



REPORT OF THE BOARD OF DIRECTORS FOR THE THIRTEENTH ANNUAL GENERAL MEETING OF NEPAL SBI BANK LTD.

Dear Shareholders,

I have the pleasure to welcome you all at the Thirteenth Annual General Meeting of Nepal SBI Bank Ltd. On behalf of the Board of Directors, I have the pleasure of presenting before you their report together with the Balance Sheet and Statement of Profit and Loss Account for the year ended 32nd Ashadh 2063 (16th July 2006). The report is in conformity with the provisions of the Company Act, Banks and Financial Institutions Act and Nepal Rastra Bank regulations.

Economic & Banking Environment

As per the preliminary estimates of Central Bureau of Statistics (CBS), the Gross Domestic Product (GDP) is estimated to have grown by 1.9% in the FY 2062/63 compared to 2.7% in the previous year. The GDP growth in the Agricultural sector slowed down from 3% to 1.7% in the same period. There was a marginal improvement in the tourist arrivals and the industrial sector exhibited a stagnant performance.

The foreign trade depicted a mixed picture. The total exports increased by 4.2 percent only in FY 2062/63 as against 8.9% in the previous year mainly due to sharp decline in exports to India because of additional 4% countervailing duty imposed by India in March 2006. The exports to India grew only by 5.4% in FY 2062/63 as against 26.4% in FY 2061/62. Export to the third countries, however, increased by 1.8 percent in the FY 2062/63 as against a decline of 14.5% in the previous year.

The total imports went up significantly by 17.1% in FY 2062/63 compared to an increase of 9.7% in the previous year. Imports from India went up by 23.3% in FY 2062/63 compared to 12.6% in FY 2061/62 and imports from other countries rose by 8.2 % in FY 2062/63 compared to 5.7% in the previous year. India's share in the total trade of Nepal inched up to 63.6% in FY 2062/63 from 61.3% in FY 2061/62.

The gross foreign exchange reserves as at the end of the fiscal year 2062/63 stood at Rs.165 billion, reflecting an increase of 27% over the previous year thanks to a steady inflow of remittances from the Nepali expatriates. These reserves are sufficient to finance merchandise imports of the country for 11.3 months.

The average annual consumer inflation rate stood at 8% in FY 2062/63 compared to 4.5% in FY 2061/62 led mainly by increase in the prices of petroleum products and transportation cost.

The monthly weighted average of 91 days treasury bills declined sharply from 3.9% in Ashad 2062 to 2.3% in Shrawan 2062 and 2.2% in Magh 2062. However, the rates improved thereafter to reach 3.2% at the end of Ashad 2063. Similarly, the inter-bank call money rate came down from 4.7% in Ashad 2062 to 2.1% as at the end of Ashad 2063. The government expenditure increased mainly on account of security expenses and the development expenditure continued to be low.

Impact of National & International Events on the Banking Business

The FY 2062/63 continued to be a challenging year for the Banks from the perspective of security, business development, recovery and income realization from the loans and advances. The country witnessed a historical movement resulting in transfer of executive powers to the people's representatives. The process of agitation and frequent closures during the year had its economic consequences.

The National economy did not show any encouraging signs. Rainfall was scanty during paddy plantation and excessive in the harvest season. The industrial and services sectors remained disturbed due to conflict related and security problems and a subdued business sentiment prevailed for most part of the year.

A fierce competition among Banks was witnessed to entice good quality customers by offering fine pricing, low service charges and a host of other concessions. In fact, on account of excessive liquidity, Banks innovated ways to offer low priced loan products to good quality customers. Interest rates on deposits continued to hover below the rate of inflation. With the trend of each Bank trying to outsmart the other by fine pricing, the pressure on spreads, margins and profitability of the Banks is likely to further mount in the days to come.

Performance Highlights

The major performance indicators of the Bank for the FY 2062/63 are summarized as under:

(Rs. In '000)

Particulars	FY 2061/62	FY 2062/63	%Growth
Paid-up Capital	43,18,66	64,02,36	48.24%
Reserves	25,71,47	34,21,38	33.05%
Deposits	865,47,74	11,00,20,41	27.12%
Loans & Advances including Bills Purchased	673,93,47	824,14,56	22.28%
Investment	260,76,80	361,07,75	38.46%
Loans to Priority Sector	83,12,65	74,44,42	(-) 10.45%
Loans to Deprived Sector	21,24,73	24,51,59	15.39%
Interest Income	57,83,72	70,87,18	22.53%
Interest Expenses	25,84,30	33,47,70	29.53%
Operating Profit (before provision for possible loss)	27,79,32	31,51,46	13.39%
Net Profit	5,73,87	11,70,02	103.88%

Your Bank registered significant growth in business – both in deposits and advances during the year. While the aggregate deposits of the Bank increased by 27.12% to reach a level of Rs. 11,002 million as at the end of FY 2062/63, the total advances of the Bank recorded a growth of 22.28% to grow to a level of 8,241 million. On account of the continued disturbed situation and depressed industrial activity, the Bank focussed primarily on short term trade loans and retail advances. Bank's investments also registered an impressive growth of 38.46% during the year. Bank's exposure to the priority and deprived sectors of the economy were in line with the benchmarks laid down by the Nepal Rastra Bank in this regard.

The Interest Income of the Bank went up by 22.53% from Rs. 578 million to Rs. 708 million. The higher interest cost due to fixed deposits mobilized by the Bank to meet the credit offtake, depressed the operating profit, which increased by 13.39% only. However, the Bank posted an impressive increase of 103.88% in the Net Profit.

