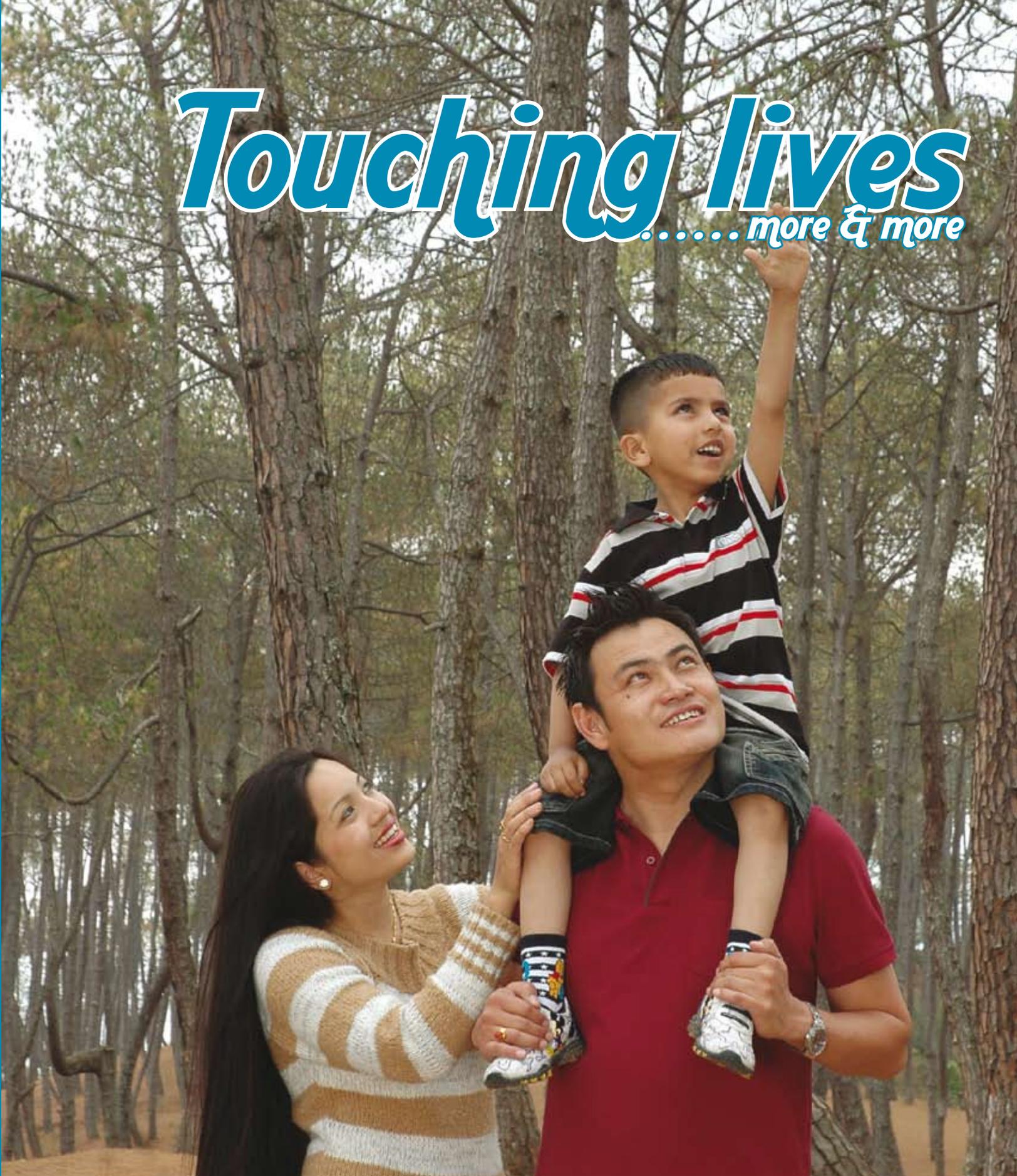


Touching lives

..... more & more



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Introduction

Kumari Bank Limited is a prominent commercial bank entirely promoted by a group of highly reputed Nepalese dignitaries having high social standing and is managed by the experienced and dynamic professionals. Established in the year 2001 to provide competitive banking services, the bank has become a hallmark in Nepalese banking sector. The bank has paid up capital of NPR 1,007 Million, comprising 70% from promoters and 30% from public. The bank is highly committed to meet the expectation of all its stakeholders focusing mainly on customer satisfaction and maximization of shareholder's values.



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.

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 avial 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 standard

Our Focus

- a. Long term win-win relationship
- b. Excellence in 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.





NCEA
National Council of Educational Research and Training
Ministry of Education, Science and Technology
Government of Nepal
Token of Love and Appreciation
Presented to
Kumari Bank Ltd.
For
Recognizing the Contribution made by the
Nepal Capital Expenditure Association
Third Annual General Meeting

Chairman's Message

Dear Shareholders,

I am pleased to address you as the Chairman of the bank after the great legacy of the founder Chairman, Mr. Noor Pratap JB Rana. The strategic vision and mission articulated by Mr. Rana has led the bank at this juncture. In addition to continuation of the same vision and mission in the future, we will develop the time relevant strategic planning that leads the bank as one of the best financial services delivering institutions in the country. During the review period, the bank has achieved great success in all financial and non- financial parameters that has made bank successful to build the good market image. This fact has also made possible to our bank to distribute 10 % bonus in this fiscal year.

We see future as more difficult and challenging but we take this challenge as an opportunity to differentiate ourselves with others and also believe that it will provide more excitement and motivation to our team to prove ourselves. In order to continue our history of success, the bank will focus on developing various market oriented strategies and plans. We will go closer and closer to serve the needs of each customer and offer individual need specific modern banking products and services in future days.

Lastly, I would like to extend my deepest gratitude to all the board members, shareholders and employees for their continuous hard work and dedication, customers for their invaluable trust and support, regulatory bodies for their guidance, support and coordination.

Shiva Ratan Sarada
Chairman

Financial Review

For the year

NPR in 000

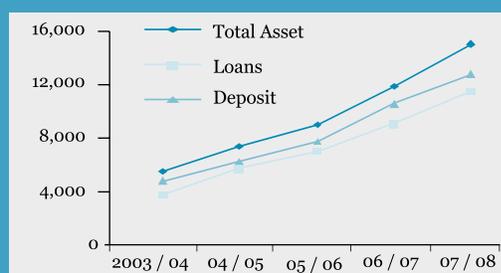
Particular	2007/08	2006/07	2005/06	2004/05	2003/04
Interest Income	957,246	791,284	605,527	499,918	310,216
Interest Expense	498,734	397,053	337,056	240,130	163,903
Net Interest Income	458,512	394,231	268,471	259,788	146,313
Other Income	108,107	76,340	62,658	40,680	32,633
Other Expenses	237,714	178,323	148,503	114,207	85,017
Operating Profit before Provision and Taxes	328,905	292,248	182,626	186,262	93,929
Provision for Possible Losses	64,024	24,950	25,871	47,400	17,126
Operating Profit	264,882	267,297	156,755	138,862	76,803
Non operating Profit/ (Loss)	11,057	(147)	(39)	5	-
Loan Loss Provision Written Back	7,241	6,265	5,117	-	-
Profit before Bonus and Tax	283,180	273,415	161,833	138,867	76,803
Bonus	25,744	24,856	14,712	13,887	7,680
Profit before Tax	257,436	248,559	147,121	124,980	69,123
Provision for Tax	82,506	78,296	43,454	40,779	20,437
Net Profit	174,930	170,263	103,667	84,202	48,686

At the year End

NPR in 000

Particular	2007/08	2006/07	2005/06	2004/05	2003/04
Deposit	12,774,281	10,557,091	7,768,957	6,268,954	4,807,937
Loans & Overdraft	11,522,381	9,062,433	7,007,788	5,681,013	3,697,985
Core Capital	1,359,032	1,019,893	858,520	638,037	529,677
Supplementary Capital	523,894	95,314	82,459	63,813	40,470
Total Capital Fund	1,882,926	1,115,207	940,979	701,850	570,147
Net Worth	1,364,885	1,025,630	863,851	641,763	533,403
Total Asset	15,026,599	11,918,311	9,010,276	7,428,303	5,494,177

NPR in 000



Directors' Report

Dear Shareholders,

On behalf of the Board of Directors and myself, I am delighted to welcome you to the 8th Annual General meeting and present the Annual Report for the fiscal year 2007/08. The report is in conformity with all statutory and regulatory requirements.

Review of Economic Scenario

The world has witnessed severe financial crises during the review period mainly due to sub prime crises in the USA. Consequently, the growth rate of global economy is estimated to be 4.1 % in year 2008 compared to 5 % growth rate in previous year. Nevertheless, the global recession still doesn't have substantial impact on Nepalese economy. During the review period, Nepalese economy has marked a satisfactory performance. The GDP at producer price is estimated to have grown by 4.7 % in fiscal year 2007/08 compared to growth rate of 3.2 % in previous fiscal year. The higher growth in GDP is mainly due to higher growth rate in agriculture sector, which contributes 36 % of total GDP. The growth rate in agriculture sector is 5.7 % in fiscal year 2007/08 compared to 0.9 % growth rate of previous fiscal year.

During the review period, the export has increased by 2.4 % in compared to negative growth of 1.4 % of previous fiscal year. Likewise, total import has increased by 16.1 % in fiscal year 2007/08 compared to 12 % growth rate in previous fiscal year. However, the overall balance of payment has registered a surplus of NPR. 29.7 billion as compared to a surplus of NPR 5.9 billion in previous fiscal year. The surplus in BOP is mainly due to substantial increase in remittance of Nepalese worker from foreign countries and foreign grants assistance. Consequently, the foreign exchange reserve has registered NPR 212.62 billion in fiscal year 2007/08.

In fiscal year 2007/08, the government expenditure has increased to NPR 163.31 billion registering the growth rate of 22.2 % compared to 20.5 % growth rate of previous fiscal year. Similarly, the budget deficit has increased to NPR 33.3 billion in fiscal year 2007/08 in comparison to NPR 30.9 billion of previous fiscal year.

Likewise, the inflation has increased by 7.7 % in fiscal year 2007/08 as compared to 6.4 % in previous year.

Similarly, the banking sector has registered the positive growth both in number and transaction size

during the review period. With the emergence of new entrants in the market, the competition among the banks has increased. The number of A Class licensed institutions has increased to 25 in fiscal year 2007/08 from 20 in previous year. Similarly, the number of B, C and D class license institution has increased to 58, 78 and 74 respectively in fiscal year 2007/08. Further, the total deposits of "A" class licensed institutions has increased to 421.52 billion in fiscal year 2007/08 with 26 % growth rate over the previous fiscal year.

(Source: Current Macro Economic Situation 2007/08 published by NRB)

Review of Performance of the Bank

Continuing the history of progress, the bank has been successful to achieve the satisfactory performance in all parameters in this year too. The market oriented long term vision and strategy, customer's need based products and services, competent human resources of the bank has enhanced the image of the bank and lead to business enrichment.

The major financial highlight of the bank for fiscal year 2007/08 is as below:

Particular	Financial Highlights (NPR in million)			
	F/Y 2006/07	F/Y 2007/08	Increase/ Decrease (Rs)	Growth (%)
Total Asset	11,918.31	15,026.60	3,108.29	26.08
Deposit Liabilities	10,557.09	12,774.28	2,217.19	21.00
Loans and Advances (Net)	8929.01	11,335.09	2,406.08	26.95
Investment	2,050.63	2,194.16	143.52	7.00
Interest Income	791.28	957.25	165.96	20.97
Interest Expenses	397.05	498.73	101.68	25.61
Net Interest Income	394.23	458.51	64.28	16.31
Other Operating Income	76.34	108.11	31.77	41.61
Other Operating Expenses	178.32	237.71	59.39	33.30
Operating Profit	292.25	328.91	36.66	12.54
Net Profit	170.26	174.93	4.67	2.74

Total Asset

Kumari Bank Limited with its prudent asset management practice has been very successful to ensure higher return, proper diversification, and adequate level of liquidity in asset management. The balance sheet size has been increased to NPR 15.02 billion in fiscal year 2007/08, with a substantial growth of 26.08 % over the figure of previous fiscal year. The significant growth in asset size will definitely result in growth on profitability of the bank in next fiscal year. The growth on asset size has been tactfully funded by the adequate capital. The bank has issued "KBL Bond 2070" and Right Share worth NPR 400 million and NPR 180 million respectively in fiscal year 2007/08 in order to sustain the growth of asset size.

Deposit

The total deposit of the bank has increased to NPR 12,774 million in fiscal year 2007/08, a growth rate of 21 % over the figure of F/Y 2006/07. Similarly, the non interest bearing deposit has increased to NPR 711 million in fiscal year 2007/08, a substantial growth of 45 % over the figure of previous year, which has helped to reduce the cost of deposit of the bank. Further, in order to finance the long term investment of the bank, the bank has focused on soliciting the time deposit as well. The time deposit of the bank has increased by 46 % in fiscal year 2007/08 over the figure of previous fiscal year.

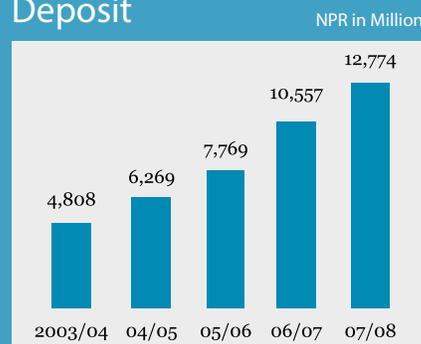
Lending

In FY 2007/08, total loans and advances stood at NPR 11,522 Million with a substantial growth of 27.14 %. The stringent credit review process and the scientific approach of loan diversification of the bank have led to superior credit quality. The Non Performing Loan of the bank was 1.32 % in F/Y 2007/08, which is considered as one of the lowest in the industry.

