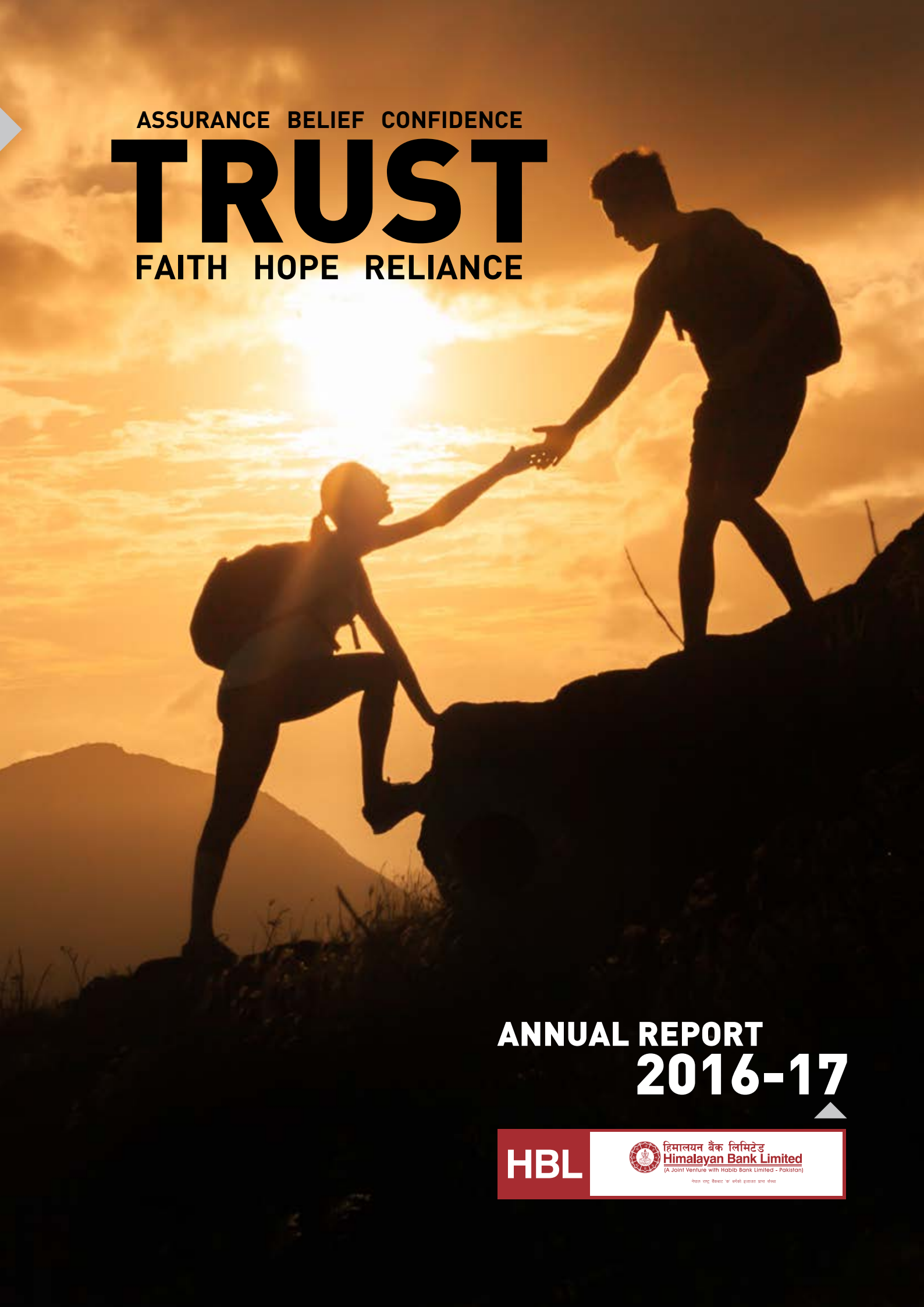


ASSURANCE BELIEF CONFIDENCE

TRUST

FAITH HOPE RELIANCE



ANNUAL REPORT
2016-17

HBL



हिमालयन बैंक लिमिटेड
Himalayan Bank Limited
(A Joint Venture with Habib Bank Limited - Pakistan)

संकेत चिह्न: रिजर्व बैंक ऑफ इंडिया का संकेत



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It has been glorious 25 years of financial journey for the Himalayan Bank Limited (HBL). Since its establishment in 1993, the quest of HBL has been to achieve excellence in banking. HBL is the pioneering bank in some of the most important banking services in Nepal. It was in 1994 when HBL for the first time introduced ATM service; Nepal's banking industry was still in its infancy. HBL is also the first bank to launch credit card service in Nepal. HBL is the first bank in Nepal to launch some of the most innovative banking products such as Premium Savings Account, Millionaire Deposit Scheme and Tele-banking. Similarly, HBL for the first time in Nepal introduced the SWIFT service. The bank has also assisted the central bank and other authorities to establish institutions that are important to the financial sector. During the time when the CEO of HBL was the President of Nepal Bankers' Association (NBA), Nepal Clearing House Limited and Credit Information Bureau Nepal were established. HBL since its inception has been strongly adhering to its vision and mission of catering to the need of the esteemed clients.





▶ **TRUST**



BANKING IS BASED ON TRUST.

We at HBL with innovative banking products, excellent customer services and wide reach; have been able to gain customers' TRUST for last 25 years and its ongoing.

We believe in contributing towards banking services with Continuous and efficient expansion of our branches all over Nepal so that we can provide our services.

HBL values our customers' TRUST and always fulfill it.



▶ AT A GLANCE



Established with initial authorized capital of Rs 120 million and paid-up capital of Rs 60 million, HBL has earned a name for itself for innovations in merchandising and customer services and introducing new banking products in Nepal. Customers of HBL can choose an array of products ranging from deposits to loan, remittance, and cards to ancillary banking services. Today, HBL has one of the highest deposit base and loan portfolio among the private sector banks. As of FY 2016/17, the Bank's total deposit base has reached Rs 92.88 billion, and loans and advances have amounted to Rs 77.64 billion. HBL has successfully met minimum paid-up capital requirement set by Nepal Rastra Bank.

HBL is also privileged with a very efficient network of branches reaching out to various nooks and corners of the country. All branches of HBL are integrated with the banking software Temenos making it convenient for customers to utilize modern banking services such as 'Any Branch Banking Service', Internet Banking and SMS Banking.

HBL has also been helping Nepali citizens living in the country and abroad in remittance services. With its exclusive and proprietary online money transfer software – HimalRemit TM, HBL is among the top three remittance service providers in Nepal having ties with financial institutions based in the Middle East and Gulf region.

HBL, today, stands as the biggest inward remittance handling bank in Nepal. We have pioneered several products and services in Nepal and the innovation continues to be the order of the day. Like in the past, we feel we stand a good chance of introducing new products and services to the banking industry of Nepal which will eventually benefit the entire financial sectors. With a strong capital base, quality human resources and strong governance in place, we can only move forward and upward.

Himalayan Bank has access to the worldwide correspondent network for fund transfer, letter of credit or any banking business anywhere in the world.

HBL has wide correspondent arrangement with globally renowned banks including Standard Chartered Bank, Commerz Bank, Habib American Bank, Mashreq Bank, ICICI Bank, HDFC Bank, AXIS Bank, IDFC Bank, Bank of India etc.



▶ HBL HISTORY

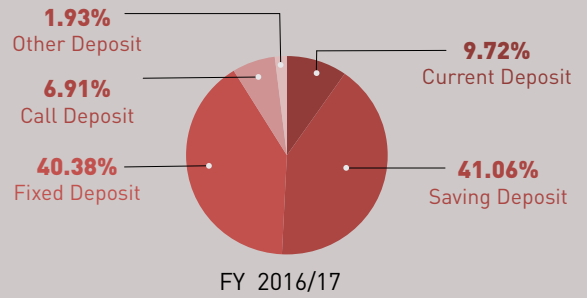
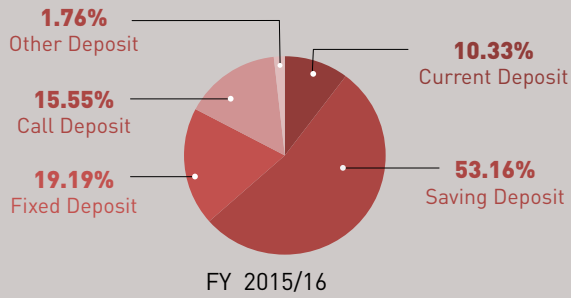
Established as a joint venture of Habib Bank Limited of Pakistan in 1993, Himalayan Bank Limited (HBL) has been in the forefront of the Nepal's banking industry since its inception.

Starting banking services from the Employees Provident Fund Building at Thamel, Kathmandu, HBL currently has countrywide network of 47 branches to provide highly reliable modern banking services to its customers across Nepal.

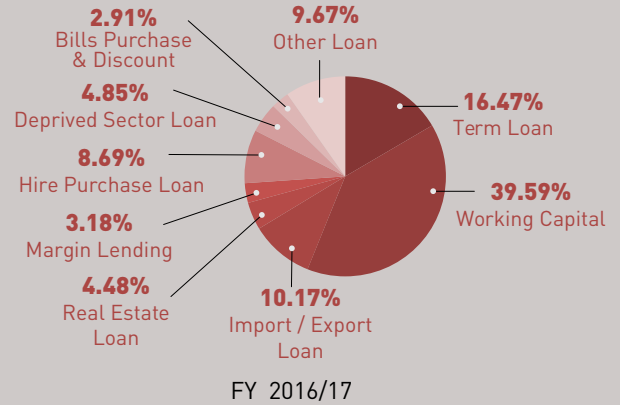
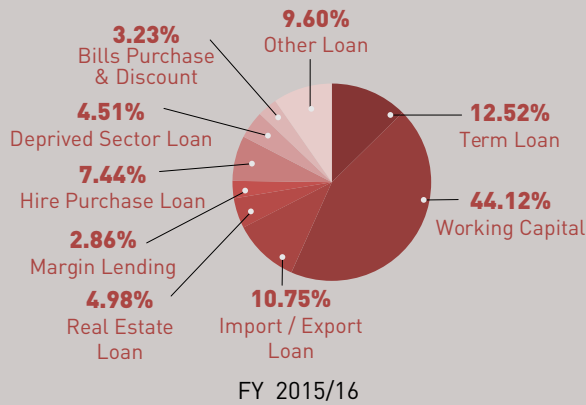


▶ YEAR IN REVIEW

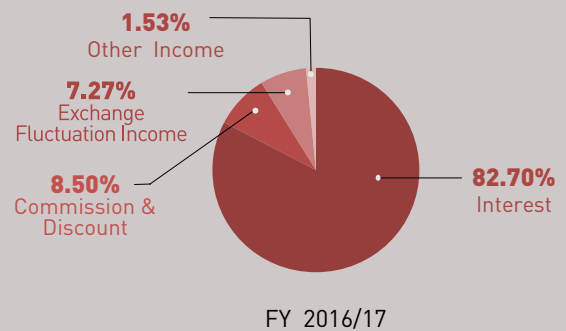
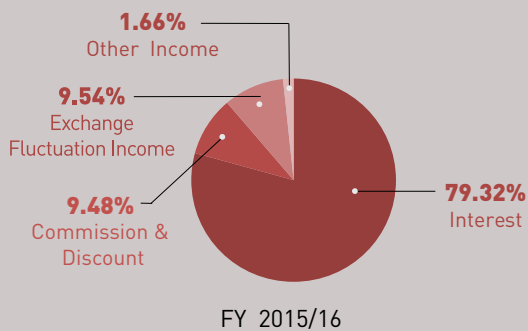
DEPOSITS



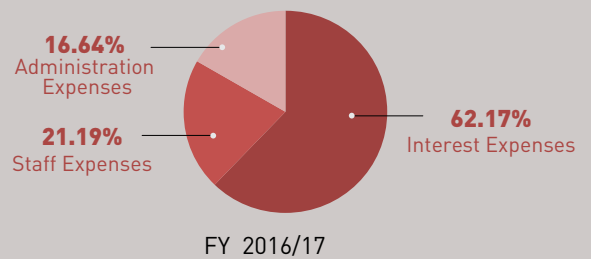
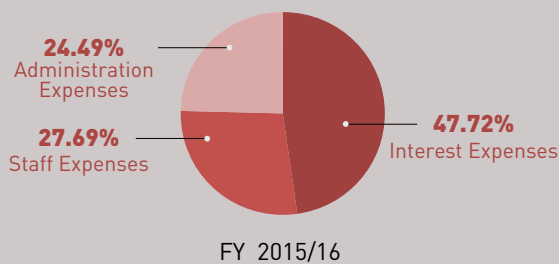
LOANS & ADVANCES



INCOME



EXPENSES



▶ **OUR MISSION**

The Bank's mission is to become preferred provider of quality financial services in the country.

There are two components in the mission of the Bank; Preferred Provider and Quality Financial Services; therefore we at HBL believe that the mission will be accomplished only by satisfying these two important components with the Customer at focus. The Bank always strives positioning itself in the hearts and minds of the customers.



▶ **OUR VISION**

Himalayan Bank Limited holds a vision to become a Leading Bank of the country by providing premium products and services to its customers, thus ensuring attractive and substantial returns to the stakeholders of the Bank.



Mr. Manoj Bahadur Shrestha
Chairman



CHAIRMAN'S SAY

TOWARDS BETTER FUTURE

I feel a sense of pride and gratitude as I reflect on the achievements of Himalayan Bank over the last 25 years. We have created an exceptional bank with a storied heritage and promising future. While the country has undergone tremendous political and economic instability since we started, we have remained committed to delivering high quality banking products and services and sincerely serving our clients and our country.

Nepal has made great strides in economic development and political changes over the last year. We were very encouraged to see economic growth rebound strongly at a record 7.5% for fiscal year 2016/2017, with strong contributions from all sectors of the economy. High inflation caused by disruptions to the economy was also brought under control and remain at decade lows. However, severe floods, that affected almost one-third of the country reminds us of the fragility of the recovery and the need for better risk management strategies and contingencies.

Fiscal year 2016/2017 was challenging for the banking sector. There was severe financial friction in the system owing to the credit crunch that lasted over five months. The bank acted swiftly on market intelligence and was able to launch several successful savings schemes to meet the banks deposit targets. Superior market insight, and quick action by management, meant that the bank was able to deliver robust results even in a challenging environment. While similar challenges are resurfacing again this year, we remain confident in the bank's ability to overcome such difficulties and deliver strong results.

The year also marked radical shifts in our political landscape. We should be proud as a nation to have successfully and peacefully concluded local, regional and national elections. While challenges remain on architecture and execution of our nascent political structure, I remain optimistic that our political developments will lead an era of stability and prosperity. We sense a feeling of optimism amongst the people as evidenced by growing investors' sentiment and record flows of Foreign Direct Investment.

Despite the progress, a challenge remains across the political and economic landscape and now is not the time to be complacent. Government spending remains slow, and while progress has been made in the overall pace, post-earth-quake reconstruction remains modest. Additionally, slowing remittance flow poses a major risk to our economy, as remittance inflow represent over 30% of our GDP. We must take actions to diversify our economy as remittance inflow can be affected by many factors that are beyond our control. It is our sincere hope that government takes necessary action to ensure that we capitalize on our recent economic and political achievements and carefully monitor any and all systemic risks to our country.

As always, I remain optimistic about the future of Nepal. The Bank's future is fully aligned with the future of the country and we remain ready and committed to play our part in delivering a peaceful and prosperous future.

I would like to end by thanking all our dedicated employees who serve our clients and customers across the country. I am very thankful for their service and honored to be their Chairman.

Manoj Bahadur Shrestha
Chairman





▶ BOARD OF DIRECTORS



(From Left)

1. Mr. Ashraf M. Wathra

FIRST VICE CHAIRMAN

2. Mr. Prachanda Bahadur Shrestha

SECOND VICE CHAIRMAN

3. Mr. Manoj Bahadur Shrestha

CHAIRMAN

4. Mr. Himalaya S. Rana

CHIEF ADVISOR TO THE BOARD

5. Mr. Upendra Keshari Poudyal

PROFESSIONAL DIRECTOR

6. Mr. Sushil Bickram Thapa

DIRECTOR

7. Mr. Jeetendra Dhital

DIRECTOR

8. Mr. Surendra Silwal

DIRECTOR

Mr. Ashoke SJB Rana
Chief Executive Officer



CEO'S STATEMENT

CONTRIBUTING IN NATION BUILDING PROCESS



It gives me pleasure to report that Himalayan Bank Limited registered considerable success in the fiscal year 2016/17. The bank registered accomplishments in a number of areas in-line with the strong economic growth of the country. The accomplishments were possible only through the determined efforts of the staff and the management team. I would like to offer my sincere gratitude to all the staff members and management team leaders for their dedication and hard work. I would also like to extend my thanks to the Board Members for their continuous support and guidance. In the fiscal year 2016/17, we concentrated our efforts in expansion of our portfolio, collection of deposit and credit expansion. We continued our focus in retail banking and SMEs lending, while also exploring new opportunities in the corporate sector. Our branch network expansion drive also enabled us to reach out to various new parts of the country further strengthening our commitment to increase access to finance. The number of branches has reached 47 which will be expanded in the coming years. Similarly, we will also be expanding the countrywide network of ATM outlets which, at present, is 93.

2016/17 was difficult year for the country's banking sector. Starting from the second quarter of the fiscal year 2016/17, the banking industry was gripped by the credit crunch for about five months. With our effective plans and management, Himalayan Bank Limited was able to weather the difficult situation. We met the profit target achieving the profit growth of 12 percent in last fiscal year. To make sure not many loans are downgraded in this stressful time, we further strengthened our loan monitoring and recovery efforts.

In the fiscal year 2016/17, the growth of the deposits was healthy largely supported by the increase in the low cost saving deposits. The deposit growth was registered at 6.35 percent to reach to Rs 93 billion during the period. Meanwhile, loans and advances is increased by 12.36 percent in the last fiscal year. Thus, with the healthy increment in deposit, loans & advances, our net profit is increased by 12.52% during the fiscal year. Share capital, Reserve and Fund which stood at Rs 8.824 billion in last FY will reach at Rs 11.7 billion after this AGM. Our remittance business also grew impressively with the Bank expanding its remit services to new source countries. A large number of Nepali citizens living in home and abroad are receiving reliable remittance services through more than 8,500 HimalRemit counters.

The launch of the Himalayan Bank E-Commerce payment gateway enabled the Bank's customers to get engaged into the digital transactions with ease. The service which was earlier provided only to international card holders was extended to all debit/credit card holders of the bank. In terms of enhancing profitability, the Bank continued to explore opportunities in services including cards, drafts, Internet banking, mobile banking and bancassurance, among others. The bank will keep on exploring business possibilities in these areas in the future. In the last fiscal year, Cards, which has been an important area of focus for the Bank, continued to grow. Engagement with American Express to manage the issuance and acquiring business of American Express Cards in Nepal gives Himalayan Bank a distinct advantage over its competitors. Treasury operations continue to generate good returns as previous years. Strengthening of IT infrastructure was one of the major focuses for the Bank last year in order to keep the services and data safe from the emerging cyber threats. The Bank will continue to bolster the IT infrastructure for effective and efficient delivery of services and secure transactions in the upcoming days as well.

The "Vision 2022" of the Himalayan Bank Limited is all about deployment of technology and making the transactions cashless. Our bank is gradually shifting to digital space and we are investing huge amount of money on it. We are also focusing on opening virtual network of HimalRemit.

As the dust of political uncertainty in Nepal has started to settle with the implementation of the new constitution and formation of the federal structure, we can be hopeful that the country will move ahead in the path to achieve economic prosperity in the coming days. The high GDP growth in the last fiscal year clearly indicates that the economic prosperity for Nepal is not far away if things remain positive for the economic development of the country. Himalayan Bank Limited wants to contribute in this nation building process.

I would like to take this opportunity to express sincere regards to the banking sector regulator Nepal Rastra Bank, all our shareholders, the Board of Directors, the Management and entire staff, and all our valued customers.

Ashoke SJB Rana
Chief Executive Officer





▶ SENIOR MANAGEMENT TEAM



(Siting From left)

1. Mr. Sunil Prasad Gorkhali

CHIEF MANAGER

2. Mr. Anup Maskay

DY. GENERAL MANAGER

3. Mr. Sushiel Joshi

GENERAL MANAGER

4. Mr. Ashoke SJB Rana

CHIEF EXECUTIVE OFFICER

5. Mr. Ejaz Qadeer Gill

SR. GENERAL MANAGER

6. Mr. Ujjal Rajbhandary

DY. GENERAL MANAGER

7. Mr. Bipin Hada

CHIEF MANAGER

(Standing from Left)

8. Mr. Rabindra Narayan Pradhan

ASSISTANT GENERAL MANAGER

9. Mr. Bijay Man Nakarmi

CHIEF MANAGER

10. Mr. Mrigendra Pradhan

CHIEF MANAGER

11. Mr. Satish Raj Joshi

CHIEF MANAGER

12. Mr. Naveen Poudyal

CHIEF MANAGER

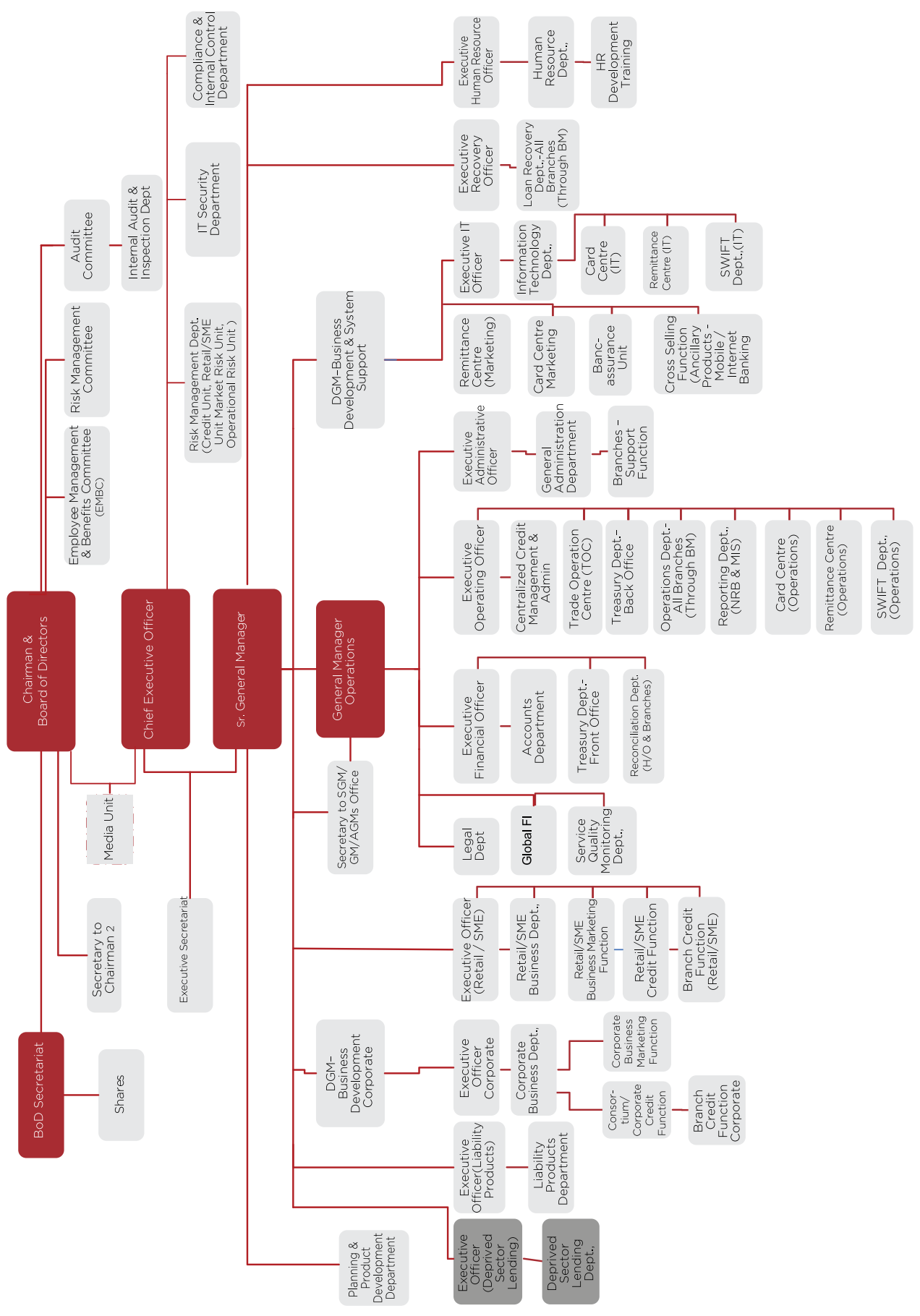
13. Mr. Maheshwor Prasad Joshi

ASSISTANT GENERAL MANAGER



▶ **TEAM**

ORGANIZATIONAL CHART





▶ DIRECTOR'S REPORT

Report of the Board of Directors To the Twenty-Fifth Annual General Meeting

Dear Shareholders,

On behalf of the Board of Directors, we cordially welcome all the shareholders present at this Twenty-Fifth Annual General Meeting of Himalayan Bank Limited. On January 18, 2018, the Bank is completing its 25 Years' of excellent service. On this occasion, I on behalf of Board of Directors would like to congratulate and extend greetings to all the shareholders. Like in the past, we believe that all the shareholders would join hand in hand for the progress of the Bank.