Capital Adequacy

The paid-up capital of the Bank increased to Rs. 640.20 million due to allotment of rights shares. Bank also raised unsecured subordinated debt of Rs. 20 crore during the year to strengthen the supplementary capital by issuing debentures. Bank's total capital fund amounted to 13.57% of the risk weighted assets against 11% prescribed by Nepal Rastra Bank.

Appropriation of Profit & Loss

Your Bank has earned a Net Profit of Rs. 117 million after providing for staff bonus and income tax liabilities. This has been appropriated as under :

- (i) Rs. 23.40 million i.e. 20% of the net profit transferred to General Reserve Fund.
- (ii) Rs. 64.02 million, 10% of the Paid up Capital transferred to Capital Adjustment Fund
- (iii) Rs. 1.14 million to Exchange Fluctuation Reserve
- (iv) A proposed cash dividend of 5% to the shareholders amounting to Rs. 32.01 million.
- (v) Rs. 1.70 million retained as accumulated profit.

Bank's Activities & Future Plans

- i. Branch Expansion
Bank opened one new branch during the year in Teku, Kathmandu and licences have been obtained from Nepal Rastra Bank to open two branches in the current year at Nepalgunj and Narayanghat. Premises for both the branches have been finalized.
- ii. Technology Up-gradation and Automation
As advised in the last year's Annual General Meeting, Bank has migrated to Core Banking Platform by switching over the Finacle of Infosys. All our branches are now networked with data processing center established at Mumbai as a part of future strategic plan of SBI to ensure online remittance of funds between all overseas branches of SBI. The technology upgradation



will enable the Bank to provide e-banking services, handle large volumes of business, expedite collections / remittances and introduce a variety of products for our customers besides strengthening the MIS of the Bank.

iii. Introduction of New Services

In order to increase the customer base and encourage banking habits among the students, house wives, working class / salaried persons, the minimum balance required for opening new accounts has been reduced. Accounts are also opened with zero balance for the beneficiaries of foreign inward remittances.

With the networking of our branches, “Anywhere Banking” facility is now available at all our branches. Bank is also in the process of linking its ATMs with around 5600 ATMs of SBI in India and another 8000 ATMs of other Indian Banks with whom SBI shares the arrangement. An arrangement is also being finalized to issue internationally branded debit cards to the customers. These cards will be encasable in all the networked ATMs of other Banks and merchant establishments in Nepal and India. The card is presently being tested.

iv. International Banking Relationships

Arrangements were finalized in the year with a few more international money transfer companies in the Gulf to further augment foreign inward remittances.

v. Human Resources & Industrial Relations

Our human resources are our most valuable assets. In our endeavour to provide better amenities to the staff, the Bank revised upwards, salary and allowances of all categories of its staff keeping in view the industry trend and the cost of living.

With a view to providing career opportunities to the deserving staff, 23 staff members in the different cadres were promoted during the year.

As a part of our conscious efforts to upgrade the skills of our staff in different functional areas, such as credit management, forex, marketing and risk management etc., a number of staff/ officers were deputed for the trainings organized by Nepal Rastra Bank and other institutions including SBI Staff Academy, Gurgaon.

Industrial relations remained harmonious and cordial in the Bank, which is reflected by increased staff productivity and growth of business. The business per employee went up from Rs. 9.38 crore to Rs. 10.99 crore and profit per employee from Rs. 3.49 lac to Rs. 6.69 lac.

vi. Internal Control Systems

Adequate internal control systems have been put in place by the Bank in the different areas of Bank’s operations.

There is a separate Internal Audit Department in the Bank headed by Internal Auditor, who directly reports to the Audit Committee and is also responsible for monitoring compliance of various NRB directives.

vii. Corporate Governance

I am pleased to inform that your Bank is fully complying with the Nepal Rastra Bank’s guidelines on maintaining good corporate governance in the Bank. All the members of the Board as well as the employees of the Bank are in full compliance of the code of ethics prescribed by NRB. The Audit Committee of the Bank under chairmanship of a non-executive director reviews the financial position of the Bank, adequacy of its internal control systems and issue appropriate guidelines to the Bank based on the feedback received from the internal audit reports.

viii. Appointment of Statutory Auditors

After the appointment of M/s Shashi Satyal & Co. as the statutory auditor of the Bank for the FY 2062/63 in the 12th Annual General Meeting of the Bank, the Registrar of Companies (ROC) clarified that the auditors appointed by a company prior to the implementation of the Company Ordinance were also to be taken into account for working out 3 terms under Section 111 of the then Companies Ordinance. As Mr. Shashi Satyal of Shashi Satyal & Co. was also a partner in T. R. Upadhyaya & Co., who had conducted audit of the Bank for the preceding three years, Bank’s Board, to avoid any legal complication, resolved to recommend the name of M/s CSC & Co., Chartered Accountant to conduct audit of the Bank for the FY 2062/63, which was approved by the ROC under Section 113 of the then Companies Ordinance 2062 at the same fee which was approved by the last Annual General Meeting. M/s CSC & Co. are eligible for reappointment for the FY 2063/64.

Progress in the Current Year

During the second quarter of the current financial year 2063/64, Bank has registered a growth of Rs. 105.74 crore (12.83%) in advances. In deposits, Bank’s Board has taken a conscious decision to reduce the share of fixed deposits in total deposits



from 55% at the end of Ashad 2062/63 to 50% in the current year in order to reduce the cost of funds. Consequently, call and fixed deposits level has been brought down by Rs. 68.67 crore during the first half of the current year. The profit before bonus and taxes during the first half year has grown by 19.82% compared to corresponding period last year.