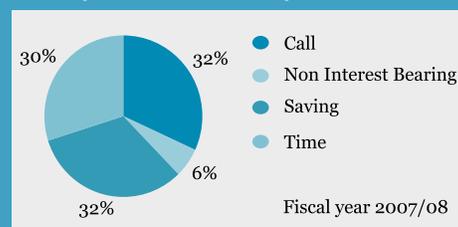
Investment

The investment has registered a growth rate of 7 % to NPR 2,194.16 million in fiscal year 2007/08 over the figure of previous fiscal year. The bank has earned 80.24 million interest incomes from the investment during the review period. The investment has been diversified in Government Securities, local and foreign bank investment, shares and debenture of the institutions etc. During the review period, the investment on Government Securities, local banks and foreign banks was NPR 1,469 million, NPR 175 million and NPR 476 million respectively. Likewise, the investment on shares of Credit Information Center Limited was NPR 1.24 million with a growth of 250 % due to right offering and bonus share. Further, the bank has also invested on the bond of Nepal Electricity Authority of NPR 16.985 million. Further, the investment on government securities accounts for 68.69 % of total investment.

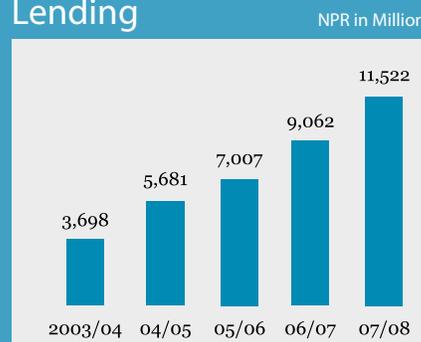
Deposit



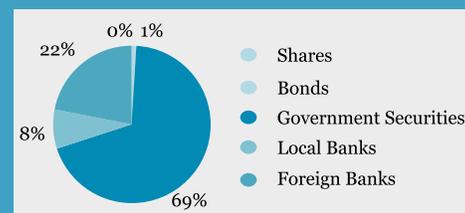
Composition of Deposit



Lending



Investment



Profit

The total operating income of the bank was NPR 1,065.35 million in fiscal year 2007/08 with a growth of 22.79 % over the figure of previous fiscal year. Likewise, the total operating expenses of the bank were NPR 736.44 million during the review period. The total operating profit of the bank stood at NPR 328.9 million with an increment of 13 % over the profit of previous fiscal year. Further, the Net profit of the bank was NPR 174.93 in fiscal year 2007/08.

Capital

The bank has strategically managed the capital base in order to sustain the growth of asset size. After the issue of 20 % right share and KBL Bond 2070 worth NPR 400 million during fiscal year 2007/08, the core and supplementary capital of the bank at year end of fiscal year 2007/08 was NPR 1.36 billion and NPR 523.8 million respectively. Similarly, the Capital Adequacy Ratio of the bank was 14.41 % against the statutory requirement of 11 % at the year end.

Revenue Contribution to the Government

The bank contributed NPR 103 million to the Government of Nepal in the form of corporate tax in fiscal year 2007/08, which was NPR 60 million in previous fiscal year 2006/07.

Changes in Board of Director

The Board of Director approved the resignation of Chairman of Board of Director, Mr. Noor Pratap JB Rana on January 18, 2009. The Board also appointed Mr. Shiva Ratan Sharda as Chairman of the Board effective from the same date.

A Special gratitude is extended to Mr. Rana for his invaluable contribution since the inception of the bank.

Dividend Declaration

The meeting of Board of Directors held on January 13, 2009 declared to provide 10 % bonus share and 0.5263 % cash dividend, for which NPR 113,502,316 has been allocated from the accumulated net profit till fiscal year 2007/08.

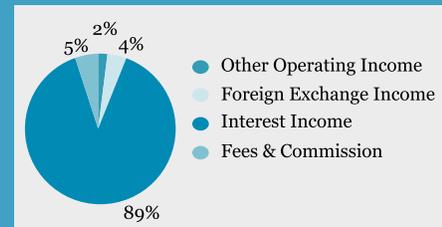
Uncollected dividend by shareholders

None

Board of Directors responses to Auditors Report

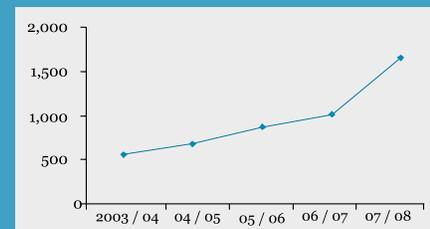
Though the Auditor has noted common comments related to few regular transactions of the bank, Auditor has made no significant adverse comment regarding

Profit



Total Capital Fund

NPR in million



bank's performance. Similarly, during the course of receiving approval of financial statements from Nepal Rastra Bank, no significant comments and directives has been received by the Bank. Further, the bank is always committed to high degree of compliance and it is also 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

Detail of share repurchase

None

Bank's Administrative Expenses

The bank has incurred the following administrative expenses during FY 2007/08:

Staff expenses: NPR 89,570,438

Other operating expenses: NPR 148,143,138

The details of administrative expense are 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:

Directors

The bank provides Board Meeting allowance of NPR 10,000 and NPR 8,000 to Chairman and Directors respectively. Further, the bank also provides NPR 2,000 per month to each director as business promotion allowance. Besides above, the bank has not provided any additional facilities to Board of Directors. During the review period, the total board meeting allowance and business promotion expenses was NPR 2,583,058.

Annual Salary, Allowance and other facilities provided to General Manager and other Executives

S. No.	Particulars	Chief Executive Officer	Other Executives
1	Salary	4,344,666.67	8,793,603.00
2	Allowances	1,690,000.00	2,427,000.00
3	Provident Fund	434,466.67	874,460.30
4	Dashain Allowance	517,500.00	913,810.00
	Total Remuneration	6,986,633.33	13,008,873.30

Besides above, the other facilities provided to CEO and other executives are elucidated as below:-

- Bonus - as per the Bonus Act.
- Medical Allowance, Leave Fare Allowance, Accident Insurance, Life Insurance - as per bank's Personal Policies Guidelines.
- 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 executives as per bank's Personal Policies Guidelines.
- Personal loan to CEO as per the contract between CEO and the bank. Home loans to other executives as per bank's Personal Policies Guidelines.
- Newspaper and telephone facility according to Bank's Human Resource Policy.

The Board of Directors approved the resignation of Chief Executive Officer, Mr. Surender Bhandari, effective from June 21, 2008. The board also appointed General Manager, Mr. Kapil Sharma as Acting CEO effective from the same date. Further, all the authorities exercised and responsibilities discharged by CEO was assigned to Deputy General Manager, Mr. Bhusan Rana from January 14, 2009 as Mr. Sharma resigned the bank with effective from January 14, 2009.

Uncollected dividend by shareholders

None

Acknowledgment

We would like to express our deepest gratitude to our valued shareholders and customers for trusting us. We are encouraged to move ahead with your faith and support. We would also like to thank the Government of Nepal, Nepal Rastra Bank and auditors. Similarly, we highly appreciate the dedication and perseverance made by the management and staffs of the bank.

We expect to receive your cooperation, guidance, support and suggestions in the future too.

Thank you.

For and on behalf of the Board of Directors,

Amir Pratap JB Rana
Director
Shiva Ratan Shrada
Chairman



Board of Directors



Mr. Shiva Ratan Sarada
Chairman



Mr. Amir Pratap J.B. Rana
Director



Mr. Santoo Shrestha
Director



Mr. Samson J.B. Rana
Director



Mr. Lalit Jung Shahi
Director



Mr. Jagdish P Chaudhary
Director



**Mr. Surendra Bahadur
Khadka (K.C)**
Director

Senior Leadership



From front left to right

Mr. Bhusan Rana
Acting Chief Executive Officer

Mr. Geha Nath Dhungana
Division Head – Risk Assessment

From back left to right

Mr. Bhaskar Rimal
Division Head – Branch Operation & Planning

Mr. Tika R Chapagain
Division Head – Main Branch

Mr. Suresh Karna
Division Head – Support Services

Department Heads



From left to right

Mr. Niraj Shrestha

Head – Branch Credit/ Business

Mr. Narayan Prakash Bhuj

Head – IT & MIS

Mr. Rohit Singh

Head – Retail Credit

Mr. Narendra Chhatkuli

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

Mr. Bishwo Mani Regmi

Head – Human Resource & Training

Mr. Mridual Mainali

Head – Risk Approval

Mr. Ajit Bhattarai

Head – Branch Operations

Mr. Rajesh Shrestha

Head – Card operation

Branch Managers

Mr. Tika R Chapagain

Division Head – Main Branch

Mr. Sudarshan Jung Rana

Pokhara Branch

Mr. Manjay Raj Pandey

Kumaripati Branch

Mr. Manish Timalisina

Biratnager Branch

Mr. Rohit Singh

New Road Branch

Mr. Prabin Jha

Gongabu Branch

Mr. Anup Koirala

Birgunj Branch

Mr. Ambar Bhattacharya

Itahari Branch



From left to right

Mr. Sushil Bhatta

Head – Marketing & Public Relation

Mr. Dipesh Lamsal

Head – Treasury &
Correspondent Banking

Mr. Milan Maskey

Head – Foreign Trade

Mr. Sanjog Subba

Head – Strategy & Planning

Mr. Nirmal Kumar Khatiwada

Head – Internal Audit & Compliance

Mr. Gyanendra Upreti

Head – Central Administration

Mr. Dipendra Kadariya

Head – Central Finance

Mr. Prakesh Ghimire

Head – Central Remittance

Mr. Roshan C. Gautam

Narayangath Branch

Mr. Niraj Rai

Birtamod Branch

Mr. Suresh Raj Pandey

Damauli Branch

Mr. Bhupendra Khadka

Baglung Branch

Mr. Ishwor Gurung

Bhairahawa Branch

Mr. Sharad Upadhayaya

Incharge - Dryport Branch



Product & Services

We work closely with clients to create and execute financial solutions that meet their objectives. The options for meeting clients' financial needs have expanded dramatically in recent years as markets evolve and as we create new products and services. Professionals from every part of the bank are actively engaged in helping our institutional and individual clients meet their increasing financial needs.

Deposits

Individual needs are best identified and served in the bank. Kumari Bank has been offering various depository products tailored to institutional and individual clients. For the corporate clients, we offer checking account, call account etc. The bank also offers fixed deposit having flexible tenures starting from 14 days to more than 2 years. Further, the bank has also various saving deposit for customers of all age group namely Twinkle Star, Subha Laxmi Bachat, 50 Plus Saving Account, Kumari Saving, Advantage Plus, Saving Plus, Card Saving etc. The added benefit on these deposit products such as free Visa Debit Card, Internet Banking, Mobile Banking Utility bill payment services etc coupled with the competitive interest rate has both met the customer expectations and ensure customer's faith toward us.

Loans

The need for financing various short term and long term venture of both corporate and retail clients has been best fulfilled by the bank with its large loan product portfolio. We offer various corporate loans such as overdraft, demand loan, term loan, hire purchase loan, export & import loan etc. as per the customer's requirement.

Likewise, we also offer various retail loans such as home loan, vehicle loan, education loan, home equity loan, personal loan etc. In order to need the requirement of our retail clients.

Visa Debit Card

Understanding the need of plastic money in today's technologically driven world, the bank in association with the VISA International has been providing various Debit card. Visa Electron card has acceptance all over the world and comes with in-built security. The bank has VISA Electron Card on Nepalese Currency and US Dollar. VISA NPR Card is accessible in all POS and ATMs in Nepal and India, whereas the Dollar card is accessible throughout the world. Further, the bank has 18 own ATM located in various part of the country.

Remittance

One of the most secured, convenient and fastest fund transfer services has been possible through the bank's remittance services. The bank has been providing remittance services through various mechanisms such as SWIFT arrangement with national and international bank and financial institutions, Draft Drawing Arrangement, Traveller's Cheque facilities etc. Further, the bank has made an arrangement of bilateral key exchange with more than 35 correspondent banks around the globe, which has made it possible to remit money conveniently and effectively.

Moreover, the bank has launched its own remittance services called "Kumari Remit" in various countries like Qatar, UK, Israel and UAE. The bank is under process to expand Kumari Remit in South East Asia and other potential destinations. However, the bank is offering remittance and banking services to the Nepalese

communities in the United Kingdom, Israel, United Arab Emirates, Qatar and Malaysia in collaboration with various strategic business partners. The bank has 14 international networks for online remittance service. Similarly, the bank has 260 local paying representatives across the country engaged on delivering competitive remittance service.

Internet Banking

Kumari Bank Limited is the pioneer in introducing internet banking services in the country. The internet banking services of the bank is totally secured and confidential. This service has eased customer to check account statement, transfer fund and pay utility bill etc staying at their own place.

Mobile Banking

Kumari Bank Limited has been offering . . service in order to add convenience to the customers for making inquiries about the account balance through SMS.

International Trade

The bank has full-fledged set-up in order to cater all the requirements of foreign trade financing. The bank provides Import and Export Financing through Letters of Credit. Foreign currency can be booked in advance under forward contract arrangement at very competitive rates.

Branch Network

With an objective to proliferate banking services throughout the country, the bank has been focusing on widening the service distribution network. The bank has 15 full-fledged branches and 1 extension counter located in various part of the country. Among these branches, 5 branches are located inside Kathmandu valley and 10 branches are located outside the valley. The bank has a plan to increase the branch network both inside and outside Kathmandu valley in order to make bank more accessible to the customers located throughout the country.



Mobile Banking at Finger Tips



KBL ATM Service

Corporate Governance

Kumari Bank Limited believes that the practice of superior corporate governance ensures the effective decision making system, professionalism, transparency in business practices and win-win relationship with stakeholders. The bank is highly committed on the superior standard of corporate governance and is continuously raising the standard of corporate governance.

Board of Directors

Board of Directors of the bank is the top most responsible authority for ensuring the practice of corporate governance in the bank. The Board of Directors prepares policies and strategies for implementation of better corporate governance in the bank. The Board appoints the Chairman, and the members of the various Board Committees. The Board comprises the member from promoters and public shareholders as well as one professional from NRB professional list. Currently, the Board of directors comprises 7 members, including 4 from promoters group, 1 from NRB Professional list and 2 from public shareholders. The Board of Directors includes

Representative of Promotor Groups	
Mr. Shiva Ratan Sarada	Chairman
Mr. Amir Pratap JB Rana	Director
Mr. Santoo Shrestha	Director
Mr. Jagdish P. Chaudhary	Director
From NRB of Professional List	
Mr. Samson JB Rana	Director
Representative of Public Groups	
Mr. Lalit Jung Shahi	Director
Mr. Surendra Bahadur Khadka (K.C.)	Director

Board Meeting

During the fiscal year 2007/08, 14 meetings of board were convened for preparing and reviewing various plans and strategies. Likewise, 9, 12 and 34 meetings were conducted of HR Committee, Audit Committee and Executive Sub committee respectively during the fiscal year 2007/08.

