

# 20

## YEARS OF RESOUNDING SUCCESS

*Annual Report 2011/12*



हिमालयन बैंक लिमिटेड  
**Himalayan Bank Limited**  
THE POWER TO LEAD

## ***OUR VISION REMAINS THE SAME***

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Himalayan Bank Limited's vision is to become a leading bank of the country by providing premium products and services to its customers and to ensure attractive and substantial returns to its stakeholders.

## ***OUR MISSION CONTINUES...***

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The Bank's mission is to become a preferred provider of quality financial services in the country. There are two components in the Bank's mission: 'preferred provider' and 'quality financial services'. We at HBL believe that this mission will be accomplished only by satisfying these two important components with the customer at the focal point of all our efforts.

## ***OUR CORE VALUES***

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- Directors, management, and other staff shall conduct business transactions fairly and equitably without being unduly influenced by individual associations with customers.
- All members of the Board and Management Committee as well as all other staff shall maintain confidentiality of customer information and transactions and even after vacating the office, continue to maintain confidentiality in regard to the Bank and its customers' correspondences, accounts, and dealings. However, providing any information about financial transactions to a third party as required by law shall not be construed as a breach of confidentiality.
- Board members shall not interfere in the day-to-day functioning of the management.
- Members of the Board and Management Committee, as well as other staff, shall not accept any money or gift from customers that is perceived as intended, directly or indirectly, to influence any business decision.





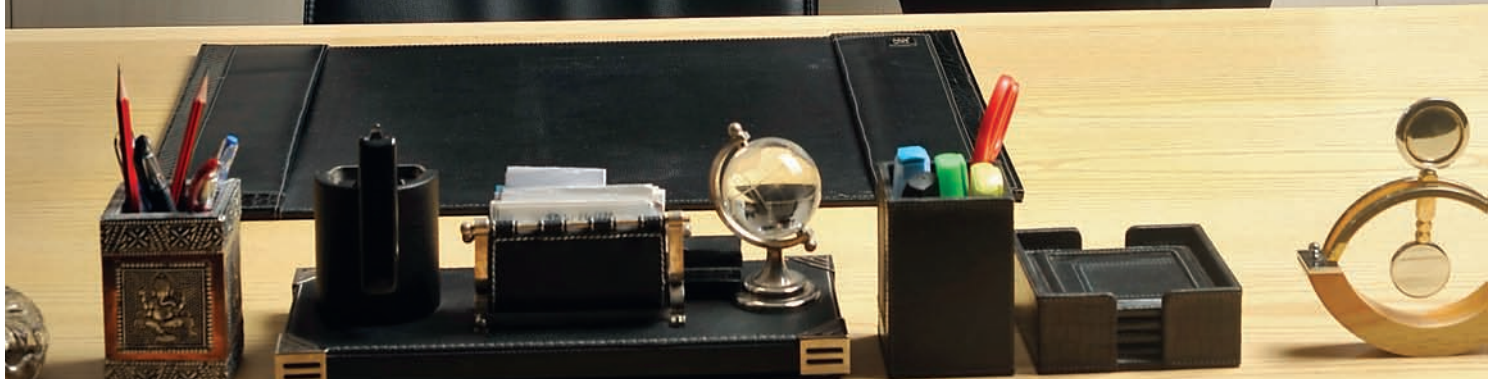
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***FROM THE DESK OF THE CHAIRMAN***



# TWO DECADES OF OUR JOURNEY IN BANKING

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## Dear Shareholders,

It is my pleasure to report very good performance by the Bank for F.Y. 2011-2012. Achieving consistent, high-quality earnings is one of the Bank's top priorities and we are encouraged by last year's performance. While political and economic headwinds have created a challenging operational environment, I would like to take this opportunity to thank our Board of Directors and the management for displaying the resilience and leadership required to guide the Bank during these tough economic times.

The transitional nature of the country's politics has created both fiscal and economic challenges. A lack of consensus among the political forces, and therefore a lack of direction, has created a difficult economic climate in Nepal. The heightened uncertainty created by the current political impasse makes it very difficult for banks and other industries to invest in long-term projects that yield future growth and prosperity. The banking industry, similar to any other industry in the country, has been adversely affected by the current political and economic climate. However, we remain optimistic about the future and continue to do our part in aiding economic development through the introduction and delivery of innovative value-added financial products and solutions to our clients.

The Bank would also like to acknowledge and thank our regulator, Nepal Rastra Bank, for the leadership and professionalism it has shown. We commend its efforts in stabilizing the overall economy by using various monetary policy tools and introducing progressive regulations.

I am really glad to see the Bank achieve good results during F.Y. 2011-12. The Bank was able to achieve, and in some cases exceed, all the targets set for the fiscal year. During the fiscal year, new markets were explored through establishment of new branches; new products were launched to cater to changing

customer needs; and new avenues were explored to enhance inward remittance. Many existing sets of policies and manuals were revised and updated to enhance efficiency and implement industry best practices. I thank the management for achieving and exceeding the financial targets set for the fiscal year. I thank the Bank's Board of Directors for their initiatives to improve corporate governance and develop better systems and controls.

The Bank has noted a global growth in the occurrences and intensity of cyber crimes in the financial sector. Given the growth and increased prevalence of cyber crimes and thefts around the world, the Bank is committed to having controls and measures in place to counter such risks. I would like to assure the shareholders, regulators, and all other stakeholders that the management and Board of Directors is undertaking a holistic review of the bank's internal control mechanisms, and strong security measures remain a priority for the Bank's Board of Directors.

The appointment of the caretaker government with the mandate of holding Constituent Assembly elections is a positive development. We are hopeful that the country will move towards increased stability, and despite the setbacks, we remain cautiously optimistic that the nation will overcome its challenges and that better times lie ahead. I remain very optimistic about the future of the Bank and strongly believe that the hard work of our staff, leadership of the management, and guidance of the Board of Directors will ensure achievements of the Bank's goals in all respects. I am looking forward to another successful year for Himalayan Bank as it embarks into its 20th year of operations.

Thank you.

Manoj Bahadur Shrestha  
Chairman, Board of Directors



# ***ENSURING THE RIGHT DECISIONS***

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**Mr. Radha Krishna Pote**  
Director

**Mr. Salim Amlani**  
First Vice Chairman

**Mr. Upendra Keshari Poudyal**  
Professional Director

**Mr. Manoj B. Shrestha**  
Chairman





**Mr. Prachanda Bahadur Shrestha**  
Director

**Mr. Sushil Bikram Thapa**  
Director

**Mr. Surendra Silwal**  
Alternate Director

**Mr. Himalaya SJB Rana**  
Chief Advisor to the Board

**Mr. Bijaya Bahadur Shrestha**  
Director



***FROM THE DESK OF THE CEO***

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# WE NEVER WAVERED FROM OUR PATH

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This year has seen significant changes in the financial sector, a year in which risk management took center stage. It is to be appreciated that Nepal Rastra Bank (NRB) took some very important and timely steps to maintain the credibility of the banking sector by introducing new directives from time to time, thus helping banks to put their houses in order. At Himalayan Bank Ltd. (HBL) too, we have made some essential changes according to the said directives, and these changes, we are sure, will act as a catalyst for our better performance. These directives have already helped us in strengthening our in-house check and balance system.

Increase in competition has been accompanied by increased risks, and this can only be mitigated with improved supervision. The year has seen many steps being taken to do so and NRB's role has been significant in this regard. For instance, as per its guidelines, we have now bifurcated the credit department into two sections: one for corporate banking and the other for retail banking, micro-finance, and the card business. This has helped us to concentrate on conducting our day-to-day business. Additionally, we have a firmer hold on associated risk factors, thus minimizing the operational risks inherent in the banking business.

In the same way, NRB's new directives make it mandatory for banks to have separate risk management and audit departments. The need for banks to better manage their human resource has also caught the attention of NRB, and banks have been asked to give priority to this aspect as well. At this point, I am pleased to say that HBL's staff, numbering some 800 employees, are fairly treated and adequately reimbursed for their services. At HBL, we have perhaps the best motivated employees in the country's banking sector and I would like to express my appreciation to each one of them for giving their best in the discharge of their individual responsibilities.

Misuse of technology has grave impacts on the banking sector. It is obvious that technology comes with some inherent risks. However, such risks need to be mitigated by taking appropriate measures to ensure that the public's confidence in the banking sector will not fade away. On this front, HBL has made considerable investment to protect its technologically-driven services from being misused, and we are now using the PCI-DSS (Payment Card Industry–Data Security Standard) system used by organizations like Amex, Mastercard, and Visa for our card services. In internet banking, we have in place a double security system to ensure that clients' accounts are fully protected. Besides, we have also undertaken several other steps to plug any loopholes in our system. This is a continuous process.

Here, I would like to say that banks in general should be wary of the risks associated with the use of technology when introducing new products and services, particularly those in which technology plays a big part. Banks must first ensure foolproof safeguards before doing so. This is vital, because, all said and done; banks are the custodians of the public's money and thus have a

bigger responsibility than many other businesses. In fact, I would go so far as to say that banks are a different breed of business.

Apart from risk management, which was a focal point this year, we had a meaningful involvement with the International Financial Corporation (IFC) from whom we gained valuable suggestions besides signing a memorandum of understanding to invest more vigorously in the hydropower sector. Besides hydropower, HBL is also seeking ways to diversify its portfolio further. Thus, we are planning to invest in SMEs besides becoming more involved in micro-financing. At this point, I must express my admiration for the resilience of our entrepreneurs, who, despite adversities, appear to be doing quite well. Now I am sure we are all looking forward to a proper budget being presented. Under the present scenario, this may not be easy; but it will be a courageous step that will help the economy to rebound.

Talking about the future, we at HBL are committed to carrying on our 20-year tradition of being a rock-steady bank. In fact, in the past two decades, this has been one of our major strengths. There have been very few changes on the Board as well as in general management. Our culture has been to provide excellent banking services based on prudence, transparency, and foresight.

As far as our business is concerned, we have a lot to look forward to in the years ahead. Our portfolio is strong; our card business is doing extremely well and is contributing substantial profits to the bank; our remittance income is on the upside; and our Treasury Department is also doing well. Regarding expansion, we have opened three new branches this year and we are planning to open three or five more branches in the coming year. We will also be expanding our network by installing 10 to 12 ATMs soon.

Finally, since we are celebrating the 20th year of HBL's establishment, it would be propitious to highlight some salient milestones of the Bank. I can say that HBL has grown organically and has succeeded in building huge assets during the period. This is something that not all banks can lay claim to in Nepal. We have consistently introduced new technology, while on the other hand there has been a high degree of stability as far as the Board and management are concerned. To sum up our 20 years in the banking sector in Nepal, I would say that HBL has been a 'bedrock of stability' throughout the years.

I would like to express thanks to all our well-wishers and stakeholders, including NRB and other concerned government bodies, our respected shareholders, the Board of Directors, the management, all our staff, and all our valued customers.

Thank you.

Ashoke SJB Rana  
CEO, Himalayan Bank Ltd.



# CREATING BANKING HISTORY 20 SUCCESSFUL YEARS

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Himalayan Bank Ltd. (HBL) was established in 1993 in joint venture with Habib Bank Limited of Pakistan. It is a matter of satisfaction that, right from the beginning, HBL has been able to remain on the tried and tested path of ethical and prudent banking, abiding consistently by the principles of honesty and transparency in all its dealings. HBL has never been swayed by the temptation to go in for short-term gains; rather, it has always taken its decisions, and made its policies, with astute foresight and with the future in mind. As a result, HBL has established itself as a leading financial institution of the country, a bank that has the trust of millions, an institution that is known for its professionalism.

The last 20 years has seen tremendous changes in the country, affecting all parts of society as well as the economy. The financial sector has seen a great upsurge in the number of players in the market. In comparison to just a handful of financial institutions then, including just six banks till 1992, today there are hundreds of financial institutions (commercial banks, development banks, finance companies, and micro-development banks). The number of Class A commercial banks has now risen to thirty-two.

HBL was the seventh bank to be established in Nepal, and the fourth private sector bank after Nabil, Nepal Investment Bank, and Standard Chartered. It is a matter of pride that HBL has been able to hold its own and become a leader among banks and financial institutions. This premier status has been possible mainly because of HBL's unwavering faith in the basic principles of banking, i.e., prudence, transparency, and accountability. In other words, HBL has always been a responsible bank, and needless to say, will continue to be so in the coming days as well.

The early days were not easy, and the last few years have not been easy either. Keeping in mind the tumultuous political changes and the uncertain economic climate of the last decade or so, it would be an understatement to say that banks and other financial institutions have had a rough ride. In the early days too, with the sector just starting to grow, the going was far from smooth. The effects of a sluggish economy, the uncertain political climate, and the upsurge in number of banks and other financial

institutions is being felt quite acutely now, and has compelled Nepal Rastra Bank (NRB) to take a number of corrective steps. That this will have a profound effect on the sector is a certainty.

Nevertheless, HBL, on its part, has perhaps the least to worry about, besides of course, the usual problems to do with day-to-day banking. This is due to the fact that HBL has not wavered from its chosen path of prudent banking. At the same time, HBL has continuously taken the lead in introducing technology and new products and services. HBL was the first to start ATM and tele-banking services in the country. Some of its innovative products include Premium Savings Account, HBL Proprietary Card, and Millionaire Deposit Scheme. In the recent past, HBL has launched several new products and services: Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card, and online TOEFL, SAT, IELTS, etc. fee payment facilities. Concerning remittance, HBL has developed an exclusive and proprietary online money transfer software, HimalRemit. Today, HBL is the biggest inward remittance handling bank in Nepal.

Not only that, HBL now has the highest deposit base and loan portfolio amongst private sector banks. Besides, in the last 20 years, HBL has built up an impressive amount of asset, which not many other banks can claim to have achieved. Also, for quite some time now, HBL has been extending guarantees to correspondent banks covering exposure of other local banks under its credit standing with foreign correspondent banks. Undoubtedly, this proves that HBL is a leader of the country's banking sector and its recent rating by Bankers' Almanac as the country's number one bank further confirms the fact.

Indeed, the last 20 years has been a journey of many ups and downs in all sectors of the country. However, through thick and thin, through all the turbulent times, HBL has continued to be true to its principles of sound banking, realizing all the while that the business of banking is like no other, and that banks are the custodians of the public's wealth. This realization has been reflected in all its actions, with the result that 20 years hence, HBL can with deserved pride say, "We have done it!"



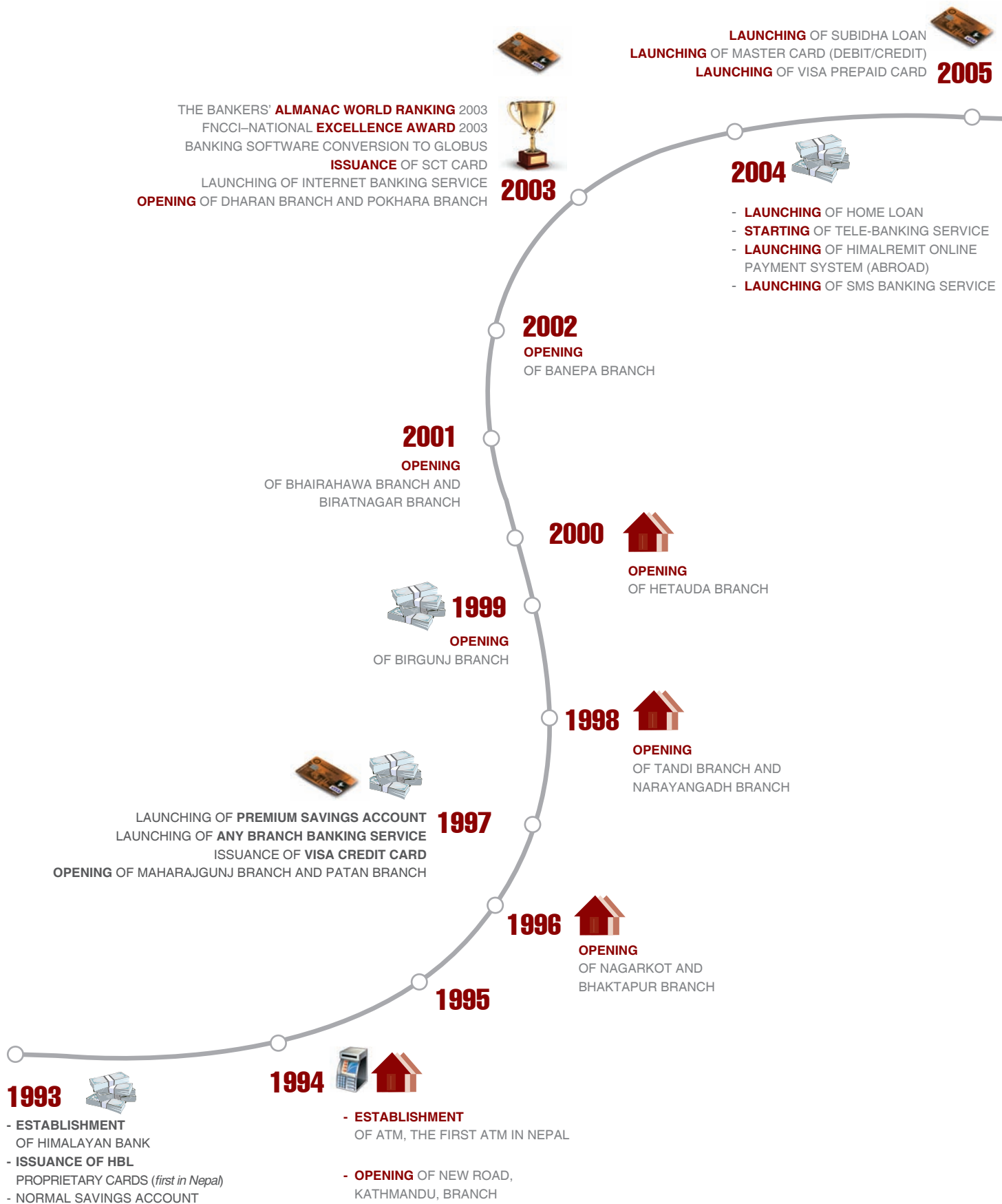


## CONSISTENT SUCCESS

Through the 20 years of our journey, HBL has been on a consistently upward path and there have been many occasions and reasons to celebrate.



# OUR JOURNEY



- **BEST PRESENTED ACCOUNTS (BPA)** AND CORPORATE GOVERNANCE DISCLOSURE **AWARD**
- **LAUNCHING** OF HIMAL SAVINGS ACCOUNT, BISHESH SAVINGS ACCOUNT, RECURRING SAVINGS ACCOUNT, JUMBO TERM DEPOSIT
- **FEE COLLECTION SERVICE** FOR EDUCATIONAL INSTITUTIONS
- **OPENING** OF NEPALGUNJ BRANCH AND ITAHARI BRANCH



**2008**

- LAUNCHING OF **SUPER PREMIUM SAVINGS ACCOUNT**
- LAUNCHING OF **SPECIAL PAYROLL ACCOUNT**
- LAUNCHING OF **CURRENT CALL ACCOUNT** FOR NON PROFIT ORGANIZATIONS
- LAUNCHING OF **HIMALREMIT FLAGSHIP COUNTER**— HIMAL CENTRE
- **BRANCH OPENING** OF BAGLUNG, SATDOBATO, PARSA, SORHAKHUTTE, DILLIBAZAR, DHANGADHI, GORKHA, AND KALANKI

**2010**

**2011**



- **ISSUANCE** OF EMV COMPLIANT CHIP-BASED CARD (*first in Nepal*)
- HIMAL@**NET-INTERNET BANKING** SERVICE
- LAUNCHING OF SMALL PERSONAL **BUSINESS LOAN**
- **BRANCH OPENING** OF BARAHABISE, KAWASOTI, BATTISPUTALI
- **INAUGURATION** OF HBL CORPORATE BUILDING AT KAMALADI, KATHMANDU

**2009**



- LAUNCHING OF **CARD MERCHANT LOAN**
- LAUNCHING OF **SHAREHOLDER'S SAVINGS ACCOUNT**
- **AGREEMENT** BETWEEN BOK, LAXMI BANK, AND HIMALAYAN BANK FOR VARIOUS BANKING SERVICES
- LAUNCHING OF **HIMALREMIT SAVINGS ACCOUNT**
- STARTING OF **HIMALREMIT LOYALTY CARD**
- **OPENING** OF BRANCHES AT CHABAHIL, GHORAH, SWOYAMBHU, TRISHULI, NEW BANESWOR, AND DAMAK