I am pleased to inform you that Himalayan Bank's performance during FY 2016/17 was very encouraging. In the review period, Bank has been able to increase its operating profit by 6.63% and net profit by 12.52%. The Bank comparatively performed well in all sectors. Credit disbursement, deposit solicitation, earning related to remittance and expansion of services were quite positive, resulting in increased profitability of the Bank. I feel proud to see the Bank as one of the most secure and reliable bank among the country's financial institutions for the last 25 years' of excellent service. Presently, the Bank has been providing services to its customers from 47 branches and 93 ATM throughout the country. The Bank has been continuously progressing with the deep faith of customers, direct and indirect support of shareholders and creative initiative of Bank's Management. Since its inception, our Bank in accordance to its aim of developing healthy banking system has extended accessible and quality service to the people.

Considering the instruction laid upon by Regulatory Body, the Bank must fulfill minimum paid up capital of NPR 8 billion by the end of the FY: 2016/17. We would like to inform that the Bank's paid up capital would reach NPR 8 billion 110 million as per the capital increment plan submitted to Nepal Rastra Bank with the past years right and bonus share and distribution of proposed 25% bonus share of this year.

We would like to present the Balance Sheet as of July 15, 2017, the Profit and Loss Account for the fiscal year 2016-17, the Profit and Loss Appropriation Account and other financial statements for approval by this Annual General Meeting.

Review of the Bank's Operations

During the review period, the Bank's total deposit reached Rs. 92.881 billion, an increase of 6.35 percent vis-à-vis previous corresponding year. Similarly, the loans and advances reached to Rs. 77.641 billion during the review period, an increment of 12.37 percent vis-à-vis previous corresponding year. The net assets of the Bank increased by 32.66%, reaching Rs. 11.705 billion, during the review period, while the total assets increased by 7.20 % and reaching at Rs. 108.502 billion.

The Bank was able to post an operating profit after provision for loan loss to the tune of NPR 2.450 billion during the fiscal year, with its net profit at NPR 2.178 billion.

The status of the Bank as on first quarter end of current fiscal year is given below :

[Amount in million.]				
S.N	Particulars	As on Oct 17, 2016	As on Oct 17, 2017	Increase (Decrease) %
1	Gross Assets	107,025	113,172	5.74
2	Deposits	93,226	96,137	3.12
3	Loans, Overdrafts and Bills Purchased and Discounted	72,184	80,788	11.92
4	Investments	20,125	17,840	(11.35)

During the review period, pursuant to the directives of Nepal Rastra Bank, the Bank wrote off loans to the tune of Rs. 8.114 million. The Bank was able to recover Rs 10.48 million from the already-written-off loans. Further, the Bank Management has been firmly working to recover the non performing, bad and written off loan, which, we would like to assure, will help in enhancing profitability of the Bank in the coming fiscal year.

▶ **NET ASSETS (Rs.)**
11.70 b
(an increment of 32.66 percent over the previous year)



Comparative Financial Indicators of the Bank

The comparative financial indicators of the fiscal years 2015/16 and 2016/17 are presented below:

(Amount in million)

S.N	Particulars	2015/16 As on July 15	2016/17 As on July 15	Increase (Decrease) %
1	Net Assets (Net Worth)	8,824	11,705	32.66
2	Total Assets	101,218	108,502	7.20
3	Deposits	87,336	92,881	6.35
4	Loans, Overdrafts and Bills Purchased and Discounted	69,101	77,641	12.37
5	Investments	19,306	17,929	(7.13)
6	Net Interest Income	3,450	3,765	9.14
7	Other Income	2,034	2,414	18.67
8	Operating and Staff Expenses	1,715	1,931	12.59
9	Operating Profit	2,298	2,450	6.63
10.	Net Profit	1,936	2,178	12.52

The comparative status of deposit, credit, income and expenditure of the Bank during the fiscal year 2015-16 and the year under review is presented in separate annexes as detailed below:

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 world economy, in recent years, continues to grow sluggishly. Most of the developed countries, particularly the United States of America, European countries, China and India, are finding it difficult to attain encouraging growth thereby the economic growth of the world, as a whole, has observed lethargic growth. Change in the political leadership in these countries and the new economic policies, these leaders adopted, have pressurized the world economy. Moreover, the world economy suffered as a result of terror of civil war in many countries and the competition to develop weapon of mass destruction among some of the powerful countries. Despite of political uncertainty of the country, formulation of new constitutions and successful completion of local bodies' election have had positive as well as encouraging impact on country's economic growth. The deteriorating tourism industries, owing to destructive earthquake of 2015 in terms of loss of life, property and damage to infrastructure, have now started to elevate. Further, delay in reconstruction post earthquake has also adversely affected tourism

TOTAL DEPOSIT (Rs.)
92.88 b
(an increment of 6.35 percent over the previous year)

industries and related businesses which have had direct effect on banking and other financial sectors of the country.

As per Nepal Rastra Bank, the increment ratio of GDP growth of Nepal on the base price stood at 7.5 % during 2015-16, whilst the GDP growth rate in the previous year was 0.4%. The growth rate is highest since FY: 1993-94. Favorable seasonal rain, improvement in energy supply and simplification on supply chain has contributed on attaining highest economic growth. Consumer's inflation rate remained at 4.5% during the review period in comparison to last year's 9.9%. The consumer's average inflation rate has decreased to this level for the first time after the FY: 2004/05.

Total exports during the FY: 2016-017 have increased by 4.2% to Rs. 73.5 billion. Similarly, the import was increased by 28% to Rs. 990.11 billion in the review period in comparison to last FY. High growth in import in comparison to export, during the review period, had led to deficit in BOP in current account by Rs. 10.13 billion. The surplus in BOP of Rs. 140.42 billion during the previous FY has recorded deficit in the review period. Additionally, inflow of remittance had recorded growth of 4.6% only to Rs. 695.45 billion in the review period. At the end of fiscal year 2016/17, the gross foreign exchange reserves have increased by 3.9% to Rs. 1079.52 billion compared to fiscal year end 2015/16. The broad money supply during the review period increased by 15.5% as compared to last year's increment of 19.5%.

During the year under review, the total deposits in the banking sector increased by 18.2% vis-à-vis 23.7% in the previous year. In FY: 2016/2017, the total loans & advances, in the banking sector had increased by 25.00%.

Current Financial and Banking Environment

The economy of the country is still dependent on remittance. But slow growth in the remittance inflow, in recent years, has created doubts about economic stability. The banking industry witnessing liquidity crunch during the review period has begun to normalize in recent month however the lack of lendable fund is still being observed. Moreover, pursuant to low liquidity, there is still a doubt that higher interest rate may hinder the economic growth. Thus, bank has introduced various schemes and services to attract and bring in the lendable fund.



▶ LOAN AND ADVANCES (Rs.)

77.64 b

(an increment of 12.37 percent over the previous year)

Implementation Status of the Strategy and Program of the Bank for the FY 2016-2017

1. As per the branch expansion plan, HBL has opened 5 branches outside valley in Lamki, Lamahi, Srinagar-Salyan, Bardibas as well as Hile.
2. NPA stands at 0.85 percent.
3. Continuity has been given to the recovery of written-off loans in an active manner.
4. Deposit product, loan product and other banking facilities were made more attractive as per the demand of the general public. Attractive saving and term deposit as well as education loan have been launched.
5. The total number of ATMs reached to 93 with addition of new ATMs in various locations as per the plan.
6. Additional 698 POS terminals have been installed for the convenience of the debit and credit card holders.
7. Continuous effort being made to renovate and expand various branches to make the ambience of branches convenient and environment- friendly.
8. T24 banking software browser is being upgraded.
9. Itahari Branch has been relocated and started operation from own building. The newly constructed Itahari branch was inaugurated on 20th February 2017.

Strategies and Programs for FY 2017/2018

1. To establish 6 new branches within and outside the valley as per branch expansion plan. To set up branches in local bodies and remote areas where banking facilities have not been established pursuant to the policy of Nepal Government.
2. To contain NPA at the lowest.
3. To introduce new deposits, credit products and innovative banking services
4. To give continuity to recovery of written-off loans in an active manner.
5. To set up 10 additional ATMs at various places as well as newly set up branches.

6. To install additional 500 POS machines so as to facilitate debit/credit card holders.
7. To upgrade and fine-tune CBS system T24 technically as per requirement for better performance.
8. To make IT security more reliable and strong.
9. To enlarge the remittance business in Asian, American and European market with better service.
10. To remake the branches relocated due to earthquake and renovate the branches as per needs.
11. To start constructing building in Durbarmarg property so as to relocate the Thamel branch.
12. To set up required security measures so as to safeguard the asset of the bank.

Corporate Social Responsibility (CSR)

From its commencement, the Bank has been discharging its social responsibilities through various social and allied institutions. The Bank, especially in the review period, has focused its CSR activities in the field relating to education, healthcare, orphanage, old aged home, sports, culture, preservation of cultural heritages and rehabilitation to victims of natural calamities and social services.

During the review period, under the CSR initiative, HBL helped the orphans of "Helping Hand Children Home-Sitapaila", "New Children Home-Chapali", "Bal Sudhar Griha-Budhanilkantha" with various educational materials, clothes and edible goods. Similarly, the Bank printed OPD books for Siddhi Smriti Women, Children Hospital and Old aged home located at Bhimsensthan-7, Bhaktapur along with computer and television set to ease the administrative work.

Additionally, to preserve the cultural heritage, the Bank has installed CCTV camera in the premises of Shree Maitidevi Temple and handed over all the accessories relating to the CCTV to the Temple Preservation Committee. Further, the Bank has purchased and provided an Ambulance to the residents of remote Naamtar VDC, Makwanpur. Likewise, the Bank, with a motive to support Financial Sector Journalists, has set up HBL Sejon Fellowship and in the review period 4 Financial Journalists of various media houses were awarded the HBL Fellowship Award.

▶ TOTAL ASSETS(Rs.)

108.50 b

(an increment of 7.20 percent over the previous year)

Similarly, 6 researchers of various governmental organizations who contributed with creative plans and policies to maintain financial discipline and progress were awarded with HBL Daayitwa Fellowship sponsored by HBL.

The Bank is active in the development of sports culture as it has been in the previous years. The Bank has sponsored as well as co-sponsored various sports activities such as Golf, Badminton, Football, Martial Art, etc. Subsequently, the Bank has sponsored cultural programs and art exhibitions.

The Bank is fully aware of its corporate social responsibilities towards the community and the nation and shall fulfill its commitments in the coming days.

Board of Directors

During the review period, Mr. Manoj Bahadur Shrestha (representing N. Trading), Mr. Prachanda Bahadur Shrestha (representing Chhaya International) have continued as Chairman and Second Vice Chairman on the Bank's Board of Directors respectively. Mr. Sushil Bickram Thapa (representing Ava International) and Mr. Jeetendra Dhital (representing Employee Provident Fund) have continued as Directors on the Bank's Board of Directors. Mr. Surendra Silwal, Director representing Public Shareholders, has continued as Director in the same capacity. In addition, Mr. Upendra Keshari Poudyal, Professional Director, has continued as such on the Bank's Board of Directors.

Similarly Ms. Menuka Shrestha (representing Chhaya International) and Mrs. Ranjana Shrestha (representing N. Trading) have continued as Alternate Directors on the Bank's Board of Directors.

Mr. Bijaya Kumar Shrestha has been nominated as an Alternate Director on the Board of Directors from 31st August 2017 in place of Mr. Shreeram Shekhar Adhikari.

Mr. Ashraf M. Wathra (representing Habib Bank Ltd. Pakistan), has been nominated as First Vice Chairman on the Board of Directors in place of Mr. Salim Amlani and Mr. Surendra Bikram Thapa (representing Ava International) has been nominated as an Alternate Director on the Board of Directors in place of Mr. Bhisma Chudal from 21st December 2017.

Mr. Himalaya SJB Rana continues the position of Chief Advisor.

We would like to congratulate newly appointed First Vice Chairman and Alternate Directors and are grateful to Ex-First Vice Chairman, Mr. Salim Amlani and Ex Alternate Directors Mr. Shreeram Shekhar Adhikari and Mr. Bhisma Chudal for their sterling contribution towards the Bank's progress and prosperity.

Audit, Balance Sheet and Other Financials

The Balance Sheet as on July 15, 2017, the Profit and Loss Account, the Profit and Loss Appropriation Account, Cash Flow, related annexure and Auditors' Report for the fiscal year 2016/17, 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 amounted to Rs. 2.178 billion for the fiscal year 2016/17. Besides this, the retained earnings of NPR 138.842 million from last year's profit and the Share Premium of Rs. 123.094 million received from the auction of Right Share make a total of Rs. 2.441 billion available for appropriation. 20% of the net profit i.e. Rs. 435.647 million, has been appropriated to the Statutory General Reserve Fund. In addition, the Bank has allocated Rs. 85.714 million from its profit and transferred it to the Bond Repayment Reserve for the Bond issued worth Rs. 600 million. As per the circular of Regulatory Body, the Bank has transferred 1% of the net profit i.e. Rs. 21.782 million in the reserve for its Corporate Social Responsibility. 25% bonus share and a 1.3158% cash dividend for tax purpose of bonus share have been proposed to the shareholders for fiscal year 2016/017. For the proposed bonus shares and dividends, an amount of Rs. 1.623 billion and 85.4 million respectively has been allocated. After the distribution of the proposed bonus shares, the paid-up capital of the Bank will amount to Rs. 8.114529 billion. I would like to thank and congratulate all of you on attaining the minimum paid up capital requirement of the Bank in the prescribed time frame by the Regulatory Body. We are proud of the fact that the Bank has been able to provide good returns in the form of cash dividends and bonus shares to its shareholders right from the commencement of its operations.

▶ **OPERATING PROFIT (Rs.)**
2.45 b
(an increment of 6.63 percent over the previous year)



Vote of Thanks

On behalf of the Board of Directors, I would like to extend sincere thanks to the shareholders, esteemed customers, related divisions of the Government of Nepal such as Finance Ministry, Nepal Rastra Bank, Security Board of Nepal (SEBON), Nepal Stock Exchange, Company Registrar Office, CDS and Clearing Ltd, Credit Information Bureau of Nepal, Deposit and Credit Guarantee Fund and all the other Regulatory Bodies for their guidance and invaluable support in discharging banking services. 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, including entire 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

Prachanda Bahadur Shrestha
Second Vice-Chairman

Manoj Bahadur Shrestha
Chairman



HIMALAYAN BANK LIMITED

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

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

Employee Expenses during the FY	: Rs. 1,081,611,213
Administrative Expenses during the FY	: Rs. 849,631,171
Total	: Rs 1,931,242,384

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

Audit Committee members:

1) Mr. Sushil Bickram Thapa	Co-ordinator
2) Mr. Surendra Silwal	Member
3) Mr. Ramesh K. Dhital (Team Leader - ESC Pvt. Ltd)	Member secretary

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

Co-ordinator	Members
Rs. 10,000	Rs. 8,000

The Committee conducted 18 meetings during the FY 2073/74 during which it, among others:

1. Reviewed Internal Audit Reports and gave necessary instruction to the Management for resolution of audit issues.
2. Reviewed investigation reports and made various recommendations to the Board of Directors.



3. Reviewed Annual Accounts and Auditors Preliminary Audit Report issued by Statutory Auditors, Nepal Rastra Bank inspection report and recommended their adoption by the Board of Directors after incorporation of the directives/instructions issued by the Committee.
4. Directed the Management to improve Internal Control system and procedures and recommended amendments to Manuals, Policies and procedures for improvement and effective control, wherever necessary.

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

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

SN	PARTICULARS	DIRECTORS	CEO	MANAGERS
1	Meeting Fees	852,500	-	-
2	Salary	-	6,840,000	113,886,908
3	Allowances	-	6,160,000	80,840,388
4	PF Contribution	-	-	9,860,609
5	Telephone / Mobile / Utilities	181,043	355,271	14,743,631
6	Others	2,451,177	701,033	26,927,003
	Total	3,574,720	14,056,304	246,258,539
7	Vehicle Facility	NO	**YES	YES
8	Accommodation	NO	NO	***No
9	Insurance Coverage	YES	YES	Yes
	Number of persons	11	1	99

Notes:

1. **Office vehicle with driver, fuel and maintenance is provided to the CEO, General Manager, DGMs and Ex-Pat (Sr. General Manager). The Managers are given vehicle under OYVS scheme with fuel as per the Bank's policy.
2. ***Fully furnished accommodation at Bank's cost is provided to the Ex-pats. & outside valley branch managers.
3. (a) Directors are covered with medical insurance of Rs. 200,000 and Accidental Insurance policy of Rs. 3,000,000.
(b) All Managers are covered for Accidental Insurance, Medical Insurance and Life Insurance as per the Bank's Staff Service By-laws. CEO and Ex-pats are covered for Accidental Insurance and Medical Insurance as per their terms of contract.
4. Telephone bill is paid by the Bank on actual basis for CEO. In case of SGM & GM reimbursement up to a maximum of Rs. 12,000 and Rs. 8,000 respectively per month is made by the Bank.
5. Water and Electricity bill is reimbursed to the CEO and GM up to approved limit.
6. Bonus as per Bonus Act, 1974 was paid to all employees except the ex-pat. Senior General Manager was paid Performance Bonus amounting to USD 12,000 (net of tax).

12. Amount of Dividend remaining unpaid:

Total Unpaid Dividend : Rs. 21,802,681 as on Asar 31, 2074.

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

14. Other relevant issues:
NIL

Manoj Bahadur Shrestha
Chairman

SECURITIES REGISTRATION AND ISSUANCE RULE 2073, ANNEX 15

[Related to Rules 26-2]

1. Report of the Board of Directors: Enclosed separately with this annual report.
2. Report of the Auditor: Enclosed separately with this annual report.
3. Audited Financial Report: Enclosed separately with this annual report.
4. Details pertaining to Legal Action:
 - a) If any case filed by or against the organization during the quarter period:
No new legal suit (having major impact on banking operation) has been filed by or against the organization during the review period.
 - b) If any case of avoiding prevailing rules or criminal case has been filed by or against the Promoter or Director:

No legal suit related to criminal activity has been filed by or against the directors and promoters of the Bank during the period.
 - c) If any case of financial crime filed against promoters or Directors:

No legal suit has been filed against any director of the organization for any kind of actions related to financial crime.
5. Analysis pertaining to Share Transaction and Progress of the Organization:
 - a) Opinion of the management regarding share transaction of the organization in security market: Since shares of the organization are traded on the basis of the trust of investors towards the organization and analysis of its returns, no major fluctuations are noted in the share price of the Bank and there has been satisfactory trading of shares in the capital market.

Quarter wise maximum share price, minimum share price, last share price and total no of share transaction of organization during each quarter period of previous year.
6. Problems and Challenges:

The Bank has considered the following domestic and international impediments as its problems and challenges:

 - Risk concentration on both asset and liability sides has increased owing to lack of adequate business sectors
 - The market is overcrowded with financial institutions further intensifying competition; however, the process of consolidation in the financial sector as a result of enhancement of required minimum paid up capital is expected to help going forward
 - Rise in inflation
 - Lack of basic infrastructure such as roadways, connectivity, energy etc.
 - Policy uncertainties hence warding off investments
 - Depressive global economy leading to slow down in remittance growth
 - The liquidity constraint in the market and the substantial increase in cost of fund
7. Corporate Governance:

Board of Directors:
Committees like Risk Management Committee, Employee and Management Benefit Committee, Audit Committee and AML/ CFT Committee have been constituted to carry out banking operations related decisions and these committees have been actively involved in major policy plans related decisions.

Internal Control System:
In order to strengthen the internal control mechanism of the Bank, a separate independent internal audit department has been established. The internal audit department carries out audit of various departments on a continuous manner and makes necessary recommendations to the Audit Committee. Accordingly, Audit Committee holds regular meetings to analyze the recommendations and bring about necessary changes.

Internal Policies, regulations and directives:
In order to carry out various functionalities smoothly and to mitigate risks emanating from business functions, the Bank has instilled a sound operations system. All activities of the Bank are guided by strong internal policies. The Bank has a system to monitor compliance with all regulatory and statutory requirements.

Quarter	Maximum Price	Minimum Price	Closing Price	Total No. of Share Traded	No. of Days
1st Qtr (Ashwin end 2073)	1,714	1,393	1,622	396,180	55
2nd Qtr (Poush end 2073)	1,640	790	902	262,471	57
3rd Qtr (Chaitra end 2073)	1,144	735	1,018	182,706	59
4th Qtr (Ashad end 2074)	1,035	862	886	153,966	57





▶ ECONOMIC PERSPECTIVE

Global Economic Overview

The world's economic outlook in 2017 was positive due to the economic recovery in developed and emerging countries. A forecast by the International Monetary Fund (IMF) puts the global economic growth at 3.5 percent in 2017 which was 3.1 percent in 2016. Large emerging economies are also expected to come out of economic sluggishness which they have been facing over the last few years. In 2017, economic growth rate of India and China, for instance, are estimated to be at 7.2 percent and 6.6 percent respectively. The surprise performance of the European economy also boosted the global growth. After years of recession and subdued growth, Eurozone, a monetary union of 19 European countries, rebounded with 2.3 percent growth in 2017, the fastest pace in 10 years. (Source: International Monetary Fund).

Economic growth of the South Asia region in 2017, meanwhile, is estimated at 6.5 percent. The World Bank in its 2018 Global Economic Prospects report forecasts that the region's growth will accelerate to 6.9 percent in 2018. According to the World Bank, the region will remain as the world's growth engine in 2018. The World Bank predicts economic growth rate of India and Pakistan,

the two major economies of South Asia, to rise to 7.3 percent in FY2018/19 from 6.7 percent in FY 2017/18 and 5.8 percent in FY 2018/19 from 5.5 percent in FY 2017/18, respectively. Meanwhile, the World Bank report projects a moderate economic growth rate of 4.5 percent for Nepal in 2018 following the strong recovery in 2017. The World Bank, which has estimated a 7.5 percent economic growth for Nepal in 2017, points out bottlenecks in infrastructure development, lower agriculture output and regulatory challenges as main hindrances for the country to achieve higher growth rates. The World Bank expects continuation of strong consumption pattern, recovery in exports and good prospects in investment due to the policy reforms and infrastructure upgrades carried out by several South Asian countries. The bank, however, warns that setbacks in reform efforts, natural disasters and upswing in global financial volatility could slow the economic growth of the region.

(Source: 2018 Global Economic Prospects, The World Bank).

Nepal's Economic Scenario

In FY 2016/17, Nepal's overall economic activity has been encouraging. Gross domestic product (GDP) at basic price grew by 6.94 percent, the highest since FY 1993/94. Nepal has rebounded economically after the historical low growth rate of 0.1 percent in FY 2015/16 due to the unfortunate events of earthquake, months long strikes in Terai region and border blockade. Last year's strong economic performance of Nepal is attributed to the expansion in economic activities due to favorable monsoon, rise in capital expenditure, efficient energy management, and improvement in the supply situation. In FY 2016/17, agriculture and non-agriculture sectors are estimated to have grown by 5.29 percent and 7.74 percent respectively compared to 0.03 percent and 0.16 percent in the previous fiscal year. Similarly, the growth of service sector and industrial sector are estimated at 6.9 percent and 10.97 percent respectively in FY 2016/17. The economy of Nepal is in the stage of structural transformation as the share of service sector is increasing, while agriculture sector is declining.

In FY 2016/17, the share of agriculture sector to GDP has been estimated at 29.37 percent and that of non-agriculture sector at 70.63 percent. Consumption, like in previous years, has continued to be the largest portion of GDP at 89.7 percent in FY 2016/17. Meanwhile, the share of gross domestic savings to GDP has been estimated at 10.25 percent in FY 2016/17 which was 6.43 percent in the previous fiscal year. In FY 2016/17, Per capita gross national income (GNI) reached to USD 862 which was USD 757 in the FY 2015/16. Broad money supply, meanwhile, grew by 9.5 percent in the first eight month of FY 2016/17 compared to 11.5 percent in the corresponding period of the previous fiscal year. Credit to the private sector increased by 16.2 percent to Rs 1966.19 billion in the first eight month last fiscal year compared to 11.6 percent in the corresponding period of FY 2015/16.