Factors Affecting Bank's Business

- i. The recent political developments in the country i.e. reinstatement of democratic Government, restoration of House of Representatives and legislation of Interim constitution have brought some optimism about possible return of peace and stability in Nepal. However, as the country is passing through a critical phase of transition, investment sentiment continues to be low. As such, the environment of uncertainty with frequent disruptions and closures is likely to strain the economy further.
- ii. The recent unrest in the southern and eastern part of Nepal again paralyzed the industrial and business activities. Since these parts are the industrial belts and the entry / transit points for imports and exports, the difficulty in recovery and income realization may add to the problem loan accounts.
- iii. Exemptions offered by Government of India to 111 categories of goods manufactured in Nepal, from payment of 4% additional customs duty notified by Government of India on the 25th January 2007 is likely to boost exports to India in the second half of the FY 2063/64.

Changes in the Board of Directors

After the retirement of Mr. A.G Kalmankar from the service of State Bank of India, Mr. S. K. Hariharan, Deputy Managing Director & Group Executive (IBG), SBI, was nominated to the Board of the Bank and Mr. A. Ramesh Kumar, Chief General Manager (Foreign Offices) was nominated on the Board in place of Mrs. Bharati Rao. On behalf of the Board of Directors, I would like to place on record our appreciation for the contribution made by Mr. Kalmankar and Mrs. Bharati Rao in guiding the affairs of the Bank during their tenure.

Other information

The other information required to be incorporated in the Director's report as per provisions of Section 109(4) of the Companies Act is embodied in the Annexure to the Director' report.

Acknowledgement

On behalf of the Board of Directors and on my own behalf, I take this opportunity to thank all our shareholders for their support to the Bank. I would like to extend my sincere gratitude to all our valued customers for their continued cooperation and patronage to the Bank. I reassure them of our sincere commitment to extend best of our services in future as well. On behalf of the Board of Directors, I would like to express our gratitude to the Government of Nepal, Nepal Rastra Bank and other government and regulatory authorities for their guidance and co-operation.

Finally, I would also like to thank the Management and staff members for their dedicated services.

Thank you.

For and on behalf of the Board of Directors

Kathmandu

Date : 2nd April 2007

B. K. Shrestha
Chairman



Annexure

The undernoted additional information required to be furnished as per Companies Act, 2063 forms a part of the Director's Report.

- (i) **No shares have been forfeited by the Bank during the year.**
- (ii) **Main transactions carried out by the Bank during the financial year 2062/63, and any important change in the business of the Bank during the period:**
- Bank carried out transactions as per objectives / functions detailed in the Memorandum of Association and Articles of Association of the Bank and the highlights of the business have been detailed in the Director's report. There was no significant change in the nature of the business performed by the Bank during the year.
- (iii) **No information has been received by the Bank from its basic shareholders as per the provision of Companies Act.**
- (iv) **No shares were taken up by the Directors and key office-bearers of the Bank during the year nor were they found to have been engaged in the share transactions of the Bank's shares in contravention of the prevailing laws.** The Chief Manager (Credit) had sold 167 shares allotted by the Bank to him along with other staff members for which information was received by the Bank.
- (v) **No information was received from any Director or any of his/her close relatives about his/her personal interest in any agreement connected with the Bank signed during the financial year 2062/63.**
- (vi) **The Bank has not so far purchased any of its own shares.**
- (vii) **Particulars of the Total Management expenses of the financial year:**

	Particulars	Amount
(i)	Staff Expenses	Rs. 50,539,528.00
(ii)	Other Operating Expenses	Rs. 99,214,082.00

(viii) Audit Committee:

The Bank has an Audit Committee comprising of the following members :

- i) Mr. Shree Prakash Malla, Director representing EPF, Chairperson
ii) Mrs. Vijay Laxmi Shetty, Alternate Director representing SBI, Member
iii) Mr. Manoj Kumar Agrawal, Public Director, Member
iv) Mr. Arjun K. C. (Internal Audit), Convenor

Number of meetings held during 2062/63 - Three (3)

Allowances paid to the members

Director representing EPF - Rs. 8,000/- (for three meetings)

Director representing SBI - NIL

Matters discussed in the Audit Committee

- Review and Approval of Bank's Financial Statements for the FY 2061/62.
 - Review of Internal Audit Reports of different branches / departments.
 - Reviewing the adequacy of Bank's systems and procedures in the different areas of Bank's operations.
 - Finalizing the audit program for the year.
 - Review of the status of dealing with the Internal Audit Reports.
 - Review of the status of Nostro Accounts and Inter Branch Reconciliation
- (ix) **No Payment is due to the Bank from any Director, Managing Director, Executive Chief or the basic shareholders of the Bank or any of their close relatives, or from any firm, company or corporate body in which they are involved.**
- (x) **The undernoted amounts were paid as remunerations, allowances and facilities to the Directors, the Managing Director and other office bearers.**
1. Allowances / facilities to the Members of the Board:
A total of Rs. 425,232.53 was paid to the Board members as the Board Meeting fee for the different meetings during 2062/63 (@ Rs. 5,000/- per meeting to the Chairman and @ Rs. 4,000/- to other Directors.)
 2. Managing Director & Other Office Bearers:
 - a) No remuneration was paid to the Managing Director & other India based officers during the year (Management team seconded by SBI) except the payment of Rs.1,687,801.76 towards the rent of their residential accommodation and medical expenses etc. Their salary and allowances are paid by SBI.
 - b) Other Office Bearers: An amount of Rs. 5,05,39,528/- was paid to other office bearers of the Bank against their remuneration, allowances and facilities.