**2006**



- LAUNCHING OF **SME LOAN**
- LAUNCHING OF **MILLIONAIRE DEPOSIT SCHEME**
- **OPENING** OF BUTWAL BRANCH

**2007**

**LAUNCHING** OF VISA DEBIT CARD  
**OPENING** OF TEKU BRANCH  
**LAUNCHING** OF HIMALREMIT BENEFICIARY ACCOUNT

## OUR FINAL STEPS

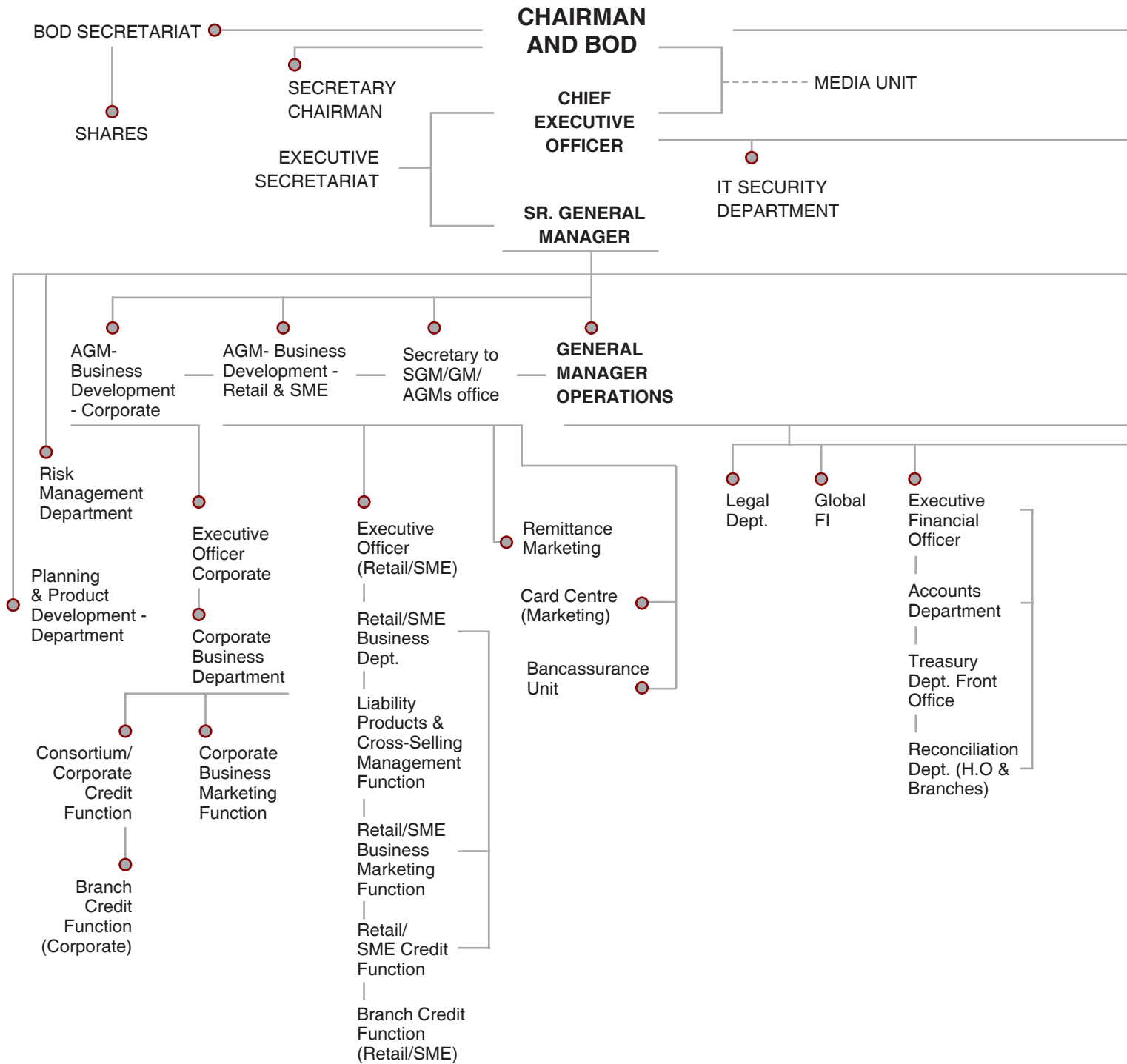


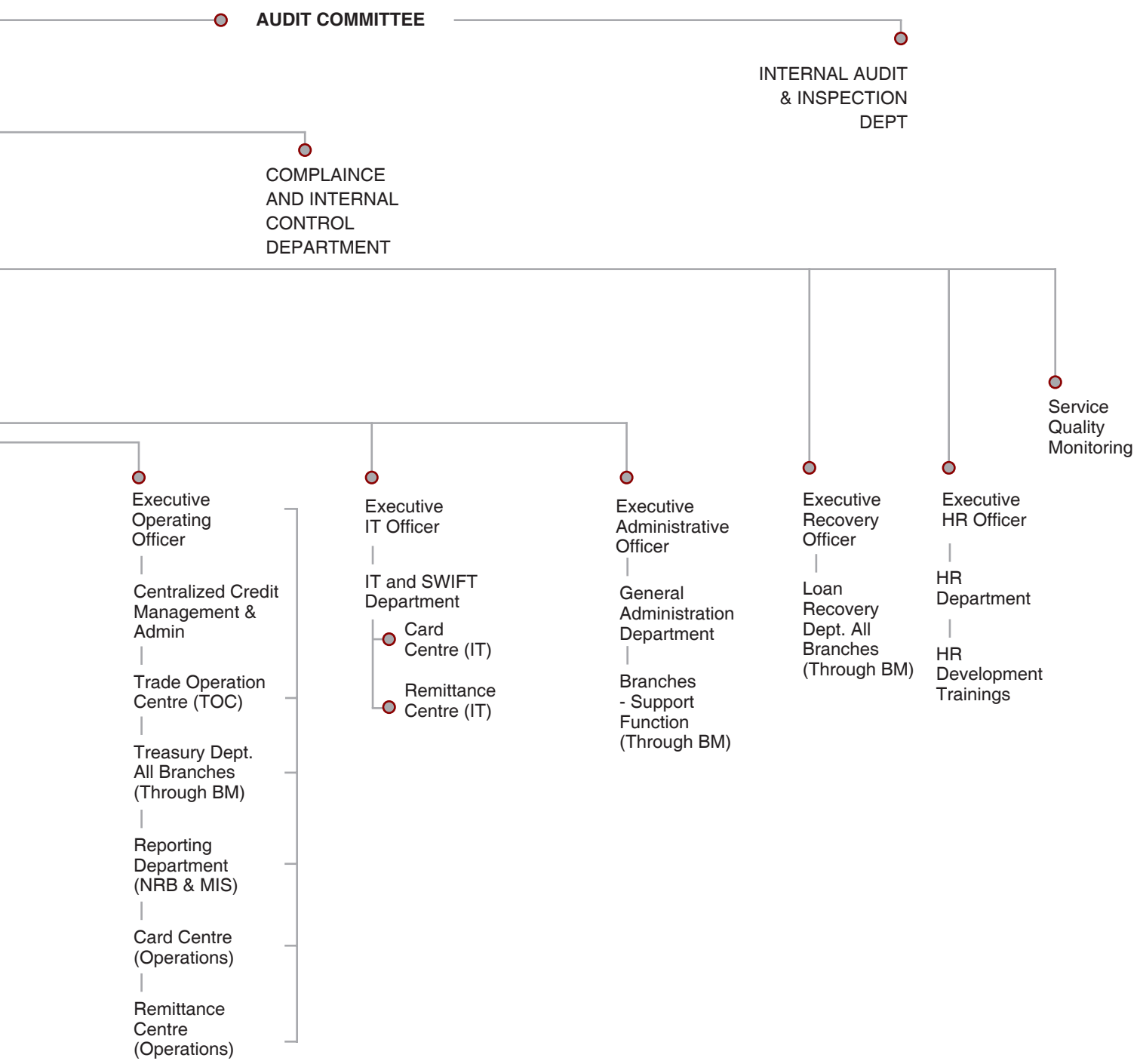
**2012**

- **LAUNCHING** OF JCB AND UNION PAY CARDS (*acquiring*)
- **LAUNCHING** OF NON-STOP BANKING SERVICE
- **BRANCH OPENING** OF DHADING, RAM BAZAAR—POKHARA, KAUSHALTAR



# OUR STRUCTURE













## **EXECUTIVE TEAM**

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### **Standing (left to right)**

**Mr. Anup Maskay**  
Asst. General Manager

**Mr. Ujjal R. Rajbhandary**  
Asst. General Manager

**Mr. Basu Dahal**  
Chief Manager, Executive Administrative Officer

### **SITTING (left to right)**

**Mr. Sushiel Joshi**  
General Manager

**Mr. Ashoke SJB Rana**  
Chief Executive Officer

**Mr. Ejaz Qadeer Gill**  
Senior General Manager



# MANAGEMENT TEAM



STANDING (left to right)

**Mr. Sundar Bastola**  
Manager

**Mr. Prajesh Shrestha**  
Manager

**Mr. Rajesh Bhattarai**  
Manager

**Ms. Sujata Joshi**  
Manager

SITTING (left to right)

**Mr. Jayendra Bikram Shah**  
Manager

**Mr. Sunil Prasad Gorkhali**  
Senior Manager

**Mr. Bijaya Man Nakarmi**  
Senior Manager

**Mr. Kapil Prasad Lohani**  
Senior Manager

**Mr. Rabindra Narayan Pradhan**  
Senior Manager



*STANDING (left to right)*

**Ms. Bina Pandey**  
Manager

**Mr. Nava Raj Giri**  
Manager

**Mr. Satish Raj Joshi**  
Manager

*SITTING (left to right)*

**Mr. Banshidhar Sharma**  
Senior Manager

**Mr. Maheshwor Prasad Joshi**  
Senior Manager

**Mr. Mrigendra Pradhan**  
Senior Manager

**Mr. Bipin Hada**  
Senior Manager

**Mr. Naveen Kumar Paudyal**  
Senior Manager



# PRODUCTS AND SERVICES

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Himalayan Bank Ltd. has a diverse range of products and services that cater to the different individual needs of its many customers. The Bank has earned a well-deserved reputation as a pioneer in introducing many innovative products. By doing so, the Bank provides new conveniences to its customers through the use of modern technology. HBL offers the convenience of networked branches/ATMs and facility of E-channels like Internet and SMS banking. In short, HBL brings banking to its customers' doorsteps.

## DEPOSIT PRODUCTS

Himalayan Bank offers a choice of deposit products that customers can choose from to suit their individual requirements. Savings products include Normal Saving Account, Premium Savings Account (with exclusive counter services), Super Premium Savings Account (with high returns), Himal Savings Account (zero balance account), Himal Remit Savings Account (customized for remitters), Recurring Savings Account (for monthly deposits), Bishesh Savings Account (for minor, senior citizens, physically handicapped, and illiterate) and Shareholders' Savings Account.

A Current Account is available for daily business transactions. A Call Account gives an earning opportunity for businesses in their current account while Non Profit Organization Current Call for NGOs, INGOs, and charitable trusts offers attractive interest rates. Fixed deposit products include Fixed Term Deposit, Jumbo Term Deposit (for those willing to park funds for 3 to 5 years and earn attractive returns).

## CREDIT SERVICES

Himalayan Bank offers a wide range of tailor-made funded and non-funded credit facilities to suit different funding requirements. Among these are Corporate Lending that includes project financing, consortium financing, fixed term loan, working capital financing, trade financing, and loan against first class bank guarantee.

Similarly, Retail/Consumer Lending includes hire purchase loan, mortgage loan, credit card loan, housing loan, subidha loan, and FD with OD facility. Retail Lending also includes card merchant loan, educational institution financing, loan against fixed deposit receipt, loan against government bonds/securities, and loan against shares. Specialized Lending is directed towards providing credit facilities to small and medium enterprises (SMEs) while Trade Services include LC (advising, confirmation, negotiation, and reimbursement) and guarantee (bid bond, performance bond, advance payment, and counter guarantee).

## CARD SERVICES

Himalayan Bank was the first to introduce the first Nepali credit card for the domestic market—HBL Card—which was the most popular card in the country at one time. Now, Himalayan Bank is offering Visa and MasterCard, a further expression of its commitment to provide products tailored to match clients' requirements. The various card services include HBL SCT/Visa /Master Debit Card, HBL Visa Credit Card, HBL Master Credit Card, and HBL Prepaid Visa Card.

## HIMALREMIT

Himalayan Bank is a pioneer in the field of retail money transfer business with over a decade-long customized service delivery experience in the field. The bank conducts this business through HimalRemit, a state-of-the-art web-based online money transfer system that is easily accessible through our main web domain [www.himalayanbank.com](http://www.himalayanbank.com). It can be directly accessed by all our branches and network thus ensuring prompt execution of remittances. The product is monitored and serviced 24/7 by our Remittance Promotion Department dedicated to deliver fast and reliable services to the customers. HimalRemit has the largest payment network covering all cities, towns, and villages of the country and is capable of paying at more than 1,000 locations across Nepal.

## ANCILLARY SERVICES

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

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





## HIGHLY RESOURCEFUL

HBL, Nepal's first choice bank, has many resources at hand, thus ensuring that you get the best services possible. Certainly a reason to celebrate!



# GIVING BACK TO SOCIETY

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Corporate Social Responsibility (CSR) is a very important aspect of HBL's activities. Right from the time of its establishment, it has been discharging its social responsibilities through various social and allied institutions. Being an active and responsible corporate citizen of the country, HBL has always promoted social welfare activities. Many activities that do common good to society have been undertaken by HBL in the past and we are determined to continue doing so in the future as well. The major services being rendered by HBL on this front include those related to education, healthcare, sports, culture, and social services. HBL allocates a significant portion of its "Annual Sponsorship and Donation Budget" for fulfilling social responsibilities.

## CSR ACTIVITIES RECENTLY PERFORMED BY HBL ARE LISTED BELOW:

- 2012** : Financial support to BP Eye Foundation
- 2012** : Sponsorship of "Martyr Dil Bahadur Ramtel Running Cup Cricket"
- 2012** : Partial sponsorship of Everest Peace Expedition
- 2012** : Sponsorship of Himalayan Bank Open Golf Tournament 2012 at Nepal Army Officers' Golf Club, Guheswori
- 2012** : Sponsorship of Himalayan Bank Golf Tournament at Nepal Golf Club, Tilganga
- 2012** : Financial Aid to "Pourakhi Bal Sikshya Kosh" to meet the education expenses of 10 children who are barred from education.
- 2012** : On the occasion of 19th anniversary of Himalayan Bank, HimalRemit, under its corporate social responsibility, distributed solar lanterns to local people of Salme VDC, Nuwakot District, a village that is yet to get connected to the national electricity distribution line.
- 2012** : HimalRemit has contributed to help Birendra Higher Secondary School, Pakuwa-6, Parbat Dist., to rebuild its building damaged by a natural disaster. On the occasion of 19th anniversary of Himalayan Bank, CEO Ashoke SJB Rana handed over the contribution amount cheque to the school's principal Mr Rudra Bahadur Rimal. The newly rebuilt building was inaugurated by General Manager Sushiel Joshi of Himalayan Bank at a ceremony held in the school premises on June 21, 2012.
- 2012** : HimalRemit, in association with its principal agent CFS, distributed relief material (rice and lentil) to about 500 fire-victim families of Aurahi Village, Siraha.
- 2012** : HimalRemit provided Rs 84,000 to the widow of deceased Dil Bahadur BK of Pipaltari-9, Parbat, as a small support to her daily needs. The amount will be availed in installments of Rs 7,000 per month. Dil Bahadur BK, the only support to the family, was killed in a road accident in Saudi Arabia.
- 2011** : Blood donation program organized by the Bank at Bhaktapur Durbar Square
- 2011** : Financial support to Burn Violence Survivor Society, Kathmandu
- 2011** : Distribution of solar lights to a Chepang village, Makwanpur
- 2011** : Financial assistance to the earthquake victims of Taplejung district
- 2011** : Financial assistance to renovate "Shree Pachali Bhairab Bhajan Griha", Teku
- 2011** : Distribution of school uniforms and blankets to the children of New Children Home, Dally, Ktm.
- 2011** : Financial assistance to Kutubahal Nari Jagaran Abhiyan
- 2011** : Donation of note-counting machine to TU Teaching Hospital, Maharajgunj.
- 2011** : Sponsorship of "Krishna Mohan Smriti Badminton Cup", Kathmandu

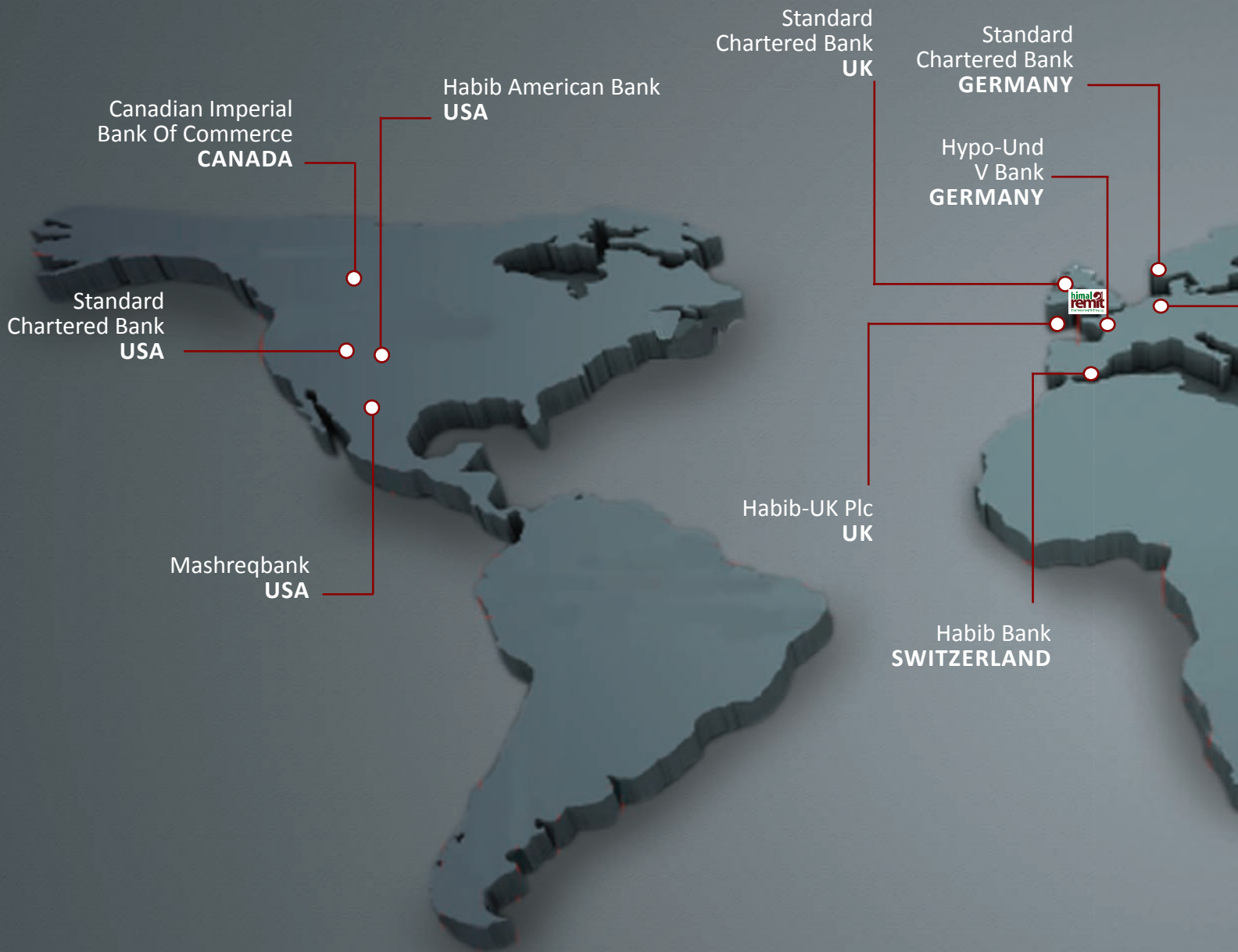
# **AWARDS AND RECOGNITIONS**

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- Best Presented Accounts and Corporate Governance Disclosure Award 2008 presented by South Asian Federation of Accountants.
- Best Presented Accounts Award 2008 presented by Institute of Chartered Accountants of Nepal.
- Number 1 Bank of Nepal 2006 awarded by The Bankers' Almanac, Britain.
- Number 1 Bank of Nepal 2003 awarded by The Bankers' Almanac, Britain.
- National Excellence Award 2003 presented by Federation of Nepalese Chambers of Commerce and Industry.



# CORRESPONDENT NETWORK



Himalayan Bank has access to the worldwide correspondent network of Habib Bank for fund transfer, letter of credit, or any banking business anywhere in the world. Habib Bank is the largest and oldest bank in Pakistan having over 1,700 domestic and 65 overseas branches covering all continents and over 1,800 correspondents worldwide. Besides, Himalayan Bank has correspondent arrangement with 178 internationally renowned banks.



Nordea Bank  
**NORWAY**

Commerz Bank  
**GERMANY**

Bank Of India  
**INDIA**

Standard  
Chartered  
Bank  
**INDIA**

HDFC Bank Limited  
**INDIA**

Bank Of China  
**CHINA**

Korea Exchange Bank  
**SOUTH KOREA**

Standard  
Chartered Bank  
**JAPAN**



Habib Bank  
Limited  
**PAKISTAN**

ICICI Bank  
Limited  
**INDIA**

Bank Of  
America  
**INDIA**

Habib Finance  
International Ltd.  
**HONGKONG**

Habib Bank Limited  
**SINGAPORE**

Kookmin Bank  
**SOUTH KOREA**

Commonwealth Bank  
**AUSTRALIA**



# LOCAL NETWORK

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BHAKTAPUR  
BRANCH

KAUSHALTAR  
BRANCH

CORPORATE OFFICE KAMALADI

THAMEL BRANCH

MAHARAJGUNJ BRANCH

NEW ROAD BRANCH

CHABAHIL BRANCH

TEKU BRANCH

SWOYAMBHU BRANCH

NEW BANESHWOR BRANCH

DILLI BAZAAR BRANCH

SORAHKHUTTE BRANCH

KALANKI BRANCH

BATTISPUTALI BRANCH

HETAUDA  
BRANCH

GORKHA  
BRANCH

DHADING  
BESHI  
BRANCH

PATAN BRANCH

SATDOBATO  
BRANCH

TRISHULI  
BRANCH

TANDI  
BRANCH

BHARATPUR  
BRANCH

BIRGUNJ  
BRANCH

BARAHABISE  
BRANCH

PARSA  
BRANCH

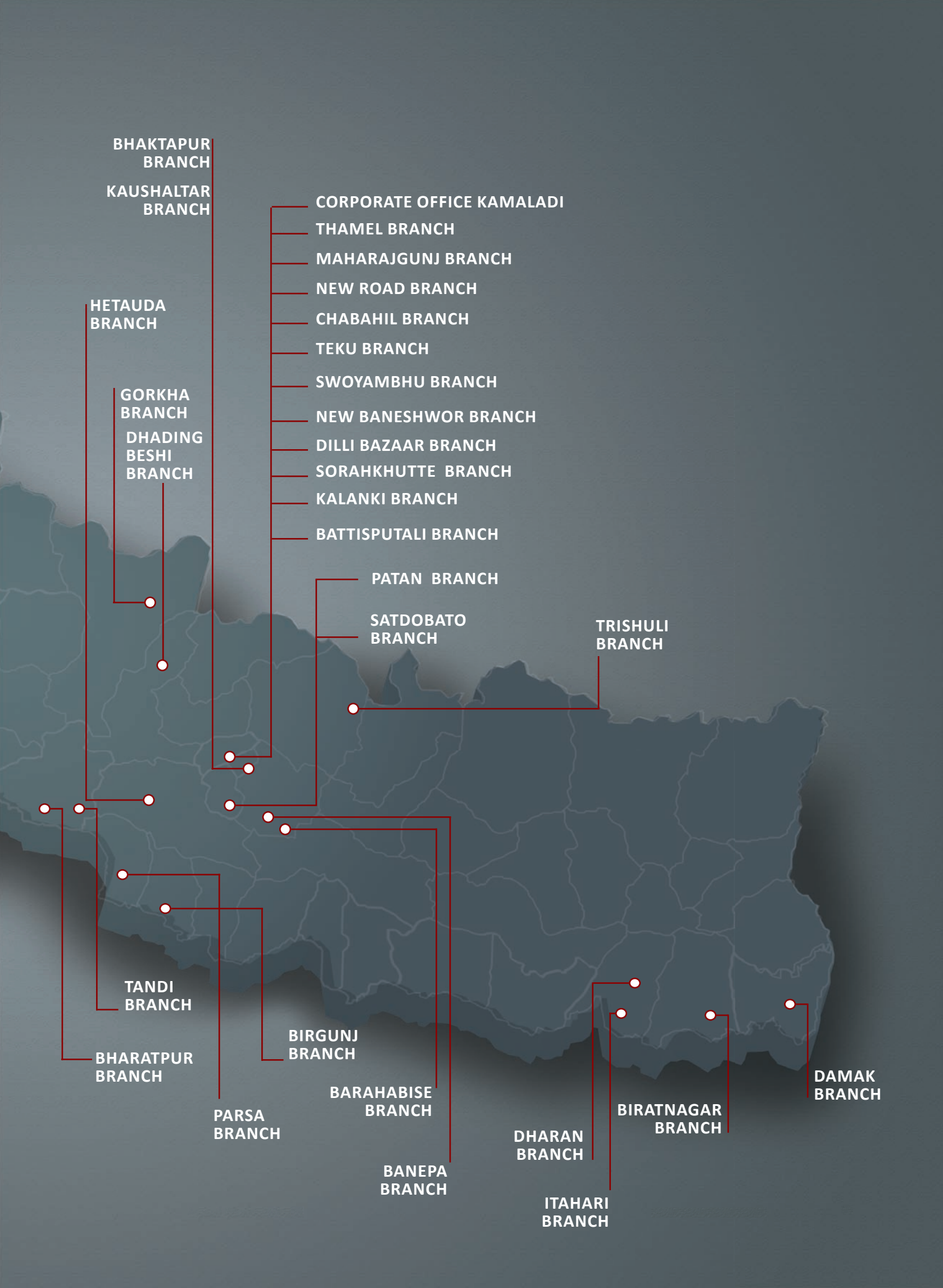
BANEPA  
BRANCH

DHARAN  
BRANCH

BIRATNAGAR  
BRANCH

DAMAK  
BRANCH

ITAHARI  
BRANCH





# HEAD OFFICE AND BRANCHES

## CORPORATE OFFICE

Kamaladi, Kathmandu  
P.O. Box 20590, Kathmandu, Nepal.  
Tel: 4246218, 4246219, 4227749, 4250201  
Fax: 977-1-4222800  
Swift HIMANPKA  
Email: himal@himalayanbank.com

Mr. Ashoke Rana, Chief Executive Officer  
Mr. Ejaz Qadeer Gill, Senior General Manager  
Mr. Sushiel Joshi, General Manager

## BRANCHES

### Thamel

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### Maharajgunj

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P.O. Box: 20590, Kathmandu, Nepal  
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### New Road

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Tel: 4243107, 4224787, 4241479, 4255219, 4245480, 4221591  
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Mr. Mrigendra Pradhan, Branch Manager

### Bhaktapur

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Email: bhaktapur@himalayanbank.com

### Patan

Pulchowk, P.O. Box 20551, Lalitpur, Nepal  
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### Tandi

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### Bharatpur

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### Birgunj

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### Card Center

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Tel: +977-1-4246218 / 4246219  
Fax: +977-1-4245932  
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09:00 am - 09:00 pm everyday  
Saturday & Public Holidays 09:00 am - 09:00 pm  
Authorization Tel: +977-1-4245979 / 4245980

### Hetauda

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### Bhairahawa

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### Biratnagar

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### Banepa

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### Dharan

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Fax: 071-546908  
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### Teku

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### Nepalgunj

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**Baglung**

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**Dilli Bazaar**

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**Kalanki**

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**Barahabise**

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Email: barahabise@himalayanbank.com

**Kawasoti**

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Fax: 078-5410451  
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**Ram Bazaar**

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Fax: 061-430302

**Dhadingbesi**

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

**Kaushaltar**

Madhyapur Thimi  
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Email: kaushaltar@himalayanbank.com



# DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, we cordially welcome all the shareholders present at this 20th Annual General Meeting of Himalayan Bank Limited. I would like to present the Balance Sheet as on July 16, 2012, the Profit and Loss Account for the fiscal year 2011-12, the Profit and Loss Appropriation Account, and other financial statements for approval by the Annual General Meeting.