(Source: Nepal Economic Survey).



▶ PRODUCT AND SERVICES



DEPOSIT

Normal Savings Account

The account can be open with minimum balance amount of Rs. 2500/- (inside valley branch) and Rs. 1000/- (outside valley branch).

Himal Savings Account

Account on Zero minimum balance, with free cheque book up-to 12 leaves per year.

Bishesh Savings Account

It is the account for special persons such as- Illiterate, Senior Citizens (above 50 years), Differently Abled Persons and Minor. The minimum balance required for the account is Rs. 2000/-.

All savings deposit accounts of the bank have Accidental Death Insurance for value up to four times of the monthly minimum balance in the account with maximum ceiling of Rs. 500,000/- & Deposit guarantee of up to Rs. 200,000/- in line with regulatory requirement of Nepal Rastra Bank.

Premium and Super premium Savings Account (PSA and SPSA)

The savings is specialized account with high return and various facilities and rebates in bank service charge. The account can be opened with minimum balance of Rs. 50,000/- for PSA and Rs. 100,000/- for SPSA.



Nari Savings Account

Can be open with minimum balance of Rs. 1000/-, the account is specially designed for women with various services and facilities.

Family Savings Account

The savings account is for family members interested to open joint account. Minimum balance required to open this account is Rs.10,000/-.

Shareholders' Savings Account

Saving account for Bank's shareholders to credit their Cash Dividend amount besides regular transaction. Minimum balance of Rs. 500/- required to open this account.

Special Payroll Account

Salary Account for staff of Government and NGOs to credit their salary. No minimum balance is required to open this account

Himal Remit Savings Account

Savings account for Remitters (people working abroad) and their beneficiary (ultimate receiver). No minimum balance required. However, for cheque book minimum balance of Rs. 1000/- is required.

Current Account

Account is for financial transaction which is non-interest bearing and can be opened as a checking account for Individual & institutions.

Current Call Account

Current Call Account can be opened on requirement basis on negotiated terms related to minimum balance, tenure and interest rates with Bank for Individual & Institutions having bulk deposit.

LENDING

Home Loan

To purchase house, land, construction of house or extension /renovation/ modification/addition of house.

Home Loan Plus

Financing facility to purchase consumer durables goods such as furnishing/ furniture, TV, Refrigerator, Air Conditioner, Modular Kitchen, etc.

Hire Purchase Loan (Auto Loan)

HBL Auto Loan (Private Vehicle): An easy access to an individual to acquire own vehicle for personal use.

HBL Auto Loan (Commercial Vehicle): Loan facility to acquire vehicles for commercial purpose (Bus, Mini/ Micro Bus, Taxi, Truck, Tanker, heavy vehicles like Loader, Bulldozers, Excavators, etc.)

Small and Medium Enterprises Loan

To help in establishment, growth and expansion of small and medium sized enterprises, the Bank provides loan facility to business houses coming from industrial, trading and service sector to meet their short-term and long-term financing needs. This could come in any form-funded or non-funded, depending on specific needs of the business enterprise.

Small and Personal Business Loan

Loan to professionals/ Businessmen with reliable income source for business investment (to meet Working Capital Requirement and Fixed Assets Investment.)

Subidha Loan

Loan for higher education, home refurbishment/ consumer durables, Medical treatment of family member, Travelling etc. and also for social religious ceremonies such as marriage, pasni, bratabandha etc.



Education Loan

Loan to cover education expenses of self or dependent family members of employee of public / private organized sector etc. The service helps to pursue professional courses like Medicine, Engineering, CA, IT Consultant, Management Expert, Financial Analyst, Insurance Agents, Banking, etc.

Education Institution Financing

To fulfill financial requirements to all Educational Institutions from Pre-schools to Higher Secondary level, University level, Vocational Training Institute conducting educational courses recognized by the Government of Nepal etc.

HBL Farmers' Loan

Loan to support the farmers engaged in various agro-farming activities as prescribed by the Bank.

The Bank shall also extend its lending facility in the following fields.

- Loan against HBL FD (NPR.)
- Loan against other banks FD/ Bonds
- Loan against share of listed companies (Easy Share Loan)
- Loan against International Bank Guarantee
- Loan against Government Bonds
- Business Loans for corporate to cover fixed assets, working capital requirement under stand alone or consortium of FIs.

SERVICES

Remittance Services

Inward remittance (fund transfer) from various countries in form of SWIFT message, Draft, Cheque, Online system (HimalRemit, Moneygram, Xpress Money, etc.)

Fund Transfer inside Country: Through Draft, A/C to A/C transfer, Online transfer (HimalRemit Domestic Money Transfer)

Outside Country: Through SWIFT (TT), Draft, etc.

Card Services

HBL has been issuing Debit/Credit and Prepaid cards of different brands like VISA, MasterCard, American Express, Union Pay and JCB in NPR and USD values. Similarly, it acquires all above mentioned card brands in its ATMs and POS terminals.

Letter of Credit (LC)

The Bank facilitates the customers with LC for importing and exporting goods inside and outside the country.

Bancassurance Service

The Bank is providing Bancassurance service of both Life and Non-life to its customers.

For Life Insurance the Bank has agreement with Metlife Pvt. Ltd. and Life Insurance (Nepal) Pvt. Ltd.

For Non- Life Insurance the Bank has agreement with Shikhar Insurance Co., Siddhartha Insurance Co., Prudential Insurance Co., Sagarmatha Insurance Co., Prabhu Insurance Co., NLG Insurance Co. etc.

Internet Banking (himal@net)

To facilitate access to banking needs in a simple and secure environment over the internet (subject to availability), the Bank has offered the internet banking service known as himal@net. The user simply can get information of their account balance, statement, cheque status, transaction detail etc. The service can be used to make payment of utility bill and a/c to a/c transfer.

SMS Alert Service

The Bank provides SMS alert for all debit and credit transaction for all its customers.

SMS Banking

The Bank provides easy access to get account balance enquiry, exchange rate enquiry, Bank's branch contact information etc through the service.

Locker Service

The Bank offers locker facilities with various sizes as per the need of the Customer's. Customers availing of this facility enjoy not only peace of mind in terms of security of their valuable belongings but also one of the most attractive rates and ease of location.



Foreign Exchange Service

The Bank provides exchange (buy and sell) facility of foreign currencies listed by Nepal Rastra Bank in all its branches.





▶ HUMAN RESOURCE MANAGEMENT

Our Employees, Our Strength

The staff of Himalayan Bank Limited have impressive efficiency. It is due to their hard work and dedication, the Bank has achieved success and reached top position amongst the commercial banks in Nepal. To meet the human resource needs of the organization, we have been recruiting new staff. In the recent years, the recruitment process has sped up with the rapid expansion of the branch network.

HBL has a scheduled training and development calendar to enhance skills of its employees in order to have a competitive edge in the present day competitive banking environment. The Bank provides training and skill enhancement workshops on certain time intervals. The scheduled calendar is instrumental for us in terms of capacity enhancement of our staff for their best performance. Similarly, we also send our staff abroad for training and development.

We assess the needs of our employees from the time of their recruitment. We also encourage personal assessment as well. Annual appraisals are conducted and support programs are designed on the basis of recommendation and evaluation. In this way, we find suitable positions for the staff to ensure that we have right person in right job.

Following the directives of the Nepal Rastra Bank (NRB), we have started spending three percent of total staff expenditure on skill enhancement of our employees. We have allocated budget for human resource development in line with the NRB's directive.

HBL's top management is always focused and determined to get the best out of the employees. We ensure at least one training to all staff every year. We use both internal resources and outsourced trainers to provide trainings.

We have higher operating cost due to our focus in getting skilled human resource. Generally, it is considered as a factor of disadvantage in the industry. At HBL, however, we take it as our major strength. We take human resource as a valuable asset to achieve our organizational objectives.

The banking sector of Nepal has grown to maturity. We began our banking journey 25 years ago with people who came together and partnered for achieving the banking excellence. Most of them continue to be a part of the HBL family.

We stand among the leading financial institutions with good employee retention rate. They have been groomed internally to handle key positions in HBL. And, this is one of the major strengths of HBL. Our workforce is the backbone of the Bank. Hard work and sincerity of staff help us to achieve the vision, mission, goals and smooth functioning of the Bank.

It is the professionalism, hard work, dedication and sincerity of HBL staff that has kept the bank's customer satisfied. Also, we have the best work environment where all HBL members get to learn, grow and lead.

Business magnet, investor and philanthropist Richard Branson has rightly said, "By putting the employee first, the customer effectively comes first by default, and in the end, the shareholder comes first by default as well." At HBL, we carry the same spirit.





▶ **CORPORATE GOVERNANCE**

HBL is aware about the role it needs to play for shaping the country's financial sector. With power comes responsibility and HBL is committed to lead as the flag bearer in all the forefronts

As a true corporate citizen, corporate governance is one of the most crucial aspects under consideration of Himalayan Bank Limited (HBL). Corporate governance is all about performing one's duty sincerely.

Financial sector plays role of mediator between lenders and borrowers. Hence, gaining public trust is one of the vital components. Financial sector is bound to be accountable so as to cater to the demand of all the stakeholders from depositors to creditors and shareholders. And that can be done through sheer integrity and professionalism.

Inability to maintain governance contributes to instability. We have seen numerous such examples across the globe and within the country. Weak governance increases risk factor. From excessive concentration to a particular sector to poor management of credit risk, exchange rate risk and interest rate risk, sound governance mechanism is must to counter such phenomena.

And at HBL, we have trained, motivated and dedicated employees who are aware about their role and responsibilities. We have documented role of all the department within the bank. That ensures there's no breach of jurisdiction and every department gets to perform independently. Likewise, the system checks and balances day to day functioning of the bank.

Governance is one of the most crucial aspect for any sector. However, it carries special meaning for financial sector. Being a leading player in the financial service provider HBL is aware about the role it needs to play for shaping the country's financial sector. With power comes responsibility and HBL is committed to lead as the flag bearer in all the forefronts and efficient corporate governance is the mantra for that.

Likewise, HBL complies with norms set by the central bank. Our disclosure policy fits to the requirement of the regulator. We are not just confined to the directives and compliance set by the regulator. We understand and value the importance of governance, which is why the concept has been inducted in heart and mind of our employees.

▶ CSR & ACTIVITIES

From its commencement, the Bank has been discharging its social responsibilities through various social and allied institutions especially in the field relating to education, healthcare, orphanage, old aged home, sports, culture, preservation of cultural heritages and rehabilitation to victims of natural calamities and social services. The Bank is fully aware of its corporate social responsibilities towards the community and the nation and shall fulfill its commitments in the coming days.





Bank has installed CCTV camera in the premises of Shree Maitidevi Temple and handed over all the accessories relating to the CCTV to the Temple Preservation Committee.



HBL Sejon Fellowship and in the review period 4 Financial Journalists of various media houses were awarded the HBL Fellowship Award.



The Bank has sponsored as well as co-sponsored various sports activities such as Golf, Badminton, Football, Martial Art, etc.



HBL helped the orphans of "Bal Sudhar Griha-Budhanilkantha" with various educational materials, clothes and edible goods.



Second Meet and Greet Event for women's Federation for World Peace



HBL helped the orphans of "New Children Home-Chapali",

▶ INFORMATION SECURITY

Himalayan Bank is fully committed to protecting our customer's information assets. An independent IT Security Department was established in 2014 to implement this vision, and manage the processes, tools and policies necessary to prevent, detect, and respond to threats in order to protect the Bank's data assets.

In 2015, Himalayan Bank became the first bank in Nepal to be awarded the Payment Card Industry Data Security Standards (PCI-DSS) certificate which is given annually to card processing financial institutions that meet all of the requirements that have been defined by major international card networks such as VISA, MasterCard, American Express. Trustwave, a global industry leader, has been certifying Himalayan Bank annually for PCI DSS compliance.

The Bank has adopted a board-approved IT Security Policy as a measure to build a secure culture to protect the confidentiality, integrity and availability of financial data as well as any systems that store, process or transmit financial data.

The IT Security Policy is supported by 3 pillars of security – People, Process, and Technology:

People

- All employees are required to annually complete an online course in Security Awareness Education.
- Regular tips and recommendations are circulated to raise awareness.
- IT Security Department provides support to employees and customers answering any queries.

Process

- A “Security by Design” principle is followed using standard operating procedures to document each and every process carried out by both IT and IT Security departments.
- Change Management Policy and Procedures is implemented to ensure that standardized methods and procedures are used for efficient and prompt handling of all changes, in order to minimize the impact of change-related incidents upon service quality, and consequently improve the day-to-day operations of the Bank.
- Incident Response Management is followed to monitor, detect and efficiently respond to the latest cyber security threats and improve enterprise resilience.

Technology

- Himalayan Bank has always been a market leader in innovation, technology and security.
- The Bank’s Tier 3 level data center hosts a secure infrastructure built on a defense-in-depth architecture.
- A multi-layered security design is implemented with multiple security devices at each layer to protect the Bank’s most important information assets using state-of-the-art next generation firewalls, and intrusion detection and prevention systems.
- All applications, end points, network devices, and server logs are stored in a Security Information and Event Management System to effectively monitor, detect and respond to any security incidents.
- Role Based Access Control to all systems is used to grant appropriate access levels, and two-factor authentication is used to authenticate access to critical systems.

By leveraging these three pillars of security (people, process, and technology) the Bank is well positioned to meet the ever changing threat landscape.



▶ HELPING SMEs IN THEIR GROWTH

Himalayan Bank Limited has been in the forefront to help businesses in their growth. Since its inception, the bank has been prioritizing its support to small and medium scale enterprises (SMEs).

For HBL, it's not just about business when it comes to supporting SMEs. HBL is always there to take care of their aspirations through diversified products targeted at SMEs to personal loans and to support entrepreneurs with innovative ideas.

At HBL, we have developed a special loan package which suits the financing needs and requirements of SMEs. The package has been designed in such a way that it helps businesses in manufacturing, trading and service sectors to avail loans to meet their short-term and long-term financing needs. This could come in any form-funded or non-funded, depending on specific needs of the business enterprise:

Targeted Customers

- Manufacturing businesses such as small and cottage industries
- Trading businesses such as wholesalers, stockiest, retailers, importers, exporters and suppliers
- Service sector businesses such as hotels, restaurants, medical clinics and travel agencies

Loan Limit

- Rs. 0.50 Million to Rs. 60.00 Million (Rs 5 lakh to Rs 6 crore)

Specialized Corporate Lending Services

The demand for corporate loan is gradually growing in Nepal as the country's private sector is engaged in a range of areas including manufacturing, service and trading. The businesses have become more capable and banks are also able to finance big private sector projects. Production of construction materials is one such high potential area for investment where Nepal is becoming self-reliant. The demand for corporate loans is likely to increase in the coming years with establishment of more industries and growing interest of youth towards entrepreneurship.

In terms of corporate lending, Himalayan Bank Limited has been providing financial support on different business sectors such as cement, steel, poultry, medicine, hotel, hydropower, etc. Corporate lending accounts for about 72 percent of the total loan portfolio of HBL. We have diversified our financial support portfolio so as to help in the economic balance.

Compared to the last fiscal year, the corporate lending of HBL has increased by 10 percent in the current fiscal year. It is impressive to register such growth at a time when banks and financial institutions have been struggling with the shortage of investible fund and banks aren't able to enlarge their lending portfolio.

By offering higher interest rates and offering various banking services and schemes on deposits, HBL has build trust among the depositors. The bank has been mobilizing the deposits by winning the trust of the people.

At HBL, all our efforts are focused on services in easy and convenient ways to the customers.

The best part of HBL's corporate loan is that the loan applications are processed on timely manner. We take care of financial needs of our clients and provide services to them as quickly as possible. HBL ensures that their projects aren't delayed due to bank financing as we value the importance of time of our clients. Our prompt decision making in financing helps them to execute projects on time. At HBL, we are authorized to make loan related decisions on day-to-day basis so that we do not have to keep our clients waiting.

In the recent years, HBL has been prioritizing lending in the hydropower sector. The mandatory provision of the Nepal Rastra Bank also directs banks to have loan flow of 5 percent in the hydropower sector of their overall loan portfolio. We have prioritized financing in new projects and industries and make all effort towards fulfillment of regulatory norms. The development of new projects and industries carry potential to generate employment opportunities and contribute in the national income. Similarly, HBL is also financing projects as a consortium bank.

Rabindra N. Pradhan

Assistant General Manager
Corporate Business

Strong Support to SMEs

Enterprises having investment of Rs 500,000 to Rs 60 million can apply for HBL SME loan. It is a collateral-based lending and the bank provides loan to experienced entrepreneurs for their business growth. Some factors such as positive cash flow of the businesses are considered while approving the loan applications. Basically, HBL provides SME loan services to businesses in trading, manufacturing and tourism.

The bank has two different verticals for lending, namely Corporate and Retail that have different loan procedures. The procedures are easy and convenient for retail lending as well with quick turnaround time.

HBL, which is the pioneering bank in Nepal for SME lending has a substantial loan portfolio in the SME sector. Currently, the share of SME loans of HBL stands at 7 percent of the bank's total lending. We have plans to increase it to 25-28 percent.

We have SME clients from the beginning of the bank. It shows how the bank has developed a strong relationship with its SME clients. At present, HBL has been providing

services to around 1300 SME clients.

The best part of HBL's SME lending is that the bank is quick at making decision for loan applications and service delivery and well understands the financial requirements of the clients. At HBL, we also understand importance of the contributions of SMEs of different sectors in the economic development of Nepal.

Despite the current volatility in the market, the bank has competitive interest rates including the SME loans. In the coming days, HBL is planning to expand its portfolio in SME lending. Meanwhile, the bank is also thinking to introduce new schemes in SME loans. The bank will give special focus to women entrepreneurs so that they can avail loans in competitive interest rates.

Jayendra B. Shah

Executive Officer
Head-Retail and SME Business Development



SME TESTIMONIES

Established in 2006, The Dimensions Pvt. Ltd. is a supplier of kitchen equipments to hospitals, hotels, restaurants and educational institutions. We also manufacture some kitchen equipment. My financial journey with HBL dates many years back, though I started my business in 2006. Prior to this venture, I was in a partnership business and it was when I got associated with HBL as its client. We chose HBL as the bank had computerized services that were yet to be adopted by the other banks at that time. As years passed by, our financial relation with HBL became stronger.

“HBL has always been a special Bank for me”

In 2006, I approached HBL and the SME loan application was processed in a very short period. Under the SME loan provision, my firm has been utilizing facilities such as overdraft, Letter of Credit (LC) and Trust Receipt (TR). We have been getting hassle free, prompt and reliable services from the bank.

HBL is much more customer-oriented than any other bank. The staff here are prompt, responsive and they

treat all customers equally. HBL value its customer and always try to make them happy. Over the years, I have recommended many friends to go to HBL and haven't heard any complain from them regarding the services.

HBL has always been a special bank for me. The bank has been providing excellent financial services to me and I am also fulfilling my obligations towards the bank. With increasing number of hotels and other service sector institutions, the business of kitchen equipment is growing significantly. The bank has been active in supporting my efforts in terms of business expansion.

Besides, I also run a partnership laundry business called Linen Service Craft Kathmandu. HBL is ready to provide financial services for it as well. It's been just a year since the start of the laundry business and we are expanding the venture at Pokhara by April of this year. The loyalty that I have earned from the bank is the reason the bank is supportive for our business growth and expansion.

Manohar Tripathi
Managing Director
The Dimension Pvt. Ltd.

While establishing Everest Cashmere Industry in 1999, we received the financial support from HBL. It's been 19 years and our partnership with the bank has grown stronger with every passing year. The bank's support has enabled Everest Cashmere Industry to earn a name as a manufacturer and exporter of pashmina. At HBL, it is very convenient and easy to avail the banking services. The bank's friendly atmosphere brings customers closer towards HBL. This encourages entrepreneurs to move ahead with their business plans to achieve growth and success. HBL truly understands the needs and requirements of its customers, and this is why the service delivery of the bank is fast and reliable.

HBL has hassle free loan procedures. With complete set of documents, it is even easier for SMEs at HBL.

The overall service of the bank is excellent. The availability of branch offices and ATM outlets across the nation enables customers of the bank to do transactions with much ease. Also, introduction of advanced technologies in banking helps customers to conduct transactions in safe and fast manner .

The partnership with HBL has been elemental for us in terms of growth. I am quite confident that the bank will support my future efforts in business expansion.

I have been a satisfied client of HBL for the last 19 years. I would like to recommend anyone who aspires to become an entrepreneur to avail services from HBL. HBL has always prioritized SMEs and this is why the bank is fast, reliable and convenient in providing financial services to aspiring entrepreneurs who are passionate about starting their own ventures.

“HBL is a reliable and convenient partner for SMEs”

We started the company on a considerably small scale. The business was small and so were the transactions during the start. Our business growth has been gradual but sustainable. The credit goes to HBL which over the years has provided us with reliable and convenient financial services.

Chiranjivi Kafle
Managing Director
Everest Cashmere Industry



Our partnership with HBL dates back to 1995 as the year marks the establishment of two SMEs, namely Rugs for All and Lotus Knot at Bhaktapur. We opened bank accounts of the companies at HBL to conduct transactions. But, both firms were closed after a few years due to some unfavorable situations. It was in 2007 Rainbow Collection Nepal (RCN) was established at Badegaun, Lalitpur as a manufacturer and exporter of handmade carpets.

I am a satisfied and happy customer of HBL. The bank has been helping RCN in its business growth from the beginning. HBL is a place for SMEs where loan procedures are hassle free. It is a banking partner which values its customers. One can fully rely on its banking and financial services. With HBL, we are registering high year-on-year growth by making significant progress in business.

“HBL Always Encourages SMEs”

I only have good experience with HBL in terms of banking and financial transactions. The bank is much customer-oriented and its service delivery is faster than other financial institutions in the country. This has been one of

I established the KC Digital Color Lab and Studio in 2069 B.S. at Sukedhara, Kathmandu to provide photography related services. I began the photography business when the reel technology used to be prevalent which has now completely been replaced by digital. The cost of digital equipments for photography was very high so I began searching for a bank financing. One of my friends suggested taking financial services from HBL. And this is how my relation with the bank started five years ago.

Previously, I used to think that the loan procedures would be full of hassles and time consuming. But HBL removed all my worries as the bank's credit scheme for SMEs is fast and easy.

I have been utilizing different financial services offered by the bank such as overdraft loan, home loan and other various facilities. The staff at HBL are very friendly, helpful and responsive. I have never found they let customers waiting to avail the desired services.

I have earned trust of the bank in the half decade of transactions as I always work by the rules. The bond is so strong now that HBL is always ready to provide me the financial assistance in case of my needs. With the technological advancements, the photography business is also changing. KC Digital Color Lab and Studio is also

the key supporting factors for the growth of RCN.

Adding to the HBL's goodwill are its employees who are very friendly. The bank's staff are very cooperating and always try to minimize the situations that hinder us to move forward. They are the true banking professionals with good attitude and behavior. It is a very important aspect from customers' point of view while getting services from financial institutions. Anyone can feel this after they become customers of HBL. The bank has always been supportive of our business expansion plans in terms of providing financial services.

I hope HBL will expand its branch network in future so that aspiring entrepreneurs can avail the bank's services to realize their business ambitions. I also expect that the bank will come up with special schemes for women who are looking to start their own business. I have seen many female who aspire to become entrepreneurs to contribute to their family and the society. If HBL comes up with any scheme, it will be a win-win situation for both the entrepreneurs and the bank. Similarly, easing loan procedures further would be more helpful.

Rosa Tuladhar

Vice President

Rainbow Collection Nepal

updating its business according to time. HBL has been supporting all my efforts in this context. The business is growing well with HBL.

I started this business as small photo studio. Over the course of five years, KC Digital Color Lab and Studio has achieved significant momentum and growth. Currently, I am in the process to add equipments to expand the business.

“The Business is growing Well with HBL”

I am confident in taking steps in my business as HBL has always been quite supportive. I also feel that customers also have role in building and developing the relationship with the financial institutions as they should fulfill their responsibility obligations towards the banks.

Keshab Bhattarai

Owner

KC Digital Color Lab and Studio





▶ FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HIMALAYAN BANK LTD**

Report on the Financial Statements

We have audited the accompanying financial statements of Himalayan Bank Ltd, which comprise the balance sheet as at 31st Ashadh 2074 corresponding to 15th July 2017 and the profit & loss account, statement of changes in equity and 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, based on the prevailing Acts and laws, is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting 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.

