



KUMARI  
BANK  
LIMITED

**ANNUAL REPORT 2006/07**





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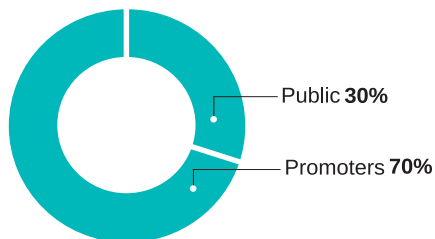
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# About us

Kumari Bank Limited is a proactive bank, working with corporate, institutional and private clients with an integrated business model that ensures value addition to our clients. The bank offers state-of-the-art financial service tailored to meet customer's individual requirements. Innovation, operational excellence and continuous improvement on customer care have been our guiding philosophy. The bank has continuously adopted stringent risk management system, corporate governance and innovative management techniques which has enabled it to win the stakeholders' confidence and invaluable support.

## Capital Structure

The bank has paid up capital of Rs 750 million, which comprises 70 % promoter's shares and 30 % public shares including staff share. The bank has planned to increase the capital as per statutory requirement of Rs. 2 billion by 2012/13.



## Our Focus

- a. Long term win-win relationship
- b. Excellence on business
- c. Managing change
- d. Need centered product are the KBL product.
- e. Innovative insights

## Our Strength

Our most valuable strength is the trust customers have on us.

# Our Vision

- We are customer oriented. Client is always our first priority.
- Employees have direct input and control over work processes.
- Employees are treated equitably, with respect and good faith.
- We are transparent in our dealings and conduct.

For this, we identify the core purpose and value of our business.

Our traits hold true, when it comes to customer orientation, concern for people, value creation, superior service, innovation and fostering accountability, besides team spirit, transparency in all our dealings and integrity is paramount to our business philosophy. We very well understand our customers' need for a better and efficient services, a better working environment for our employees and sound strategies that enables us to achieve organizational goal.





# Our Mission

- Provide world-class service to our customer at a higher satisfaction level.
- Practice total quality management and embrace good governance.
- Optimize our assets to achieve sound business growth.

Our mission provides us a sense of direction to mobilize and integrate our resources, for excellent delivery of services and products by practicing good governance.

# Mission Statement

We shall be the preferred provider of financial services to our target clients by embracing good governance, service excellence and professional culture in order to achieve business growth and maximize shareholders value.

# Corporate Values

Our corporate values serve as the basis business principles, which set foundation to achieve sustainable development. Adoption of these values helps in protecting, sustaining and enhancing human and financial capital of the bank for the future.

- Teamwork
- Driven
- Initiative
- Adaptable to changes
- Professional
- Always striving to improve quality of service
- Cost Conscious
- High ethical standards







# Chairman's **Message**



Dear Shareholders,

Our endeavors and team work has enabled us to turn our business ambitions into achievements this year as well. In the review period, your bank has been able to considerably expand the business volume, proliferate banking services across the country through expansion of service distribution network, offer wide range of need centered products and services and maintain high standard of corporate governance. This makes possible for the bank to again distribute 20 % bonus share to you in this fiscal year.

In order to continue this momentum in future, our objective will be to build the bank as a complete financial-services-providing-center that people and organizations throughout the country instinctively choose as the best partner to achieve their goals and realize their dreams. Our focus will center on building nation wide service distribution network, cultivating human resources, excelling in our services and maintaining transparency in our dealings.

Lastly, I want to express gratitude to our shareholders, employees, customers, business associates and regulatory bodies for their trust, support, hard work and coordination.

**Noor Pratap J.B Rana**

*Chairman*

# Board of Directors

Mr. Noor Pratap JB Rana  
Chairman



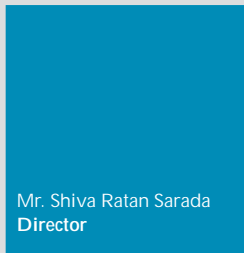
Mr. Amir Pratap JB Rana  
Director



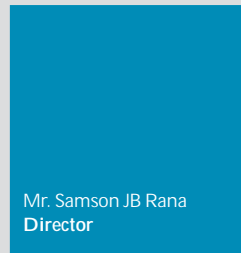
Mr Santoo Shrestha  
Director



Mr. Shiva Ratan Sarada  
Director



Mr. Samson JB Rana  
Director



Mr. Lalit Jung Shahi  
Director



Mr. Surendra Bahadur Khadka K.C  
Director



Mr. Jagdish P. Chaudhary  
Director



Mr. Narendra Guatam  
Company Secretary

Mr. Madan K. Sharma, Partner  
CSC & Company  
Chartered Accountants

# Management Team

**Surender Bhandari**

Chief Executive Officer

**Kapil Sharma**

Chief- Business Banking  
Division Head- Business Development

**Bhusan Rana**

Chief- Operations

**Geha N Dhungana**

Division- Head Risk Assessment

**Bhaskar Rimal**

Division Head- Branch Operations & Planning

**Tika Ram Chapagain**

Division Head- Main Branch

**Suresh Karna**

Division Head- Support Services

**Kali P. Sharma**

Head- Credit, Main Branch

**Niraj Shrestha**

Head- Branch Business/ Credit

**Narendra Chhatkuli**

Head- Credit Administration, Control, Recovery,  
Legal & Shares

**Ajit Bhattarai**

Head- Branch Operations

**Narayan Prakash Bhuju**

Head- IT & MIS

**Rajesh Shrestha**

Head- Card

**Rohit Singh**

Head- Retail Banking

**Anuradha Chaudhary**

Head- Operation, Main Branch

**Niraj Rai**

Head- Internal Audit

**Dipesh Lamsal**

Head- Treasury & Correspondent Banking

**Nirmal Kumar Khatiwada**

Head- Central Finance

**Sanjog Subba**

Head- Strategy & Planning

**Sushil Bhatta**

Head- Marketing & Public Relations

**Milan Maskey**

Head- Foreign Trade

**Prakash Ghimire**

Head- Central Remittance

**Gyanendra Uprety**

Head- Central Administration

## Branches

**Rohit Singh**

Branch Manager- New Road

**Manish Timilsina**

Branch Manager- Biratnagar

**Sanjeeb Sainju**

Branch Manager- Lalitpur

**Anup Koirala**

Act. Branch Manager- Birgunj

**Sudharshan Jung Rana**

Branch Manager- Pokhara

**Ganesh Awasti**

Branch Manager- Gongabu

**Ambar Bhattacharya**

Branch Manager- Itahari

**Roshan C. Gautam**

Branch Manager- Narayangadh

**Sharad Upadhyaya**

In charge- Dry Port, Birgunj

# Senior Leadership

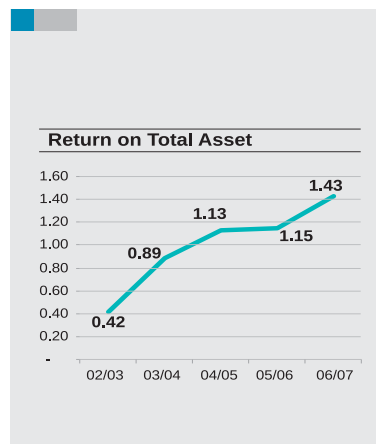
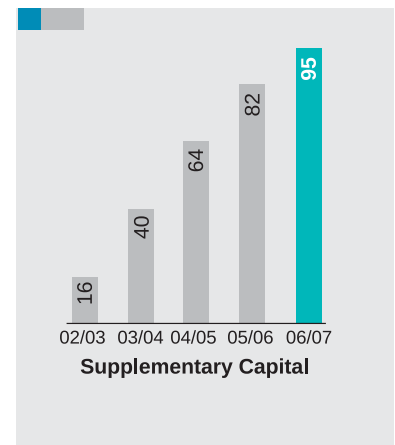
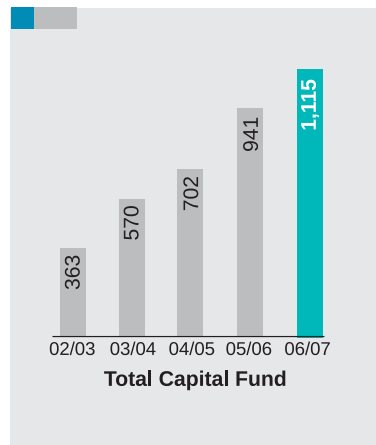
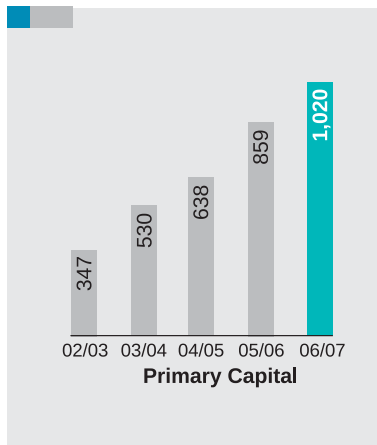
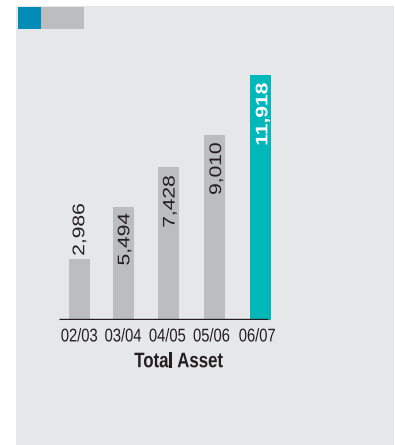
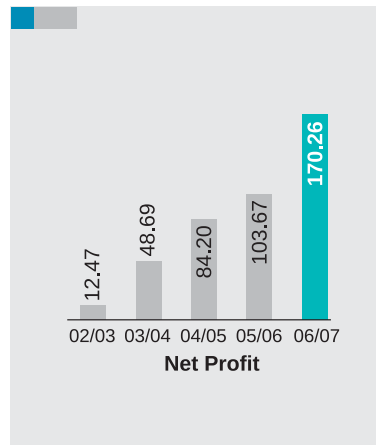
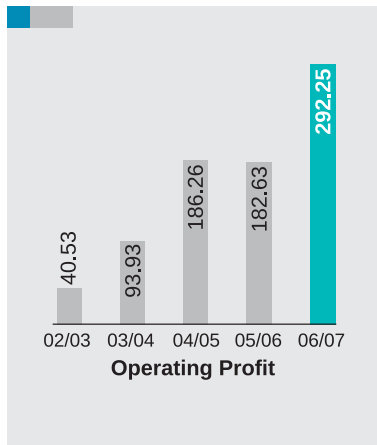


Standing from left to right: Geha Nath Dhungana, Kapil Sharma, Bhusan Rana, Suresh Karna

Sitting from left to right: Bhaskar Rimal, Surender Bhandari, Tika Ram Chapagain

# Five Years Figures

(Rs in million)



# Directors' Report

Dear Shareholders,

On the behalf of the Board of Directors and myself, I am delighted to welcome you, to the 7<sup>th</sup> Annual General Meeting and present the Annual Report for the fiscal year 2006/07 (2063/64). The year has been reviewed as the period of continuous growth and development of the bank in all aspects posting sound financial indicators.

Evolutionary corporate strategy and invaluable contribution from various stakeholders has enhanced the bank's image as one of the leading financial service delivering institute. The strategic plan to continuously improve upon the competitive position and to enhance the quality and range of products and services that bank offers to clients has exceeded the performance objectives, generated strong financial indicators and yielded healthy rate of return.

The bank frequently revises its strategies and also restructures the organizational structure tailored to environment demand in order to maintain a niche even in the tough competitive pressure.

## Review of Economic Scenario

The year 2006/07 was recorded as the period of optimism for the entire nation as the country has stepped towards the new dawn. Economic activities has not been exception to this, which drives all industries to revise their existing plan and prepare new strategic objectives that were overshadowed for years due to pessimism developed from previous political instability in the country. Nevertheless, the county is only able to register economic growth rate of 2.5 % in F/Y 2006/07 compared to 2.8 % of previous year as the major focus of the country is on Constitutional Assembly Poll, peace restoration, reconstruction and rehabilitation etc.

Based on the first 8 months of Fiscal Year 2006/07, the export has declined by 6.56 % accounting to Rs.

39.99 billion compared to the previous year figure of Rs. 42.80 billion, which is mainly associated with labor problem in industrials sector, Terai Bandha etc. Likewise, the total import during the first eight months of Fiscal Year 2006/07 was Rs. 114.69 billion marginal decline of 1.1 % compared to Rs. 116.01 billion at same period of previous year. Consequently, the balance of trade has recorded negative of Rs. 74.71 billion, increased by 2 % compared to the previous year figure of Rs. 73.22 billion. However, the balance of payment has recorded a positive of Rs. 10.45 billion increased by 88 % from the figure of same period of previous year primarily attributed to net transfer income.

Banking industry has also built a steady momentum as the establishment of new banks has been ballooned. Based on the NRB published sources, loan and advances of entire commercial banks is Rs.230 billion and total deposit aggregated Rs. 326 billion in F/Y 2006/07 registered growth rate of 30.40 % and 12.03 %over the last fiscal year respectively.

## Review of performance of the bank

Even though the county has not been able to register a significant economic growth in the fiscal year 2006/07 compared to previous year, Kumari Bank Limited, with its market oriented strategic approach, has been able to demonstrate remarkable performance in the industry. The overall achievement made by the bank in fiscal year 2006/07 portrays the success of bank's tactics & approaches, providing significant weight to



the risk & corporate social responsibility by maintaining win-win relationship with the stakeholders. The performance of the bank has been very remarkable in all aspects ranging from business expansion to introduction of new product, asset acquisition to enriching human resources, ballooning income to tightening expenses, involvement in corporate social responsibilities to prudent risk management and portfolio diversification.

## Financial Achievement

The financial figure of the bank of fiscal year 2006/07 depicts sound achievement made by the bank. Business, Income and profit has shown very healthy growth rate represented by sound financial indicators. The major financial achievement of the bank for fiscal year 2006/07 and 2005/06 has been highlighted below:

### a. Lending

Kumari Bank Limited with diversification and risk based lending strategy has been able to increase the loan portfolio in fiscal year 2006/07. The total loans and advances recorded for the year 2006/07 was Rs. 9,062 million with a growth of 29.32 %. The bank has properly balanced its lending portfolio on retail and corporate sector, where credit concentration is of 13 % and 87 % respectively. Continued discipline in implementing risk-adjusted pricing model has resulted higher quality exposures maintaining Non Performing Loan ratio at 0.73 % (one of the lowest in industry) from 0.92 % of previous year.

