237,756,761)	2. (Increase)/Decrease in Fixed Assets	(273,114,148)
573,707,690	3. Interest Income from Long Term Investment	19,719,773
1,850,862	4. Dividend Income	3,442,800
34,418,750	5. Others	6,547,685
<b>366,756,392</b>	<b>C. Cash Flow from Financing Activities</b>	<b>(508,832,339)</b>
500,000,000	1. Increase/(Decrease) in Long Term Borrowings ( Bond, Debentures etc)	(261,907,174)
-	2. Increase/(Decrease) in Share Capital	-
(133,243,608)	3. Increase/(Decrease) in Other Liabilities	(246,925,165)
-	4. Increase/(Decrease) in Refinance/facilities received from NRB.	-
-	D. Income/Loss from change in exchange rate in Cash and Bank Balances	-
(309,198,360)	E. Current Year's Cash Flow from All Activities	1,600,383,897
1,757,341,251	F. Opening Balance of Cash and Bank Balances	1,448,142,891
1,448,142,891	G. Closing Balance of Cash and Bank Balances	3,048,526,788



## SCHEDULE TO THE FINANCIAL STATEMENTS

### SCHEDULE 1 : SHARE CAPITAL AND OWNERSHIP

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Share Capital	-
2,000,000,000	1.1 Authorized Capital	2,000,000,000
2,000,000,000	a. 20,000,000 Ordinary Shares of Rs 100 each.	2,000,000,000
-	b. Non -redeemable Preference Shares	-
-	c. Redeemable Preference Shares	-
1,013,512,500	1.2 Issued Capital	1,216,215,000
1,013,512,500	a. 12,162,150 Ordinary Shares of Rs 100 each (Previous year 10,135,125 Ordinary Shares of Rs. 100 each)	1,216,215,000
-	b. Non-redeemable Preference Shares	-
-	c. Redeemable Preference Shares	-
1,013,512,500	1.3 Paid up Capital	1,216,215,000
1,013,512,500	a. 12,162,150 Ordinary Shares of Rs 100 each fully paid up (Previous year 10,135,125 Ordinary Shares of Rs 100 each fully paid up)	1,216,215,000
-	b. Non-redeemable Preference Shares	-
-	c. Redeemable Preference Shares	-

### SHARE OWNERSHIP

PREVIOUS YEAR	PARTICULARS	%	CURRENT YEAR
861,485,625	1. Promoters & Other Institutions	85.00	1,033,782,750
-	1.1 Nepal Government	-	-
202,702,500	1.2 Foreign Insitution	20.00	243,243,000
-	1.3 "A" Class Licensed Institutions	-	-
-	1.4 Other Licensed Institutions	-	-
658,783,125	1.5 Other Entities	65.00	790,539,750
-	1.6 Individual	-	-
-	1.7 Others	-	-
152,026,875	General Public	15.00	182,432,250
1,013,512,500	Total	100.00	1,216,215,000

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

(Amount in Rs.)

NAME	NUMBER OF SHARE	PERCENT	AMOUNT
AVA INTERNATIONAL PVT. LTD.	1,384,583	11.38	138,458,300
CHHAYA INTERNATIONAL PVT. LTD.	1,081,016	8.89	108,101,600
HABIB BANK LIMITED	2,432,430	20.00	243,243,000
KARMACHARI SANCHAYA KOSH	1,702,701	14.00	170,270,100
MUTUAL TRADING CO. PVT. LTD.	1,534,863	12.62	153,486,300
N. TRADING CO. PVT. LTD.	1,545,607	12.71	154,560,700
SHARMA & CO. PVT. LTD.	80,270	0.66	8,027,000
SYAKAR CO. LTD	120,405	0.99	12,040,500
SUMIT KUMAR AGRAWAL	322,217	2.65	32,221,700
Total	10,204,092		1,020,409,200

### SCHEDULE 2 : RESERVES AND FUNDS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
760,473,824	1. General Reserve Fund	911,040,771
202,702,500	2. Proposed Bonus Share	383,785,000
-	3. Capital Reserve Fund	-
-	4. Capital Redemption Reserve	-
38,610,000	5. Capital Adjustment Fund	38,610,000
380,000,000	6. Other Reserve Fund	510,616,676
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	360,000,000
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
380,000,000	g. Bond Redemption Reserve	142,857,143
308,571,429	HBL Bond 2066	-
71,428,571	HBL Bond 2072	142,857,143
-	h. Deferred Tax Reserve	7,759,533
96,842,268	7. Accumulated Profit / (Loss)	36,525,513
20,850,510	8. Exchange Fluctuation Fund	23,087,577
1,499,479,102	Total	1,903,665,537

### SCHEDULE 3 : DEBENTURES AND BONDS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
360,000,000	1. 8.5 Percent HBL Bond 2066 of Rs 1000 each (Issued in Ashadh 2059 and maturing in Ashadh 2066 ) [Balance in Redemption Reserve Rs Nil (Previous Year Rs. 308,571,429)]	-
500,000,000	2. 8 Percent HBL Bond 2072 of Rs 1,000 each (Issued in Ashadh 2065 and maturing in Ashadh 2072 ) [Balance in Redemption Reserve Rs 142,857,143 (Previous Year Rs. 71,428,571)]	500,000,000
<b>860,000,000</b>	<b>Total</b>	<b>500,000,000</b>

### SCHEDULE 4 : BORROWINGS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
<b>A. Local</b>		
-	1. Nepal Government	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligation	-
83,177,973	4. Inter Bank and Financial Institutions	-
-	5. Other Financial Institutions	-
-	6. Others	-
<b>83,177,973</b>	<b>Total</b>	<b>-</b>
<b>B. Foreign</b>		
-	1. Banks	-
-	2. Others	-
-	<b>Total</b>	<b>-</b>
<b>83,177,973</b>	<b>Total ( A+B)</b>	<b>83,177,973</b>

### SCHEDULE 5 : STATEMENT OF DEPOSITS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
<b>1. Non Interest Bearing accounts</b>		
<b>4,784,216,160</b>	<b>A. Current Deposits</b>	<b>3,218,224,894</b>
<b>3,688,654,549</b>	<b>1. Local Currency</b>	<b>2,453,294,891</b>
1,144,552,723	1.1 Nepal Government	189,376,791
27,201,872	1.2 "A" Class Licensed Institutions	102,540,509
244,616,426	1.3 Other Licensed Institutions	279,012,758
433,049,055	1.4 Other Organized Institutions	990,776,453
1,208,772,292	1.5 Individuals	726,721,250
630,462,181	1.6 Others	164,867,130
<b>1,095,561,611</b>	<b>2. Foreign Currency</b>	<b>764,930,003</b>
709,368,332	2.1 Nepal Government	36,245,561
1,098,875	2.2 "A" Class Licensed Institutions	51,415
6,980,214	2.3 Other Licensed Institutions	160,551,884
1,168,462	2.4 Other Organized Institutions	212,155,265
374,661,863	2.5 Individuals	284,136,950
2,283,865	2.6 Others	71,788,928
<b>645,186,699</b>	<b>B. Margin Deposits</b>	<b>665,173,504</b>
-	1. Employees Guarantee	-
133,753,232	2. Guarantee Margin	132,752,329
511,433,467	3. Letters of Credit Margin	532,421,175
-	<b>C. Others</b>	<b>-</b>
-	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	-
<b>5,429,402,859</b>	<b>Total of Non-Interest Bearing Accounts</b>	<b>3,883,398,398</b>



## STATEMENT OF DEPOSITS

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
	2. Interest Bearing accounts	
17,972,440,577	A. Saving Deposits	20,061,047,700
16,764,821,114	1. Local Currency	18,477,515,548
870,096,366	1.1 Organized Institutions	1,059,560,090
15,738,304,090	1.2 Individuals	17,381,790,626
156,420,658	1.3 Others	36,164,832
1,207,619,463	2. Foreign Currency	1,583,532,152
346,702,875	2.1 Organized Institutions	842,068,388
613,468,323	2.2 Individuals	731,225,028
247,448,265	2.3 Others	10,238,736
6,423,874,106	B. Fixed Deposits	6,377,132,497
3,101,835,200	1. Local Currency	5,054,193,891
1,472,269,642	1.1 Organized Institutions	2,541,015,844
1,567,143,768	1.2 Individuals	2,429,053,895
62,421,790	1.3 Others	84,124,152
3,322,038,906	2. Foreign Currency	1,322,938,606
2,535,162,559	2.1 Organized Institutions	401,407,869
502,766,264	2.2 Individuals	695,526,349
284,110,083	2.3 Others	226,004,388
2,017,071,814	C. Call Deposits	4,359,766,584
1,294,649,354	1. Local Currency	3,172,411,638
53,006,717	1.2 "A" Class Licensed Institutions	-
-	1.3 Other Licensed Institutions	145,375,304
-	1.4 Other Organized Institutions	1,145,044,480
567,018,371	1.5 Individuals	604,030,354
674,624,266	1.6 Others	1,277,961,500
722,422,460	2. Foreign Currency	1,187,354,946
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	5,859,003
722,422,460	2.3 Other Organized Institutions	718,153,451
-	2.4 Individuals	281,839,844
-	2.5 Others	181,502,648
-	D. Certificate of Deposits	-
-	1. Other Organized Institutions	-
-	2. Individual	-
-	3. Other	-
26,413,386,497	Total of Interest Bearing Accounts	30,797,946,781
31,842,789,356	Total Deposits	34,681,345,17

## SCHEDULE 6 : BILLS PAYABLES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
89,253,321	1. Local Currency	83,577,887
13,416,475	2. Foreign Currency	29,931,253
102,669,796	TOTAL	113,509,140

## SCHEDULE 7 : OTHER LIABILITIES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Pension / Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
94,883,886	4. Provision for Staff Bonus	106,660,599
45,390,816	5. Interest Payable on Deposit	77,440,845
16,887,537	6. Interest Payable on Borrowings/Bonds	29,652,720
-	7. Unearned Discount & Commission	-
23,030,498	8. Sundry Creditors	25,387,833
37,182,990	9. Branch Adjustment Account	68,993,804
-	10. Others	-
678,000	a. Provision for Audit Fee	678,000
19,814,087	b. Deferred tax liability	-
29,648,210	c. Provision for leave encashment	33,078,408
-	d. Matured HBL Bond Payable	155,592,300
34,205,500	e. Provision for Gratuity	46,337,759
189,974,031	f. Others	189,504,876
491,695,555	TOTAL	733,327,144

## SCHEDULE 8 : CASH BALANCE

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
262,183,693	1 Local Currency (Including coins)	415,043,342
15,999,796	2. Foreign Currency	58,716,353
278,183,489	TOTAL	473,759,695

## SCHEDULE 9 : BALANCE WITH NEPAL RASTRA BANK

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			CURRENT YEAR
			INR Rs.	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
935,841,697	1. Nepal Rastra Bank	2,180,200,782	-	148,205,039	148,205,039	2,328,405,821
935,841,697	a. Current Account	2,180,200,782	-	148,205,039	148,205,039	2,328,405,821
-	b. Other Account	-	-	-	-	-
935,841,697	<b>TOTAL</b>	<b>2,180,200,782</b>	<b>-</b>	<b>148,205,039</b>	<b>148,205,039</b>	<b>2,328,405,821</b>

Note: Total balance as per the statement received from respective bank is Rs 2,361,487,045