Having provided efficient services over the last 20 years, HBL today stands as one of the leading, secure, and dependable banks in the country. As of F.Y. 2011-12, the Bank was able to maintain deposits of Rs. 47.73 billion. As compared to last year, the loan portfolio of the Bank increased by 9.10%, and the operating profit by 4.12 percent.

During the review period, the Bank established a total of three new branches: one in the valley and another two outside the valley. At the same time, the Bank introduced its ATM services at 10 new locations. This has taken the Bank's total number of branches to 39 and the total number of ATMs to seventy-three.

## REVIEW OF THE BANK'S OPERATIONS

During the period under review, the Bank's total deposits reached Rs. 47.73 billion, recording an increase of 16.64% over the previous year. Similarly, the loans and advances reached Rs. 35.96 billion during the period under review, recording an increase of 9.10% over the previous year.

The net assets of the Bank increased by 15.93%, reaching Rs. 4.63 billion during the review period, while the gross assets increased by 15.02% and are valued at Rs. 55.36 billion.

The Bank was able to make an operating profit of Rs. 1.05 billion during the review period. The net profit of the Bank reached Rs. 958.63 million, registering an increase of 7.34% over that of the previous year.

The financial status of the Bank as on October 17, 2012 (first quarter-end) is given below:

S.N. PARTICULARS	2011	2012	INCREASE (DECREASE) %
	AS ON OCT 17	AS ON OCT 17	
1. Gross Assets	52,602	55,977	6.41
2. Deposits	44,515	48,153	8.17
3. Loans, Overdrafts and Bills Purchased and Discounted	34,442	37,215	8.05
4. Investments	9,327	106,797	14.49

During the year under review, the Bank, pursuant to the directives of Nepal Rastra Bank, wrote off loans to the tune of Rs. 400.11 million. The Bank's NPA, which was 2.09% during the previous year, increased to 4.22% during the year under review.

## COMPARATIVE FINANCIAL INDICATORS OF THE BANK

The comparative financial indicators of the fiscal years 2010-11 and 2011-12 are presented below:

S.N. PARTICULARS	2011	2012	INCREASE (DECREASE) %
	AS ON OCT 17	AS ON OCT 17	
1. Net Assets (Net Worth)	3,995	4,632	15.93
2. Gross Assets	48,137	55,367	15.02
3. Deposits	40,920	47,731	16.64
4. Loans, Overdrafts and Bills Purchased and Discounted	32,968	35,968	9.10
5. Investments	8,769	10,031	14.39
6. Net Interest Income	1,911	1,908	(0.15)
7. Other Income	1,021	1,473	44.24
8. Operating and Staff Expense	1,099	1,348	22.63
9. Operating Profit	1,015	1,057	4.12
10. Net Profit	893	958	7.34

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

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 global financial crisis that has been prevailing for the last few years has gradually subsided. However, the inconsistent

growth in economies in some European countries, the USA, African countries, and Asian countries has given rise to an adverse impact on the global economy. The emerging nations of Asia and Africa were able to register good growth. Among the South Asian countries, Nepal could not substantially enhance its economy. The Constituent Assembly constituted for the purpose of drafting and promulgating the new constitution of the country was dissolved without accomplishment of its objective. This has created further uncertainties in the country, hampering the investment sector. The political uncertainties are still there.

As per Nepal Rastra Bank, the GDP growth of Nepal stood at 4.56% during the fiscal year 2068/69 vis-à-vis that of 3.8% in the previous year. The inflation rate, which was 9.6% in the previous year, stood at 8.3% in the fiscal year 2068/69. Export growth during the review year stood at 15.4%, while import growth, which was 5.8% in the previous year, stood at 16.5% during the review year.

The overall BOP recorded its highest ever surplus of Rs. 127.70 billion during the review period compared to a mere surplus of Rs. 2.18 billion in the previous year. The current account posted a surplus of Rs. 75.98 billion in the review year compared to a deficit of Rs. 12.94 billion in the previous year. The substantial rise in the growth of remittances and the improvement in the service account were responsible for the encouraging surplus in the current account.

The gross foreign exchange reserves surged by 61.5%; such reserves increased by 1.2% in the previous year.

During the year under review, the total deposits in the banking sector increased by Rs. 189 billion (23%). Similarly, the loans and advances in the banking sector increased by Rs. 113 billion (13.2%). Last year, the total deposits increased by Rs. 94 billion, whereas the loans and advances increased by Rs. 113 billion.

#### **CURRENT FINANCIAL AND BANKING ENVIRONMENT**

The overall economic growth of the country has improved over the past few years but it is still below expectations. The growth rate has remained under 5% consistently over the last few years. The Central Bank, through its regulations and monetary policy, has clearly indicated its policy of control-

ling credit creation in the unproductive sector, focusing instead on productive sectors like agriculture and tourism. The country is still largely dependent on inward remittances. The banking industry has excess liquidity and finds it difficult to utilize the funds at its disposal. With many banks still holding a big chunk of real estate loans and the real estate business not picking up at all for the last few years, the overall non-performing assets of the banking industry are expected to further deteriorate in the days to come, which may have an adverse impact on public confidence in the industry. The strategic steps taken by the Central Bank in the past few years and cutthroat competition may prompt banks and other financial institutions to go for mergers and acquisitions.

The total number of banks and financial institutions licensed by NRB dropped to 266 as in mid-July 2012 from 272 as of mid-July 2011. Though five new banks and financial institutions comprising a commercial bank, a development bank, and three microfinance development banks came into operation in the fiscal year 2011–12, the reduction in the total number of banks and financial institutions is attributed to the merger of three finance companies with two commercial banks; merger into six development banks of seven development banks and five finance companies; and revocation of the licenses of two non-government organizations in the review year. The recently issued circular of NRB is expected to slow down unnecessary branch expansion. Also, the priority of the Central Bank to consolidate the banking industry through mergers and acquisitions is expected to pick up momentum in the current fiscal year 2069/70.

#### **IMPLEMENTATION STATUS OF THE STRATEGY AND PROGRAM OF THE BANK DURING F.Y. 2011–2012**

1. Branches established at Dhading Besi, Rambazaar-Pokhara, and Kaushaltar. The total number of branches of the Bank reached thirty-nine.
2. ATMs installed at Thamel lounge, Jamal, New Baneshwor branch, Kawasoti branch, 8 Degree Jhamsikhel, Dhading branch, Pokhara-2 branch, Bhat-Bhateni, Koteswor, Bhat-Bhateni, Krishna Gali, and Kausaltar branch. The total number of ATMs installed by the Bank reached seventy-three.
3. NPA limited to 2.09 percent.
4. Continuity given to the recovery of written-off loans in an active manner.



5. Expanded remittance business to Asian, European, American, and Australian markets with a focus on sophisticated services.
6. Introduced a loan product—HBL Small Personal Business Loan.
7. Initiative taken in focusing on SME sectors to have 10% of the total loans and advances under this portfolio.
8. Installed an additional 244 POS machines for the convenience of debit and credit card customers.
9. Introduced EMV compliant chip-based MasterCard debit cards.
10. Started card business with JCB International.
11. Placed 20 Himal Center Flagship Counters at strategic locations.
12. Introduced Loyalty Card in overseas market for the customers of HimalRemit.
13. Shifted ICT infrastructure to the corporate office premises.
14. Inaugurated the Bank's new corporate building at Kamaladi, Kathmandu.

#### STRATEGIES AND PROGRAMS FOR F.Y. 2012–2013

1. To restrict NPA to the lowest figure possible.
2. To establish three branches in and outside the valley.
3. To expand remittance business to Asian, European, American, and Australian markets with a focus on sophisticated services.
4. To establish six Himal Center Flagship Counters at strategic locations.
5. To introduce Loyalty Card for the customers of HimalRemit in the domestic market.
6. To install an additional 500 POS machines.
7. To set up an additional 10 ATMs at various places. Till now, 73 ATMs have been installed.
8. To bring all the ATMs under CCTV surveillance.
9. To introduce new deposit and credit products and services.
10. To give continuity to recovery of written-off loans in an active manner.
11. To make deposit and loan products more attractive as per the demand of the general public.
12. To upgrade and fine-tune the T24 version for better performance.
13. To provide counter services in the name of 'Non-Stop Banking'.
14. To make the ambience of various branches convenient and eco-friendly.
15. To start card business with Union Pay and Amex.

#### CORPORATE SOCIAL RESPONSIBILITY

The Bank is considering providing loans and advances for the deprived sector directly; the objective being to provide loans

and advances at interest rates lower than those being provided by microfinance institutions. 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 related to education, healthcare, sports, culture, and social services. The Bank has arranged solar energy electrification for the people in Salme VDC of Nuwakot district. This effort is expected to uplift the standard of living of the people in the area and also to promote clean energy there. Similarly, the Bank has made contributions for the renovation of the building of Birendra High School located at Pakuwa of Parbat District.

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

#### BOARD OF DIRECTORS

During the review period, Mr. Manoj Bahadur Shrestha (representing N. Trading), Mr. Ashraf M. Wathra (representing Habib Bank Limited, Pakistan), Mr. P.P. Khetan (representing Mutual Trading), Mr. Prachanda Bahadur Shrestha (representing Chhaya International), and Mr. Sushil Bikram Thapa (representing Ava International) have been re-nominated as Directors of the Bank's Board of Directors for the next four years.

In a similar vein, Miss. Menuka Shrestha, representing Chhaya International, Mrs. Ranjana Shrestha, representing N. Trading, Mr. Sunil Bahadur Thapa, representing Ava International, and Mr. Surendra Silwal, representing Mutual Trading Company have been re-nominated for the next four years as Alternate Directors in the Bank's Board of Directors. Mr. Rajendra Kafle, representing Employees Provident Fund, continues as Alternate Director in the Bank's Board of Directors.

Dr. Ramesh Kumar Bhattarai, representing Employees Provident Fund, been replaced by Mr. Radha Krishna Pote as Director of the Bank from January 27, 2012. Additionally, Mr. Bijaya Bahadur Shrestha, representing the general public shareholders, and Mr. Upendra Keshari Poudyal, as Professional Director, continue as Directors in the Bank's Board of Directors. Further, Mr. Himalaya SJB Rana is on the Board in the capacity of Chief Advisor.

In line with the Articles of Association of the Bank, as per the decision of the BOD Meeting # 275 of April 3, 2012, Mr. Manoj

Bahadur Shrestha has been re-elected as Chairman to the Board of Directors for a tenure of four years effective from April 13, 2012, while Mr. Ashraf M. Wathra and Mr. P.P. Khetan have been re-elected as First and Second Vice Chairman of the Bank's Board of Directors respectively for a tenure of as many years.

Let me take this opportunity to inform you that as per the decision of the BOD Meeting # 275 of April 3, 2012, Mr. Ashoke SJB Rana has been appointed as the Chief Executive Officer of the Bank on contractual terms for a period of four years with effect from April 21, 2012. Similarly, Senior General Manager Mr. Masood Ul Hasan has been replaced by Mr. Ejaz Qadeer Gill (seconded from Habib Bank Limited, Pakistan) on contractual terms for a period of 4 years with effect from May 1, 2012.

I would like to congratulate the new and re-nominated Directors and Alternate Directors to the Board, the Chief Executive Officer, and the Sr. General Manager, and expect their cooperation towards the Bank's progress and prosperity. I would like to also thank former Director Dr. Ramesh Kumar Bhattarai and former Senior General Manager Mr. Masood Ul Hasan for their invaluable contribution to the Bank's success for years. Further, the Board, on this occasion, expresses its firm commitment to always working towards the best interests of the Bank.

#### **AUDIT, BALANCE SHEET, AND OTHER FINANCIALS**

The Balance Sheet as on July 16, 2012, the Profit and Loss Account for fiscal year 2011-12, the Profit and Loss Appropriation Account for the fiscal year 2011-12, the Cash Flow Statement for the fiscal year 2011-12, relevant annexes and the Auditors' Report are enclosed with this report. Further, information required to be disclosed as per the provisions of Company Act 2063, Chapter 7, Clause 109, Sub-Clause (4) are presented as Annex E.

#### **PROFIT AND LOSS APPROPRIATION**

The net profit of the Bank amounts Rs. 958.638 million for the fiscal year 2011-12. Besides, retained earnings of Rs 32.932 million in last year's balance sheet and investment reserves of Rs 47.64 million are available for distribution. Twenty percent of the net profit, i.e. Rs. 191.727 million, has been appropriated to the Statutory General Reserve Fund.

I would like to announce with pleasure a special resolution on giving a 15% bonus share and a 13.42% cash dividend on the paid-up capital to the shareholders for the fiscal year 2011-12. For the bonus shares and dividends, an amount of Rs. 682.16 million has been earmarked. After the distribution of the bonus shares, the paid-up capital of the Bank will amount to Rs.2.76 billion.

#### **VOTE OF THANKS**

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

Thank you.

On behalf of the Board of Directors  
Manoj Bahadur Shrestha  
Chairman

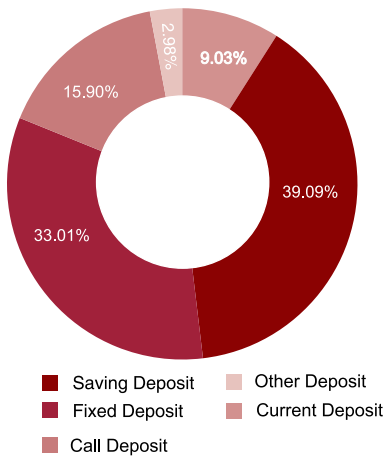


# FINANCIAL HIGHLIGHT

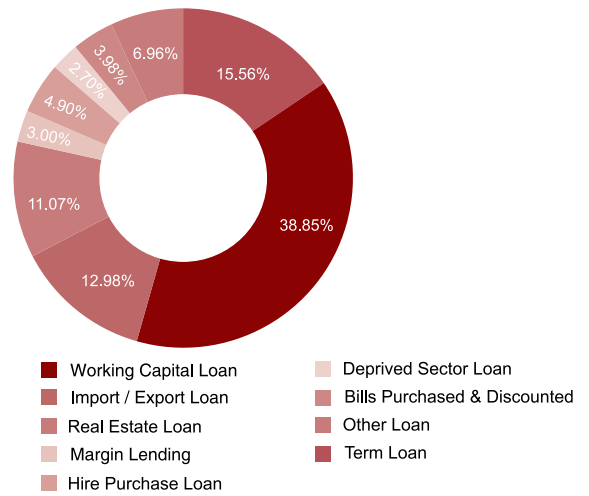
## Deposit Composition Annex A

## Loan Composition Annex B

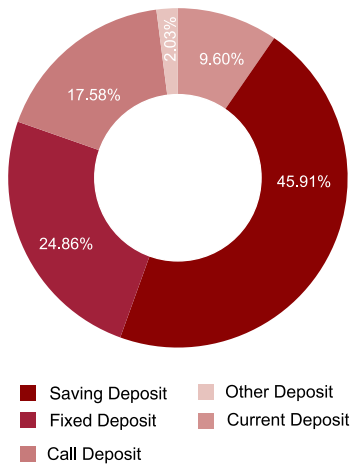
Financial Year 2067/68



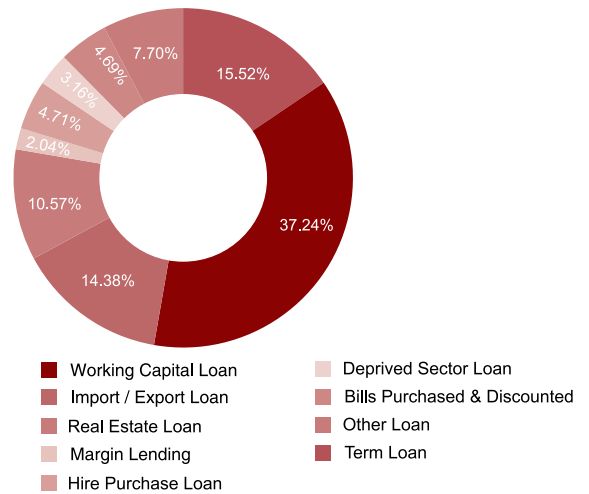
Financial Year 2067/68



Financial Year 2068/69



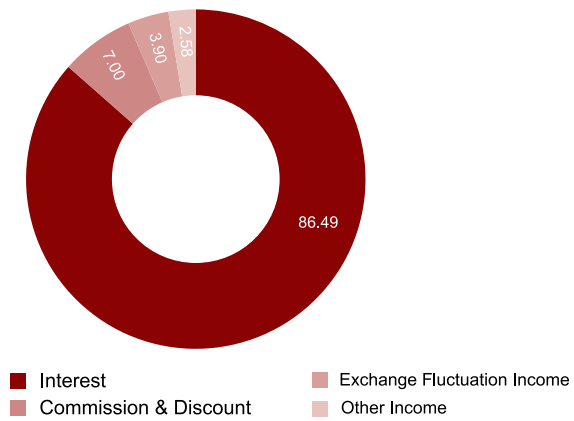
Financial Year 2068/69



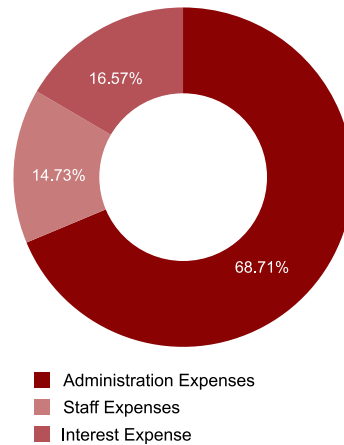
## Income Composition Annex C

## Expense Composition Annex D

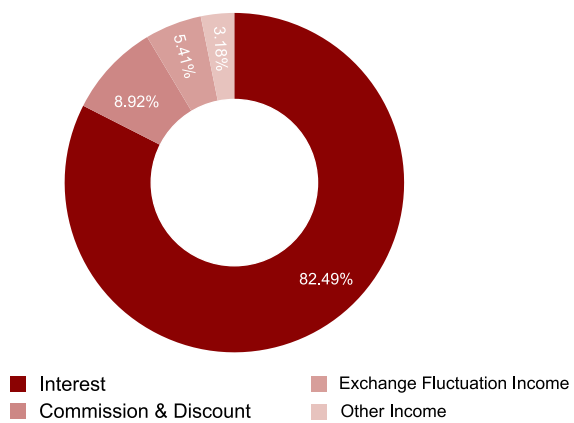
### Financial Year 2067/68



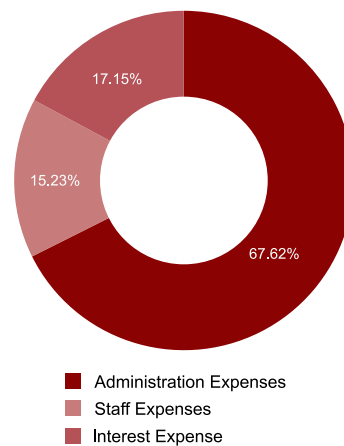
### Financial Year 2067/68



### Financial Year 2068/69



### Financial Year 2068/69







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

We have audited the accompanying Balance Sheet of Himalayan Bank Ltd. (hereinafter referred to as 'the Bank') as of Ashad 31, 2069 (corresponding to 15 July 2012), the related Profit and Loss Account, Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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


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


- a) We have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- b) Proper books of accounts as required by law have been kept by the Bank so far as appears from our examination of such books.
- c) Returns received from branches of the Bank were adequate for the purpose of the audit.



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

In our opinion, and to the best of our information and according to the explanations given to us, the financial statements referred to above, read together with Notes to Accounts, which forms an integral part of this report, present fairly in all material respects the financial position of the Company as of Ashad 31, 2069 (July 15, 2012) and of the results of its operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with the prevailing laws, the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act 2063.