### b. Deposit

The bank's deposit base increased to Rs.10,557 million in fiscal year 2006/07, a growth rate of 35.94 % compared to previous year figure. With the overwhelming positive response to the House Scheme on saving deposit, the saving deposit of the bank reached to Rs. 4,462 million in F/Y 2006/07, a substantial growth rate of 92.5 % from the figure of

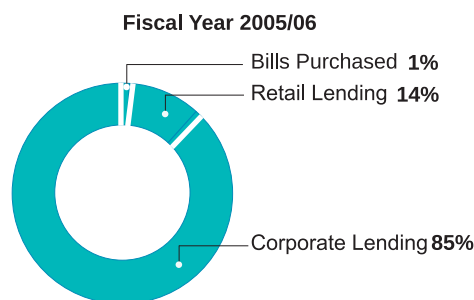
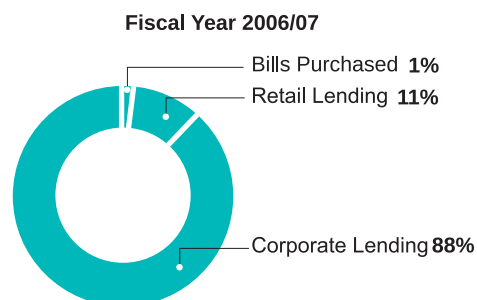
(Rs. in million)

Particular	2005/06	2006/07	Increase/ (Decrease) Rs	Growth (%)
Total Assets	11,918.31	9,010.28	2,908.04	32.27
Deposit Liabilities	10,557.42	7,768.96	2,788.46	35.89
Loans, Advances and Bills Purchase (Gross)	9,062.43	7,007.79	2,054.64	29.32
Investment	2,050.63	1,539.95	510.69	33.16
Interest Income	791.28	605.53	185.75	30.68
Interest Expenses	397.05	337.06	59.99	17.80
Net Interest Income	394.23	268.47	125.76	46.84
Other Income	76.339	62.66	13.68	21.83
Other Expenses	178.32	148.5	29.82	20.08
Operating Profit/(Loss)	292.25	182.63	109.62	60.02
Net Profit/(Loss)	170.26	103.67	66.59	64.23

(Rs. in million)

Fiscal year	Pass Loan	Restructured Loan	Substandard Loan	Doubtful Loan	Bad Loan	Total Loans & Advances
2002/03	2,101.26	-	33.46	1.78	1.07	2,137.58
2003/04	3,669.79	-	14.01	10.89	3.28	3,697.98
2004/05	5,627.02	-	4.61	28.47	20.89	5,681.01
2005/06	6,876.56	66.86	12.23	32.74	19.37	7,007.78
2006/07	8,957.70	38.61	10.37	38.63	17.10	9,062.43

### Loans, Advances and Bills Purchased

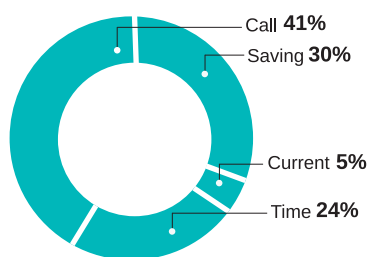


The deposit of Kumari Bank Limited for last five years

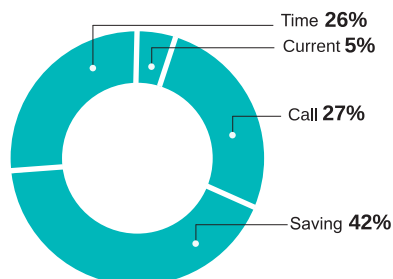
(Rs. in million)

Deposit	2002/03	2003/04	2004/05	2005/06	2006/07
Current	162.45	312.61	348.45	407.54	491.54
Saving	461.94	902.94	1,515.57	2,317.84	4,461.69
Call	795.40	1,292.44	2,302.08	1,880.73	2,827.71
Time	1,093.34	2,299.93	2,102.83	3,162.83	2,776.48
<b>Total</b>	<b>2,513.14</b>	<b>4,807.93</b>	<b>6,268.95</b>	<b>7,768.95</b>	<b>10,560.92</b>

#### Deposit Mix F/Y 2005/06



#### Deposit Mix F/Y 2006/07



previous year. Consequently, the proportion of saving deposit on total deposit has increased to 42 % in F/Y 2006/07 compared to 30 % of previous year. Similarly, in order to properly match the long term investment, the bank has been applying prompt strategy to solicit time deposit. The time deposit of the bank for F/Y 2006/07 has been Rs. 2,776 million.

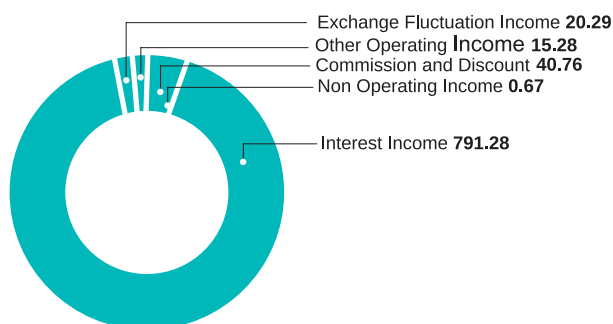
#### c. Investment

Total investment has been Rs 2,051 million in F/Y 2006/07 with a growth rate of 33.16 %. The bank has earned interest income of Rs100 million from this, which is the increment of 39.40 % compared to previous year's figure. The investment is well diversified into various government securities (such as T. Bills, Treasury Bonds, National Saving Certificate), international and domestic money market.

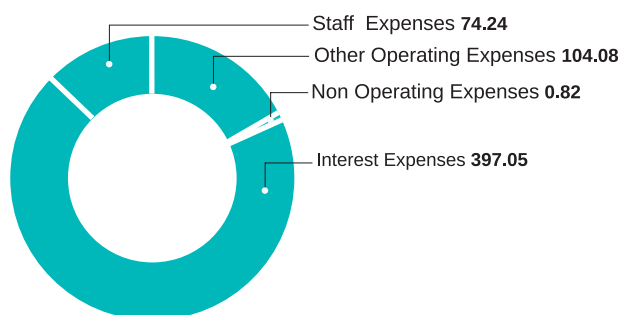
#### d. Profit

The strategic utilization of the resources and proper management of the asset has yielded success to generate income and eventually post substantial profit. The bank has generated Rs. 868 million as total income registering 30 % growth compared to previous year achievement. The total expenses for the period were Rs. 576 million with an increment of 19 %. The bank has achieved operating profit of Rs. 292 million, with an encouraging growth of 60 % from the figure of previous year. Similarly, the net profit of the bank was Rs. 170 million, 64 % increment from previous year.

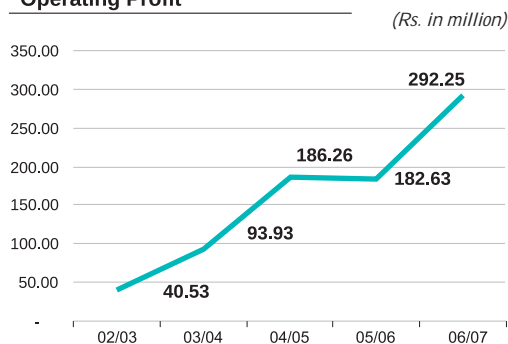
Total Income FY 2006/07



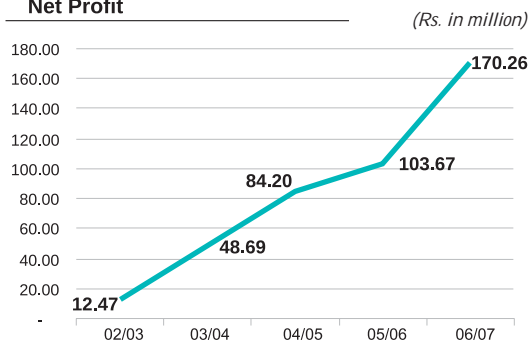
Total Expenses FY 2006/07



Operating Profit



Net Profit



### e. Capital

To sustain future growth of asset, income and risk appetite, the bank has continuously enhanced its capital base. The bank now has total capital fund of Rs.1,115 million, comprising core and supplementary of Rs. 1,020 million and Rs. 95 million respectively in fiscal year 2006/07. The current paid up capital of the bank is Rs. 750 million, which will be increased to Rs. 1,600 million by the end F/Y 2012/13. In order to strengthen and leverage the capital structure, the bank has planned to increase capital base through internal and external sources. Similarly, the bank has maintained the capital adequacy ratio at 11.20 % in F/Y 2006/07, which is well above the statutory requirement of 11 %.

### Revenue Contribution to the Government

The Bank has contributed NPR 67 million to the Government of Nepal in form of corporate tax during the fiscal year 2006/07.

### Changes in Board of Director

The public director Mr. Kumar Regmi resigned on March 25, 2007 from the Board. Similarly, Mrs. Sabitri Gurung, Director from promoter group, also resigned from the Board on October 17, 2007. Mr. Jagadish P. Chaudhary joined the Board on October 17, 2007 in replacement of Mrs. Sabitri Gurung. Mr. Surendra Bahadur Khadka K.C joined the board on November 06, 2007 in replacement of Mr. Kumar Regmi.

We extend a warm welcome to the new member in the Board and express our gratitude to Mr. Kumar Regmi and Mrs. Sabitri Gurung for their valuable contribution during their tenure in the Board.

### Dividend Declaration

The meeting of Board of Directors of the bank declared to provide 20% bonus share and 1.05% cash dividend, for which Rs.157,894,737 has been allocated from the capital adjustment fund and accumulated net profit till fiscal year 2006/07. Similarly, we are proud to state that the bank is also planning to provide bonus share and cash dividend from the accumulated net profit in the coming years as well.

### Board of Directors responses to Auditors Report

Though the Auditor has noted common comments related to few regular transactions of the bank, the Auditor has made no significant adverse comment regarding the bank performance. The Bank is always well aware of Compliance issues and it is reflected in the Auditor's Report.

**Forfeited Share-** The bank does not have any forfeited share during the review period.

### Performance of the bank and its subsidiary

The bank doesn't have any subsidiary company and the performance of the bank is portrayed in different heading on this report itself.

**Important information provided by valued shareholders:** None

**Personal interest of Directors and his/her relatives on agreement with bank:** None

**Details of share repurchase:** None

### Bank's Administrative Expenses

The bank has made following administrative expenses during fiscal year 2006/07:

Staff Expenses Rs. 74,243,628

Other Operating Expenses Rs. 104,079,476

The detail of administrative expense is provided in schedule 4.23 and 4.24 of this report.

**Amount to be paid to the bank by Director, Managing Director, Chief Executive, Promoters of the bank and their relatives or firm, company or organized institutions:** None

### Remuneration, Allowance and Facilities provided to Directors, Managing Director and Chief Executive:

#### a. Directors

The bank has provided Rs. 2,000 per month to the bank's directors as allowance for business promotion apart from the meeting fees for attending meeting of Board of Directors, various committees and sub committees formed by the board. The bank provides Board Meeting allowance of Rs. 10,000 and Rs. 8,000 to Chairman and Directors respectively. Besides above, the bank has not provided any additional facilities to the Board of Directors. The total board meeting allowance and business promotion expenses is Rs. 2,751,016 in fiscal year 2006/07.

### b. Annual Salary, Allowance and other facilities provided to CEO and other Executives

S.No.	Particulars	Chief Executive Officer	Others Executive
1.	Salary	4,200,000.00	8,299,434.50
2.	Allowances	1,800,000.00	2,340,000.00
3.	Provident fund	420,000.00	829,943.45
4.	Dashain Allowance	350,000.00	673,785.00
	Total	6,770,000.00	12,143,162.95

### Besides above, the other facilities provided to CEO and other executive are:-

1. Bonus - as per Bonus Act.
2. Medical Allowance, Leave Fare Allowance, Accident Insurance, Life Insurance - as per bank's Personal Policies Guidelines.
3. Vehicle with driver, fuel and maintenance facility to CEO. Vehicle loan with driver, fuel and maintenance facility to DGM and AGM as per bank's personal policies guidelines. Vehicle loan, fuel and maintenance facility to other executive as per bank's personal policies guidelines.
4. Personal loan to CEO as per the contract between CEO and the bank. Home loans to other executives as per banks Personal Policies Guidelines.
5. Newspaper and telephone facility according to Bank's Policy.

### Uncollected dividend by shareholders: None

### Acknowledgements

We would like to thank all our Directors for their invaluable guidance and support for making the review year a great achievement and success. We look forward to continue our endeavors to deliver world class services to every stakeholder, be it our customers, shareholders, employees and community as a whole.

We would also take this opportunity to put in a word of thanks to Nepal Government, Nepal Rastra Bank and the Auditors of the bank. We also personally thank the management and staff members for providing support, suggestions and guidance for the continuous progress and growth of this bank and nurturing it up to this stage.

As always, we welcome thoughts and suggestions in the coming days too.

Thank you,

For and on behalf of the Board of Directors,  
Shiva Ratan Sarada  
Director

Noor Pratap J.B Rana  
Chairman





# CEO's Message

Dear Stakeholders,

The combined efforts of all the stakeholders has made it possible for us to develop sound business, maximize profit and create value for our shareholders even in these competitive environment. In the fiscal year 2006/07, the bank was able to register a substantial growth in all the parameters of the business. The financial indicators have been very encouraging perfectly synchronizing with the endeavors of our management team.

The balance sheet size of the bank has increased to Rs. 11,918 million in fiscal year 2006/07, a growth by 32.27 % compared to figure of previous year, mainly supported by loans and advances, major income generating assets, which was Rs. 9,062 million with a growth of 29.32 %. Likewise, the total deposit of the bank for the period was Rs. 10,557 million, a positive growth of 35.89 %. The net profit of the bank in fiscal year 2006/07 was Rs. 170.26 million, a growth by 64 % compared to previous year.

The bank has been offering an array of modern banking products and services customized to individual needs, which are regularly upgraded depending on the customer demand. The bank has been endeavoring to meet the banking needs of all the customers located throughout the country by widening its branch network, ATMs and through internet and mobile banking. Our focus has been on continuous capacity enhancement, technological advancement, proper risk management, good corporate governance, stringent compliance, corporate restructuring and enhancing service excellence, which we believe, are the basic fundamental for our growth and consolidation.

The current growing competition, due to the emergency of new players in the market and Nepal's entry to WTO, and implementation of Basel II requires bank to focus both on internal strengthening and market positioning. Our approach

will remain to continuously improve and adapt to changing circumstances.

As the days ahead are very tough, the bank will focus on various alternative business avenues that will definitely help to achieve its goal to be the best provider of financial services in the country. Our focus will centers on expansion of branch network throughout the country, new product development, operational excellence, leveraging technology, shouldering on social issues and compliance to international standard and norms.

We value the trust made by the customer on us, which we regard as our major strength. We assure that the bank will meet the expectation of the customers and shareholders in future days as well.

Lastly, I appreciate & express my gratitude to all the customers for their invaluable trust upon us, to the shareholders for their confidence and suggestions, to the regulatory bodies for the support, cooperation and guidance. I would also like to express my gratitude to the Chairman and Board of Directors for the invaluable support and guidance, to the entire KBL staffs for their effort, teamwork and diligence, which made it all possible.

**Surender Bhandari**  
Chief Executive Officer



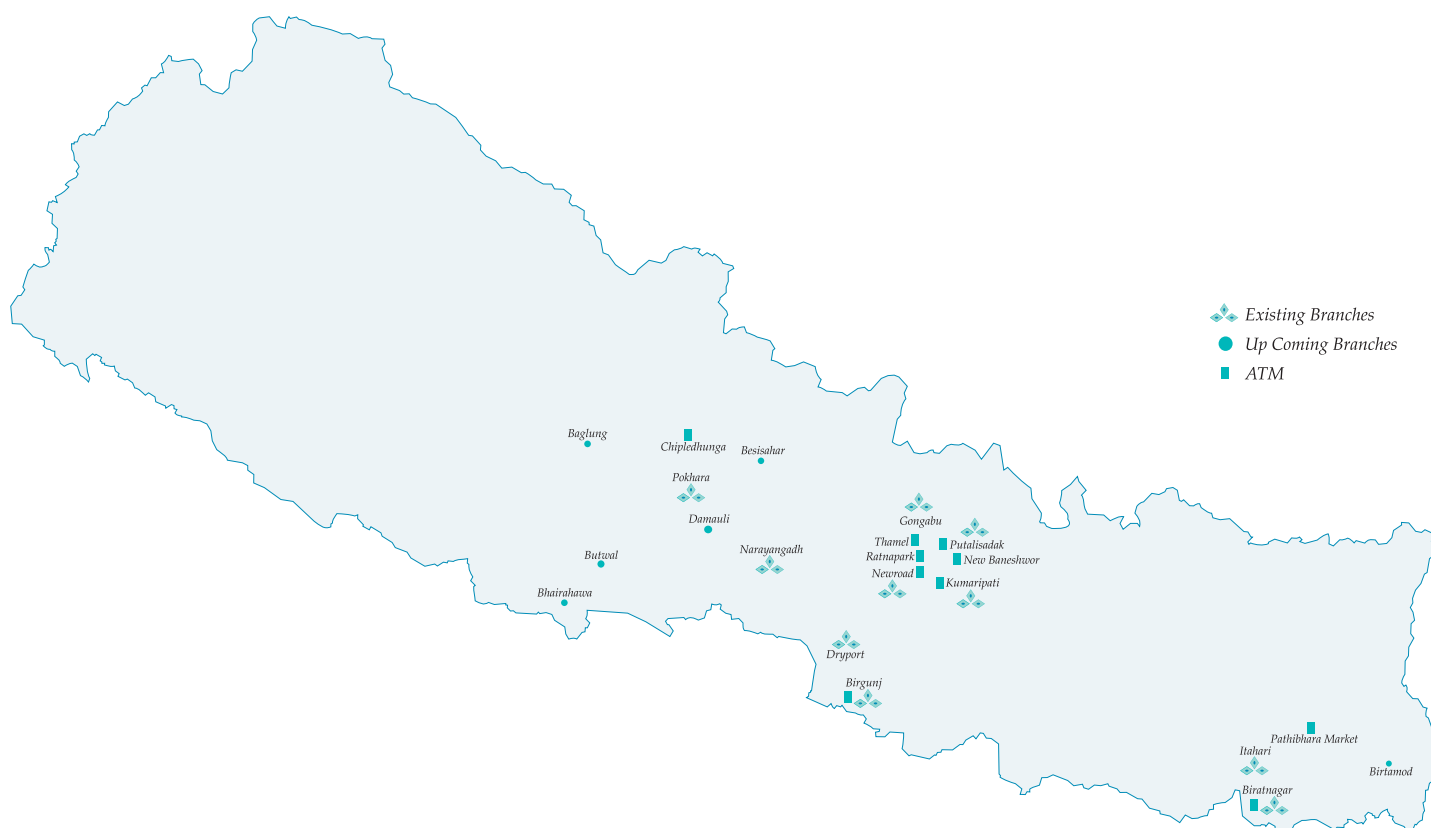
As the days ahead are very tough, the bank will focus on various alternative business avenues that will definitely help to achieve its goal to be the best provider of financial services in the country.