Board Meeting Allowance

During the fiscal year 2007/08, total of NPR 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 three Board committees actively involving on various activities outlined as per policy.

Audit Committee

Audit committee is concerned with ensuring the better financial performance of the bank by maintaining high level of compliance. The main function of the committee is to recommend External Auditor, specify the scope of internal audit, and review the findings of internal and external auditor as well as central bank's supervision and recommend to the Board for taking necessary action to ensure effective internal control system in the bank for fulfilling the requirement of changing circumstances. Further, the committee also reviews and analyzes the accounting policies, financial reporting system. The Internal Audit Department of the bank reports directly to committee on periodic basis with their observations on the workings of the bank. The committee comprises following members:

Mr. Samson JB Rana	Conveyer
Mr. Lalit Jung Shahi	Member
Mr. Jagdish P. Chaudhary	Member

Human Resources Committee

In order to strengthen the bank with talented and dynamic manpower, Human Resources Committee has been formed. The Committee is concerned with continuously enriching the human resources of the bank. Human Resources Committee comprises of 2 Non-Executive Directors including one conveyer.

Mr. Surendra Bahadur Khadka (K.C.) Mr. Samson JB Rana	Conveyer Member
--	--------------------

Executive Sub Committee

The Executive Sub Committee comprises 3 non executive directors including one conveyer. The committee is

Mr. Amir Pratap JB Rana Mr. Santoo Shrestha Mr. Lalit Jung Shahi	Conveyer Member Member
--	------------------------------

concerned with credit, operational and administrative matters of the bank in order to ensure the actions are carried properly and timely. The member of committee includes:

Management

In order to achieve the vision and mission set forth by the collective effort of Board of Directors and management, the management team has been formulated with professionals possessing diverse intellects, experience and talents. The bank has

management approach to perfectly synchronize business practice with stakeholder's requirement. Further, in order to ensure perfect synergy at the endeavors of the individual talents coupled with quick decision making system and better compliance, the organization structure has been divided into two Areas namely Operations and Business Banking under the CEO. Further 6 Division has been created under two Areas. Further, the bank also has internal audit department which reports directly to Audit Committee. Similarly, various committees have also been formulated in the management for continuously improving the performance of bank.

Management Committee

Management Committee comprises all the Division Heads, Department Heads and Branch Managers and headed by CEO. The committee meets on fortnightly basis to prepare and analyze corporate plans and strategies.

Asset Liability Management Committee

Asset Liability Management Committee (ALCO) of the bank is concerned with the proper asset and liabilities management that ensure mitigation of solvency and market risk. CEO heads the Committee and Division Head- Business Development, Operations, Risk Assessment, Planning, Main Branch and Head Treasury are the member of this committee. The committee meets fortnightly in order to prepare strategic plans to properly manage the gap between asset and liabilities. Similarly, the committee also analyzes the sensitivity of market risk and prepare course of action for safeguarding bank from market risk.

Corporate Social Responsibility

Kumari Bank limited has identified and highly committed for two different responsibilities. One is to provide sound and enduring returns for our shareholders, and the best possible services for our customers. The other is to conduct business ethically, and to provide high commitment on social and humanitarian matters. For the continuous support to the society, the bank participated on following activities.

Donation to Flood Victim

Kumari Bank Limited contributed 511,111 to PM Relief Fund in order to support the Koshi Flood Victim. The staff of the bank also contributed NPR 1,00,000 in this fund.

Blood Donation

Kumari Bank Employee Association organized blood donation program on 3rd April 2007 at the head office of the bank in order to mark the seventh glorious year in banking. The program was participated by bank's staffs and other outsiders.

Money laundering prevention

The bank believes that prevention of money laundering and terrorist financing are the vital contributions to society. The bank is committed for adopting high standard of anti money laundering practice. The bank already has prepared and complied with superior standard of Anti Money Laundering and Know Your Policy.



AGM of the Bank, Mr. Geha N. Dhungana, presenting cheque to Chief Editor, Mr. Jibendra Simkhada, of Annapurna Post Daily in support of flood victim.



Blood Donation Programme organized by KBL Employee Association



Managing Risk

We believe that risk taking as an inevitable part of the business. Our appetite for risk taking is central to our ability to accomplish our clients' objectives and to be profitable. Effective risk management is demanding and often difficult, but we believe it lies at the heart of the bank, which is also our core competence that helps to define Kumari Bank.

The bank continuously identifies, monitor and evaluates various risks and also prepares and executes various courses of actions in order to mitigate and control such risks that ensure growth on earning and superior asset quality.

Credit Risk

Credit risk holds the largest share in the total risk of the bank. The bank has developed a system of continuous improvement for mitigating and managing the credit risk which ensures balance between profitability and asset quality. The Credit Policy Guidelines (CPG) of the bank is main policy of the bank, which outlines about the process of credit evaluation, risk measurement and loan pricing. The bank has a system of rating each borrower in order to analyze the risk associated with each borrower that helps both on risk mitigation and loan pricing.

In order to making credit granting process more stringent, the lending approval authority is divided into two distinct units, namely Credit and Risk Assessment. While the Credit unit or the Business Development Division concentrates more on optimum utility of assets, every lending decision of this Division is re-assessed and reevaluated by the Risk Assessment Division for final approval. The Risk Assessment Division applies its objective judgment on risk variables deemed appropriate in each instance of lending decision. For this purpose, the Risk Assessment Division has two distinct units, the Risk Approval Department, which facilitates final lending decision after duly analyzing risks and ensuring that they are at the acceptable level, and the Credit Administration and Control Department, which the evaluates paperwork prior to actual sanction of facilities and also after it.

Depending upon the volume of loans and the nature of risks associated, lending decisions are subject to validation and approval by various levels of the hierarchy some lending decision are approved by Chief Executive Officer, and other by even the Executive Sub Committee and Board of Director depending upon the size of loan portfolio.

Market Risk

In order to safeguard the bank from loss on the value of portfolio due to adverse movement in the market

price, various policies, systems and procedure has been developed. The bank has an objective to synchronize its earning with the level of risk. The bank made rigorous analysis prior to make any investment decision. Further investment portfolio is frequently monitored and analyzed in order to ascertain the profitability and risk level at present and in future under both normal and distress situation. The bank has Investment Policy and Asset Liability Management Policy, which serves as blue print for the investment decision. Further, Asset Liability Management Committee (ALCO), comprising member from the senior level management, continuously analyzes the market risk and prepares various course of action for controlling such risk.

Liquidity Risk

The bank puts topmost priority to proper management of its asset and liability in order to ensure the balance among liquidity, profitability and risk mitigation. In order to ensure that the bank has sufficient liquidity position, the liquidity position is monitored on daily basis. Further, the bank holds optimum liquid asset that safeguards bank from potential liquidity risk. Similarly, the bank has Asset Liability Management Committee (ALCO), which analyzes the liquidity position of the bank and prepares various plans and course of actions in order optimum management of liquidity.

Operational Risk

In order to mitigate the operational risk, the bank has developed various internal policies, process and guidelines, which are frequently revised and updated in order to cater the requirement of changing environmental scenario. The bank had made its operation secure through a system of procedural crosschecking mechanism in each operational transaction. An internal audit, continuously alert bank's personnel to the in handling operations in every functional department. Further, the bank also has high standard of disaster recovery system that enables bank to carryout uninterrupted banking activities without losing any data even in case of software crisis or failure at the main server side due to any uncertain reasons and disasters or natural calamities. Likewise, staffs are regularly trained and developed on various operational issues that have helped to ensure operational excellence in the bank.

Human Resources

Kumari Bank Limited relies on the expertise and commitment of its diversified employees to deliver the world class financial services demanded by its clients. The bank believes that success of the bank is largely depends on the effort of our team. Our approach to continuously strengthen the human resources has successfully ensured the commitment from all staffs and also provided ample opportunities for the growth and development of both the bank and individual staff. The bank always encourages the innovative ideas, initiatives and team work.

The bank continuously assesses the manpower strength and empowers the strength through fresh recruitments as well as internal promotion and development of our work force. The bank has been proved as preferred employer for both the fresh graduates and experienced professional. Further, in order to retain and motivate our workforce, the bank believes that compensation and incentives, performance management and learning and development opportunities are the most important factors. The bank timely addresses on these matters which has made the bank successful on ensuring full commitment and zeal for excellence on our staffs.

Similarly, in order to all-round development of our staff, the bank's staffs frequently lead and participate on various sports, social and humanitarian activities. These activities have provided staff an opportunity both to demonstrate the culture of team work and hardworking outside the office premises.



KBL Team



KBL Basket Ball team won the Corporate Basketball Tournament in 2008.

Shareholders' Value

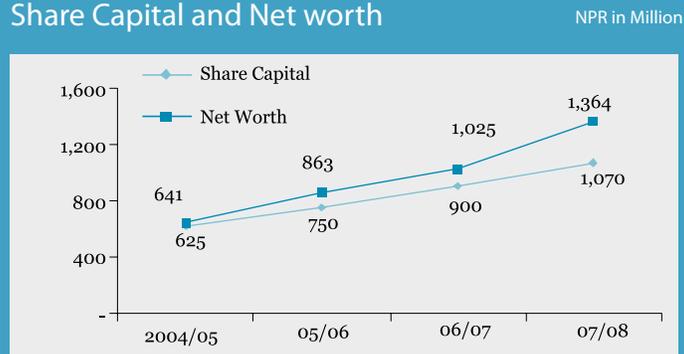
We put shareholders' value maximization at topmost priority and center our endeavor on it. The total market capitalization of the bank has increased to NPR 10,754 million in fiscal year 2007/08 from the previous years figure of NPR 7,470 million.

Particular	2007/08	2006/07	2005/06	2004/05
Earning Per Share	16.35	22.07	16.59	16.84
Market Price Per Share	1,005	830	443	369
Market Price/ Book Value Per Share	7.88	6.07	3.21	2.87
Price Earning Ratio (times)	61.47	43.87	32.05	27.39
Return on Equity (%)	12.82	16.60	12.00	13.12

Market Capitalization



Share Capital and Net worth





Bank's Performance as of Post Balance Sheet Date

Particulars	NPR in Million		
	Second Quarter Ending FY 2007/08	Second Quarter Ending FY 2008/09	Growth (%)
Deposit Liabilities	11,452	13,808	20.57
Loans and Advances	11,392	13,022	14.31
Interest Income	454	624	37.35
Other Income	47	70	46.81
Interest Expenses	216	367	69.90
Other Expenses	97	124	24.72
Operating Profit/ (Loss)	188	205	8.86

Future Plan

We see conducting business in future days is more defying and difficult in future than that is at present considering the global financial crises and competition in the industry. In order to continue our growth momentum under such challenging circumstances, the bank has been frequently defining and redefining several market oriented plans and strategies. The major focus of the bank in next year will be on raising capital base through issuing 15 % right share that will increase the risk appetite of the bank. Further, opening of new service distribution centers and introduction of new product and services will be the topmost priority in next years. Likewise, the bank will also focus on upgrading and updating the technology, introducing new technologically driven product and services in order to ensure customer convenience and satisfaction. The bank also has plans to continuously increase the standard of corporate governance, risk management system in days ahead.

We do it.

ATM Services

Address

Main Branch, Putalisadak - I
 Main Branch, Putalisadak - II
 Kumaripati Branch
 New Baneswor, Kathmandu
 Thamel, Kathmandu

 New Road Branch
 Chipledhunga, Pokhara
 Itahari Branch
 Extension counter, National Medical Collage
 Nepal Electricity Authority Premises
 Biratnagar Branch
 Gongabu Branch
 Narayangarh Branch
 Birtamod Branch
 Durbarmarg Branch
 Damauli Branch
 Baglung Branch
 Bhairahawa Branch
 Naxal Kathmandu

Locations

Putalisadak, Kathmandu
 Putalisadak, Kathmandu
 Kumaripati, Lalitpur
 BICC premises
 Trilok plasa
 (Four Seasons Restaurant Building)
 New Road, Kathmandu
 Chipledhunga, Pokhara
 Pathivara Market, Dharan, Itahari
 Birgunj, Prasa
 Ratnapark, Kathmandu
 Goswara Road, Biratnagar
 Kantipur Mall - Gongabu
 Pulchowk, Narayangarh, Chitwan
 Birtamod, Jhapa
 Durbarmarg, Kathmandu
 New Road, Damauli, Tanahu
 Mahendra Path, Baglung
 Bank Road, Bhairahawa
 Infront of Police Petrol Pump
 Naxal, Kathmandu



Naxal ATM



Putalisadak I ATM



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 Shareholders of Kumari Bank Limited

Financial statements and management's responsibility

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

Auditor's responsibility

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

Report on the requirements of Banks and Financial Institutions Act 2063 and company Act 2063

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

To the best of our information and according to the explanation given to us, in the course of our audit, we observed that the bank has taken actions for protection of the interest of depositors and investors; the capital fund and risk bearing fund were adequately maintained; loans have been written off as specified; the business of the Bank was conducted satisfactorily and the Bank's transactions were found to be within the scope of its authority. We did not come across cases where the board of directors or any director or any office bearer of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank or committed any misappropriation or violated directives of Nepal Rastra Bank.