(xi) **Dividends yet to be collected by the shareholders**

Dividends pertaining to the following financial years are yet to be collected by the shareholders as on 32nd Ashadh 2063:

Financial Year	Amount
2052/53 (1995/96)	309,600.00
2053/54 (1996/97)	310,600.00
2054/55 (1997/98)	376,000.00
2055/56, 2056/57 (1998/99, 1999/2000)	624,500.00
2059/60 (2002/03)	1,837,201.20
Total	3,457,901.20

- (xii) **No property was purchased or sold by the Bank during the year as stipulated under Section 141 of the Companies Act, 2063.**
- (xiii) **No transaction was held between the Bank and its associate companies during the year as stipulated under Section 175 of the Companies Act, 2063.**

B. K. Shrestha
Chairman



Auditor's Report

The Shareholders of Nepal SBI Bank Limited

We have audited the accompanying Balance Sheet of Nepal SBI Bank Ltd. as on Ashadh 32, 2063 (16th July 2006) and the related Profit and Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet, the Profit and Loss Account and Cash Flow Statement have been prepared in accordance with the format specified by Nepal Rastra Bank and confirm to the books of accounts of the Bank and the accounts and records of the Bank are properly maintained in accordance with the prevailing laws.

In our opinion and to the best of our information and according to the explanations given to us, appropriate measures were found to have been taken in the interest and for the protection of the investors and depositors; adequate provisions for losses have been made; the business of the Bank has been conducted within its authority satisfactorily; and transactions of the Bank were found to be within the scope of its authority. We did not come across the cases where the Board of Directors or any member thereof or any employee of the Bank has acted deliberately contrary to the provisions of the law or caused loss or damage to the Bank or committed any misappropriation or violated any directive of Nepal Rastra Bank, nor have we been informed of any such case by the management.

In our opinion, the financial statements referred to above, read together with the notes attached thereon give a true and fair view of the financial position of the Bank as on Ashadh 32, 2063 (July 16, 2006) and of the results of its operations and its cash flows for the year then ended in accordance with the auditing standards generally accepted in Nepal and such financial statements confirm to Nepal Rastra Bank directives, Banks and Financial Institutions Ordinance, 2062 and the Company Act.

Date : December 10, 2006
Place: Kathmandu, Nepal

L. D. Mahat
Partner
CSC & Co.,
Chartered Accountants



BALANCE SHEET AS ON 32 ASHAD 2063 (16 JULY, 2006)

CAPITAL & LIABILITIES	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Share Capital	4.1	640,236,100	431,865,600
2. Reserves and Funds	4.2	342,137,628	257,147,460
3. Debentures & Bonds	4.3	200,000,000	-
4. Borrowings	4.4	612,428,650	469,628,863
5. Deposits	4.5	11,002,040,633	8,654,774,214
6. Bills Payable	4.6	46,238,743	31,123,670
7. Proposed and Dividend Payable		35,469,706	3,878,232
8. Income Tax Liabilities		-	-
9. Other Liabilities	4.7	157,287,664	114,603,212
Total Capital and Liabilities		13,035,839,124	9,963,021,251

ASSETS	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Cash Balance	4.8	244,187,671	143,749,918
2. Balance with Nepal Rastra Bank	4.9	626,123,385	390,025,828
3. Balance with Banks/Financial Institution	4.10	247,847,352	189,969,554
4. Money at Call and Short Notice	4.11	363,200,000	123,112,500
5. Investment	4.12	3,610,775,484	2,607,680,003
6. Loans, Advances and Bills Purchase	4.13	7,626,736,137	6,213,878,776
7. Fixed Assets	4.14	66,711,798	66,451,924
8. Non Banking Assets	4.15	24,555,992	7,254,994
9. Other Assets	4.16	225,701,305	220,897,754
Total Assets		13,035,839,124	9,963,021,251

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

Schedules 4.1 to 4.17, 4.32 & 4.33 form integral part of the Balance Sheet.

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
Managing Director

(B. K. Shrestha)
Chairman

(M. K. Agrawal)
Director

(S. P. Malla)
Director

(V. Shetty)
Director

(L. D. Mahat, FCA)
Partner, CSC & Co.,
Chartered Accountants



PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1ST SHRAWAN 2062 TO 32ND ASHAD 2063 (16TH JULY 2005 TO 16TH JULY 2006)

Particulars	Schedule	Current Year Rs.	Previous Year Rs.
1. Interest Income	4.18	708,718,614	578,372,070
2. Interest Expenses	4.19	334,770,096	258,430,003
Net Interest Income		373,948,518	319,942,067
3. Commission and Discount	4.20	40,753,985	42,568,260
4. Other Operating Income	4.21	7,136,575	11,275,211
5. Exchange Fluctuation Income	4.22	43,060,315	32,357,149
Total Operating Income		464,899,393	406,142,687
6. Staff Expenses	4.23	50,539,528	37,582,219
7. Other Operating Expenses	4.24	99,214,082	90,628,615
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before provision for Possible loss		315,145,783	277,931,853
9. Provision for Possible Losses	4.25	146,656,796	193,243,637
Operating Profit		168,488,987	84,688,216
10. Non Operating Income /Loss	4.26	(2,926,272)	1,442,831
11. Provision for Possible Loss Written Back	4.27	54,177,763	52,972,631
Profit from Regular Operations		219,740,478	139,103,678
12. Profit/Loss from extra-ordinary Activities	4.28	-	-
Net profit after considering all activities		219,740,478	139,103,678
13. Provision for Staff Bonus		19,976,407	13,910,368
14. Provision for Income Tax		82,762,098	67,806,676
* Current Year's		66,120,456	67,806,676
* Previous Year's		16,641,642	-
Net Profit/Loss		117,001,973	57,386,634

Schedule No.4.18 to 4.28,4.32 & 4.33 form integral part of the Profit and Loss Account.