# Service Distribution Network

The central focus of the bank remains on the customer's desire of convenience and flexibility on accessing banking services. The bank has been pursuing an integrated, multi-channel strategy in order to address customer's needs.

Branch network expansion is one of the continuous strategies of the bank to serve the customers, having unfulfilled banking needs, located in various geographical areas of the country. Similarly, the bank is also adopting various technologies such as Debit Card, Internet Banking, SMS banking in order to serve their needs without forcing them to come on to the bank premises. Further, the strategic alliance made by the bank with various business partners has also increased the choices for the customers to get the services of Kumari Bank Limited.



### a. Branch Network

The bank has already marked its presence in the major parts of the country such as Kathmandu, Lalitpur, Birgunj, Biratnagar, Pokhara, Itahari, Narayangadh etc. Currently, the bank has 10 full-fledged banking services delivering outlets scattered across the country comprising 4 inside valley and 6 outside valley outlets. Similarly, the bank is planning to open 6 new branches in Birtamod, Baglung, Damauli, Butwal, Bhairahawa and Besisahar to extend modern banking services to the customers at their door step.

#### Branches

- i. Putalisadak, Kathmandu
- ii. Biratnagar, Sunsari
- iii. Birgunj, Parsa
- iv. Pokhara, Kaski
- v. New Road, Kathmandu
- vi. Itahari, Sunsari
- vii. Dryport, Birgunj
- viii. Kumaripati, Lalitpur
- ix. Gongabu, Kathmandu
- x. Narayangadh, Chitwan

### Technology

The technology adopted by Kumari Bank Limited complements traditional physical branch based banking services that enhances the quality and quantity of the services engendering more convenience to the customers. Currently, the main banking software of the bank is the internationally recognized Temenos Globus. The bank has been continuously upgrading the technology in order to leverage more customer convenience. Internet banking, mobile banking, debit cards etc are being offered by the bank, which enable customers to receive round-the-clock banking services without forcing them to be in bank's counter.

### b. ATM Network

Around-the-clock cash withdrawal facilities has been possible for the customers through the bank's Visa Debit Card, which can be accessed in all Visa linked ATM and POS (Point of Sale), located in Nepal and India. Currently, the bank has 11 ATM Machine located in various part of the country. Likewise, the bank is in strategic alliances with NIBL, NDBL, RBB and SBI for ATM network, which provides more options of using ATM machine at lower cost.

#### Our Own ATM Network

- Putalisadak, Kathmandu
- New Road, Kathmandu
- Kumaripati, Lalitpur
- Nava Durga Departmental Store, Baneshor, Kathmandu
- Thamel, Kathmandu
- Chipledhunga, Pokhara
- Pathivara Market, Dharan Road, Itahari
- Nepal Medical College Building, Birgunj
- Nepal Electricity Authority, Ratna Park
- Mornag Byapaar Sangh Building, Goshwara Road, Biratnagar

### Asset Acquisition

The bank has acquired land and building at Naxal, Kathmandu, where the bank's corporate building will be located. This serves as a landmark for the bank.

# Product and Services

"Need centered products are the KBL product" is our basic business philosophy. The bank has been continuously identifying customer changing needs and preferences, designing and offering need centered augmented product and services that has met or even exceeded customer's expectation. The innovative products of the bank has not only added extra value and provided high level of satisfaction to the customers but also produced desire on customer to be associated with the bank's future innovation. The bank perceives product differentiation and service excellence as an opportunity to prove superior to competitors, and has been successful in the past and is the source of inspiration to go ahead.

## Product Portfolio

Customers are being offered a portfolio of modern competitive products for which the bank has received overwhelming responses.

### i. Retail Product

Individual needs have been best understood and served by the bank providing topmost priority. The bank has been offering various retail products customized to customer's individual specification. Various products under saving account such as Card Account, Normal Saving, Saving Plus, Advantage Plus and Kumari Saving etc have been introduced by the bank which has received overwhelming response from the valued customer. The scheme on saving account "Bank ma Balance Haat Ma Ghar" was widely acclaimed and encouragingly responded by the public.

Besides, the bank has also been offering retail loans such as Home loan, Education loan, Vehicle loan and Personal loan etc. which has met the needs of the customers.

### iii. Internet Banking

We are known as the pioneer bank for launching Internet and mobile banking services in the country. Customers can check their account balances, view account statement, pay utility bills through the Internet Banking services.







## ii. Visa Electron Debit Card

The demand for plastic money in modern days has been well served by the bank through offering VISA Electron Card to all the saving account holders. The VISA Debit Card is accessible in all VISA linked ATM counter and Point of Sale (POS) throughout Nepal and India. Similarly, the bank has increased the accessibility of the bank's card through introducing VISA Dollar card, which can be accessed globally in all visa linked ATM and POS.

## iv. Mobile Banking

Knowing balance and viewing mini statement of the account through SMS has been possible through KBL Mobile Banking Facilities.

## v. Remittance

Kumari Bank Limited has been involved in remittance business that has eased customers remitting money across the globe. The bank has been providing remittance services through various ways such as SWIFT arrangement, Demand Draft, Traveller's Cheque and agency relationship with various remittance companies. The bank has arranged bilateral key exchange with more than 35 correspondent banks, which have made it possible to remit money conveniently throughout the globe. Besides, Kumari Bank has strategic alliances with various banks and financial institutions across the globe for making remittance services faster, safer and more convenient. Similarly, the bank has launched own remittance product called Kumari Remit.



## Services

### a. Centralized Banking System

The bank has adopted centralized banking system, which made possible for the customers to transact in any branches regardless of having account to particular branch. It has made very convenient regarding availability of funds to the people traveling in various cities.

### b. Evening Counter

With an objective to provide extended hours banking services, the bank has started banking operation from 4 PM to 7 PM in Head Office, Putalisadak, Kathmandu, from 4 PM to 6 PM in New road, Kathmandu and from 4 PM to 6 PM in Gongabu, Kathmandu in order to provide both deposits and withdrawal facilities. The bank has plans to provide banking services for longer hours in future.

### c. Holidays Banking

We provide 365 days banking services to our valued customers. We are open in the holidays from 12 to 3 PM.

### d. Utility bill payment

Worry for the long queue in the utility bill payment counters has now been relieved with our facilities. We act as bridge between customers and the bill payment counters. We have accepted bill payment facility of Water, Electricity, telephone and Mobile Phones.

### e. Safe Deposit Locker

Insecurity to keep valuables at home is solved through the bank's safe deposit locker facilities. The bank has been providing safe deposit lockers of different sizes customized to customer preference.





## KBL Client Services

We provide high priority to the needs of our valued customer. We offer products and services tailored to the needs of individual customer to enhance their value and build long term win-win relationship.



# Corporate **governance**

Kumari Bank Limited is committed to meet high standards of corporate governance. We believe that corporate governance, the formation and practical implementation of leadership and management of the bank, leads the bank to success, protecting the interests of its stakeholders and creating long term value. The bank primarily focuses on balancing the business expansion, adequate control, ethical norms and standards and transparency while achieving the goal through ensuring efficient decision-making processes.

In order to make corporate governance stringent and time relevant, the bank has formed various committee and subcommittee in the board as well as in management.

## **Board of Directors**

The Board of Directors is the most senior body with ultimate responsibility for the management of the bank as well as for the supervision of its executive management. The members of the Board are elected from promoters and public shareholders in addition to NRB professional list. The Board appoints the Chairman, and the members of the various Board Committees. The Board of directors consists of 8 members, comprising 5 from promoters group and 1 from NRB Professional list and 2 from public shareholders.

## **Board Meeting**

During the fiscal year 2006/07, 19 meetings of board were convened for preparing and reviewing various plans and strategies. Likewise, 9, 17 and 20 meetings were conducted of HR Committee, Audit Committee and Executive Sub committee respectively during the fiscal year 2006/07.

## **Board Meeting Allowance**

During the fiscal year 2006/07, total of Rs. 2,530,135 was provided to Board members as meeting fees of Board and Committees. Similarly, Rs 220,881 was expended on business promotion allowance provided to the Board of Directors.

## **Board Committee**

The bank has four board committees actively involving on various activities outlined as per policy.

**Audit Committee:** Audit committee, comprising 3 Non-Executive Directors including 1 conveyer, is concerned with outlining the scope of internal audit, reviewing the findings of internal and external audit as well as central bank's supervision in order to ensure the effectiveness of the internal control system to fulfill the requirement of changing circumstances. It also reviews and analyzes the accounting policies, financial reporting system. The Internal Audit Department of the bank also reports directly to committee on periodic basis with their observations on the workings of various departments in the bank.

**Human Resources Committee:** Human resources strength is the very vital factors for the bank's success, which needs to be continuously developed for long term benefit. Human Resources Committee is involved on matching the staff intellectual portfolio to the business requirement through attracting, retaining and developing the workforce. The Committee comprises of 3 Non-Executive Directors including one conveyer.

**Business Development Committee:** Business Development Committee, comprising of 3 Non-Executive Directors including one conveyer, is concerned with assisting on analyzing the alternative business avenues, supporting on developing marketing strategies in order to expand the business and revenue of the bank.

**Executive Sub Committee:** The bank has formed Executive Sub Committee in order to review credit, operational and other issues in order to ensure the actions are carried properly and timely. The committee comprises 3 non executive directors including one conveyer.

## Management

The participative management philosophy and flexibility in restructuring and reengineering the organization structure of the bank has flattened the tall structure and quickened on decision making process. The management approach to synchronize business development and compliance, risk and return, authority and responsibility, innovation and transparency corroborates congruence on market demand and business practice. The organization structure has been divided into two Areas namely Operation and Business Banking headed by Chiefs- Business Banking and Operations, who reports directly to Chief Executive Officer. Besides, the bank has formulated various Committees, which are presented as below:

### Management Committee:

Management Committee comprises all Chiefs- Business Banking and Operations, Division Heads (i.e. Division Head- Business development, Risk Assessment, Branch Operations, Support Services, Planning and Main Branch) and headed by CEO. The committee meets on periodic basis to prepare, analyze corporate strategic plans in order to ensure action undertaken are consistence with the bank's vision, mission and objectives.

### Asset Liability Management Committee:

For strategic management of asset and liabilities to ensure mitigation of solvency and market risk, the bank has formulated Asset Liability Management Committee (ALCO) headed by CEO. The committee comprises of all Chiefs- Business Banking and Operations, Division Heads (i.e. Division Head- Business development, Risk Assessment, Branch Operations, Planning and Main Branch) and Head Treasury. The committee meets fortnightly for analyzing and outlining course of actions for asset liability management, funding asset liabilities gap. Further, the committee is also involved on assessing market interest on deposit and lending and preparing strategies to ensure competitiveness of the bank's interest rate.

### Inter Division Committee

In order to ensure co-operation and mitigation of daily problems issued, bridging communication gap among various departments, Inter Division Committee has been formed. It comprises members of different departments, who meet on monthly basis. The committee is chaired by Chief- Business Banking.

### Operation Committee

Resolving day to day operational issues in the bank, Operation Committee comprising members of operation, marketing and credit department has been formulated. The committee is chaired by Division Head- Branch Operations and Planning.

# Corporate Social Responsibility

Creating long-term value is one of the main objectives of the bank. The bank fulfills this purpose by providing value-added products and services to the client, promoting a corporate culture that adheres to high ethical standards and transparency, shouldering on social issues and requirements beyond what laws and regulations require. The bank has actively participated on various social and humanitarian events in fiscal year 2006/07.



## 1. Donation to Flood Victim

In order to support the victims of natural calamities, Kumari Bank Limited in cooperation with Kantipur Group has launched a campaign to collect fund for the Flood victim. Total Rs. 12,679,238.49 was collected in the campaign, which was handed to Prime Minister Relief Fund. The staff of the bank also contributed Rs. 1,00,000 in this fund.

## 2. Blood Donation

On the auspicious occasion of 6th year of excellence in banking, the bank has organized blood donation program on 3<sup>rd</sup> April 2007 at the head office of the bank. The program was overwhelmingly responded with 63 staffs and other outsiders have been participated.

## 3. Health Camp

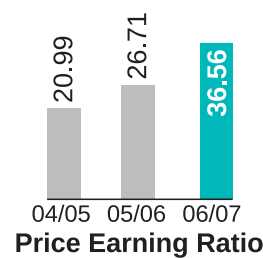
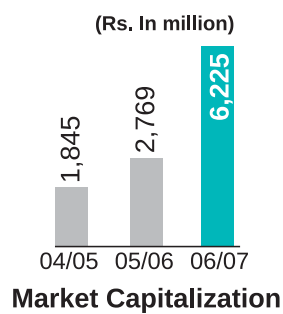
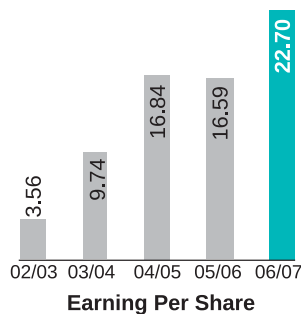
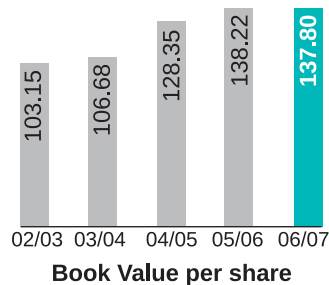
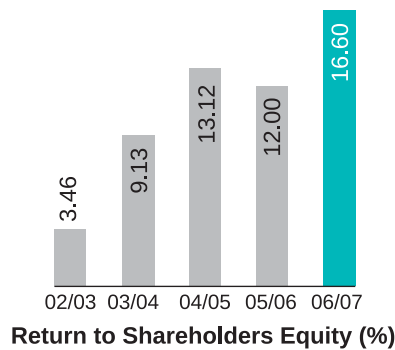
Kumari Bank Limited organized a Health Camp at Sindhupalchowk, where a team of 15 doctors and 20 nursing staffs provided medical assistance to 1,800 patients of them 1,200 were female

## 4. Money laundering prevention

Extensive and constant efforts to prevent money laundering and terrorist financing are important contributions to society. The bank has been continuously shouldering this responsibility seriously. The Know Your Customer Policy and Anti Money laundering Policy consistent with international standard are already devised by the bank, which are strictly followed.

# Shareholders Value

All the activities undertaken by the bank are always centered to maximize the shareholders value. With this continuous effort, the bank has been able to maintain healthy return on shareholders equity at 16.60% in F/Y 2006/07. The increase in return on shareholders equity and earning per share has resulted to 2.25 times increase in market capitalization in fiscal year 2006/07 compared to figure of fiscal year 2005/06. The market capitalization of the bank on 16 July 2007 was Rs. 6,225 million with Price Earning ratio of 36.56 %.