Opinion

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

Date: 30 Mangsir 2065 (15 December
2008)
Place: Kathmandu

Madan Krishna Sharma
Partner
CSC & Co.
Chartered Accountants

Balance Sheet

End Of Ashad 2065 (15 July 2008)

Capital and Liabilities	Schedule	Current Year (Rs.)	Previous Year (Rs.)
1. Share Capital	4.1	1,070,000,000	750,000,000
2. Reserves and Funds	4.2	294,885,269	275,630,159
3. Debentures & Bonds	4.3	400,000,000	
4. Borrowing Outstanding	4.4	100,000,000	212,970,000
5. Deposit Liabilities	4.5	12,774,281,014	10,557,091,198
6. Bills Payable	4.6	65,296,714	16,554,384
7. Proposed Dividend Payable			
8. Income Tax Liabilities		(9,650,253)	11,006,805
9. Other Liabilities	4.7	331,786,431	95,058,883
Total Capital and Liabilities		15,026,599,175	11,918,311,429

Assets	Schedule	Current Year (Rs.)	Previous Year (Rs.)
1. Cash Balance	4.8	565,641,118	190,748,210
2. Balance with Nepal Rastra Bank	4.9	244,576,115	384,844,510
3. Balance with Banks/Financial Institution	4.10	123,624,444	96,520,231
4. Money at Call and Short Notice	4.11	55,360,000	372,215,000
5. Investment	4.12	2,138,797,590	1,678,418,415
6. Loans, Advances and Bills Purchase	4.13	11,335,087,939	8,929,013,115
7. Fixed Assets	4.14	222,000,872	189,323,741
8. Non Banking Assets	4.15	3,140,779	2,394,684
9. Other Assets	4.16	338,370,318	74,833,523
Total Assets		15,026,599,175	11,918,311,429

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)
Principle Indicators	Schedule 4.31
Principle 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

Kapil Sharma Acting Chief Executive Officer	Noor Pratap J.B. Rana Chairman	Amir Pratap J.B. Rana Director	Shiva Ratan Sarada Director	Surendra Bahadur Khadka K.C. Director
Bhaskar Rimal Senior Manager				
Sanjog Subba Head- Strategy & Planning	Jagadish P Chaudhary Director	Santoo Shrestha Director	Samson JB Rana Director	Lalit Jung Shahi Director

Date: 15 Dec 2008
Place: Kathmandu

Madan K Sharma, Partner
CSC & Co.
Chartered Accountants

Profit and Loss Account

From 1st Shrawan 2064 to 31 Asadh 2065 (From 17 July 2007 to 15 July 2008)

Particulars	Schedule	Current Year (Rs.)	Previous Year (Rs.)
1. Interest Income	4.18	957,245,724	791,284,209
2. Interest Expenses	4.19	498,734,222	397,053,120
Net Interest Income		458,511,502	394,231,089
3. Commission and Discount	4.20	48,494,633	40,764,126
4. Other Operating Income	4.21	17,805,210	15,280,956
5. Exchange Fluctuation Income	4.22	41,807,623	20,294,440
Total Operating Income		566,618,968	470,570,612
6. Staff Expenses	4.23	89,570,438	74,243,628
7. Other Operating Expenses	4.24	148,143,138	104,079,476
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before Provision for Possible losses		328,905,392	292,247,508
9. Provision for Possible Losses	4.25	64,023,790	24,950,199
Operating Profit		264,881,602	267,297,309
10. Non Operating Income /(Loss)	4.26	15,588,389	669,885
11. Loan Loss Provision Written Back	4.27	7,240,964	6,264,578
Profit from Regular Activities		287,710,955	274,231,772
12. Profit/Loss from extra-ordinary Activities	4.28	(4,531,068)	(816,882)
Net profit after considering all activities		283,179,887	273,414,890
13. Provision for Staff Bonus		25,743,626	24,855,899
14. Provision for Income Tax		82,506,034	78,296,082
* Current Year's		80,721,591	78,296,082
* Upto Previous year		-	-
* Deferred Tax		1,784,443	-
Net Profit/Loss		174,930,227	170,262,909

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

Kapil Sharma Acting Chief Executive Officer	Noor Pratap J.B. Rana Chairman	Amir Pratap J.B. Rana Director	Shiva Ratan Sarada Director	Surendra Bahadur Khadka K.C. Director
Bhaskar Rimal Senior Manager				
Sanjog Subba Head- Strategy & Planning	Jagadish P Chaudhary Director	Santoo Shrestha Director	Samson JB Rana Director	Lalit Jung Shahi Director

Date: 15 Dec 2008
Place: Kathmandu

Madan K Sharma, Partner
CSC & Co.
Chartered Accountants

Profit and Loss Appropriation Account

From 1st Shrawan 2064 to 31 Asadh 2065 (From 17 July 2007 to 15 July 2008)

Particulars	Schedule	Current Year (Rs.)	Previous Year (Rs.)
Income			
1. Accumulated Profit up to Last Year		35,031,460	20,211,002
2. This Year's Profit		174,930,227	170,262,909
3. Exchange Fluctuation Fund			
4. Capital Adjustment Fund		-	37,500,000
Total		209,961,687	227,973,911
Expenses			
1. Accumulated Loss up to Last Year			
2. Current Year's Loss			
3. General Reserve Fund		34,986,045	34,052,582
4. Contingent Reserve			
5. Institution Development Fund			
6. Dividend Equalization Fund			
7. Staff Related Reserves			
8. Proposed Dividend		5,675,116	7,894,737
9. Issue of Proposed Bonus Shares		107,827,200	150,000,000
10. Special Reserve Fund			
11. Exchange Fluctuation Fund		116,161	406,561
12. Capital Redemption Reserve Fund		20,000,000	
13. Capital Adjustment Fund			
14. Previous Year's Tax Adjustment		-	588,571
Total		168,604,522	192,942,451
15. Accumulated Profit/(Loss)		41,357,165	35,031,460

As per our report of even date

Kapil Sharma Noor Pratap J.B. Rana Amir Pratap J.B. Rana Shiva Ratan Sarada Surendra Bahadur Khadka K.C.
Acting Chief Executive Officer Chairman Director Director Director

Bhaskar Rimal
Senior Manager

Sanjog Subba Jagadish P Chaudhary Santoo Shrestha Samson JB Rana Lalit Jung Shahi
Head- Strategy & Planning Director Director Director Director

Date: 15 Dec 2008
Place: Kathmandu

Madan K Sharma, Partner
CSC & Co.
Chartered Accountants

Statement of Changes in Equity

From 1st Shrawan 2064 to 31 Asadh 2065 (From 17 July 2007 to 15 July 2008)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve Fund	Capital Reserve Fund	Share Premium	Exchange Fluctuation Fund	Other Reserve & Fund	Total Amount (Rs.)
Opening Balance	750,000,000	35,031,460	84,861,456	-	-	5,737,242	150,000,000	1,025,630,159
Adjustments	320,000,000	6,325,705	34,986,045	-	-	116,161	(22,172,800)	339,255,111
Net profit for the period		174,930,227						174,930,227
Transfer to General Reserve		(34,986,045)	34,986,045					-
Capital Adjustment Fund								-
Declaration of Dividend		(5,675,116)						(5,675,116)
Exchange Fluctuation Fund		(116,161)				116,161		-
Right Share Issued	170,000,000							170,000,000
Issue of Bonus Share	150,000,000						(150,000,000)	-
Proposed Bonus Share		(107,827,200)					107,827,200	-
Capital Redemption Fund		(20,000,000)					20,000,000	-
Closing Balance	1,070,000,000	41,357,165	119,847,501	-	-	5,853,403	127,827,200	1,364,885,270

As per our report of even date

Kapil Sharma
Acting Chief Executive Officer

Noor Pratap J.B. Rana
Chairman

Amir Pratap J.B. Rana
Director

Shiva Ratan Sarada
Director

Surendra Bahadur Khadka K.C.
Director

Bhaskar Rimal
Senior Manager

Sanjog Subba
Head- Strategy & Planning

Jagadish P Chaudhary
Director

Samson JB Rana
Director

Lalit Jung Shahi
Director

Date: 15 Dec 2008
Place: Kathmandu

Madan K Sharma, Partner
CSC & Co,
Chartered Accountants

Cash Flow Statement

From 1st Shrawan 2064 to 31 Asadh 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
284,754,814	(A). Cash Flow from Operating Activities	(373,116,233)
868,293,617	1. Cash Received	1,080,550,334
791,284,209	1.1 Interest Income	956,854,479
40,764,126	1.2 Commission and Discount Income	48,494,633
20,294,440	1.3 Income from Foreign Exchange transaction	41,807,623
	1.4 Recovery of loan written off	
15,950,842	1.5 Other Income	33,393,599
(657,509,246)	2. Cash Payment	(809,005,678)
(404,509,533)	2.1 Interest Expenses	(493,513,029)
(99,099,527)	2.2 Staff Expenses	(115,314,064)
(74,787,221)	2.3 Office Overhead Expenses	(113,141,483)
(78,296,082)	2.4 Income Tax Paid	(82,506,034)
(816,882)	2.5 Other Expenses	(4,531,068)
210,784,372	Cash Flow before changes in Working Capital	271,544,656
(2,546,846,876)	Increase /(Decrease) of Current Assets	(2,851,731,892)
(227,215,000)	1. (Increase)/Decrease in Money at Call and Short Notice	316,855,000
(283,470,661)	2. (Increase)/Decrease in short term Investment	(442,511,675)
(2,054,645,968)	3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(2,459,947,172)
18,484,753	4. (Increase)/Decrease in Other Assets	(266,128,045)
2,620,817,318	Increase /(Decrease) of Current Liabilities	2,207,071,003
2,788,459,185	1. Increase/(Decrease) in Deposits	2,217,189,816
	2. Increase/(Decrease) in Certificates of Deposits	
(38,430,000)	3. Increase/(Decrease) in Short Term Borrowings	(112,970,000)
(129,211,866)	4. Increase/(Decrease) in Other Liabilities	102,851,187
(126,683,039)	(B) Cash Flow from Investment Activities	(85,155,041)
-	1. (Increase)/Decrease in Long-term Investment	(17,867,500)
(126,683,039)	2. (Increase)/Decrease in Fixed Assets	(67,678,786)
-	3. Interest income from Long term Investment	391,245
-	4. Dividend Income	
-	5. Others	
124,411,430	(C) Cash Flow from Financing Activities	720,000,000
	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	400,000,000
125,000,000	2. Increase/(Decrease) in Share Capital	320,000,000
(588,570)	3. Increase/(Decrease) in Other Liabilities	
	4. Increase/(Decrease) in Refinance/facilities received from NRB	
	(D) Income/Loss from change in exchange rate in Cash & bank balances	
282,483,206	(E) This Year's Cash Flow from All Activities	261,728,726
389,629,745	(F) Opening Balance of Cash and Bank Balances	672,112,951
672,112,951	(G) Closing Balance of Cash and Bank Balances	933,841,677

As per our report of even date

Kapil Sharma
Acting Chief Executive Officer

Noor Pratap J.B. Rana
Chairman

Amir Pratap J.B. Rana
Director

Shiva Ratan Sarada
Director

Surendra Bahadur Khadka K.C.
Director

Bhaskar Rimal
Senior Manager

Sanjog Subba
Head- Strategy & Planning

Jagadish P Chaudhary
Director

Santoo Shrestha
Director

Samson JB Rana
Director

Lalit Jung Shahi
Director

Date: 15 Dec 2008
Place: Kathmandu

Madan K Sharma, Partner
CSC & Co.
Chartered Accountants

Share Capital and Ownership

Schedule 4.1

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
	1. Share Capital	
1,000,000,000	1.1 Authorized Capital	1,600,000,000
1,000,000,000	a) 16,000,000 Ordinary Shares of Rs. 100 each	1,600,000,000
-	b)Non-redeemable Preference Shares of Rs..... each	
-	c)Redeemable Preference Shares of Rs..... each	
750,000,000	1.2 Issued Capital	1,080,000,000
750,000,000	a) 10,800,000 Ordinary Shares of Rs. 100 each	1,080,000,000
-	b)Non-redeemable Preference Shares of Rs..... each	-
-	c)Redeemable Preference Shares of Rs..... each	-
750,000,000	1.3 Paid Up Capital	1,070,000,000
750,000,000	a) 10,700,000 Ordinary Shares of Rs.100 each	1,070,000,000
-	b)Non-redeemable Preference Shares of Rs..... each	-
-	c)Redeemable Preference Shares of Rs..... each	-

Share Ownership

Previous Year (Rs.)	%	Particulars	%	Current Year (Rs.)
524,999,600	70	A. Promoters	70	749,000,000
-	-	1.1 Government of Nepal	-	-
-	-	1.2 Foreign Institution	-	-
-	-	1.3 "A" Class Liscensed Institutions	-	-
-	-	1.4 Other Liscensed Institutions	-	-
900,000	0.12	1.5 Other Institutions	0.12	1,284,000
524,099,600	69.88	1.6 Personal	69.88	747,716,000
-	-	1.7 Others	-	-
225,000,400	30	B. General Public	30	321,000,000
750,000,000	100	Total	100	1,070,000,000

Share Capital and Ownership

Schedule 4.1 (A)

List of Shareholders Holding Share Capital of 0.5% or More

S.N.	Name	Previous Year		Current Year	
		Amount	%	Amount	%
1	Noor Pratap J. B. Rana	48,750,000.00	6.50	70,200,000.00	6.50
2	Laxman Shrestha	45,000,000.00	6.00	64,800,000.00	6.00
3	Amir Pratap J. B. Rana	37,950,000.00	5.06	54,648,000.00	5.06
4	Sabitri Gurung	30,000,000.00	4.00	43,200,000.00	4.00
5	Gaurab Agrawal	-	-	29,160,000.00	2.70
6	Rishi Agrawal	18,000,000.00	2.40	25,920,000.00	2.40
7	Sanjay Lama	15,000,000.00	2.00	21,600,000.00	2.00
8	Rajendra Prasad Shrestha	24,000,000.00	3.20	21,600,000.00	2.00
9	Bidhya Krishna Shrestha	12,750,000.00	1.70	18,360,000.00	1.70
10	Yagya Pratap Rana	3,750,000.00	0.50	18,144,000.00	1.68
11	Govinda Das Shrestha	11,250,000.00	1.50	16,200,000.00	1.50
12	Mahabir Prasad Goyel	9,900,000.00	1.32	14,256,000.00	1.32
13	Bhim Krishna Udas	7,500,000.00	1.00	10,800,000.00	1.00
14	Phurba Bangdel Lama	7,500,000.00	1.00	10,800,000.00	1.00
15	Anil Das Shrestha	7,500,000.00	1.00	10,800,000.00	1.00
16	Santoo Shrestha	7,500,000.00	1.00	10,800,000.00	1.00
17	Januki Kumari J. B. Rana	7,500,000.00	1.00	10,800,000.00	1.00
18	Manju Tapadiya	7,500,000.00	1.00	10,800,000.00	1.00
19	Nirmal Pradhan	7,493,000.00	1.00	10,789,948.00	0.99
20	Anupam Rathi	6,750,000.00	0.90	9,720,000.00	0.90
21	Shree Niwas Sharada	6,600,000.00	0.88	9,504,000.00	0.88
22	Shiva Shanker Agrawal	6,570,000.00	0.88	9,460,800.00	0.88
23	Jamuna Maheshwori Rathi	-	-	8,709,220.00	0.81
24	Prava Laxmi Rana	6,000,000.00	0.80	8,640,000.00	0.80
25	Rita KC	6,000,000.00	0.80	8,640,000.00	0.80
26	Antu Shrestha	5,850,000.00	0.78	8,424,000.00	0.78
27	CIT	5,625,000.00	0.75	8,100,000.00	0.75
28	Atmaram Murarka	5,250,000.00	0.70	7,560,000.00	0.70
29	Pradeep Kumar Murarka	5,250,000.00	0.70	7,560,000.00	0.70
30	Pashupati Murarka	5,250,000.00	0.70	7,560,000.00	0.70
31	Naresh Dugar	5,250,000.00	0.70	7,560,000.00	0.70
32	Kumud Kumar Dugar	5,250,000.00	0.70	7,560,000.00	0.70
33	Bikash Dugar	5,250,000.00	0.70	7,560,000.00	0.70
34	Gauri Shrestha	5,743,400.00	0.77	7,108,428.00	0.66
35	NCM Mutual	5,625,000.00	0.75	6,750,000.00	0.63
36	Jagdish Prasad Chaudhary	10,500,000.00	1.40	6,480,000.00	0.60
37	Sharmila Aryal	4,500,000.00	0.60	6,480,000.00	0.60
38	Dev Krishna Mudanda	4,500,000.00	0.60	6,480,000.00	0.60
39	Vidushi Rana	4,350,000.00	0.58	6,264,000.00	0.58
40	Sandeep Lama	3,750,000.00	0.50	5,400,000.00	0.50
41	Uttam Prasad Bhattarai	3,750,000.00	0.50	5,400,000.00	0.50
42	Rakshya Pahadi	3,750,000.00	0.50	5,400,000.00	0.50
43	Surender Bhandari	3,750,000.00	0.50	5,400,000.00	0.50