  
Prabhu R. Bhandary  
Managing Partner



Joshi & Bhandary  
Chartered Accountants

Date: November 21, 2012  
Place: Kathmandu

## Balance Sheet

AS AT ASHAD 31, 2069 (JULY 15, 2012)

Amount in NPR

CAPITAL & LIABILITIES	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital	1	2,760,000,000	2,400,000,000
2. Reserves and Funds	2	1,872,010,133	1,595,478,273
3. Debentures and Bonds	3	500,000,000	500,000,000
4. Borrowings	4	-	10,000,000
5. Deposits	5	47,730,993,909	40,920,627,030
6. Bills Payables	6	19,003,372	31,655,586
7. Proposed Dividend		322,106,400	336,842,000
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	1,160,314,068	941,600,995
<b>Total Capital &amp; Liabilities</b>		<b>54,364,427,882</b>	<b>46,736,203,884</b>

ASSETS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Cash Balance	8	951,333,515	632,046,156
2. Balance with Nepal Rastra Bank	9	3,979,163,789	1,390,625,787
3. Balance with Banks / Financial Institutions	10	1,431,798,854	941,979,378
4. Money at Call and Short Notice	11	264,600,000	734,000,000
5. Investments	12	10,031,580,497	8,769,938,671
6. Loan Advances and Bills Purchase	13	34,965,433,862	31,566,976,755
7. Fixed Assets	14	1,305,364,357	1,187,493,049
8. Non - Banking Assets	15	-	-
9. Other Assets	16	1,435,153,008	1,513,144,088
<b>Total Assets</b>		<b>54,364,427,882</b>	<b>46,736,203,884</b>

Contingent Liabilities	Schedule 17
Declaration of Directors	Schedule 29
Statement of Capital Fund	Schedule 30 (A1)
Credit Risk	Schedule 30 (B)
Credit Risk Mitigation	Schedule 30 (C)
Operation Risk	Schedule 30 (D)
Market Risk	Schedule 30 (E)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

Schedules 1 to 17 & 32 and 33 form an integral part of this Balance Sheet

**Satish Raj Joshi** Executive Financial Officer  
**Sushiel Joshi** General Manager  
**Ejaz Qadeer Gill** Senior General Manager

As per our attached report of even date

**Ashoke S. Rana** Chief Executive Officer  
**Manoj Bahadur Shrestha** Chairman

Prachanda Bahadur Shrestha  
 Bijaya Bahadur Shrestha  
 Radha Krishna Pote  
 Sushil Bikram Thapa  
 Upendra Keshari Poudyal

**CA. Prabhu Ram Bhandary**  
 Managing Partner  
 Joshi & Bhandary  
 Chartered Accountants  
 Date: November 21, 2012



## Profit and loss account

FOR THE PERIOD FROM SHRAWAN 1, 2068 TO ASHAD 31, 2069 (JULY 17, 2011 TO JULY 15, 2012)

Amount in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	18	4,724,887,323	4,326,140,588
2. Interest Expenses	19	2,816,441,404	2,414,807,243
<b>Net Interest Income</b>		<b>1,908,445,919</b>	<b>1,911,333,345</b>
3. Commission and Discount	20	510,840,279	350,365,112
4. Other Operating Income	21	182,028,635	129,516,981
5. Exchange Fluctuation Income	22	309,897,962	195,528,538
<b>Total Operating Income</b>		<b>2,911,212,795</b>	<b>2,586,743,976</b>
6. Staff Expenses	23	634,228,832	517,591,827
7. Other Operating Expenses	24	714,436,436	582,209,813
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before Provision for Possible Losses		1,562,547,527	1,486,942,336
9. Provision for Possible Losses	25	505,491,167	471,728,863
<b>Operating Profit</b>		<b>1,057,056,360</b>	<b>1,015,213,473</b>
10. Non-Operating Income/(Loss)	26	8,005,610	15,855,933
11. Loan Loss Provision Written-Back	27	859,976,635	228,145,590
Profit from Regular Operations		1,925,038,605	1,259,214,996
12. Profit/(Loss) from Extra-ordinary Activities	28	(397,037,895)	102,292,025
Net Profit after considering all Activities		1,528,000,710	1,361,507,021
13. Staff Bonus Provision		138,909,155	123,773,366
14. Tax Provision		430,453,295	344,618,512
a) Current Years		450,548,218	338,351,341
b) Previous Year's Additional Tax		377,880	813,229
c) Deferred Tax		(20,472,803)	5,453,942
<b>Net Profit/(Loss)</b>		<b>958,638,260</b>	<b>893,115,143</b>

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

**Satish Raj Joshi**  
Executive Financial Officer

**Sushiel Joshi**  
General Manager

**Ejaz Qadeer Gill**  
Senior General Manager

**Ashoke S. Rana**  
Chief Executive Officer

**Manoj Bahadur Shrestha**  
Chairman

As per our attached report of even date

Prachanda Bahadur Shrestha  
Bijaya Bahadur Shrestha  
Radha Krishna Pote  
Sushil Bikram Thapa  
Upendra Keshari Poudyal

**CA. Prabhu Ram Bhandary**  
Managing Partner  
Joshi & Bhandary  
Chartered Accountants  
Date: November 21, 2012

## PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 17, 2011 TO JULY 15, 2012

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>Income</b>		
1. Accumulated Profit up to Last Year	32,931,797	136,587,269
2. Current Year's Profit	958,638,260	893,115,143
3. Transfer from Capital Adjustment Fund		38,610,000
4. Transfer from Deferred Tax Reserve	-	5,453,942
5. Transfer from Investment Adjustment Reserve	47,064,297	-
<b>Total</b>	<b>1,038,634,354</b>	<b>1,073,766,354</b>
<b>Expenses</b>		
1. Accumulated Loss up to Last Year	-	-
2. Current year's Loss	-	-
3. General Reserve	191,727,652	178,623,029
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserve Fund	-	-
8. Proposed Dividend	322,106,400	336,842,000
9. Proposed Issue of Bonus Share	360,000,000	400,000,000
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	-	6,682,321
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Fund	-	-
14. Bond Redemption Reserve	71,428,571	71,428,571
15. Deferred Tax Reserve	20,472,803	-
16. Investment Adjustment Reserve		47,258,636
<b>Total</b>	<b>965,735,426</b>	<b>1,040,834,557</b>
17. Accumulated Profit / (Loss)	72,898,928	32,931,797

**Satish Raj Joshi**  
Executive Financial Officer

**Sushiel Joshi**  
General Manager

**Ejaz Qadeer Gill**  
Senior General Manager

**Ashoke S. Rana**  
Chief Executive Officer

**Manoj Bahadur Shrestha**  
Chairman

As per our attached report of even date

Prachanda Bahadur Shrestha  
Bijaya Bahadur Shrestha  
Radha Krishna Pote  
Sushil Bikram Thapa  
Upendra Keshari Poudyal

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

Date: November 21, 2012

## Statement of Change in Equity

FOR THE PERIOD FROM SHRAWAN 1, 2068 TO ASHAD 31, 2069 (JULY 16, 2011 TO JULY 15, 2012)

Amount in NPR

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/(LOSS)	GENERAL RESERVE	PROPOSED BONUS SHARE	SPECIAL RESERVE FUND	EXCHANGE FLUCTUATION	OTHER RESERVE FUND	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	TOTAL AMOUNT
Opening Balance as at 16 July 2011	2,000,000,000	32,931,797	1,191,423,439	400,000,000	4,000,000	29,769,898	285,714,285	2,901,279	48,737,575	3,995,478,273
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-
<b>Restated Balance as at 16 July 2011</b>	<b>2,000,000,000</b>	<b>32,931,797</b>	<b>1,191,423,439</b>	<b>400,000,000</b>	<b>4,000,000</b>	<b>29,769,898</b>	<b>285,714,285</b>	<b>2,901,279</b>	<b>48,737,575</b>	<b>3,995,478,273</b>
Net Profit for the year	-	958,638,260	-	-	-	-	-	-	-	958,638,260
Transfer to General Reserve	-	(191,727,652)	191,727,652	-	-	-	-	-	-	-
Bond Redemption Fund transferred	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	(322,106,400)	-	-	-	-	-	-	-	(322,106,400)
Issue of Bonus Share	400,000,000	-	-	(400,000,000)	-	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(360,000,000)	-	360,000,000	-	-	-	-	-	-
Transfer to Deferred Tax Reserve	-	(20,472,803)	-	-	-	-	-	20,472,803	-	-
Transfer to Exchange Fluctuation Fund	-	-	-	-	-	-	-	-	-	-
Transfer to Bond Redemption Fund	-	(71,428,571)	-	-	-	-	71,428,571	-	-	-
Transfer from Investment Adjustment Reserve	-	47,064,297	-	-	-	-	-	-	(47,064,297)	-
<b>Closing Balance</b>	<b>2,400,000,000</b>	<b>72,898,928</b>	<b>1,383,151,091</b>	<b>360,000,000</b>	<b>4,000,000</b>	<b>29,769,898</b>	<b>357,142,856</b>	<b>23,374,082</b>	<b>1,673,278</b>	<b>4,632,010,133</b>



# CASH FLOW STATEMENT

FOR THE PERIOD FROM SHRAWAN 1, 2068 TO ASHAD 31, 2069 (JULY 17, 2011 TO JULY 15, 2012)

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Cash Flow from Operating Activities</b>	<b>1,195,103,583</b>	<b>1,229,722,130</b>
<b>1. Cash Received</b>	<b>5,650,227,914</b>	<b>4,935,565,536</b>
1.1 Interest Income	4,643,354,751	4,156,612,894
1.2 Commission and Discount Income	510,840,279	350,365,112
1.3 Income from Foreign Exchange Transaction	309,897,962	195,528,538
1.4 Recovery of Loan Written off	4,106,287	103,542,011
1.5 Other Income	182,028,635	129,516,981
<b>2. Cash Payment</b>	<b>(4,455,124,331)</b>	<b>(3,705,843,406)</b>
2.1 Interest Expenses	(2,805,346,867)	(2,301,679,351)
2.2 Staff Expenses	(580,346,618)	(474,458,856)
2.3 Office Overhead Expenses	(555,510,573)	(463,319,467)
2.4 Income Tax Paid	(390,146,907)	(390,813,004)
2.5 Other Expenses	(123,773,366)	(75,572,728)
<b>Cash Flow before Changes in Working Capital</b>	<b>4,311,043,125</b>	<b>(1,767,764,421)</b>
<b>(Increase) / Decrease in Current Assets</b>	<b>(2,657,652,379)</b>	<b>(4,914,320,570)</b>
1. (Increase) / Decrease in Money at Call and Short Notice	469,400,000	(425,160,000)
2. (Increase) / Decrease in Other Short-term Investment	391,220,000	(282,115,000)
3. (Increase) / Decrease in Loan & Bills Purchases	(3,401,346,685)	(3,846,141,395)
4. Increase) / Decrease in Others Assets	(116,925,694)	(360,904,175)
<b>Increase / (Decrease) in Current Liabilities</b>	<b>6,968,695,504</b>	<b>3,146,556,149</b>
1. Increase/(Decrease) in Deposits	6,810,366,879	3,309,424,756
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowing	(10,000,000)	10,000,000
4. Increase/(Decrease) in Others Liabilities	168,328,625	(172,868,607)
<b>B. Cash Flow from Investment Activities</b>	<b>(1,729,279,565)</b>	<b>(138,743,550)</b>
1. (Increase)/Decrease in Long Term Investments	(1,677,379,030)	(682,555,022)
2. (Increase)/Decrease in Fixed Assets	(242,472,976)	(217,817,619)
3. Interest Income from Long Term Investment	144,159,425	92,823,514
4. Dividend Income	7,594,515	8,378,920
5. Others	38,818,501	660,426,657
<b>C. Cash Flow from Financing Activities</b>	<b>(379,222,306)</b>	<b>(225,053,522)</b>
1. Increase/(Decrease) in Long Term Borrowings ( Bond, Debentures etc)	(565,000)	(2,845,000)
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	(378,657,306)	(222,208,522)
4. Increase/(Decrease) in Refinance/facilities received from NRB.		
<b>D. Income/Loss from change in exchange rate in Cash and Bank Balances</b>	<b>-</b>	<b>-</b>
<b>E. Current Year's Cash Flow from All Activities</b>	<b>3,397,644,837</b>	<b>(901,839,363)</b>
<b>F. Opening Balance of Cash and Bank Balances</b>	<b>2,964,651,321</b>	<b>3,866,490,684</b>
<b>G. Closing Balance of Cash and Bank Balances</b>	<b>6,362,296,158</b>	<b>2,964,651,321</b>

## Share Capital & Ownership

Schedule 1  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>1. Share Capital</b>		
<b>1.1 Authorized Capital</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>
a. 30,000,000 Ordinary Shares of Rs 100 each.	3,000,000,000	3,000,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.2 Issued Capital</b>	<b>2,400,000,000</b>	<b>2,000,000,000</b>
a. 24,000,000 Ordinary Shares of Rs 100 each (Previous year 20,000,000 Ordinary Shares of Rs. 100 each)	2,400,000,000	2,000,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.3 Paid up Capital</b>	<b>2,400,000,000</b>	<b>2,000,000,000</b>
a. 24,000,000 Ordinary Shares of Rs 100 each fully paid up (Previous year 20,000,000 Ordinary Shares of Rs 100 each fully paid up)	2,400,000,000	2,000,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
<b>1.4 Proposed Bonus Shares</b>	<b>360,000,000</b>	<b>400,000,000</b>
<b>1.5 Calls-in-advance</b>	<b>-</b>	<b>-</b>
<b>1.6 Total</b>	<b>2,760,000,000</b>	<b>2,400,000,000</b>

## SHARE OWNERSHIP

Amount in NPR

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	%	SHARE CAPITAL	%	SHARE CAPITAL
<b>1. Domestic Ownership</b>	<b>80.00</b>	<b>1,920,000,000</b>	<b>80</b>	<b>1,600,000,000</b>
1.1 Nepal Government	-	-	-	-
1.2 "A" Classs Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	65.00	1,560,000,000	65	1,300,000,000
1.5 General Public	15.00	360,000,000	15	300,000,000
1.6 Others	-	-	-	-
<b>2. Foreign Ownership</b>	<b>20.00</b>	<b>480,000,000</b>	<b>20</b>	<b>400,000,000</b>
<b>Total</b>	<b>100.00</b>	<b>2,400,000,000</b>	<b>100</b>	<b>2,000,000,000</b>

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

Amount in NPR

NAME OF SHAREHOLDER	NUMBER OF SHARES	%	SHARE CAPITAL
Habib Bank Limited	4,800,000	20.00	480,000,000
Karmachari Sanchaya Kosh	3,360,000	14.00	336,000,000
N. Trading Co. Pvt. Ltd.	3,050,004	12.71	305,000,400
Mutual Trading Co. Pvt. Ltd.	3,028,800	12.62	302,880,000
Ava International Pvt. Ltd.	2,732,249	11.38	273,224,900
Chhaya International Pvt. Ltd.	2,133,209	8.89	213,320,900
Sumit Kumar Agrawal	635,843	2.65	63,584,300
Syakar Co. Ltd.	237,601	0.99	23,760,100
Sharma & Co. Pvt. Ltd.	158,400	0.66	15,840,000
<b>Total</b>	<b>20,136,106</b>	<b>83.90</b>	<b>2,013,610,600</b>

## Reserves and Funds

Schedule 2  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. General Reserve Fund	1,383,151,091	1,191,423,439
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	-
5. Other Reserve Fund	386,190,216	341,353,139
a. Contingent Reserve	-	-
b. Institution Development Fund	-	-
c. Dividend Equalization Fund	-	-
d. Special Reserve Fund	4,000,000	4,000,000
e. Assets Revaluation Reserve	-	-
f. Deferred Tax Reserve	23,374,082	2,901,279
g. Other Free Reserves	-	-
h. Bond Redemption Reserve	357,142,856	285,714,285
i. Investment Adjustment Reserve	1,673,278	48,737,575
7. Accumulated Profit / (Loss)	72,898,928	32,931,797
8. Exchange Fluctuation Fund	29,769,898	29,769,898
<b>Total</b>	<b>1,872,010,133</b>	<b>1,595,478,273</b>

## Debentures and Bonds

Schedule 3  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
8 Percent HBL Bond 2072 of Rs 1,000 each (Issued in July 2008 and maturing in July 2015)	500,000,000	500,000,000
[Balance in Redemption Reserve Rs. 357,142,856 (Previous Year Rs. 285,714,285)]	-	-
<b>Total</b>	<b>500,000,000</b>	<b>500,000,000</b>

## Borrowings

Schedule 4  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Local</b>		
1. Nepal Government	-	-
2. Nepal Rastra Bank	-	10,000,000
3. Repo Obligation	-	-
4. Inter Bank and Financial Institutions	-	-
5. Other Financial Institutions	-	-
6. Others	-	-
<b>Total</b>	<b>-</b>	<b>10,000,000</b>
<b>B. Foreign</b>		
1. Banks	-	-
2. Others	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Total ( A+B)</b>	<b>-</b>	<b>10,000,000</b>



## Deposits

Schedule 5  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
2. Interest Bearing accounts		
<b>A. Current Deposits</b>	<b>4,584,233,497</b>	<b>3,694,249,426</b>
<b>1. Local Currency</b>	<b>3,593,562,442</b>	<b>2,903,865,089</b>
1.1 Nepal Government	80,628,888	83,561,854
1.2 "A" Classs Licensed Institutions	70,198,211	148,514,126
1.3 Other Licensed Institutions	462,973,422	349,538,845
1.4 Other Organized Institutions	1,488,063,551	1,420,274,274
1.5 Individuals	1,372,546,146	759,629,886
1.6 Others	119,152,224	142,346,104
<b>2. Foreign Currency</b>	<b>990,671,055</b>	<b>790,384,337</b>
2.1 Nepal Government	16,427,770	80,814,018
2.2 "A" Classs Licensed Institutions	146,961	46,993
2.3 Other Licensed Institutions	375,402,069	199,831,038
2.4 Other Organized Institutions	234,359,533	223,050,691
2.5 Individuals	250,108,755	193,308,361
2.6 Others	114,225,967	93,333,236
<b>B. Margin Deposits</b>	<b>971,296,581</b>	<b>1,219,365,273</b>
1. Employees Guarantee	-	-
2. Guarantee Margin	464,665,721	776,901,606
3. Letters of Credit Margin	506,630,860	442,463,667
<b>C. Others</b>	<b>-</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>Total of Non-Interest Bearing Accounts</b>	<b>5,555,530,078</b>	<b>4,913,614,699</b>

## SCHEDULE TO THE FINANCIAL STATEMENTS

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
2. Interest Bearing accounts		
<b>A. Saving Deposits</b>	<b>21,915,374,201</b>	<b>15,994,563,707</b>
1 Local Currency	21,195,019,560	15,233,399,813
1.1 Organized Institutions	459,222,302	288,345,837
1.2 Individuals	20,735,093,723	14,944,944,112
1.3 Others	703,535	109,864
2 Foreign Currency	720,354,641	761,163,894
2.1 Organized Institutions	8,180,762	14,527,644
2.2 Individuals	695,680,934	738,419,962
2.3 Others	16,492,945	8,216,288
<b>B. Fixed Deposits</b>	<b>11,866,679,120</b>	<b>13,507,370,421</b>
1. Local Currency	11,091,770,888	12,501,738,459
1.1 Organized Institutions	2,929,409,169	6,291,977,069
1.2 Individuals	7,971,587,544	6,059,413,840
1.3 Others	190,774,175	150,347,550
2. Foreign Currency	774,908,232	1,005,631,962
2.1 Organized Institutions	602,499,801	736,692,559
2.2 Individuals	153,660,931	178,305,603
2.3 Others	18,747,500	90,633,800
<b>C. Call Deposits</b>	<b>8,393,410,510</b>	<b>6,505,078,203</b>
1. Local Currency	7,424,530,049	5,160,403,047
1.1 "A" Classs Licensed Institutions	-	-
1.2 Other Licensed Institutions	536,228,864	3,128,728,079
1.3 Other Organized Institutions	6,612,143,773	1,924,950,838
1.4 Individuals	276,157,412	106,724,130
1.5 Others	-	-
2. Foreign Currency	968,880,461	1,344,675,156
2.1 "A" Classs Licensed Institutions	-	3,266,551
2.2 Other Licensed Institutions	1,711,457	1,100,125,234
2.3 Other Organized Institutions	961,172,252	241,283,371
2.4 Individuals	5,996,752	-
2.5 Others	-	-
<b>D. Certificate of Deposits</b>	-	-
1. Other Organized Institutions	-	-
2. Individual	-	-
<b>3. Other</b>	-	-
<b>Total of Interest Bearing Accounts</b>	<b>42,175,463,831</b>	<b>36,007,012,331</b>
<b>Total Deposits</b>	<b>47,730,993,909</b>	<b>40,920,627,030</b>

## Bills Payables

Schedule 6

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	18,610,383	24,955,617
2. Foreign Currency	392,989	6,699,969
<b>Total</b>	<b>19,003,372</b>	<b>31,655,586</b>

## Other Liabilities

Schedule 7

Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Pension / Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	138,909,155	123,773,366
5. Interest Payable on Deposit	216,820,761	245,726,224
6. Interest Payable on Borrowings/Bonds	19,330,554	23,751,114
7. Unearned Discount & Commission	-	-
8. Sundry Creditors	97,520,941	72,428,981
9. Branch Adjustment Account	33,555,262	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	24,548,285	21,943,031
12. Others		
a. Provision for Audit Fee	678,000	678,000
b. Provision for leave encashment	139,376,479	77,383,708
c. Matured HBL Bond Payable	555,000	1,120,000
d. Provision for Gratuity	50,835,535	58,946,092
e. Interest Suspense on NBA	-	892,259
f. Others	438,184,096	314,958,220
<b>Total</b>	<b>1,160,314,068</b>	<b>941,600,995</b>



## Cash Balance

Schedule 8  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency (Including coins)	916,270,042	595,552,373
2. Foreign Currency	35,063,473	36,493,783
<b>Total</b>	<b>951,333,515</b>	<b>632,046,156</b>

## Balance with Nepal Rastra Bank

Schedule 9  
Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible Currency	Total		
<b>1. Nepal Rastra Bank</b>	<b>3,885,898,757</b>	-	<b>93,265,032</b>	<b>93,265,032</b>	<b>3,979,163,789</b>	<b>1,390,625,787</b>
a. Current Account	3,885,898,757	-	93,265,032	93,265,032	3,979,163,789	1,390,625,787
b. Other Account	-	-	-	-	-	-
<b>Total</b>	<b>3,885,898,757</b>	-	<b>93,265,032</b>	<b>93,265,032</b>	<b>3,979,163,789</b>	<b>1,390,625,787</b>

Note: Total balance as per the statement of Nepal Rastra Bank is 4,054,877,179.