# Human Resources

The diverse intellectual capital, expertise and commitment of our employee have been instrumental energy for the success. The bank continuously attracts, retains and develops the human resources to enlarge the portfolio of intellectuals, experts and professionals in order to lead the bank ahead through collective effort. Our open and entrepreneurial culture always encourages innovative ideas that not only rejuvenates the organization but also provide boundless opportunity for individual success. We encourage the free exchange of ideas, and demand teamwork.

## Human Resources Portfolio

The bank has been empowered through globally embracing diversity of skills, perspectives and backgrounds at all levels engendering enthusiasm, energy and commitment at work. The banks strength has been leveraged with 242 invaluable intellectual work forces with various educational background, expertise and professionalism.

## Discovering Talents

The bank always welcomes to entrepreneurial spirit, talented and driving individual having burning aspiration to lead. We actively strive to be the best at attracting, developing and retaining talented people. To keep the workforce always competitive, the bank has been frequently recruiting new talents providing equal employment opportunities to the Nepalese diverse cultural group. The bank has been the popular choice for fresh graduates as well as experienced professionals. The bank has recruited 46 new staffs in fiscal year 2006/07 for various positions.



*KBL Volleyball Team Stood runner up in Interbank Volleyball Competition organized by Nepal Rastra Bank*



## Training and Development

We coach our people and invest in their development. In order to add value by increasing workforce quality, the bank frequently organizes various developmental programs that enhance skills and abilities to assume greater responsibilities and achieve excellence at work. Total 201 Staffs were trained on various facets of banking during the year 2006/07. The bank conducts in-house training programs as well as sends its staff to attend external training programs both in Nepal, India and abroad.

## Performance Management

We focus on achieving efficiency and effectiveness at work through effective management and development of the employees in order to support our strategic growth ambitions and our corporate values through applying performance management and individual development discussions and a wide range of learning and development opportunities. The performance standard for each employee is awarded by the bank and appraisal is carried out on certain time interval in order to ensure that the standards are met. Decisions regarding recognition, reward and promotion are based on merit. The bank promptly acknowledges the contribution made by the staffs. In fiscal year 2006/07, total of 55 staffs has been promoted and 46 staffs have been confirmed as permanent.

## Team spirit off the banking

The bank has been frequently participating in various events such as sporting, quiz contest and other social events etc. The bank believes that participation in such events helps to foster cooperation with other organizations. In addition, it also provides opportunity to foster team spirit within the staff both on & off the banking. The bank has been runner up in Inter bank Volley ball Tournament organized by Nepal Rastra bank.



*KBL Cricket Team*

# Addressing Risk

We believe that effective risk management and control are the integral parts of the bank in providing consistent and high-quality returns to shareholders. We consider risk taking as an inevitable part of the business, which can not be completely eliminated rather can be minimized and appropriately balanced with return through systematic assessment of potential risk developments in both normal and stressed conditions. The bank primarily focuses on strategic management of risk in individual exposures, portfolio and in aggregate business. Comprehensive, transparent and objective risk disclosure to our senior management, the Board of Directors, shareholders, regulators, and other stakeholders is the cornerstone of the risk control process.

We identify various risks arising from businesses based on uniform criteria, and implements integrated risk management to ensure a stronger financial condition and to maximize shareholder value. Based on this policy, Kumari Bank Limited identifies, measures, controls and monitors a wide variety of risks so as to achieve a stable balance between earnings and risks. We undertake risk management to create an appropriate capital structure and to achieve optimal allocation of resources.

## • Credit Risk

Credit risk is the risk of losses due to failure of borrower or counterparty to meet its obligations in accordance with agreed terms. The objective of credit risk management is to maximize the bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable benchmark. The bank has

established stringent risk management systems to maintain asset quality, to manage credit risk exposure and to achieve earnings commensurate with risk. The bank's Credit Policy Guidelines (CPG) serves as the basic guidelines for credit risk management, through which a uniform group-wise credit rating system for asset evaluation and assessment, loan pricing, and the quantitative measurement of credit risk is systematically carried out. The bank continually seeks to upgrade expertise on credit portfolio management to achieve an improved risk-adjusted return flexible to economic and other external changes.

The bank has formulated Risk Assessment Division for analyzing and controlling risk within bank's appetite. Risk Approval Unit and Credit Administration, Control and Recovery Department

(CACRD) are operational under Risk Assessment Division particularly deal with reviewing credit proposal, analyzing risk associated with both funded and non funded credit, ensuring adherence with internal and external policies and guidelines and timely recovery of credit.

### • Market Risk

Market risk is the risk that the value of bank's assets and liabilities could be adversely affected by changes in market variables such as interest rates, securities prices, or foreign exchange rates. Our aim to manage market risk is to control related risk exposure across the group while ensuring that earnings are commensurate with levels of risk. The Investment Policy and Asset Liability Management Policy of the bank guide the investment decision. Asset Liability Management Committee (ALCO) has been formed which meets fortnightly to analyze market risk and prepares strategies for control. The investment decision is centralized at Head Office. At operational level, checks and balances are maintained through a system in which back and front offices operate independently.

### • Liquidity Risk

Liquidity risk is the risk of incurring loss due to inability to meet funding requirements. It is associated with bank's inability to ensure the availability of funds to meet all on-balance sheet and off-balance sheet commitments at a reasonable price. The bank monitors the liquidity position on daily basis adopting rigorous approach. Likewise, Asset Liability Management Committee (ALCO) also analyzes liquidity risk and prepares strategies for management of liquidity risk.

### • Operation Risk

The operation risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Based on the recognition that exposure to operations risk may have a significant impact on the bank business, the bank has established effective operations risk management systems. The bank has devised preventive measures through database analysis, reinforced internal controls through revisions of operational procedures, related approval authority and personnel management system. The bank has made continuous improvement on operational efficiency through introduction and update of computer systems and enhancement of operational education programs and internal audit.

# Bank's performance

## Post Balance-sheet Date

The continuous improvement on all facets of the bank has not only resulted bank to post good financial results but also to receive high degree of confidence from the customers, which the bank counts as the biggest strength. The quantified performance for the first four month of fiscal year 2007/08 is recorded as below:

Particulars	Rs in Million		
	First four month of FY 2007/08	First four month of FY 2006/07	Growth (%)
Deposit Liabilities	10,950	9,451	15.80
Loans and Advances	10,613	7,913	34.12
Interest Income	232	170	35.96
Other Income	31	25	20.45
Interest Expenses	135	123	9.81
Other Expenses	63	50	26.49
Operating Profit/ (Loss)	64	23	178.2

\* As per the NRB directive, the interest suspense of Rs. 68.4 million has not been included in operating income of Rs. 64 million

## Future Plan

Service excellence, boosting business, adding new products in the portfolio, enlarging the service delivery center to tap new businesses, compliance and risk management are the fundamental objectives for the fiscal year 2007/08. Consistence with these objectives, the bank has planned to establish 7 new branches in various part of the country for which the action has already been initiated. 3 branches will be in operation within the third quarter of fiscal year 2007/08 and remaining branch will be operative by the end of the fiscal year 2007/08.

Likewise, for sustaining the future growth of the asset, the bank has planned to increase capital base through issuing bond called "KBL Bond 2069".

The expansion of ATM network will be steady in the fiscal year 2007/08 as well, which will further add convenience to the customers. Similarly, the bank has also planned to offer various need centered products in the days ahead that will certainly fulfill the unsatisfied needs of the existing as well as new customers.

Besides, the bank will also actively involve in social and humanitarian issues, maintain high standard of corporate governance.

We believe that **"We do it"**

## CSC & CO

an associated firm of pricewaterhouseCoopers

CSC & Co  
Chartered Accountants  
1955, Tanka Prasad Ghumti Sadak  
Babar Mahal  
PO Box: 4861, Kathmandu, Nepal  
Tel : +977-1-4259414, 4268798, 4251518  
Fax : +977-1-4244255  
E-mail: csc@cscnepal.com

## Auditors' Report

To the shareholder of Kumari Bank Limited

We have audited the attached Balance Sheet of Kumari Bank Ltd. as of Ashad 32, 2064 ((16 July 2007) and the Profit and Loss Account and Cash Flow Statement and Statement of Changes in Equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 32 Ashad, 2064 (16 July 2007), and of its result of its operations and its cash flows for the year then ended in accordance with the accounting practices generally accepted in Nepal and those statements are in compliance with the directives from Nepal Rastra Bank, Bank and Financial Institution Act 2063 and Company Act 2063.

**Madan Krishna Sharma**  
Partner  
CSC & Co.  
Chartered Accountants

Date: 30 Aswin 2064(17 October 2007)  
Place: Kathmandu



**Balance Sheet**

As on Ashad End 2064 (16 July 2007)

CAPITAL & LIABILITIES	SCHEDULE	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)
1. Share Capital	4.1	750,000,000	625,000,000
2. Reserves and Funds	4.2	275,630,159	238,850,557
3. Debentures & Bonds	4.3	-	-
4. Borrowing Outstanding	4.4	212,970,000	251,400,000
5. Deposit Liabilities	4.5	10,557,416,461	7,768,957,276
6. Bills Payable	4.6	16,554,384	11,918,835
7. Proposed Dividend Payable		-	6,578,947
8. Income Tax Liabilities		11,006,805	296,343
9. Other Liabilities	4.7	94,733,620	107,274,226
<b>Total Capital and Liabilities</b>		<b>11,918,311,429</b>	<b>9,010,276,184</b>

ASSETS	SCHEDULE	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)
1. Cash Balance	4.8	190,748,210	135,794,991
2. Balance with Nepal Rastra Bank	4.9	384,844,510	210,552,637
3. Balance with Banks/Financial Institution	4.10	96,520,231	43,282,117
4. Money at Call and Short Notice	4.11	372,215,000	145,000,000
5. Investment	4.12	1,678,418,415	1,394,947,754
6. Loans, Advances and Bills Purchase	4.13	8,929,013,115	6,891,855,426
7. Fixed Assets	4.14	189,323,741	91,932,957
8. Non Banking Assets	4.15	2,394,684	3,592,027
9. Other Assets	4.16	74,833,523	93,318,276
<b>Total Assets</b>		<b>11,918,311,429</b>	<b>9,010,276,185</b>

Contingent Liabilities	Schedule 4.17
Directors' Declaration	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of Risk weighted Assets	Schedule 4.30(A)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

Schedules 4.1 to 4.17 and 4.32-4.33 form integral part of the Balance Sheet.

As per our report of even date

**Geha Nath  
Dhungana**  
Senior Manager

**Surender Bhandari**  
Chief Executive Officer

**Noor Pratap J.B. Rana**  
Chairman

**Amir Pratap J.B. Rana**  
**Santoo Shrestha**  
**Shiva Ratan Sarada**  
**Samson JB Rana**  
**Lalit Jung Shahi**  
**Jagadish P Chaudhary**  
Director

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

**Date: 2007-10-17**  
**Place: Kathmandu**

## Profit and Loss Account

From 1st Shrawan 2063 to 32 Ashad 2064 ( From 17 July 2006 to 16 July 2007)

PARTICULARS	SCHEDULE	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)
1. Interest Income	4.18	791,284,209	605,526,857
2. Interest Expenses	4.19	397,053,120	337,056,145
<b>Net Interest Income</b>		<b>394,231,089</b>	<b>268,470,712</b>
3. Commission and Discount	4.20	40,764,126	26,281,002
4. Other Operating Income	4.21	15,280,956	10,003,006
5. Exchange Fluctuation Income	4.22	20,294,440	26,373,738
<b>Total Operating Income</b>		<b>470,570,612</b>	<b>331,128,458</b>
6. Staff Expenses	4.23	74,243,628	59,819,533
7. Other Operating Expenses	4.24	104,079,476	88,683,067
8. Exchange Fluctuation Loss	4.22	-	-
<b>Operating Profit before Provision for Possible losses</b>		<b>292,247,508</b>	<b>182,625,858</b>
9. Provision for Possible Losses	4.25	24,950,199	25,870,520
<b>Operating Profit</b>		<b>267,297,309</b>	<b>156,755,338</b>
10. Non Operating Income/(Loss)	4.26	669,885	(38,957)
11. Loan Loss Provision Written Back	4.27	6,264,578	5,116,699
<b>Profit from Regular Activities</b>		<b>274,231,772</b>	<b>161,833,080</b>
12. Profit/(Loss) from extra-ordinary Activities	4.28	(816,882)	-
<b>Net profit after considering all activities</b>		<b>273,414,891</b>	<b>161,833,080</b>
13. Provision for Staff Bonus		24,855,899	14,712,099
14. Provision for Income Tax		<b>78,296,082</b>	<b>43,454,214</b>
* Current Year's		78,296,082	43,454,214
* Upto Previous year			
<b>Net Profit/Loss</b>		<b>170,262,909</b>	<b>103,666,767</b>

Schedule 4.18 to 4.28 and 4.32- 4.33 form integral part of Profit and Loss Account

As per our report of even date

**Geha Nath**  
**Dhungana**  
Senior Manager

**Surender Bhandari**  
Chief Executive Officer

**Noor Pratap J.B. Rana**  
Chairman

**Amir Pratap J.B. Rana**  
**Santoo Shrestha**  
**Shiva Ratan Sarada**  
**Samson JB Rana**  
**Lalit Jung Shahi**  
**Jagadish P Chaudhary**  
Director

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

Date: 2007-10-17  
Place: Kathmandu

**Profit and Loss Appropriation Account**

From 1st Shrawan 2063 to 32 Ashad 2064 ( From 17 July 2006 to 16 July 2007)

PARTICULARS	SCHEDULE	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)
<b>Income</b>			
1. Accumulated Profit up to Last Year		20,211,002	7,961,400
2. This Year's Profit		170,262,909	103,666,767
3. Exchange Fluctuation Fund		-	-
4. Capital Adjustment Fund		37,500,000	
<b>Total</b>		<b>227,973,911</b>	<b>111,628,167</b>
<b>Expenses</b>			
1. Accumulated Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve Fund		34,052,582	20,733,354
4. Contingent Reserve		-	-
5. Institution Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserves		-	-
8. Proposed Dividend		7,894,737	6,578,947
9. Issue of Proposed Bonus Shares		150,000,000	-
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		406,561	1,604,864
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	62,500,000
14. Previous Year's Tax Adjustment		588,571	-
<b>Total</b>		<b>192,942,451</b>	<b>91,417,165</b>
<b>15. Accumulated Profit/(Loss)</b>		<b>35,031,460</b>	<b>20,211,002</b>

As per our report of even date

**Geha Nath  
Dhungana**  
Senior Manager

**Noor Pratap J.B. Rana**  
Chairman

**Amir Pratap J.B. Rana**  
**Santoo Shrestha**  
**Shiva Ratan Sarada**  
**Samson JB Rana**  
**Lalit Jung Shahi**  
**Jagadish P Chaudhary**  
Director

**Surender Bhandari**  
Chief Executive Officer

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

Date: 2007-10-17  
Place: Kathmandu

## Statement of Changes in Equity

From 1st Shrawan 2063 to 32 Asadh 2064 (From 17 July 2006 to 16 July 2007)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE FUND	CAPITAL RESERVE	SHARE PREMIUM FUND	EXCHANGE FLUCTUATION & FUND	OTHER RESERVE	TOTAL AMOUNT (RS)
Opening Balance	625,000,000	20,211,002	50,808,874	-	-	5,330,681	162,500,000	863,850,557
<b>Adjustments</b>	<b>125,000,000</b>	<b>14,820,458</b>	<b>34,052,582</b>	<b>-</b>	<b>-</b>	<b>406,561</b>	<b>(12,500,000)</b>	<b>161,779,602</b>
Net profit for the period	-	170,262,909	-	-	-	-	-	170,262,909
Transfer to General Reserve	-	(34,052,582)	34,052,582	-	-	-	-	-
Capital Adjustment Fund	-	-	-	-	-	-	-	-
Declaration of Dividend	-	(7,894,737)	-	-	-	-	-	(7,894,737)
Exchange Fluctuation Fund	-	(406,561)	-	-	-	406,561	-	-
Right Share Issued	-	-	-	-	-	-	-	-
Issue of Bonus Share	125,000,000	-	-	-	-	-	(125,000,000)	-
Proposed Bonus Share	-	(150,000,000)	-	-	-	-	150,000,000	-
Transfer to P/L Appropriation A/C	-	37,500,000	-	-	-	-	(37,500,000)	-
Tax Adjustment Previous Year	-	(588,571)	-	-	-	-	-	(588,571)
<b>Closing Balance</b>	<b>750,000,000</b>	<b>35,031,460</b>	<b>84,861,456</b>	<b>-</b>	<b>-</b>	<b>5,737,242</b>	<b>150,000,000</b>	<b>1,025,630,159</b>