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
Managing Director

(B. K. Shrestha)
Chairman

(M. K. Agrawal)
Director

(S. P. Malla)
Director

(V. Shetty)
Director

(L. D. Mahat, FCA)
Partner, CSC & Co.,
Chartered Accountants



PROFIT AND LOSS APPROPRIATION ACCOUNT

FISCAL YEAR 2062/2063(2005/2006)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
<u>INCOME</u>			
1. Accumulated Profit up to Last Year		5,283,520	2,886,583
2. Current Year's Profit		117,001,973	57,386,634
3. Exchange Fluctuation Reserve			
Total		122,285,493	60,273,217
<u>EXPENSES</u>			
1. Accumulated Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		23,400,395	11,477,326
4. Contingent Reserve		-	-
5. Institutional Development Reserve		-	-
6. Dividend Equalization Reserve		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend (@ 5%)		32,011,805	-
9. Proposed issue of Bonus Shares		-	-
10. Special Reserve		-	-
11. Exchange Fluctuation Reserve		1,143,763	325,811
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Reserve		64,023,610	43,186,560
14.			
Total		120,579,573	54,989,697
15. Accumulated Profit/(Loss)		1,705,920	5,283,520

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
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(B. K. Shrestha)
Chairman

(M. K. Agrawal)
Director

(S. P. Malla)
Director

(V. Shetty)
Director

(L. D. Mahat, FCA)
Partner, CSC & Co.,
Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

FISCAL YEAR 2062/63

(In Rs.)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Reserve	Share Premium	Exchange Equilisation Fund	Other Reserves and Funds	Total Amount
Opening Balance at Shrawan 062	431,865,600	5,283,520	117,308,846	128,389,880	-	-	6,165,214	689,013,060
Adjustments								
Net profit for the period	-	117,001,973	-	-	-	-	-	117,001,973
Transfer to General Reserve	-	(23,400,395)	23,400,395	-	-	-	-	-
Capital Adjustment Fund	-	(64,023,610)	-	64,023,610	-	-	-	-
Declaration of Dividend	-	(32,011,805)	-	-	-	-	-	(32,011,805)
Exchange Equalization Fund	-	(1,143,763)	-	-	-	-	1,143,763	-
Rights Share Issued	208,370,500	-	-	-	-	-	-	208,370,500
.....	-	-	-	-	-	-	-	-
.....	-	-	-	-	-	-	-	-
.....	-	-	-	-	-	-	-	-
Closing Balance at Asadh 2063	640,236,100	1,705,920	140,709,241	192,413,490	-	-	7,308,977	982,373,728





CASH FLOW STATEMENT FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
293,474,496	(a) Cash Flow from Operating Activities	349,700,776
664,712,279	1. Cash Received	819,489,326
578,372,070	1.1 Interest Income	678,935,738
42,568,260	1.2 Commission and Discount Income	40,753,985
31,053,907	1.3 Income from Foreign Exchange transaction	38,485,265
-	1.4 Recovery of loan written off	54,177,763
12,718,041	1.5 Other Incomes	7,136,575
371,237,783	2. Cash Payment	469,788,550
258,430,003	2.1 Interest Expenses	334,770,096
37,582,219	2.2 Staff Expenses	50,539,528
75,225,561	2.3 Office Overhead Expenses	81,453,950
-	2.4 Income Tax Paid	-
-	2.5 Other Expenses	3,024,977
(478,330,788)	Cash Flow before changes in Working Capital	(350,311,918)
(2,041,547,331)	<u>Increase / (Decrease) of Current Assets</u>	(2,678,144,892)
(123,112,500)	1. (Increase)/Decrease in Money at Call and Short Notice	(240,087,500)
(700,159,212)	2. (Increase)/Decrease in short term Investment	(1,003,095,482)
(1,070,216,699)	3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(1,412,857,361)
(148,058,920)	4. (Increase)/Decrease in Other Assets	(22,104,549)
1,563,216,543	<u>Increase / (Decrease) of Current Liabilities</u>	2,327,832,974
1,456,446,786	1. Increase/(Decrease) in Deposits	2,347,266,419
-	2. Increase/(Decrease) in Certificates of Deposits	-
352,450,948	3. Increase/(Decrease) in Short Term Borrowings	142,799,788
(245,681,191)	4. Increase/(Decrease) in Other Liabilities	(162,233,233)
(19,504,786)	(b) <u>Cash Flow from Investment Activities</u>	(17,921,300)
-	1. (Increase)/Decrease in Long-term Investment	-
(19,504,786)	2. (Increase)/Decrease in Fixed Assets	(18,020,005)
-	3. Interest income from Long term Investment	-
-	4. Dividend Income	98,705
-	5. Others	-
62,376,334	(c) <u>Cash Flow from Financing Activities</u>	408,370,500
-	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	200,000,000
62,376,334	2. Increase/(Decrease) in Share Capital	208,370,500
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
1,303,242	(d) <u>Income/Loss from change in exchange rate in Cash & bank balances</u>	4,575,050
(140,681,502)	(e) <u>Current Year's Cash Flow from All Activities</u>	394,413,108
864,426,802	(f) <u>Opening Balance of Cash and Bank Balances</u>	723,745,300
723,745,300	(g) <u>Closing Balance of Cash and Bank Balances</u>	1,118,158,408