## SCHEDULE 10 : BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY (Rs)	FOREIGN CURRENCY			CURRENT YEAR
			INR Rs	CONVERTIBLE CURRENCY (Rs)	TOTAL (Rs)	
64,156,221	1. Local Licensed Institutions	78,628,543	-	1,507,242	1,507,242	80,135,785
64,156,221	a. Current Account	78,628,543	-	1,507,242	1,507,242	80,135,785
-	b. Other Account	-	-	-	-	-
169,961,483	2. Foreign Bank	-	46,670,135	119,555,352	166,225,487	166,225,487
169,961,483	a. Current Account	-	46,670,135	119,555,352	166,225,487	166,225,487
-	b. Other Account	-	-	-	-	-
234,117,704	<b>Total</b>	<b>78,628,543</b>	<b>46,670,135</b>	<b>121,062,594</b>	<b>167,732,729</b>	<b>246,361,272</b>

Note: Total balance as per the statement received from respective bank is Rs 560,539,484

## SCHEDULE 11 : MONEY AT CALL AND SHORT NOTICE

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Local Currency	700,000,000
518,529,500	2. Foreign Currency	470,793,650
518,529,500	<b>TOTAL</b>	<b>1,170,793,650</b>

## SCHEDULE 12 : INVESTMENTS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	PURPOSE		CURRENT YEAR
		TRADING	OTHERS	
7,166,534,338	1. Nepal Government Treasury Bills	-	3,907,341,932	3,907,341,932
-	2. NRB Development Bonds	-	-	-
-	3. Nepal Government Other Securities	-	-	-
305,133,566	4. Nepal Government Saving Bond	-	304,958,447	304,958,447
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
5,778,950,522	7. Foreign Banks	-	4,404,506,908	4,404,506,908
89,558,359	8. Corporate Shares	-	93,883,359	93,883,359
-	9. Corporate Bonds and Debentures	-	-	-
-	10. Other Investments	-	-	-
13,340,176,785	<b>Total Investment</b>	<b>-</b>	<b>8,710,690,646</b>	<b>8,710,690,646</b>
-	Provision	-	-	-
13,340,176,785	<b>Net Investment</b>	<b>-</b>	<b>8,710,690,646</b>	<b>8,710,690,646</b>

## SCHEDULE 12 (A) : INVESTMENTS IN SHARES, DEBENTURE AND BONDS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	THIS YEAR (Rs)	MARKET VALUE PER SHARE	PROVISION FOR INVESTMENT
22,356,000	1. Investment in Shares	22,356,000	100	-
48,000,000	1.1 Himalayan Distillery Ltd. 223,560 Shares @ Rs. 100 per share	-	-	-
3,000,000	1.2 Rural Microfinance Dev Centre 480,000 Shares @ Rs. 100 per share	3,000,000	-	-
7,752,000	1.3 Western Rural Development Bank 30,000 Shares @ Rs. 100 per share	7,752,000	183	-
3,600,000	1.4 Nirdhan Uthhan Bank Ltd. 77,520 Share @ Rs. 100 per share and 18,312 received as fully paid up bonus share	3,600,000	328	-
2,400,000	1.5 Chhimek Bikas Bank Ltd. 36,000 Shares @ Rs. 100 per share	6,600,000	581	-
1,214,859	1.6 Swabalamban Bikas Bank Ltd. 66,000 Shares @ Rs. 100 per share	1,214,859	-	-
1,235,500	1.7 Swift SC 6 Shares	1,235,500	-	-
-	1.8 Credit Information Corporation Limited 12,355 Shares @ Rs. 100 per share & 1,765 received as fully paid up bonus shares	125,000	-	-
-	1.9 Nepal Clearing House 5% of committed equity of Rs. 2,500,000/-	-	-	-
-	1.10 VISA Card International 5,860 nos. of Common Stock	-	-	-
-	2. Investment in Debentures and Bonds	-	-	-
-	2.1 .....	-	-	-
-	2.2 .....	-	-	-
-	2.3 .....	-	-	-
89,558,359	<b>TOTAL INVESTMENT</b>	<b>93,883,359</b>		<b>-</b>
-	3. Provision for Loss	-	-	-
-	3.1 Up to previous year	-	-	-
-	3.2 Addition this year	-	-	-
-	Total Provision	-	-	-
89,558,359	<b>NET INVESTMENT</b>	<b>93,883,359</b>		<b>-</b>

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



SCHEDULE 13 : CLASSIFICATION OF LOANS AND BILL PURCHASED AND PROVISIONINGS

PREVIOUS YEAR	PARTICULARS	ADVANCES				BILLS PURCHASED / DISCOUNTED			CURRENT YEAR	
		DOMESTIC		FOREIGN		TOTAL	OTHERS	FOREIGN		TOTAL
		INSURED	UNINSURED	OTHER	FOREIGN					
19,702,583,946	1. PEFCR(OR)ing Loan	-	42,780,859	24,642,729,401	-	24,684,679,200	127,435,663	156,894,884	283,330,247	24,968,209,447
19,357,600,250	1.1 Pass Loan	-	42,672,526	24,340,638,436	-	24,383,310,962	127,435,663	156,894,884	283,330,247	24,666,641,209
344,783,696	1.2 Re-structured	-	77,273	301,490,965	-	301,568,238	-	-	-	301,568,238
477,229,223	2. Non-Performing Loan	-	600,649	548,694,003	-	549,294,712	1,760,000	254,922	2,014,922	551,309,634
53,919,981	2.1 Substandard	-	600,649	167,831,195	-	168,431,844	-	-	-	167,831,195
214,476,514	2.2 Doubtful	-	600,649	194,008,394	-	194,609,043	-	-	-	194,609,043
208,632,628	2.3 Loss	-	-	156,794,484	-	156,794,484	1,760,000	254,922	2,014,922	188,779,406
20,179,613,169	(A) TOTAL LOAN	-	43,350,448	25,159,822,464	-	25,234,173,912	129,195,663	156,149,806	285,345,169	25,519,519,081
196,400,075	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-
156,137,686	3.1 Pass	66,626	426,725	244,426,725	-	244,853,460	1,274,357	1,538,946	2,833,303	247,686,763
18,349,648	3.2 Re-structured	4,685	-	117,613,270	-	117,613,270	-	-	-	117,613,270
13,479,995	3.3 Substandard	-	-	74,157,674	-	74,157,674	-	-	-	74,157,674
107,238,157	3.4 Doubtful	-	338,961	98,686,409	-	99,025,370	-	-	-	99,025,370
208,746,594	3.5 Loss	-	-	185,865,613	-	185,865,613	1,760,000	254,922	2,014,922	187,880,535
682,692,687	(B) TOTAL PROVISIONING	-	765,686	729,749,901	-	731,515,587	3,034,357	1,813,868	4,848,225	726,363,812
167,225,320	4.1 Pass	66,626	1,761,683	192,219,302	-	194,087,621	2,422,254	-	2,422,254	196,490,075
140,864,481	4.2 Re-structured	4,685	1,763,582	154,346,599	-	156,117,666	-	-	-	156,137,686
97,488,128	4.3 Substandard	-	221,576	13,256,419	-	13,479,995	-	-	-	13,479,995
372,999,028	4.4 Doubtful	-	425,649	106,812,308	-	107,238,157	-	-	-	107,238,157
785,728,817	4.5 Loss	572,040	3,586,277	198,161,003	-	202,248,669	6,488,495	-	6,488,495	208,746,594
(16,835,193)	(C) TOTAL PROVISION UP TO LAST YEARS	572,040	7,779,177	664,820,721	-	673,171,938	8,920,749	-	8,920,749	682,092,687
-	(D) PROVISION WRITTEN BACK FOR LOAN WRITE OFF	-	-	-	-	-	-	-	-	(14,816,009)
-	(E) PREVIOUS YEARS PROVISION WRITTEN BACK	-	-	-	-	-	-	-	-	-
-	(F) THIS YEAR'S ADDITIONAL PROVISION	-	-	-	-	-	-	-	-	59,237,184
19,497,820,482	(F) NET ADJUSTMENT DURING THE YEAR	-	-	-	-	-	-	-	-	44,271,125
-	NET LOAN (A - B)	-	-	-	-	-	-	-	-	24,793,192,269

SCHEDULE 13 (A) : LOAN, ADVANCES AND BILLS PURCHASED (SECURITY WISE)  
(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
20,179,613,169	(A) Secured	25,519,519,081
18,755,796,948	1. Movable / Immovable Assets	21,495,440,411
-	2. Guarantee of Local Licensed Institutions	-
-	3. Government Guarantee	-
74,601,464	4. Internationally Rated Bank Guarantee	76,836,619
674,530,842	5. Export Documents	285,345,168
396,684,965	6. Fixed Deposit Receipts	298,437,756
381,909,636	a. Own FDR	286,446,126
14,775,329	b. FDR of other Licensed Institutions	11,991,630
156,580,990	7. Nepal Government Bonds	13,021,058
99,365,694	8. Counter Guarantee	548,747,432
20,482,983	9. Personal Guarantee	5,101,755
1,569,283	10. Other Securities	2,796,588,882
-	(B) Unsecured	-
20,179,613,169	Total	25,519,519,081

SCHEDULE 14 : FIXED ASSETS  
(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	ASSETS BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	CURRENT YEAR
568,624,306	1. At Cost					
93,691,107	a. Previous Year Balance	39,472,953	118,271,205	233,448,142	230,957,182	622,149,482
-	b. Addition this year	13,105,327	36,808,274	23,396,454	34,422,560	107,732,615
-	c. Revaluation / Written back this year	-	-	-	-	-
-	d. This year's revaluation	-	-	-	-	-
(39,368,533)	e. This year sold	-	(16,031,000)	(192,600)	(199,850)	(16,423,450)
(797,399)	f. This Year written off	-	-	-	(178,893)	(178,893)
622,149,481	Total Cost (a + b + c + d + e)	52,578,280	139,048,479	256,651,996	265,000,999	713,279,754
257,790,542	2. Depreciation					
52,078,053	a. Up to previous year	10,255,895	42,367,385	142,616,229	97,430,444	292,669,953
-	b. For this year	2,085,846	14,658,026	20,376,018	20,302,494	57,422,384
(17,198,642)	c. Depreciation on revaluation/written back	-	-	-	-	-
-	d. Depreciation Adjusted/Written Back	-	(7,410,757)	(175,711)	(259,707)	(7,846,175)
292,669,953	Total Depreciation	12,341,741	49,614,654	162,816,536	117,473,231	342,246,162
329,479,528	3. Book Value (WDV)*(1-2)	40,236,539	89,433,825	93,835,460	147,527,768	371,033,592
260,458,342	4. Land					325,671,342
115,200,016	5. Capital Construction (WIP)					166,697,949
90,171,814	6. Leasehold Assets					88,793,512
795,309,700	Total (3 + 4 + 5)					952,196,395

## SCHEDULE 15 : NON BANKING ASSETS

(Amount in Rs.)