As per our report of even date

<b>Geha Nath</b> <b>Dhungana</b> Senior Manager	<b>Noor Pratap J.B. Rana</b> Chairman	<b>Amir Pratap J.B. Rana</b> <b>Santoo Shrestha</b> <b>Shiva Ratan Sarada</b> <b>Samson JB Rana</b> <b>Lalit Jung Shahi</b> <b>Jagadish P Chaudhary</b> Director
<b>Surender Bhandari</b> Chief Executive Officer		

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

**Date: 2007-10-17**  
**Place: Kathmandu**

## Cash Flow Statement

From 1st Shrawan 2063 to 32 Ashad 2064 ( From 17 July 2006 to 16 July

2007)

PREVIOUS YEAR (RS.)	PARTICULARS	CURRENT YEAR (RS.)
(139,703,602)	<b>(A). Cash Flow from Operating Activities</b>	<b>284,754,814</b>
<b>675,559,453</b>	<b>1. Cash Received</b>	<b>868,293,617</b>
612,901,707	1.1 Interest Income	791,284,209
26,281,002	1.2 Commission and Discount Income	40,764,126
26,373,738	1.3 Income from Foreign Exchange transaction	20,294,440
-	1.4 Recovery of loan written off	-
10,003,006	1.5 Other Income	15,950,842
<b>(518,273,111)</b>	<b>2. Cash Payment</b>	<b>(657,509,246)</b>
(341,654,457)	2.1 Interest Expenses	(404,509,533)
(74,531,631)	2.2 Staff Expenses	(99,099,527)
(58,593,852)	2.3 Office Overhead Expenses	(74,787,221)
(43,454,214)	2.4 Income Tax Paid	(78,296,082)
(38,957)	2.5 Other Expenses	(816,882)
<b>157,286,342</b>	<b>Cash Flow before changes in Working Capital</b>	<b>210,784,372</b>
<b>(1,654,894,454)</b>	<b>Increase /( Decrease) of Current Assets</b>	<b>(2,546,846,876)</b>
(55,000,000)	1.(Increase)/Decrease in Money at Call and Short Notice	(227,215,000)
(204,676,742)	2. (Increase)/Decrease in Short Term Investment	(283,470,661)
(1,331,564,163)	3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(2,054,645,968)
(63,653,549)	4. (Increase)/Decrease in Other Assets	18,484,753
<b>1,357,904,510</b>	<b>Increase /( Decrease) of Current Liabilities</b>	<b>2,620,817,318</b>
1,500,002,795	1. Increase/(Decrease) in Deposits	2,788,459,185
-	2. Increase/(Decrease) in Certificates of Deposits	-
(150,361,328)	3. Increase/(Decrease) in Short Term Borrowings	(38,430,000)
8,263,043	4. Increase/(Decrease) in Other Liabilities	(129,211,866)
<b>(39,038,022)</b>	<b>(B) Cash Flow from Investment Activities</b>	<b>(126,683,039)</b>
-	1. (Increase)/Decrease in Long-term Investment	-
(39,038,022)	2. (Increase)/Decrease in Fixed Assets	(126,683,039)
-	3. Interest income from Long term Investment	-
-	4. Dividend Income	-
-	5. Others	-
<b>125,000,000</b>	<b>(C) Cash Flow from Financing Activities</b>	<b>124,411,430</b>
-	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-
125,000,000	2. Increase/(Decrease) in Share Capital	125,000,000
-	3. Increase/(Decrease) in Other Liabilities	(588,570)
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
	<b>(D) Income/Loss from change in exchange rate in Cash &amp; bank balances</b>	
<b>(53,741,624)</b>	<b>(E) This Year's Cash Flow from All Activities</b>	<b>282,483,206</b>
<b>443,371,369</b>	<b>(F) Opening Balance of Cash and Bank Balances</b>	<b>389,629,745</b>
<b>389,629,745</b>	<b>(G) Closing Balance of Cash and Bank Balances</b>	<b>672,112,951</b>

As per our report of even date

**Geha Nath**  
**Dhungana**  
 Senior Manager

**Surender Bhandari**  
 Chief Executive Officer

**Noor Pratap J.B. Rana**  
 Chairman

**Amir Pratap J.B. Rana**  
**Santoo Shrestha**  
**Shiva Ratan Sarada**  
**Samson JB Rana**  
**Lalit Jung Shahi**  
**Jagadish P Chaudhary**  
 Director

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

**Date: 2007-10-17**  
**Place: Kathmandu**



## Schedule 4.1

### Share Capital and Ownership

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR (RS.)	PARTICULARS	CURRENT YEAR (RS.)
	<b>1. Share Capital</b>	
<b>1,000,000,000</b>	<b>1.1 Authorized Capital</b>	<b>1,000,000,000</b>
1,000,000,000	a) 10,000,000 Ordinary Shares of Rs. 100 each	1,000,000,000
-	b) .....Non-redeemable Preference Shares of Rs..... each	-
-	c) .....Redeemable Preference Shares of Rs..... each	-
<b>625,000,000</b>	<b>1.2 Issued Capital</b>	<b>750,000,000</b>
625,000,000	a) 7,500,000 Ordinary Shares of Rs. 100 each	750,000,000
-	b) .....Non-redeemable Preference Shares of Rs..... each	-
-	c) .....Redeemable Preference Shares of Rs..... each	-
<b>625,000,000</b>	<b>1.3 Paid Up Capital</b>	<b>750,000,000</b>
625,000,000	a) 7,500,000 Ordinary Shares of Rs.100 each	750,000,000
-	b) .....Non-redeemable Preference Shares of Rs..... each	-
-	c) .....Redeemable Preference Shares of Rs..... each	-

### Share Ownership

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR (RS.)	%	PARTICULARS	%	CURRENT YEAR (RS.)
437,500,000	70.00	A. Promoters	70.00	524,999,600
-	-	1.1 Government of Nepal	-	-
-	-	1.2 Foreign Institution	-	-
-	-	1.3 "A" Class Liscensed Institutions	-	-
-	-	1.4 Other Liscensed Institutions	-	-
14,436,500	2.31	1.5 Other Institutions	0.12	900,000
423,063,500	67.69	1.6 Personal	69.88	524,099,600
-	-	1.7 Others	0.00	-
187,500,000	30.00	B. General Public	30.00	225,000,400
625,000,000	100	Total	100	750,000,000

## Share Capital &amp; Ownership

## LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF SHARE CAPITAL

S. No.	NAME	PREVIOUS YEAR		CURRENT YEAR	
		AMOUNT	%	AMOUNT	%
1	NOOR PRATAP J. B.	40,625,000.00	6.5	48,750,000.00	6.50000
2	LAXMAN SHRESTHA	37,500,000.00	6	45,000,000.00	6.00000
3	AMIR PRATAP J. B.	31,625,000.00	5.06	37,950,000.00	5.06000
4	SABITRI GURUNG	25,000,000.00	4	30,000,000.00	4.00000
5	RAJENDRA PRASAD SHRESTHA	20,000,000.00	3.2	24,000,000.00	3.20000
6	RISHI AGRAWAL	15,000,000.00	2.4	18,000,000.00	2.40000
7	SANJAY LAMA	12,500,000.00	2	15,000,000.00	2.00000
8	BIDHYA KRISHNA SHRESTHA	10,625,000.00	1.7	12,750,000.00	1.70000
9	GOVINDA DAS SHRESTHA	9,375,000.00	1.5	11,250,000.00	1.50000
10	SHASHI KANT AGRAWAL	3,125,000.00	0.5	11,250,000.00	1.50000
11	JAGADISH PRASAD CHAUDHARY	8,750,000.00	1.4	10,500,000.00	1.40000
12	MAHABIR PRASAD GOEL	3,125,000.00	0.5	9,900,000.00	1.32000
13	BHIM KRISHNA UDAS	6,250,000.00	1	7,500,000.00	1.00000
14	PHURBA BANGDEL LAMA	6,250,000.00	1	7,500,000.00	1.00000
15	ANIL DAS SHRESTHA	6,250,000.00	1	7,500,000.00	1.00000
16	SANTU SHRESTHA	6,250,000.00	1	7,500,000.00	1.00000
17	JANUKI KUMARI J. B. RANA	6,250,000.00	1	7,500,000.00	1.00000
18	MANJU TAPADIYA	6,250,000.00	1	7,500,000.00	1.00000
19	NIRMAL PRADHAN	5,284,200.00	0.84	7,493,000.00	0.99907
20	ANUPAM RATHI			6,750,000.00	0.90000
21	SHREE NIWAS SHARADA	5,500,000.00	0.88	6,600,000.00	0.88000
22	SHIVA SHANKER AGRAWAL	4,875,000.00	0.78	6,570,000.00	0.87600
23	PRAVA LAXMI RANA	5,000,000.00	0.8	6,000,000.00	0.80000
24	RITA K.C.	5,000,000.00	0.8	6,000,000.00	0.80000
25	ANTU SHRESTHA	4,875,000.00	0.78	5,850,000.00	0.78000
26	GAURI SHRESTHA	6,008,200.00	0.96	5,743,400.00	0.76579
27	CIT CITIZEN UNIT	4,687,500.00	0.75	5,625,000.00	0.75000
28	NCM MUTUAL	4,687,500.00	0.75	5,625,000.00	0.75000
29	ATMARAM MURARKA	4,375,000.00	0.7	5,250,000.00	0.70000
30	PRADEEP KUMAR MURARKA	4,375,000.00	0.7	5,250,000.00	0.70000
31	PASHUPATI MURARKA	4,375,000.00	0.7	5,250,000.00	0.70000
32	NARESH DUGAD	4,375,000.00	0.7	5,250,000.00	0.70000
33	KUMUD KUMAR DUGAD	4,375,000.00	0.7	5,250,000.00	0.70000
34	BIKASH DUGAD	4,375,000.00	0.7	5,250,000.00	0.70000
35	SHARMILA ARYAL	3,750,000.00	0.6	4,500,000.00	0.60000
36	DEV KISHAN MUDANDA	3,750,000.00	0.6	4,500,000.00	0.60000
37	VIDUSHI RANA	3,625,000.00	0.58	4,350,000.00	0.58000
38	PEGI PANDEY	3,625,000.00	0.58	4,350,000.00	0.58000
39	YAGYA PRATAP RANA	3,125,000.00	0.5	3,750,000.00	0.50000
40	SANDEEP LAMA	3,125,000.00	0.5	3,750,000.00	0.50000
41	UTTAM PRASAD BHATTARAI	3,125,000.00	0.5	3,750,000.00	0.50000
42	RAKSHYA PAHADI	3,125,000.00	0.5	3,750,000.00	0.50000
43	SURENDER BHANDARI	3,125,000.00	0.5	3,750,000.00	0.50000
44	GANGA AMATYA	3,125,000.00	0.5	3,750,000.00	0.50000
45	SANJAY KUMAR SUREKA	3,156,200.00	0.505	-	-
46	DIN BANDHU AGRAWAL	3,125,000.00	0.5	-	-
47	SHIVA KUMAR AGRAWAL	3,125,000.00	0.5	-	-
48	SUMIT KUMAR AGRAWAL	3,125,000.00	0.5	-	-

## Schedule 4.2

### Reserves and Funds

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR RS.	PARTICULARS	CURRENT YEAR RS.
50,808,874	1. General Reserve Fund	84,861,456
125,000,000	2. Proposed Bonus Share	150,000,000
-	3. Capital Reserve Fund	-
-	4. Capital Redemption Reserve	-
37,500,000	5. Capital Adjustment Fund	-
-	6. Other Reserve & Funds	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Fund	-
-	f. Other Free Reserves	-
-	g. Other Reserves	-
20,211,002	7. Accumulated Profit/Loss	35,031,460
5,330,681	8. Exchange Fluctuation Fund	5,737,242
<b>238,850,557</b>	<b>Total</b>	<b>275,630,159</b>

## Schedule 4.3

### Debentures and Bonds

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR RS.	PARTICULARS	CURRENT YEAR RS.
-	1. ....% Bond/Debentures of Rs.....each Issued on ..... and to be matured on ..... (Outstanding balance of Redemption Reserve Rs.....)	-
-	2. ....% Bond/Debentures of Rs.....each Issued on ..... and to be matured on ..... (Outstanding balance of Redemption Reserve Rs.....)	-
-	3. ....	-
-	<b>Total (1+2+3)</b>	-

## Schedule 4.4

### Outstanding Loan (Borrowings)

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
<b>251,400,000</b>	<b>A. Domestic</b>	<b>212,970,000</b>
-	1. Government of Nepal	-
27,000,000	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
224,400,000	4. Inter Bank and Financial institutions	212,970,000
-	5. Other Organized Institutions	-
-	6. Others	-
<b>251,400,000</b>	<b>Total</b>	<b>212,970,000.00</b>
-	<b>B. Foreign</b>	-
-	1. Banks	-
-	2. Others	-
-	<b>Total</b>	-
<b>251,400,000</b>	<b>Total (A+B)</b>	<b>212,970,000</b>

## Schedule 4.5

### Deposit

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
	<b>1. Non-Interest bearing accounts</b>	
<b>350,820,420</b>	<b>A. Current Deposit</b>	<b>403,802,521</b>
<b>340,524,780</b>	<b>1. Local Currency</b>	<b>385,216,121</b>
-	1.1 Government of Nepal	-
19,169,518	1.2 "A" Class Liscensed Institutions	2,429,663
112,266,612	1.3 Other Liscensed Financial Institutions	48,245,908
154,620,474	1.4 Other Organized Institutions	259,339,290
54,468,176	1.5 Individuals	75,201,260
-	1.6 Others	-
<b>10,295,640</b>	<b>2. Foreign Currency</b>	<b>18,586,400</b>
-	2.1 Government of Nepal	-
-	2.2 "A" Class Liscensed Institutions	-
765,613	2.3 Other Liscensed Financial Institutions	593,745
-	2.4 Other Organized Institutions	-
9,530,027	2.5 Individuals	17,992,655
-	2.6 Others	-
<b>56,724,222</b>	<b>B. Margin Deposits</b>	<b>87,733,481</b>
1,107,250	1. Employees Guarantee (Locker Margin)	2,005,500
21,610,129	2. Guarantee Margin	30,715,792
34,006,843	3. Margin on Letter of Credit	55,012,189
-	<b>C. Others</b>	-
-	<b>1. Local Currency</b>	-
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
-	1.3 Individuals	-
-	<b>2. Foreign Currency</b>	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
<b>407,544,642</b>	<b>Total of Non-Interest Bearing Accounts</b>	<b>491,536,002</b>