## Balance with Banks / Financial Institutions

Schedule 10  
Amount in NPR

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			CURRENT YEAR	PREVIOUS YEAR
		INR	Convertible Currency	Total		
<b>1. Local Licensed Institutions</b>	<b>233,356,360</b>	-	<b>997,918</b>	<b>997,918</b>	<b>234,354,278</b>	<b>146,506,868</b>
a. Current Account	233,356,360	-	997,918	997,918	234,354,278	146,506,868
b. Other Account	-	-	-	-	-	-
<b>2. Foreign Bank</b>	-	<b>247,898,030</b>	<b>949,546,546</b>	<b>1,197,444,576</b>	<b>1,197,444,576</b>	<b>795,472,510</b>
a. Current Account	-	247,898,030	949,546,546	1,197,444,576	1,197,444,576	795,472,510
b. Other Account	-	-	-	-	-	-
<b>Total</b>	<b>233,356,360</b>	<b>247,898,030</b>	<b>950,544,464</b>	<b>1,198,442,494</b>	<b>1,431,798,854</b>	<b>941,979,378</b>

Note: Total balance as per the statement received from respective bank is 1,114,564,088.

## Money at Call and Short Notice

Schedule 11  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Local Currency	-	200,000,000
2. Foreign Currency	264,600,000	534,000,000
<b>Total</b>	<b>264,600,000</b>	<b>734,000,000</b>

## Investments

Schedule 12  
Amount in NPR

PARTICULARS	PURPOSE		CURRENT YEAR	PREVIOUS YEAR
	TRADING	OTHER		
1. Nepal Government Treasury Bills	-	6,402,963,895	6,402,963,895	4,725,584,865
2. Nepal Government Saving Bond	-	-	-	-
3. Nepal Government Other Securities	-	2,759,259,402	2,759,259,402	1,681,777,676
4. NRB Bonds	-	-	-	-
5. Foreign Bonds	-	-	-	-
6. Local Licensed Institutions	-	88,200,000	88,200,000	479,420,000
7. Foreign Banks	-	692,370,000	692,370,000	1,794,368,930
8. Corporate Shares	-	90,002,059	90,002,059	90,002,059
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
<b>Total Investment</b>	-	<b>10,032,795,356</b>	<b>10,032,795,356</b>	<b>8,771,153,530</b>
<b>Provision</b>			<b>1,214,859</b>	<b>1,214,859</b>
<b>Net Investment</b>			<b>10,031,580,497</b>	<b>8,769,938,671</b>

## Investments in Shares, Debentures and Bonds

Schedule 12(A)  
Amount in NPR

PARTICULARS	COST PRICE	MARKET VALUE	PROVISION	CURRENT YEAR	PREVIOUS YEAR
<b>1. Investment in Shares</b>					
1.1 Rural Microfinance Dev Centre 480,000 Shares @ Rs. 100 per share, fully paid up	48,000,000	48,000,000	-	48,000,000	48,000,000
1.2 Western Rural Development Bank 33,000 Shares (including 3,000 bonus shares) @ Rs. 100 per share, fully paid up	3,000,000	3,300,000	-	3,000,000	3,000,000
1.3 Nirdhan Utthan Bank Ltd. 215,998 Shares (including 88,065 bonus shares) @ Rs.100 per share, fully paid up	12,793,300	30,808,384	-	12,793,300	12,793,300
1.4 Chhimek Bikas Bank Ltd. 151,202 Shares (including 77,401 bonus shares) @ Rs. 100 per share, fully paid up	7,380,100	35,608,228	-	7,380,100	7,380,100
1.5 Swabalamban Bikas Bank Ltd. 150,024 Shares (including 25,119 bonus shares) @ Rs. 100 per share, fully paid up	12,490,500	35,855,736	-	12,490,500	12,490,500
1.6 Swift SC 6 Shares	1,214,859	1,214,859	1,214,859	1,214,859	1,214,859
1.7 Credit Information Corporation Limited 32,753 shares (including 18,520 bonus shares) @ Rs. 100 per share, fully paid up	1,423,300	2,729,400	-	1,423,300	1,423,300
1.8 Nepal Clearing House 25,000 shares @ Rs. 100 each, fully paid up	2,500,000	2,500,000	-	2,500,000	2,500,000
1.9 VISA Card International 5,860 nos. of Common Stock	-	-	-	-	-
1.10 Nepal Bankers' Training Institute (100% Of committed equity)	1,200,000	1,200,000		1,200,000	1,200,000
<b>2. Investment in Debentures and Bonds</b>					
2.1 .....					
2.2 .....					
2.3 .....					
<b>Total Investment</b>	<b>90,002,059</b>	<b>161,216,607</b>	<b>1,214,859</b>	<b>90,002,059</b>	<b>90,002,059</b>
<b>3. Provision for Loss</b>					
3.1 Up to previous year	-	-	1,214,859	1,214,859	1,214,859
3.2 Addition this year	-	-	-	-	-
<b>Total Provision</b>			<b>1,214,859</b>	<b>1,214,859</b>	<b>1,214,859</b>
<b>Net Investment</b>				<b>88,787,200</b>	<b>88,787,200</b>

### Note:

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

## Held for Trading Investments

Schedule 12.1  
Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE AS AT		PROFIT / LOSS		REMARKS
		16-JUL-2011	15-JUL-2012	CURRENT YEAR	PREVIOUS YEAR	
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	-	-	-	-	-	-
7. Debentures and Bonds of Local Licensed Institution	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	-	-	-	-	-	-
9. Placement in Foreign Banks	-	-	-	-	-	-
10. Inter Bank Lending	-	-	-	-	-	-
11. Other Investments	-	-	-	-	-	-
<b>Total Investments</b>	-	-	-	-	-	-

## Held to Maturity Investments

Schedule 12.2  
Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE AS AT		PROFIT / LOSS		REMARKS
		16-JUL-2011	15-JUL-2012	CURRENT YEAR	PREVIOUS YEAR	
1. Nepal Government Treasury Bills	6,402,963,895	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	2,759,259,402	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	-	-	-	-	-	-
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	-	-	-	-	-	-
9. Placement in Foreign Banks	692,370,000	-	-	-	-	-
10. Other Investments	88,200,000	-	-	-	-	-
<b>Total Investments</b>	<b>9,942,793,297</b>	-	-	-	-	-

## Available for Sale Investments

Schedule 12.3  
Amount in NPR

PARTICULARS	COST PRICE	MARKET PRICE AS AT		THIS YEAR INVESTMENT ADJUSTMENT RESERVE (B-A)	PREVIOUS YEAR PROFIT/ LOSS	REMARKS
		16-JUL-2011	15-JUL-2012			
1. Nepal Government Treasury Bills	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other Securities	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Bonds	-	-	-	-	-	-
6. Shares of Local Licensed Institutions	83,663,900	147,932,882	153,572,348	-	-	-
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	-
8. Shares, Debentures and Bonds of Local Organised Institutions	5,123,300	6,429,400	6,429,400	-	-	-
9. Placement in Foreign Banks	-	-	-	-	-	-
10. Other Investments	1,214,859	1,214,859	1,214,859	-	-	-
<b>Total Investments</b>	<b>90,002,059</b>	<b>155,577,141</b>	<b>161,216,607</b>	-	-	-

\*For the shares, which are not listed in Nepal Stock Exchange, cost of acquisition is considered as the market price.



## Classification of Loans and Bills Purchased and Provisioning

PARTICULARS	LOANS & ADVANCES				BILLS PURCHASED & DISCOUNTED				CURRENT YEAR	PREVIOUS YEAR
	DOMESTIC		FOREIGN		LOCAL		FOREIGN			
	PRIORITY	UN-INSURED	INSURED	OTHER	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
										INSURED
1. Performing Loan	-	-	32,677,393,563	854,336,163	33,531,729,726	52,006,977	1,633,571,181	1,685,578,158	35,217,307,884	31,576,522,315
1.1 Pass Loan	-	-	32,677,393,563	854,336,163	33,531,729,726	52,006,977	1,633,571,181	1,685,578,158	35,217,307,884	31,576,522,315
2. Non-Performing Loan	-	-	744,887,634	6,003,863	750,891,497	-	273,420	273,420	751,164,917	1,391,747,983
2.1 Re-structured	-	-	123,791,145	-	123,791,145	-	-	-	123,791,145	188,464,341
2.2 Substandard	-	-	76,405,667	-	76,405,667	-	-	-	76,405,667	216,053,013
2.3 Doubtful	-	-	62,067,787	-	62,067,787	-	-	-	62,067,787	73,457,250
2.4 Loss	-	-	482,623,035	6,003,863	488,626,898	-	273,420	273,420	488,900,318	913,773,379
<b>(A) Total Loan</b>	-	-	<b>33,422,281,197</b>	<b>860,340,026</b>	<b>34,282,621,223</b>	<b>52,006,977</b>	<b>1,633,844,601</b>	<b>1,685,851,578</b>	<b>35,968,472,801</b>	<b>32,968,270,298</b>
3. Loan Loss Provision	-	-	333,630,233	8,543,362	342,173,595	520,070	16,335,712	16,855,782	359,029,377	318,132,523
3.1 Pass	-	-	104,973,933	-	104,973,933	-	-	-	104,973,933	78,620,452
3.2 Re-structured	-	-	19,101,417	-	19,101,417	-	-	-	19,101,417	54,038,564
3.3 Substandard	-	-	31,033,894	-	31,033,894	-	-	-	31,033,894	36,728,625
3.4 Doubtful	-	-	482,623,035	6,003,863	488,626,898	-	273,420	273,420	488,900,318	913,773,379
3.5 Loss	-	-	971,362,512	14,547,225	985,909,737	520,070	16,609,132	17,129,202	1,003,038,939	1,401,293,543
<b>(B) Total Provisioning</b>	-	-	<b>971,362,512</b>	<b>14,547,225</b>	<b>985,909,737</b>	<b>520,070</b>	<b>16,609,132</b>	<b>17,129,202</b>	<b>1,003,038,939</b>	<b>1,401,293,543</b>
4. Provisioning up to Previous Year	-	-	300,087,072	4,778,899	305,017,965	1,338,903	11,775,655	13,114,558	318,132,523	282,483,799
4.1 Pass	-	151,994	78,620,452	-	78,620,452	-	-	-	78,620,452	22,910,733
4.2 Re-structured	-	-	54,038,564	-	54,038,564	-	-	-	54,038,564	46,818,580
4.3 Substandard	-	-	36,728,625	-	36,728,625	-	-	-	36,728,625	110,259,905
4.4 Doubtful	-	-	903,414,724	10,193,255	913,607,979	-	165,400	165,400	913,773,379	680,653,112
4.5 Loss	-	-	1,372,889,437	14,972,154	1,388,013,585	1,338,903	11,941,055	13,279,958	1,401,293,543	1,143,126,129
<b>(C) Total Provision up to Last Year</b>	-	<b>151,994</b>	<b>(832,518,120)</b>	<b>(10,036,055)</b>	<b>(842,706,169)</b>	<b>(855,544)</b>	<b>(2,684,058)</b>	<b>(3,539,602)</b>	<b>(846,245,771)</b>	<b>(211,970,590)</b>
<b>(D) Provision written back this year</b>	-	-	430,991,195	9,611,126	440,602,321	36,711	7,352,135	7,388,846	447,991,167	470,138,004
<b>(E) This year's additional provision</b>	-	-	(401,526,925)	(424,929)	(402,103,848)	(818,833)	4,668,077	3,849,244	(398,254,604)	258,167,414
<b>(F) Net adjustment during the year</b>	-	-	32,450,918,685	845,792,801	33,296,711,486	51,486,907	1,617,235,469	1,668,722,376	34,965,433,862	31,566,976,755
<b>Net Loan (A - B)</b>	-	-	<b>32,450,918,685</b>	<b>845,792,801</b>	<b>33,296,711,486</b>	<b>51,486,907</b>	<b>1,617,235,469</b>	<b>1,668,722,376</b>	<b>34,965,433,862</b>	<b>31,566,976,755</b>

## Security Wise Detail of Loans, Advances and Bills Purchased

Schedule 13 (A)  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>(A) Secured</b>	<b>35,968,472,801</b>	<b>32,968,270,298</b>
1. Movable / Immovable Assets	31,990,441,432	26,859,693,792
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	-	-
4. Internationally Rated Bank Guarantee	19,800,945	21,776,749
5. Export Documents	1,685,851,578	1,311,621,402
6. Fixed Deposit Receipts	333,776,606	338,302,421
a. Own FDR	333,419,115	337,945,105
b. FDR of other Licensed Institutions	357,491	357,316
7. Nepal Government Bonds	240,000	7,823,000
8. Counter Guarantee	1,138,151,981	888,828,914
9. Personal Guarantee	10,182,327	3,459,884
10. Other Securities	790,027,933	3,536,764,136
<b>(B) Unsecured</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>35,968,472,801</b>	<b>32,968,270,298</b>

## Fixed Assets

Schedule 14  
Amount in NPR

PARTICULARS	ASSETS				CURRENT YEAR	PREVIOUS YEAR
	BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT		
1. At Cost						
a. Previous Year Balance	52,578,280	188,974,208	327,055,286	349,747,604	918,355,378	808,726,968
b. Addition this year	355,243,039	41,925,100	36,213,499	107,351,448	540,733,086	134,348,502
c. Revaluation / Written back this year	-	-	-	-	-	-
d. This year sold	-	(16,625,000)	(117,520)	(246,200)	(16,988,720)	(6,530,922)
e. This Year written off	-	-	-	(1,189,782)	(1,189,782)	(18,189,170)
<b>Total Cost (a + b + c + d + e)</b>	<b>407,821,319</b>	<b>214,274,308</b>	<b>363,151,265</b>	<b>455,663,070</b>	<b>1,440,909,962</b>	<b>918,355,378</b>
2. Depreciation						
a. Up to previous year	16,290,398	64,634,059	206,031,333	167,234,950	454,190,740	397,786,187
b. For this year	17,968,275	20,987,105	25,503,561	36,853,293	101,312,234	71,439,397
c. Depreciation on revaluation/written back	-	-	-	-	-	-
d. Depreciation Adjusted/Written Back	-	(8,289,629)	(46,596)	(918,413)	(9,254,638)	(15,034,844)
<b>Total Depreciation</b>	<b>34,258,673</b>	<b>77,331,535</b>	<b>231,488,298</b>	<b>203,169,830</b>	<b>546,248,336</b>	<b>454,190,740</b>
3. Book Value (WDV)*(1-2)	373,562,646	136,942,773	131,662,967	252,493,240	894,661,626	464,164,638
4. Land	-	-	-	-	325,671,342	325,671,342
5. Capital Construction (WIP)	-	-	-	-	2,255,561	307,292,982
6. Leasehold Assets	-	-	-	-	82,775,828	90,364,087
<b>Total (3 + 4 + 5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,305,364,357</b>	<b>1,187,493,049</b>

## Non Banking Assets

Schedule 15  
Amount in NPR

NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON-BANKING	TOTAL AMOUNT OF NON-BANKING ASSETS	LOSS PROVISION		CURRENT YEAR	PREVIOUS YEAR
			%	IN AMOUNT		
Yuyutsava Packaging	2009.07.06	-	100	-	-	12,940,464
Ravi International	2009.07.09	-	100	-	-	790,400
Ramesh Babu Shrestha	2010.12.09	376,000	100	376,000	-	376,000
<b>Grand Total</b>	-	<b>376,000</b>	-	<b>376,000</b>	-	<b>14,106,864</b>
Opening Balance of NBA Provision	-	14,106,864	-	-	-	29,905,864
Addition during the year	-	(13,730,864)	100	-	-	(15,799,000)
Closing provision on NBA	-	376,000	-	-	-	14,106,864
<b>Net Non-banking Assets</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Other Assets

Schedule 16  
Amount in NPR

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Stock of Stationery		16,518,282	25,039,810
2. Income Receivable on investments		86,089,131	137,097,154
3. Accrued Interest on Loan	534,366,185		618,429,700
Less : Interest Suspense Amount	(534,366,185)	-	(606,810,870)
4. Commission Receivable		-	-
5. Sundry Debtors		-	-
6. Staff Loan and Advances		824,844,442	720,392,682
7. Prepayments		47,729,032	38,211,291
8. Cash in Transit		-	-
9. Other Transit Items(Including Cheques)		-	1,982,492
10. Drafts Paid without Notice		-	-
11. Expenses not written off		93,561,034	89,472,717
12. Branch Adjustment Account		-	54,540,841
13. Deferred Tax Assets		23,374,082	2,901,279
14. Others		343,037,005	431,886,992
a. Advance for capital works	16,388,271		93,147,059
b. Advance Corporate Tax	8,352,485		69,131,676
c. Others	432,262,663		326,434,464
Less: Provision for possible losses	(113,966,414)		(56,826,207)
<b>Total</b>		<b>1,435,153,008</b>	<b>1,513,144,088</b>

## Other Assets (Additional Statement)

Schedule 16 (A)  
Amount in NPR

PARTICULARS	CURRENT YEAR				PREVIOUS YEAR
	UPTO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	TOTAL	
1. Accrued interest on Loan	215,617,683	69,820,410	248,928,092	534,366,185	618,429,700
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment A/c	-	-	-	-	-
4. Agency Balance	-	-	-	-	-
<b>Total</b>	<b>215,617,683</b>	<b>69,820,410</b>	<b>248,928,092</b>	<b>534,366,185</b>	<b>618,429,700</b>



## Contingent Liabilities

Schedule 17  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Claims on Institutions but not accepted by bank	16,888,000	19,686,000
2. Letters of Credit (full amount)	3,983,149,810	3,574,914,189
a. Less than 6 months maturity	3,508,113,277	2,770,868,748
b. More than 6 months maturity	475,036,533	804,045,441
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,773,093,643	1,618,620,141
a. Bid Bond	145,162,845	211,570,031
b. Performance Bond	1,148,990,370	912,098,556
c. Other Guarantees/ Bonds	478,940,428	494,951,554
5. Unpaid Shares in Investment	-	-
6. Forward Exchange contract liabilities	199,188,089	821,619,502
7. Bills under collection	2,535,509,614	1,643,374,408
8. Acceptance and Endorsements	727,810,764	559,358,323
9. Underwriting Commitments	-	-
10. Irrevocable Loan Commitments	3,374,492,606	3,227,315,980
11. Counter Guarantee of internationally Rated Banks	1,598,761,643	1,674,338,582
12. Advance Payment Guarantee	189,911,732	267,064,419
13. Financial Guarantee	-	-
14. Contingent Liabilities on Income Tax	38,049,568	26,879,423
15. Others	-	-
<b>Total</b>	<b>14,436,855,469</b>	<b>13,433,170,967</b>

## Interest Income

Schedule 18  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. On Loan, Advances and Overdraft</b>	<b>4,216,329,884</b>	<b>3,843,311,617</b>
1. Loan and Advances	3,050,354,021	2,767,676,307
2. Overdraft	1,165,975,863	1,075,635,310
<b>B. On Investment</b>	<b>474,916,377</b>	<b>389,103,743</b>
1. Nepal Government Securities	474,916,377	389,103,743
a. Treasury Bills	316,117,134	296,280,229
b. Development Bonds	158,799,243	92,823,514
c. National Saving Certificate	-	-
2. Foreign Securities	-	-
a. ....	-	-
b. ....	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lending	-	-
A. Bank/Financial Institutions	-	-
B. Other Organizations	-	-
<b>C. On Agency Balances</b>	<b>264,304</b>	<b>1,521,778</b>
1. Local Banks	16,557	1,234,228
2. Foreign Banks	247,747	287,550
<b>D. On Money at Call and Short Notice</b>	<b>2,687,033</b>	<b>33,980,475</b>
1. Local Banks	2,676,700	33,836,267
2. Foreign Banks	10,333	144,208
<b>E. On Others</b>	<b>30,689,725</b>	<b>58,222,975</b>
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	7,464,524	18,107,016
3. FCY Placements	23,225,201	40,115,959
<b>Total</b>	<b>4,724,887,323</b>	<b>4,326,140,588</b>

## Interest Expenses

Schedule 19  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. On Deposit Liabilities</b>		
1. Fixed Deposits	1,403,379,243	1,285,319,384
1.1 Local Currency	1,381,801,794	1,267,468,808
1.2 Foreign Currency	21,577,449	17,850,576
2. Saving Deposits	869,511,260	706,968,453
2.1 Local Currency	865,461,575	702,257,792
2.2 Foreign Currency	4,049,685	4,710,661
3. Call Deposit	475,771,027	355,287,262
3.1 Local Currency	463,460,302	343,623,184
3.2 Foreign Currency	12,310,725	11,664,078
4. Certificate of Deposits	-	-
<b>B. On Borrowings</b>	<b>67,779,874</b>	<b>67,232,144</b>
1. Debentures and Bonds	40,000,000	40,000,000
2. Loan from Nepal Rastra Bank	-	1,632,759
3. Inter Bank/Financial Institutions Borrowing	27,779,874	25,599,385
4. Other Corporate Bodies	-	-
5. Other Loans	-	-
<b>C. Others</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,816,441,404</b>	<b>2,414,807,243</b>

## Commission and Discount Income

Schedule 20  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>A. Bills Purchased and Discounted</b>	<b>83,765,688</b>	<b>15,508,942</b>
1. Local	-	11,833,348
2. Foreign	83,765,688	3,675,594
<b>B. Commission</b>	<b>348,564,544</b>	<b>272,573,412</b>
1. Letters of Credit	33,903,532	36,165,185
2. Guarantees	63,926,348	55,608,929
3. Collection Fees	29,777,890	48,857,634
4. Remittance Fees	79,825,502	51,806,056
5. Credit Cards Fee	141,131,272	80,135,608
6. Share Underwriting /Issue	-	-
7. Government Transactions	-	-
8. Agency Commissions	-	-
9. Exchange Fees	-	-
<b>C. Others</b>	<b>78,510,047</b>	<b>62,282,758</b>
<b>Total</b>	<b>510,840,279</b>	<b>350,365,112</b>

## Other Operating Income

Schedule 21  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Safe Deposit Lockers Rental	9,373,630	7,516,338
2. Issue and Renewal of Credit Cards	58,922,399	51,000,532
3. Issue and Renewals of ATM Cards	37,004,698	3,406,786
4. Telex/ T. T	12,735,858	13,188,803
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	63,992,050	54,404,522
<b>Total</b>	<b>182,028,635</b>	<b>129,516,981</b>

## Exchange Gain / (Loss)

Schedule 22  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A. Revaluation Gain/(Loss)	(34,885,931)	26,729,284
B. Trading Gain (including exchange Fee on INR)	344,783,893	168,799,254
<b>Total Income / (Loss)</b>	<b>309,897,962</b>	<b>195,528,538</b>

## Staff Expenses

Schedule 23  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Salary	237,102,991	213,045,880
2. Allowances	249,892,417	166,258,076
3. Contribution to Provident Fund	20,543,676	18,114,288
4. Training Expenses	3,659,884	3,184,322
5. Uniform	5,821,870	4,934,000
6. Medical	-	-
7. Insurance	24,406,462	24,965,352
8. Pension and Gratuity	50,835,535	58,946,092
9. Others	41,965,997	28,143,817
<b>Total</b>	<b>634,228,832</b>	<b>517,591,827</b>