PREVIOUS YEAR	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING ASSETS	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		CURRENT YEAR
					%	
3,879,000	Nepal F.P. Information	2003.03.18	3,879,000	100	3,879,000	-
760,000	Narayani Packaging	2005.01.28	-	-	-	-
2,807,812	Narayani Packaging	2005.01.28	-	-	-	-
112,500	Ayusha Garment	2005.05.29	112,500	100	112,500	-
4,900,000	Pasupati Agrochem	2005.07.23	4,900,000	100	4,900,000	-
776,567	Saroj Furniture	2006.11.21	-	-	-	-
9,341,200	Kalika English Sec. School (Bhaktapur)	2008.07.06	9,341,200	50	4,670,600	-
2,250,000	Standard Tanning Ind. (Birgunj)	2008.07.15	-	-	-	-
-	Addition during the year:					
-	Bageshwari Suppliers	2008.12.03	1,924,504	25	481,126	1,443,378
-	Nepal Teppich	2008.12.03	537,500	25	134,375	403,125
-	BRD Traders	2009.03.12	3,000,000	25	750,000	2,250,000
-	Yuyutsuva Packaging	2009.07.06	14,940,464	25	3,735,116	11,205,348
-	Ravi International	2009.07.09	855,400	25	213,850	641,550
-	Dhaneswari Cotton Mills	2009.07.09	1,368,000	25	342,000	1,026,000
-	Sagarmatha Printing	2009.07.15	1,406,250	25	351,563	1,054,687
<b>24,827,079</b>	<b>Grand Total</b>		<b>42,264,818</b>		<b>19,570,130</b>	<b>22,694,688</b>
<b>27,332,217</b>	<b>Opening Balance of NBA Provision</b>		<b>14,520,396</b>			
(12,811,821)	Addition during the year		5,049,734			
<b>14,520,396</b>	<b>Closing provision on NBA</b>		<b>19,570,130</b>			
<b>10,306,683</b>	<b>Net Non-banking Assets</b>		<b>22,694,688</b>			

## SCHEDULE 16 : OTHER ASSETS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
10,699,024	1. Stock of Stationery	12,861,701
104,239,600	2. Income Receivable on investments	103,437,170
347,629,573	3. Accrued Interest on Loan	376,747,505
(347,629,573)	Less : Interest Suspense Amount	(377,639,764)
-	4. Commission Receivable	-
1,318,829	5. Sundry Debtors	-
170,521,298	6. Staff Loan and Advances	230,899,575
19,717,128	7. Prepayments	28,151,614
446,000	8. Cash in Transit	-
99,051,295	9. Other Transit Items(Including Cheques)	52,647,667
150,000	10. Drafts Paid without Notice	-
25,574,747	11. Expenses not written off	49,737,122
-	12. Branch Adjustment Account	-
133,827,676	13. Others	145,422,043
-	a. Deferred Tax Assets	7,759,533
20,930,577	b. Advance for capital works	26,514,824
172,526,845	c. Others	170,777,432
(59,629,746)	Less: Provision for possible losses	(59,629,746)
<b>565,545,597</b>	<b>Total</b>	<b>622,264,633</b>

## SCHEDULE 16 (A) : OTHER ASSETS (ADDITIONAL STATEMENT)

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR			TOTAL
		UPTO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	
347,629,573	1. Accrued interest on Loan	194,637,986	59,136,191	122,973,328	376,747,505
150,000	2. Drafts Paid without Notice	-	-	-	-
-	3. Branch Adjustment A/c	-	-	-	-
<b>347,779,573</b>	<b>Total</b>	<b>194,637,986</b>	<b>59,136,191</b>	<b>122,973,328</b>	<b>376,747,505</b>

## SCHEDULE 17 : CONTINGENT LIABILITIES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Claims on Institutions but not accepted by Institutions	9,597,071
6,125,564,892	2. Letters of Credit (full amount)	7,042,307,302
5,888,009,672	a. Less than 6 months maturity	4,690,089,174
237,555,220	b. More than 6 months maturity	2,352,218,128
-	3. Rediscounted Bills	-
1,644,702,663	4. Unmatured Guarantees/Bonds	1,701,267,747
199,462,010	a. Bid Bond	239,347,026
1,445,240,653	b. Performance Bond	1,038,087,151
-	c. Other Guarantees/ Bonds	423,833,570
-	5. Unpaid Shares in Investment	2,375,000
13,997,638	6. Forward Exchange contract liabilities	169,911,061
354,791,609	7. Bills under collection	411,605,554
624,096,294	8. Acceptance and Endorsements	418,388,461
-	9. Underwriting Commitments	-
-	10. Irrevocable Loan Commitments	2,077,974,689
1,923,378,051	11. Counter Guarantee of Internationally Rated Banks	2,609,495,204
163,996,737	12. Advance Payment Guarantee	285,810,367
437,243	13. Financial Guarantee	-
20,975,483	14. Contingent Liabilities on Income Tax	20,975,483
-	15. Others	-
<b>10,871,940,610</b>	<b>Total</b>	<b>14,749,707,939</b>



## SCHEDULE 18 : INTEREST INCOME

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
1,444,245,205	A. On Loan, Advances and Overdraft		1,861,044,726
1,126,110,457	1. Loan and Advances	1,449,886,617	
318,134,748	2. Overdraft	411,158,109	
201,309,901	B. On Investment		354,949,455
201,309,901	1. Nepal Government Securities	354,949,455	
185,955,241	a. Treasury Bills	335,229,682	
15,354,660	b. Development Bonds	19,719,773	
-	c. National Saving Certificate	-	
-	2. Foreign Securities	-	
-	3. Nepal Rastra Bank Bonds	-	
-	4. Debenture and Bonds	-	
-	5. Interest on Inter Bank Lending	-	
-	a. Bank/Financial Institutions	-	
-	b. Other Organizations	-	
10,870,681	C. On Agency Balances		6,781,593
-	1. Local Banks	-	
10,870,681	2. Foreign Banks	6,781,593	
26,289,498	D. On Money at Call and Short Notice		7,733,909
4,676,077	1. Local Banks	3,824,965	
21,613,421	2. Foreign Banks	3,908,944	
280,932,187	E. On Others		111,688,496
-	1. Certificate of Deposits	-	
18,920,644	2. Inter-Bank Loan	3,436,385	
262,011,543	3. FCY Placements	108,252,111	
1,963,647,472	<b>Total</b>		<b>2,342,198,179</b>

## SCHEDULE 19 : INTEREST EXPENSE

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
288,433,185	A. On Deposit Liabilities		260,932,125
124,329,573	1. Fixed Deposits		
164,103,612	1.1 Local Currency	212,676,014	
347,794,570	1.2 Foreign Currency	48,256,111	
331,826,336	2. Saving Deposits		433,809,243
15,968,234	2.1 Local Currency	422,797,883	
137,043,563	2.2 Foreign Currency	11,011,360	
98,389,454	3. Call Deposit		144,811,239
38,654,109	3.1 Local Currency	122,693,356	
50,473,520	3.2 Foreign Currency	22,117,883	
30,819,659	4. Certificate of Deposits	-	
1,411,406	B. On Borrowings		95,225,408
18,242,455	1. Debentures and Bonds	70,264,657	
-	2. Loan from Nepal Rastra Bank	2,980,197	
-	3. Inter Bank/Financial Institutions Borrowing	21,980,554	
-	4. Other Corporate Bodies	-	
-	C. Others	-	
823,744,838	<b>Total</b>		<b>934,778,015</b>

## SCHEDULE 20 : COMMISSION AND DISCOUNT INCOME

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
13,292,305	A. Bills Purchased and Discounted		21,978,566
13,095,256	1. Local	19,726,224	
197,049	2. Foreign	2,252,342	
134,619,738	B. Commission		209,335,294
37,406,089	1. Letters of Credit	64,670,167	
24,173,608	2. Guarantees	48,958,868	
8,788,019	3. Collection Fees	9,490,295	
38,274,806	4. Remittance Fees	50,940,107	
25,977,216	5. Credit Cards Fee	35,275,857	
-	6. Share Underwriting /Issue	-	
-	7. Government Transactions	-	
-	8. Agency Commissions	-	
-	9. Exchange Fees	-	
39,907,940	C. Others		52,988,417
187,819,983	<b>Total</b>		<b>284,302,277</b>

## SCHEDULE 21 : OTHER OPERATING INCOME

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
8,000,364	1. Safe Deposit Lockers Rental		8,597,296
14,676,497	2. Issue and Renewal of Credit Cards		19,520,532
1,070,212	3. Issue and Renewals of ATM Cards		1,702,253
10,577,054	4. Telex/ T. T		9,769,637
-	5. Service Charges		-
-	6. Renewal Fees		-
27,779,114	7. Others		6,753,154
62,103,241	<b>Total</b>		<b>46,342,872</b>

## SCHEDULE 22 : EXCHANGE FLUCTUATION GAIN /LOSS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
5,209,813	A. Revaluation Gain/(Loss)		8,948,268
202,459,365	B. Trading Gain (including exchange Fee on INR)		241,034,338
207,669,178	<b>Total Income / (Loss)</b>		<b>249,982,606</b>

## SCHEDULE 23 : EXPENSES RELATED TO EMPLOYEES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR	
138,381,043	1. Salary		167,339,208
89,186,407	2. Allowances		111,135,739
11,105,130	3. Contribution to Provident Fund		13,604,947
4,582,364	4. Training Expenses		5,538,572
2,420,072	5. Uniform		3,633,996
-	6. Medical		-
6,779,530	7. Insurance		8,449,942
34,205,500	8. Pension and Gratuity		46,337,759
5,553,092	9. Others		4,940,478
292,213,138	<b>Total</b>		<b>360,980,641</b>

## SCHEDULE 24 : OTHER OPERATING EXPENSES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
48,959,014	1. Office Rent	51,558,878
9,394,142	2. Electricity & Water	9,929,846
21,270,616	3. Repairs and Maintenance	31,798,053
558,402	a. Building	451,136
837,751	b. Vehicles	950,752
19,874,463	c. Others	30,396,165
11,279,184	4. Insurance	10,045,893
15,603,897	5. Postage Telex, Telephone, Fax	14,973,073
402,820	6. Office Equipment & Furniture- Repairs	699,150
17,052,149	7. Travelling Allowances and Expenses	12,505,322
13,199,200	8. Printing and Stationery	15,279,909
607,738	9. Periodicals and Books	622,720
20,997,144	10. Advertisements	27,720,226
43,016	11. Legal Expenses	280,371
145,551	12. Donations	1,241,584
3,054,415	13. Expenses Relating to Board of Directors	3,075,956
900,200	a. Meeting Fees	748,800
2,154,215	b. Other Expenses	2,327,156
704,440	14. Annual General Meeting Expenses	1,066,761
1,073,821	15. Expenses Relating to Audit	980,920
678,000	a. Audit Fees	678,000
395,821	b. Other Expenses	302,920
-	16. Commission on Remittances	-
52,078,053	17. Depreciation on Fixed Assets	57,422,384
34,175,359	18. Amortization	33,048,802
-	19. Share Issue Expenses	-
-	20. Technical Services Fee	-
1,234,429	21. Entertainment	2,532,447
2,183,226	22. Written off Expenses	2,184,051
7,623,379	23. Security Expenses	10,187,950
390,060	24. Credit Guarantee Premium	132,978
13,836,803	25. Commission and Discount	28,412,567
69,012,328	26. Others	82,616,725
10,176,378	a. Registration Fee and Charges	6,967,115
31,154,152	b. Card Membership and other expenses	43,518,961
762,000	c. Committee Meeting Fees	817,600
14,290,261	d. Fuel, Janitorial & Cleaning	20,818,635
12,629,537	e. Others	10,494,414
344,320,784	Total	398,316,566

## SCHEDULE 25 : PROVISION FOR POSSIBLE LOSSES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Increase in Loan Loss Provision	59,237,184
-	2. Increase in Provision for Loss on Investment	-
5,237,020	3. Provision against Non-Banking Assets	9,568,330
770,588	4. Provision against Other Assets	-
6,007,608	Total	68,805,514

## SCHEDULE 26 : NON OPERATING INCOME/LOSS

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
-	1. Profit/(Loss) on Sale on Investment	-
7,849,615	2. Profit / (Loss) on Sale of Assets [Includes loss on sale of NBA Rs. 221,813 (Previous year profit of Rs. 7,556,352)]	367,345
1,850,862	3. Dividend	3,442,800
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. interest subsidy	-
-	c. Exchange counter	-
-	5. Others	-
9,700,477	Total Non- Operating Income (Loss)	3,810,145

## SCHEDULE 27 : LOSS PROVISIONS WRITTEN BACK

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
113,634,130	1. Loan Loss Provision Written Back	14,966,059
18,048,841	2. Provision against Non-Banking Assets Written Back	4,518,596
-	3. Investment Provision Written Back	-
-	4. Provision against Other Assets Written Back	-
131,682,971	Total	19,484,655

## SCHEDULE 28 : PROFIT/LOSS FROM EXTRA-ORDINARY ACTIVITIES

(Amount in Rs.)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR
42,380,758	1. Recovery of Written off Loan	4,992,653
-	2. Voluntary Retirement Scheme Expenses	-
(94,994,975)	3. Loan Write/offs [Schedule 28 (A)]	(14,966,059)
-	4. Other Expenses/Income	-
(52,614,217)	Total	(9,973,406)

### SCHEDULE 28(A) : STATEMENT OF LOANS WRITTEN-OFF

(Amount in Rs.)