**Schedule 4.5 A**

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
	<b>2. Interest Bearing Accounts</b>	
<b>2,317,842,092</b>	<b>A. Saving Deposits</b>	<b>4,461,695,278</b>
<b>2,265,255,589</b>	<b>1. Local Currency</b>	<b>4,312,451,044</b>
58,642,088	1.1 Organized Institutions	320,540,338
2,206,613,501	1.2 Individuals	3,991,910,706
-	1.3 Others	-
<b>52,586,503</b>	<b>2. Foreign Currency</b>	<b>149,244,234</b>
79,678	2.1 Organized Institutions	70,432
52,506,825	2.2 Individuals	149,173,802
-	2.3 Others	-
<b>3,162,833,667</b>	<b>B. Fixed Deposits</b>	<b>2,776,480,794</b>
<b>2,956,076,895</b>	<b>1. Local Currency</b>	<b>2,654,661,888</b>
2,557,890,609	1.1 Organized Institutions	2,457,248,187
398,186,286	1.2 Individuals	197,413,701
-	1.3 Others	-
<b>206,756,772</b>	<b>2. Foreign Currency</b>	<b>121,818,906</b>
186,000,000	2.1 Organized Institutions	2,496
1,640,521	2.2 Individuals	121,816,410
19,116,251	2.3 Others	-
<b>1,880,736,875</b>	<b>C. Call Deposits</b>	<b>2,827,704,386</b>
<b>1,880,730,952</b>	<b>1. Local Currency</b>	<b>2,587,253,517</b>
-	1.1 "A" Class Liscensed Institutions	-
224,997,541	1.2 Other Liscensed Financial Institutions	590,420,043
1,638,436,785	1.3 Other Organized Institutions	1,944,505,546
17,296,626	1.4 Individuals	52,327,928
-	1.5 Others	-
<b>5,923</b>	<b>2. Foreign Currency</b>	<b>240,450,869</b>
-	2.1 "A" Class Liscensed Institutions	-
-	2.2 Other Liscensed Financial Institutions	176,852
5,923	2.3 Other Organized Institutions	-
-	2.4 Individuals	240,274,017
-	2.5 Others	-
-	<b>D. Certificate of Deposit</b>	-
-	1. Organized Institutions	-
-	2. Individuals	-
-	3. Others	-
<b>7,361,412,634</b>	<b>Total of Interest Bearing Accounts</b>	<b>10,065,880,458</b>
<b>7,768,957,276</b>	<b>Total Deposits (1+2)</b>	<b>10,557,416,461</b>

**Schedule 4.6****Bills Payable**

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
11,620,891	1. Local Currency	16,273,704
297,944	2. Foreign Currency	280,680
<b>11,918,835</b>	<b>Total</b>	<b>16,554,384</b>



## Schedule 4.7

### Other Liabilities

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
4,451,243	1. Pension/Gratuity Fund	7,365,534
16,597,197	2. Employees Provident Fund	4,664,901
-	3. Employees Welfare Fund	-
14,712,098	4. Provision for Staff Bonus	24,855,899
24,024,192	5. Interest Payable on Deposits	18,317,360
1,852,059	6. Interest Payable on Borrowings	102,479
303,502	7. Unearned Discount and Commission	459,292
7,362,756	8. Sundry Creditors	6,495,330
-	9. Branch Reconciliation Account	-
37,971,179	10. Others	32,472,825
161,000	a. Audit Fees	190,000
37,810,179	b. Others	32,282,825
<b>107,274,226</b>	<b>Total</b>	<b>94,733,620</b>

## Schedule 4.8

### Cash Balance

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
129,878,755	1. Local Currency (Including Coins)	178,558,071
5,916,236	2. Foreign Currency	12,190,139
<b>135,794,991</b>	<b>Total</b>	<b>190,748,210</b>

## Schedule 4.9

### Balance With Nepal Rastra Bank

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY IN EQUIVALENT RS.			TOTAL RS.
			INR	CONVERTIBLE	TOTAL	
<b>210,552,637</b>	<b>1. Nepal Rastra Bank</b>	<b>368,136,984</b>	-	<b>16,707,525</b>	<b>16,707,525</b>	<b>384,844,510</b>
209,164,202	a. Current Account	367,000,326	-	16,707,525	16,707,525	383,707,851
1,388,435	b. Other Account (NRB L.C. Margin)	1,136,659	-	-	-	1,136,659

## Schedule 4.10

### Balance With Banks/Financial Institutions

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY IN RUPEE EQUIVALENT			TOTAL(RS)
			IRS	CONVERTIBLE FYC	TOTAL	
6,009,214	<b>1. Local Licensed Institutions</b>	<b>2,793,137</b>	-	<b>2,775,860</b>	<b>2,775,860</b>	<b>5,568,997</b>
6,009,214	a. Current Account	2,793,137	-	2,775,860	2,775,860	5,568,997
-	b. Other Account	-	-	-	-	-
<b>37,272,904</b>	<b>2. Foreign Banks</b>	-	<b>51,358,318</b>	<b>39,592,915</b>	<b>90,951,233</b>	<b>90,951,233</b>
37,272,904	a. Current Account	-	51,358,318	39,592,915	90,951,233	90,951,233
-	b. Other Account	-	-	-	-	-
<b>43,282,117</b>	<b>Total</b>	<b>2,793,137</b>	<b>51,358,318</b>	<b>42,368,775</b>	<b>93,727,093</b>	<b>96,520,231</b>

Note: Total balance for which the confirmations are received from respective Banks is NPR. 126,561,496.05

## Schedule 4.11

### Money At Call And Short Notice

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
145,000,000	1. Local Currency (Including Coins)	372,215,000
-	2. Foreign Currency	-
<b>145,000,000</b>	<b>TOTAL</b>	<b>372,215,000</b>

## Schedule 4.12 Investments

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	PURPOSE		CURRENT YEAR (RS.)
		TRADING	OTHER	
1,055,680,846	1. Government's Treasury Bills	-	1,242,417,040	1,242,417,040
-	2. Government's Saving Certificate	-	-	-
58,638,592	3. Government's Other Bonds	-	55,450,000	55,450,000
-	4. Nepal Rastra Bank's Bonds	-	-	-
-	5. Foreign Bonds	-	-	-
-	6. Local Licensed Institutions	-	-	-
280,275,316	7. Foreign Banks	-	380,198,375	380,198,375
353,000	8. Shares of Organized Institutions	-	353,000	353,000
-	9. Bonds and Debentures of Organized Institutions	-	-	-
-	10. Other Investment	-	-	-
<b>1,394,947,754</b>	<b>Total Investment</b>	-	<b>1,678,418,415</b>	<b>1,678,418,415</b>
-	<b>Provision</b>	-	-	-
<b>1,394,947,754</b>	<b>Net Investment</b>	-	<b>1,678,418,415</b>	<b>1,678,418,415</b>

## Schedule 4.12(A)

### Investment In Shares, Debentures And Bonds

End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
<b>353,000.00</b>	<b>1. Investment in Shares</b>	<b>353,000</b>
353,000.00	1.1 Credit Information Centre Limited	353,000
	3530 Ordinary Shares of Rs. 100 each, fully paid	
-	1.2 .....Company (Pvt. Ltd/Ltd)	-
-	.....Ordinary Shares (including bonus) of	-
	Rs ... .. Fully paid	
-	1.3 .....Company (Pvt. Ltd/Ltd)	-
-	..... Preference Share of Rs. .... Fully paid	-
-	<b>2. Investment in Debentures and Bonds</b>	-
-	2.1 .....Company ( Pvt. Ltd/Ltd)	-
	..... Percent Debenture/Bond of Rs. ....	
-	2.2 .....	-
-	2.3 .....	-
<b>353,000.00</b>	<b>Total Investment</b>	<b>353,000</b>
	<b>3. Provision for Loss</b>	
-	3.1 Up to previous year	-
-	3.2 Change in current year	-
	<b>Total Provision</b>	-
<b>353,000.00</b>	<b>Net Investment</b>	<b>353,000</b>

Note : Credit Information Center Ltd has not provided any dividend for past 3 years.

**Schedule 4.13**  
**Classification Of Loans, Advances And Bills Purchased & Provisioning**  
End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	PARTICULARS	PRIORITY SECTOR			LOANS & ADVANCES			BILLS PURCHASED/DISCOUNTED			CURRENT YEAR RS.
		INSURED	UNINSURED	DOMESTIC	OTHER	FOREIGN	TOTAL	DOMESTIC	FOREIGN	TOTAL	
<b>6,943,433,808</b>	<b>1. Performing Loan</b>	-	<b>171,061,355</b>	<b>8,773,739,512</b>	-	-	<b>8,944,800,867</b>	<b>22,515,723</b>	<b>28,998,023</b>	<b>51,513,746</b>	<b>8,996,314,613</b>
6,876,564,579	1.1 Pass	-	171,061,355	8,735,127,458	-	-	8,906,188,813	22,515,723	28,998,023	51,513,746	8,957,702,559
66,869,229	1.2 Restructured	-	-	38,612,054	-	-	38,612,054	-	-	-	38,612,054
<b>64,353,706</b>	<b>2. Non-Performing Loan</b>	-	-	<b>66,118,868</b>	-	-	<b>66,118,868</b>	-	-	-	<b>66,118,868</b>
12,236,631	2.1 Sub-Standard	-	-	10,378,475	-	-	10,378,475	-	-	-	10,378,475
32,745,146	2.2 Doubtful	-	-	38,636,356	-	-	38,636,356	-	-	-	38,636,356
19,371,929	2.3 Loss	-	-	17,104,037	-	-	17,104,037	-	-	-	17,104,037
<b>7,007,787,514</b>	<b>A. Total Loan</b>	-	<b>171,061,355</b>	<b>8,839,858,380</b>	-	-	<b>9,010,919,735</b>	<b>22,515,723</b>	<b>28,998,023</b>	<b>51,513,746</b>	<b>9,062,433,481</b>
-	<b>3. Loan Loss Provision</b>	-	-	-	-	-	-	-	-	-	-
68,769,774	3.1 Pass	-	1,710,614	87,351,275	-	-	89,061,888	225,157	289,980	515,137	89,577,026
8,358,654	3.2 Restructured	-	-	4,826,507	-	-	4,826,507	-	-	-	4,826,507
3,059,158	3.3 Sub-Standard	-	-	2,594,619	-	-	2,594,619	-	-	-	2,594,618
16,372,573	3.4 Doubtful	-	-	19,318,178	-	-	19,318,178	-	-	-	19,318,178
19,371,929	3.5 Loss	-	-	17,104,037	-	-	17,104,037	-	-	-	17,104,037
<b>115,932,088</b>	<b>B. Total Provisioning</b>	-	<b>1,710,614</b>	<b>131,194,615</b>	-	-	<b>132,905,229</b>	<b>225,157</b>	<b>289,980</b>	<b>515,137</b>	<b>133,420,366</b>
-	<b>4. Provisioning up to previous year</b>	-	-	-	-	-	-	-	-	-	-
56,061,231	4.1 Pass	-	2,946,371	64,905,701	-	-	67,852,072	209,820	707,882	917,702	68,769,774
4,026,425	4.2 Restructured	-	-	8,358,654	-	-	8,358,654	-	-	-	8,358,654
1,153,649	4.3 Sub-Standard	-	302,207	2,756,951	-	-	3,059,158	-	-	-	3,059,158
14,239,637	4.4 Doubtful	-	-	16,372,573	-	-	16,372,573	-	-	-	16,372,573
20,894,667	4.5 Loss	-	1,150,000	18,221,929	-	-	19,371,929	-	-	-	19,371,929
<b>96,375,609</b>	<b>C. Total provision till Last year</b>	-	<b>4,398,578</b>	<b>110,615,808</b>	-	-	<b>115,014,386</b>	<b>209,820</b>	<b>707,882</b>	<b>917,702</b>	<b>115,932,088</b>
<b>(5,116,699)</b>	<b>D. Written Back from last year provision</b>	-	-	-	-	-	-	-	-	-	<b>(6,264,578)</b>
<b>24,673,178</b>	<b>E. Additional Provision in this year</b>	-	-	-	-	-	-	-	-	-	<b>23,752,857</b>
19,556,479	Change in this year	-	-	-	-	-	-	-	-	-	17,488,278
<b>6,891,855,426</b>	<b>Net Loan (A-B)</b>	-	<b>4,398,578</b>	<b>110,615,808</b>	-	-	<b>115,014,386</b>	<b>209,820</b>	<b>707,882</b>	<b>917,702</b>	<b>8,929,013,115</b>

### Schedule 4.13(A)

#### Security for Loan, Advances and Bills Purchased

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
<b>7,007,787,514</b>	<b>A. Secured</b>	-
5,564,311,455	1. Against Security of Movable/Immovable Assets	7,463,682,294
137,487,961	2. Against Guarantee of Local Licensed Institutions	-
-	3. Against Government Guarantee	-
-	4. Against Guarantee of Internationally Rated Bank	-
102,831,247	5. Against Security of Export Documents	12,254,000
-	6. Against Security of Fixed Deposit Receipts	-
21,563,078	a. Own FDR	21,947,696
63,881,908	b. FDR of Other Licensed Institutions	84,939,386
599,790	7. Against Security of Government Bonds	-
-	8. Against Counter Guarantee	-
17,879,858	9. Against Personal Guarantee	-
1,099,232,217	10. Against Other Securities	1,479,610,105
-	<b>B. Unsecured</b>	-
<b>7,007,787,514</b>	<b>Total</b>	<b>9,062,433,481</b>

### Schedule 4.14

#### Fixed Assets

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	ASSETS					Current Year Rs.
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS	
	<b>1. Cost Price</b>						
115,471,206	a. Previous Year's Balance	-	34,080,941	-	84,984,736	30,636,113	149,701,790
36,787,584	b. Addition This Year	5,569,365	9,555,475	-	20,370,459	331,500	35,826,799
-	c. Revaluation/Written Back This Year	-	-	-	-	-	-
(2,557,001)	d. This Year Sold	-	(6,655,488)	-	(685,366)	-	(7,340,854)
-	e. This Year Written Off	-	-	-	-	-	-
<b>149,701,789</b>	<b>Total Cost (a+b+c+d+e)</b>	<b>5,569,365</b>	<b>36,980,928</b>	<b>-</b>	<b>104,669,829</b>	<b>30,967,613</b>	<b>178,187,735</b>
	<b>2. Depreciation</b>						
51,379,511	a. Up to previous year	-	13,027,322	-	37,818,019	22,802,840	73,648,181
24,118,950	b. For this year	185,646	5,368,145	-	15,032,530	2,308,056	22,894,378
(1,538,156)	c. Depreciation on revaluation/Written Back	-	(4,060,376)	-	(183,252)	-	(4,243,628)
-	d. Depreciation Adjustment /Add back	-	-	-	-	-	-
<b>73,960,305</b>	<b>Total Depreciation</b>	<b>185,646</b>	<b>14,335,091</b>	<b>-</b>	<b>52,667,297</b>	<b>25,110,896</b>	<b>92,298,929</b>
<b>75,741,484</b>	<b>3. Book Value (WDV*) (1-2)</b>	<b>5,383,720</b>	<b>22,645,837</b>	<b>-</b>	<b>52,002,532</b>	<b>5,856,717</b>	<b>85,888,806</b>
-	4. Land	85,593,635	-	-	-	-	85,593,635
<b>3,240,709</b>	5. Capital Work In Progress (pending Capitalization)	-	-	-	-	-	-
12,950,764	6. Leasehold Assets	-	-	-	-	-	17,841,301
<b>91,932,957</b>	<b>Total (3+4+5+6)</b>	<b>90,977,355</b>	<b>22,645,837</b>	<b>-</b>	<b>52,002,532</b>	<b>5,856,717</b>	<b>189,323,742</b>

Note -

Addition of Lease Hold Assets during the year NPR. 11,288,416  
 Depreciation on Lease Hold Assets During the year NPR. 6,397,879



**Schedule 4.15**  
**Non Banking Assets**  
End of Ashad 2064 (16 July 2007)

PREVIOUS YEAR	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON BANKING ASSETS	TOTAL NON BANKING ASSETS	LOSS PROVISION %	IN NPR	NET NON BANKING ASSETS
3,592,027	Anmol Yatayat Sewa	9-Feb-06	4,789,369	50%	2,394,684	2,394,684
3,592,027	Grand Total		4,789,369		2,394,684	2,394,684

**Schedule 4.16**  
**Other Assets**  
End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR RS.
2,286,935	1. Stock of Stationery	2,375,755
16,488,731	2. Income receivable on Investment	8,569,849
9,625,077	3. Accrued Interest Receivable on Loan	42,121,009
	Less:Interest Suspense Account	(42,121,009)
-	4. Commission Receivable	-
1,308,391	5. Sundry Debtors	8,983,578
21,480,022	6. Staff Loan & Advances	39,420,370
12,908,012	7. Pre Payments	10,018,740
-	8. Cash in Transit	-
-	9. Other Transit items (including Cheques)	-
-	10. Drafts payment without notice	-
517,546	11. Expenses not written off	-
-	12. Branch Reconciliation Account	-
28,703,562	13. Others	5,465,230
-	a. Advance Tax Paid ( Net of Tax Liabilities)	
-	b. Others	5,465,230
<b>93,318,276</b>	<b>Total</b>	<b>74,833,522</b>