Auditors' 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 relevant 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Other Legal and Regulatory Requirements (Bank & Financial Institution Act and Company Act)

On examination of the financial statements as aforesaid, we report that:

- a. We have obtained all information and explanations asked for, which to the best of our knowledge and belief were necessary for the purpose of our examination.
- b. In our opinion, proper books of account as required by law have been kept by the bank, in so far as appears from our examination of those books of account and the financial statements dealt with by this report , prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of accounts.
- c. In our opinion, the returns received from the respective branches are adequate for the audit purpose, though the statements are independently not audited.
- d. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any employee of the Bank has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the Bank or committed any misappropriation or violated any directive of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank and its depositors.
- e. In our opinion, adequate capital fund and provisions for losses have been made and the business of the Bank has been conducted within its authority.

Opinion on the Financial Statements

- a. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements referred to above, read together with the notes attached thereon give a true and fair view of the financial position of the bank as of Ashadh 31, 2074 (July 15th, 2017), and of the results of its financial performances and its cash flows for the year then ended.
- b. As the financial statements of the Bank have not been prepared in compliance with the Nepal Financial Reporting Standards issued by The Institute of Chartered Accountants of Nepal, no opinion is expressed on the same.

Sundar Man Shrestha, FCA
Chartered Accountant
Partner
Sundar & Co.

Date: 2074-07-15

2017-11-01

BALANCE SHEET

AS AT JULY 15, 2017 (ASHAD END, 2074)

(Amount in Rs.)

CAPITAL AND LIABILITIES	Schedule	Current Year	Previous Year
1. Share Capital	1	8,114,529,375	5,848,888,500
2. Reserves and Funds	2	3,590,667,378	2,974,879,628
3. Debentures and Bonds	3	600,000,000	600,000,000
4. Borrowings	4	40,000,000	1,000,000,000
5. Deposits	5	92,881,114,255	87,335,785,849
6. Bills Payables	6	82,892,887	504,174,092
7. Proposed Dividend		85,416,782	71,039,132
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	1,860,859,289	1,528,240,879
Total Capital & Liabilities		<u>107,255,479,966</u>	<u>99,863,008,080</u>
ASSETS	Schedule	Current Year	Previous Year
1. Cash Balance	8	1,558,322,040	1,498,347,320
2. Balance with Nepal Rastra Bank	9	6,141,151,917	5,677,702,310
3. Balance with Banks / Financial Institutions	10	1,215,911,701	698,934,429
4. Money at Call and Short Notice	11	-	1,482,036,329
5. Investments	12	17,929,265,339	19,306,073,338
6. Loan Advances and Bills Purchase	13	76,394,259,228	67,745,978,944
7. Fixed Assets	14	2,175,892,638	1,922,966,664
8. Non - Banking Assets	15	-	-
9. Other Assets	16	1,840,677,103	1,530,968,746
Total Assets		<u>107,255,479,966</u>	<u>99,863,008,080</u>

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	Salim Amlani First Vice Chairman	Manoj Bahadur Shrestha Chairman	As per our attached report of even date
Sushiel Joshi General Manager	Prachanda Bahadur Shrestha Second Vice Chairman	CA. Sundar Man Shrestha Partner Sundar & Co. Chartered Accountants	
Ejaz Qadeer Gill Senior General Manager	Jeetendra Dhital Director		Date: November 1, 2017
Ashoke SJB Rana Chief Executive Officer	Sushil Bickram Thapa Director		
	Upendra Keshari Poudyal Director		
	Surendra Silwal Director		

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHAD END, 2074)

(Amount in Rs.)

Particulars	Schedule	Current Year	Previous Year
1. Interest Income	18	6,938,502,556	5,015,843,968
2. Interest Expenses	19	3,173,333,669	1,565,895,670
Net Interest Income		3,765,168,887	3,449,948,298
3. Commission and Discount	20	713,467,993	599,641,824
4. Other Operating Income	21	128,497,398	105,107,706
5. Exchange Fluctuation Income	22	609,622,195	602,985,146
Total Operating Income		5,216,756,473	4,757,682,974
6. Staff Expenses	23	1,081,611,213	908,436,071
7. Other Operating Expenses	24	849,631,171	806,909,410
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before Provision for Possible Losses		3,285,514,089	3,042,337,493
9. Provision for Possible Losses	25	835,752,640	744,816,820
Operating Profit		2,449,761,449	2,297,520,673
10. Non-Operating Income/(Loss)	26	26,806,694	22,276,054
11. Loan Loss Provision Written-Back	27	933,017,460	1,401,387,144
Profit from Regular Operations		3,409,585,603	3,721,183,871
12. Profit/(Loss) from Extra-ordinary Activities	28	2,293,572	(697,479,118)
Net Profit after considering all Activities		3,411,879,175	3,023,704,753
13. Staff Bonus Provision		310,170,834	274,882,250
14. Tax Provision		923,473,448	812,914,869
a) Current Years		945,628,135	809,825,053
b) Previous Year's Additional Tax		1,469,670	9,707,048
c) Deferred Tax		(23,624,357)	(6,617,232)
Net Profit/(Loss)		2,178,234,893	1,935,907,634

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

Satish Raj Joshi
Executive Financial Officer

Salim Amlani
First Vice Chairman

Manoj Bahadur Shrestha
Chairman

As per our attached
report of even date

Sushiel Joshi
General Manager

Prachanda Bahadur Shrestha
Second Vice Chairman

CA. Sundar Man Shrestha
Partner
Sundar & Co.
Chartered Accountants

Ejaz Qadeer Gill
Senior General Manager

Jeetendra Dhital
Director

Date: November 1, 2017

Ashoke SJB Rana
Chief Executive Officer

Sushil Bickram Thapa
Director

Upendra Keshari Poudyal
Director

Surendra Silwal
Director



PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHAD END, 2074)

(Amount in Rs.)

Particulars	Current Year	Previous Year
Income		
1. Accumulated Profit up to Last Year	138,842,497	114,997,186
2. Current Year's Profit	2,178,234,893	1,935,907,634
3. Transfer from Share Premium	123,094,283	
4. Transfer from Deferred Tax Reserve	-	-
5. Transfer from Investment Adjustment Reserve		
Total	2,440,171,673	2,050,904,820
Expenses		
1. Accumulated Loss up to Last Year	-	-
2. Current year's Loss	-	-
3. General Reserve	435,646,979	387,181,527
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserve Fund	-	-
8. Proposed Dividend	85,416,782	71,039,132
9. Proposed Issue of Bonus Share	1,622,905,875	1,349,743,500
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	443,341	1,658,437
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Fund	19,362,924	10,108,210
14. Bond Redemption Reserve	85,714,286	85,714,286
15. Deferred Tax Reserve	23,624,357	6,617,232
16. Investment Adjustment Reserve		
17. Corporate Social Responsibility Fund	21,782,349	
Total	2,294,896,893	1,912,062,324
17. Accumulated Profit / (Loss)	<u>145,274,780</u>	<u>138,842,496</u>

Satish Raj Joshi
Executive Financial Officer

Salim Amlani
First Vice Chairman

Manoj Bahadur Shrestha
Chairman

As per our attached
report of even date

Sushiel Joshi
General Manager

Prachanda Bahadur Shrestha
Second Vice Chairman

CA. Sundar Man Shrestha
Partner
Sundar & Co.
Chartered Accountants

Ejaz Qadeer Gill
Senior General Manager

Jeetendra Dhital
Director

Date: November 1, 2017

Ashoke SJB Rana
Chief Executive Officer

Sushil Bickram Thapa
Director

Upendra Keshari Poudyal
Director

Surendra Silwal
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM JULY 16, 2016 TO JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHAD END, 2074)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/(LOSS)	GENERAL RESERVE	PROPOSED BONUS SHARE	SPECIAL RESERVE FUND	EXCHANGE FLUCTUATION	CAPITAL ADJUSTMENT FUND	SHARE PREMIUM	OTHER RESERVE FUND	DEFERRED TAX RESERVE	INVESTMENT ADJUSTMENT RESERVE	TOTAL AMOUNT
Opening Balance as at 16 July 2016	4,499,145,000	138,842,496	2,373,350,808	1,349,743,500	4,000,000	34,192,970	10,108,210	-	342,857,141	69,514,769	2,013,234	8,823,768,129
Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance as at 16 July 2016	4,499,145,000	138,842,496	2,373,350,808	1,349,743,500	4,000,000	34,192,970	10,108,210	-	342,857,141	69,514,769	2,013,234	8,823,768,129
Net Profit for the year	-	2,178,234,893	-	-	-	-	-	-	-	-	-	2,178,234,893
Transfer to General Reserve	-	(435,646,979)	435,646,979	-	-	-	-	-	-	-	-	-
Bond Redemption Fund transferred	-	-	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	-	(85,416,782)	-	-	-	-	-	-	-	-	-	(85,416,782)
Issue of Bonus Share	1,349,743,500	-	-	(1,349,743,500)	-	-	-	-	-	-	-	-
Proposed Issue of Bonus Shares	-	(1,622,905,875)	-	1,622,905,875	-	-	-	-	-	-	-	-
Issue of Right Shares	642,735,000	-	-	-	-	-	-	123,094,283	-	-	-	765,829,283
Transfer From Share Premium	-	123,094,283	-	-	-	-	(123,094,283)	-	-	-	-	-
Transfer to Deferred Tax Reserve	-	(23,624,357)	-	-	-	-	-	-	-	23,624,357	-	-
Transfer to Exchange Fluctuation Fund	-	(443,341)	-	-	-	443,341	-	-	-	-	-	-
Transfer to Bond Redemption Fund	-	(85,714,286)	-	-	-	-	-	-	85,714,286	-	-	-
Transfer to Capital Adjustment Fund	-	(19,362,924)	-	-	-	-	19,362,924	-	-	-	-	-
Corporate Social Responsibility Fund	-	(21,782,349)	-	-	-	-	-	-	21,782,349	-	-	-
Employees Training & Development Fund	-	-	-	-	-	-	-	-	22,781,230	-	-	22,781,230
Closing Balance	6,491,623,500	145,274,779	2,808,997,787	1,622,905,875	4,000,000	34,636,311	29,471,134	-	473,135,006	93,139,126	2,013,234	11,705,196,753

CASH FLOW STATEMENT

FOR THE PERIOD FROM JULY 16, 2016 To JULY 15, 2017 (SHRAWAN 1, 2073 TO ASHAD END, 2074)

(Amount in Rs.)

Particulars	Current Year	Previous Year
A. Cash Flow from Operating Activities	2,677,595,106	3,420,624,535
1. Cash Received	8,269,483,285	6,185,143,474
1.1 Interest Income	6,803,204,456	4,860,450,252
1.2 Commission and Discount Income	713,467,993	599,641,824
1.3 Income from Foreign Exchange Transaction	609,622,195	602,985,146
1.4 Recovery of Loan Written off	10,408,002	8,538,248
1.5 Other Income	132,780,639	113,528,004
2. Cash Payment	(5,591,888,179)	(4,006,380,733)
2.1 Interest Expenses	(2,742,933,449)	(1,521,440,177)
2.2 Staff Expenses	(1,007,701,037)	(925,619,711)
2.3 Office Overhead Expenses	(662,477,537)	(620,377,366)
2.4 Income Tax Paid	(903,893,906)	(793,455,198)
2.5 Other Expenses	(274,882,250)	(145,488,281)
Cash Flow before Changes in Working Capital	(3,599,983,107)	2,178,762,741
(Increase) / Decrease in Current Assets	(7,681,368,774)	(14,138,866,314)
1. (Increase) / Decrease in Money at Call and Short Notice	1,482,036,329	(418,086,329)
2. (Increase) / Decrease in Other Short-term Investment	(155,673,777)	795,532,417
3. (Increase) / Decrease in Loan & Bills Purchases	(8,562,198,698)	(14,431,993,957)
4. (Increase) / Decrease in Others Assets	(445,532,628)	(84,318,445)
Increase / (Decrease) in Current Liabilities	4,081,385,667	15,380,728,108
1. Increase/(Decrease) in Deposits	5,545,328,406	13,797,585,664
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowing	(960,000,000)	1,000,000,000
4. Increase/(Decrease) in Others Liabilities	(503,942,739)	583,142,444
B. Cash Flow from Investment Activities	1,370,751,691	(3,521,208,188)
1. (Increase)/Decrease in Long Term Investments	1,564,885,130	(1,534,883,768)
2. (Increase)/Decrease in Fixed Assets	(381,348,692)	(641,755,761)
3. Interest Income from Long Term Investment	193,391,040	34,713,745
4. Dividend Income	26,227,567	21,050,151
5. Others	(32,403,354)	(1,400,332,555)
C. Cash Flow from Financing Activities	592,037,909	(411,844,097)
1. Increase/(Decrease) in Long Term Borrowings (Bond, Debentures etc)	(10,275,000)	(154,495,000)
2. Increase/(Decrease) in Share Capital	765,829,283	-
3. Increase/(Decrease) in Other Liabilities	(163,516,374)	(257,349,097)
4. Increase/(Decrease) in Refinance/facilities received from NRB.	-	-
D. Income/Loss from change in exchange rate in Cash and Bank Balances	-	-
E. Current Year's Cash Flow from All Activities	1,040,401,599	(512,427,750)
F. Opening Balance of Cash and Bank Balances	7,874,984,059	8,387,411,809
G Closing Balance of Cash and Bank Balances	8,915,385,658	7,874,984,059

SHARE CAPITAL & OWNERSHIP

Schedule 1
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Share Capital		
1.1 Authorized Capital	8,500,000,000	8,500,000,000
a. 85,000,000 Ordinary Shares of Rs 100 each.	8,500,000,000	8,500,000,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.2 Issued Capital	6,491,623,500	4,499,145,000
a. 64,916,235 Ordinary Shares of Rs 100 each (Previous year 44,991,450 Ordinary Shares of Rs. 100 each)	6,491,623,500	4,499,145,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.3 Paid up Capital	6,491,623,500	4,499,145,000
a. 64,916,235 Ordinary Shares of Rs 100 each fully paid up (Previous year 44,991,450 Ordinary Shares of Rs 100 each fully paid up)	6,491,623,500	4,499,145,000
b. Non-redeemable Preference Shares	-	-
c. Redeemable Preference Shares	-	-
1.4 Proposed Bonus Shares	1,622,905,875	1,349,743,500
1.5 Share Premium	-	-
1.6 Total	8,114,529,375	5,848,888,500

SHARE OWNERSHIP

(Amount in Rs.)

Particulars	Current Year		Previous Year	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	80.00	5,193,298,800	80	3,599,316,000
1.1 Nepal Government	-	-	-	-
1.2 "A" Classs Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	65.00	4,219,555,275	65	2,924,444,250
1.5 General Public	15.00	973,743,525	15	674,871,750
1.6 Others	-	-	-	-
2. Foreign Ownership	20.00	1,298,324,700	20	899,829,000
Total	100.00	6,491,623,500	100	4,499,145,000

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

(Amount in Rs.)

Name of Shareholder	Number of Shares	%	Share Capital
Habib Bank Limited	12,983,247	20.00	1,298,324,700
Karmachari Sanchaya Kosh	9,088,273	14.00	908,827,300
N. Trading Co. Pvt. Ltd.	8,249,779	12.71	824,977,900
Mutual Trading Co. Pvt. Ltd.	7,692,429	11.85	769,242,900
Ava International Pvt. Ltd.	7,390,302	11.38	739,030,200
Chhaya International Pvt. Ltd.	5,769,994	8.89	576,999,400
Shashi Kant Agrawal	1,719,856	2.65	171,985,600
Syakar Co. Ltd.	642,673	0.99	64,267,300
Anju Khetan	500,000	0.77	50,000,000
Sharma & Co. Pvt. Ltd.	428,448	0.66	42,844,800
Total	54,465,001	83.90	5,446,500,100



RESERVES AND FUNDS

Schedule 2
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. General Reserve Fund	2,808,997,787	2,373,350,808
2. Share Premium		-
3. Capital Redemption Reserve		
4. Capital Adjustment Fund	29,471,134	10,108,210
5. Other Reserve Fund	572,287,366	418,385,144
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	93,139,126	69,514,769
g. Other Free Reserves	-	-
h. Bond Redemption Reserve	428,571,427	342,857,141
i. Investment Adjustment Reserve	2,013,234	2,013,234
j. Employees Training & Development Fund	22,781,230	-
k. Corporate Social Responsibility Fund	21,782,349	-
7. Accumulated Profit / (Loss)	145,274,780	138,842,496
8. Exchange Fluctuation Fund	34,636,311	34,192,970
Total	3,590,667,378	2,974,879,628

DEBENTURES AND BONDS

Schedule 3
(Amount in Rs.)

Particulars	Current Year	Previous Year
8 Percent HBL Bond 2077 of Rs 1,000 each [Issued on July 15, 2013 and maturing on 14 July 2020] [Balance in Redemption Reserve Rs. 428,571,427 [Previous Year Rs. 342,857,141]]	600,000,000	600,000,000
Total	600,000,000	600,000,000

BORROWINGS

Schedule 4
(Amount in Rs.)

Particulars	Current Year	Previous Year
A. Local		
1. Nepal Government	-	-
2. Nepal Rastra Bank	-	-
3. Repo Obligation	-	-
4. Inter Bank and Financial Institutions	40,000,000	1,000,000,000
5. Other Financial Institutions	-	-
6. Others	-	-
Total	40,000,000	1,000,000,000
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total	-	-
Total (A+B)	40,000,000	1,000,000,000
As per GL		

DEPOSITS

Schedule 5
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Non Interest Bearing accounts		
A. Current Deposits	9,032,609,733	9,022,902,938
1. Local Currency	7,362,141,225	7,153,398,751
1.1 Nepal Government	1,068,497,639	307,899,067
1.2 "A" Class Licensed Institutions	155,458,107	373,759,622
1.3 Other Licensed Institutions	1,614,437,874	1,593,348,435
1.4 Other Organized Institutions	4,295,444,859	4,599,452,476
1.5 Individuals	228,302,746	278,939,151
1.6 Others	-	-
2. Foreign Currency	1,670,468,508	1,869,504,187
2.1 Nepal Government	49,271,711	102,435,555
2.2 "A" Class Licensed Institutions	40,116,001	29,899,428
2.3 Other Licensed Institutions	575,815,610	597,976,778
2.4 Other Organized Institutions	999,271,241	1,133,700,511
2.5 Individuals	5,993,945	5,491,915
2.6 Others	-	-
B. Margin Deposits	1,794,019,337	1,536,699,360
1. Employees Guarantee	-	-
2. Guarantee Margin	14,453,231	14,519,908
3. Letters of Credit Margin	1,779,566,106	1,522,179,452
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organized Institution	-	-
1.3 Individual	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
Total of Non-Interest Bearing Accounts	<u>10,826,629,070</u>	<u>10,559,602,298</u>

Continue..



DEPOSITS

Continued..

Schedule 5
(Amount in Rs.)

Particulars	Current Year	Previous Year
2. Interest Bearing accounts		
A. Saving Deposits	38,133,809,414	46,429,004,190
1. Local Currency	36,697,538,322	45,063,450,335
1.1 Organized Institutions	1,205,413,100	1,091,555,498
1.2 Individuals	35,492,125,222	43,971,894,837
1.3 Others	-	-
2. Foreign Currency	1,436,271,092	1,365,553,855
2.1 Organized Institutions	30,687,816	35,340,835
2.2 Individuals	1,405,583,276	1,330,213,020
2.3 Others	-	-
B. Fixed Deposits	37,501,074,054	16,763,515,439
1. Local Currency	33,545,411,945	15,911,996,536
1.1 Organized Institutions	14,860,562,665	11,835,488,340
1.2 Individuals	18,684,849,280	4,076,508,196
1.3 Others	-	-
2. Foreign Currency	3,955,662,109	851,518,903
2.1 Organized Institutions	3,850,119,400	756,701,100
2.2 Individuals	105,542,709	94,817,803
2.3 Others	-	-
C. Call Deposits	6,419,601,717	13,583,663,922
1. Local Currency	4,956,236,421	8,042,467,435
1.2 "A" Classs Licensed Institutions	-	-
1.3 Other Licensed Institutions	205,158,759	529,274,570
1.4 Other Organized Institutions	4,584,428,700	7,465,820,015
1.5 Individuals	166,648,962	47,372,850
1.6 Others	-	-
2. Foreign Currency	1,463,365,296	5,541,196,487
2.1 "A" Classs Licensed Institutions	-	-
2.2 Other Licensed Institutions	213,448	389,204
2.3 Other Organized Institutions	1,462,361,046	5,538,003,537
2.4 Individuals	790,802	2,803,747
2.5 Others	-	-
D. Certificate of Deposits	-	-
1. Other Organized Institutions	-	-
2. Individual	-	-
3. Other	-	-
Total of Interest Bearing Accounts	82,054,485,185	76,776,183,551
Total Deposits	92,881,114,255	87,335,785,849

BILLS PAYABLES

Schedule 6
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Local Currency	80,863,853	503,614,272
2. Foreign Currency	2,029,034	559,820
Total	82,892,887	504,174,092

OTHER LIABILITIES

Schedule 7
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Pension / Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	310,170,834	274,882,250
5. Interest Payable on Deposit	468,522,091	86,098,309
6. Interest Payable on Borrowings/Bonds	23,195,806	23,086,953
7. Unearned Discount & Commission	-	-
8. Sundry Creditors	254,818,169	211,646,686
9. Branch Adjustment Account	12,910,859	78,574,943
10. Deferred Tax Liability	-	-
11. Dividend Payable	21,802,681	66,412,337
12. Others		
a. Provision for Audit Fee	2,113,100	1,921,000
b. Provision for leave encashment	312,463,199	262,385,607
c. Matured HBL Bond Payable	525,000	10,800,000
d. Provision for Gratuity	71,820,328	70,768,974
e. Others	382,517,222	441,663,820
Total	1,860,859,289	1,528,240,879

CASH BALANCE

Schedule 8
(Amount in Rs.)

Particulars	Current Year	Previous Year
1 Local Currency (Including coins)	1,493,596,646	1,432,761,899
2. Foreign Currency	64,725,394	65,585,421
Total	1,558,322,040	1,498,347,320



BALANCE WITH NEPAL RASTRA BANK

Schedule 9
(Amount in Rs.)

Particulars	Local Currency	Foreign Currency			Current Year	Previous Year
		INR	Convertible Currency	Total		
1. Nepal Rastra Bank	5,893,900,746	-	247,251,171	247,251,171	6,141,151,917	5,677,702,310
a. Current Account	5,893,900,746	-	247,251,171	247,251,171	6,141,151,917	5,677,702,310
b. Other Account	-	-	-	-	-	-
Total	<u>5,893,900,746</u>	-	<u>247,251,171</u>	<u>247,251,171</u>	<u>6,141,151,917</u>	<u>5,677,702,310</u>

Note: Total balance as per the statement of Nepal Rastra Bank is Rs 6,180,398,906.

BALANCE WITH BANKS / FINANCIAL INSTITUTIONS

Schedule 10
(Amount in Rs.)

Particulars	Local Currency	Foreign Currency			Current Year	Previous Year
		INR	Convertible Currency	Total		
1. Local Licensed Institutions	219,064,529	-	-	-	219,064,529	197,251,426
a. Current Account	219,064,529	-	-	-	219,064,529	197,251,426
b. Other Account	-	-	-	-	-	-
2. Foreign Bank	-	686,143,588	310,703,584	996,847,172	996,847,172	501,683,003
a. Current Account	-	686,143,588	310,703,584	996,847,172	996,847,172	501,683,003
b. Other Account	-	-	-	-	-	-
Total	<u>219,064,529</u>	<u>686,143,588</u>	<u>310,703,584</u>	<u>996,847,172</u>	<u>1,215,911,701</u>	<u>698,934,429</u>

Note: Total balance as per the statement received from respective bank is Rs. 1,449,690,526.

MONEY AT CALL AND SHORT NOTICE

Schedule 11
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Local Currency	-	840,036,329
2. Foreign Currency	-	642,000,000
Total	-	<u>1,482,036,329</u>

INVESTMENTS

Schedule 12
(Amount in Rs.)

Particulars	Purpose		Current Year	Previous Year
	Trading	Other		
1. Nepal Government Treasury Bills	-	3,784,667,300	3,784,667,300	5,281,324,304
2. Nepal Government Saving Bond	-	-	-	-
3. Nepal Government Other Securities	-	4,180,950,000	4,180,950,000	4,130,950,000
4. NRB Bonds	-	-	-	-
5. Foreign Bonds	-	1,549,308,935	1,549,308,935	1,617,537,061
6. Local Licensed Institutions	-	224,426,750	224,426,750	68,752,973
7. Foreign Banks	-	7,986,003,354	7,986,003,354	8,003,600,000
8. Corporate Shares	-	205,123,859	205,123,859	205,123,859
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
Total Investment	-	17,930,480,198	17,930,480,198	19,307,288,197
Provision			1,214,859	1,214,859
Net Investment			<u>17,929,265,339</u>	<u>19,306,073,338</u>

INVESTMENTS IN SHARES, DEBENTURES AND BONDS

Schedule 12(A)
(Amount in Rs.)