Schedule 4.1

SHARE CAPITAL AND OWNERSHIP
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
1,000,000,000	1. Share Capital	
	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a) 10,000,000 Ordinary Shares of Rs. 100 each	1,000,000,000
-	b)Non -Reedemable Preference shares of Rs.....each	-
-	c)Reedemable Preference Shares of Rseach	-
650,000,000	1.2 Issued Capital	650,000,000
650,000,000	a) 6,500,000 Ordinary Shares of Rs. 100 each	650,000,000
-	b)Non -Reedemable Preference shares of Rs.....each	-
-	c)Reedemable Preference Shares of Rseach	-
431,865,600	1.3 Paid Up Capital	640,236,100
431,865,600	a) 6,402,361 Ordinary Shares of Rs.100 each	640,236,100
-	b)Non -Reedemable Preference shares of Rs.....each	-
-	c)Reedemable Preference Shares of Rseach	-

SHARE OWNERSHIP
(END OF ASHAD 2063)

Share Capital Previous Year	%	Particulars	%	Share Capital This Year
215,685,600	50%	1. Local Ownership	49.39%	316,236,100
-	-	1.1 His Majesty's Government	0.00%	-
21,600,000	5%	1.2 "A" Class Licensed Institutions	5.06%	32,400,000
-	-	1.3 Other Licensed Institutions	0.00%	-
64,800,000	15%	1.4 Other Entities	15.18%	97,200,000
129,465,600	30%	1.5 General Public	29.15%	186,636,100
-	-	1.6 Others	0.00%	-
216,000,000	50%	2. Foreign Ownership	50.61%	324,000,000
431,865,600	100%	Total	100.00%	640,236,100

Note :-

- None of the General Public Shareholders hold more than 0.50% of the shares of the Bank individually.
- The "A" Class Licensed Institutions and Other Entities reported above are Agricultural Development Bank Nepal and Employees Provident Fund respectively. There are no other shareholders in the above categories.
- As right shares were not fully subscribed by the public shareholders and the Bank is in the process of issuing such shares, accordingly, the shareholding of State Bank of India has exceeded the 50% ownership.



RESERVES AND FUNDS
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
117,308,846	1. General Reserve	140,709,241
-	2. Proposed Bonus Share	-
-	3. Capital Reserve	-
-	4. Capital Redemption Reserve	-
128,389,880	5. Capital Adjustment Reserve	192,413,490
-	6. Other Reserves and Funds	-
-	a. Contingent Reserve	-
-	b. Institution Development Reserve	-
-	c. Dividend Equalization Reserve	-
-	d. Special Reserve	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserves and Funds	-
5,283,520	7. Accumulated Profit/(Loss)	1,705,920
6,165,214	8. Exchange Equalization Fund	7,308,977
257,147,460	Total	342,137,628

**Schedule 4.3****DEBENTURES AND BONDS**
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
-	1. 6% Nepal SBI Bank Debentures 2070 of Rs.1,000 each (Unsecured)	200,000,000
-	Issued on 16.07.2006 and maturing on 15.07.2013	-
-	(Outstanding balance of Redemption Reserve Rs. NIL)	-
-	Total	200,000,000

Schedule 4.4**BORROWINGS**
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
	A. Local	
-	1. Nepal Government	-
67,300,000	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
15,000,000	4. Inter Bank and Financial institutions	-
-	5. Other Financial Institutions	-
-	6. Others	-
82,300,000	Total	-
	B. Foreign	
387,328,863	1. Banks	612,428,650
-	2. Others	-
387,328,863	Total	612,428,650
469,628,863	Total (A+B)	612,428,650



Schedule 4.5

DEPOSITS
(END OF ASHAD 2063)

Previous Year. Rs	Particulars	This Year Rs.
	1. Non-Interest bearing accounts	
1,773,544,418	A. Current Deposits	1,408,297,158
1,723,668,593	1. Local Currency	1,359,797,924
10,606,856	1.1 His Majesty's Government	459,783
55,905	1.2 "A" Class Licensed Institutions	43,175
271,163,433	1.3 Other Licensed Institutions	6,496,837
1,338,667,329	1.4 Other Organized Institutions	776,666,876
16,641,524	1.5 Individuals	575,650,298
86,533,546	1.6 Others	480,955
49,875,825	2. Foreign Currency	48,499,234
-	2.1 His Majesty's Government	-
-	2.2 "A" Class Licensed Institutions	3,501,412
1,893,558	2.3 Other Licensed Institutions	-
47,982,267	2.4 Other Organized Institutions	-
-	2.5 Individuals	44,997,822
-	2.6 Others	-
100,594,018	B. Margin Deposits	79,790,114
-	1. Employees Guarantee	-
11,813,768	2. Guarantee Margin	13,819,222
88,780,250	3. Margin on Letter of Credit	65,970,892
9,579,500	C. Others	-
9,579,500	1. Local Currency	-
-	1.1 Financial Institutions	-
675,000	1.2 Other Organized Institutions	-
8,904,500	1.3 Individual	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individual	-
1,883,717,936	Total of Non-Interest Bearing Accounts	1,488,087,272