SN	TYPE OF LOAN	WRITTEN OFF	SECURITY DETAIL	BASIS OF VALUATION	APPROVING AUTHORITY	RECOVERY STEPS TAKEN	REMARKS
1	Fixed term Loan	8,789	Mortgaged properties have already been transferred in the name of the Bank.	70% Market rate, 30% Government rate as valued by the approved valuator's report.	Chief Executive Officer	Served various follow-up letters, 35 days notice published in newspaper. Auction and re-auction notice published in newspaper. Promoters of the borrower and PG holders have been blacklisted.	
2	Hire Purchase Loan	4,113,489	Vehicles and Personal Guarantee		Executive committee	Served various follow-up letters, 35 days notice published in newspaper. Auction and re-auction notice published in newspaper.	
3	Overdraft Loan	6,916,354	Personal Guarantee	Valuation as per the Report of Approved Valuator	General Manager / Executive committee	Written various reminder letters and swift message sent to importer banks about the fate of the documents. Due to non-acceptance of the document by the buyer, the bank sold the carpet.	
4	Trust Receipt Loan	2,070,000	Personal Guarantee of Promoter. Cash margin of Rs. 70,000		General Manager	Served various follow-up letters, 35 days notice published in newspaper. Promoter is blacklisted.	
5	Credit Card Loan	1,857,427			General Manager	Follow-up through telephonic calls and written notices served to the card holder. 35 days notice published in newspaper along with the photographs.	
<b>TOTAL LOAN</b>		<b>14,966,059</b>					

### SCHEDULE 29 : STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CEO/PROMOTORS/EMPLOYEES AND SHAREHOLDERS

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 YEAR'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. ....	-	-	-	-	-	-	-
2. ....							
3. ....							
(D) Employees							
1. ....							
2. ....							
3. ....							
(E) Shareholders							
1. ....							
2. ....							
3. ....							
<b>TOTAL</b>							

Note: The bank has various staff loans and the loans availed under such schemes by the staffs are included under "Schedule 16 - Other Assets"

### SCHEDULE 30(A1) : TABLE OF CAPITAL FUND

(Amount in Rs.)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>1.1 RISK WEIGHTED EXPOSURES</b>	<b>34,905,889,842</b>	<b>28,152,903,923</b>
a. Risk Weighted Exposure for Credit Risk	32,628,846,005	26,006,889,740
b. Risk Weighted Exposure for Operational Risk	2,152,741,888	2,003,490,000
c. Risk Weighted Exposure for Market Risk	124,301,950	142,524,183
<b>1.2 CAPITAL</b>		
<b>Core Capital (Tier 1)</b>	<b>3,074,436,960</b>	<b>2,469,785,092</b>
a. Paid up Equity Share Capital	1,216,215,000	1,013,512,500
b. Irredeemable Non-cumulative preference shares	-	-
c. Share Premium	-	-
d. Proposed Bonus Shares	383,785,000	202,702,500
e. Statutory General Reserves	911,040,771	760,473,824
f. Retained Earnings	36,525,513	96,842,268
g. Current year profit / (loss)	-	-
h. Capital Redemption Reserve	-	-
i. Capital Adjustment Reserve	38,610,000	38,610,000
j. Dividend Equalization Reserves	-	-
k. Debenture Redemption Reserve	142,857,143	380,000,000
l. Special Reserve	360,000,000	-
m. Deferred Tax Reserve	7,759,533	-
n. Less: Goodwill	-	-
o. Less: Miscellaneous Expenditure not written off	-	-
p. Less: Investment in equity in licensed Financial Institutions	-	-
q. Less: Investment in equity of institutions with financial interests	-	-
r. Less: Investment in equity of institutions in excess of limits	-	-
s. Less: Investments arising out of underwriting commitments	(22,356,000)	(22,356,000)
t. Less: Reciprocal crossholdings	-	-
u. Less: Other Deductions	-	-
<b>Supplementary Capital (Tier 2)</b>	<b>770,774,340</b>	<b>783,730,889</b>
a. Cumulative and/or Redeemable Preference Share	-	-
b. Subordinated Term Debt	500,000,000	572,000,000
c. Hybrid Capital Instruments	-	-
d. General loan loss provision	247,686,763	190,880,379
e. Exchange Equalization Reserve	23,087,577	20,850,510
f. Investment Adjustment Reserve	-	-
g. Assets Revaluation Reserve	-	-
h. Other Reserves	-	-
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>3,845,211,300</b>	<b>3,253,515,981</b>
<b>1.3 CAPITAL ADEQUACY RATIOS</b>	<b>Current Year</b>	<b>Previous Year</b>
Tier 1 Capital to Total Risk Weighted Exposures	8.81	8.77
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.02	11.56



### SCHEDULE 30(B) : TABLE OF RISK WEIGHTED ASSETS

(Amount in Rs.)

BALANCE SHEET EXPOSURES	BOOK VALUE (a)	SPECIFIC PROVISION (b)	ELIGIBLE CRM (c)	NET VALUE (d=a-b-c)	RISK WEIGHT (e)	RISK WEIGHTED EXPOSURES (f=c*e)
Cash Balance	473,759,695	-	-	473,759,695	0%	-
Balance With Nepal Rastra Bank	2,328,405,821	-	-	2,328,405,821	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	-	-	-	-	0%	-
All Claims on Government of Nepal	4,014,116,532	-	-	4,014,116,532	0%	-
Investment in Nepal Rastra Bank securities	304,958,447	-	-	304,958,447	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA-2)	-	-	-	-	5%	-
Claims on Foreign Government and Central Bank (ECA-3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA-7)	-	-	-	-	150%	-
Claims on BIS, IMF, ECO, EC and on Multilateral Development Banks (MDBs) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	750,518,159	-	-	750,518,159	20%	150,103,632
Claims on domestic banks that do not meet capital adequacy requirements	35,047,376	-	-	35,047,376	100%	35,047,376
Claims on foreign bank (ECA Rating 0-1)	2,181,255,680	-	-	2,181,255,680	20%	436,251,136
Claims on foreign bank (ECA Rating 2)	111,219,976	-	-	111,219,976	50%	55,609,988
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	2,814,905,029	-	-	2,814,905,029	20%	562,981,006
Claims on Domestic Corporates	18,366,012,571	-	352,276,036	18,013,736,535	100%	18,013,736,535
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	1,823,838,256	-	89,479,425	1,734,358,831	75%	1,300,769,123
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	716,609,540	-	-	716,609,540	60%	429,965,724
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	6,795,560	2,282,618	-	4,512,942	100%	4,512,942
Claims secured by Commercial real estate	722,309,464	-	-	722,309,464	100%	722,309,464
Past due claims (except for claim secured by residential properties)	1,032,812,105	454,821,244	240,000	577,990,861	150%	866,626,292
High Risk claims	2,744,366,984	21,573,187	-	2,529,793,797	150%	3,802,280,086
Investments in equity and other capital instruments of institutions listed in the stock exchange	40,308,000	-	-	40,308,000	100%	40,308,000
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	100%	-
Other Assets (as per attachment)	53,575,359	-	-	53,575,359	150%	80,363,039
	2,584,851,795	1,065,641,209	-	1,519,210,586	100%	1,519,210,586
<b>TOTAL</b>	<b>41,105,666,348</b>	<b>1,544,318,258</b>	<b>629,949,201</b>	<b>38,931,398,889</b>	<b>Risk Weight</b>	<b>28,020,054,327</b>
Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	411,605,554	-	-	411,605,554	10%	41,160,555
Forward Exchange Contract Liabilities	169,911,061	-	-	169,911,061	10%	16,991,106
LC Commitments With Original Maturity	-	-	-	-	20%	-
Upto 6 months domestic counterparty	4,690,089,174	-	319,399,550	4,370,689,624	20%	874,137,925
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
LC Commitments With Original Maturity	-	-	-	-	50%	-
Over 6 months domestic counterparty	2,352,218,128	-	24,352,464	2,327,865,664	50%	1,163,932,832
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	1,701,267,747	-	116,277,312	1,584,990,435	50%	792,495,218
foreign counterparty (ECA Rating 0-1)	205,846,240	-	164,824,421	41,021,819	20%	8,204,364
foreign counterparty (ECA Rating 2)	2,395,251,800	-	1,197,625,900	1,197,625,900	50%	598,812,950
foreign counterparty (ECA Rating 3-6)	8,397,161	-	-	8,397,161	100%	8,397,161
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	285,810,367	-	-	285,810,367	100%	285,810,367
Financial Guarantee	-	-	16,518,868	-	100%	-
Acceptances and Endorsements	418,388,461	-	-	418,388,461	100%	418,388,461
Unpaid portion of Party paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	2,077,974,689	-	-	2,077,974,689	20%	415,594,938
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Other Contingent Liabilities	20,975,483	-	-	20,975,483	100%	20,975,483
Claims on Guarantee	9,597,071	-	-	9,597,071	200%	19,194,142
<b>TOTAL</b>	<b>44,743,071,435</b>	<b>1,544,318,258</b>	<b>1,838,998,516</b>	<b>42,959,754,661</b>	<b>Risk Weight</b>	<b>48,883,131,873</b>
Total RWE for credit Risk (A)+(B)	55,852,999,284	1,544,318,258	2,468,947,716	51,842,108,310		32,628,846,005

### SCHEDULE 30(C) : ELIGIBLE CREDIT RISK MITIGANTS

(Amount in Rs.)

CREDIT EXPOSURES	DEPOSITS WITH BANK (A)	DEPOSITS WITH OTHER BANKS/FI (B)	GOVT & NRB SECURITIES (C)	GOVT & NRB SECURITIES NEPAL (D)	GTTEE OF GOVT OF NEPAL (E)	SEGITTEE OF OTHER SOVEREIGNS (F)	GTTEE OF DOMESTIC BANKS (G)	GTTEE OF MDSB (H)	SEGITTEE OF FOREIGN BANKS (I)	TOTAL (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)
<b>Balance Sheet Exposures</b>										
Claims on Domestic Corporates	204,044,926	28,617,994	-	51,294,268	-	-	-	-	66,428,846	352,276,036
Regulatory Retail Portfolio (Not Overdue)	65,519,796	1,845,122	-	2,114,548	-	-	-	-	-	89,479,425
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by Commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by residential properties)	-	-	-	240,000	-	-	-	-	-	240,000
High Risk claims	170,546,969	-	-	-	-	-	-	-	8,407,771	187,954,740
<b>Total (A)</b>	<b>465,110,691</b>	<b>30,463,116</b>	<b>-</b>	<b>53,638,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,536,619</b>	<b>628,149,202</b>
<b>Off Balance Sheet Exposures</b>										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity	-	-	-	-	-	-	-	-	-	-
Upto 6 months domestic counterparty	319,399,550	-	-	-	-	-	-	-	-	319,399,550
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity	-	-	-	-	-	-	-	-	-	-
Over 6 months domestic counterparty	24,352,464	-	-	-	-	-	-	-	-	24,352,464
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Bid Bond, Performance bond and Counter guarantee	-	-	-	-	-	-	-	-	-	-
domestic counterparty (ECA Rating 0-1)	116,106,092	-	-	-	-	-	-	-	-	116,106,092
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	16,518,868	-	-	-	-	-	-	-	-	16,518,868
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Party paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total (B)</b>	<b>476,376,914</b>	<b>845,487,585</b>	<b>-</b>	<b>53,638,816</b>	<b>-</b>	<b>-</b>	<b>171,280</b>	<b>-</b>	<b>1,382,450,321</b>	<b>1,838,998,516</b>
<b>Total (A)+(B)</b>	<b>941,487,605</b>	<b>30,853,116</b>	<b>-</b>	<b>53,638,816</b>	<b>-</b>	<b>-</b>	<b>171,280</b>	<b>-</b>	<b>1,439,288,940</b>	<b>2,468,947,617</b>

### SCHEDULE 30(D) : OPERATIONAL RISK

(Amount in Rs.)