**Schedule 4.16(A)**  
**Other Assets (Additional Statement)**  
End of Ashad 2064 ( 16 July 2007)

Previous Year	Particulars	Current Year (Rs.) Up to 1 Year	1 to 3 Year	Above 3 Years	Total
25,146,801	1. Accrued Interest Receivable on Loan	40,179,826	1,670,547	270,636	42,121,009
-	2. Drafts Payment without notice	-	-	-	-
-	3. Branch Reconciliation Account	-	-	-	-

## Schedule 4.17

### Contingent Liabilities

End of Ashad 2064 ( 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
-	1. Claims Lodged but not accepted by the Institution	-
<b>402,229,756</b>	2. Letter of Credit (Full Amount)	<b>918,358,199</b>
369,857,395	a. Maturity period up to 6 months	743,868,768
32,372,361	b. Maturity period more than 6 months	174,489,431
-	3. Rediscounted Bills	-
<b>322,291,246</b>	4. Unmatured Guarantees/Bonds	<b>280,110,386</b>
34,197,244	a. Bid Bonds	24,995,555
288,094,002	b. Performance Bonds	255,114,831
-	c. Other Guarantee/Bonds	-
-	5. Unpaid Shares Investment	-
-	6. Outstanding of Forward Exchange Contract Liabilities	-
-	7. Bills under Collection	-
134,774,153	8. Acceptance & Endorsement	47,265,959
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
-	11. Guarantees against Counter Guarantee of Internationally Rated Banks	41,723,402
21,545,825	12. Advance Payment Guarantee	126,638,621
-	13. Financial Guarantee for loan disbursement	-
-	14. Contingent Liabilities on Income Tax	-
-	15. Others	-
-	16. ....	-
-	17. ....	-

## Schedule 4.18

### Interest Income

From 1st Shrawan 2063 to Ashad 32 2064 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR RS.
<b>533,688,534</b>	<b>A. On Loans, Advances and Overdraft</b>	<b>691,140,397</b>
293,515,724	1. Loans & Advances	378,087,240
240,172,810	2. Overdraft	313,053,157
<b>48,122,107</b>	<b>B. On Investment</b>	<b>44,900,557</b>
48,122,107	1. Government Securities	44,900,557
45,052,614	a. Treasury Bills	41,857,112
3,069,493	b. Development Bonds	3,043,445
-	c. National Saving Certificates	-
-	2. Foreign Debt Papers	-
-	a. ....	-
-	b. ....	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture & Bonds	-
-	5. Interest on Interbank Investment	-
-	a. Bank/ Financial Institutions	-
-	b. Other Institutions	-
<b>286,683</b>	<b>C. On Agency Balances</b>	<b>1,148,655</b>
-	1. Domestic Banks/ Financial Institutions	-
286,683	2. Foreign Banks	1,148,655
<b>23,029,081</b>	<b>D. On Money at Call and Short Notice</b>	<b>54,094,600</b>
13,062,172	1. Domestic Banks/Financial Institutions	32,267,659
9,966,909	2. Foreign Banks	21,826,941
<b>400,452</b>	<b>E. On Others</b>	-
-	1. Certificate of Deposits	-
-	2. Inter-Bank/ Financial Institution Loan	-
400,452	3. Others	-
<b>605,526,857</b>	<b>Total</b>	<b>791,284,209</b>

## Schedule 4.19

### Interest Expenses

From 1st Shrawan 2063 to Ashad 32 2064 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
<b>330,317,378</b>	<b>A. ON DEPOSIT LIABILITIES</b>	<b>389,295,827</b>
<b>161,042,096</b>	<b>1. Fixed Deposits</b>	<b>153,084,677</b>
157,144,938	1.1 Local Currency	140,352,708
3,897,158	1.2 Foreign Currency	12,731,969
<b>63,412,445</b>	<b>2. Saving Deposits</b>	<b>106,753,117</b>
63,007,915	2.1 Local Currency	104,556,822
404,530	2.2 Foreign Currency	2,196,295
<b>105,862,837</b>	<b>3. Call Deposits</b>	<b>129,458,033</b>
105,862,837	3.1 Local Currency	126,348,155
-	3.2 Foreign Currency	3,109,878
	<b>4. Certificate of Deposits</b>	
<b>6,738,767</b>	<b>B. ON BORROWINGS</b>	<b>7,757,293</b>
-	1. Debentures & Bonds	-
-	2. Loan from Nepal Rastra Bank	-
6,738,767	3. Inter Bank /Financial Institutions Borrowing	7,757,293
-	4. Other Organized Institution	-
-	5. Other Loans	-
	<b>C. ON OTHERS</b>	
-	1.	-
-	2.	-
<b>337,056,145</b>	<b>Total</b>	<b>397,053,120</b>

## Schedule 4.20

### Commission And Discount Income

From 1st Shrawan 2063 to Ashad 32 2064 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
<b>1,326,163</b>	<b>A. Bills Purchase &amp; Discount</b>	<b>1,983,735</b>
1,326,163	1. Local	1,983,735
-	2. Foreign	-
<b>14,754,637</b>	<b>B. Commission</b>	<b>18,425,748</b>
7,592,464	1. Letters of Credit	9,909,844
4,230,903	2. Guarantees	5,321,141
496,767	3. Collection Fees	247,424
1,879,517	4. Remittance Fees	2,382,812
-	5. Credit Card	-
-	6. Share Underwriting/Issue	-
-	7. Government Transactions	-
554,986	8. Agency Commission	564,527
-	9. Exchange Fee	-
<b>10,200,202</b>	<b>C. Others</b>	<b>20,354,643</b>
<b>26,281,002</b>	<b>Total</b>	<b>40,764,126</b>

## Schedule 4.21

### Other Operating Income

From 1st Shrawan 2062 to Ashad 32 2063 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
338,200	1. Safe Deposit Lockers Rental	578,700
-	2. Issue & Renewals of Credit Cards	-
297,008	3. Issue & Renewals of ATM Cards	5,483,568
2,524,371	4. Telex / T. T./ SWIFT	3,257,260
6,563,234	5. Service Charges	4,694,954
-	6. Renewal Fees	-
280,193	7. Others	1,266,474
<b>10,003,006</b>	<b>Total</b>	<b>15,280,956</b>

## Schedule 4.22

### Exchange Gain/Loss

From 1st Shrawan 2063 to Ashad 32 2064 ( 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
6,419,457	a. From Revaluation	1,626,245
19,954,281	b. From Trading (except Exchange Fees)	18,668,195
26,373,738	Total Gain (Loss)	20,294,440

## Schedule 4.23

### Employees Expenses

From 1st Shrawan 2063 to Ashad 32 2064 ( 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
30,404,635	1. Salary	36,136,633
<b>14,128,314</b>	<b>2. Allowances</b>	<b>21,698,172</b>
8,199,972	a. Normal Allowance	14,245,611
61,867	b. Inchargeship Allowance	19,000
73,895	c. Relocation Allowance	86,413
169,391	d. Outstation Allowance	295,031
2,298,576	e. Dashain Allowance	2,869,639
185,680	f. Vehicle Maintenance Allowance	226,800
2,746,234	g. Leave Fare Allowance	3,955,678
392,700	h. Children Education	-
2,863,627	3. Contribution to Provident Fund	3,514,681
853,019	4. Training Expenses	1,580,940
-	5. Uniform	-
1,748,911	6. Medical	2,376,425
1,427,727	7. Insurance	1,729,679
4,899,054	8. Pension and Gratuity Provision	2,797,397
<b>3,494,246</b>	<b>9. Others</b>	<b>4,409,701</b>
735,291	a. Wages	1,138,425
107,299	b. Teller Risk Fund	156,100
2,321,212	c. Other Staff Benefits	2,766,443
330,444	d. Overtime	348,733
<b>59,819,533</b>	<b>Total</b>	<b>74,243,628</b>

## Schedule 4.24 Other Operating Expenses

From 1st Shrawan 2063 to Ashad 32 2064 ( From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS		CURRENT YEAR RS.
12,217,162	1. House Rent		16,249,104
3,855,703	2. Electricity & Water		3,865,011
<b>606,567</b>	3. Repair & Maintenance		885,011
257,606	a. Building	456,328	
348,961	b. Vehicles	428,683	
-	c. Others	-	
3,922,231	4. Insurance		2,719,413
10,708,997	5. Postage, Telex, Telephone & Fax		10,632,554
437,562	6. Office Equipment, Furniture and Repair		717,497
1,204,521	7. Travelling Allowances & Expenses		1,833,969
3,527,451	8. Stationery & Printing		4,322,524
156,725	9. Periodicals & Books		189,011
2,055,465	10. Advertisements		3,837,920
759,083	11. Legal Expenses		887,030
21,501	12. Donations		140,406
<b>2,188,935</b>	13. Expenses relating to Board of Directors		2,751,016
1,966,500	a. Meeting Fees	2,530,135	
222,435	b. Other Expenses	220,881	
707,976	14. Annual General Meeting Expenses		810,673
<b>351,216</b>	15. Expenses relating to Audit		336,111
161,000	a. Audit Fees	185,480	
190,216	b. Other Expenses	150,631	
-	16. Commission on Fund Transfer		-
30,089,215	17. Depreciation on Fixed Assets		29,292,255
-	18. Amortization of Pre-operating Expenses		-
-	19. Share Issue expenses		-
-	20. Technical Services (Reimbursement)		-
150,230	21. Entertainment Expenses		191,852
-	22. Written Off Expenses		-
2,549,363	23. Security Expenses		4,200,762
-	24. Credit Guarantee Premium		-
-	25. Commission & Discount		-
13,779,411	26. Others		20,217,357
1,949,599	a. Transport	2,460,996	
392,800	b. Professional Fees	817,330	
2,264,999	c. Public Relation Expenses	6,077,891	
983,797	d. Banking and Corporate Expenses	1,793,882	
700,045	e. Correspondent Banking Charges	595,572	
3,427,879	f. Fees and Taxes	4,479,482	
1,239,235	g. Visa Fees and Charges	2,536,722	
1,989,872	h. NRB Charges on FCY Deposit	237,883	
149,882	i. Miscellaneous	217,415	
75,056	j. Prior Period Expenses	142,500	
-	k. Error, Fine and Losses	32,202	
606,247	l. Janitorial	825,483	
<b>88,683,067</b>	<b>Total</b>		<b>104,079,476</b>

**Schedule 4.25****Provision For Possible Losses**

From 1st Shrawan 2063 to Ashad 32 2064 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
24,673,178	1. Increase in Provision for Loan Loss	23,752,857
-	2. Increase in Provision for Loss on Investment	-
1,197,342	3. Provision for loss on Non-Banking Assets	1,197,342
-	4. Provision for Other Assets	-
<b>25,870,520</b>	<b>Total</b>	<b>24,950,199</b>

**Schedule 4.26****Non-operating Income / (Loss)**

For the period From 1st Shrawan 2063 to Ashad 32 2064 (From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
-	1. Profit/ (Loss) on Sale of Investments	-
(6,932)	2. Profit/ (Loss) on Sale of Assets	641,895
-	3. Dividend	-
-	4. <b>Subsidies received from Nepal Rastra Bank</b>	-
	a. Compensation for losses of specified branches	
	b. Interest Compensation	
	c. Exchange Counter	
(32,025)	5. <b>Others</b>	27,990
<b>(38,957)</b>	<b>Net Non-Operating Income (Loss)</b>	<b>669,885</b>

**Schedule 4.27****Written Back from Provision for Possible Losses**

(Fiscal Year 2006/2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
5,116,699	1. Provision for Loan Loss Written Back	6,264,578
-	2. Provision against Non Banking Assets Written Back	-
-	3. Provision for Investment Written Back	-
-	4. Provision for other Assets Written Back	-
<b>5,116,699</b>	<b>Total</b>	<b>6,264,578</b>



## Schedule 4.28

### Income/ Expenses from Extra Ordinary Transactions

From 1st Shrawan 2063 to 32 Ashad 2064 ( From 17 July 2006 to 16 July 2007)

PREVIOUS YEAR	PARTICULARS	CURRENT YEAR (RS.)
-	1. Recovery of Written Off Loan	-
-	2. Voluntary Retirement Expenses	-
-	3. Irrecoverable Loan Written Off (4.28 (a)	816,882
-	4. Other Expenses/Income	-
-	5. ....	-
-	<b>Total</b>	<b>816,882</b>

## Schedule 4.28(A)

### Statement Of Loan Written-off

Fiscal Year 2006/2007

S.NO	TYPES OF LOAN	WRITTEN OFF AMOUNT	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	NAME/DESIGNATION OF LOAN APPROVER	INITIATIONS MADE FOR RECOVERY OF LOAN	REMARKS
1	Working Capital Loan	816,882	Land	Authorised valuator	Head - Credit and	Repeated verbal and	
2	Project Loan	-	Value-	(Registered Engineer)	Assistant GM	written follow up.	
3	Fixed Capital Loan	-	NPR 1,650,000	of the Bank		Unable to sell the	
4	Personal Loan	-				property because of	
5	Other Loan	-				fall in price of land	
						due to conflict	
	Total Loan	816,882				prevailing in the country.	

**Schedule 4.29**

**Statement Of Loans And Advances To Directors/Chief Executive /Promoters/Employees and Shareholders**

**End of Ashad 2064 (16 July 2007)**

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and the individual members of 'their undivided family' or against the guarantee of such person or to the organization or companies in which such individual are 'managing agent' are as follows:

NAME OF PROMOTER/DIRECTOR/ CHIEF EXECUTIVE	OUTSTANDING UP TO LAST YEAR		RECOVERED IN CURRENT YEAR INTEREST	ADDITIONAL LENDING IN THIS YEAR	OUTSTANDING AS OF ASHAD END 2064 PRINCIPAL	INTEREST
	PRINCIPAL	INTEREST				
A. Directors	-	-	-	-	-	-
1. ....	-	-	-	-	-	-
2. ....	-	-	-	-	-	-
3. ....	-	-	-	-	-	-
B. Chief Executive	-	-	-	-	-	-
1. ....	-	-	-	-	-	-
2. ....	-	-	-	-	-	-
C. Promoters	-	-	-	-	-	-
1. ....	-	-	-	-	-	-
2. ....	-	-	-	-	-	-
3. ....	-	-	-	-	-	-
D. Employees	-	-	-	-	-	-
1. ....	-	-	-	-	-	-
2. ....	-	-	-	-	-	-
3. ....	-	-	-	-	-	-
E. Shareholders	-	-	-	-	-	-
1. ....	-	-	-	-	-	-
2. ....	-	-	-	-	-	-
3. ....	-	-	-	-	-	-
total	-	-	-	-	-	-

**Schedule 4.30**  
**Statement of Capital Fund**  
End of Ashad 2064 (16 July 2007)

PARTICULARS	PREVIOUS YEAR	CURRENT YEAR
<b>A. Core Capital</b>	<b>858,520</b>	<b>1,019,893</b>
1. Paid Up Capital	625,000	750,000
2. Share Premium	-	-
3. Non-Redeemable Preference Shares	-	-
4. General Reserve Fund	50,809	84,862
5. Cumulative Profit/Loss	20,211	35,031
6. Capital Redemption Fund	-	-
7. Capital Adjustment Fund/Proposed Bonus Share	37,500	150,000
8. Other Free Funds	125,000	
Less: Goodwill		
Investment in excess of prescribed Limit		
Fictitious Assets		
Investments in securities of companies with financial interest		
<b>B. Supplementary Capital</b>	<b>82,459</b>	<b>95,314</b>
1. Loan Loss Provision on Pass Loan	68,770	89,577
2. Asset Revaluation Fund	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	-	-
5. Exchange Equalization Fund	5,331	5,737
6. Additional Loan Loss Provision	8,358	-
7. Investment Adjustment Fund	-	-
8. Provision for Loss on Investment	-	-
<b>C. Total Capital Fund (A+B)</b>	<b>940,979</b>	<b>1,115,207</b>
<b>D. Minimum Capital Fund to be maintained on the basis of</b>		
<b>Risk Weighted Assets</b>		
Capital Fund (11%)	838,756	1,093,295
Core Capital (5.5%)	419,378	546,648
Capital Fund Excess/(Short)	<b>102,223</b>	<b>21,912</b>
Core Capital Excess/(Short)	<b>439,142</b>	<b>473,245</b>