Reserves and Funds

Schedule 4.2

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
84,861,456	1. General Reserve Fund	119,847,501
150,000,000	2. Proposed Bonus Share	107,827,200
	3. Capital Reserve Fund	-
	4. Capital Redemption Reserve	20,000,000
	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	
35,031,460	7. Accumulated Profit/Loss	41,357,165
5,737,242	8. Exchange Fluctuation Fund	5,853,403
275,630,159	Total	294,885,269

Debenture and Bond

Schedule 4.3

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
	- 1. 8 % "KBL Bond 2070" of Rs1,000 each Issued on June 06, 2008 and to be matured on June 08, 2013 (Outstanding balance of Redemption Reserve Rs 20,000,000)	400,000,000
	- 2.% Bond/Debentures of Rs.....each Issued on and to be matured on (Outstanding balance of Redemption Reserve Rs.....)	-
	- 3.....	-
	- Total (1+2+3)	400,000,000

Outstanding Loan (Borrowings)

Schedule 4.4

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
212,970,000	A. Domestic	100,000,000
	1. Government of Nepal	
	2. Nepal Rastra Bank	
	3. Repo Obligations	
212,970,000	4. Inter Bank and Financial institutions	100,000,000
	5. Other Organized Institutions	
	6. Others	
212,970,000	Total	100,000,000
	B. Foreign	
	1. Banks	
	2. Others	
	Total	-
212,970,000	Total (A+B)	100,000,000

Deposit

Schedule 4.5

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
	1. Non-Interest bearing accounts	
403,802,521	A. Current Deposit	601,721,057
385,216,121	1. Local Currency	570,865,953
	1.1 Government of Nepal	
2,429,663	1.2 "A" Class Liscensed Institutions	3,463,370
48,245,908	1.3 Other Liscensed Financial Institutions	45,255,821
259,339,290	1.4 Other Organized Institutions	420,113,592
75,201,261	1.5 Individuals	102,033,170
	1.6 Others	
18,586,400	2. Foreign Currency	30,855,104
	2.1 Government of Nepal	
	2.2 "A" Class Liscensed Institutions	
593,745	2.3 Other Liscensed Financial Institutions	633,572
	2.4 Other Organized Institutions	
17,992,654	2.5 Individuals	30,221,532
	2.6 Others	
87,733,481	B. Margin Deposits	109,638,749
2,005,500	1. Employees Guarantee (Locker Margin)	2,317,850
30,715,793	2. Guarantee Margin	43,867,728
55,012,189	3. Margin on Letter of Credit	63,453,171
-	C. Others	
-	1. Local Currency	
	1.1 Financial Institutions	
	1.2 Other Organized Institutions	
	1.3 Individuals	
-	2. Foreign Currency	
	2.1 Financial Institutions	
	2.2 Other Organized Institutions	
	2.3 Individuals	
491,536,002	Total of Non-Interest Bearing Accounts	711,359,806

Deposit Continue.....

Previous Year (Rs.)	Particulars	Current Year (Rs.)
	2. Interest Bearing Accounts	
	A. Saving Deposits	4,138,809,347
4,461,370,016	1. Local Currency	3,962,219,412
4,312,125,783	1.1 Organized Institutions	136,698,647
320,540,339	1.2 Individuals	3,825,520,765
3,991,585,444	1.3 Others	
149,244,234	2. Foreign Currency	176,589,935
70,432	2.1 Organized Institutions	76,232
149,173,802	2.2 Individuals	176,513,703
	2.3 Others	
2,776,480,794	B. Fixed Deposits	3,799,556,049
2,654,661,888	1. Local Currency	3,472,970,040
2,457,248,187	1.1 Organized Institutions	2,864,222,959
197,413,701	1.2 Individuals	608,747,081
	1.3 Others	
121,818,906	2. Foreign Currency	326,586,009
2,496	2.1 Organized Institutions	-
121,816,410	2.2 Individuals	326,586,009
	2.3 Others	
2,827,704,386	C. Call Deposits	4,124,555,812
2,587,253,517	1. Local Currency	4,072,911,004
	1.1 "A" Class Liscensed Institutions	
590,420,043	1.2 Other Liscensed Financial Institutions	1,325,158,227
1,944,505,546	1.3 Other Organized Institutions	2,628,405,915
52,327,928	1.4 Individuals	119,346,862
	1.5 Others	
240,450,869	2. Foreign Currency	51,644,808
	2.1 "A" Class Liscensed Institutions	
176,852	2.2 Other Liscensed Financial Institutions	17,000
	2.3 Other Organized Institutions	
240,274,016	2.4 Individuals	51,627,808
	2.5 Others	
-	D. Certificate of Deposit	
	1. Organized Institutions	
	2. Individuals	
	3. Others	
10,065,555,196	Total of Interest Bearing Accounts	12,062,921,208
10,557,091,198	Total Deposits (1+2)	12,774,281,014

Bills Payable

Schedule 4.6

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
16,273,704	1. Local Currency	64,396,889
280,680	2. Foreign Currency	899,825
16,554,384	Total	65,296,714

Other Liabilities

Schedule 4.7

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
7,365,534	1. Pension/Gratuity Fund	3,448,061
4,664,901	2. Employees Provident Fund	1,982,609
325,262	3. Employees Welfare Fund	441,760
24,855,899	4. Provision for Staff Bonus	25,743,626
18,317,360	5. Interest Payable on Deposits	23,608,155
102,479	6. Interest Payable on Borrowings	32,877
459,292	7. Unearned Discount and Commission	17,500
6,495,330	8. Sundry Creditors	9,309,564
	9. Branch Reconciliation Account	119,434
32,472,825	10. Others	267,082,845
	a. Audit Fees	210,000
	b. Others	266,872,845
95,058,883	Total	331,786,431

Cash Balance

Schedule 4.8

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
178,558,072	1. Local Currency (Including Coins)	542,398,781
12,190,139	2. Foreign Currency	23,242,337
190,748,210	Total	565,641,118

Balance with Nepal Rastra Bank

Schedule 4.9

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Local Currency	Foreign Currency in equivalent Rs.			Total (Rs.)
			INR	Convertible FCY	Total	
384,844,510	1. Nepal Rastra Bank	232,514,803	-	12,061,312	12,061,312	244,576,115
383,707,852	a. Current Account	232,514,803	-	12,061,312	12,061,312	244,576,115
	b. Other Account					
1,136,659	(NRB LC Margin)"	-	-	-	-	-

Balance with Bank/Financial Institution

Schedule 4.10

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Local Currency	Foreign Currency in Rupee equivalent			Total (Rs.)
			IRS.	Convertible FCY	Total	
5,568,997	1. Local Licensed Institutions	57,587,972	-	1,630,227	1,630,227	59,218,199
5,568,997	a. Current Account	57,587,972	-	1,630,227	1,630,227	59,218,199
-	b. Other Account		-	-	-	-
90,951,233	2. Foreign Banks	-	20,098,442	44,307,803	64,406,245	64,406,245
90,951,233	a. Current Account	-	20,098,442	44,307,803	64,406,245	64,406,245
-	b. Other Account	-	-	-	-	-
96,520,231	Total	57,587,972	20,098,442	45,938,030	66,036,472	123,624,444

Note: Total balance for which the confirmations are received from respective Banks is NPR. 123,624,444.43

Money at Call and Short Notice

Schedule 4.11

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
372,215,000	1. Local Currency	55,360,000
-	2. Foreign Currency	-
372,215,000	Total	55,360,000

Investment

Schedule 4.12

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Purpose		Current Year (Rs.)
		Trading	Other	
1,242,417,040	1. Government Treasury Bills	-	1,278,195,002	1,278,195,002
	2. Government Saving Certificate	-	-	-
55,450,000	3. Government Other Bonds	-	190,900,000	190,900,000
	4. Nepal Rastra Bank Bonds	-	-	-
	5. Foreign Bonds	-	-	-
	6. Local Licensed Institutions	-	175,000,000	175,000,000
380,198,375	7. Foreign Banks	-	476,482,088	476,482,088
353,000	8. Shares of Organized Institutions	-	1,235,500	1,235,500
	9. Bonds and Debentures in Organized Institutions	-	16,985,000	16,985,000
	10. Other Investment	-	-	-
1,678,418,415	Total Investment	-	2,138,797,590	2,138,797,590
-	Provision	-	-	-
1,678,418,415	Net Investment	-	2,138,797,590	2,138,797,590

Investment in Shares, Debentures and Bonds

Schedule 4.12 (A)

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
353,000	1. Investment in Shares	1,235,500
353,000	1.1 Credit Information Centre Limited	1,235,500
	12,355 Ordinary Shares of Rs. 100 each, fully paid	
	1.2Company (Pvt. Ltd/Ltd)	
-Ordinary Shares (including bonus) of	-
	Rs Fully paid	
	1.3Company (Pvt. Ltd/Ltd)	
- Preference Share of Rs. Fully paid	-
-	2. Investment in Debentures and Bonds	16,985,000
-	2.1 Nepal Electricity Authority, Electricity Bond	16,985,000
	7.75 Percent 16,985 Bonds of Rs. 1,000 each	
-	2.2	-
-	2.3	-
353,000	Total Investment	18,220,500
	3. Provision for Loss	
-	3.1 Up to previous year	-
-	3.2 Change in current year	-
	Total Provision	-
353,000	Net Investment	18,220,500

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

Classification of Loans, Advances and Bills Purchase & Provision
End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Loans & Advances				Bills Purchased/Discounted		Current Year (Rs.)		
		Domestic		Foreign	Total	Domestic	Foreign	Total	Total	
		Priority Sector	Uninsured	Other		Domestic	Foreign	Total	Total	
				Insured	Uninsured					
8,996,314,614	1. Performing Loan	-	-	11,288,057,544	-	11,288,057,544	45,254,584	36,592,925	81,847,509	11,369,905,053
8,957,702,559	1.1 Pass	-	-	11,250,301,368	-	11,250,301,368	45,254,584	36,592,925	81,847,509	11,332,148,877
38,612,055	1.2 Restructured	-	-	37,756,176	-	37,756,176	-	-	-	37,756,176
66,118,868	2. Non-Performing Loan	-	-	152,475,600	-	152,475,600	-	-	-	152,475,600
10,378,474	2.1 Sub-Standard	-	-	58,320,876	-	58,320,876	-	-	-	58,320,876
38,636,356	2.2 Doubtful	-	-	78,966,480	-	78,966,480	-	-	-	78,966,480
17,104,037	2.3 Loss	-	-	15,188,244	-	15,188,244	-	-	-	15,188,244
9,062,433,481	A. Total Loan	-	-	11,440,533,144	-	11,440,533,144	45,254,584	36,592,925	81,847,509	11,522,380,653
89,577,026	3. Loan Loss Provision	-	-	112,503,014	-	112,503,014	452,546	365,929	818,475	113,321,489
4,826,507	3.1 Pass	-	-	4,719,522	-	4,719,522	-	-	-	4,719,522
2,594,619	3.2 Restructured	-	-	14,580,219	-	14,580,219	-	-	-	14,580,219
19,318,178	3.3 Sub-Standard	-	-	39,483,240	-	39,483,240	-	-	-	39,483,240
17,104,037	3.4 Doubtful	-	-	15,188,244	-	15,188,244	-	-	-	15,188,244
133,420,366	3.5 Loss	-	-	186,474,239	-	186,474,239	452,546	365,929	818,475	187,292,714
	B. Total Provisioning	-	-	186,474,239	-	186,474,239	452,546	365,929	818,475	187,292,714
68,769,774	4. Provisioning up to previous year	-	-	87,351,275	-	87,351,275	225,157	289,980	515,137	89,577,026
8,358,654	4.1 Pass	-	-	4,826,507	-	4,826,507	-	-	-	4,826,507
3,059,158	4.2 Restructured	-	-	2,594,619	-	2,594,619	-	-	-	2,594,619
16,372,573	4.3 Sub-Standard	-	-	19,318,178	-	19,318,178	-	-	-	19,318,178
19,371,929	4.4 Doubtful	-	-	17,104,037	-	17,104,037	-	-	-	17,104,037
115,932,088	4.5 Loss	-	-	131,194,616	-	131,194,616	225,157	289,980	515,137	133,420,367
(6,264,578)	C. Total provision till Last year	-	-	(7,240,964)	-	(7,240,964)	-	-	-	(7,240,964)
23,752,857	D. Written Back from last year provision	-	-	62,520,587	-	62,520,587	227,389	75,949	303,338	61,113,311
17,488,278	E. Additional Provision in this year	-	-	55,279,623	-	55,279,623	227,389	75,949	303,338	53,872,347
	Change in this year	-	-	11,254,058,905	-	11,254,058,905	44,802,038	36,226,996	81,029,034	11,335,087,939
8,929,013,115	Net Loan (A-B)	-	-	11,254,058,905	-	11,254,058,905	44,802,038	36,226,996	81,029,034	11,335,087,939