Schedule 4.5

DEPOSITS
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
	2. Interest Bearing Accounts	
2,458,800,259	A. Saving Deposits	2,832,639,222
2,375,115,939	1. Local Currency	2,764,826,238
122,960,222	1.1 Organized Institutions	112,406,429
2,219,261,816	1.2 Individual	2,652,419,809
32,893,901	1.3 Others	-
83,684,320	2. Foreign Currency	67,812,984
1,399,167	2.1 Organized Institutions	60,278,762
82,285,153	2.2 Individual	7,534,222
-	2.3 Others	-
4,086,358,553	B. Fixed Deposits	6,116,172,567
4,086,358,553	1. Local Currency	5,970,392,849
3,501,254,021	1.1 Organized Institutions	4,920,956,213
578,444,532	1.2 Individual	1,049,436,636
6,660,000	1.3 Others	-
-	2. Foreign Currency	145,779,718
-	2.1 Organized Institutions	-
-	2.2 Individual	145,779,718
-	2.3 Others	-
225,897,466	C. Call Deposits	565,141,572
225,897,466	1. Local Currency	564,834,519
-	1.1 "A" Class Licensed Institutions	112,865,247
-	1.2 Other Licensed Institutions	25,574,734
11,497	1.3 Other Organized Institutions	416,156,494
225,885,969	1.4 Individual	10,238,044
-	1.5 Others	-
-	2. Foreign Currency	307,053
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	-
-	2.3 Other Organized Institutions	-
-	2.4 Individual	307,053
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institutions	-
-	2. Individual	-
-	3. Others	-
6,771,056,278	Total of Interest Bearing Accounts	9,513,953,361
8,654,774,214	Total Deposit (1+2)	11,002,040,633



Schedule 4.6

BILLS PAYABLE
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
12,975,519	1. Local Currency	28,090,592
18,148,151	2. Foreign Currency	18,148,151
31,123,670	Total	46,238,743

Schedule 4.7

OTHER LIABILITIES
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
7,385,900	1. Pension/Gratuity Fund	10,259,900
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
13,910,368	4. Provision for Staff Bonus	21,082,507
-	5. Interest Payable on Deposits	-
377,236	6. Interest Payable on Borrowings	-
-	7. Unearned Discount and Commission	-
33,620,274	8. Sundry Creditors	35,546,566
31,265,484	9. Branch Account	47,443,268
28,043,950	10. Others	42,955,423
70,000	a. Audit Fee	100,000
27,973,950	b. Others	42,855,423
114,603,212	Total	157,287,664

Schedule 4.8

CASH BALANCE
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
125,318,118	1. Local Currency (Including Coins)	218,586,644
18,431,800	2. Foreign Currency	25,601,027
143,749,918	Total	244,187,671



Schedule 4.9

**BALANCE WITH NEPAL RASTRA BANK
(END OF ASHAD 2063)**

Previous Year Rs.	Particulars	Local Currency	Foreign Currency			This Year Rs.
			INR	Convertible	Total	
390,025,828	1. Nepal Rastra Bank	622,491,505	-	3,631,880	3,631,880	626,123,385
386,647,531	a. Current Account	618,359,682	-	3,631,880	3,631,880	621,991,562
3,378,297	b. Other Account	4,131,823	-	-	-	4,131,823

Schedule 4.10

**BALANCE WITH BANKS/FINANCIAL INSTITUTIONS
(END OF ASHAD 2063)**

Previous Year Rs.	Particulars	Local Currency	Foreign Currency			This Year Rs. Rs.
			IRS.	Convertible FCY	Total	
8,602,791	1. Local Licensed Institutions	7,862,635	-	2,550,383	2,550,383	10,413,018
8,602,791	a. Current Account	7,862,635	-	2,550,383	2,550,383	10,413,018
-	b. Other Account	-	-	-	-	-
181,366,763	2. Foreign Banks	-	95,010,698	142,423,636	237,434,334	237,434,334
181,366,763	a. Current Account	-	95,010,698	142,423,636	237,434,334	237,434,334
-	b. Other Account	-	-	-	-	-
189,969,554	Total	7,862,635	95,010,698	144,974,019	239,984,717	247,847,352

Note: Total balance for which the confirmations are received from respective licensed institutions Rs. 247,847,352.00

Schedule 4.11

MONEY AT CALL AND SHORT NOTICE
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
-	1. Local Currency	215,000,000
123,112,500	2. Foreign Currency	148,200,000
123,112,500	TOTAL	363,200,000

Schedule 4.12

INVESTMENTS
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	Purpose		This Year Rs.
		Trading	Other	
2,469,966,003	1. Nepal Government Treasury Bills	-	3,473,598,064	3,473,598,064
-	2. Nepal Government Saving Bonds	-	-	-
118,175,000	3. Nepal Government Other securities	-	118,175,000	118,175,000
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
-	7. Foreign Banks	-	-	-
19,539,000	8. Corporate Shares	-	19,539,000	19,539,000
-	9. Corporate Bonds and Debentures	-	-	-
-	10. Other Investments	-	-	-
2,607,680,003	Total Investment	-	3,611,312,064	3,611,312,064
-	Provision	-	536,580	536,580
2,607,680,003	Net Investment	-	3,610,775,484	3,610,775,484



Schedule 4.12 (A)

INVESTMENT IN SHARES, DEBENTURES AND BONDS
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.
19,539,000	1. Investment in Shares	19,539,000	9,184,340	536,580
5,195,000	1.1 Rural Micro-finance Development Center Ltd. (RMDC) 51,950 Ordinary Shares of Rs. 100 fully paid up	5,195,000	-	-
1,300,000	13,000 Right Shares of Rs. 100 fully paid up	1,300,000	-	-
3,000,000	1.2 Madhya Paschimanchal Grameen Bikash Bank Ltd. 30,000 Ordinary Shares of Rs. 100 fully paid up	3,000,000	-	-
748,000	1.3 Alliance Insurance Co. Ltd. 7,480 Ordinary Shares of Rs. 100 fully paid up	748,000	777,920	-
8,943,000	1.4 Himalayan Distillery Ltd. 89,430 Ordinary Shares of Rs. 100 fully paid up	8,943,000	8,406,420	536,580
353,000	1.5 Credit Information Center Ltd. 3,530 Ordinary Shares of Rs. 100 fully paid up	353,000	-	-
-	2. Investment in Debentures and Bonds	-	-	-
-	2.1	-	-	-
-	2.2	-	-	-
-	2.3	-	-	-
19,539,000	Total Investment	19,539,000	9,184,340	536,580
-	3. Provision for Loss	-	-	536,580
-	3.1 Up to previous year	-	-	-
-	3.2 Additions this year	-	-	536,580
-	Total Provision	536,580	-	536,580
19,539,000	Net Investment	19,002,420	-	