Particulars	Cost Price	Market value	Provision	Current Year	Previous Year
1. Investment in Shares					
1.1 Rural Microfinance Dev Centre	48,000,000	495,132,000	-	48,000,000	48,000,000
638,880 Shares (including 158,880 bonus shares) @ Rs. 100 per share, fully paid up					
1.2 Nepal Grameen Bikas Bank	3,000,000	71,613,016	-	3,000,000	3,000,000
95,996 Shares @ Rs. 100 per share, fully paid up					
1.3 Nirdhan Utthan Bank Ltd.	12,793,300	1,321,874,385	-	12,793,300	12,793,300
673,395 Shares (including 545,462 bonus shares) @ Rs. 100 per share, fully paid up					
1.4 Chhimek Bikas Bank Ltd.	24,377,900	1,524,188,700	-	24,377,900	24,377,900
999,468 Shares (including 755,689 bonus shares) @ Rs. 100 per share, fully paid up					
1.5 Swabalamban Bikas Bank Ltd.	12,490,500	911,137,221	-	12,490,500	12,490,500
503,669 Shares (including 378,764 bonus shares) @ Rs. 100 per share, fully paid up					
1.6 Swift SC	1,214,859	N/A	1,214,859	1,214,859	1,214,859
6 Shares					
1.7 Credit Information Corporation Limited	1,423,300	N/A	-	1,423,300	1,423,300
58,956 shares (including 44,723 bonus shares) @ Rs. 100 per share, fully paid up					
1.8 Nepal Clearing House Limited	2,500,000	N/A	-	2,500,000	2,500,000
25,000 shares @ Rs. 100 each, fully paid up					
1.9 VISA Card International	-	N/A	-	-	-
5,860 nos. of class C Common Stock					
1.10 MasterCard Worldwide	-	N/A	-	-	-
7,320 nos. of class B Common Stock					
1.11 National Banking Institute Limited	1,200,000	N/A	-	1,200,000	1,200,000
12,000 shares @ Rs. 100 each, fully paid up					
1.12 Smart Choice Technologies Limited	98,124,000	N/A	-	98,124,000.00	98,124,000
230,880 shares @ Rs. 100 each, fully paid up					
2. Investment in Debentures and Bonds					
2.1					
2.2					
2.3					
Total Investment	205,123,859	4,323,945,322	1,214,859	205,123,859	205,123,859
3. Provision for Loss					
3.1 Up to previous year			1,214,859	1,214,859	1,214,859
3.2 Addition this year			-	-	-
Total Provision			1,214,859	1,214,859	1,214,859
Net Investment				203,909,000	203,909,000

NOTES

- Shares of Chhimek Bikas Bank Limited, Nirdhan Utthan Bank Limited, Swabalamban Bikas Bank Limited, Nepal Grameen Bikas Bank Limited and Rural Micro Finance Development Center are listed in Nepal Stock Exchange.
- Swift & Smart Choice Technologies Limited have not declared dividend in the last three Years.



HELD FOR TRADING INVESTMENTS

Schedule 12.1
(Amount in Rs.)

Particulars	Cost Price	Market Price As At		Profit / Loss		Remarks
		16-Jul 2016	15-Jul 2017	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	-	-	-	-	-	-
Total Investments	-	-	-	-	-	-

HELD TO MATURITY INVESTMENTS

Schedule 12.2
(Amount in Rs.)

Particulars	Cost Price	Impaired Amount till		Profit / Loss		Remarks
		16-Jul 2016	15-Jul 2017	This Year	Previous Year	
1. Nepal Government Treasury Bills	3,784,667,300	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other Securities	4,180,950,000	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Bonds	1,549,308,935	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Debentures and Bonds of Local Organized Institutions	-	-	-	-	-	
9. Placement in Foreign Banks	7,986,003,354	-	-	-	-	
10. Other Investments	224,426,750	-	-	-	-	
Total Investments	17,725,356,339					

AVAILABLE FOR SALE INVESTMENTS

Schedule 12.3
(Amount in Rs.)

Particulars	Cost Price	Market Price As At		This Year Investment	Previous Year Profit/ Loss	Remarks
		16-Jul-2016	15-Jul-2017			
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	100,661,700	4,936,415,400	4,323,945,322	-	-	
7. Debentures and Bonds of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Debentures and Bonds of Local Organised Institutions	103,247,300	N/A	N/A	-	-	
9. Placement in Foreign Banks	-	-	-	-	-	
10. Other Investments	1,214,859	N/A	N/A	-	-	
Total Investments	205,123,859	4,936,415,400	4,323,945,322			



CLASSIFICATION OF LOANS AND BILLS PURCHASED AND PROVISIONING

Schedule 13
(Amount in Rs.)

Particulars	Loans & Advances				Bills Purchased & Discounted			Current Year	Previous Year
	Domestic		Foreign	Total	Local	Foreign	Total		
	Insured	Un-insured							
1. Performing Loan	-	3,715,567,724	70,629,007,449	377,277,165	74,721,852,338	35,294,573	2,222,022,209	2,257,316,782	68,249,513,393
1.1 Pass Loan	-	3,715,567,724	69,311,582,944	375,729,183	73,402,879,851	35,294,573	2,222,022,209	2,257,316,782	65,605,188,999
1.2 Watch - List	-	-	1,317,424,505	1,547,982	1,318,972,487	-	-	-	2,644,324,394
2. Non-Performing Loan	-	48,339,475	606,321,691	6,929,601	661,590,767	-	216,930	216,930	851,375,948
2.1 Re-structured	-	-	65,191,069	-	65,191,069	-	-	-	207,423,984
2.2 Substandard	-	561,371	237,024,960	-	237,586,331	-	-	-	26,360,394
2.3 Doubtful	-	-	25,329,673	-	25,329,673	-	-	-	155,159,853
2.4 Loss	-	47,778,104	278,775,989	6,929,601	333,483,694	-	216,930	216,930	462,431,717
(A) Total Loan	-	3,763,907,199	71,235,329,140	384,206,766	75,383,443,105	35,294,573	2,222,239,139	2,257,533,712	69,100,889,341
3. Loan Loss Provision	-	-	699,654,280	3,757,296	740,567,253	352,946	22,220,222	22,573,168	662,611,870
3.1 Pass	-	37,155,677	-	77,399	65,948,624	-	-	-	105,772,976
3.2 Watch - List	-	-	65,871,225	-	65,948,624	-	-	-	39,923,810
3.3 Re-structured	-	-	11,866,500	-	11,866,500	-	-	-	6,590,098
3.4 Substandard	-	140,343	59,256,240	-	59,396,583	-	-	-	77,579,926
3.5 Doubtful	-	-	12,664,837	-	12,664,837	-	-	-	462,431,717
3.6 Loss	-	47,778,104	278,775,989	6,929,601	333,483,694	-	216,930	216,930	-
(B) Total Provisioning	-	85,074,124	1,128,089,071	10,764,296	1,223,927,491	352,946	22,437,152	22,790,098	1,354,910,397
4. Provisioning up to Previous Year	-	-	604,317,507	5,325,340	640,291,886	190,283	22,129,701	22,319,984	511,338,192
4.1 Pass	-	30,649,039	-	41,882	105,772,976	-	-	-	59,206,490
4.2 Watch - List	-	-	105,731,094	-	105,772,976	-	-	-	112,647,092
4.3 Re-structured	-	-	39,923,810	-	39,923,810	-	-	-	34,943,711
4.4 Substandard	-	-	6,590,098	-	6,590,098	-	-	-	113,119,382
4.5 Doubtful	-	1,714,253	75,865,673	-	77,579,926	-	-	-	1,120,522,514
4.6 Loss	-	48,691,505	407,630,946	5,884,109	462,206,560	-	225,157	225,157	-
(C) Total Provision up to Last Year	-	81,054,797	1,240,059,128	11,251,331	1,332,365,256	190,283	22,354,858	22,545,141	1,951,777,381
(D) Provision written back this year	-	(30,531,258)	(887,710,258)	(5,277,152)	(923,518,668)	(37,304)	(5,178,249)	(5,215,553)	(1,339,966,846)
(E) This year's additional provision	-	34,550,585	775,740,201	4,790,117	815,080,903	199,967	5,260,543	5,460,510	743,099,862
(F) Net adjustment during the year	-	4,019,327	(111,970,057)	(487,035)	(108,437,765)	162,663	82,294	244,957	(596,866,984)
Net Loan (A - B)	-	3,678,833,075	70,107,240,069	373,442,470	74,159,515,614	34,941,627	2,199,801,987	2,234,743,614	67,745,978,944

SECURITY WISE DETAIL OF LOANS, ADVANCES AND BILLS PURCHASED

Schedule 13 (A)
(Amount in Rs.)

Particulars	Current Year	Previous Year
(A) Secured	77,640,976,817	69,100,889,341
1. Movable / Immovable Assets	68,262,040,967	61,316,658,275
2. Guarantee of Local Licensed Institutions	-	-
3. Government Guarantee	-	-
4. Internationally Rated Bank Guarantee	104,006,465	61,736,555
5. Export Documents	52,020,170	2,221,805,411
6. Fixed Deposit Receipts	773,269,877	329,711,060
a. Own FDR	773,269,877	329,711,060
b. FDR of other Licensed Institutions	-	-
7. Nepal Government Bonds	-	-
8. Counter Guarantee	3,689,243,276	-
9. Personal Guarantee	26,344,450	32,799,896
10. Other Securities	4,734,051,612	5,138,178,144
(B) Unsecured	-	-
Total	77,640,976,817	69,100,889,341

FIXED ASSETS

Schedule 14
(Amount in Rs.)

Particulars	Assets				Current Year	Previous Year
	Building	Vehicles	Machinery	Office Equipment		
1. At Cost						
a. Previous Year Balance	434,171,015	282,973,203	497,384,055	580,202,574	1,794,730,847	1,709,477,456
b. Addition this year	10,958,308	55,178,059	46,186,478	33,325,016	145,647,861	130,541,996
c. Revaluation / Written back this year	-	-	-	-	-	-
d. This year sold	-	(37,640,861)	(3,303,205)	(808,314)	(41,752,380)	(45,288,605)
e. This Year written off	-	-	-	-	-	-
Total Cost (a + b + c + d + e)	445,129,323	300,510,401	540,267,328	612,719,276	1,898,626,328	1,794,730,847
2. Depreciation						
a. Up to previous year	106,796,459	99,442,447	341,364,615	346,378,880	893,982,401	810,032,697
b. For this year	16,505,706	29,167,064	34,698,906	34,209,554	114,581,230	110,125,934
c. Depreciation on revaluation/written back	-	-	-	-	-	-
d. Depreciation Adjusted Written Back	-	(20,962,826)	(2,139,549)	(636,577)	(23,738,952)	(26,176,230)
Total Depreciation	123,302,165	107,646,685	373,923,972	379,951,857	984,824,679	893,982,401
3. Book Value (WDV)*(1-2)	321,827,158	192,863,716	166,343,356	232,767,419	913,801,649	900,748,446
4. Land					1,181,385,172	941,602,422
5. Capital Construction (WIP)					28,044,078	27,309,462
6. Leasehold Assets					52,661,739	53,306,334
Total (3 + 4 + 5)					2,175,892,638	1,922,966,664

NON BANKING ASSETS

Schedule 15
(Amount in Rs.)

Name & Address of Borrower or Party	Date of Assuming Non-Banking Assets	Total amount of Non-Banking Assets	Loss Provision		Current Year	Previous Year
			%	In Amount		
Ramesh Babu Shrestha	2010.12.09	376,000	100	376,000	-	376,000
Everest Floriculture	2013.07.15	83,109,039	100	83,109,039	-	83,109,039
Everest Floriculture	2013.10.02	112,590,645	100	112,590,645	-	112,590,645
Everest Floriculture	2014.06.23	16,864,072	100	16,864,072	-	16,864,072
Metro Mall & Touch Stone Sales	2015.02.15	621,094	100	621,094	-	621,094
Prem Lama	2015.07.16	1,302,213	100	1,302,213	-	1,302,213
Valley Top Overseas Pvt. Ltd.	2016.01.17	1,715,000	100	1,715,000	-	1,715,000
New School Garment Enterprises Pvt. Ltd	2017.07.15	16,800,000	100	16,800,000	16,800,000	-
Grand Total		233,378,063		233,378,063	16,800,000	216,578,063
Opening Balance of NBA Provision		216,578,063				267,861,104
Addition during the year		16,800,000				(51,283,041)
Closing provision on NBA		233,378,063				216,578,063
Net Non-banking Assets		-			-	-

OTHER ASSETS

Schedule 16
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Stock of Stationery	24,443,626	19,845,392
2. Income Receivable on investments	78,783,825	136,876,765
3. Accrued Interest on Loan	599,124,894	453,950,248
Less : Interest Suspense Amount	(599,124,894)	(453,950,248)
4. Commission Receivable	-	-
5. Sundry Debtors	-	-
6. Staff Loan and Advances	1,035,803,362	892,234,115
7. Prepayments	72,799,383	67,911,859
8. Cash in Transit	-	-
9. Other Transit Items(Including Cheques)	144,861	-
10. Drafts Paid without Notice	-	-
11. Expenses not written off	76,146,973	108,798,121
12. Branch Adjustment Account	-	-
13. Deferred Tax Assets	93,139,126	69,514,769
14. Others	459,415,947	
a. Advance for capital works	16,285,397	13,739,128
b. Advance Corporate Tax	28,113,687	71,317,586
c. Others	605,166,953	339,891,497
Less: Provision for possible losses	(190,150,090)	(189,160,486)
Total	1,840,677,103	1,530,968,746

OTHER ASSETS (ADDITIONAL STATEMENT)

Schedule 16(A)
(Amount in Rs.)

Particulars	Current Year				Previous Year
	Upto 1 year	1 to 3 Year	Above 3 Years	Total	
1. Accrued interest on Loan	318,168,301	66,157,928	214,798,665	599,124,894	453,950,248
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment A/c	-	-	-	-	-
4. Agency Balance					
Total	318,168,301	66,157,928	214,798,665	599,124,894	453,950,248



CONTINGENT LIABILITIES

Schedule 17
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Claims on Institutions but not accepted by bank	18,156,550	18,156,550
2. Letters of Credit (full amount)	8,526,897,815	8,957,264,473
a. Less than 6 months maturity	6,147,808,164	6,496,201,095
b. More than 6 months maturity	2,379,089,651	2,461,063,378
3. Rediscounted Bills		
4. Unmatured Guarantees/Bonds	4,599,320,746	3,199,705,269
a. Bid Bond	519,327,986	706,834,935
b. Performance Bond	2,889,561,338	2,142,524,614
c. Other Guarantees/ Bonds	1,190,431,422	350,345,720
5. Unpaid Shares in Investment	-	-
6. Forward Exchange contract liabilities	42,242,179	1,168,528,954
7. Bills under collection	3,267,003,805	3,246,945,701
8. Acceptance and Endorsements	1,867,954,105	1,309,923,933
9. Underwriting Commitments	-	-
10. Irrevocable Loan Commitments	4,056,699,670	5,364,484,155
11. Counter Guarantee of internationally Rated Banks	673,539,355	879,796,602
12. Advance Payment Guarantee	1,201,934,115	872,937,357
13. Financial Guarantee	-	-
14. Contingent Liabilities on Income Tax	164,793,031	82,387,211
15. Others		
Total	24,418,541,371	25,100,130,205

INTEREST INCOME

Schedule 18
(Amount in Rs.)

Particulars	Current Year	Previous Year
A. On Loan, Advances and Overdraft	6,561,581,673	4,754,653,539
1. Loan and Advances	5,410,942,048	3,810,297,086
2. Overdraft	1,150,639,625	944,356,453
B. On Investment	238,242,865	140,542,754
1. Nepal Government Securities	146,698,978	115,416,802
a. Treasury Bills	34,893,935	70,337,241
b. Development Bonds	111,805,043	45,079,561
c. National Saving Certificate	-	-
2. Foreign Securities	91,543,887	25,125,952
a.	-	-
b.	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lending	-	-
a. Bank/Financial Institutions	-	-
b. Other Organizations	-	-
C. On Agency Balances	3,809,933	2,344,759
1. Local Banks	-	-
2. Foreign Banks	3,809,933	2,344,759
D. On Money at Call and Short Notice	19,506,100	7,960,936
1. Local Banks	19,359,354	7,954,980
2. Foreign Banks	146,746	5,956
E. On Others	115,361,985	110,341,980
1. Certificate of Deposits		
2. Inter-Bank Loan	4,058,573	3,160,288
3. FCY Placements	111,303,412	107,181,692
Total	6,938,502,556	5,015,843,968



INTEREST EXPENSES

Schedule 19
(Amount in Rs.)

Particulars	Current Year	Previous Year
A. On Deposit Liabilities		
1. Fixed Deposits	1,873,010,200	457,148,137
1.1 Local Currency	1,842,824,832	442,742,732
1.2 Foreign Currency	30,185,368	14,405,405
2. Saving Deposits	975,641,659	780,037,869
2.1 Local Currency	968,196,627	772,637,326
2.2 Foreign Currency	7,445,032	7,400,543
3. Call Deposit	253,381,381	277,336,649
3.1 Local Currency	215,287,061	244,190,879
3.2 Foreign Currency	38,094,320	33,145,770
4. Certificate of Deposits	-	-
B. On Borrowings	71,300,429	51,373,015
1. Debentures and Bonds	48,000,000	48,000,000
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank/Financial Institutions Borrowing	23,300,429	3,373,015
4. Other Corporate Bodies	-	-
5. Other Loans	-	-
C. Others	-	-
Total	<u>3,173,333,669</u>	<u>1,565,895,670</u>

COMMISSION AND DISCOUNT INCOME

Schedule 20
(Amount in Rs.)

Particulars	Current Year	Previous Year
A. Bills Purchased and Discounted	53,723,329	48,066,263
1. Local	7,665,751	4,000,901
2. Foreign	46,057,578	44,065,362
B. Commission	540,750,168	446,462,834
1. Letters of Credit	79,020,227	65,872,945
2. Guarantees	92,489,630	83,262,921
3. Collection Fees	46,810,468	30,922,792
4. Remittance Fees	93,199,179	96,500,202
5. Credit Cards Fee	229,230,664	169,903,974
6. Share Underwriting /Issue	-	-
7. Government Transactions	-	-
8. Agency Commissions	-	-
9. Exchange Fees	-	-
C. Others	118,994,496	105,112,727
Total	<u>713,467,993</u>	<u>599,641,824</u>



OTHER OPERATING INCOME

Schedule 21
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Safe Deposit Lockers Rental	19,495,833	19,219,658
2. Issue and Renewal of Credit Cards	7,967,862	4,931,999
3. Issue and Renewals of ATM Cards	17,531,250	14,315,789
4. Telex/ T. T	25,686,594	21,501,535
5. Service Charges	-	-
6. Renewal Fees	-	-
7. Others	57,815,859	45,138,725
Total	<u>128,497,398</u>	<u>105,107,706</u>

EXCHANGE GAIN / (LOSS)

Schedule 22
(Amount in Rs.)

Particulars	Current Year	Previous Year
A. Revaluation Gain/(Loss)	1,773,362	6,633,749
B. Trading Gain (including exchange Fee on INR)	607,848,833	596,351,397
Total Income / (Loss)	<u>609,622,195</u>	<u>602,985,146</u>

STAFF EXPENSES

Schedule 23
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Salary	351,995,370	347,307,490
2. Allowances	515,937,632	384,255,598
3. Contribution to Provident Fund	32,575,508	31,736,007
4. Training Expenses	4,471,852	5,441,894
5. Employees Training & Development Fund	22,781,230	-
6. Uniform	8,000,000	5,925,547
7. Medical	-	-
8. Insurance	29,782,141	30,447,122
9. Pension and Gratuity	71,820,328	70,768,974
10. Others	44,247,152	32,553,439
Total	<u>1,081,611,213</u>	<u>908,436,071</u>

OTHER OPERATING EXPENSES

Schedule 24
(Amount in Rs.)

Particulars		Current Year	Previous Year
1. Office Rent		161,719,081	149,795,476
2. Electricity & Water		24,905,548	18,445,998
3. Repairs and Maintenance		94,088,580	88,895,790
a. Building	2,561,650		3,577,835
b. Vehicles	1,849,496		1,549,169
c. Others	89,677,434		83,768,786
4. Insurance		20,491,811	19,629,472
5. Postage Telex, Telephone, Fax		44,512,526	38,723,003
6. Capital Expenses written off		487,956	526,718
7. Travelling Allowances and Expenses		23,398,007	16,879,793
8. Printing and Stationery		28,012,762	26,509,782
9. Books and Periodicals		562,071	558,617
10. Advertisements		43,522,876	45,178,983
11. Legal Expenses		8,737,091	272,091
12. Donations		2,032,914	1,294,970
13. Expenses Relating to Board of Directors		5,636,208	6,739,575
a. Meeting Fees	852,500		770,000
b. Other Expenses	4,783,708		5,969,575
14. Annual General Meeting Expenses		1,409,286	1,451,241
15. Expenses Relating to Audit		2,113,100	2,543,428
a. Audit Fees	2,113,100		1,921,000
b. Other Expenses	-		622,428
16. Commission on Remittances			
17. Depreciation on Fixed Assets		114,581,230	110,125,934
18. Amortization		70,400,618	74,587,108
19. Share Issue Expenses		679,671	704,920
20. Technical Services Fee		-	-
21. Entertainment		637,542	760,462
22. Written off Expenses		2,238,861	1,819,002
23. Security Expenses		38,195,935	36,202,269
24. Deposit Guarantee Premium		33,128,976	29,919,371
25. Commission and Discount		15,955,977	11,940,330
26. Others		112,182,544	123,405,077
a. Registration Fee and Charges	12,898,782		9,823,499
b. Card Membership and other expenses	26,900,101		28,293,369
c. Committee Meeting Fees	620,200		576,600
d. Fuel, Janitorial & Cleaning	40,830,596		46,078,031
e. Professional Fess	20,153,741		17,706,358
f. Others	10,779,124		20,927,220
Total		<u>849,631,171</u>	<u>806,909,410.00</u>

PROVISION FOR POSSIBLE LOSSES

Schedule 25
(Amount in Rs.)

Particulars		Current Year	Previous Year
1. Increase in Loan Loss Provision		820,541,414	743,099,861
2. Increase in Provision for Loss on Investment			
3. Provision against Non-Banking Assets		13,996,792	1,716,959
4. Provision against Other Assets		1,214,434	-
Total		<u>835,752,640</u>	<u>744,816,820</u>



NON OPERATING INCOME / (LOSS)

Schedule 26
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Profit/(Loss) on Sale on Investment	-	-
2. Profit / (Loss) on Sale of Assets	579,127	1,225,903
3. Dividend	26,227,567	21,050,151
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. interest subsidy	-	-
c. Exchange counter	-	-
5. Others	-	-
Total Non- Operating Income (Loss)	<u>26,806,694</u>	<u>22,276,054</u>

LOSS PROVISIONS WRITTEN BACK

Schedule 27
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Loan Loss Provision Written Back	928,734,219	1,339,966,846
2. Provision against Non-Banking Assets Written Back	-	53,000,000
3. Investment Provision Written Back	-	-
4. Provision against Other Assets Written Back	4,283,241	8,420,298
Total	<u>933,017,460</u>	<u>1,401,387,144</u>

PROFIT / (LOSS) FROM EXTRA-ORDINARY ACTIVITIES

Schedule 28
(Amount in Rs.)

Particulars	Current Year	Previous Year
1. Recovery of Written off Loan	10,408,002	10,253,248
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write/off [Schedule 28 (A)]	(8,114,430)	(707,732,366)
4. Other Expenses/Income	-	-
Total	<u>2,293,572</u>	<u>(697,479,118)</u>

STATEMENT OF LOANS WRITTEN-OFF

Schedule 28(A)
(Amount in Rs.)

S. N.	Type of Loan	Amount Written off	Security Detail	Basis of valuation	Approving authority	Recovery steps taken	Remarks
1	Overdrafts	3,995,076	Mortgage of land & building, hypothecation of stock duly insured in favor of bank, Personal Guarantee	70% of Market value and 30% of Government value	BM/GM/SGM	Served various follow-up letters, 35 days notice / auction notice published in newspaper. Case filed with Debt Recovery Tribunal. Party has been blacklisted.	
2	Credit Card Loan	4,119,355	Personal guarantee of cardholders	NA	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.	
	Total Loan	<u>8,114,431</u>					

STATEMENT OF LOANS & ADVANCES GIVEN TO DIRECTORS / CEO / PROMOTERS / EMPLOYEES AND SHAREHOLDERS

Schedule 29

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:

(Amount in Rs.)