## Other Operating Expenses

Schedule 24  
Amount in NPR

PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
1. Office Rent		86,576,814	79,128,303
2. Electricity & Water		15,715,979	13,716,779
3. Repairs and Maintenance		56,928,924	43,475,099
a. Building	381,988		545,732
b. Vehicles	1,571,735		1,499,505
c. Others	54,975,201		41,429,862
4. Insurance		23,522,615	9,581,664
5. Postage Telex, Telephone, Fax		15,736,554	14,487,594
6. Office Equipment & Furniture- Repairs		445,210	350,204
7. Travelling Allowances and Expenses		30,426,379	22,319,487
8. Printing and Stationery		23,343,452	17,727,809
9. Books and Periodicals		938,793	945,067
10. Advertisements		43,487,984	38,417,009
11. Legal Expenses		3,126,852	31,335,112
12. Donations		285,100	541,026
13. Expenses Relating to Board of Directors		5,093,413	7,300,180
a. Meeting Fees	766,800		885,600
b. Other Expenses	4,326,613		6,414,580
14. Annual General Meeting Expenses		779,454	996,167
15. Expenses Relating to Audit		1,254,977	1,022,638
a. Audit Fees	678,000		678,000
b. Other Expenses	576,977		344,638
16. Commission on Remittances		-	-
17. Depreciation on Fixed Assets		101,312,234	71,439,397
18. Amortization		56,857,366	47,195,266
19. Share Issue Expenses		-	-
20. Technical Services Fee		-	-
21. Entertainment		1,438,587	1,627,333
22. Written off Expenses		756,263	255,683
23. Security Expenses		22,694,928	18,883,955
24. Credit Guarantee Premium		178,990	-
25. Commission and Discount		5,734,348	2,293,195
26. Others		217,801,220	159,170,846
a. Registration Fee and Charges	25,007,813		22,423,656
b. Card Membership and other expenses	135,862,786		95,864,563
c. Committee Meeting Fees	414,200		812,800
d. Fuel, Janitorial & Cleaning	38,814,860		26,585,557
e. Others	17,701,561		13,484,270
<b>Total</b>		<b>714,436,436</b>	<b>582,209,813</b>



## Provision for Possible Losses

Schedule 25  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Increase in Loan Loss Provision	447,991,167	470,138,004
2. Increase in Provision for Loss on Investment	-	1,214,859
3. Provision against Non-Banking Assets	-	376,000
4. Provision against Other Assets	57,500,000	-
<b>Total</b>	<b>505,491,167</b>	<b>471,728,863</b>

## Non Operating Income / (Loss)

Schedule 26  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Profit/(Loss) on Sale on Investment	-	-
2. Profit / (Loss) on Sale of Assets [Includes profit on sale of NBA Rs.570,433 (Previous year profit of Rs. 5,825,000)]	411,095	7,477,013
3. Dividend	7,594,515	8,378,920
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. interest subsidy	-	-
c. Exchange counter	-	-
5. Others	-	-
<b>Total Non- Operating Income (Loss)</b>	<b>8,005,610</b>	<b>15,855,933</b>

## Loss Provisions Written Back

Schedule 27  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Loan Loss Provision Written Back	846,245,771	211,970,590
2. Provision against Non-Banking Assets Written Back	13,730,864	16,175,000
3. Investment Provision Written Back	-	-
4. Provision against Other Assets Written Back	-	-
<b>Total</b>	<b>859,976,635</b>	<b>228,145,590</b>

## Profit / (Loss) from Extra-ordinary Activities

Schedule 28  
Amount in NPR

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
1. Recovery of Writen off Loan	4,106,287	103,918,011
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write/offs [Schedule 28 (A)]	(401,144,182)	(1,625,986)
4. Other Expenses/Income	-	-
<b>Total</b>	<b>(397,037,895)</b>	<b>102,292,025</b>

## Statement of loans written-off

S. N.	TYPE OF LOAN	AMOUNT WRITTEN OFF	SECURITY DETAIL	BASIS OF VALUATION	APPROVING AUTHORITY	RECOVERY STEPS TAKEN	REMARKS
1	Overdrafts	46,144,345	Mortgage of land & building, hypothecation of machinery and stock duly insured in favour of bank.	70% of Market value and 30% of Government value	EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Borrowers & Personal Guarantors have been blacklisted.	
2	Demand Loan	246,501,339	Mortgage of land & building, hypothecation of stocks duly insured in favour of bank.	70% of Market value and 30% of Government value	DGM/GM/EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Borrowers & Personal Guarantors have been blacklisted.	
3	Structured Loan	4,400,000	Mortgage of land & building, hypothecation of stocks duly insured in favour of bank.	70% of Market value and 30% of Government value	DGM/GM/EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Borrowers & Personal Guarantors have been blacklisted.	
4	Pre export loan	6,308,875	Mortgage of land & building, hypothecation of stocks duly insured in favour of bank.	70% of Market value and 30% of Government value	BM	Served various follow-up letters, 35 days notice published in newspaper. Auction and re-auction notice were published in newspaper. Case filed in DRT	
5	Hire Purchase	935,840	Registration of vehicle in Bank's name	Purchase price / invoice of the vehicle	GM/SGM	Served various follow-up letters, 35 days notice published in newspaper. Borrowers & Personal Guarantors have been blacklisted.	
6	Fixed / Mid Term Loan	34,319,154	Mortgage of land & building, hypothecation of stocks duly insured in favour of bank.	70% of Market value and 30% of Government value	EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Promoters of the borrower and PG holders have been blacklisted.	
7	Trust Receipt Loan	23,521,135	Mortgage of land & building, hypothecation of stocks duly insured in favour of bank.	70% of Market value and 30% of Government value	EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Promoters of the borrower and PG holders have been blacklisted.	
8	Bills Under L/C - Import	35,816,570	Mortgage of land, building, machinery and hypothecation of stock	N/A	EC/BOD	Served various follow-up letters, 35 days notice published in newspaper. Promoters of the borrower and PG holders have been blacklisted.	
9	Cheque purchased	395,109	N/A	N/A	GM	Served various follow-up letters, 35 days notice published in newspaper. Borrowers have been blacklisted.	
10	Credit Card Loan	2,801,815	Personal guarantee of cardholders	N/A	BM/DGM/CEO	Follow-up through telephonic calls and written notices served to the card holder. 35 days notice published in newspaper along with the photographs. Cardholders have been blacklisted.	
<b>Total Loan</b>		<b>401,144,182</b>					

## Statement of Loans & Advances given to Directors / CEO / Promoters / Employees and Shareholders

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

Schedule 29  
Amount in NPR

NAME OF PROMOTERS / DIRECTORS /CHIEF EXECUTIVE	PREVIOUS YEARS'S BALANCE		THIS YEAR RECOVERY		THIS YEAR ADDITIONS	BALANCE AS OF ASHAD 32, 2068	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST
<b>(A) Directors</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(B) Chief Executives</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(C) Promoters</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(D) Employees</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>(E) Shareholders</b>							
1. ....	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

Note: The Bank has various Staff Loan Schemes and the loans availed under such schemes by the Staffs are included under "Schedule 16 - Other Assets"

## Table of Capital Fund

Schedule 30(A)  
Amount in NPR

1. 1 RISK WEIGHTED EXPOSURES		CURRENT YEAR	PREVIOUS YEAR
a	Risk Weighted Exposure for Credit Risk	42,584,895,177	39,545,254,061
b	Risk Weighted Exposure for Operational Risk	3,496,411,930	2,953,963,235
c	Risk Weighted Exposure for Market Risk	250,523,459	185,012,202
	Adjustment under Pillar II		
	Add 2% of gross income for operational risk	676,431,429	586,607,505
	Add: 2% of total RWE for overall risk	926,636,611	853,684,590
	<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>47,934,898,606</b>	<b>44,124,521,593</b>
1. 2 CAPITAL			
	<b>Core Capital (Tier I)</b>	<b>4,600,146,030</b>	<b>3,916,970,800</b>
a	Paid up Equity Share Capital	2,400,000,000	2,000,000,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Share Premium	-	-
d	Proposed Bonus Equity Shares	360,000,000	400,000,000
e	Statutory General Reserves	1,383,151,091	1,191,423,439
f	Retained Earnings	72,898,928	32,931,797
g	Current year profit/(loss)	-	-
h	Capital Redemption Reserve	-	-
i	Capital Adjustment Reserve	-	-
j	Dividend Equalization Reserves	-	-
k	Debenture Redemption Reserve	357,142,856	285,714,285
l	Special Reserve	4,000,000	4,000,000
m	Deferred Tax Reserve	23,374,082	2,901,279
n	Less: Goodwill	-	-
o	Less: Miscellaneous Expenditure not written off	420,927	-
p	Less: Investment in equity in licensed Financial Institutions	-	-
q	Less: Investment in equity of institutions with financial interests	-	-
r	Less: Investment in equity of institutions in excess of limits	-	-
s	Less: Investments arising out of underwriting commitments	-	-
t	Less: Reciprocal crossholdings	-	-
u	Less: Other Deductions	-	-
	<b>Adjustment under Pillar II</b>		
	Less shortfall in Provision	-	-
	Less loans and facilities extended to related parties and restricted lending	-	-
	<b>Supplementary Capital (Tier II)</b>	<b>683,754,044</b>	<b>794,272,695</b>
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	300,000,000	400,000,000
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	352,310,868	315,765,222
e	Exchange Equalization Reserve	29,769,898	29,769,898
f	Investment Adjustment Reserve	1,673,278	48,737,575
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
	<b>Total Capital Fund (Tier I and Tier II)</b>	<b>5,283,900,074</b>	<b>4,711,243,495</b>
1.3 CAPITAL ADEQUACY RATIOS			
	Tier 1 Capital to Total Risk Weighted Exposures	9.60	8.88
	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.02	10.68



# RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 15, 2012 (ASHAD 31, 2069)

Schedule 30(B)

Amount in NPR

PARTICULARS	CURRENT YEAR					RISK WEIGHTED EXPOSURES F=D*E	PREVIOUS YEAR	
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT		NET VALUE	RISK WEIGHTED EXPOSURE
	A	B	C	D=A-B-C	E			
Cash Balance	951,333,515	-	-	951,333,515	0%	-	632,046,156	-
Balance With Nepal Rastra Bank	3,979,163,789	-	-	3,979,163,789	0%	-	1,390,625,686	-
Gold	-	-	-	-	-	-	-	-
Investment in Nepalese Government Securities	6,440,634,695	-	-	6,440,634,695	0%	-	6,407,431,252	-
All Claims on Government of Nepal	255,195,221	-	-	255,195,221	0%	-	255,195,221	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	546,662,820	-	139,749,272	406,913,548	150%	610,370,322	557,270,187	835,905,280
Claims on domestic banks that meet capital adequacy requirements	224,841,316	-	-	224,841,316	20%	44,968,263	735,991,883	147,198,377
Claims on domestic banks that do not meet capital adequacy requirements	97,712,963	-	-	97,712,963	100%	97,712,963	89,934,985	89,934,985
Claims on foreign bank (ECA Rating 0-1)	1,647,343,052	-	-	1,647,343,052	20%	329,468,610	1,067,011,626	213,402,325
Claims on foreign bank (ECA Rating 2)	5,045,627	-	-	5,045,627	50%	2,522,814	10,892,778	5,446,389
Claims on foreign bank (ECA Rating 3-6)	15,892,874	-	-	15,892,874	100%	15,892,874	28,952,453	28,952,453
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	500,268,835	-	-	500,268,835	20%	100,053,767	2,035,448,672	407,089,734
Claims on Domestic Corporates	21,915,631,492	-	223,019,736	21,692,611,756	100%	21,692,611,756	20,062,416,439	20,062,416,439
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)	3,970,600,263	390,249	169,047,460	3,801,162,553	75%	2,850,871,915	2,793,812,382	2,095,359,286
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	-
Claims secured by residential properties	1,829,503,515	1,766,163	-	1,827,737,352	60%	1,096,642,411	1,304,733,615	782,840,169
Claims not fully secured by residential properties	-	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	48,312,200	9,898,690	-	38,413,510	100%	38,413,510	28,814,365	28,814,365
Claims secured by Commercial real estate	1,394,879,390	2,761,985	-	1,392,117,405	100%	1,392,117,405	145,930,8535	1,459,308,535
Past due claims (except for claim secured by residential properties)	1,214,201,773	614,720,913	-	599,480,860	150%	899,221,290	417,895,971	626,843,957
High Risk claims	4,793,486,129	21,190,071	14,451,796	4,757,844,262	150%	7,136,766,393	4,470,118,665	6,705,177,997
Investments in equity and other capital instruments of institutions listed in the stock exchange	32,663,900	-	-	32,663,900	100%	32,663,900	32,663,900	32,663,900
Investments in equity and other capital instruments of institutions not listed in the stock exchange	57,338,159	1,214,859	-	56,123,300	150%	84,184,950	57,338,159	86,007,239
Other Assets	4,147,923,993	1,605,046,410	-	2,542,877,584	100%	2,542,877,584	2,420,300,313	2,420,300,313
<b>TOTAL</b>	<b>54,068,635,522</b>	<b>2,256,989,340</b>	<b>546,268,264</b>	<b>51,265,377,918</b>		<b>38,967,360,727</b>	<b>46,258,203,343</b>	<b>36,027,661,743</b>

continue.....

## RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As at July 15, 2012 (ASHAD 31, 2069)

CONTINUED

Amount in NPR

B. OFF BALANCE SHEET EXPOSURES	CURRENT YEAR					RISK WEIGHTED EXPOSURES F=D*E	PREVIOUS YEAR	
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT		NET VALUE	RISK WEIGHTED EXPOSURE
	A	B	C	D=A-B-C	E			
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	2,535,509,614	-	-	2,535,509,614	0%	-	1,643,374,408	-
Forward Exchange Contract Liabilities	199,188,089	-	-	199,188,089	10%	19,918,809	821,619,502	82,161,950
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,508,113,277	-	251,794,102	3,256,319,175	20%	651,263,835	2,438,157,364	487,631,473
foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	475,036,533	-	324,110,869	150,925,664	50%	75,462,832	721,694,725	360,847,363
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	1,773,093,643	-	140,478,059	1,632,615,584	50%	816,307,792	1,489,078,099	744,539,050
foreign counterparty (ECA Rating 0-1)	164,423,618	-	131,538,894	32,884,724	20%	6,576,945	110,866,059	22,173,212
foreign counterparty (ECA Rating 2)	1,232,576,146	-	616,288,073	616,288,073	50%	308,144,036	537,751,289	268,875,645
foreign counterparty (ECA Rating 3-6)	42,336,000	-	-	42,336,000	100%	42,336,000	44,238,222	44,238,222
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	189,911,732	-	15,540,927	174,370,805	100%	174,370,805	243,774,649	243,774,649
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	727,810,764	-	-	727,810,764	100%	727,810,764	559,358,323	559,358,323
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	3,294,387,427	-	-	3,294,387,427	20%	658,877,485	3,227,315,980	645,463,196
Irrevocable Credit commitments (long term)	80,105,179	-	-	80,105,179	50%	40,052,590	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	159,425,880	-	-	159,425,880	20%	31,885,176	-	-
Other Contingent Liabilities	38,049,568	-	-	38,049,568	100%	38,049,568	26,879,423	26,879,423
Unpaid guarantee claims	16,888,000	-	3,649,094	13,238,906	200%	26,477,812	15,824,906	31,649,812
TOTAL	14,436,855,469	-	1,483,400,017	12,953,455,452		3,617,534,449	11,879,932,950	3,517,592,318
Total RWE for credit Risk (A) +(B)	68,505,490,991	2,256,989,340	2,029,668,281	64,218,833,370		42,584,895,177	58,138,136,293	39,545,254,061
Adjustment under Pillar II								
Add:10% of the loan and facilities in excess of Single Obligor Limits								
Add:1% of the contract(sale) value in case of the sale of credit with recourse								
Total RWE for credit Risk (A) +(B)+(C)	68,505,490,991	2,256,989,340	2,029,668,281	64,218,833,370		42,584,895,177	58,138,139,293	39,545,254,061

# ELIGIBLE CREDIT RISK MITIGANTS

CREDIT EXPOSURES	DEPOSITS WITH BANK	DEPOSITS WITH OTHER BANKS/FI	GOLD	GOVT. & NRB SECURITIES	G'TEE OF NEPAL	SEC/G'TEE OF OTHER SOVEREIGNS	G'TEE OF DOMESTIC BANKS	G'TEE OF MDBS	SEC/G'TEE OF FOREIGN BANKS	TOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	
<b>A. Balance Sheet Exposures</b>										
Cash Balance	-	-	-	-	-	-	-	-	-	-
Balance with NRB	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Investment in Nepal Rastra Bank Securities	-	-	-	-	-	-	-	-	-	-
All Claims on Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA 4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA-7)	-	-	-	-	-	-	-	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	-	-	-	-	-	-
Claims on other multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	139,749,272	-	-	-	-	-	-	-	-	139,749,272
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic Bank that meet Capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic Bank that do not meet Capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporate in SAARC region Operating with a buffer of 1% above their respective Regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	202,505,109	-	-	12,149,995	-	-	-	-	8,364,632	223,019,736
Claims on Foreign Corporates (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	168,127,460	470,000	-	450,000	-	-	-	-	-	169,047,460
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims not fully secured by residential properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by Commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims	14,451,796	-	-	-	-	-	-	-	-	14,451,796
Investments in equity and other Capital Instrument of institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Assets (as per attachment)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>524,833,637</b>	<b>470,000</b>	-	<b>12,599,995</b>	-	-	-	-	<b>8,364,632</b>	<b>546,268,264</b>

## ELIGIBLE CREDIT RISK MITIGANTS

Schedule 30(c)  
Amount in NPR

CREDIT EXPOSURES	DEPOSITS WITH BANK	DEPOSITS WITH OTHER BANKS/FI	GOLD	GOVT.& NRB SECURITIES	G'TEE OF GOVT. OF NEPAL	SEC/G'TEE OF OTHER SOVEREIGNS	G'TEE OF DOMESTIC BANKS	G'TEE OF MDBS	SEC/G'TEE OF FOREIGN BANKS	TOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(I)	(J)	
<b>B. Off Balance Sheet Exposures</b>										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	251,794,102	-	-	-	-	-	-	-	-	251,794,102
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	324,110,869	-	-	-	-	-	-	-	-	324,110,869
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	140,478,059	-	-	-	-	-	-	-	-	140,478,059
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	15,540,927	-	-	-	-	-	-	-	-	15,540,927
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments	3,649,094	-	-	-	-	-	-	-	-	3,649,094
Claims on Guarantee	-	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>735,573,050</b>	-	-	-	-	-	-	-	<b>747,826,967</b>	<b>1,483,400,017</b>
<b>Total (a+b)</b>										<b>2,029,668,281</b>



## RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

Schedule 30 (D)  
Amount in NPR

PARTICULARS	JULY 15, 2009	JULY 16, 2010	JULY 16, 2011	PREVIOUS YEAR
Net Interest Income	1,407,420,164	1,595,074,509	1,911,333,345	
Commission and Discount Income	284,302,277	270,258,732	350,365,112	
Other Operating Income	46,342,872	112,346,425	129,516,981	
Exchange Fluctuation Income	249,982,606	180,278,743	195,528,538	
Additional/Deduction in Interest Suspense during the period	30,010,191	123,497,130	106,566,235	
<b>Gross Income (a)</b>	<b>2,018,058,110</b>	<b>2,281,455,539</b>	<b>2,693,310,211</b>	
Alfa (b)	0.15	0.15	0.15	
<b>Fixed percentage of Gross Income [c=(a*b)]</b>	<b>302,708,717</b>	<b>342,218,331</b>	<b>403,996,532</b>	
Capital Requirement for operational risk (d) (average of c)	349,641,193			295,396,323
Risk Weight (reciprocal of capital requirement of 10% times) (e)	10			10
<b>Equivalent Risk Weight Exposure [f=(d*e)]</b>	<b>3,496,411,930</b>			<b>2,953,963,235</b>

## RISK WEIGHTED EXPOSURE FOR MARKET RISK

Schedule 30 (E)  
Amount in NPR

S.NO.	CURRENCY	OPEN POSITION (FCY)	MID RATE	OPEN POSITION (NPR)	RELEVANT OPEN POSITION	PREVIOUS YEAR RELEVANT OPEN POSITION
1	AED	(25,925.00)	24.85	(644,236)	644,236	470,426
2	AUD	(33,995.70)	90.21	(3,066,752)	3,066,752	7,968,018
3	CAD	(30,432.83)	86.88	(2,644,004)	2,644,004	3,844,863
4	CHF	(36,707.37)	89.83	(3,297,240)	3,297,240	1,969,249
5	CNY	(14,603.00)	13.83	(201,959)	201,959	111,185
6	DKK	(3,250.00)	14.48	(47,044)	47,044	12,397
7	EUR	(30,916.58)	108.10	(3,341,928)	3,341,928	4,908,333
8	GBP	(62,187.88)	137.43	(8,546,169)	8,546,169	212,952
9	HKD	(134,217.99)	11.33	(1,520,019)	1,520,019	1,256,944
10	INR	(189,106,436.92)	1.60	(302,712,129)	302,712,129	197,706,902
11	JPY	(4,057,294.00)	1.11	(4,513,740)	4,513,740	15,654,584
12	MYR	(8,501.00)	27.54	(234,118)	234,118	91,418
13	NOK	(94,844.85)	14.47	(1,371,931)	1,371,931	420,015
14	QAR	(6,911.00)	24.06	(166,279)	166,279	410,954
15	SAR	(29,456.00)	23.35	(687,798)	687,798	874,226
16	SEK	(70.00)	12.38	(867)	867	36,080
17	SGD	(63,458.53)	69.69	(4,422,108)	4,422,108	2,448,002
18	THB	(4,370.00)	2.79	(12,170)	12,170	54,395
19	USD	(1,855,061.56)	88.20	(163,616,430)	163,616,430	131,573,460
<b>Total Open Position (a)</b>					<b>501,046,918</b>	<b>370,024,403</b>
<b>Fixed Percentage (b)</b>					<b>5%</b>	<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>					<b>25,052,346</b>	<b>18,501,220</b>
<b>Risk Weight (reciprocal of capital requirement of 10% times) (d)</b>					<b>10</b>	<b>10</b>
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>					<b>250,523,459</b>	<b>185,012,202</b>

## Principal Indicators for Last Five Years

Schedule 31

Amount in NPR

PARTICULARS	UNIT	FY	FY	FY	FY	FY
		2007/2008 2064/2065	2008/2009 2065/2066	2009/2010 2066/2067	2010/2011 2067/2068	2011/2012 2068/2069
Net Profit/Total Income	Percent	41.58	39.96	22.13	25.46	24.65
Per Share Income	Rs.	62.74	61.90	31.80	44.66	39.94
Per Share Market Value	Rs.	1980	1760	816	575	653
Price Earning Ratio	Ratio	31.56	28.43	25.66	12.88	16.35
Dividend on Share Capital (Including Bonus)	Percent	45.00	43.56	36.84	36.84	28.42
Cash Dividend on Share Capital	Percent	25.00	12.00	11.84	16.84	13.42
Interest Income/Loan and Advances	Percent	9.73	9.18	10.81	13.12	13.14
Staff Expenses/Total Operating Expenses	Percent	45.91	47.54	46.83	47.06	47.03
Interest Expenses on Total Deposit	Percent	2.59	2.70	4.13	5.90	5.90
FX Fluctuation Gain/Total Income	Percent	8.27	8.51	4.80	3.66	5.00
Staff Bonus/Total Staff Expenses	Percent	24.51	22.81	15.41	19.30	17.97
Net Profit/Loan and Advances	Percent	3.26	3.04	1.82	2.83	2.74
Net Profit/Total Assets	Ratio	1.76	1.91	1.19	1.91	1.76
Total Loan/Deposits	Percent	63.37	73.58	77.43	80.57	75.36
Total Operating Expenses/Total Income	Percent	29.14	29.49	25.60	22.88	24.00
Capital Adequacy Ratio:						
A. Core Capital	Percent	9.36	8.81	8.68	8.88	9.60
B. Supplementary Capital	Percent	3.06	2.21	2.04	1.80	1.43
C. Total Capital Fund	Percent	12.42	11.02	10.72	10.68	11.02
Liquidity ( CRR )	Percent	5.13	6.76	6.76	5.75	8.72
Non-performing Loan/Total Loan	Percent	2.36	2.16	3.52	4.22	2.09
Weighted Average Interest Rate Spread	Percent	3.66	3.66	4.21	3.96	4.25
Book Networth per share	Rs.	247.95	256.52	226.79	199.77	193.00
Total Share	Number	10,135,125	12,162,150	16,000,000	20,000,000	24,000,000
<b>Total Staff</b>	<b>Number</b>	<b>591</b>	<b>591</b>	<b>577</b>	<b>647</b>	<b>793</b>

# Significant Accounting Policies

Schedule 32

## 1. General Information

Himalayan Bank Limited ("the Bank") is a public limited liability company domiciled in Nepal, with its registered office as G.P.O. Box No. 20590, Corporate Office, Kamaladi, Kathmandu, Nepal. The Bank is a Joint-venture of Habib Bank Limited, Pakistan & is licensed by Nepal Rastra Bank, the central bank of Nepal, to carry out commercial banking activities in Nepal as class 'A' financial institution under the Bank and Financial Institution Act, 2063. The Bank is listed in Nepal Stock Exchange Limited.