Security for Loan Advances and Bills Purchased

Schedule 4.13 (A)

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
9,062,433,481	A. Secured	11,522,380,653
7,463,682,294	1. Against Security of Movable/Immovable Assets	10,565,023,333
	2. Against Guarantee of Local Licensed Institutions	
	3. Against Government Guarantee	
	4. Against Guarantee of Internationally Rated Bank	
12,254,000	5. Against Security of Export Documents	-
	6. Against Security of Fixed Deposit Receipts	
21,947,696	a. Own FDR	6,955,361
84,939,386	b. FDR of Other Licensed Institutions	105,990,568
	7. Against Security of Government Bonds	
	8. Against Counter Guarantee	
	9. Against Personal Guarantee	
1,479,610,104	10. Against Other Securities	844,411,391
-	B. Unsecured	-
9,062,433,481	Total	11,522,380,653

Fixed Assets

End of Ashad 2065 (15 July 2008)

Schedule 4.14

Previous Year (Rs.)	Particulars	ASSETS				Current Year Rs.
		Building	Vehicles	Machinery	Office Equipment	
1. Cost Price						
149,701,789	a. Previous Year's Balance	5,569,365	36,980,928	104,669,829	30,967,613	178,187,735
35,826,799	b. Addition This Year	-	30,658,351	31,375,882	7,558,667	69,592,900
-	c. Revaluation/Written Back This Year					-
(7,340,854)	d. This Year Sold		(12,917,356)	(722,592)		(13,639,948)
-	e. This Year Written Off				(20,309,392)	(20,309,392)
178,187,735	Total Cost (a+b+c+d+e)	5,569,365	54,721,923	135,323,119	18,216,888	213,831,295
2. Depreciation						
73,648,181	a. Up to previous year	185,646	14,335,091	52,667,297	25,110,896	92,298,930
22,894,377	b. For this year	269,185	8,366,664	16,672,509	3,045,822	28,354,180
(4,243,628)	c. Depreciation on revaluation/Written Back		(7,122,635)	(468,554)	(20,309,392)	(27,900,581)
	d. Depreciation Adjustment/Add back					
92,298,929	Total Depreciation	454,831	15,579,120	68,871,252	7,847,326	92,752,529
85,888,806	3. Book Value (WDV*) (1-2)	5,114,534	39,142,803	66,451,867	10,369,562	121,078,766
85,593,635	4. Land					85,593,635
17,841,301	5. Capital Work In Progress (pending Capitalization)					15,328,471
	6. Leasehold Assets					
189,323,742	Total (3+4+5+6)	5,114,534	39,142,803	66,451,867	10,369,562	222,000,872

Written Down Value

Schedule 4.15

Non Banking Assets

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Name & Address of Borrower or Party	Acquired Date of Non Banking Assets	Total Amount of Non Banking Assets	Provision for loss		Net Non Banking Asset (Rs.)
				Percent	Amount (Rs.)	
2,394,684	Anmol Yatayat Sewa	9-Feb-06	4,789,369	75	3,592,027	1,197,342
	Shalu Trading Concern	21-Sep-07	2,591,250	25	647,813	1,943,437
2,394,684.44	Grand Total		7,380,619		4,239,840	3,140,779

Other Assets

Schedule 4.16

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars		Current Year (Rs.)
2,375,755	1. Stock of Stationery		3,116,957
8,569,849	2. Income receivable on Investment		15,829,340
-	3. Accrued Interest Receivable on Loan	59,306,341	-
-	Less: Interest Suspense Account	(59,306,341)	-
-	4. Commission Receivable		-
8,983,578	5. Sundry Debtors		14,449,873
39,420,370	6. Staff Loan & Advances		46,719,936
10,018,740	7. Pre Payments		7,959,739
-	8. Cash in Transit		-
-	9. Other Transit items (including Cheques)		-
-	10. Drafts payment without notice		-
-	11. Expenses not written off		-
-	12. Branch Reconciliation Account		-
5,465,231	13. Others		250,294,473
	a. Advance Tax Paid (Net of Tax Liabilities)		
	b. Others	250,294,473	
74,833,522	Total		338,370,318

Other Assets (Additional Statement)

Schedule 4.16(A)

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)			Total
		Up to 1 Year	1 to 3 Year	Above 3 Years	
42,121,009	1. Accrued Interest Receivable on Loan	51,885,778	7,229,936	190,626	59,306,341
-	2. Drafts Payment without notice	-	-		-
-	3. Branch Reconciliation Account	-	-		-

Contingent Liabilities

Schedule 4.17

End of Ashad 2065 (15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
	1. Claims Lodged but not accepted by the Institution	
918,358,199	2. Letter of Credit (Full Amount)	1,113,996,185
743,868,768	a. Maturity period up to 6 months	886,717,522
174,489,431	b. Maturity period more than 6 months	227,278,663
	3. Rediscounted Bills	
280,110,386	4. Unmatured Guarantees/Bonds	512,512,449
24,995,555	a. Bid Bonds	15,725,275
255,114,831	b. Performance Bonds	496,787,174
	c. Other Guarantee/Bonds	
	5. Unpaid Shares Investment	
	6. Outstanding of Forward Exchange Contract Liabilities	
	7. Bills under Collection	
47,265,959	8. Acceptance & Endorsement	54,757,155
	9. Underwriting Commitment	
	10. Irrevocable Loan Commitment	
41,723,402	11. Guarantees against Counter Guarantee of Internationally Rated Banks	35,096,418
126,638,621	12. Advance Payment Guarantee	150,573,285
	13. Financial Guarantee for loan disbursement	
	14. Contingent Liabilities on Income Tax	
	15. Others	
	16.	
	17.	

Interest Income

Schedule 4.18

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs)	Particulars	Current Year (Rs)
691,140,397	A. On Loans, Advances and Overdraft	877,009,516
378,087,240	1. Loans & Advances	465,122,390
313,053,158	2. Overdraft	411,887,126
44,900,557	B. On Investment	46,978,242
44,900,557	1. Government Securities	46,586,997
41,857,113	a. Treasury Bills	43,361,548
3,043,445	b. Development Bonds	3,225,449
-	c. National Saving Certificates	-
-	2. Foreign Debt Papers	-
-	a.	-
-	b.	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture & Bonds	391,245
-	5. Interest on Interbank Investment	-
-	a. Bank/ Financial Institutions	-
-	b. Other Institutions	-
1,148,655	C. On Agency Balances	2,113,916
-	1. Domestic Banks/ Financial Institutions	-
1,148,655	2. Foreign Banks	2,113,916
54,094,600	D. On Money at Call and Short Notice	31,144,050
32,267,659	1. Domestic Banks/Financial Institutions	21,189,231
21,826,940	2. Foreign Banks	9,954,819
-	E. On Others	-
-	1. Certificate of Deposits	-
-	2. Inter-Bank/ Financial Institution Loan	-
-	3. Others	-
791,284,209	Total	957,245,724

Interest Expenses

Schedule 4.19

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
389,295,827	A. On Deposit Liabilities	463,374,013
153,084,677	1. Fixed Deposits	180,664,935
140,352,708	1.1 Local Currency	172,131,676
12,731,969	1.2 Foreign Currency	8,533,259
106,753,117	2. Saving Deposits	130,199,103
104,556,822	2.1 Local Currency	125,515,994
2,196,295	2.2 Foreign Currency	4,683,109
129,458,033	3. Call Deposits	152,509,975
126,348,155	3.1 Local Currency	149,286,396
3,109,878	3.2 Foreign Currency	3,223,579
	4. Certificate of Deposits	
7,757,293	B. On Borrowings	35,360,209
	1. Debentures & Bonds	3,951,005
	2. Loan from Nepal Rastra Bank	
7,757,293	3. Inter Bank /Financial Institutions Borrowing	31,409,204
	4. Other Organized Institution	
	5. Other Loans	
	C. On Others	
	1.	
	2.	
397,053,120	Total	498,734,222

Commission and Discount Income

Schedule 4.20

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
1,983,735	A. Bills Purchase & Discount	1,400,837
1,983,735	1. Local	1,400,837
	2. Foreign	
18,425,748	B. Commission	20,290,207
9,909,844	1. Letters of Credit	8,597,043
5,321,141	2. Guarantees	7,638,828
247,424	3. Collection Fees	328,914
2,382,812	4. Remittance Fees	3,465,109
	5. Credit Card	
	6. Share Underwriting/Issue	
	7. Government Transactions	
564,527	8. Agency Commission	260,313
	9. Exchange Fee	
20,354,643	C. Others	26,803,589
40,764,126	Total	48,494,633

Other Operating Income

Schedule 4.21

From 1st Shrawan 2064 to Ashad 31 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
578,700	1. Safe Deposit Lockers Rental	690,075
	2. Issue & Renewals of Credit Cards	
5,483,568	3. Issue & Renewals of ATM Cards	8,927,977
3,257,260	4. Telex / T. T./ SWIFT	3,072,861
4,694,954	5. Service Charges	3,936,498
	6. Renewal Fees	
1,266,476	7. Others	1,177,799
15,280,956	Total	17,805,210

Exchange Fluctuation Gain/loss

Schedule 4.22

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
1,626,245	a. From Revaluation	464,643
18,668,195	b. From Trading (except Exchange Fees)	41,342,980
20,294,440	Total Gain (Loss)	41,807,623

Expenses Relating to Employees

Schedule 4.23

From 1st Shrawan 2064 to Ashad 31 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
36,136,633	1. Salary	41,126,851
21,698,172	2. Allowances	30,185,203
14,245,611	a. Normal Allowance	17,713,039
19,000	b. Inchargeship Allowance	11,690
86,413	c. Relocation Allowance	118,605
295,031	d. Outstation Allowance	459,102
2,869,639	e. Dashain Allowance	4,524,422
226,800	f. Vehicle Maintenance Allowance	236,440
3,955,678	g. Leave Fare Allowance	7,121,905
3,514,681	3. Contribution to Provident Fund	4,016,353
1,580,940	4. Training Expenses	1,996,501
-	5. Uniform	-
2,376,425	6. Medical	2,833,882
1,729,678	7. Insurance	2,502,788
2,797,397	8. Pension and Gratuity Provision	2,680,562
4,409,701	9. Others	4,228,298
1,138,425	a. Wages	887,686
156,100	b. Teller Risk Fund	300,592
2,766,443	c. Other Staff Benefits	2,356,939
348,733	d. Overtime	683,081
74,243,628	Total	89,570,438

Other Operating Expenses

Schedule 4.24

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs)	Particulars	Current Year (Rs)
16,249,104	1. House Rent	26,236,814
3,865,011	2. Electricity & Water	5,444,706
885,011	3. Repair & Maintenance	768,517
	a. Building	378,346
	b. Vehicles	390,171
	c. Others	
2,719,413	4. Insurance	2,840,284
10,632,554	5. Postage, Telex, Telephone & Fax	11,250,139
717,497	6. Office Equipment, Furniture and Repair	1,365,052
1,833,969	7. Travelling Allowances & Expenses	4,583,579
4,322,524	8. Stationery & Printing	4,819,679
189,011	9. Periodicals & Books	258,107
3,837,920	10. Advertisements	7,013,922
887,030	11. Legal Expenses	850,973
140,406	12. Donations	67,700
2,751,016	13. Expenses relating to Board of Directors	2,583,058
	a. Meeting Fees	2,564,000
	b. Other Expenses	19,058
810,673	14. Annual General Meeting Expenses	860,175
	15. Expenses relating to Audit	
336,111	a. Audit Fees	330,700
	b. Other Expenses	312,797
	16. Commission on Fund Transfer	
29,292,255	17. Depreciation on Fixed Assets	35,001,655
	18. Amortization of Pre-operating Expenses	
	19. Share Issue expenses	
191,852	20. Technical Services (Reimbursement)	176,561
	21. Entertainment Expenses	
	22. Written Off Expenses	
4,200,760	23. Security Expenses	6,933,404
	24. Credit Guarantee Premium	
	25. Commission & Discount	
20,217,357	26. Others	36,445,316
2,460,996	a. Transport	3,384,226
817,330	b. Professional Fees	1,946,145
6,077,891	c. Public Relation Expenses	1,379,268
1,793,882	d. Banking and Corporate Expenses	2,121,270
595,572	e. Correspondent Banking Charges	655,450
4,479,482	f. Fees and Taxes	8,742,767
2,536,722	g. Visa Fees and Charges	3,964,295
237,883	h. NRB Charges on FCY Deposit	10,890,574
217,415	i. Miscellaneous	434,725
142,500	j. Prior Period Expenses	845,601
32,202	k. Error, Fine and Losses	25,793
825,483	l. Janitorial	1,091,457
	j. Share/Debtenture Issue Expenses	963,745
104,079,476	Total	148,143,138

Provision for Possible Losses

Schedule 4.25

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
23,752,857	1. Increase in Provision for Loan Loss	61,113,311
-	2. Increase in Provision for Loss on Investment	-
1,197,342	3. Provision for loss on Non-Banking Assets	1,845,155
-	4. Provision for Other Assets	1,065,324
24,950,199	Total	64,023,790

Non-operating Income / Loss

Schedule 4.26

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
641,895	1. Profit/ (Loss) on Sale of Investments	
	2. Profit/ (Loss) on Sale of Assets	555,500
	3. Dividend	
	4. Subsidies received from Nepal Rastra Bank	
	a. Compensation for losses of specified branches	
	b. Interest Compensation	
	c. Exchange Counter	
27,990	5. Others	15,032,889
669,885	Net Non-Operating Income (Loss)	15,588,389

Written Back from Provision for Possible Losses

Schedule 4.27

(Fiscal Year 2064/65)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
6,264,578	1. Provision for Loan Loss Written Back	7,240,964
	2. Provision against Non Banking Assets Written Back	
	3. Provision for Investment Written Back	
	4. Provision for other Assets Written Back	
6,264,578	Total	7,240,964

Income/ (Expenses) from Extra Ordinary Transactions

Schedule 4.28

From 1st Shrawan 2064 to 31 Ashad 2065 (From 17 July 2007 to 15 July 2008)