Name of Promoters / Directors /Chief Executive	Previous Years's Balance		This Year Recovery		This Year Additions	Balance as of July 15, 2017	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(B) Chief Executives							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(C) Promoters							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(D) Employees							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
(E) Shareholders							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Note:

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



TABLE OF CAPITAL FUND

Schedule 30(A)
(Amount in Rs.)

	Current Year	Previous Year
1.1 RISK WEIGHTED EXPOSURES		
A. Risk Weighted Exposure for Credit Risk	91,557,768,233	79,796,981,782
B. Risk Weighted Exposure for Operational Risk	6,292,200,344	5,746,774,453
C. Risk Weighted Exposure for Market Risk	626,745,392	322,994,050
Adjustment under Pillar II		
Add: 5% of gross income for operational risk	2,365,747,388	2,064,437,000
Add: 3% of total RWE for overall risk	2,954,301,419	2,576,002,509
Total Risk Weighted Exposures (a+b+c)	103,796,762,776	90,507,189,794
1.2 CAPITAL		
Core Capital (Tier I)	11,350,053,313	8,537,167,898
a. Paid up Equity Share Capital	6,491,623,500	4,499,145,000
b. Irredeemable Non-cumulative preference shares	-	-
c. Share Premium	-	-
d. Proposed Bonus Equity Shares	1,622,905,875	1,349,743,500
e. Statutory General Reserves	2,808,997,787	2,373,350,808
f. Retained Earnings	145,274,780	138,842,496
g. Current year profit/(loss)	-	-
h. Capital Redemption Reserve	-	-
i. Capital Adjustment Reserve	29,471,134	10,108,210
j. Dividend Equalization Reserves	-	-
k. Debenture Redemption Reserve	428,571,427	342,857,141
l. Special Reserve	4,000,000	4,000,000
m. Deferred Tax Reserve	93,139,126	69,514,769
n. Less: Goodwill	-	-
o. Less: Miscellaneous expenditure not written off	121,165	103,465
p. Less: Deferred Tax Reserve	93,139,126	69,514,769
q. Less: Investment in equity in licensed Financial Institutions	-	-
r. Less: Investment in equity of institutions with financial interests	98,124,000	98,124,000
s. Less: Investment in equity of institutions in excess of limits	-	-
t. Less: Purchase of land & building in excess of limit and unutilized	82,546,025	82,651,792
u. Less: Investments arising out of underwriting commitments	-	-
v. Less: Reciprocal cross holdings	-	-
w. Less: Other Deductions	-	-
Adjustment under Pillar II		
Less shortfall in Provision	-	-
Less loans and facilities extended to related parties and restricted lending	-	-
Additional Tier I (AT 1)		
a. Perpetual Non Cumulative Preference Share Capital	-	-
b. Perpetual Debt Instruments	-	-
c. Stock Premium	-	-
Supplementary Capital (Tier II)	1,263,763,714	1,278,031,071
a. Cumulative and/or Redeemable Preference Share	-	-
b. Subordinated Term Debt	360,000,000	480,000,000
c. Hybrid Capital Instruments	-	-
d. General loan loss provision	822,550,590	761,824,867
e. Exchange Equalization Reserve	34,636,311	34,192,970
f. Investment Adjustment Reserve	2,013,234	2,013,234
g. Assets Revaluation Reserve	-	-
h. Other Reserves	44,563,579	-
Total Capital Fund (Tier I and Tier II)	12,613,817,027	9,815,198,969
1.3 CAPITAL ADEQUACY RATIOS		
Tier 1 Capital to Total Risk Weighted Exposures	10.93	9.43
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	12.15	10.84

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

AS AT JULY 15, 2017 (ASHAD END, 2074)

Schedule 30(B)
(Amount in Rs.)

Particular	CURRENT YEAR						PREVIOUS YEAR	
	Book Value A	Specific Provision B	Eligible CRM C	Net Value D=A-B-C	Risk Weight E	Risk Weighted Exposures F=D*E	Net Value	Risk Weighted Exposure
A. Balance Sheet Exposure								
Cash Balance	1,558,322,040	-	-	1,558,322,040	0%	-	1,498,347,320	
Balance With Nepal Rastra Bank	6,141,151,917	-	-	6,141,151,917	0%	-	5,677,702,310	
Gold	-	-	-	-	0%	-	-	
Investment in Nepalese Government Securities	7,965,617,300	-	-	7,965,617,300	0%	-	9,412,274,304	
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	25,589,504	-	-	25,589,504	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)	1,549,308,935	-	-	1,549,308,935	100%	1,549,308,935	-	
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)	839,469,582	-	185,400,000	654,069,582	100%	654,069,582	668,228,028	668,228,028
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-	-	
Claims on domestic banks that meet capital adequacy requirements	416,287,962	-	-	416,287,962	20%	83,257,592	1,046,662,308	209,332,462
Claims on domestic banks that do not meet capital adequacy requirements	66,556,182	-	-	66,556,182	100%	66,556,182	59,378,420	59,378,420
Claims on foreign bank (ECA Rating 0-1)	1,625,775,222	-	-	1,625,775,222	20%	325,155,044	3,317,174,107	663,434,821
Claims on foreign bank (ECA Rating 2)	93,836,760	-	-	93,836,760	50%	46,918,380	1,688,925	844,463
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-	-	
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-	-	
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	7,267,171,259	-	-	7,267,171,259	20%	1,453,434,252	5,918,352,296	1,183,670,459
Claims on Domestic Corporates	52,014,028,714	6,538,455	178,646,326	51,828,843,933	100%	51,828,843,933	46,099,828,087	46,099,828,087
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)	8,724,175,060	-	155,700,165	8,568,474,895	75%	6,426,356,171	7,738,360,107	5,803,770,080
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-	-	
Claims secured by residential properties	5,253,846,894	-	-	5,253,846,894	60%	3,152,308,136	5,096,921,915	3,058,153,149
Claims not fully secured by residential properties	-	-	-	-	150%	-	76,733,215	115,099,823
Claims secured by residential properties (Overdue)	96,128,283	14,832,247	-	81,296,036	100%	81,296,036	103,659,130	103,659,130
Claims secured by Commercial real estate	1,805,775,668	-	-	1,805,775,668	100%	1,805,775,668	1,060,874,740	1,060,874,740
Past due claims (except for claim secured by residential properties)	943,900,978	402,796,297	-	541,104,681	150%	811,657,022	431,752,940	647,628,735
High Risk claims	7,708,456,418	-	372,400,000	7,336,056,418	150%	11,004,084,627	6,509,712,987	9,764,569,481
Investments in equity and other capital instruments of institutions listed in the stock exchange	100,661,700	-	-	100,661,700	100%	100,661,700	100,661,700	100,661,700
Investments in equity and other capital instruments of institutions not listed in the stock exchange	6,338,159	1,214,859	-	5,123,300	150%	7,684,950	5,123,300	7,684,950
Staff loan secured by residential property	584,814,140	-	-	584,814,140	60%	350,888,484	783,033,121	469,819,873
Interest Receivable / Claim on government securities	36,762,002	-	-	36,762,002	0%	-	18,088,236	-
Cash-in-transit & other items in the process of collection	144,861	-	-	144,861	20%	28,972	-	-
Other Assets	6,062,366,634	2,716,097,612	-	3,346,269,022	100%	3,346,269,022	2,385,981,956	2,385,981,956
TOTAL	111,141,681,395	3,141,479,470	892,146,491	107,108,055,434		83,094,554,689	98,265,734,223	72,402,620,356

Continue..



RISK WEIGHTED EXPOSURE FOR CREDIT RISK

AS AT JULY 15, 2017 (ASHAD END, 2074)

Continued..

Schedule 30(B)
(Amount in Rs.)

Particular	Current Year						Previous Year	
	Book Value A	Specific Provision B	Eligible CRM C	Net Value D=A-B-C	Risk Weight E	Risk Weighted Exposures F=D*E	Net Value	Risk Weighted Exposure
B. Off Balance Sheet Exposures								
Revocable Commitments	-	-	-	-	0%	-	-	-
Bills Under Collection	3,267,003,805	-	-	3,267,003,805	0%	-	3,246,945,701	-
Forward Exchange Contract Liabilities	42,242,179	-	-	42,242,179	10%	4,224,218	1,168,528,954	116,852,895
LC Commitments With Original Maturity Upto 6 months domestic counterparty	6,147,808,164	-	763,702,079	5,384,106,085	20%	1,076,821,217	6,156,260,793	1,231,252,159
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	2,379,089,651	-	55,683,563	2,323,406,088	50%	1,161,703,044	2,189,442,497	1,094,721,249
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	4,599,320,746	-	457,840,823	4,141,479,923	50%	2,070,739,962	2,882,842,063	1,441,421,032
foreign counterparty (ECA Rating 0-1)	9,036,602	-	7,229,282	1,807,320	20%	361,464	1,312,052	262,410
foreign counterparty (ECA Rating 2)	378,467,209	-	189,233,605	189,233,604	50%	94,616,802	250,612,257	125,306,129
foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-	-	-
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	1,201,934,115	-	83,814,956	1,118,119,159	100%	1,118,119,159	809,601,713	809,601,713
Financial Guarantee	-	-	-	-	100%	-	-	-
Acceptances and Endorsements	1,867,954,105	-	-	1,867,954,105	100%	1,867,954,105	1,309,923,933	1,309,923,933
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-
Irrevocable Credit commitments (short term)	4,056,699,670	-	-	4,056,699,670	20%	811,339,934	5,364,484,155	1,072,896,831
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	286,035,544	-	-	286,035,544	20%	57,207,109	372,011,826	74,402,365
Other Contingent Liabilities	164,793,031	-	-	164,793,031	100%	164,793,031	82,387,211	82,387,211
Unpaid guarantee claims	18,156,550	-	489,800	17,666,750	200%	35,333,500	17,666,750	35,333,500
TOTAL	24,418,541,371	-	1,557,994,108	22,860,547,263		8,463,213,544	23,852,019,905	7,394,361,426
Total RWE for credit Risk (A) +(B)	135,560,222,766	3,141,479,470	2,450,140,599	129,968,602,697		91,557,768,233	122,117,754,128	79,796,981,782
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)	135,560,222,766	3,141,479,470	2,450,140,599	129,968,602,697	-	91,557,768,233	122,117,754,128	79,796,981,782

ELIGIBLE CREDIT RISK MITIGANTS

Schedule 30(C)
(Amount in Rs.)

Credit exposures	Deposits with Bank (a)	Deposits with other banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	Govt. of Nepal (e)	Sec/G'tee of Other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	Total
A. Balance Sheet Exposures										
Cash Balance	-	-	-	-	-	-	-	-	-	-
Balance with Nepal Rastra Bank	-	-	-	-	-	-	-	-	-	-
Gold	-	-	-	-	-	-	-	-	-	-
Investment in Nepalese Government Securities	-	-	-	-	-	-	-	-	-	-
All Claims on Government of Nepal	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank(ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank(ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank(ECA Rating -3)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank(ECA Rating 4-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Government and Central Bank(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on BIS,IMF,ECB,EC and on Multilateral Development Banks(MDB's) recognized by the framework	-	-	-	-	-	-	-	-	-	-
Claims on other Multilateral and Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity(ECA Rating 0-1)	185,400,000	-	-	-	-	-	-	-	-	185,400,000
Claims on Public Sector Entity(ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity(ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity(ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on Domestic banks that meet capital adequacy requirement	-	-	-	-	-	-	-	-	-	-
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 banks incorporated in SAARC region operating a Buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on domestic corporates	74,245,526	-	-	-	-	-	-	-	104,400,800	178,646,326
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)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	155,700,165	-	-	-	-	-	-	-	-	155,700,165
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 claim secured by residential properties)	-	-	-	-	-	-	-	-	-	-
High risk claims	372,400,000	-	-	-	-	-	-	-	-	372,400,000
Investment in equity and other capital instruments of institutions Listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total	787,745,691	-	-	-	-	-	-	-	104,400,800	892,146,491

Continue..

ELIGIBLE CREDIT RISK MITIGANTS

Continued..

Schedule 30(C)
(Amount in Rs.)

Credit exposures	Deposits with Bank	Deposits with other banks/FI	Gold	Govt. & NRB Securities	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)	(h)	(i)	
B. Off Balance Sheet Exposures										
Forward Exchange Contract Liabilities	-	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	763,702,079	-	-	-	-	-	-	-	-	763,702,079
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	55,683,563	-	-	-	-	-	-	-	-	55,683,563
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	457,840,823	-	-	-	-	-	-	-	-	457,840,823
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
foreign counterparty (ECA Rating 2)	-	-	-	-	-	-	-	7,229,282	-	7,229,282
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	-	-	189,233,605	-	189,233,605
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	83,814,956	-	-	-	-	-	-	-	-	83,814,956
Financial Guarantee	-	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments	-	-	-	-	-	-	-	-	-	-
Claims on Guarantee	489,800	-	-	-	-	-	-	-	-	489,800
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-	-
Total	1,361,531,221	-	-	-	-	-	-	-	196,462,887	1,557,994,108
Total (a+b)										2,450,140,599

RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

Schedule 30(D)
(Amount in Rs.)

Particulars	2013/14	2014/15	2015/16	Previous Year
Net Interest Income	2,494,177,768	2,673,488,225	3,449,948,298	-
Commission and Discount Income	657,298,100	710,743,560	599,641,824	-
Other Operating Income	206,814,193	199,455,088	105,107,706	-
Exchange Fluctuation Income	385,101,575	474,312,069	602,985,146	-
Additional/Deduction in Interest Suspense during the period	(19,359,723)	70,875,058	(26,188,199)	-
Gross Income (a)	3,724,031,913	4,128,874,000	4,731,494,775	-
Alfa (b)	0.15	0.15	0.15	-
Fixed percentage of Gross Income [c=(a*b)]	558,604,787	619,331,100	709,724,216	-
Capital Requirement for operational risk (d) (average of c)	629,220,034	-	-	574,677,445
Risk Weight (reciprocal of capital requirement of 10% times) (e)	10	-	-	10
Equivalent Risk Weight Exposure [f=(d*e)]	<u>6,292,200,344</u>	-	-	<u>5,746,774,453</u>

RISK WEIGHTED EXPOSURE FOR MARKET RISK

Schedule 30(E)
(Amount in Rs.)

S.No.	Currency	Open Position (FCY)	Mid Rate	Open Position (NPR)	Relevant Open Position	Previous Year Relevant Open Position
1	AED	(52,485)	27.33	(1,434,153)	1,434,153	1,483,519
2	AUD	(50,861)	79.97	(4,067,317)	4,067,317	1,321,757
3	BHD	(215)	272.28	(58,540)	58,540	60,634
4	CAD	(12,403)	80.40	(997,214)	997,214	1,735,959
5	CHF	(7,521)	105.86	(796,129)	796,129	308,623
6	CNY	323	15.16	4,893	4,893	94,542
7	DKK	(21,400)	15.88	(339,832)	339,832	120,563
8	EUR	(83,320)	117.54	(9,793,394)	9,793,394	7,796,905
9	GBP	1,815	133.46	242,226	242,226	1,551,997
10	HKD	(10,720)	13.26	(142,147)	142,147	397,100
11	INR	(421,060,462)	1.60	(674,012,535)	674,012,535	311,919,962
12	JPY	5,153,977	0.91	4,687,542	4,687,542	6,674,576
13	KRW	(3,425,000)	0.09	(311,333)	311,333	157,131
14	KWD	(845)	338.87	(286,345)	286,345	255,443
15	MYR	(35,518)	23.08	(819,578)	819,578	1,784,658
16	NOK	(2,650)	16.67	(44,176)	44,176	44,176
17	QAR	(78,684)	27.11	(2,133,123)	2,133,123	1,092,216
18	SAR	(162,251)	27.25	(4,421,340)	4,421,340	1,761,194
19	SEK	(180)	12.31	(2,215)	2,215	2,226
20	SGD	(13,948)	75.05	(1,046,695)	1,046,695	3,360,653
21	THB	(53,420)	2.97	(158,892)	158,892	137,181
22	USD	5,317,390	103.00	547,691,165	547,691,165	303,927,080
Total Open Position (a)					1,253,490,784	645,988,093
Fixed Percentage (b)					5%	5%
Capital Charge for Market Risk [c=(a*b)]					62,674,539	32,299,405
Risk Weight (reciprocal of capital requirement of 10%) times (d)					10	10
Equivalent Risk Weight Exposure [e=(c*d)]					<u>626,745,392</u>	<u>322,994,050</u>



PRINCIPAL INDICATORS FOR LAST FIVE YEARS

Schedule 31
(Amount in Rs.)

Particulars	Unit	FY	FY	FY	FY	FY
		2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
		2069/2070	2070/2071	2071/2072	2072/2073	2073/2074
Net Profit/Total Income	Percent	25.19	26.25	23.08	42.89	36.48
Per Share Income	Rs.	34.19	33.10	33.37	43.03	33.55
Per Share Market Value	Rs.	700	941	813	1500	886
Price Earning Ratio	Ratio	20.47	28.43	24.36	34.86	26.40
Dividend on Share Capital (Including Bonus)	Percent	15.00	21.05	42.11	31.58	26.32
Cash Dividend on Share Capital	Percent	10.00	6.05	7.11	1.58	1.32
Interest Income/Loan and Advances	Percent	11.27	10.21	8.35	7.26	8.94
Staff Expenses/Total Operating Expenses	Percent	44.49	42.49	45.66	52.96	56.01
Interest Expenses on Total Deposit	Percent	3.99	3.48	2.66	1.79	3.42
FX Fluctuation Gain/Total Income	Percent	5.00	5.67	6.84	8.55	6.52
Staff Bonus/Total Staff Expenses	Percent	16.78	18.51	13.95	23.23	22.29
Net Profit/Loan and Advances	Percent	2.38	2.12	2.08	2.86	2.85
Net Profit/Total Assets	Ratio	1.54	1.30	1.34	1.94	2.03
Total Loan/Deposits	Percent	77.36	71.82	75.37	79.12	83.59
Total Operating Expenses/Total Income	Percent	27.83	27.12	30.44	28.23	23.97
Capital Adequacy Ratio:						
A. Core Capital	Percent	8.96	9.03	9.48	9.43	10.93
B. Supplementary Capital	Percent	2.60	2.20	1.66	1.41	1.22
C. Total Capital Fund	Percent	11.55	11.23	11.14	10.84	12.15
Liquidity	Percent	32.49	37.52	30.32	28.74	26.64
Non-performing Loan/Total Loan	Percent	2.89	1.96	3.22	1.23	0.85
Weighted Average Interest Rate Spread	Percent	5.17	4.54	4.35	4.59	4.44
Book Networth per share	Rs.	192.02	210	208.81	196.12	180.31
Total Share	Number	27,600,000	28,980,000	33,327,000	44,991,450	64,916,235
Total Staff	Number	830	835	856	857	835



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, 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 generally accepted accounting principles except as otherwise stated, Banks and Financial Institutions Act, 2073, directives issued by Nepal Rastra Bank and the Company Act, 2063. The statements are not fully based on Nepal Financial Reporting Standards which have become effective from fiscal year 2072/73.

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 generally accepted accounting principles requires the use of certain critical accounting estimates as well as management's judgment & discretion in the process of applying the Bank's accounting policies.

2.3. Interest Income

Interest income on loans and advances is recognized on cash basis as per the directives issued by Nepal Rastra Bank. In case of loans and advances disbursed to projects of national level priorities, interest accrued pertaining to the moratorium period is capitalized and taken into income where the same is allowed and approval is given by Nepal Rastra Bank.

Interest income on Investments is generally recognized on accrual basis, however, where the return is fluctuating and is not reasonably ascertainable, the same is recognized on cash 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 on cash basis.

2.5. Dividend Income

Dividend income from domestic companies is accounted for net of withholding tax as and when right to receive is established. Dividend income from International Agencies like Visa International & Master Card Worldwide is accounted for as and when the amount is actually received.

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. Interest Expenses

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

2.8. Loans and Advances, Overdraft and Bills Purchased

Loans and advances, overdrafts and bills purchased represent direct financing provided to the customers & include all long / short term loans, consumer loans, credit card facilities as well as 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 in the Balance Sheet with gross amount shown in a separate schedule.

2.9. 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 & staff of the bank are provided with credit card facility under approved policy of the bank.

2.10. 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. Also, for loans classified under watch-list category, provision has been provided at 5% on the outstanding balance as at the year-end as required under NRB directives.

2.11. Loans & Advances Write off

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

2.12. Recovery of Loan and Interest

Amount repaid by borrowers is first applied towards settlement of due interest in full and the remaining balance is applied towards settlement of the principal amount.

Amounts recovered against loans written off in earlier years are recognized as income in the profit and loss account in the year when the amount is actually received from borrowers. All transaction costs viz., legal costs, commission fee etc. incurred towards recovery of written-off loans are included in Schedule 24 (Legal Expenses) of the financial statements.

2.13. Appropriation of Profit

Appropriations out of profit after tax and bonus to various reserves are made as required under directives issued by Nepal Rastra Bank and other applicable laws.



2.14. 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 recognized 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 amortization 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 without assigning any market value. Amount equivalent to at least 2% of this portfolio is earmarked as Investment Adjustment Reserve from the Retained Earnings in line with NRB Directives.

In case of bonus shares allotted with respect to investment made, only the number of shares is increased in record without any changes in the cost price of the shares.

2.15. Fixed Assets and Depreciation

a. Fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is 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.

2.16. Amortization

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

2.17. 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.

2.18. 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 recognized 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.

2.19. Staff Leave Encasement Provision

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

2.20. 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 Labor Act, 2048.

2.21. Income and Deferred Taxes

a. Corporate Tax:

Corporate Income Tax liability is calculated as per the provisions of Income-Tax Act, 2058. Any variation occurring in the course of final tax assessment is adjusted in the year of acceptance by the bank.

b. Deferred Tax:

Deferred tax is provided on temporary differences arising between the tax base 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.

2.22. 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 and the balance loan remaining is charged to profit and loss account in the same year as per NRB directives. Provision for possible losses on non-banking assets equal to the takeover value is made in the year of takeover by a charge to the profit and loss account for the amount not covered by the related balance, if any, available in interest suspense account as per the directives of Nepal Rastra Bank.

NOTES TO ACCOUNTS

For the Financial Year July 16, 2016 to July 15, 2017 (Shrawan 1, 2073 to Ashad 31, 2074)

Schedule 33

1. Status of Bank Reconciliation

With Nepal Rastra Bank

Period	(In Rs.)			
	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 months	53,434,451	51,057,100	159,480	27,616,388
1 to 3 months	-	3,505,896	-	-
3 to 6 months	-	466,500	-	-
6 to 12 months	-	3,747,628	-	-
1 to 2 years	-	-	-	-
Above 2 years	-	-	-	6,447,409
Total	53,434,451	58,777,124	159,480	34,063,797

With Other Authorized Local Financial Institutions

Period	(In Rs.)			
	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 months	-	-	-	40,275,938
1 to 3 months	-	-	-	-
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
1 to 2 years	-	-	-	-
above 2 years	6,845	1,369	-	400,970
Total	6,845	1,369	-	40,676,908

With Foreign Banks

Period	(In Rs.)			
	LEDGER DEBIT	LEDGER CREDIT	STATEMENT DEBIT	STATEMENT CREDIT
Up to 1 months	213,706,421	174,464,901	140,054,344	330,812,435
1 to 3 months	52	12,757,444	3,981	2,798,942
3 to 6 months	773	67,195	-	596,735
6 to 12 months	1,313	11,330	1,335	2,847,764
1 to 2 years	-	65,842	-	2,622,492
above 2 years	4,728,433	4,973,276	7,640	19,590,751
Total	218,436,991	192,339,989	140,067,300	359,269,120

A sum of Rs. 12,910,859 [Credit Balance] is outstanding in Inter Branch Account. Major part of these pending entries pertain to clearing related payments and other payments made by branches through Head Office, inter-branch transfers etc. All of these pending entries have been settled in the subsequent days.

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 installments over the lease period. A total sum of Rs. 14,420,615 relating to leasehold improvements has been amortized during the year, leaving a balance of Rs. 52,661,739 for future amortization (Previous year amortized Rs. 14,321,552 and balance Rs. 53,306,334). The entire balance of leasehold improvements amounting to Rs. 10,008,161 with respect to branches affected by the earthquake of Baisakh 2072 booked as receivable from the insurance company in the previous year has been fully adjusted against the claim proceeds received during the year on final claim settlement.

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. 55,905,378 has been amortized during the year, leaving a balance of Rs. 76,025,808 for future amortization (Previous year amortized Rs. 60,082,812 and balance Rs. 108,694,657).