PARTICULARS	AS ON JULY 16, 2007	AS ON JULY 15, 2008	AS ON JULY 15, 2009
Net Interest Income	977,632,001	1,008,171,370	1,139,902,634
Commission and Discount Income	165,447,272	193,224,228	187,819,983
Other Operating Income	52,324,749	40,328,872	62,103,241
Exchange Fluctuation Income	198,130,134	151,637,322	207,669,178
Additional/Deduction in Interest Suspense during the period	61,415,150	(151,240,143)	10,917,784
<b>Gross Income (a)</b>	<b>1,454,949,306</b>	<b>1,242,121,649</b>	<b>1,608,412,820</b>
Alfa (b)	15%	15%	15%
<b>Fixed percentage of Gross Income [c=(a*b)]</b>	<b>218,242,396</b>	<b>186,318,247</b>	<b>241,261,923</b>
Capital Requirement for operational risk (d) (average of c)	215,274,189		
Risk Weight (reciprocal of capital requirement of 10% in times (e))	10		
<b>Equivalent Risk Weight Exposure [f=(d*e)]</b>	<b>2,152,741,888</b>		

### SCHEDULE 30(E) : MARKET RISK

(Amount in Rs.)

S.NO.	CURRENCY	OPEN POSITION (FCY)	MID RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION
1	AED	(17,505)	19.63	(343,536)	343,536
2	AUD	(12,111)	62.16	(752,731)	752,731
3	CAD	(22,203)	68.50	(1,520,765)	1,520,765
4	CHF	(32,024)	71.38	(2,285,847)	2,285,847
5	CNY	(52,230)	11.33	(591,505)	591,505
6	DKK	(17,000)	14.38	(244,460)	244,460
7	EUR	(91,896)	108.60	(9,979,397)	9,979,397
8	GBP	(26,934)	126.85	(3,416,443)	3,416,443
9	HKD	(97,640)	9.94	(970,542)	970,542
10	INR	(91,355,882)	1.60	(146,237,928)	146,237,928
11	JPY	(33,542,368)	0.83	(27,974,335)	27,974,335
12	MYR	(5,530)	20.16	(111,485)	111,485
13	NOK	(121,900)	11.75	(1,432,327)	1,432,327
14	QAR	(11,342)	19.79	(224,401)	224,401
15	SAR	(50,127)	19.26	(965,195)	965,195
16	SEK	(100)	9.80	(980)	980
17	SGD	(43,616)	53.73	(2,343,268)	2,343,268
18	THB	(57,000)	2.25	(128,250)	128,250
19	USD	(630,045)	77.90	(49,080,495)	49,080,495
<b>Total Open Position (a)</b>					<b>248,603,890</b>
<b>Fixed Percentage (b)</b>					<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>					<b>12,430,195</b>
<b>Risk Weight (reciprocal of capital requirement of 10% in times (d))</b>					<b>10</b>
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>					<b>124,301,950</b>

### SCHEDULE 31 : PRINCIPAL INDICATORS FOR LAST FIVE YEARS

PARTICULARS	UNIT	FY	FY	FY	FY	FY
		2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
		2061/2062	2062/2063	2063/2064	2064/2065	2065/2066
Net Profit/Total Income	Percent	32.98	35.16	34.90	41.58	39.96
Per Share Income	Rs.	47.91	59.24	60.66	62.74	61.90
Per Share Market Value	Rs.	920	1100	1740	1980	1760
Price Earning Ratio	Ratio	19.20	18.57	28.69	31.56	28.43
Dividend in Share Capital (Including Bonus)	Percent	31.58	35.00	40.00	45.00	43.56
Cash Dividend in Share Capital	Percent	11.58	30.00	15.00	25.00	12.00
Interest Income/Loan and Advances	Percent	10.75	10.32	9.98	9.73	9.18
Staff Expenses/Total Operating Expenses	Percent	41.95	41.57	47.40	45.91	47.54
Interest Expenses in Total Deposit	Percent	2.26	2.45	2.55	2.59	2.70
FX Fluctuation Gain/Total Income	Percent	7.80	9.42	6.71	8.27	8.51
Staff Bonus/Total Staff Expenses	Percent	24.53	22.28	19.78	24.51	22.81
Net Profit/Loan and Advances	Percent	2.48	3.12	2.89	3.26	3.04
Net Profit/Total Assets	Ratio	1.11	1.55	1.47	1.76	1.91
Total Loan/Deposits	Percent	50.07	55.27	56.57	61.23	71.49
Total Operating Expenses/Total Income	Percent	29.19	30.02	30.32	29.14	29.49
Capital Adequacy Ratio:						
A. Core Capital	Percent	8.33	8.65	9.61	9.36	8.81
B. Supplementary Capital	Percent	2.68	2.62	1.51	3.06	2.21
C. Total Capital Fund	Percent	11.01	11.26	11.13	12.42	11.02
Liquidity ( CRR )	Percent	7.86	5.92	5.92	5.13	6.76
Non-performing Loan/Total Loan	Percent	7.44	6.60	3.61	2.36	2.16
Weighted Average Interest Rate Spread	Percent	3.19	3.80	3.57	3.66	3.66
Book Networth per share	Number	239.59	228.72	264.74	247.95	256.52
Total Share	Number	6,435,000	7,722,000	8,108,100	10,135,125	12,162,150
Total Staff	Number	501	561	584	591	591

## SCHEDULE 32 : SIGNIFICANT ACCOUNTING POLICIES

### 1. GENERAL INFORMATION

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Statement of Compliance

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

#### 2.2 Basis of preparation

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

#### 2.3 Interest Income

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

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

#### 2.4 Commission Income

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

#### 2.5 Dividend Income

Dividend income is accounted for on cash basis net of withholding tax.

### 2.6 Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are translated into local currency at mid exchange rate prevailing on the Balance Sheet date.

Net differences arising from such conversion is accounted for as revaluation gain. As required by the directives of Nepal Rastra Bank, 25% of total revaluation gain during the accounting year is transferred to Exchange Fluctuation Reserve by charging to Profit and Loss Appropriation Account. Income/(expenses) arising due to the differences between buying and selling rates of foreign currencies are accounted for as trading gain/(loss).

### 2.7 Interest Expenses

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

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

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

### 2.9 Staff Loans

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

### 2.10 Loan Loss Provision

Provision for possible losses on loans and advances & bills purchased is provided at 1% to 100% on the basis of assets classification in accordance with the directives of Nepal Rastra Bank. Additional provision over the prescribed requirement is provided at the discretion of the management on prudent basis.

### 2.11 Loans & Advances Write off

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

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

### 2.12 Investments

Investment in the government securities are the securities Bank has purchased with the positive intent and ability to hold until maturity. The same are recorded at cost or at cost adjusted for amortisation of premiums or discounts.



Investments in shares of listed companies are valued at cost or market value, whichever is less, with necessary provisions made for the decrease in market value as compared to the recorded cost. Investments in shares of unlisted companies are recorded at cost in accordance with the directives of Nepal Rastra Bank.

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 expenditure 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 are expensed off in the year of purchase.
- 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 on the assets acquired during the accounting year is charged from the month subsequent to the date of acquisition, whereas depreciation on the assets disposed off during the year is charged up to the month prior to disposal.

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

### 2.14 Amortization

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

### 2.15 Lease Rental

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

### 2.16 Retirement Benefits

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

### 2.17 Staff Leave Encashment Provision

Provision for staff leave expenses amounting to Rs 4,633,721.50 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 as well as the practice followed by other financial institutions in the country, provision for Employees' Housing Fund as required under the Labour Act, 2048 has not been made.

### 2.19 Income Taxes

#### a. Corporate Tax:

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

#### b. Deferred Tax:

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

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

Deferred tax reserve has been appropriated for deferred tax assets balance as at the year end, as required by the directives of Nepal Rastra Bank.

#### c. Contingent Tax Liability:

On the assessment of the Income Tax Returns of the bank for the financial years 1996/97 (2053/54), 1997/98 (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

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

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

## SCHEDULE 33 : NOTES TO ACCOUNTS

For the Financial Year July 16 2008 to July 15 2009 (1 Shrawan 2065 to 31 Ashad 2066)

### 1. Status of Branch Reconciliation

#### a. With Nepal Rastra Bank (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	162,021,982	274,522,385	139,675,285	233,137,154
1 to 3 months	173,665,025	109,855,643	29,280,139	184,809,740
3 to 6 months	113,535	961,286	693,875	2,987,541
6 to 12 months		188,291	4,573,719	173,011,456
1 to 2 years				956,963
above 2 years				137,121
<b>TOTAL</b>	<b>335,800,542</b>	<b>385,527,605</b>	<b>174,223,018</b>	<b>595,039,975</b>

#### b. With Other Licensed Local Financial Institutions (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	15,348,500	35,089,268	26,111,227	22,136,687
1 to 3 months	87,217	4,992,823	1,116	1,665,816
3 to 6 months		4,698,157	262,413	2,234,426
6 to 12 months			500	53,826
1 to 2 years		2,183,033		295,125
<b>TOTAL</b>	<b>15,435,717</b>	<b>46,963,281</b>	<b>26,375,256</b>	<b>26,385,880</b>

#### c. With Foreign Banks (In NPR)

PARTICULARS	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 month	57,297	1,603,499	524,514	2,946,925
1 to 3 months	13,595	890,452	21,638	15,466
3 to 6 months	233,424	11,657	19,159	33,600
6 to 12 months	27,986	46,515	-	213,769
1 to 2 years	19,950	-	-	-
<b>TOTAL</b>	<b>352,252</b>	<b>2,552,123</b>	<b>565,311</b>	<b>3,209,760</b>

A sum of Rs.40,002,932 (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 improvements on leased banking premises are capitalized as "Leasehold Improvements". The Bank has adopted the policy of amortizing the same on a yearly basis in equal instalments over the lease period. Accordingly, Rs.18,565,110 has been amortized during the year, leaving a balance of Rs.88,793,512 for future amortization (Previous year amortized Rs.20,885,866 and balance Rs.87,668,785).
- The computer software has been capitalized as Deferred Revenue Expenditure for amortization within five years effective from the date of commencement of operation and from the date of purchase including any subsequent purchase. Accordingly, a sum of Rs.14,107,352 has been amortized during the year, leaving a balance of Rs.49,615,296 for future amortization (Previous year amortized Rs.14,796,638 and balance Rs. 25,574,747).
- 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.376,341 has been amortized during the year under review, leaving a balance of Rs.121,826 (Previous year amortized Rs.570,969 and balance Rs 424,916).