## 2. Summary of Significant Accounting Policies

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

### 2.1. Statement of Compliance

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

### 2.2. Basis of preparation

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

### 2.3. Interest Income

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

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

### 2.4. Fees and Commission Income

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

### 2.5. Dividend Income

Dividend income (net of withholding tax) is accounted for as and when right to receive is established.

### 2.6. Foreign Exchange Transactions

Foreign currency assets and liabilities are translated into local currency at mid exchange rate prevailing on the Balance Sheet date. Net differences arising from such conversion is accounted for as "Revaluation gain/(Loss)". As required by NRB Directives, 25% of such revaluation gain during the accounting year is transferred to Exchange Fluctuation Reserve by charging to Profit and Loss Appropriation Account. Income/(expenses) arising due to the differences between buying and selling rates of foreign currencies are accounted for as trading gain/(loss).

### 2.7. Recovery from written-off Loans

Recovery from written-off loans is recognised as income when the amount is actually received from borrowers.

All transaction costs viz., legal costs, commission fee etc. incurred for the recovery of written-off loans are included in Schedule 24 (Legal Expenses) of the financial statements.

### 2.8. Interest Expenses

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

### 2.9. Loans and Advances, Overdraft and Bills Purchased

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

### 2.10. Staff Loans

Loans and advances provided to staff in accordance with the Bank's policies are shown under Other Assets. In addition to this, directors & staffs of the bank are provided with credit card facility under approved policy of the bank.

### 2.11. Loan Loss Provision

Provision for possible losses on loans and advances & bills purchased is provided at 0.25% to 100% on the basis of assets classification in accordance with NRB Directives. Additional provision over the prescribed requirement is provided at the discretion of the management on prudent basis.

### 2.12. Loans & Advances Write off

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

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

### 2.13. Investments

The investments held by the Bank comprise of the following three categories as per NRB Directives:

- a) **Held For Trading:** These investments are held primarily with an intention of resale over a short period of time. Any gain or loss arising from trading / revaluation are recognised in Profit and Loss Account.
- b) **Held Till Maturity:** These investments are purchased with positive intent and ability to hold till maturity and are recorded at cost or at cost adjusted for amortisation of premiums or discounts. Premiums paid on acquiring these investments are subsequently amortized as reversal of interest income on proportionate basis till the maturity date. Any impairment losses arising in such investments are provisioned and charged in the Profit or Loss Account.
- c) **Available for Sale:** These are investments not falling under "Held for Trading" or "Held Till Maturity" and are marked to market on regular basis. The investments classified under this category but not listed in the stock exchange, are carried at cost at the Balance Sheet. Amount equivalent to at least 2% of this portfolio is earmarked as Investment Adjustment Reserve from the Retained Earnings in line with NRB Directives.

#### 2.14. Fixed Assets and Depreciation

- a. Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that are directly attributable to the acquisition of the assets.
- b. Non-consumable items normally having useful life of less than one year and / or costing less than Rs.5,000 are expensed off in the year of purchase.
- c. Fixed assets other than freehold land are depreciated on diminishing balance method at the following rates:

S.N.	NATURE OF ASSETS	RATES
1.	Building	5%
2.	Vehicles	15%
3.	Furniture-Wood	15%
4.	Furniture-Steel	10%
5.	Office Equipment	15%
6.	Computers	20%
7.	Generators	15%

Depreciation on assets acquired during the accounting year is charged from the month subsequent to the date of acquisition, whereas depreciation on assets disposed off during the year is charged up to the month prior to disposal.

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

#### 2.15. Amortization

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

#### 2.16. Lease Rental

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

#### 2.17. Retirement Benefits

The Bank has provision of Gratuity and Provident Fund as retirement benefits to the employees. Expenses on account of Gratuity and Provident Fund are recognised on accrual basis with contributions made in accordance with the provisions of the Bank's

Staff Service By-Laws. Such contributions are transferred to the Approved Retirement Fund (an entity independent of the Bank) on regular basis as per the rules and regulations of the said Retirement Fund.

#### 2.18. Staff Leave Encashment Provision

Accumulated staff leave liability is accounted for on accrual basis. Leave balance in excess of 120 days of annual leave as well as sick leave as on mid April is encashed each year as per the amendment in the Staff Service By-Laws.

#### 2.19. Employees' Housing Scheme

In view of provision of housing loan facilities to its employees, Bank does not make provision for Employees' Housing Fund as required under the Labour Act, 2048.

#### 2.20. Income and Deferred Taxes

##### a. Corporate Tax:

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

##### b. Deferred Tax:

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

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

Deferred tax reserve is earmarked to the extent of outstanding balance of Deferred Tax Assets as per NRB guidelines.

#### 2.21. Non- Banking Assets

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



# Notes to Accounts

Schedule 33

For the Financial Year July 17, 2011 to July 15, 2012 (Shrawan 01, 2068 to Ashadh 31, 2069)

## 1. Status of Bank Reconciliation

### With Nepal Rastra Bank

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	472,273,056	379,933,456	34,123,468	170,579,447
1 to 3 months	-	4,830,102	607,110	5,599,493
3 to 6 months	26,000	1,855,600	2,112,100	44,630
6 to 12 months	3,027,500	3,093,517	1,040,118	18,830,781
1 to 2 years	365,213	2,648,213	168,790	1,464,525
above 2 years	90,900	1,017,935	634,461	284,408
<b>Total</b>	<b>475,782,669</b>	<b>393,378,823</b>	<b>38,686,047</b>	<b>196,803,284</b>

### With Other Authorized Local Financial Institutions

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	1,615,423	3,917,515	1,211	3,347,714
1 to 3 months	20,738	142,743	142,543	97,968
3 to 6 months	300,000	-	-	2,943
6 to 12 months	-	90	100	-
1 to 2 years	127,960	82,143	700	102,605
above 2 years	-	217,845	239,232	1,516
<b>Total</b>	<b>2,064,121</b>	<b>4,360,336</b>	<b>383,786</b>	<b>3,552,746</b>

### With Foreign Banks

(In Rs.)

PARTICULARS	LEDGER	LEDGER	STATEMENT	STATEMENT
	DEBIT	CREDIT	DEBIT	CREDIT
Up to 1 months	468,868,026	139,150,544	313,638,593	201,781,876
1 to 3 months	28,886,784	26,630,773	5,419,426	84,621,572
3 to 6 months	532,857	3,507,547	4,320,763	1,601,835
6 to 12 months	171,806	1,541,656	1,138,772	2,854,108
1 to 2 years	1,523,987	5,592,770	2,017,399	33,022,173
above 2 years	4,160,146	894,492	509,649	7,288,923
<b>Total</b>	<b>504,143,606</b>	<b>177,317,782</b>	<b>327,044,602</b>	<b>331,170,487</b>

A sum of Rs.33,555,262 (Credit Balance) is outstanding in Inter Branch Account. Major part of these pending entries pertain to payments made by branches through Head Office, inter-branch transfers etc.

## 2. Amortization of expenses not written off

Expenses incurred by way of construction and other improvements on the leased banking premises are capitalized as "Leasehold Improvements". The Bank has adopted the policy of amortizing the same on a yearly basis in equal instalments over the lease period. Accordingly, Rs. 22,719,982 has been amortized during the year, leaving a balance of Rs. 82,775,828 for future amortization (Previous year amortized Rs.22,407,942 and balance Rs.90,364,087).

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. 33,967,590 has been amortized during the year, leaving a balance of Rs. 93,140,107 for future amortization (Previous year amortized Rs.24,694,607 and balance Rs. 89,351,717).

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. 169,793 has been amortized during the year under review, leaving a balance of Rs. 420,927 (Previous year amortized Rs 92,717 and balance Rs 120,999)

## 3. Summary of Loans and Advances

Rs. in '000

PARTICULARS	2010-11	2011-12	CHANGE %
Loan & Advances outstanding as at the year end	32,968,270	35,968,473	3,000,203
Loan Written-off during the year	1,625	401,144	399,519

## 4. Summary of Changes in Deposit Liabilities

Rs. in '000

PARTICULARS	2010-11	2011-12	CHANGE %
Interest Free Deposits	4,913,615	5,555,530	13.06
Interest Bearing Deposits	36,007,012	42,175,464	17.13
<b>Total</b>	<b>40,920,627</b>	<b>47,730,994</b>	<b>16.64</b>

## 5. Weighted Average Interest Rate Spread

PARTICULARS	RATE %
Weighted Average Interest Rate on Loans and Investments	11.18
Weighted Average Interest Rate on Deposits, Bonds and Borrowing	6.94
<b>Net Spread</b>	<b>4.25</b>

## 6. Details of Deferred Expenses

Figure in Rs

PARTICULARS	2010-11	2011-12
1. At Cost	223,957,067	262,245,692
a) Upto Last Year	173,239,756	223,957,067
b) Addition this year	50,717,311	38,288,625
c) Deduction this year	-	-
2. Amortization	134,484,350	168,684,658
<b>3. Remaining Value</b>	<b>89,472,717</b>	<b>93,561,034</b>

## 7. Summary of Concentration of Exposure

Figures in Rs.'000

PARTICULARS	LOAN AND ADVANCES	CONTINGENT
Total Amount as on 15 July 2012	35,968,473	8,471,916
Highest Exposure to single unit	743,597	352,310
Highest % of exposure to single unit	2.07	4.16

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

Figures in Rs. '000

PARTICULARS	UP TO 90 DAYS	91 TO 180 DAYS	181 TO 270 DAYS	271 TO 365 DAYS	ABOVE 1 YR.	TOTAL
<b>Assets</b>						
Cash Balance	951,334	-	-	-	-	951,334
Balance with Banks	2,812,670	-	-	-	2,598,293	5,410,963
Money at Call	264,600	-	-	-	-	264,600
Treasury Bills	1,485,756	2,496,866	589,238	1,831,104	-	6,402,964
Govt. Bonds	-	-	-	-	2,759,259	2,759,259
Other Investments	220,500	295,470	176,400	88,200	90,002	870,572
Loans & Advances /Bills purchase	14,541,123	4,545,127	3,773,584	2,525,012	10,583,627	35,968,473
Fixed Assets	-	-	-	-	1,305,364	1,305,364
Other Assets	225,470	72,139	36,836	34,170	1,066,538	1,435,153
<b>Total Assets (A)</b>	<b>20,501,453</b>	<b>7,409,602</b>	<b>4,576,058</b>	<b>4,478,486</b>	<b>18,403,083</b>	<b>55,368,682</b>
<b>Liabilities</b>						
<b>Borrowings</b>						
Current Deposits	1,146,010	916,808	1,146,010	1,146,010	229,395	4,584,233
Call Deposits	8,393,411	-	-	-	-	8,393,411
Saving Deposits	5,478,893	2,191,557	1,095,779	5,478,893	7,670,252	21,915,374
Fixed Deposits	3,329,313	2,301,833	2,753,947	1,961,170	1,520,417	11,866,680
Margin Deposits	971,297	-	-	-	-	971,297
Bills Payable	19,003	-	-	-	-	19,003
Bonds	-	-	-	-	500,000	500,000
Share Capital & Reserves	-	-	-	-	4,632,010	4,632,010
Other Liabilities	901,279	488,504	3,220	3,220	1,090,451	2,486,674
<b>Total Liabilities (B)</b>	<b>20,239,206</b>	<b>5,898,702</b>	<b>4,998,956</b>	<b>8,589,293</b>	<b>15,642,525</b>	<b>55,368,682</b>
<b>Net Financial Assets (A-B)</b>	<b>262,247</b>	<b>1,510,900</b>	<b>(422,898)</b>	<b>(4,110,807)</b>	<b>2,760,558</b>	-
<b>Cumulative Net Financial Assets</b>	<b>262,247</b>	<b>1,773,147</b>	<b>1,350,249</b>	<b>(2,760,558)</b>	-	-

NOTE: A) Loan has been categorized in Gross amount & provision provided is included in other liabilities under above 1 year bucket.

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

## 9. Paid up Share Capital

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

FINANCIAL YEAR	CUMULATIVE PAID UP CAPITAL RS.	REMARKS
Initial capital	60,000,000.00	
F.Y.1994-95 (BS 2051-52)	120,000,000.00	Issue of 100% bonus share
F.Y. 1997-98 (BS 2054-55)	192,000,000.00	Issue of 60% bonus share
F.Y. 1998-99 (BS 2055-56)	240,000,000.00	Issue of 25% bonus share
F.Y. 1999-00 (BS 2056-57)	300,000,000.00	Issue of 25% bonus share
F.Y. 2000-01 (BS 2057-58)	390,000,000.00	Issue of 30% bonus share
F.Y. 2001-02 (BS 2058-59)	429,000,000.00	Issue of 10% bonus share
F.Y. 2002-03 (BS 2059-60)	536,250,000.00	Issue of 25% bonus share
F.Y. 2003-04 (BS 2060-61)	643,500,000.00	Issue of 20% bonus share
F.Y. 2004-05 (BS 2061-62)	772,200,000.00	Issue of 20% bonus share
F.Y. 2005-06 (BS 2062-63)	810,810,000.00	Issue of 5% bonus share
F.Y. 2006-07 (BS 2063-64)	1,013,512,500.00	Issue of 25% bonus share
F.Y. 2007-08 (BS 2064-65)	1,216,215,000.00	Issue of 20% bonus share
F.Y. 2008-09 (BS 2065-66)	1,600,000,000.00	Issue of 31.56% bonus share
F.Y. 2009-10 (BS 2066-67)	2,000,000,000.00	Issue of 25% bonus share
F.Y. 2010-11 (BS 2067-68)	2,400,000,000.00	Issue of 20% bonus share

## 10. Dividend and Bonus

The Board of Directors has recommended 13.4211% cash dividend & 15% stock dividend for the financial year.

## 11. Unpaid Dividend

As on the balance sheet date, unpaid dividend over five years amounts to Rs. 5,474,731.

## 12. Deferred Tax

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

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

	BALANCE	BALANCE
	16 JUL 2011	15 JUL 2012
Opening Deferred Tax Assets / (Liabilities)	8,355,221	2,901,279
Movement During the Year	(5,453,942)	20,472,803
Closing Deferred Tax Assets / (Liabilities)	2,901,279	23,374,082

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

## 13. Provision for Gratuity

During the year, the Bank has provided Rs. 50,835,535 (Previous Year Rs. 58,946,092) on account of gratuity.

## 14. Provision for Bonus

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

## 15. Staff Leave Encashment Provision

Provision for staff leave expenses amounting to Rs 62,679,613 has been charged to the profit and loss account during the year.

## 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

A sum of Rs. 534,366,185 has been provided as interest suspense representing interest accrued on loans but not realised as at the year-end.

## 18. Contingent Liability

Beneficiaries of bank guarantees have claimed Rs.16,888,000 which the bank has not accepted as debt.

Self assessment returns filed by the bank for the financial years 2008-09 (2065-66), 2009-10 (2066-67) & 2010-11 (2067-68) are pending for assessment with Inland Revenue Department. Assessments of the years prior to those mentioned above have been completed and taxes fully settled. However, the bank has filed appeal with the Revenue Tribunal against the assessment done by Large Tax Payers Office & the Inland Revenue Department pertaining to FY 2006-07 (2063-64) & 2007-08 (2064-65 BS), with respect to which a sum of Rs. 38,049,568 has been shown as contingent liability.

## 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. 59,999,980 has been repatriated to Habib Bank on account of dividend payable for F.Y.2067-68 (F.Y.2010-11).

## Key Management Personnel

Key Management Personnel of the Banks includes Directors of the Board and Chief Executive Officer and are as follows:

Mr. Manoj Bahadur Shrestha	Chairman
Mr. Ashraf M. Wathra	Vice Chairman
Mr. Prem Prakash Khetan	Second Vice Chairman
Mr. Prachanda Bahadur Shrestha	Director
Mr. Bijaya Bahadur Shrestha	Director

Mr. Radha Krishna Pote	Director
Mr. Sushil Bikram Thapa	Director
Mr. Upendra Keshari Poudyal	Director
Mrs. Ranjana Shrestha	Alternate Director
Mr. Surendra Silwal	Alternate Director
Ms. Menuka Shrestha	Alternate Director
Mr. Rajendra Kafle	Alternate Director
Mr. Sunil Bahadur Thapa	Alternate Director
Mr. Ashoke S. Rana	Chief Executive Officer

## • Compensation to Key Management Personnel of the Bank

The services of the CEO was changed from regular service to contractual service during the year. Total of Compensation paid to Chief Executive Officer during the year both under regular and then under contractual service is as follows:

a) Total Salary & Allowances	Rs. 9,446,000
b) Leave Encashment on Termination of Regular Service	Rs. 4,658,170
c) Utilities Payment	Rs. 336,588
d) Medical, Accidental & Life Insurance Premium	Rs. 29,928

**Total Staff Expenses of this FY Rs. 634,228,832**

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

- i) Bonus to local staff as per Bonus Act,
- ii) 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	766,800
Allowance and other fees & expenses	4,326,613

## 20. Operating Lease Commitment

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

## 21. Disclosure under New Capital Adequacy Framework

### I. Capital structure and capital adequacy

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

SN	PARTICULARS	AMT IN RS.
	<b>Core Capital (Tier I)</b>	<b>4,600,146,030</b>
1	Paid up Equity Share Capital	2,400,000,000
2	Statutory General Reserves	1,383,151,091
3	Retained Earnings	72,898,928
4	Proposed Bonus Equity Shares	360,000,000
5	Capital Adjustment Reserve	-
6	Debenture Redemption Reserve	357,142,856
7	Special Reserve	4,000,000
8	Deferred Tax Reserve	23,374,082
9	Miscellaneous Expenditure not w/off	(420,927)

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

SN	PARTICULARS	AMT IN RS.
	<b>Supplementary Capital (Tier II)</b>	<b>683,754,044</b>
1	Subordinated Term Debt	300,000,000
2	General loan loss provision	352,310,868
3	Exchange Equalization Reserve	29,769,898
4	Investment Adjustment Reserve	1,673,278

**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	NPR 500,000,000
Interest Rate	8%
Maturity Date	July 2015
Interest Payment	Half Yearly Basis
Tenor	7 Years
Amount recognised as capital	NPR 300,000,000

**d. Total qualifying capital:**

SN	PARTICULARS	AMT IN RS.
1	Core Capital (Tier I)	4,600,146,030
2	Supplementary Capital (Tier II)	683,754,044
	<b>Total</b>	<b>5,283,900,074</b>

**e. Capital adequacy ratio:**

Core Capital to Total Risk weighted Exposure	9.60
Total Capital to Total Risk Weighted Exposure	11.02

**II. Risk exposures**

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

SN	PARTICULARS	AMT IN RS.
a	Risk Weighted Exposure for Credit Risk	42,584,895,177
b	Risk Weighted Exposure for Operational Risk	3,496,411,930
c	Risk Weighted Exposure for Market Risk	250,523,459
	Adjustment under Pillar II	
	Add 2% of gross income for operational risk	676,431,429
	Add: 2% of total RWE for overall risk	926,636,611
	<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>47,934,898,606</b>

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

SN	PARTICULARS	AMT IN RS.
1	Claims on government & central bank	-
2	Claims on other official entities	610,370,322
3	Claims on banks	590,619,290
4	Claims on domestic corporates & securities firms	21,692,611,756
5	Claims on regulatory retail portfolio	2,850,871,915
6	Claims secured by residential properties	1,096,642,411
7	Claims secured by commercial real estate	1,392,117,405
8	Past due claims	937,634,799
9	High risk claims	7,136,766,393
10	Other assets	2,659,726,434
11	Off balance sheet items	3,617,534,449
	<b>Total</b>	<b>42,584,895,177</b>

**c. Total Risk Weight Exposures calculation table**

SN	PARTICULARS	AMT IN RS.
1	Total Risk Weighted Exposure	47,934,898,606
2	Total Core Capital Fund (Tier I)	4,600,146,030
3	Total Capital Fund (Tier I & II)	5,283,900,074
	<b>Total Core Capital to Total RWE</b>	<b>9.6</b>
	<b>Total Capital to Total RWE</b>	<b>11.02</b>

**d. Amount of NPAs**

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION	NET NPA
1	Restructured Loan	123,791,145	104,973,933	18,817,212
2	Substandard Loan	76,405,667	19,101,417	57,304,250
3	Doubtful Loan	62,067,787	31,033,894	31,033,893
4	Loss Loan	488,900,318	488,900,318	-
	<b>Total</b>	<b>751,164,917</b>	<b>644,009,562</b>	<b>107,155,355</b>

**e. NPA ratios**

PARTICULARS	PERCENTAGE
Gross NPA to Gross Advances	2.09
Net NPA to Net Advances	0.31

**f. Movement of Non Performing Assets**

SN	LOAN CLASSIFICATION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Restructured Loan	123,791,145	188,464,341	(34.32)
2	Substandard Loan	76,405,667	216,053,013	(64.64)
3	Doubtful Loan	62,067,787	73,457,250	(15.50)
4	Loss Loan	488,900,318	913,773,379	(46.50)
	<b>Total</b>	<b>751,164,917</b>	<b>1,391,747,983</b>	<b>(85.28)</b>

**g. Write off of Loans and Interest Suspense**

PRINCIPAL	INTEREST	TOTAL (RS)
401,144,182	185,047,728	586,191,910

**h. Movements in Loan Loss Provisions and Interest Suspense**

**• Movement in Loan Loss Provision**

SN	LOAN LOSS PROVISION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Pass Loan	359,029,377	318,132,523	12.86
2	Restructured Loan	104,973,933	78,620,452	33.52
3	Substandard Loan	19,101,417	54,038,564	(64.65)
4	Doubtful Loan	31,033,894	36,728,625	(15.50)
5	Loss Loan	488,900,318	913,773,379	(46.50)
	<b>Total</b>	<b>1,003,038,939</b>	<b>1,401,293,543</b>	<b>(28.42)</b>

**• Movement in Interest Suspense**

SPARTICULARS	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
Interest Suspense	534,366,185	606,810,870	(11.94)

**i. Segregation of Investment Portfolio**

PARTICULARS	AMT IN RS.
<b>Available for Sale</b>	
Investment in equity	90,002,059
<b>Held to Maturity</b>	
Investment in Treasury Bills	6,402,963,895
Investment in Government Bonds	2,759,259,402
Placements	780,570,000
	<b>9,942,793,297</b>



### III. Risk Management

HBL has set up a strong risk control & monitoring mechanism to ensure compliance with the requirements of the Capital Adequacy Framework based on Basel II accord & at the same time achieve systematic risk assessment & management through strong internal control systems defining rights, authorities, roles and responsibilities at different levels of management and detailed working procedures for various operational aspects.