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. 74,625 has been amortized during the year under review, leaving a balance of Rs. 121,165 for future amortization (Previous year amortized Rs. 182,742 and balance Rs. 103,465).

3. Summary of Loans and Advances

Particulars	Rs. in '000		
	2015-16	2016-17	Change %
Loan & Advances	66,868,665	75,383,443	12.73
Bills Purchased & Discounted	2,232,224	2,257,534	1.13
Total	69,100,889	77,640,977	12.36



4. Summary of Changes in Deposit Liabilities

Particulars	Rs. in '000		
	2015-16	2016-17	Change %
Interest Free Deposits	10,559,602	10,826,629	2.53
Interest Bearing Deposits	76,776,184	82,054,485	6.87
Total	87,335,786	92,881,114	6.35

5. Weighted Average Interest Rate Spread

Particulars	Rs. In '000	
		Rate %
Weighted Average Interest Rate on Loans and Investments (LCY)		8.43
Weighted Average Interest Rate on Deposits, Bonds and Borrowing (LCY)		3.99
Net Spread		4.44

Note: Average interest spread calculated as per NRB Directives as at the year-end is 4.73%.

6. Details of Deferred Expenses

Particulars	Rs. In '000	
	2015-16	2016-17
1. At Cost	533,773	557,102
a) Upto Last Year	511,899	533,773
b) Addition this year	21,874	23,329
c) Deduction this year	-	-
2. Amortization	424,975	480,955
3. Remaining Value	108,798	76,147

7. Summary of Concentration of Exposure

Particulars	Figures in Rs. '000	
	Loan and Advances	Contingent
Total Amount as on 15 July 2017	77,640,977	20,178,892
Highest Exposure to single group	1,114,498	916,864
Highest % of exposure to single group	1.44	4.54

8. Classification of Assets and Liabilities based on Maturity

Particulars	Figures in Rs. '000					
	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Above 1 Yr.	Total
Assets						
Cash Balance	1,558,322	-	-	-	-	1,558,322
Balance with Banks	2,383,293	-	-	-	4,973,771	7,357,064
Money at Call	-	-	-	-	-	-
Treasury Bills	2,202,921	1,288,891	-	292,855	-	3,784,667
Govt. Bonds	-	-	-	-	4,180,950	4,180,950
Other Investments	7,899,550	154,500	-	1,705,689	205,124	9,964,863
Loans & Advances /Bills purchase	28,446,009	8,844,777	5,942,770	7,012,317	27,395,104	77,640,977
Fixed Assets	-	-	-	-	2,175,893	2,175,893
Other Assets	416,023	77,975	39,600	39,026	1,268,053	1,840,677
Total Assets (A)	42,906,118	10,366,143	5,982,370	9,049,887	40,198,895	108,503,413
Liabilities						
Borrowings						
Current Deposits	1,714,256	902,253	902,253	902,253	4,601,491	9,022,506
Call Deposits	2,378,672	4,050,171	-	-	-	6,428,843
Saving Deposits	6,101,568	1,906,732	3,813,465	4,576,158	21,736,749	38,134,672
Fixed Deposits	6,961,961	7,187,549	6,715,216	9,051,878	7,584,470	37,501,074
Margin Deposits	1,794,019	-	-	-	-	1,794,019
Borrowings	40,000	-	-	-	-	40,000
Bills Payable	82,893	-	-	-	-	82,893
Bonds	-	-	-	-	600,000	600,000
Share Capital & Reserves	-	-	-	-	11,705,197	11,705,197
Other Liabilities	1,109,761	629,979	3,715	3,715	1,447,039	3,194,209
Total Liabilities (B)	20,183,130	14,676,684	11,434,649	14,534,004	47,674,946	108,503,413
Net Financial Assets (A-B)	22,722,988	(4,310,541)	(5,452,279)	(5,484,117)	(7,476,051)	-
Cumulative Net Financial Assets	22,722,988	18,412,447	12,960,168	7,476,051	-	-

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	Partly paid-up shares made fully paid-up through capitalisation of profit
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
F.Y. 2011-12 (BS 2068-69)	2,760,000,000.00	Issue of 15% bonus share
F.Y. 2012-13 (BS 2069-70)	2,898,000,000.00	Issue of 5% bonus share
F.Y. 2013-14 (BS 2070-71)	3,332,700,000.00	Issue of 15% bonus share
F.Y. 2014-15 (BS 2071-72)	4,499,145,000.00	Issue of 35% bonus share
F.Y. 2015-16 (BS 2072-73)	5,848,888,500.00	Issue of 30% bonus share
F.Y. 2016-17 (BS 2073-74)	6,491,623,500.00	Issue of 14.29% right share*

*Right shares issue at 7:1 (14.29%) completed in the third quarter of FY 2016-17 (BS 2073-74) as per the resolution approved by 23rd Annual General Meeting of the shareholders.

10. Unpaid Dividend

As on the balance sheet date, unpaid dividend over five years amounts to Rs. 7,295,639.

11. 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:

Particulars	Balance 15 Jul 2016	Balance 15 Jul 2017
Opening Deferred Tax Assets / (Liabilities)	62,897,537	69,514,769
Movement During the Year	6,617,232	23,624,357
Closing Deferred Tax Assets / (Liabilities)	69,514,769	93,139,126

The movement during the year is reflected in the Profit and Loss Account & adjusted in Deferred Tax Reserve through Profit & Loss Appropriation A/C.

12. Provision for Gratuity

During the year, the Bank has provided Rs. 71,820,328 (Previous Year Rs. 70,768,974) on account of gratuity which has been subsequently transferred to HBL Staff Retirement Fund.

13. 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

14. Staff Leave Encashment & Provision

Total sum amounting to Rs. 80,406,643 has been charged to profit and loss account towards provision for accumulated leave and leave encashment made during the year as per the bank's Staff Service By-Laws. The substantial increase in the leave expenses is on account of staff salary revision made during the year.

15. Provision for Other Asset

A sum of Rs. 23,755 has been provided for disputed receivables booked under other assets whereas Rs. 4,283,241 has been written back during the year from provisions made for such receivables by a charge to profit and loss account in earlier years.

16. Mutually Agreed Retirement Scheme (MARS)

Although the bank had offered voluntary retirement to selected staff in previous years, no such offer was made during the year.

17. Loan Written Off

Loan outstanding amounting to Rs 8,114,430 [details given in schedule 28(A)] and accrued interest amounting to Rs 1,260,310 has been written off from the books during the year as the same has been considered not recoverable. The interest so written off has been adjusted against the corresponding interest suspense.

A sum of Rs 10,408,002 has been recovered with respect to loan and interest written off in earlier years and recognized as income during the year.

18. Dividend Income

A total of Rs. 26,227,567 has been received as dividend during the year from investment in shares made by the bank.

19. Investments in Visa Card International & Master Card Worldwide

Visa Card International & Master Card Worldwide has allocated its franchisee class C & Class B common stock to members in recognition of their membership interest. The bank currently holds 5,860 units of class C common stock in Visa Card International & 7,320 units of class B common stock in Master Card Worldwide. A sum equivalent to Rs. 496,685 has been received as dividend from Master Card Worldwide during the year which is included in the total dividend income.



20. Investment in Smart Choice Technologies

The bank holds 20% interest in Smart Choice Technologies Ltd. (SCT). The entire investment (at cost - Rs. 98,124,000.00) has been categorized as available for sale and also deducted from core capital being investment in equity of institutions with financial interest.

21. Interest Capitalized

Interest accrued on loans amounting to Rs. 8,392,220 pertaining to gestation period of projects financed by the bank has been capitalized and taken into income during the year with due approval of Nepal Rastra Bank. Further, interest accrued amounting to Rs. 19,362,924 has been capitalized under the earthquake relief provided by NRB and transferred to Capital Adjustment Fund through Profit & Loss Appropriation Account as the same is required to be retained till settlement of the entire loan. The total interest so capitalized and retained in the said account including that capitalized in previous years is Rs. 29,471,134.

22. Interest suspense

A sum of Rs. 599,124,894 has been provided till the year end as interest suspense representing interest accrued on loans but not realised as at the year-end.

23. Cash and Cash Equivalent

The bank has gold coins valued at cost of acquisition amounting to Rs. 11,110,806, which is included in cash balance shown in the Balance Sheet.

24. Demonetized Indian Currency

The bank had INR 189,000.00 in 1,000 & 500 denomination bank notes which have been legally derecognized by the Indian Government. As directed by the Central Bank, the said bank notes have been deposited with them for realization and the equivalent amount is shown as a part of bank balance with the Central Bank.

25. Debentures

The bank has unsecured debentures of value Rs. 600,000,000 with coupon rate of 8% outstanding as at the year-end which was issued in Ashad 2070 and maturing in Ashad 2077. A sum of Rs. 85,714,286 has been appropriated during the year towards reserve maintained for redemption of the said bonds. The total balance appropriated to the said reserve stands at Rs. 428,571,427.

26. Contingent Liability

Beneficiaries of guarantees issued by the bank have claimed Rs. 18,156,550, however, the bank has not yet accepted the same as debt.

Self-assessment returns filed by the bank for the financial years 2013-14 (2070-71), 2014-15 (2071-72) and 2015-16 (2072-73) are pending for assessment with the Large Tax Payers' Office. Assessments of the years prior to those mentioned above have been completed. However, assessment pertaining to 2006-07 (2063-64), 2007-08 (2064-65 BS), 2010-11 (2067-68), 2011-12 (2068-69) & 2012-13 (2069-70), are in various stages of appeal and review, with respect to which a sum of Rs. 164,793,031 has been shown as contingent liability.

27. Paid – up Capital

As per the directive issued by the Central Bank, all commercial banks are required to have paid-up capital of Rs. 8 Bil by the end of the financial year under review including any stock dividend

out of profit for the year. The Bank raised capital to the tune of Rs. 642.74 Mil through right issue during the year and the paid-up capital of the bank now is Rs. 8,114.53 Mil including the stock dividend proposed by the Board of Directors for Financial Year 2073-74 (2016-17).

28. Share Premium

The bank collected a sum of Rs. 123,094,283 as premium on auction of subscribed right shares issued during the year which has been transferred to Profit & Loss Appropriation account for distribution of stock dividend.

29. Dividend and Bonus

The Board of Directors has recommended 25% stock dividend and 1.3158% cash dividend for the financial year.

30. Related Parties Disclosure

Habib Bank Ltd. is a joint venture partner with the bank holding 20% of total share capital. During the review period, equivalent sum of Rs. 95,220,000.05 (in addition to dividend payable of Rs. 33,326,999.95 held back in FY 2072-73) was received from them towards the right issue made by the bank as per the decision of the 23rd meeting of the shareholders of the bank.

The bank made FCY placement transactions with Habib Bank Limited and its related parties and earned interest income of USD 125,758 during the year. Out of such placements, USD 17 Mil is yet to mature as on the balance sheet date. The bank also maintains nostro accounts with Habib Bank Limited and its related parties, which have closing balance of Rs. 23.76 Mil (in equivalent Nepalese Rupees) as on the balance sheet date.

The rent expenses during the year include a sum of Rs. 54,254,300 paid to Karmachari Sanchaya Kosh, which holds 14% of total share capital of the bank, towards rental of Thamel branch which is located in the premises owned by Karmachari Sanchaya Kosh.

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. Salim Amlani - First Vice Chairman

Mr. Prachanda Bahadur Shrestha - Second Vice Chairman

Mr. Jeetendra Dhital - Director

Mr. Sushil Bickram Thapa - Director

Mr. Surendra Silwal – Director

Mr. Upendra Keshari Poudyal - Director

Mrs. Ranjana Shrestha - Alternate Director

Ms. Menuka Shrestha – Alternate Director

Mr. Bishma Kumar Chudal – Alternate Director

Mr. Bijay Kumar Shrestha – Alternate Director

Mr. Ashoke S. Rana - Chief Executive Officer

• Compensation to Key Management Personnel of the Bank

The service of the CEO is governed by the terms of the contract entered into between him and the bank. Total compensation paid to Chief Executive Officer during the year is as follows:

a) Total Salary & Allowances	Rs. 13,000,000.00
b) Utilities Payment	Rs. 1,056,303.00
d) Medical and Accidental Insurance Premium Rs.	12,633.00
Total Staff Expenses of this FY	Rs. 1,081,611,213.00

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
Board Meeting Fees Paid	852,500
Allowances and other fees & expenses relating to the Board of Directors	4,783,708

31. Operating Lease Commitment

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

32. Disclosure under Capital Adequacy Framework

I. Capital structure and capital adequacy

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

SN	PARTICULARS	Amt. In RS.
	Core Capital (Tier I)	11,350,053,313
1	Paid up Equity Share Capital	6,491,623,500
2	Share Premium	-
	Proposed Bonus Equity Shares	1,622,905,875
2	Statutory General Reserves	2,808,997,787
3	Retained Earnings	145,274,780
5	Capital Adjustment Reserve	29,471,134
6	Debenture Redemption Reserve	428,571,427
7	Special Reserve	4,000,000
8	Deferred Tax Reserve	93,139,126
	Less:	
9	Investment in equity of institutions with financial interests	(98,124,000)
10	Deferred Tax Reserve	(93,139,126)
11	Land & building unutilized	(82,546,025)
12	Miscellaneous Expenditure not w/off	(121,165)

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

SN	PARTICULARS	Amt. In RS.
	Supplementary Capital (Tier II)	1,263,763,714
1	Subordinated Term Debt	360,000,000
2	General loan loss provision	822,550,590
3	Exchange Equalization Reserve	34,636,311
4	Investment Adjustment Reserve	2,013,234
5	Other Reserves	44,563,579

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 2077
Outstanding Amount	NPR 600,000,000
Interest Rate	8%
Maturity Date	July 2020
Interest Payment	Half Yearly Basis
Tenor	7 Years
Amount recognised as capital	360,000,000

d. Total qualifying capital:

SN	PARTICULARS	Amt. In RS.
1	Core Capital (Tier I)	11,350,053,313
2	Supplementary Capital (Tier II)	1,263,763,714
	Total	12,613,817,027

e. Capital adequacy ratio:

Core Capital to Total Risk weighted Exposure	10.93
Total Capital to Total Risk Weighted Exposure	12.15

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	91,557,768,233
b	Risk Weighted Exposure for Operational Risk	6,292,200,344
c	Risk Weighted Exposure for Market Risk	626,745,392
	Adjustment under Pillar II	
	Add 5% of gross income for operational risk	2,365,747,388
	Add: 3% of total RWE for overall risk	2,954,301,419
	Total Risk Weighted Exposures (a+b+c)	103,796,762,776



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

SN	PARTICULARS	Amt. In RS.
1	Claims on government & central bank	1,549,308,935
2	Claims on other official entities	654,069,582
3	Claims on banks	1,975,321,451
4	Claims on domestic corporates & securities firms	51,828,843,933
5	Claims on regulatory retail portfolio	6,426,356,171
6	Claims secured by residential properties	3,152,308,136
7	Claims secured by commercial real estate	1,805,775,668
8	Past due claims	892,953,058
9	High risk claims	11,004,084,627
10	Other assets	3,805,533,128
11	Off balance sheet items	8,463,213,544
	Total	91,557,768,233

c. Total Risk Weight Exposures calculation table

SN	PARTICULARS	Amt. In RS.
1	Total Risk Weighted Exposure	103,796,762,776
2	Total Core Capital Fund (Tier I)	11,350,053,313
3	Total Capital Fund (Tier I & II)	12,613,817,027
	Total Core Capital to Total RWE	10.93
	Total Capital to Total RWE	12.15

d. Amount of NPAs

SN	LOAN CLASSIFICATION	GROSS AMOUNT	PROVISION	NET NPA
1	Restructured Loan	65,191,069	11,866,500	53,324,569
2	Substandard Loan	237,586,331	59,396,583	178,189,748
3	Doubtful Loan	25,329,673	12,664,837	12,664,836
4	Loss Loan	333,700,624	333,700,624	-
	Total	661,807,697	417,628,544	244,179,153

e. NPA ratios

PARTICULARS	PERCENTAGE
Gross NPA to Gross Advances	0.85
Net NPA to Net Advances	0.32

f. Movement of Non Performing Assets

SN	LOAN CLASSIFICATION	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
1	Restructured Loan	65,191,069	207,423,984	(68.57)
2	Substandard Loan	237,586,331	26,360,394	801.30
3	Doubtful Loan	25,329,673	155,159,853	(83.68)
4	Loss Loan	333,700,624	462,431,717	(27.84)
	Total	661,807,697	851,375,948	(22.27)

g. Write off of Loans and Interest Suspense

PRINCIPAL	INTEREST	TOTAL (Rs)
8,114,431	1,260,310	9,374,741

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	763,140,421	662,611,870	15.17
2	Watch-List Loan	65,948,624	105,772,976	(37.65)
3	Restructured Loan	11,866,500	39,923,810	(70.28)
4	Substandard Loan	59,396,583	6,590,098	801.30
5	Doubtful Loan	12,664,837	77,579,926	(83.68)
6	Loss Loan	333,700,624	462,431,717	(27.84)
	Total	1,246,717,589	1,354,910,397	(7.99)

• Movement in Interest Suspense

SN	PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	MOVEMENT (%)
	Interest Suspense	599,124,894	453,950,248	31.98

i. Segregation of Investment Portfolio

PARTICULARS	Amt. In RS.
Available for Sale	
Investment in equity	205,123,859
Investment in Foreign Bonds	1,549,308,935
	1,754,432,794
Held to Maturity	
Investment in Treasury Bills	3,784,667,300
Investment in Government Bonds	4,180,950,000
Placements	8,210,430,104
	16,176,047,404

III. Risk Management

The bank realizes the ever-increasing need for a comprehensive risk assessment & management system at all levels of operation and therefore a strong control & monitoring environment has been instilled within the bank. An effective internal control system is in place which defines rights, authorities, responsibilities and accountability at different levels of management with detailed working procedures laid out for various operational aspects. A systematic assessment process has been developed to ensure compliance with the requirements of the Capital Adequacy Framework based on Basel accord as well as other statutory and regulatory requirements. The entire risk assessment and internal control system is reviewed periodically by Senior Management to address loopholes and risk areas identified in the course of operation as well as considered potential given the dynamic environment of the banking industry.

In order to ensure effective management of credit risk, the Bank has implemented Credit Policy Guidelines, Credit Policy Manual, and specific Product Documents for each banking product, which lay down the basic framework for credit appraisal as well as defines authority for approval. A comprehensive credit risk assessment process has been developed which involves individual appraisal of all borrowers including corporate, institutional & SME borrowers against stipulated criteria & also encompasses assignment of systematic credit ratings. The Risk Management Department reviews and assesses the risk associated with the credit proposals forwarded for approval by branches to enable the management to take necessary measures of mitigation. The Department further periodically 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 & also 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 credit administration function of the bank is centralized with reporting line independent of the business unit. All approved facilities are implemented centrally after scrutiny of related security and other documents and after reasonable assurance of compliance with the approving conditions.

Operational risk is perceived as a significant potential risk faced by financial institutions. In order to ensure 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, IT Security Policy, Document Retention Manual, Record & Reconciliation Manual etc. which define procedural matters for 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. The Executive Operating Officer reporting to General Manager compiles data related to operational risks observed at branch level and takes necessary precautionary and remedial steps as may be required. The senior management working as a team further analyses these data, assesses risk and related internal control systems and takes corrective & preventive actions to remedy any breakdown in the system. The bank is PCIDSS certified, which provides additional assurance as regards the effectiveness and adequacy of control system relating to card operations in 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 rate, 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 makes periodic 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. The bank is in the process of implementing a more scientific & fully automated reporting system which is expected to deliver more accurate and detail data to facilitate better decision making.

A strong & effective internal control system continuously in operation is inevitable for smooth functioning of any organization. Management assumes the primary responsibility of ensuring that all control systems are in place & are functioning as perceived 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 and adherence to prudential & regulatory requirements & 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 to the Audit Committee & the Board where upon instructions are issued to the management to remedy such reported instances.

33. 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 / regrouped 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 Rs.)

S.N.	Promoters / Shareholders classified under Promoters Group	Shares registered in the name of promoters		Particulars of Loan			Remarks
		Total No. of shares	% of paid up capital	Name of Bank / Financial Institution providing loan	Loan Amount (Rs.)	No. of Shares pledged	
1	Sashikant Agrawal	1,719,856	2.65	Century Bank Limited Sanima Bank Limited	45,000,000 20,000,000	323,337 281,667	
2	Mutual Trading Co. Pvt. Ltd.	7,692,429	11.85	Nepal Investment Bank Limited	430,000,000	2,838,627	

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENTS

Schedule 35
(Amount in Rs.)

S.N.	PARTICULARS	As per Unaudited Financial Statements	As per Audited Financial Statements	Variance	Variance %	Reasons for Variance
1.	TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)	108,497,185	108,502,198	5,013	0.00	
1.1	Paid Up Capital	6,491,624	8,114,529	1,622,905	25	Adjustment of proposed bonus share
1.2	Reserve And Surplus	5,274,424	3,590,667	(1,683,757)	(31.92)	post year-end adjustments & additional appropriations
1.3	Debenture And Bond	600,000	600,000	-	-	
1.4	Borrowings	40,000	40,000	-	-	
1.5	Deposits (A + B)	92,881,114	92,881,114	-	-	
	A. Domestic Currency	84,096,096	84,096,096	-	-	
	B. Foreign Currency	8,785,018	8,785,018	-	-	
1.6	Income Tax Liability	-	-	-	-	
1.7	Other Liabilities	3,210,023	3,275,887	65,864	2.05	regrouping of account balances
2.	TOTAL ASSETS (2.1 TO 2.7)	108,497,186	108,502,198	5,012	0.00	
2.1	Cash And Bank Balance	8,915,386	8,915,386	-	-	
2.2	Money At Call And Short Notice	-	-	-	-	
2.3	Investments	17,929,265	17,929,265	-	-	
2.4	Loans And Advances	77,654,974	77,640,977	(13,997)	(0.02)	adjustment in value of NBA
	a. Real Estate Loan	3,481,717	3,481,717	-	-	
	1. Residential Real Estate (except Personal Home Loan upto Rs. 10 Mil)	707,207	707,207	-	-	
	2. Business Complex & Residential Apartment Construction	251,163	251,163	-	-	
	3. Income Generating Commercial Complex Loan	630,343	630,343	-	-	
	4. Other Real Estate Loan (including Land Purchase & Plotting)	1,893,004	1,893,004	-	-	
	b. Personal Home Loan of Rs. 10 Mil or less	4,649,307	4,639,629	(9,678)	-	adjustment in value of NBA
	c. Margin Type Loan	2,465,737	2,465,737	-	-	
	d. Term Loan	12,793,117	12,793,117	-	-	
	e. Overdraft Loan/TR Loan/WC Loan	38,632,673	38,628,355	(4,318)	-	adjustment in value of NBA
	f. Others	15,632,424	15,632,424	-	-	
2.5	Fixed Assets	2,176,914	2,175,893	(1,021)	(0.05)	post year-end adjustments
2.6	Non Banking Assets	-	-	-	-	
2.7	Other Assets	1,820,647	1,840,677	20,030	1.10	regrouping of account balances and change in estimated tax liability
3.	PROFIT AND LOSS ACCOUNT					
3.1	Interest Income	6,936,742	6,938,503	1,761	0.03	adjustment in interest from bonds
3.2	Interest Expense	3,173,334	3,173,334	-	-	
	A. Net Interest Income (3.1 - 3.2)	3,763,408	3,765,169	1,761	0.05	
3.3	Fees, Commission And Discount	713,468	713,468	-	-	
3.4	Other Operating Income	129,518	128,497	(1,021)	(0.79)	
3.5	Foreign Exchange Gain/Loss (Net)	609,622	609,622	-	-	
	B. Total Operating Income (A. + 3.3 + 3.4 + 3.5)	5,216,016	5,216,756	740	0.01	
3.6	Staff Expenses	1,058,219	1,081,611	23,392	2.21	adjustment of provisions & transfer to Employees Training & Development Fund
3.7	Other Operating Expenses	849,292	849,631	339	0.04	adjustment of provision for expenses
	C. Operating Profit Before Provision (B. - 3.6 - 3.7)	3,308,505	3,285,514	(22,991)	(0.69)	
3.8	Provision For Possible Losses	817,327	835,753	18,426	2.25	additional provisioning for possible losses
	D. Operating Profit (C. - 3.8)	2,491,178	2,449,761	(41,417)	(1.66)	
3.9	Non Operating Income / Expenses (Net)	26,807	26,807	-	-	
3.10	Write Back Of Provision For Possible Loss	915,257	933,017	17,760	1.94	adjustment of provisions
	E. Profit From Regular Activities (D. + 3.9 + 3.10)	3,433,242	3,409,585	(23,657)	(0.69)	
3.11	Extraordinary Income / Expenses (Net)	2,294	2,294	-	-	
	F. Profit Before Bonus And Taxes (E. + 3.11)	3,435,536	3,411,879	(23,657)	(0.69)	
3.12	Provision For Staff Bonus	312,321	310,171	(2,150)	(0.69)	post-audit change in profit
3.13	Provision For Tax	946,765	923,473	(23,292)	(2.46)	post-audit change in tax liability & computation of deferred tax
	G. Net Profit / Loss (F. - 3.12 - 3.13)	2,176,450	2,178,235	1,785	0.08	



UNAUDITED FINANCIAL RESULTS

AS AT JULY 15, 2017 (ASHAD END, 2074)

Schedule 36
(Amount in Rs.)