### 3. Summary of Loans and Advances

Rs. in '000

PARTICULARS	2007-08	2008-09	CHANGE %
Loan & Advances outstanding as at the year end	20,179,614	25,519,519	26.46
Loan Written-off during the year	94,995	14,966	(84.25)

### 4. Summary of Changes in Deposit Liabilities

Rs. in '000

PARTICULARS	2007-08	2008-09	CHANGE %
Interest Free Deposits	5,429,403	3,883,398	(28.47)
Interest Bearing Deposits	26,413,386	30,797,947	16.60
<b>TOTAL</b>	<b>31,842,789</b>	<b>34,681,345</b>	<b>8.91</b>

### 5. Weighted Average Interest Rate Spread

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	6.95
Weighted Average Interest Rate on Deposits, Bonds and Borrowing	2.78
<b>NET SPREAD</b>	<b>4.18</b>

## 6. Details of Deferred Expenses

Figures in Rs

PARTICULARS	2007-08	2008-09
<b>1. At Cost</b>	<b>102,234,103</b>	<b>140,343,077</b>
a) Up to Last year	91,323,133	102,234,103
b) Addition this year	10,925,183	38,226,149
c) Deduction this Year	14,850	117,175
<b>2. Amortization</b>	<b>76,234,441</b>	<b>90,605,955</b>
<b>3 Remaining Value</b>	<b>25,999,662</b>	<b>49,737,122</b>

## 7. Summary of Concentration of Exposure

Figures in Millions

PARTICULARS	LOAN AND ADVANCES	CONTINGENT
Total Amount as on 15 July 2009	25,520	12,656
Highest Exposure to single unit	766	461
Highest % of exposure to single unit	3.00%	3.64%

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

Figures in Millions

PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271 - 365 DAYS	ABOVE 1 YEAR	TOTAL
<b>a) Assets</b>						
1. Cash Balance	474					474
2. Bank Balance	1,117				1,458	2,575
3. Investment in Foreign Banks	3,070	651	310	510	335	4,875
4. Treasury Bills	792	1,853	47	1,216	-	3,907
5. Nepal Govt Bonds					305	305
6. Interbank Lending	700					700
7. Loans & Advances	10,167	2,557	3,602	2,026	7,167	25,520
8. Other Assets	66	462		195	1,677	2,399
<b>TOTAL ASSETS</b>	<b>16,385</b>	<b>5,523</b>	<b>3,959</b>	<b>3,946</b>	<b>10,942</b>	<b>40,755</b>
<b>Liabilities</b>						
1. Borrowings	-					-
2. Current Deposit	803	647	803	803	160	3,218
3. Saving Deposit	5,015	2,006	1,003	5,015	7,021	20,061
4. Fixed Deposit	3,890	2,344	93	3	47	6,377
5. Margin	665					665
6. Bonds					500	500
7. Other liabilities	1,166	1,400	1,195	1,114	5,059	9,933
<b>TOTAL LIABILITIES</b>	<b>11,539</b>	<b>6,398</b>	<b>3,095</b>	<b>6,935</b>	<b>12,787</b>	<b>40,755</b>
<b>NET BANKING ASSETS</b>	<b>4,846</b>	<b>(875)</b>	<b>864</b>	<b>(2,989)</b>	<b>(1,846)</b>	<b>-</b>
<b>RETAINED NET BANKING ASSETS</b>	<b>4,846</b>	<b>3,971</b>	<b>4,835</b>	<b>1,846</b>	<b>-</b>	<b>-</b>

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

## 9. Paid up Share Capital

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

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

## 10. Dividend and Bonus

The Board of Directors has recommended 12% cash dividend & 31.56% stock dividend for the financial year.

## 11. Unpaid Dividend

As on the balance sheet date, unpaid dividend over five years amounts to Rs.3,206,346.

## 12. Deferred Tax

Deferred income taxes are calculated on temporary differences using an effective tax rate of 30% (previous year rate: 31.50%)

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

	Balance 15 Jul 2008	Balance 15 Jul 2009
Deferred Tax Assets / (Liabilities)		
On fiscal allowance of fixed assets	(33,727,198)	(21,936,356)
On other temporary differences	13,913,111	29,695,889
Deferred Tax Assets / (Liabilities)	(19,814,087)	7,759,533

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



### 13. Provision for Gratuity

During the year, the Bank has provided Rs.46,337,759 (Previous Year Rs.34,205,500) on account of gratuity .

### 14. 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.

### 15. Provision for Bonus

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

### 16. Investments in Visa Card International

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

### 17. Interest suspense

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

### 18. Contingent Liability

Beneficiaries of bank guarantees have claimed Rs.95,97,071, which the bank has not accepted as debt.

Self assessment returns filed by the bank for the financial years 2005-06 (2062-63 BS), 2006-07 (2063-64 BS) & 2007-08 (2064-65 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 except for the financial years 1996-97 (2053-54 BS), 1997-98 (2054-55 BS) & 1998-99 (2055-56 BS) for which the Bank has filed an appeal against the Department's additional claim of Rs.20,975,483.

### 19. Related Parties Disclosure

Habib Bank Ltd. is a joint venture partner with the bank holding 20% of total share capital. During the review period Rs.46,114,819 has been repatriated to Habib Bank on account of dividend payable for F.Y.2007-08

#### Key Management Personnel

Key Management Personnel of the Bank include Chief Executive Officer and members of the Board of Directors, as follows:

- ~ Mr. Manoj Bahadur Shrestha - Chairman
- ~ Mr. Ashraf M. Wathra - Vice Chairman
- ~ Mr. Prem Prakash Khetan - Second Vice Chairman
- ~ Mr. Prachanda Bahadur Shrestha - Director
- ~ Mr. Bijaya Bahadur Shrestha - Director
- ~ Dr. Ramesh Kumar Bhattarai - Director
- ~ Mr. Amar S. Rana - Director
- ~ Mr. Upendra Keshari Poudyal - Director
- ~ Mr. Ashoke S. Rana - Chief Executive Officer

#### • Compensation to Key Management Personnel of the Bank

Total of Compensation paid to Chief Executive Officer for the year is Rs.8,675,398 comprising of the following -

A) Short Term Employment Benefits (Salary, Allowance, PF, Telephone/Mobile)	Rs.8,675,398
B) Post Employment Benefits	NIL
C) Other Long Term Benefits	NIL
D) Termination Benefits	NIL
E) Share Based Payment	NIL

Chief Executive Officer is also provided with the following benefits:

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

#### • Transaction with Key Management Personnel of the Bank

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

Amount in Rs.

Nature of Transaction	Current Year
Meeting Fees Paid	748,800
Allowance and other fees	2,327,156

### 20. Operating Lease Commitment

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

### 21. Disclosure under Basel II

New Capital Adequacy Framework based on Basel II accord duly accommodated to suit Nepalese environment has now been made mandatory with effect from FY 2008-09. HBL accordingly has set up a mechanism to ensure compliance with the requirements of the said framework & at the same time achieve systematic risk assessment & management through strong internal control systems defining rights, authorities, roles and responsibilities and detailed working procedures.

Credit Risk at HBL is being managed through implementation of Credit Policy Guidelines, Credit Policy Manual, and specific Product Documents developed for each banking product. The Risk Management Department reporting to the senior management through Executive Credit Officer identifies deviations and exceptions to these defined policies and procedures and processes them for approval of competent authorities after ascertaining justification for all such deviations & exceptions. A Portfolio Management Committee has been formed with the objective of monitoring the Bank's existing credit exposure in terms of portfolio diversification & assessing the potential for growth or realignment of credit portfolio in various sectors. A comprehensive credit risk assessment process has been defined which involves individual appraisal of all borrowers including corporate, institutional & SME borrowers against stipulated criteria & also encompasses assignment of credit ratings. The Executive Committee which is headed by a non-executive director reviews the overall credit risk, analyses the possible impact of internal and external factors and updates the Board of Directors periodically.

The bank recognizes operational risk as a potential risk faced by banks. For proper management of the risk, the bank has developed and implemented different operation manuals like Cash & Customer Service Manual, Bills and Remittance Manual, Funds Transfer Manual, SMS and Internet Banking Manual, IT Policy, Document Retention Manual, Record & Reconciliation Manual etc. which define policy as well as procedural matters for the operation of banking activities at different levels. Compliance to these policy & procedures, prudential guidelines and other directives and circulars issued by Nepal Rastra Bank is monitored centrally by Compliance & Internal Control Department. Heads of each business units and branch managers further collect data related to operational risks at local level and make reports to the Executive Operating Officer and General Manager at the Head Office. The management analyses these data, assesses risk and related internal control systems and takes corrective & preventive actions to remedy any breakdown in the system. Capital charge on account of exposure to operational risk is measured and reviewed by the senior management of the bank. The management is strongly committed towards maintaining a strong internal control system at all levels of banking activities in order to mitigate operational risks.

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

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

A strong & effective internal control system continuously in operation is inevitable for smooth functioning of any organization. Management is primarily entrusted with the responsibility of ensuring that all control systems are in place & are functioning as required within the bank. Compliance & Internal

Control Department at Head Office monitors the day to day functioning of the bank through off-site & on-site reviews with particular emphasis on proper functioning of internal control systems & makes reporting to the senior management along with recommendations for necessary corrective actions. Internal Audit function within the bank is fully independent with the department directly reporting to the Audit Committee of the Board. Any lapses or non-compliance with the stipulated control systems as identified during the audit of various business units, branches & departments is reported by the department to the Audit Committee & the Board where upon instructions are issued to the management to remedy such reported instances.

**I. Capital structure and capital adequacy**  
**a. Tier 1 capital and breakdown of its components:**

SN	PARTICULARS	AMOUNT
<b>A</b>	<b>Core Capital (Tier 1)</b>	<b>3,074,436,960</b>
1	Paid Up Capital	1,216,215,000
2	Proposed Bonus Shares	383,785,000
3	General Reserve Fund	911,040,771
4	Retained Earning	36,525,513
5	Capital Adjustment Reserve	38,610,000
6	Capital Redemption Reserve	142,857,143
7	Capital Redemption Reserve	360,000,000
8	Deferred Tax Reserve	7,759,533
9	Less: Investment arising out of Underwriting Commitment	(22,356,000)

**b. Tier 2 capital and breakdown of its components;**

SN	PARTICULARS	AMOUNT
<b>B</b>	<b>Supplementary Capital (Tier 2)</b>	<b>770,774,340.00</b>
1	Loan Loss Provision on Pass Loan	247,686,763.00
2	Unsecured Subordinated Term Debt	500,000,000.00
3	Exchange Fluctuation Reserve	23,087,577.00

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

Bond Issued	HBL Bond 2072
Outstanding amount	500,000,000.00
Interest rate	8%
Maturity Date	Ashad 2072
Interest payment	Half yearly basis
Tenor	7 years
Amount to be reckoned as capital	500,000,000.00

**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;

SN	PARTICULARS	AMOUNT
1	Core Capital (Tier 1)	3,074,436,960
2	Supplementary Capital (Tier 2)	770,774,340
	<b>Total</b>	<b>3,845,211,300</b>

f. Capital adequacy ratio;

CAPITAL ADEQUACY RATIOS		15 July, 2009
Tier 1 Capital to Total Risk Weighted Exposures		8.81
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		11.02

II. Risk exposures

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

SN	PARTICULARS	AMOUNT
1	Claims on government & central bank	-
2	Claims on other official entities	-
3	Claims on banks	1,239,993,137
4	Claims on domestic corporate and securities firms	18,013,736,535
5	Claims on regulatory retail portfolio	1,300,769,123
6	Claims secured by residential properties	429,965,724
7	Claims secured by commercial real estate	722,309,464
8	Past due claims	871,139,234
9	High risk claims	3,802,260,086
10	Other assets	1,639,881,625
11	Off balance sheet items	4,608,791,078
	<b>Total</b>	<b>32,628,846,005</b>