Previous Year (Rs.)	Particulars	Current Year (Rs.)
-	1. Recovery of Written Off Loan	-
-	2. Voluntary Retirement Expenses	-
(816,882)	3. Irrecoverable Loan Written Off (4.28 (a))	(4,531,068)
-	4. Other Expenses/Income	-
-	5.	-
(816,882)	Total	(4,531,068)

Schedule 4.28A

Statement of Loan Written-off (Fiscal Year 2064/65)

S.No	Types of Loan	Written off Amount	Type of Security	Basis of Valuation of Collateral	Loan Approving Authority/ Level	Initiations Made for Recovery	Remarks
1	Working Capital Loan (Sale Trading Concern)	Rs.19,571.00	Land Rs 2,591,250.00	"Valuation by Authorized valuator of the bank"	Head- Credit and AGM	Several verbal and written reminders were served on different dates. Despite serving a 35 days public notice and Auction notices twice, no bids were received. Finally the property accepted by the bank and booked in Non-Banking Assets at prevailing market price of Rs. 2,591,250 and the residual loan amount was written off.	
2	Project Loan						
3	Fixed Capital Loan						
4	Personal Loan						
5	Other Loan(Vehicle loan)						
	A. Sova Sthapit	Rs.169,873.61	"Vehicle with original cost price of Rs. 1,450,000"	"Price quotation submitted by Vehicle Seller and Body Component Manufacturer"	"Head- Credit AGM" and CEO	Several verbal and written reminders were served on different dates. A 35 days public notice was also published. As vehicles sold through the auction process are barred from operating within the Kathmandu valley and there would be, if at all, very few bidders outside the valley to offer decent price for the vehicle, the vehicle was thus sold through mutual consensus.	
	B. Lokendra Raj Pant	Rs.464,226.34	"Vehicle with original cost price of Rs. 1,525,000	"Price quotation submitted by Vehicle Seller and Body Component Manufacturer"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. A 35 days public notice was also published. As vehicles sold through the Auction process are barred from operating within the Kathmandu valley and there would be, if at all, very few bidders outside the valley to offer decent price for the vehicle, the vehicle was thus sold through mutual consensus.	
	C. Prakash B. Saud	Rs.236,854.57	"Vehicle with original cost price of Rs. 830,000"	"Price quotation submitted by Authorized Vehicle Seller and Body Component Manufacturer"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. A 35 days public notice for loan repayment was also published. The vehicle supplier agreed to repurchase the vehicle as per the terms of the Buy-back Agreement for Rs. 557,941.61 and the residual loan of Rs 236,854.57 was written off.	

Statement of Loan Written-off Continue.....

S.No	Types of Loan	Written off Amount	Type of Security	Basis of Valuation of Collateral	Loan Approving Authority/ Level	Initiations Made for Recovery	Remarks
D.	Mohan Narayan Shrestha	18,006.90	"Vehicle with original cost price of Rs. 1,400,000"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit AGM and CEO"	The bank had served several verbal and written reminders to the borrower on different dates. Based on the borrower's request to provide waiver on the loan citing losses incurred in the business, the decision to write-off the loan was taken by the CEO. Charges related to publication of 35 days notice written off.	
E.	Narayan Bahabur Thapa Magar	6,102.00	"Vehicle with original cost price of Rs. 1,400,000"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. A 35 days public notice for loan repayment was also published. As vehicles sold through the Auction process are barred from operating within the Kathmandu valley and there would be, if at all, very few bidders outside the valley to offer decent price for the vehicle, the vehicle was thus sold through mutual consensus.	
F.	Kedar Prasad Upreti	676,368.28	"Vehicle with original cost price of Rs. 1,550,000"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. A 35 days public notice for loan repayment was also published. As vehicles sold through the Auction process are barred from operating within the Kathmandu valley and there would be, if at all, very few bidders outside the valley to offer decent price for the vehicle, the vehicle was thus sold through mutual consensus.	
G.	Chameli Bidadi	1,103,510.68	"Vehicle with original cost price of Rs. 1,400,000"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. A 35 days public notice for loan repayment was also published. As vehicles sold through the Auction process are barred from operating within the Kathmandu valley and there would be, if at all, very few bidders outside the valley to offer decent price for the vehicle, the vehicle was thus sold through mutual consensus.	
H.	Asha Pokhrel	674,524.83	"Vehicle with original cost price of Rs. 1,525,000"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. Despite serving 35 days public notice and Auction notice no bids were received for the vehicle. The vehicle was disposed through mutual consensus.	
I.	Dipendra Pant	1,162,029.94	"Vehicle with original cost price of Rs. 1,525,001"	"Price quotation submitted by Authorized Vehicle Seller"	"Head- Credit and AGM"	Several verbal and written reminders were served on different dates. Despite serving 35 days public notice and Auction notice no bids were received for the vehicle. The vehicle was disposed through mutual consensus.	
	Total Loan	4,531,068.15					

Statement of Loans and Advances Extended To Directors/Chief Executive/Promoters/Employees and Shareholders

Schedule 4.29

End Of Ashad 2065 (15 July 2008)

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:

NPR '000'

Name of Promoter/Director/ Chief Executive	Outstanding up to Last Year		Recovered in Current Year		Additional Lending in This Year	Outstanding as of Ashad End 2063	
	Principal	Interest	Principal	Interest		Principal	Interest
A. Directors							
1.							
2.							
3.							
B. Chief Executive							
1.							
2.							
C. Promoters' Group							
D. Employee (Family Members' Company)							
E. Shareholder's Company							
Total							

Statement of Capital Fund

Schedule 4.30

End of Ashad 2065 (15 July 2008)

Particulars	NPR in '000'	
	Previous Year	Current Year
A. Core Capital	1,019,893	1,359,032
1. Paid Up Capital	750,000	1,070,000
2. Share Premium		
3. Non-Redeemable Preference Shares		
4. General Reserve Fund	84,861	119,848
5. Cumulative Profit/Loss	35,031	41,357
6. Capital Redemption Fund		20,000
7. Capital Adjustment Fund/Proposed Bonus Share	150,000	107,827
8. Other Free Funds		
Less: Goodwill		
Investment in excess of prescribed Limit		
Fictitious Assets		
Investments in securities of companies with financial interest		
B. Supplementary Capital	95,314	523,894
1. Loan Loss Provision on Pass Loan	89,577	113,321
2. Asset Revaluation Fund		
3. Hybrid Capital Instruments		
4. Unsecured Subordinated Term Debt		400,000
5. Exchange Equalization Fund	5,737	5,853
6. Additional Loan Loss Provision		4,720
7. Investment Adjustment Fund		
8. Provision for Loss on Investment		
C. Total Capital Fund (A+B)	1,115,207	1,882,926
D. Minimum Capital Fund to be maintained on the basis of Risk Weighted Assets		
Capital Fund (11%)	1,093,295	1,437,742
Core Capital (5.5%)	546,648	718,871
Capital Fund Excess/(Short)	21,912	445,185
Core Capital Excess/(Short)	473,245	640,161

Statement of Risk Weighted Assets

Schedule 4.30A

End of Ashad 2065 (15 July 2008)

On -Balance Sheet Assets	Weightage	Previous Year		Current Year	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
Cash Balance	-	190,748,210	-	565,641,118	-
Gold (Tradable)	-	-	-	-	-
Balance with Nepal Rastra Bank	-	384,844,510	-	244,576,115	-
Investments in Government Securities	-	-	-	-	-
Investments in N.R.B. Bonds	-	1,297,867,040	-	1,469,095,002	-
Fully secured loan against own Fixed Deposit Receipt	-	21,947,696	-	6,941,980	-
Fully secured loan against Government Securities	-	-	-	-	-
AIR on Government Securities	-	7,637,469	-	13,416,057	-
Balances with Domestic Licensed Banks and Financial Institutions	20%	5,568,997	1,113,799	59,218,199	11,843,640
Fully secured FDR Loan against Fixed Deposit Receipt of other Licensed banks & Financial Institutions	20%	84,939,386	16,987,877	105,990,568	21,198,114
Balances with Foreign Banks	20%	90,951,233	18,190,247	64,406,245	12,881,249
Money at Call	20%	372,215,000	74,443,000	55,360,000	11,072,000
Loan against Guarantees of Internationally Rated Banks	20%	-	-	-	-
Other Investments in Internationally Rated Banks	20%	380,198,375	76,039,675	476,482,088	95,296,418
Investment in Shares, Debentures and Bonds	100%	353,000	353,000	18,220,500	18,220,500
Other Investments	100%	-	-	175,000,000	175,000,000
Loans, Advances and Bills Purchased/Discounted	100%	8,955,546,398	8,955,546,398	11,409,448,105	11,409,448,105
Fixed Assets	100%	189,323,741	189,323,741	222,000,872	222,000,872
All Other Assets	100%	68,658,359	68,658,359	329,921,596	329,921,596
“Other Accrued Interest Receivable (Accrued interest Receivable- Interest on Government Securities - Interest Suspense)”	100%	932,380	932,380	2,413,283	2,413,283
Total (A)		12,051,731,796	9,401,588,477	15,218,131,728	12,309,295,776
Off -Balance Sheet Transactions					
Bills Collection	0%	-	-	-	-
Forward Foreign Exchange Contract	10%	-	-	14,946,713	1,494,671
Letters of Credit with maturity of less than 6 months (Full value)	20%	743,868,768	148,773,754	886,717,522	177,343,504
Guarantees issued against counter guarantee of internationally rated foreign banks	20%	41,723,402	8,344,680	35,096,418	7,019,284
Letters of Credit with maturity of more than 6 months (Full value)	50%	174,489,431	87,244,715	227,278,663	113,639,332
Bid Bond	50%	24,995,555	12,497,778	15,725,275	7,862,638
Performance Bond	50%	255,114,831	127,557,416	496,787,174	248,393,587
Advance Payment Guarantee	100%	126,638,621	126,638,621	150,573,285	150,573,285
Financial Guarantee	100%	-	-	-	-
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liabilities in respect of Income Tax	100%	-	-	-	-
All Other Contingent Liabilities	100%	47,265,959	47,265,959	54,757,155	54,757,155
Total (B)		1,414,096,566	558,322,922	1,881,882,205	761,083,455
Total Risk Weighted Assets		13,465,828,362	9,959,911,398	17,100,013,933	13,070,379,231

Principal Indicators

(At Least for Previous 5 Years)

NRB DIRECTIVE Schedule 4.31

Particulars	Indicators	F. Y.					
		2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
1. Net Profit/Gross Income	%	6.17%	14.20%	16.26%	15.52%	19.61%	16.18%
2. Earnings Per Share	Rs.	3.26	9.74	17.58	16.59	22.70	16.35
3. Market Value per Share	Rs.			369.00	443	830	1005
4. Price Earning Ratio	Ratio			20.99	26.71	36.56	61.47
5. Dividend (including bonus) on share capital	%				21.05%	21.05%	10.53
6. Cash Dividend on share Capital	%				1.05%	1.05%	0.53
7. Interest Income/Loans & Advances	%	8.66%	8.39%	8.33%	5.89%	7.63%	7.61%
8. Employee Expenses/Total Operating Expenses	%	14.38%	11.48%	11.96%	12.32%	17.22%	15.66%
9. Interest Expenses on Total Deposit and Borrowings	%	3.70%	3.41%	4.48%	4.20%	3.69%	3.87%
10. Exchange Fluctuation Gain/Total Income	%	3.53%	4.20%	2.77%	3.95%	2.34%	3.87%
11. Staff Bonus/ Total Employee Expenses	%	10.20%	26.88%	34.24%	24.59%	25.08%	22.32%
12. Net Profit/Loans & Advances	%	0.58%	1.32%	1.55%	1.48%	1.88%	1.52%
13. Net Profit/ Total Assets	%	0.42%	0.89%	1.13%	1.15%	1.43%	1.16%
14. Total Credit/Deposit	%	85.06%	76.91%	90.62%	90.20%	85.84%	90.20%
15. Total Operating Expenses/Total Assets	%	5.42%	4.53%	4.76%	5.39%	4.83%	4.90%
16. Adequacy of Capital Fund on Risk Weightage							
Assets							
a. Core Capital	%	14.22%	12.50%	10.20%	11.28%	10.26%	10.40%
b. Supplementary Capital	%	1.24%	0.91%	1.01%	1.08%	0.96%	4.01%
c. Total Capital Fund	%	15.46%	13.41%	11.21%	12.36%	11.22%	14.41%
17. Liquidity (CRR)	Ratio	10.72%	11.02%	3.44%	2.71%	3.65%	1.91%
18. Non Performing Loans/Total Loans	%	0.02%	0.76%	0.95%	0.92%	0.73%	1.32%
19. Weighted Average Interest Rate Spread	%	6.48%	3.82%	3.85%	4.58%	4.67%	4.30
20. Book Net worth Per Share	Rs.	112	114	141	149	137	128
21. Total Shares	Number	3,500,000	5,000,000	5,000,000	6,250,000	7,500,000	10,700,000
22. Total Employees	Number	53	115	143	177	212	256
23. Others							

Principal Accounting Policies

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

General Information

Kumari Bank Limited (the "Bank") is a limited liability company domiciled in Nepal. The address of its registered office is G.P.O. Box 21128, Putalisadak, Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

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

Summary of Significant Accounting Policies

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

Statement of Compliance

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

Basis of Preparation

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

Interest Income

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

Interest in interest bearing deposit is accounted on accrual basis.

Interest income on Investments is recognised on accrual basis.

Commission Income

Commission income of the bank is accounted for on cash basis

Commission income exceeding Rs. 100,000 earned on guarantees covering more than a year is accounted for on accrual basis over the period of the guarantee.

Dividend Income

Dividend is recognised as income when the right to receive the payment is established.

Foreign Exchange Transactions

- i. Foreign currency assets and liabilities as on 31 Ashad 2065 have been translated at mid (average of buying and selling) rate of exchange prevalent as on 31 Ashad 2065.
- ii. Gain/Loss realised in 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)"

Interest Expense

Interest on deposit liabilities and borrowing from other banks are accounted for on accrual basis.

Loans And Advances, Overdraft and Bills Purchased

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

Staff Loans

Staff loan has been provided as per banks rule and shown under the head other assets

Loan Loss Provision

Provision is made for possible losses on loans and advances, overdraft and bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with the directives of Nepal Rasta Bank. .