S.N.	PARTICULARS	This Quarter Ending	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS YEAR QUARTER ENDING
1.	TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)	108,497,185	107,913,120	99,863,008
1.1	PAID UP CAPITAL	6,491,624	6,491,624	5,848,889
1.2	RESERVE AND SURPLUS	5,274,424	4,633,125	2,974,880
1.3	DEBENTURE AND BOND	600,000	600,000	600,000
1.4	BORROWINGS	40,000.00	-	1,000,000
1.5	DEPOSITS (A + B)	92,881,114	92,890,828	87,335,786
	A. DOMESTIC CURRENCY	84,096,096	83,401,006	77,279,482
	B. FOREIGN CURRENCY	8,785,018	9,489,822	10,056,304
1.6	INCOME TAX LIABILITY	-	-	-
1.7	OTHER LIABILITIES	3,210,023	3,297,543	2,103,454
2.	TOTAL ASSETS (2.1 TO 2.7)	108,497,186	107,913,120	99,863,008
2.1	CASH AND BANK BALANCE	8,915,386	10,076,868	7,874,984
2.2	MONEY AT CALL AND SHORT NOTICE	0	290,575	1,482,036
2.3	INVESTMENTS	17,929,265	15,027,102	19,306,073
2.4	LOANS AND ADVANCES	77,654,974	78,083,492	67,745,979
	a. Real Estate Loan	3,481,717	3,601,989	3,438,432
	1. Residential Real Estate (except Personal Home Loan upto Rs. 10 Mil)	707,207	692,410	809,296
	2. Business Complex & Residential Apartment Construction	251,163	256,624	186,959
	3. Income Generating Commercial Complex Loan	630,343	624,355	595,707
	4. Other Real Estate Loan (including Land Purchase & Plotting)	1,893,004	2,028,600	1,846,470
	b. Personal Home Loan of Rs. 10 Mil or less	4,649,307	4,786,560	4,497,754
	c. Margin Type Loan	2,465,737	2,249,972	1,978,490
	d. Term Loan	12,793,117	11,742,562	8,648,968
	e. Overdraft Loan/TR Loan/WC Loan	38,632,673	40,534,279	37,912,250
	f. Others	15,632,424	15,168,130	12,624,996
2.5	FIXED ASSETS	2,176,914	2,190,324	1,922,967
2.6	NON BANKING ASSETS	-	-	-
2.7	OTHER ASSETS	1,820,647	2,244,759	1,530,969
3.	PROFIT AND LOSS ACCOUNT			
3.1	INTEREST INCOME	6,936,742	4,692,774	5,015,844
3.2	INTEREST EXPENSE	3,173,334	1,923,181	1,565,896
	A. NET INTEREST INCOME (3.1 - 3.2)	3,763,408	2,769,593	3,449,948
3.3	FEES, COMMISSION AND DISCOUNT	713,468	484,567	599,642
3.4	OTHER OPERATING INCOME	129,518	71,629	105,108
3.5	FOREIGN EXCHANGE GAIN/LOSS (NET)	609,622	452,257	602,985
	B. TOTAL OPERATING INCOME (A+3.3+3.4+3.5)	5,216,016	3,778,046	4,757,683
3.6	STAFF EXPENSES	1,058,219	750,954	908,436
3.7	OTHER OPERATING EXPENSES	849,292	604,054	806,909
	C. OPERATING PROFIT BEFORE PROVISION (B-3.6-3.7)	3,308,505	2,423,038	3,042,337
3.8	PROVISION FOR POSSIBLE LOSSES	817,327	25,794	744,817
	D. OPERATING PROFIT (C - 3.8)	2,491,178	2,397,244	2,297,520
3.9	NON OPERATING INCOME / EXPENSES (NET)	26,807	5,895	22,276
3.10	WRITE BACK OF PROVISION FOR POSSIBLE LOSSES	915,257	-	1,401,387
	E. PROFIT FROM REGULAR ACTIVITIES (D + 3.9 + 3.10)	3,433,242	2,403,139	3,721,184
3.11	EXTRAORDINARY INCOME / EXPENSES (NET)	2,294	7,875	(697,479)
	F. PROFIT BEFORE BONUS AND TAXES (E + 3.11)	3,435,536	2,411,014	3,023,705
3.12	PROVISION FOR STAFF BONUS	312,321	219,183	274,882
3.13	PROVISION FOR TAX	946,765	656,680	812,915
	G. NET PROFIT / LOSS (F - 3.12 - 3.13)	2,176,450	1,535,151	1,935,907

10 YEAR'S FINANCIAL SUMMARY BALANCE SHEET

(Rs. '000)

PARTICULARS	2064/65 2007/08	2065/66 2008/09	2066/67 2009/10	2067/68 2010/11	2068/69 2011/12	2069/70 2012/13	2070/71 2013/14	2071/72 2014/15	2072/73 2015/16	2073/74 2016/17
Assets										
Cash & Bank Balances	1,448,143	3,048,527	3,866,491	2,964,651	6,362,296	3,648,199	5,542,590	8,387,412	7,874,984	8,915,386
Money at Call	518,530	1,170,794	308,840	734,000	264,600	2,061,832	196,100	1,063,950	1,482,036	-
Investments	13,340,177	8,710,691	8,444,910	8,769,939	10,031,580	12,992,045	19,842,060	17,113,389	19,306,073	17,929,265
Loans, Advances & Bills Purchased	20,179,613	25,519,519	29,123,755	32,968,270	35,968,473	41,057,398	46,449,329	55,428,007	69,100,889	77,640,977
Fixed Assets	795,310	952,196	1,061,871	1,187,493	1,305,364	1,308,774	1,322,814	1,321,272	1,922,967	2,175,893
Other Assets	575,852	644,959	1,054,384	1,513,144	1,435,153	1,418,311	1,365,922	1,439,298	1,530,969	1,840,677
Total Assets	36,857,624	40,046,686	43,860,251	48,137,497	55,367,467	62,486,557	74,718,816	84,753,328	101,217,918	108,502,198
Liabilities										
Borrowings	943,178	500,000	500,000	510,000	500,000	1,188,429	1,100,000	600,000	1,600,000	640,000
Deposit Liabilities	31,842,789	34,681,345	37,611,202	40,920,627	47,730,994	53,072,319	64,674,848	73,538,200	87,335,786	92,881,114
Reserve for Doubtful Debts	682,093	726,364	1,143,126	1,401,294	1,003,039	1,333,592	1,128,970	1,951,777	1,354,910	1,246,718
Other Liabilities	876,573	1,019,096	1,166,717	1,310,099	1,501,424	1,592,509	1,731,586	1,704,451	2,103,453	2,029,169
Total Liabilities	34,344,633	36,926,805	40,421,046	44,142,019	50,735,457	57,186,849	68,635,405	77,794,428	92,394,149	96,797,001
Net Assets	2,512,992	3,119,881	3,439,205	3,995,478	4,632,010	5,299,708	6,083,411	6,958,900	8,823,769	11,705,197
Shareholders' Equity										
Paid up Capital	1,013,513	1,216,215	1,600,000	2,000,000	2,400,000	2,760,000	2,898,000	3,332,700	4,499,145	6,491,624
Proposed capitalisation of profits	202,703	383,785	400,000	400,000	360,000	138,000	434,700	1,166,445	1,349,744	1,622,906
Reserves	1,199,934	1,483,355	1,302,618	1,562,566	1,799,111	2,397,023	2,732,353	2,344,757	2,836,037	3,445,392
Retained Earnings	96,842	36,526	136,587	32,932	72,899	4,685	18,358	114,997	138,843	145,275
Total Shareholders' Equity	2,512,992	3,119,881	3,439,205	3,995,478	4,632,010	5,299,708	6,083,411	6,958,900	8,823,769	11,705,197
Total Capital + Liabilities	36,857,624	40,046,686	43,860,251	48,137,497	55,367,467	62,486,557	74,718,816	84,753,328	101,217,918	108,502,198
Contingent Liabilities										
Letter of Credit	6,125,565	7,042,307	5,294,496	3,574,914	3,983,150	3,697,028	6,862,523	6,881,554	8,957,264	8,526,898
Guarantees	1,644,703	1,701,268	4,104,631	3,292,959	3,371,855	2,355,843	2,955,043	3,808,669	4,952,439	6,474,794
Forward Exchange Contract	13,998	169,911	5,603	821,620	199,188	174,795	607,820	786,385	1,168,529	42,242
Other Contingent Liabilities	3,087,675	5,836,222	3,513,372	5,743,679	6,882,662	8,153,638	9,427,195	9,285,983	10,021,898	9,374,607
Total Contingent Liabilities	10,871,941	14,749,708	12,918,103	13,433,171	14,436,855	14,381,305	19,852,581	20,762,591	25,100,130	24,418,541

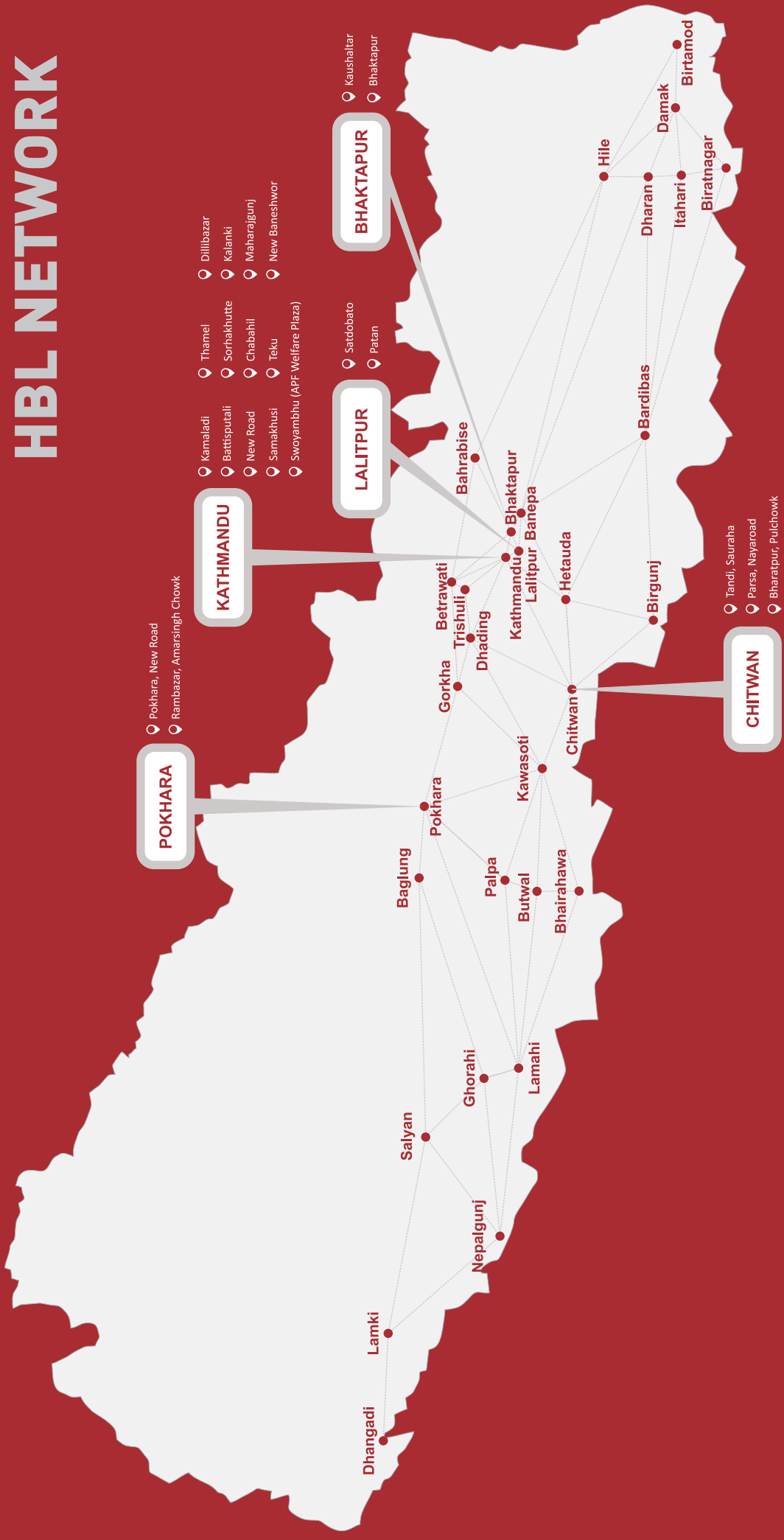


10 YEAR'S FINANCIAL SUMMARY PROFIT & LOSS ACCOUNT

(Rs. '000)

PARTICULARS	2064/65	2065/66	2066/67	2067/68	2068/69	2069/70	2070/71	2071/72	2072/73	2073/74
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Income										
Interest Income	1,963,647	2,342,198	3,148,605	4,326,141	4,724,887	4,627,335	4,742,975	4,627,751	5,015,844	6,938,503
Interest Expense	823,745	934,778	1,553,531	2,414,807	2,816,441	2,119,062	2,248,798	1,954,263	1,565,896	3,173,334
Net Interest Income	1,139,903	1,407,420	1,595,075	1,911,333	1,908,446	2,508,273	2,494,178	2,673,488	3,449,948	3,765,169
Commission & Discount	187,820	284,302	270,259	350,365	510,840	550,149	657,298	562,186	599,642	713,468
Foreign Exchange Income	207,669	249,983	180,279	195,529	309,898	300,469	385,102	474,312	602,985	609,622
Other Income	62,103	46,343	112,346	129,517	182,029	165,072	206,814	115,282	105,108	128,497
Non Operating Income	9,700	3,810	12,382	15,856	8,006	5,999	17,487	23,209	22,276	26,807
Total Income	1,607,196	1,991,858	2,170,341	2,602,600	2,919,218	3,529,962	3,760,879	3,848,478	4,779,959	5,243,563
Expenses										
Staff Expenses	292,213	360,981	414,984	517,592	634,229	682,978	713,830	917,501	908,436	1,081,611
Operating Expenses	344,321	398,317	471,103	582,210	714,436	852,111	966,120	814,639	806,909	849,631
Provision for Doubtful Debts	6,008	68,806	692,640	471,729	505,491	842,900	1,080,863	1,413,568	744,817	835,753
Provision for Staff Bonus	94,884	106,661	75,573	123,773	138,909	137,669	162,116	145,488	274,882	310,171
Non-Operating Expenses	(79,069)	(9,511)	(239,686)	(330,438)	(462,939)	(362,389)	(783,211)	(897,601)	(703,908)	(935,311)
Total Expenses	658,357	925,252	1,414,614	1,364,866	1,530,127	2,153,269	2,139,718	2,393,595	2,031,136	2,141,855
Profit before Tax	948,839	1,066,606	755,727	1,237,734	1,389,092	1,376,693	1,621,161	1,454,883	2,748,823	3,101,708
Income Tax provision	312,970	313,771	246,929	344,619	430,453	432,995	662,054	342,597	812,915	923,473
Net Profit after Tax	635,869	752,835	508,798	893,115	958,638	943,698	959,107	1,112,286	1,935,908	2,178,235
P/L Appropriation										
Profit/Loss carried down	820,254	849,676	901,324	1,073,766	1,038,634	1,016,597	979,194	1,843,160	2,050,905	2,440,172
Statutory General Reserve	127,174	150,567	101,760	178,623	191,728	188,740	191,821	222,457	387,182	435,647
Exchange Equalisation Fund	1,302	2,237	-	6,682	-	-	1,767	997	1,658	443
HBL Bond redemption fund	122,857	122,857	71,429	71,429	71,429	157,143	157,143	85,714	85,714	85,714
Interim Dividend	-	-	-	-	-	-	-	-	-	-
Proposed Dividend	253,378	145,946	189,474	336,842	322,106	276,000	175,404	236,797	71,039	85,417
Transfer to Paid up Capital	-	-	-	-	-	-	-	-	-	-
Transfer to Capital Adjustment Fund	-	-	-	-	-	-	-	-	10,108	19,363
Proposed capitalisation of profit-Bonus Share	202,703	383,785	400,000	400,000	360,000	138,000	434,700	1,166,445	1,349,744	1,622,906
Income Tax of last year	15,998	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	7,760	596	-	20,473	39,513	-	15,412	6,617	23,624
Investment Adjustment Reserve	-	-	1,479	47,259	-	212,516	-	340	-	-
Contingent Reserve	-	-	-	-	-	-	-	-	-	-
Corporate Social Responsibility Fund	-	-	-	-	-	-	-	-	-	-
Profit Transferred to Balance Sheet	96,842	36,525	136,587	32,932	72,899	4,685	18,358	114,997	138,843	145,275

HBL NETWORK



INSIDE VALLEY

Corporate Office

Kamaladi, Kathmandu, Nepal
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Fax: 977-1-4222800, P.O. Box: 20590,
E-mail: himal@himalayanbank.com,
Website: www.himalayanbank.com,
SWIFT: HIMANPKA

Battispatali Branch

Battispatali, Kathmandu
Tel: 977-1-4484990, Fax: 977-1-4484991

Bhaktapur Branch

Sukuldhoka, Bhaktapur
Tel: 977-1-6617493, 6616092
Fax: 977-1-6617492

Card Centre

Kamaladi, Kathmandu
Tel: 977-1-4245979, 4245980
Fax: 977-1-4245932
Toll Free No.: 16-600-112-000

Chabahil Branch

Chuchepati, Chabahil, Kathmandu
Tel: 977-1-5210045, 5210244
Fax: 977-1-5210287

Dillibazar Branch

Siddhibhawan, Charkhal Adda, Kathmandu
Tel: 977-1-4431658
Fax: 977-1-4431659

Global FI & Remittance Centre

Kamaladi, Kathmandu
Tel: 977-1-4227749, 4250354
Fax: 977-1-4250351
Toll Free No.: 16-600-111-000

Kalanki Branch

Kalanki Chowk, Kathmandu
Tel: 977-1-5234762, 5235038
Fax: 977-1-5235095

Kaushaltar Branch

Madhyapur, Thimi
Tel: 977-1-6639564, Fax: 977-1-6639563

Maharajgunj Branch

T.U.T.H, Maharajgunj, Kathmandu
Tel: 977-1-4425183, 4424292
Fax: 977-1-4425181

New Baneshwor Branch

New Baneshwor Chowk, Kathmandu
Tel: 977-1-4785583, 4784859
Fax: 977-1-4785589

New Road Branch

Bishal Bazar Complex, New Road, Kathmandu
Tel: 977-1-4243107, 4224787, 4241479, 4255219
Fax: 977-1-4240086

Patan Branch

Pulchowk, Lalitpur
Tel: 977-1-5010584, 5010593, 5010656, 5010654
Fax: 977-1-5010754

Samakhushi Branch

Samakhushi, Ringroad, Kathmandu
Tel: 977-1-4354663, Fax: 977-1-4354446

Satdobato Branch

Satdobato Chowk, Lalitpur
Tel: 977-1-5151945, Fax: 977-1-5151935

Shorakhutte Branch

Shorakhutte Chowk, Kathmandu
Tel: 977-1-4389035, 4360721
Fax: 977-01-4389036

Swoyambhu Branch

APF Welfare Plaza, Swoyambhu, Kathmandu
Tel: 977-1-4285461, 4033798, Fax: 977-1-4033776

Teku Branch

Kathmandu Business Park, Teku, Kathmandu
Tel: 977-1-4104572, 4104687, Fax: 977-1-4104568

Thamel Branch

Karmachari Sanchaya Kosh Building
Tridevi Marg, Thamel, Kathmandu, Nepal
Tel.: 977-1-4227745, 4227756, 4225399
Fax: 977-01-4250356

OUTSIDE VALLEY

Baglung Branch

Jeep Park, Baglung
Tel: 977-68-522690, Fax: 977-68-522691

Barahabise Branch

Barahabise Bazar, Sindhupalchowk
Tel: 977-11-489290, Fax: 977-11-489291

Banepa Branch

Banepa, Panauti Road
Tel: 977-11-664734, 660984, Fax: 977-11-664735

Bardibas Branch

Bardibas, Mahottari
Tel: 977-44-550162, Fax: 977-44-550161

Betrawati Branch

Laharepauwa, Betrawati, Rasuwa
Tel: 977-10-681343, 412001
Fax: 977-10-412002

Bhairahawa Branch

Prahari Tole, Siddharthanagar, Rupandehi
Tel: 977-71-526945, 524395 Fax: 977-71-524407

Bharatpur Branch

Pulchowk, Chitwan
Tel: 977-56-571474, 572225, 572097
Fax: 977-56-571822

Biratnagar Branch

Shanihat, Mainroad, Biratnagar, Morang
Tel: 977-21-524653, 534944, Fax: 977-21-528452

Birgunj Branch

Mahabir Road, Birgunj, Parsa
Tel: 977-51-524678, 527504, Fax: 977-51-527518

Birtamod Branch

Sanischare Road, Birtamod, Jhapa
Tel: 977-23-545611, Fax: 977-23-545610

Butwal Branch

Traffic Chowk, Butwal, Rupandehi
Tel: 977-71-551016, 551017, Fax: 977-71-546908

Damak Branch

Highway, Damak, Jhapa
Tel: 977-23-585291, 585292, Fax: 977-23-585094

Dhading Branch

Beech Bazar, Dhading Besi, Dhading
Tel: 977-10-521111, Fax: 977-10-521110

Dhangadi Branch

Ratopool, Dhangadi
Tel: 977-91-520202, Fax: 977-91-520204

Dharan Branch

Putali Line, Dharan
Tel: 977-25-528966, 528967, Fax: 977-25-528968

Ghorahi Branch

New Road, Ghorahi, Dang
Tel: 977-82-562901, 563524, Fax: 977-82-562902

Gorkha Branch

Bus Park, Gorkha
Tel: 977-64-421520, Fax: 977-64-421521

Hetauda Branch

Main Road, Ward No. 10
Tel: 977-57-525877, 522899, Fax: 977-57-523156

Hile Branch

Shanti Tole, Hile, Dhankuta
Tel: 977-26-540628, 540629

Itahari Branch

Dharan Road, Itahari, Sunsari
Tel: 977-25-587041, 587042, Fax: 977-25-587940

Kawasoti Branch

Shabhapati Chowk-5, Nawalparasi
Tel: 977-78-541040, Fax: 977-78-541045

Lamahi Branch

Lamahi Bus Park, Dang
Tel: 977-82-540842, 540843

Lamki Branch

Tikapur Road, Kailali
Tel: 977-91-540513, 540514

Nepalgunj Branch

Surkhet Road, Dhamboji
Tel: 977-81-411290, 411292
Fax: 977-81-411291

Parsa Branch

Naya Road, Parsa, Chitwan
Tel.: 977-56-583628, 583431
Fax: 977-56-583629

Palpa Branch

Silkhan Tole, Ward No. 4,
Tel: 977-75-522641, 520095, Fax: 977-75-522642

Pokhara Branch

New Road, Pokhara, Kaski
Tel: 977-61-538907, 540230, Fax: 977-61-538908

Ram Bazar Branch

Amarsingh Chowk, Ram Bazar, Pokhara
Tel: 977-61-430301, Fax: 977-61-430302

Salyan Branch

Shreenagar Salyan
Tel: 977-88-400012

Tandi Branch

Sauraha Chowk, Tandhi, Chitwan
Tel: 977-56-560750, 562800, Fax: 977-56-561850

Trishuli Branch

Bidur Chowk, Trishuli, Nuwakot
Tel: 977-10-561696, Fax: 977-10-561697

OUTSIDE COUNTRY

Himalayan Bank Ltd - Kuala Lumpur

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Instruction Issued by Nepal Rastra Bank in the course of approval for publication of annual reports of FY 2016/17:

- A. To resolve the observations raised in the audit report and to ensure that similar observations are not repeated
- B. To freeze cash dividends and bonus share due to the promoter shareholders with holding in excess of the ceiling (15% in one financial institution and 1% in any other financial institution) as prescribed under Unified Directive #10 (7) issued by Nepal Rastra Bank till such time the ceiling is duly complied with.

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