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

	RISK WEIGHTED EXPOSURE	AMOUNT
a	Risk Weighted Exposure for Credit Risk	32,628,846,005
b	Risk Weighted Exposure for Operational Risk	2,152,741,888
c	Risk Weighted Exposure for Market Risk	124,301,950
	<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>34,905,889,842</b>

c. Total Risk Weight Exposures calculation table

SN	PARTICULARS	AMOUNT
1	Total Risk Weighted Exposure	34,905,889,842
2	Total Core Capital Fund (Tier 1)	3,074,436,960
3	Total Capital Fund (Tier 1 & Tier 2)	3,845,211,300
4	Total Core Capital to Total Risk Weighted Exposures	8.81
5	Total Capital to Total Risk Weighted Exposures	11.02

d. Amount of NPAs

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION HELD	NET AMOUNT
1	Substandard Loan	167,831,185	74,157,874	93,673,311
2	Doubtful Loan	194,699,043	99,025,370	95,673,673
3	Loss Loan	188,779,406	187,880,535	898,871
	<b>Total</b>	<b>551,309,633</b>	<b>361,063,779</b>	<b>190,245,854</b>

e. NPA ratios

Gross NPA to Gross Advances	2.16
Net NPA to Net Advances	0.77

f. Movement of Non Performing Assets

S.N	LOAN CLASSIFICATION	PREVIOUS YEAR 2007-08	CURRENT YEAR 2008-09	MOVEMENT (%)
1	Substandard Loan	53,919,981	167,831,185	211.26
2	Doubtful Loan	214,476,314	194,699,043	(9.24)
3	Loss Loan	208,832,928	188,779,406	(9.60)
	<b>Total</b>	<b>477,229,223</b>	<b>551,309,634</b>	<b>15.52</b>

g. Write off of Loans and Interest Suspense

SN	PRINCIPAL	INTEREST	TOTAL
1	14,966,059	11,165,843	26,131,902



h. Movements in Loan Loss Provisions and Interest Suspense

- Movement in Loan Loss Provision

S.N	LOAN LOSS PROVISION	PREVIOUS YEAR 2007-08	CURRENT YEAR 2008-09	MOVEMENT IN LOAN LOSS PROVISIONING
1	Pass	196,490,075	247,686,763	26.06%
2	Restructured/ Rescheduled Loan	156,137,866	117,613,270	-24.67%
3	Substandard Loan	13,479,995	74,157,874	450.13%
4	Doubtful Loan	107,238,157	99,025,370	-7.66%
5	Loss Loan	208,746,594	187,880,535	-10.00%
	<b>Total</b>	<b>682,092,687</b>	<b>726,363,812</b>	<b>6.49%</b>

- Movement in Interest Suspense

	PARTICULAR	PREVIOUS YEAR 2007-2008	CURRENT YEAR 2008-2009	MOVEMENT IN INTEREST SUSPENSE
1	Interest Suspense	347,629,573	377,639,764	8.63%

**SCHEDULE 35: COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENTS**

(Amount in Rs. 000')

S.N.	PARTICULARS	AS PER UNAUDITED FINANCIAL RESULTS	AS PER AUDITED RESULTS	VARIANCE	VARIANCE %	REMARKS
<b>1.</b>	<b>TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>41,186,386</b>	<b>39,320,322</b>	<b>(1,866,064)</b>	<b>(4.53)</b>	
1.1	Paid Up Capital	1,216,215	1,216,215	-	-	
1.2	Reserve And Surplus	2,039,203	1,903,666	(135,537)	(6.65)	Restatement of net profit after tax, declaration of 12% cash dividend
1.3	Debtenture And Bond Borrowings	500,000	500,000	-	-	
1.4	Deposits (A + B)	-	-	-	-	Regrouping of account balances
1.5	A. Domestic Currency	34,746,301	34,681,345	(64,956)	(0.19)	
	B. Foreign Currency	29,708,867	29,822,589	113,722	0.38	
	Income Tax Liability	5,037,434	4,858,756	(178,678)	(3.55)	
1.6	Other Liabilities	318,183	10,163	(308,020)	(96.81)	Adjustment of advance income tax, restatement of net profit after tax
1.7	Other Liabilities	2,366,484	1,008,933	(1,357,551)	(57.37)	Regrouping of account balances, increase in loan loss provision, declaration of 12% cash dividend, settlement of inter-branch balances
<b>2.</b>	<b>TOTAL ASSETS (2.1 TO 2.7)</b>	<b>41,186,386</b>	<b>39,320,322</b>	<b>(1,866,064)</b>	<b>(4.53)</b>	
2.1	Cash And Bank Balance	3,048,527	3,048,527	-	-	
2.2	Money At Call And Short Notice	700,000	1,170,794	470,794	67.26	Regrouping of account balances
2.3	Investments	9,181,484	8,710,691	(470,793)	(5.13)	Regrouping of account balances
2.4	Loans And Advances	25,519,137	24,793,155	(725,982)	(2.84)	Adjustment of loan loss provision & advances
2.5	Fixed Assets	1,205,067	952,196	(252,871)	(20.98)	Adjustment of depreciation, settlement of inter-branch balances
2.6	Non Banking Assets	42,265	22,695	(19,570)	(46.30)	Provision made for non banking assets
2.7	Other Assets	1,489,906	622,265	(867,641)	(58.23)	
<b>3.</b>	<b>PROFIT AND LOSS ACCOUNT</b>					
3.1	Interest Income	2,347,086	2,342,198	(4,888)	(0.21)	Restatement of computed income, regrouping of account balances
3.2	Interest Expense	934,346	934,778	432	0.05	Regrouping of account balances
	<b>A. Net Interest Income (3.1 - 3.2)</b>	<b>1,412,740</b>	<b>1,407,420</b>	<b>(5,320)</b>	<b>(0.38)</b>	
3.3	Fees, Commission And Discount	273,206	284,302	11,096	4.06	Regrouping of account balances
3.4	Other Operating Income	60,593	46,343	(14,250)	(23.52)	Regrouping of account balances
3.5	Foreign Exchange Gain/Loss (Net)	228,865	249,983	21,118	9.23	Regrouping of account balances
	<b>B. Total Operating Income (A. + 3.3 + 3.4 + 3.5)</b>	<b>1,975,404</b>	<b>1,988,048</b>	<b>12,644</b>	<b>0.64</b>	
3.6	Staff Expenses	360,099	360,981	882	0.24	Additional provision for leave encashment & gratuity
3.7	Other Operating Expenses	401,120	398,317	(2,803)	(0.70)	Regrouping of account balances
	<b>C. Operating Profit Before Provision (B. - 3.6 - 3.7)</b>	<b>1,214,185</b>	<b>1,228,751</b>	<b>14,566</b>	<b>1.20</b>	
3.8	Provision For Possible Losses	56,303	68,806	12,503	22.21	Additional loan loss provision
	<b>D. Operating Profit (C. - 3.8)</b>	<b>1,157,882</b>	<b>1,159,945</b>	<b>2,063</b>	<b>0.18</b>	
3.9	Non Operating Income / Expenses (Net)	3,795	3,810	16	0.41	Regrouping of account balances
3.10	Write Back Of Provision For Possible Loss	10,546	19,485	8,939	84.76	Regrouping of account balances, additional write back of provision
	<b>E. Profit From Regular Activities (D. + 3.9 + 3.10)</b>	<b>1,172,223</b>	<b>1,183,240</b>	<b>11,017</b>	<b>0.94</b>	
3.11	Extraordinary Income / Expenses (Net)	(5,553)	(9,973)	(4,420)	79.59	Loan written off duly accounted
	<b>F. Profit Before Bonus And Taxes (E. + 3.11)</b>	<b>1,166,669</b>	<b>1,173,267</b>	<b>6,597</b>	<b>0.57</b>	
3.12	Provision For Staff Bonus	106,061	106,661	600	0.57	
3.13	Provision For Tax	318,183	313,771	(4,412)	(1.39)	Difference in unaudited & audited profit
	<b>G. Net Profit / Loss (F. - 3.12 - 3.13)</b>	<b>742,425</b>	<b>752,835</b>	<b>10,409</b>	<b>1.40</b>	

## 22. Rounding off and Comparative Figures

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

### SCHEDULE 34 : STATEMENT OF LOANS AVAILED BY POMOTERS / SHAREHOLDERS FALLING UNDER PROMOTERS' GROUP FROM OTHER BANKS AND FINANCIAL INSTITUTIONS BY PLEDGING SHARES OF THE BANK UNDER THEIR OWNERSHIP

S.N.	PROMOTERS / SHAREHOLDERS CLASSIFIED UNDER PROMOTERS GROUP	SHARES REGISTERED IN THE NAME OF PROMOTERS		PARTICULARS OF LOAN			REMARKS
		Total No. of shares	% of paid up capital	Name of Bank / Financial Institution providing loan	Loan Amount (Rs.)	No. of Shares pledged	
1	Mutual Trading Company Pvt. Ltd.	1,534,863	12.62	Standard Chartered Bank Nepal Nepal Investment Bank Ltd. NIC Bank Ltd.	150,000,000 199,993,035 179,841,304	227,210 602,416 475,238	
2	Ilu Sharma	16,053	0.13	Global Bank Ltd. Sunrise Bank Limited	2,460,403 3,981,036	3,114 8,755	
3	Marwadi Sewa Samiti	15,810	0.13	Siddhartha Bank Ltd	-	10,038	
4	Sumit Kumar Agrawal	322,217	2.65	Nepal Bank Ltd	168,000,000	266,353	

### SCHEDULE 36: UNAUDITED FINANCIAL RESULTS

(Amount in Rs.000')