Credit Risk at HBL is being managed through implementation of Credit Policy Guidelines, Credit Policy Manual, and specific Product Documents developed for each banking product. These policies, manual & product documents lay down the basic framework for credit appraisal & authority for approval. A comprehensive credit risk assessment process has been defined which involves individual appraisal of all borrowers including corporate, institutional & SME borrowers against stipulated criteria & also encompasses assignment of credit ratings. The Risk Management Department reviews & appraises the overall loan portfolio of the bank with respect to risk concentration, market scenario & recommends initiatives to be taken for improved risk management. The Board of Directors on its own & through Risk Management Committee under coordination of a non-executive director further reviews the overall credit & other risk on the basis of the current market conditions & management analysis & issue necessary instructions or amend the policies in order to strengthen the bank's credit portfolio.

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

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

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

A strong & effective internal control system in continuous operation is inevitable for smooth functioning of any organization. Management is primarily entrusted with the responsibility of ensuring that all control systems are in place & are functioning as required within the bank. Compliance & Internal Control Department at Head Office monitors the day to day functioning of the bank through off-site & on-site reviews with particular emphasis on proper functioning of internal control systems & makes reporting to the senior management along with recommendations for necessary corrective actions. Internal Audit function within the bank is fully independent with the department directly reporting to the Audit Committee of the Board. Any lapses or non-compliance with the stipulated control systems as identified during the audit of various business units, branches & departments is reported by the department to the Audit Committee & the Board where upon instructions are issued to the management to remedy such reported instances.

### 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.

## Statement of loans availed by promoters / shareholders falling under promoters' group from other banks and financial institutions by pledging shares of the Bank under their ownership

Schedule 34  
Amount in NPR

PROMOTERS / SHAREHOLDERS CLASSIFIED UNDER PROMOTERS GROUP	SHARES REGISTERED IN THE NAME OF PROMOTERS		PARTICULARS OF LOAN			REMARKS
	TOTAL NO. OF SHARES	% OF PAID UP CAPITAL	NAME OF BANK / FINANCIAL INSTITUTION PROVIDING LOAN	LOAN AMOUNT (RS.)	NO. OF SHARES PLEDGED	
1 Marwari Sewa Samiti	31,200	0.13	Laxmi Bank Limited	20,000,000	13,032	
2 Sumit Kumar Agrawal	635,843	2.65	Nepal Bank Ltd	80,000,000	320,056	

## Comparison of Unaudited and Audited Financial Statements

Schedule 35  
Amount in NPR  
In thousand

PARTICULARS	AS PER	AS PER	VARIANCE	VARIANCE %	REASONS FOR VARIANCE
	UNAUDITED FINANCIAL STATEMENTS	AUDITED FINANCIAL STATEMENTS			
<b>1. TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>55,438,405</b>	<b>55,367,467</b>	<b>(70,938)</b>	<b>(0.13)</b>	
1.1 Paid Up Capital	2,400,000	2,760,000	360,000	15.00	Adjustment of Propose bonus shares.
1.2 Reserve And Surplus	2,647,984	1,872,010	(775,974)	(29.30)	Additional Loan Loss Provision, adjustment of Propose bonus shares & cash dividend
1.3 Debenture And Bond	500,000	500,000	-	-	
1.4 Borrowings	-	-	-	-	
1.5 Deposits (A + B)	47,730,994	47,730,994	-	-	
A. Domestic Currency	43,968,314	43,968,314	-	-	
B. Foreign Currency	3,762,680	3,762,680	-	-	
1.6 Income Tax Liability	-	-	-	-	
1.7 Other Liabilities	2,159,427	2,504,463	345,036	15.98	Additional loan loss provision, declaration of cash dividend
<b>2. TOTAL ASSETS (2.1 TO 2.7)</b>	<b>55,438,405</b>	<b>55,367,467</b>	<b>(70,938)</b>	<b>(0.13)</b>	
2.1 Cash And Bank Balance	6,362,296	6,362,296	-	-	
2.2 Money At Call And Short Notice	264,600	264,600	-	-	
2.3 Investments	10,069,251	10,031,580	(37,671)	(0.37)	Adjustment of Interest Accrual
2.4 Loans And Advances	35,968,473	35,968,473	-	-	
a Real Estate Loan	3,801,947	3,801,947	-	-	
1 Residential Real Estate (Except Personal Home Loan upto Rs. 10 Million)	3,27,478	3,27,478	-	-	
2 Business Complex and Residential Apartment Construction	10,41,645	10,41,645	-	-	
3 Income Generating Commercial Complex Loan	1,44,544	1,44,544	-	-	
4 Other Real Estate Loan (Including Land Purchasing & Plotting)	22,88,280	22,88,280	-	-	
b Personal Home Loan of Rs. 10 Mil or Less	15,50,338	15,50,338	-	-	
c Margin Type Loan	7,32,354	7,32,354	-	-	
d Term Loan	55,81,688	55,81,688	-	-	
e Overdraft Loan/TR Loan/WC Loan	1,85,65,042	1,85,65,042	-	-	
f Others	57,37,104	57,37,104	-	-	
2.5 Fixed Assets	1,305,364	1,305,364	-	-	
2.6 Non Banking Assets	-	-	-	-	
2.7 Other Assets	1,468,421	1,435,153	(33,268)	(2.27)	Regrouping of account balances, change in estimated tax liability
<b>3. PROFIT AND LOSS ACCOUNT</b>					
3.1 Interest Income	4,725,552	4,724,887	(665)	(0.01)	adjustment of interest suspense
3.2 Interest Expense	2,816,441	2,816,441	-	-	
A. Net Interest Income (3.1 - 3.2)	1,909,111	1,908,446	(665)	(0.03)	
3.3 Fees, Commission And Discount	517,464	510,840	(6,624)	(1.28)	adjustment of provisions made
3.4 Other Operating Income	182,170	182,029	-	-	
3.5 Foreign Exchange Gain/Loss (Net)	309,898	309,898	-	-	
B. Total Operating Income (A. + 3.3 + 3.4 + 3.5)	2,918,643	2,911,213	(7,430)	(0.25)	
3.6 Staff Expenses	634,191	634,229	38	0.01	adjustment of provisions made
3.7 Other Operating Expenses	716,873	714,436	(2,437)	(0.34)	adjustment of provisions made
C. Operating Profit Before Provision (B. - 3.6 - 3.7)	1,567,579	1,562,548	(5,031)	(0.32)	
3.8 Provision For Possible Losses	(74,293)	505,491	579,784	(780.40)	adjustment of loan loss provision, disclosure of gross increase
D. Operating Profit (C. - 3.8)	1,641,872	1,057,057	(584,815)	(35.62)	
3.9 Non Operating Income / Expenses (Net)	7,959	8,006	47	0.59	regrouping of accounts
3.10 Write Back Of Provision For Possible Loss	-	859,977	859,977		adjustment of loan loss provision, disclosure of gross decrease
E. Profit From Regular Activities (D. + 3.9 + 3.10)	1,649,831	1,925,039	275,208	16.68	
3.11 Extraordinary Income / Expenses (Net)	4,106	(397,038)	(401,144)	(9,769.70)	loan written off disclosed separately
F. Profit Before Bonus And Taxes (E. + 3.11)	1,653,937	1,528,001	(125,936)	(7.61)	
Taxes (E. + 3.11)					
3.12 Provision For Staff Bonus	150,358	138,909	(11,449)	(7.61)	Post audit decrease in net profit before tax
3.13 Provision For Tax	451,074	430,453	(20,621)	(4.57)	change in tax liability on final computation
<b>G. Net Profit / Loss (F. - 3.12 - 3.13)</b>	<b>1,052,505</b>	<b>958,638</b>	<b>(93,867)</b>	<b>(8.92)</b>	

# Unaudited Financial Results

Schedule 36  
Amount in NPR  
In thousand

PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS YEAR QUARTER ENDING
<b>1. Total Capital And Liabilities (1.1 To 1.7)</b>	<b>55,438,405</b>	<b>55,496,928</b>	<b>48,137,497</b>
1.1 Paid Up Capital	2,400,000	2,400,000	2,400,000
1.2 Reserve And Surplus	2,647,984	2,165,766	1,595,478
1.3 Debenture And Bond	500,000	500,000	500,000
1.4 Borrowings	-	-	10,000
1.5 Deposits (A + B)	47,730,994	47,001,692	40,920,627
A. Domestic Currency	43,968,314	43,226,085	36,417,576
B. Foreign Currency	3,762,680	3,775,607	4,503,051
1.6 Income Tax Liability	-	-	-
1.7 Other Liabilities	2,159,427	3,429,470	2,711,392
<b>2. TOTAL ASSETS (2.1 TO 2.7)</b>	<b>55,438,405</b>	<b>55,496,928</b>	<b>48,137,497</b>
2.1 Cash And Bank Balance	6,362,296	5,397,219	2,964,651
2.2 Money At Call And Short Notice	264,600	459,260	734,000
2.3 Investments	10,069,251	11,212,600	8,769,939
2.4 Loans And Advances	35,968,473	34,972,137	32,968,270
A. Real Estate Loan	3,801,947	3,443,179	3,536,329
1. Residential Real Estate (except Personal Home Loan upto Rs. 10 Mil)	327,478	221,313	93,777
2. Business Complex & Residential Apartment Construction	1,041,645	1,062,718	1,090,280
3. Income Generating Commercial Complex Loan	144,544	204,770	214,881
4. Other Real Estate Loan (including Land Purchase & Plotting)	2,288,280	1,954,378	2,137,391
b. Personal Home Loan of Rs. 10 Mil or less	1,550,338	1,503,396	1,257,770
c. Margin Type Loan	732,354	784,725	989,730
d. Term Loan	5,581,688	5,592,141	5,128,681
e. Overdraft Loan/TR Loan/WC Loan	18,565,042	18,373,311	17,089,380
f. Others	5,737,104	5,275,385	4,966,380
2.5 Fixed Assets	1,305,364	1,232,072	1,187,493
2.6 Non Banking Assets	-	-	-
2.7 Other Assets	1,468,421	2,223,640	1,513,144
<b>3. PROFIT AND LOSS ACCOUNT</b>			
3.1 Interest Income	4,725,552	3,444,020	4,326,141
3.2 Interest Expense	2,816,441	2,163,156	2,414,807
A. Net Interest Income (3.1 - 3.2)	1,909,111	1,280,864	1,911,333
3.3 Fees, Commission And Discount	517,464	375,807	350,365
3.4 Other Operating Income	182,170	131,243	129,517
3.5 Foreign Exchange Gain/Loss (Net)	309,898	164,227	195,529
B. Total Operating Income (A+3.3+3.4+3.5)	2,918,643	1,952,141	2,586,744
3.6 Staff Expenses	634,191	392,654	517,592
3.7 Other Operating Expenses	716,873	480,550	582,210
C. Operating Profit Before Provision (B-3.6-3.7)	1,567,579	1,078,937	1,486,942
3.8 Provision For Possible Losses	(74,293)	191,874	243,583
D. Operating Profit (C - 3.8)	1,641,872	887,063	1,243,359
3.9 Non Operating Income / Expenses (Net)	7,959	7,566	15,856
3.10 Write Back Of Provision For Possible Losses	-	-	-
E. Profit From Regular Activities (D + 3.9 + 3.10)	1,649,831	894,629	1,259,215
3.11 Extraordinary Income / Expenses (Net)	4,106	1,444	102,292
F. Profit Before Bonus And Taxes (E + 3.11)	1,653,937	896,073	1,361,507
3.12 Provision For Staff Bonus	150,358	81,461	123,773
3.13 Provision For Tax	451,074	244,384	344,619
<b>G. NET PROFIT / LOSS (F - 3.12 - 3.13)</b>	<b>1,052,505</b>	<b>570,228</b>	<b>893,115</b>
<b>4. PROFIT AND LOSS ACCOUNT</b>			
4.1 Capital Fund to rwa	12.00	11.23	11.45
4.2 Non performing loan (npl) to total loan	2.06	4.36	3.92
4.3 Total loan loss provision to total npl	126.93	100.00	105.74
4.4 cost of funds	6.94	7.20	7.15
4.5 Credit	67.99	66.93	76.96
<b>5. ADDITIONAL INFORMATION</b>			
5.1 Average Yield	11.18	10.99	11.11
5.2 Net Interest Spread	4.25	3.79	3.96
5.3 Return On Equity - Roe	23.28	17.76	22.90
5.4 Return On Assets - Roa	2.03	1.47	1.93

## 10 Year's Financial Summary BALANCE SHEET

PARTICULARS	Amount in NPR In thousand									
	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	2066/67 2009/10	2067/68 2010/11	2068/69 2011/12
<b>Assets</b>										
Cash & Bank Balances	1,979,209	2,001,184	2,014,471	1,717,352	1,757,341	1,448,143	3,048,527	3,866,491	2,964,651	6,362,296
Money at Call	150,100	368,900	441,081	1,005,280	1,710,024	518,530	1,170,794	308,840	734,000	264,600
Investments	10,175,435	9,292,103	11,692,342	10,889,031	11,822,985	13,340,177	8,710,691	8,444,910	8,769,939	10,031,580
Loans, Advances & Bills Purchased	10,844,599	12,919,631	13,451,168	15,761,977	17,793,724	20,179,613	25,519,519	29,123,755	32,968,270	35,968,473
Fixed Assets	229,871	299,643	295,822	540,825	574,060	795,310	952,196	1,061,871	1,187,493	1,305,364
Other Assets	818,760	848,326	976,459	665,343	656,734	575,852	644,959	1,054,384	1,513,144	1,435,153
<b>Total Assets</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>43,860,251</b>	<b>48,137,497</b>	<b>55,367,467</b>
<b>Liabilities</b>										
Borrowings	645,840	659,006	506,048	504,625	595,968	943,178	500,000	500,000	510,000	500,000
Deposit Liabilities	21,007,379	22,010,333	24,814,012	26,490,852	30,048,418	31,842,789	34,681,345	37,611,202	40,920,627	47,730,994
Reserve for Doubtful Debts	842,751	967,762	1,026,648	1,119,417	795,727	682,093	726,364	1,143,126	1,401,294	1,003,039
Other Liabilities	638,872	768,520	982,888	698,738	728,256	876,573	1,019,096	1,166,717	1,310,099	1,501,424
<b>Total Liabilities</b>	<b>23,134,842</b>	<b>24,405,621</b>	<b>27,329,596</b>	<b>28,813,632</b>	<b>32,168,368</b>	<b>34,344,633</b>	<b>36,926,805</b>	<b>40,421,046</b>	<b>44,142,019</b>	<b>50,735,457</b>
<b>Net Assets</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>3,439,205</b>	<b>3,995,478</b>	<b>4,632,010</b>
<b>Shareholders' Equity</b>										
Paid up Capital	429,000	536,250	643,500	772,200	810,810	1,013,513	1,216,215	1,600,000	2,000,000	2,400,000
Proposed capitalisation of profits	107,250	107,250	128,700	38,610	202,703	202,703	383,785	400,000	400,000	360,000
Reserves	404,389	510,698	611,372	798,808	948,601	1,199,934	1,483,355	1,302,618	1,562,546	1,799,111
Retained Earnings	122,493	169,968	158,175	156,558	184,386	96,842	36,526	136,587	32,932	72,899
<b>Total Shareholders' Equity</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>3,439,205</b>	<b>3,995,478</b>	<b>4,632,010</b>
<b>Total Capital + Liabilities</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>43,860,251</b>	<b>48,137,497</b>	<b>55,367,467</b>
<b>Contingent Liabilities</b>										
Letter of Credit	2,008,618	2,420,343	3,469,134	3,068,891	2,916,470	6,125,565	7,042,307	5,294,496	3,574,914	3,983,150
Guarantees	3,394,050	3,315,942	3,451,242	3,423,337	3,449,207	1,644,703	1,701,268	4,104,631	3,292,959	3,371,855
Forward Exchange Contract	19,995	116,132	2,818	-	165,278	13,998	169,911	5,603	821,620	199,188
Other Contingent Liabilities	106,733	377,482	795,554	86,880	322,681	3,087,675	5,836,222	3,513,372	5,743,679	6,882,662
<b>Total Contingent Liabilities</b>	<b>5,529,396</b>	<b>6,229,899</b>	<b>7,718,748</b>	<b>6,579,108</b>	<b>6,853,636</b>	<b>10,871,941</b>	<b>14,749,708</b>	<b>12,918,103</b>	<b>13,433,171</b>	<b>14,436,855</b>



## 10 Year's Financial Summary PROFIT AND LOSS ACCOUNT

PARTICULARS	Amount in NPR In thousand									
	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66	2066/67	2067/68	2068/69
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Income</b>										
Interest Income	1,201,233	1,245,895	1,446,468	1,626,474	1,775,583	1,963,647	2,342,198	3,148,605	4,326,141	4,724,887
Interest Expense	554,128	491,543	561,964	648,842	767,411	823,745	934,778	1,553,531	2,414,807	2,816,441
Net Interest Income	647,105	754,352	884,504	977,632	1,008,171	1,139,903	1,407,420	1,595,075	1,911,333	1,908,446
Commission & Discount	102,562	123,929	132,816	165,448	193,224	187,820	284,302	270,259	350,365	510,840
Foreign Exchange Income	109,599	112,419	137,301	198,130	151,637	207,669	249,983	180,279	195,529	309,898
Other Income	30,154	34,076	41,301	52,325	40,329	62,103	46,343	112,346	129,517	182,029
Non-Operating Income	10,760	3,299	2,795	1,887	3,493	9,700	3,810	12,382	15,856	8,006
<b>Total Income</b>	<b>900,180</b>	<b>1,028,075</b>	<b>1,198,717</b>	<b>1,395,422</b>	<b>1,396,855</b>	<b>1,607,196</b>	<b>1,991,858</b>	<b>2,170,341</b>	<b>2,602,600</b>	<b>2,919,218</b>
<b>Expenses</b>										
Staff Expenses	120,145	152,509	178,589	234,589	290,921	292,213	360,981	414,984	517,592	634,229
Operating Expenses	177,131	211,047	277,375	329,699	322,865	344,321	398,317	471,103	582,210	714,436
Provision for Doubtful Debts	202,873	186,226	147,139	88,593	90,689	6,008	68,806	692,640	471,729	505,491
Provision for Staff Bonus	40,003	46,731	58,060	67,240	71,740	94,884	106,661	75,573	123,773	138,909
Non-Operating Expenses		10,988	15,012	2,902	(96,763)	(79,069)	(9,511)	(239,686)	(330,438)	(462,939)
<b>Total Expenses</b>	<b>540,152</b>	<b>607,501</b>	<b>676,175</b>	<b>723,023</b>	<b>679,452</b>	<b>658,357</b>	<b>925,252</b>	<b>1,414,614</b>	<b>1,364,866</b>	<b>1,530,127</b>
Profit before Tax	360,028	420,574	522,542	672,399	717,404	948,839	1,066,606	755,727	1,237,734	1,389,092
Income Tax provision	147,896	157,522	214,265	214,941	225,580	312,970	313,771	246,929	344,619	430,453
<b>Net Profit after Tax</b>	<b>212,132</b>	<b>263,052</b>	<b>308,277</b>	<b>457,458</b>	<b>491,823</b>	<b>635,869</b>	<b>752,835</b>	<b>508,798</b>	<b>893,115</b>	<b>958,638</b>
<b>P/L Appropriation</b>										
Profit/Loss carried down	331,660	385,546	478,244	615,633	648,380	820,254	849,676	901,324	1,073,766	1,038,634
Interest Spread Reserve reversed	770	-	-	-	-	-	-	-	-	-
Statutory General Reserve	42,426	52,611	61,655	91,492	98,365	127,174	150,567	101,760	178,623	191,728
Exchange Equalisation Fund	1,720	2,270	-	5,906	-	1,302	2,237	-	6,682	-
Interest Spread Reserve Fund	-	-	-	-	-	-	-	-	-	-
HBL Bond 2072 redemption fund	51,429	51,429	51,429	51,429	51,429	122,857	122,857	71,429	71,429	71,429
Interim Dividend	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	5,645	-	74,511	231,660	121,622	253,378	145,946	189,474	336,842	322,106
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Adjustment A/c	-	-	38,610	-	-	-	-	-	-	-
Proposed capitalisation of profit-Bonus Share	107,250	107,250	128,700	38,610	202,703	202,703	383,785	400,000	400,000	360,000
Income Tax of last year	1,466	2,018	3,774	1,369	(10,122)	15,998	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	7,760	596	-	20,473
Investment Adjustment Reserve	-	-	-	-	-	-	-	1,479	47,259	-
<b>Profit Transferred to Balance Sheet</b>	<b>122,494</b>	<b>169,967</b>	<b>158,175</b>	<b>156,557</b>	<b>184,385</b>	<b>96,842</b>	<b>36,525</b>	<b>136,587</b>	<b>32,932</b>	<b>72,899</b>

**NOTES:**

A series of horizontal dotted lines for writing notes.









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