## Schedule 4.30 A

### Statement of Risk Weighted Assets

End of Ashad 2064 ( 16 July 2007)

ON -BALANCE SHEET ASSETS	WEIGHT AGE	PREVIOUS YEAR		CURRENT YEAR	
		AMOUNT	RISKWEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	-	135,794,991	-	190,748,210	-
Gold (Tradable)	-	-	-	-	-
Balance with Nepal Rastra Bank	-	210,552,637	-	384,844,510	-
Investments in Government Securities	-	1,114,319,438	-	-	-
Investments in N.R.B. Bonds	-	-	-	1,297,867,040	-
Fully secured loan against own Fixed Deposit Receipt	-	21,563,078	-	21,947,696	-
Fully secured loan against Government Securities	-	599,790	-	-	-
AIR on Government Securities	-	-	-	7,637,469	-
Balances with Domestic Licensed Banks and Financial Institutions	20%	4,686,141	937,229	5,568,997	1,113,799
Receipt of other Licensed banks & Financial Institutions	20%	63,881,908	12,776,382	84,939,386	16,987,877
Balances with Foreign Banks	20%	38,595,977	7,719,195	90,951,233	18,190,247
Money at Call	20%	145,000,000	29,000,000	372,215,000	74,443,000
Loan against Guarantees of Internationally Rated Banks	20%	-	-	-	-
Other Investments in Internationally Rated Banks	20%	280,275,316	56,055,063	380,198,375	76,039,675
Investment in Shares, Debentures and Bonds	100%	353,000	353,000	353,000	353,000
Other Investments	100%	-	-	-	-
Loans, Advances and Bills Purchased/Discounted	100%	6,921,742,738	6,921,742,738	8,955,546,398	8,955,546,398
Fixed Assets	100%	91,932,957	91,932,957	189,323,741	189,323,741
All Other Assets	100%	70,796,494	70,796,494	68,658,359	68,658,359
Other Accrued Interest Receivable (Accrued interest					
Receivable- Interest on Government Securities- Interest Suspense)	100%	26,113,808	26,113,808	932,380	932,380
<b>Total (A)</b>		<b>9,126,208,273</b>	<b>7,217,426,866</b>	<b>12,051,731,796</b>	<b>9,401,588,477</b>
<b>Off -Balance Sheet Transactions</b>					
Bills Collection	0%	-	-	-	-
Forward Foreign Exchange Contract	10%	-	-	-	-
Letters of Credit with maturity of less than 6 months (Full value)	20%	369,857,395	73,971,479	743,868,768	148,773,754
Guarantees issued against counter guarantee of internationally rated foreign banks	20%	-	-	41,723,402	8,344,680
Letters of Credit with maturity of more than 6 months (Full value)	50%	32,372,361	16,186,181	174,489,431	87,244,715
Bid Bond	50%	34,197,244	17,098,622	24,995,555	12,497,778
Performance Bond	50%	288,094,002	144,047,001	255,114,831	127,557,416
Advance Payment Guarantee	100%	21,545,825	21,545,825	126,638,621	126,638,621
Financial Guarantee	100%	-	-	-	-
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liabilities in respect of Income Tax	100%	-	-	-	-
All Other Contingent Liabilities	100%	134,774,153	134,774,153	47,265,959	47,265,959
<b>Total (B)</b>		<b>880,840,980</b>	<b>407,623,261</b>	<b>1,414,096,566</b>	<b>558,322,922</b>
<b>Total Risk Weighted Assets</b>		<b>10,007,049,253</b>	<b>7,625,050,126</b>	<b>13,465,828,362</b>	<b>9,959,911,398</b>

### Schedule 4.31

#### Principal Indicators

(At least for previous 5 years)

PARTICULARS	INDICATORS	F. Y. 2001/2002	F. Y. 2002/2003	F. Y. 2003/2004	F. Y. 2004/2005	F. Y. 2005/2006	F. Y. 2006/2007
1. Net Profit/Gross Income	%	1.22%	6.17%	14.20%	16.26%	15.52%	19.61%
2. Earnings Per Share	Rs.	0.38	3.26	9.74	17.58	16.59	22.70
3. Market Value per Share	Rs.	-	-	-	369	443	830
4. Price Earning Ratio	Ratio	-	-	-	20.99	26.71	36.56
5. Dividend (including bonus) on share capital	%	-	-	-	-	21.05%	21.05%
6. Cash Dividend on share Capital	%	-	-	-	-	1.05%	1.05%
7. Interest Income/Loans & Advances	%	8.55%	8.66%	8.39%	8.33%	5.89%	7.63%
8. Employee Expenses/Total Operating Expenses	%	16.15%	14.38%	11.48%	11.96%	12.32%	17.22%
9. Interest Expenses on Total Deposit and Borrowings	%	3.97%	3.70%	3.41%	4.48%	4.20%	3.69%
10. Exchange Fluctuation Gain/Total Income	%	8.35%	3.53%	4.20%	2.77%	3.95%	2.34%
11. Staff Bonus/ Total Employee Expenses	%	1.47%	10.20%	26.88%	34.24%	24.59%	25.08%
12. Net Profit/Loans & Advances	%	0.12%	0.58%	1.32%	1.55%	1.48%	1.88%
13. Net Profit/ Total Assets	%	0.08%	0.42%	0.89%	1.13%	1.15%	1.43%
14. Total Credit/Deposit	%	95.48%	85.06%	76.91%	90.62%	90.20%	85.84%
15. Total Operating Expenses/Total Assets	%	5.96%	5.42%	4.53%	4.76%	5.39%	4.83%
16. Adequacy of Capital Fund on Risk Weightage							
Assets							
a. Core Capital	%	25.60%	14.22%	12.50%	10.20%	11.28%	10.26%
b. Supplementary Capital	%	1.19%	1.24%	0.91%	1.01%	1.08%	0.96%
c. Total Capital Fund	%	26.79%	15.46%	13.41%	11.21%	12.36%	11.22%
17. Liquidity (CRR)	Ratio	7.10%	10.72%	11.02%	3.44%	2.71%	3.65%
18. Non Performing Loans/Total Loans	%	1.27%	1.70%	0.76%	0.95%	0.92%	0.73%
19. Weighted Average Interest Rate Spread	%	3.27%	6.48%	3.82%	3.85%	4.58%	4.67
20. Book Net worth	Rs.	363,604,149	392,883,373	570,147,056	705,529,193	932,620,331	1,115,207,184
21. Total Shares	Number	3,500,000	3,500,000	5,000,000	5,000,000	6,250,000	7,500,000
22. Total Employees	Number	43	53	115	143	177	212
23. Others							

## Schedule 4.32

# Kumari Bank Limited

## Fiscal Year 2006/2007

### Principal Accounting Policies

The Financial Statements have been prepared in conformity with generally accepted accounting principles, Nepal Rastra Bank directives, Nepal Accounting Standards and International Accounting Standard. The significant accounting policies are summarized below:

#### A. Fixed Assets, Depreciation and Amortization

- i. Fixed assets have been shown in accordance with historical cost convention.
- ii. Fixed assets are depreciated on according to Nepalese Income Tax Act 2058 except for Lease Hold development expenses.
- iii. Assets are depreciated only after their full capitalisation.
- iv. Computer software cost (included in fixed assets) is amortized over the period of five years in equal installments.
- v. Assets purchased without full payment is booked as Asset in Process.

Lease Hold development costs are amortized over the period of 5 years or lease period whichever is earlier.

#### B. Provision for Income Tax

Provision for income tax has been calculated as per Nepalese Income Tax Act and Rules.

#### C. Investments

Investments in Government Securities are valued at cost. Placements with maturity period more than 7 days are classified as Investment and valued at cost. Similarly, investment in the shares of Credit Information Bureau is valued at cost since it has not been listed yet.

#### D. Translation of Foreign Currency Transactions

- i. Foreign currency assets and liabilities as on 16 july 2007 have been translated at the prevailing mid (average of buying and selling) rate of exchange prevalent as on 16 july 2007.
- ii. Gain/Loss realized on foreign currency transaction is accounted for and shown as "Trading Gain" under "Exchange Fluctuation gain/Loss".
- iii. Revaluation gain arising due to fluctuation in exchange rate of foreign currencies is accounted for and shown as "Revaluation income\ (Loss)".

#### E. Non Banking Asset

Non-banking Asset is booked at lower of market price or principle outstanding on the day before booking and provision for the asset has been provided as per NRB directives.



## F. Assets not Capitalized

Non-consumable items having life less than one-year and/ or worth less than Rs 10,000 have been expensed off during the year of purchase.

## G. Basis of Accounting

### i. Income - Expense Recognition

- a. Interest on interest bearing deposits is accounted on accrual basis
- b. Interest income on loans and advances is recognized on cash basis.
- c. Interest on Investment is accounted on accrual basis
- d. Expenses on performance appraisal of staffs have been booked in the year in which the appraisal is finally approved.
- e. All other income and expenses are accounted for on accrual basis.
- f. Commission income of the bank is accounted for on cash basis. However bank guarantee commission above Rs. 100,000 is accounted for on accrual basis.

## H. Provision for Possible Losses

Provision for possible losses on loans and advances and bills discounted has been made as per Nepal Rastra Bank directive to cover the risk inherent to bank's lending portfolio.

## I. Others

### a) Share issue expenses

The entire share issue expenses have been fully amortized in the year of the share issue.

### b) Basis of Interest Computation

Interest expense on interest bearing deposits and interest income on loan are computed on the basis of 365 days a year.

### c) Staff Loan

Staff Loan has been provided as per bank's rule and shown under the head of other assets.

### d) Retirement Fund

Contribution to retirement fund i.e. Provident Fund and Gratuity is made as per Bank's policy. Retirement contribution is booked as expense on accrual basis.

e) Staff Bonus has been provided as per the Bonus Act.

f) Figures are rounded to nearest rupees. Previous year's figure has been regrouped or re-arranged where necessary.

## Schedule 4.33

# Notes to Account

## 1) Statement of Loan Disbursed, Settled and Outstanding During The Year Rs in 000'

Opening Balance	Total Disbursed	Total Settled	Outstanding
7,007,788	7,421,440	5,366,794	9,062,433

## 2) Summary of Changes in Deposit During The Year Rs in 000'

Pre. Year (Rs)	Particulars	This Year (Rs)	Changes
350,820	1) Current Deposit	403,803	52,982
340,525	a) Local Currency	385,216	44,691
10,296	b) Foreign Currency	18,586	8,291
2,317,842	2) Saving Deposit	4,461,695	2,143,853
2,265,256	a) Local Currency	4,312,451	2,047,195
52,587	b) Foreign Currency	149,244	96,658
3,162,834	3) Fixed Deposit	2,776,481	-386,353
2,956,077	a) Local Currency	2,654,662	-3,014,150
206,757	b) Foreign Currency	121,819	-84,938
1,880,737	4) Call Deposit	2,827,704	946,968
1,880,731	a) Local Currency	2,587,254	706,523
6	b) Foreign Currency	240,451	240,445
56,724	5) Margin Deposit	87,733	31,009
56,598	a) Local Currency	87,485	30,888
127	b) Foreign Currency	248	122
7,768,957	Total Deposits	10,557,416	2,788,459

## 3) Weighted Average Interest Rate Spread

The weighted average yield on Interest bearing assets for the year (%)	8.54
The weighted average cost on Interest bearing liability for the year (%)	3.88
The weighted average Interest Rate Spread (%)	4.67

## 4) Summary of amortizable expenses yet to be written off Rs in 000'

	Original Value	Written Off	Book Value
Software	30,968	25,111	5,857
Leasehold Expenses	42,501	24,660	17,841

5) The bank has not extended both funded and non funded loan to single person or firm or group or company more than limit prescribed by NRB

## 6) Maturity profile of Assets and Liabilities for measuring liquidity risk

Assets	1-90 Days	91 - 180 Days	181 - 270 Days	271 - 365 Days	More than 1 Year	Total
Cash	191	-	-	-	-	191
Bank Balance	481	-	-	-	-	481
Investment in Foreign Banks	-	-	-	-	-	0
HMG Debt Paper	-	-	-	-	55	55
NRB Debt Paper	-	148	206	889	-	1,242
Interbank Loan	752	-	-	-	1	752
Loan	5,133	800	203	138	2,737	9,011
<b>Total Assets</b>	<b>6,556</b>	<b>948</b>	<b>409</b>	<b>1,027</b>	<b>2,794</b>	<b>11,734</b>
Liabilities						
Borrowings	213	-	-	-	-	213
Current/Call Account	422	-	-	-	67	490
Savings Account	2,828	-	-	-	4,469	7,297
Time Deposit	856	1,591	286	5	34	2,772
Debt Papers	-	-	-	-	-	0
<b>Total Liabilities</b>	<b>4,319</b>	<b>1,591</b>	<b>286</b>	<b>5</b>	<b>4,570</b>	<b>10,772</b>
<b>Net Assets / Liabilities</b>	<b>2,237</b>	<b>-643</b>	<b>122</b>	<b>1,022</b>	<b>-1,776</b>	<b>962</b>
<b>Cumulative Net Assets / Liabilities</b>	<b>2,237</b>	<b>1,594</b>	<b>1,716</b>	<b>2,739</b>	<b>962</b>	<b>962</b>

## 7) Borrowings against collateral of Banks own Security is nil.

## 8) Statement of Non Banking Asset

Rs in 000'

Previous Year Balance	This Year's Addition	This Year's Sale	Net Balance
4,789	-	-	4,789

## 9) Statement of Paid up Capital

Rs in 000'

Paid in Capital	Paid in Advance	Calls in Arrears	Forfeited but not issued	Total Paid in Capital
750,000	-	-	-	750,000

## 10) Summary of Leasehold expenses yet to be written off

Rs in 000'

	Original Value	WrittenOff	BookValue
Leasehold Expenses	42,501	24,660	17,841

11) No significant purchases have been made or contract has been entered into with relatives or company, firms or entity in which directors are interested.

12) Provision for gratuity has been provided as per policy of the bank.

### 13) Details of Unreconciled Agency Balance

Particulars	Total Amount	Upto 1 Year	1 Year to 3 Years	Rs in 000' More than 3 Years
Agency Accounts	20,724	20,724		

### 14) Income Tax Liabilites

Income tax assessment has been completed upto Fiscal Year 2001/2002 and additional tax and penalties levied by Income Tax Authorities was adjusted in previous years.

### 15) Capital Adjustment Fund

New Capital Policy of NRB requires bank to increase paid up capital each year to make it minimum Rs. 1,600 million by mid July 2013. The bank has already submitted capital plan to NRB in this regard and has proposed to issue this year 20% bonus share. Capital Adjustment Fund has been utilized to issue bonus share in line with Capital Policy.

### 16) Adjustment in Financial Statement

No such significant adjustment has been made on Financial Statement after signing the audit report.



**HEAD OFFICE**

Putalisadak, Kathmandu  
Tel: 01-4232112  
Fax: 01-4231960

**Biratnagar Branch**

Goshwara Road, Biratnagar  
Tel: 021-537101  
Fax: 021-537105

**Birgunj Branch**

Adarshanagar, Birgunj  
Tel: 051-524812  
Fax: 051-521641

**Pokhara Branch**

New Road, Pokhara  
Tel: 061-540266  
Fax: 061-541717

**New Road Branch**

Pratap Bhawan  
New Road, Kathmandu  
Tel: 01-4238388  
Fax: 01-4238365

**Itahari Branch**

Pathivara market  
Dharan Road, Itahari  
Tel: 025-586661  
Fax: 025-586658

**Kumaripati Branch**

Kumaripati, Lalitpur  
Tel: 01-5556024  
Fax: 01-5556027

**Dry Port Branch**

Dry port, Sirsiya, Birgunj  
Tel: 051-621025  
Fax: 051-621818

**Gongabu Branch**

Kathmandu Mall  
Gongabu, Kathmandu  
Tel: 01-4385807  
Fax: 01-4385644

**Narayangadh, Chitwan**

Pulchowk, Narayangadh  
Tel: 056-523091, 056-523092  
056-523095  
Fax: 056-523090



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