S.N.	PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS YEAR QUARTER ENDING
<b>1</b>	<b>TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>41,186,386</b>	<b>39,413,092</b>	<b>37,454,839</b>
1.1	Paid up capital	1,216,215	1,216,215	1,013,513
1.2	Reserve and surplus	2,039,203	1,839,783	1,499,479
1.3	Debtenture and bond	500,000	860,000	860,000
1.4	Borrowings	-	800,000	83,178
1.5	Deposits (a + b)	34,746,301	32,308,130	31,842,789
	A. DOMESTIC CURRENCY	29,708,867	27,272,760	25,321,366
	B. FOREIGN CURRENCY	5,037,434	5,035,370	6,521,423
1.6	Income tax liability	318,183	232,717	312,970
1.7	Other liabilities	2,366,484	2,156,247	1,842,910
<b>2.</b>	<b>TOTAL ASSETS (2.1 TO 2.7)</b>	<b>41,186,386</b>	<b>39,413,092</b>	<b>37,454,839</b>
2.1	Cash and bank balance	3,048,527	3,059,315	1,448,143
2.2	Money at call and short notice	700,000	180,700	518,530
2.3	Investments	9,181,484	9,085,129	13,340,177
2.4	Loans and advances	25,519,137	24,342,540	20,179,613
2.5	Fixed assets	1,205,067	1,179,518	1,018,738
2.6	Non banking assets	42,265	25,945	24,827
2.7	Other assets	1,489,906	1,539,945	924,811
<b>3.</b>	<b>PROFIT AND LOSS ACCOUNT</b>			
3.1	Interest income	2,347,086	1,681,565	1,963,647
3.2	Interest expense	934,346	671,580	823,744
	<b>A. NET INTEREST INCOME (3.1 - 3.2)</b>	<b>1,412,740</b>	<b>1,009,985</b>	<b>1,139,903</b>
3.3	Fees, commission and discount	273,206	193,532	202,888
3.4	Other operating income	60,593	39,742	62,103
3.5	Foreign exchange gain/loss (net)	228,865	189,023	192,601
	<b>B. TOTAL OPERATING INCOME (A. + 3.3 + 3.4 + 3.5)</b>	<b>1,975,404</b>	<b>1,432,282</b>	<b>1,597,495</b>
3.6	Staff expenses	360,099	251,972	307,528
3.7	Other operating expenses	401,120	284,114	329,006
	<b>C. OPERATING PROFIT BEFORE PROVISION (B. - 3.6 - 3.7)</b>	<b>1,214,185</b>	<b>896,196</b>	<b>960,961</b>
3.8	Provision for possible losses	56,303	60,815	58,431
	<b>D. OPERATING PROFIT (C. - 3.8)</b>	<b>1,157,882</b>	<b>835,381</b>	<b>902,530</b>
3.9	Non operating income / expenses (net)	3,795	3,075	9,700
3.10	Write back of provision for possible loss	10,546	21,750	184,107
	<b>E. PROFIT FROM REGULAR ACTIVITIES (D. + 3.9 + 3.10)</b>	<b>1,172,223</b>	<b>849,660</b>	<b>1,096,337</b>
3.11	Extraordinary income / expenses (net)	(5,553)	(6,911)	(52,614)
	<b>F. PROFIT BEFORE BONUS AND TAXES (E. + 3.11)</b>	<b>1,166,669</b>	<b>853,295</b>	<b>1,043,723</b>
3.12	Provision for staff bonus	106,061	77,572	94,884
3.13	Provision for tax	318,183	232,717	312,970
	<b>G. NET PROFIT / LOSS (F. - 3.12 - 3.13)</b>	<b>742,425</b>	<b>543,006</b>	<b>635,869</b>
<b>4.</b>	<b>RATIOS</b>			
4.1	Capital fund to RWA	11.31	11.87	12.70
4.2	Non performing loan (NPL) to total loan	2.16	2.03	2.36
4.3	Total loan loss provision to total NPL	128.49	146.14	142.62
<b>5</b>	<b>MAJOR FINANCIAL INDICATORS AS REQUIRED BY SEBON</b>			
5.1	Earning per share	61.04	44.65	62.74
5.2	Price earning ratio	30.91	35.05	31.56
5.3	Net worth per share	267.67	251.27	247.95
5.4	Total assets per share	3,386.44	3,240.64	3,695.55
5.5	Liquidity ratio (CRR)	6.76	5.75	5.17

### 10 YEAR'S FINANCIAL SUMMARY BALANCE SHEET

PARTICULARS	(Rs '000)									
	2059/57 1999/00	2057/56 2000/01	2056/55 2001/02	2055/54 2002/03	2054/53 2003/04	2053/52 2004/05	2052/51 2005/06	2051/50 2006/07	2050/49 2007/08	2049/48 2008/09
<b>Assets</b>										
Cash & Bank Balances	901,907	1,435,175	1,264,672	1,979,209	2,001,184	2,014,471	1,771,352	1,448,143	3,048,527	500,000
Placements	4,082,762	4,057,654	352,350	150,100	368,900	441,081	1,005,280	1,710,024	518,530	34,681,345
Investments	2,216,416	4,083,160	9,157,107	10,175,435	9,292,103	11,692,342	10,888,031	11,822,985	13,340,177	87,106,991
Loans, Advances & Bills Purchased	7,224,727	9,015,347	9,557,137	10,844,599	12,919,631	13,451,168	15,761,977	17,793,724	20,179,613	25,519,519
Fixed Assets	183,046	201,679	318,844	229,871	289,643	295,622	540,825	574,060	795,310	952,196
Other Assets	644,882	707,557	665,738	818,760	848,326	976,659	665,343	656,734	575,852	644,959
<b>Total Assets</b>	<b>15,863,740</b>	<b>19,500,572</b>	<b>21,315,848</b>	<b>24,197,974</b>	<b>25,729,787</b>	<b>28,871,343</b>	<b>30,579,808</b>	<b>34,314,868</b>	<b>36,857,624</b>	<b>40,046,686</b>
<b>Liabilities</b>										
Borrowings	128,646	79,527	534,013	645,840	659,006	506,048	504,625	943,178	500,000	
Deposit Liabilities	14,043,097	17,532,404	18,619,375	21,007,379	22,010,333	24,814,012	26,490,852	30,046,418	31,842,789	34,681,345
Reserve for Doubtful Debts	344,484	477,653	643,414	842,751	967,762	1,026,648	1,119,417	795,727	682,093	726,364
Other Liabilities	821,462	690,369	638,872	768,520	768,520	962,888	698,738	728,256	876,573	1,019,096
<b>Total Liabilities</b>	<b>15,337,689</b>	<b>18,779,963</b>	<b>20,457,733</b>	<b>23,134,842</b>	<b>24,405,621</b>	<b>27,329,596</b>	<b>28,819,632</b>	<b>32,168,368</b>	<b>34,344,633</b>	<b>36,926,805</b>
<b>Net Assets</b>	<b>526,051</b>	<b>720,609</b>	<b>858,115</b>	<b>1,063,132</b>	<b>1,324,166</b>	<b>1,541,747</b>	<b>1,766,176</b>	<b>2,146,500</b>	<b>2,512,992</b>	<b>3,119,881</b>
<b>Shareholders' Equity</b>										
Paid up Capital	240,000	300,000	390,000	429,000	536,250	643,500	772,200	810,810	1,013,513	1,216,215
Proposed capitalisation of profits	60,000	90,000	38,000	107,250	107,250	128,700	38,610	202,703	202,703	383,785
Reserves	200,600	261,697	309,585	404,389	519,698	611,372	798,808	946,691	1,199,934	1,483,355
Retained Earnings	25,451	68,912	119,530	122,493	169,968	158,175	158,558	184,386	96,842	36,526
Total Shareholders' Equity	<b>526,051</b>	<b>720,609</b>	<b>858,115</b>	<b>1,063,132</b>	<b>1,324,166</b>	<b>1,541,747</b>	<b>1,766,176</b>	<b>2,146,500</b>	<b>2,512,992</b>	<b>3,119,881</b>
<b>Total Capital + Liabilities</b>	<b>15,863,740</b>	<b>19,500,572</b>	<b>21,315,848</b>	<b>24,197,974</b>	<b>25,729,787</b>	<b>28,871,343</b>	<b>30,579,808</b>	<b>34,314,868</b>	<b>36,857,624</b>	<b>40,046,686</b>
<b>Contingent Liabilities</b>										
Letter of Credit	2,413,461	1,965,318	2,445,669	2,008,618	2,420,343	3,469,154	3,068,891	2,916,470	6,125,565	7,042,307
Guarantees	2,078,969	1,992,446	2,572,031	3,394,050	3,315,942	3,451,242	3,423,337	3,449,207	1,644,703	1,701,268
Forward Exchange Contract	780,093	1,096,562	224,349	19,995	116,132	2,818	-	165,278	13,998	166,911
Other Contingent Liabilities	37,438	142,975	142,975	106,733	106,733	795,554	86,880	322,681	3,087,675	5,836,222
<b>Total Contingent Liabilities</b>	<b>5,309,961</b>	<b>5,112,739</b>	<b>5,385,054</b>	<b>5,529,396</b>	<b>6,229,899</b>	<b>7,719,748</b>	<b>6,579,108</b>	<b>6,833,636</b>	<b>10,871,941</b>	<b>14,749,708</b>

**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	2065/66 2008/09
<b>Income</b>										
Interest Income	1,033,660	1,326,378	1,148,998	1,201,233	1,245,895	1,446,468	1,626,474	1,775,893	1,963,647	2,342,198
Interest Expense	594,800	734,518	578,134	554,128	491,543	561,984	648,942	767,411	823,745	934,778
<b>Net Interest Income</b>	<b>438,860</b>	<b>591,860</b>	<b>570,864</b>	<b>647,105</b>	<b>754,352</b>	<b>884,584</b>	<b>977,532</b>	<b>1,008,482</b>	<b>1,139,903</b>	<b>1,407,420</b>
Commission & Discount	110,330	96,065	101,704	102,562	123,929	132,816	165,448	193,224	167,620	284,302
Foreign Exchange Income	87,327	119,261	104,601	109,599	112,419	137,301	198,130	151,637	207,669	249,963
Other Income	9,685	31,220	32,038	30,154	34,076	41,301	52,325	40,329	62,103	46,343
Non-Operating Income	1,695	2,303	2,451	10,760	3,299	2,795	1,887	3,493	9,700	3,810
<b>Total Income</b>	<b>647,897</b>	<b>840,709</b>	<b>811,658</b>	<b>900,180</b>	<b>1,028,075</b>	<b>1,198,717</b>	<b>1,395,422</b>	<b>1,396,655</b>	<b>1,607,196</b>	<b>1,991,858</b>
<b>Expenses</b>										
Staff Expenses	59,880	86,575	101,537	120,145	152,509	178,589	234,589	290,321	292,213	380,881
Operating Expenses	132,545	141,116	165,786	177,131	211,047	277,375	329,699	322,865	344,321	399,317
Provision for Doubtful Debts	103,249	134,320	166,506	202,873	186,226	147,139	88,593	90,689	6,008	68,806
Provision for Staff Bonus	34,855	48,336	38,783	40,003	46,731	58,060	67,240	71,740	94,884	106,861
Non-Operating Expenses	3,672	-	-	10,988	15,012	2,902	-	(96,763)	(79,069)	(9,511)
<b>Total Expenses</b>	<b>334,201</b>	<b>409,347</b>	<b>462,612</b>	<b>540,152</b>	<b>607,501</b>	<b>676,175</b>	<b>723,023</b>	<b>679,462</b>	<b>658,357</b>	<b>925,562</b>
Profit before tax	313,696	431,362	349,046	360,028	420,574	522,542	672,399	717,464	946,839	1,066,666
Income tax provision	114,316	154,323	114,023	147,896	157,522	214,265	274,941	225,580	312,970	313,771
<b>Net Profit after Tax</b>	<b>199,380</b>	<b>277,039</b>	<b>235,023</b>	<b>212,132</b>	<b>263,052</b>	<b>308,277</b>	<b>457,458</b>	<b>491,823</b>	<b>633,869</b>	<b>752,835</b>
<b>P/L Appropriation</b>										
Profit/Loss carried down	253,420	302,490	303,934	331,660	385,546	478,244	615,633	648,380	820,254	849,676
Interest Spread Reserve reversed	-	-	770	770	-	-	-	-	-	-
Statutory General Reserve	39,876	57,117	47,005	42,428	52,611	61,655	91,492	98,365	127,174	150,867
Exchange Equalisation Fund	3,880	3,982	901	1,720	2,270	-	5,906	-	1,302	2,237
Interest Spread Reserve Fund	-	-	-	-	-	-	-	-	-	-
HBL Bond 2066 redemption fund	-	-	-	51,429	51,429	51,429	51,429	51,429	122,857	122,857
Interim Dividend	36,000	60,000	-	-	-	-	-	-	-	-
Proposed Dividend	84,000	22,500	97,500	5,645	-	74,511	231,660	121,622	253,378	145,946
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Adjustment A/c	-	-	-	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	60,000	90,000	39,000	107,250	107,250	128,700	38,610	202,703	202,703	383,785
Income Tax of last year	813	-	-	1,466	2,018	3,774	1,369	(10,122)	15,998	7,760
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-
Staff Gratuity Fund	3,700	-	-	-	-	-	-	-	-	-
<b>Profit Transferred to Balance Sheet</b>	<b>25,451</b>	<b>68,911</b>	<b>119,528</b>	<b>122,494</b>	<b>169,967</b>	<b>158,175</b>	<b>156,557</b>	<b>164,385</b>	<b>96,842</b>	<b>36,525</b>