Loans & Advances Write Off

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

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

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 and bond of Nepal Electricity Authority is valued at cost since it has not been listed yet.

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

Fixed Assets and Depreciation

- a) Fixed assets are stated at historical cost. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.
- b) Fixed assets are depreciated in accordance with Nepalese Income Tax Act 2058 except for lease hold development expenses.
- c) Assets are depreciated only after their full capitalisation.
- d) Computer software cost (included in fixed assets) is amortised over the period of five years in equal instalments.
- e) Assets purchased without full payment is booked as Asset in Process.

Lease hold development costs are amortised over a period of 5 years or lease period whichever is earlier.

Lease Rental

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

Retirement Benefits

The Bank has schemes of retirement benefits namely Gratuity and Provident Fund. Provision for expenses on account of Gratuity and Provident Fund is made on

accrual basis with the amount of liabilities computed by the bank in accordance with its applicable schemes. Contributions to approved retirement fund are made on a regular basis as per the Retirement Fund rules and regulations.

Income Tax

Current Income Tax

Provision for current income tax is made in accordance with the provisions of the prevailing Income Tax Act, 2058 and Rules as amended.

Deferred Income Tax

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

The principal temporary differences arise from depreciation of fixed assets, provision for diminution in the value of investment in shares.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Stationery

Stationery purchased for consumption is expended at the time of consumption.

Non Banking Assets

Non Banking Assets 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 directive.

Rounding Off and Comparative Figures

Figures are rounded to nearest rupees. Previous year's figure has been regrouped or rearranged where necessary.

Notes to Accounts

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

Provision for Bonus

Provision for bonus has been provided as per the Bonus Act

Staff Housing Fund

Staff Home Loan is provided as per the bank's policy. A separate housing fund has not been created in accordance with Labour Act, 2048.

General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current year's profit has been transferred to General Reserve.

Tax Settlement Outstanding / Contingent Liability

Self assessment returns filed by the bank for the fiscal year 2004/05, 2005/06 and 2006/07 are pending for assessment at the Inland Revenue Office. The tax assessment for fiscal year 2002/03 and 2003/04 is under administrative review and final tax clearance letter from Large Tax Payer's Office is not received yet.

Provision for Gratuity

During the year, the Bank has provided Rs 2,680,562 (Previous Year Rs.2,797,397) on account of gratuity. The bank has policy of including gratuity amount of each eligible staff to his/her annual income and deduct income tax as per Income Tax Act 2058.

Uncollected Dividend

None

Paid Up Share Capital

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

Fiscal Year	Cumulative Paid up Capital	Remarks	NPR in million
2000/01	350		
2001/02	350		
2002/03	350		
2003/04	500	Initial Public Offering of Rs. 150 million	
2004/05	625	(4:1) Right share issue of Rs. 125 million	
2005/06	750	Issue of Bonus share of Rs. 125 million	
2006/07	900	Issue of Bonus Share of Rs. 150 million	
2007/08	1,070	In fiscal year 2007/08, the bank has issued right share of Rs. 180 million. Out of total issue, Rs. 170 million has been capitalized as on balance sheet date. Further Rs. 8.272 million has been capitalized as on signing date of financial statements.	

Sale of Land and Building

None

KBL Bond 2070

Bank has issued KBL Bond 2070 worth NPR 400 million in fiscal year 2007/08. For the redemption of the bond, Capital Redemption Fund has been created on which NPR 20 million is transferred in each quarter.

Deferred Tax

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

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

Particulars	Balance 16 Jul 2007	Movement during the year	Balance 15 Jul 2008
Deferred Income Tax Assets			
Leasehold Asset	-	1,784,443.36	1,784,443.36
Total Deferred Tax Assets			1,784,443.36
Deferred Income Tax Liabilities		-	-
Net – Deferred Income Tax Asset			1,784,443.36

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

Reconciliation Status

NPR in million

Particulars	Total Amount	Upto 1 Year	1 Year to 3 Years	More than 3 Years
Agency Accounts	552.46	552.46		

Loan Disbursed, Recovered, Written Off and Outstanding During the Year.

The loan disbursed, recovered and outstanding during the year is given below:

Opening Balance	Total Disbursed	Total Settled	NPR in million Outstanding
9,062	8,255	5,795	11,522

Summary of Changes in Deposit During the Year

The financial growth of the deposits during the year is given below:

NPR in million

Pre. Year (Rs)	Particulars	Current Year (Rs)	Changes
404	1) Current Deposit	602	198
385	a) Local Currency	571	186
19	b) Foreign Currency	31	12
4,461	2) Saving Deposit	4,139	-323
4,312	a) Local Currency	3,962	-350
149	b) Foreign Currency	177	27
2,776	3) Fixed Deposit	3,800	1,023
2,655	a) Local Currency	3,473	818
122	b) Foreign Currency	327	205
2,828	4) Call Deposit	4,125	1,297
2,587	a) Local Currency	4,073	1,486
240	b) Foreign Currency	52	-189
88	5) Margin Deposit	110	22
88	a) Local Currency	110	22
0	b) Foreign Currency	0	0
10,557	Total Deposit	12,775	2,218

Weighted Average Interest Rate Spread

Particulars	Percentage
The weighted average yield on Interest bearing assets for the year (%)	8.31
The weighted average cost on Interest bearing liability for the year (%)	4.01
The weighted average Interest Rate Spread (%)	4.30

Summary of Amortizable Expenses yet to be Written Off

	Original Value	Written Off	NPR in million Book Value
Software	18	8	10
Leasehold Expenses	36	20	15

Classification of Assets and Liabilities Based on Maturity

Assets	NPR in million					Total
	1-90 Days	91 - 180 Days	181 - 270 Days	271 - 365 Days	More than 1 Year	
Cash	566					566
Bank Balance	368					368
Investment in Foreign Banks						0
HMG Debt Paper					191	191
NRB Debt Paper				1,278		1,278
Interbank Loan	220	68	138	69	211	707
Loan	6,895	1,003	68	117	3,366	11,449
Total Assets	8,049	1,071	206	1,465	3,768	14,559
Liabilities						
Borrowings	100					100
Current/Call Account	629				81	710
Savings Account	4,125				4,143	8,267
Time Deposit			2	226	2,876	3,104
Debt Papers						0
Total Liabilities	4,854	0	2	226	7,099	12,182
Net Assets / Liabilities	3,195	1,071	203	1,238	-3,331	2,377
Cumulative Net Assets / Liabilities	3,195	4,266	4,470	5,708	2,377	2,377

Borrowing by the Bank Against the Collateral of Own Assets

The Bank has Rs. 10 million as outstanding on borrowings against its assets as of 15 July 2008, which represent Inter Bank Borrowings.

Disclosure as per Basel II

Capital Structure and Capital Adequacy

Tier 1 Capital

S. N.	Particular	Amount in Rs
1	Equity Share Capital	1,070,000,000
2	Statutory General Reserves	119,847,501
3	Retained Earnings	149,184,365
4	Capital Redemption Reserve	20,000,000
	Total Tier 1 Capital	1,359,031,866

Tier 2 Capital

S. N.	Particular	Amount in Rs
1	Subordinated term debt	400,000,000
2	General Loan Loss provision	113,321,489
3	Exchange Equalization Reserve	5,853,403
	Total Tier 2 Capital	519,174,892

Information Regarding Subordinated Term Debt

The bank issued KBL Bond 2070 worth NPR 400 million in fiscal year 2007/08 having following characteristics:

Issue Date	June 06, 2008
Maturity Date	June 08, 2013
Interest Rate	8 %
Interest Payment	Semi annually
Bond Redemption Reserve	NPR 20 million has been allocated in bond redemption reserve in fiscal year 2007/08.

Deduction from Capital-None

Total Qualifying Capital

S. N.	Particular	Amount in Rs
1	Total Tier 1 Capital	1,359,031,866
2	Total Tier 2 Capital	519,174,892
	Total Capital	1,878,206,758

Risk Exposures

Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	15,317,852,661.56
2	Risk Weighted Exposure for Operational Risk	709,435,107.50
3	Risk Weighted Exposure for Market Risk	16,062,383.30
	Total Risk Weighted Exposures	16,043,350,152.36

Risk Weighted Exposures under each of 11 categories of Credit Risk

S. No.	Particular	Amount
1	Claims on government and central bank	-
2	Claims on other official entities	-
3	Claims on banks	410,701,348.05
4	Claims on Corporate and securities firms	6,818,692,536.77
5	Regulatory Retail Portfolio	192,394,607.01
6	Claims secured by residential properties	605,824,496.56
7	Claims secured by Commercial real estate	1,038,513,194.41
8	Past due claims	102,300,894.03
9	High Risk claims	3,516,932,520.54
10	Other Assets	558,710,841.37
11	Off Balance Sheet Exposures	2,073,782,222.83
	Total	15,317,852,661.56

Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	15,317,852,661.56
2	Risk Weighted Exposure for Operational Risk	709,435,107.50
3	Risk Weighted Exposure for Market Risk	16,062,383.30
4	Total Risk Weighted Exposures	16,043,350,152.36
5	Total Capital Fund	1,878,206,758
6	Capital Fund to Risk Weighted Exposure	11.71

Amount of Non Performing Loan (Gross and Net)

Loan Type	Gross Amount	Provision	Net Amount
Restructure/Reschedule Loan	37,756,176	4,719,522	33,036,654
Substandard Loan	58,320,876	14,580,219	43,740,657
Doubtful Loan	78,966,480	39,483,240	39,483,240
Loss Loan	15,188,244	15,188,244	-

Non Performing Loan Ratios

Particulars	(%)
Gross NPAs to Gross Advances	1.65
Net NPAs to Net Advances	1.03

Movement of Non Performing Assets

Particular	Previous Year	Additional during the year	Current year
Non Performing Loans	104,730,922	85,500,854	190,231,776

Write Off of Loan and Interest Suspense

Particulars	Amount
Loan Write Off	4,531,068
Interest Suspense Write Off	

Movement of Loan Loss Provision and Interest Suspense

Particular	Previous Year	Additional during the year	Current year
Loan Loss Provision	133,420,366	53,872,348	187,292,714
Interest Suspense	42,121,009	17,185,332	59,306,341

Risk Management Function

Considering the need to establish effective Risk Management and Risk Mitigation practices at Kumari Bank Ltd, the bank has developed a system of continuous improvement of processes wherein each member of the bank works towards balancing profitability with prudence. The system encompasses all banking functions from client interface, to back-office operation, to the strategic decisions formulated by the management committees and the Board of Directors. Each area has its own check and balance procedure to assess and mitigate risks involved. The practices thus observed are as follows

KBL Organization Structure

The bank's lending approval authority is divided into two distinct units, namely Credit and Risk Assessment. While the Credit unit or the Business Development Division concentrates more on optimum utility of assets, every lending decision of this Division is re-assessed and revaluated by the Risk Assessment Division for final approval. The Risk Assessment Division applies its objective judgment on risk variables deemed appropriate in each instance of lending decision. For this purpose, the Risk Assessment Division has two distinct units, the Risk Approval Department, which facilitates final lending decision after duly analyzing risks and ensuring that they are at the acceptable level, and the Credit Administration and Control Department, which evaluates paperwork prior to actual sanction of facilities and also after it.

Depending upon the volume of loans and the nature of risks associated, lending decisions are subject to validation and approval by various levels of the hierarchy,

where some lending decision are to be approved by the General Manager, and other by even the Board of Director as each case may require.

Risk Measurement Criteria and Mitigation Process

Credit risks are evaluated from the initial customer interface on an array of risk variable by the Credit Policy Guidelines of the Bank, as well as on individual intuition of experiences officers. As proposals escalate for approval, judgmental and analytical criteria become broader and more conceptual.

Kumari Bank Ltd uses the best practices in banking, to make its operation secure through a system of procedural crosschecking mechanism in each operational transaction. An internal audit, which also doubles as a concurrent audit system continuously exists to alert bank personnel to the meticulousness required in handling operations in every functional department. A credit monitoring system is well established in the Bank, which periodically checks on credit quality, compliance, and level of risk exposure. This practice has created a continuous learning and improvement environment in the bank and facilitates to achieve an objective of ensuring the most prudent practices in the industry.

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

Particular	Eligible CRM
Deposit with bank	114,262,879.00
Deposit with other bank/FI	105,990,567.79
Total	<u>220,253,446.79</u>

Inside Kathmandu Valley

Head Office

Durbarmarg, Kathmandu
Tel: 01-4226629/650
Fax: 01-4226644

Newroad Branch

Pratap Bhawan, New Road, Kathmandu
Tel: 01-4238388/4238385
Fax: 01-4238365

Gongabu Branch

Kantipur Mall, Gongabu, Kathmandu
Tel: 01-4385807/4385809
Fax: 01-4385644

Main Branch

Govinda Bhawan, Putalisadak, Kathmandu
Tel: 01-4232112/113
Fax: 01-4231960

Kumaripati Branch

Kumaripati, Lalitpur
Tel: 01-5556024/025/026
Fax: 01-5556027

Outside Kathmandu Valley

Biratnager Branch

Goshwara Road,
Morang Byapaar Sangh Building, Biratnagar
Tel: 021-537101/102/103/104
021-537105

Birgunj Branch

Adarsha Nagar, Birgunj
Tel: 051-524812/813
Fax: 051-521641

Pokhara Branch

New Road, Pokhara
Tel: 061-540266/267
Fax: 061-541717

Itahari Branch

Pathivaraa Market, Dharan Road, Itahari
Tel: 025-586661/586659
Fax: 025-586658

Dry Port

Dry Port, Birgunj
Tel: 051-621025
Fax: 051-621818

Narayangadh Branch

Pulchowk, Narayangadh, Chitwan
Tel: 056-523091/092/095
Fax: 056-523090

Birtamode Branch

Anarmani-3, Birtamode, Jhapa
Tel: 023-543822
Fax: 023-620745

Damauli Branch

Damauli - 2, Tanahun
Tel: 065-561787
Fax: 065-561788

Baglung Branch

Baglung Municipality -2, Baglung
Tel: 068-522472/473
Fax: 068-522474
Mr. Bhupendra Khadka

Bhairahawa Branch

Siddharthanagar - 8, Bhairahawa, Rupandehi
Tel: 071-521008/009
Fax: 071-521000

Nepal Medical College

Extension Counters, Birgunj
Tel : 051-621890