Note:

- (1) Alliance Insurance Co. Ltd. has not declared any dividend for FY 2061/62 & 2060/61. It had declared dividend of 7% for FY 2059/60 and has been listed in Nepal Stock Exchange Ltd.
- (2) Himalayan Distillery has not declared any dividend till date and has been listed in Nepal Stock Exchange Ltd.
- (3) Rural Micro Finance Development Centre Ltd. has declared and distributed dividend of 2% for FY 2061/62 and 1% for FY 2060/61.
- (4) Madhya Paschimanchal Gramin Bikas Bank Ltd. has not been listed in Nepal Stock Exchange Ltd. and not declared and distributed dividend for more than 3 years.
- (5) Credit Information Bureau Ltd. has not been listed in Nepal Stock Exchange Ltd. and has not declared dividend so far.

CLASSIFICATION OF LOANS AND BILLS PURCHASE & PROVISIONING

(END OF ASHAD 2063)

Previous Year Rs.	Particulars	Loans & Advances						Bills Purchased/Discounted						This Year Rs.
		Domestic			Foreign	Total	Domestic			Foreign	Total			
		Priority Sector		Other			Insured	Uninsured	Priority Sector			Other		
		Insured	Uninsured		Insured	Uninsured								
6,298,330,207	1. Performing Loan	444,912,358	276,857,269	6,843,154,303	-	7,564,923,930	-	11,369,319	159,826,376	171,195,695	159,826,376	171,195,695	7,736,119,625	
5,886,791,147	1.1 Pass	423,726,477	276,857,269	6,521,518,269	-	7,222,102,015	-	11,369,319	159,826,376	171,195,695	159,826,376	171,195,695	7,393,297,710	
411,539,060	1.2 Restructured	21,185,881	-	321,636,034	-	342,821,915	-	-	-	-	-	-	342,821,915	
441,017,011	2. Non-Performing Loan	6,479,692	7,619,268	491,237,958	-	505,336,919	-	-	-	-	-	-	505,336,919	
11,912,170	2.1 Sub-Standard	698,878	-	1,098,138	-	1,797,016	-	-	-	-	-	-	1,797,016	
6,515,490	2.2 Doubtful	-	-	3,842,595	-	3,842,595	-	-	-	-	-	-	3,842,595	
422,589,350	2.3 Loss	5,780,814	7,619,268	486,297,225	-	499,697,308	-	-	-	-	-	-	499,697,308	
6,739,347,218	A. Total Loan	451,392,050	284,476,538	7,334,392,261	-	8,070,260,849	-	11,369,319	159,826,376	171,195,695	159,826,376	171,195,695	8,241,456,544	
	3. Loan Loss Provision													
55,863,325	3.1 Pass	1,059,316	2,768,573	65,301,373	-	69,129,262	-	-	1,598,264	1,711,957	1,598,264	1,711,957	70,841,219	
51,961,431	3.2 Restructured	662,059	-	45,615,920	-	46,277,979	-	-	-	-	-	-	46,277,979	
2,494,642	3.3 Sub-Standard	43,680	-	274,534	-	318,214	-	-	-	-	-	-	318,214	
1,020,691	3.4 Doubtful	-	-	1,921,298	-	1,921,298	-	-	-	-	-	-	1,921,298	
414,128,352	3.5 Loss	1,445,204	7,619,268	486,297,225	-	495,361,697	-	-	-	-	-	-	495,361,697	
525,468,441	B. Total Provisioning	3,210,258	10,387,841	599,410,350	-	613,008,450	-	113,693	1,598,264	1,711,957	1,598,264	1,711,957	614,720,407	
	4. Provisioning up to previous year													
44,776,860	4.1 Pass	1,158,101	3,815,121	49,382,271	-	54,355,493	-	-	294,771	1,507,833	1,213,062	1,507,833	55,863,326	
45,790,830	4.2 Restructured	645,100	-	51,316,331	-	51,961,431	-	-	-	-	-	-	51,961,431	
149,480	4.3 Sub-Standard	161,131	-	2,333,511	-	2,494,642	-	-	-	-	-	-	2,494,642	
33,555,080	4.4 Doubtful	745,691	-	275,000	-	1,020,691	-	-	-	-	-	-	1,020,691	
263,919,410	4.5 Loss	2,820,331	1,717,841	409,590,180	-	414,128,352	-	-	-	-	-	-	414,128,352	
388,171,660	C. Total previous year's provision	5,530,354	5,532,962	512,897,293	-	523,960,609	-	294,771	1,213,062	1,507,833	1,213,062	1,507,833	525,468,442	
52,972,631	D. Written Back from Previous Year's	205,606	1,830,469	45,473,408	-	47,509,483	-	-	-	-	-	-	47,509,483	
190,269,412	E. Additional Provision of Current Year	(2,114,490)	6,685,348	131,986,465	-	136,557,323	-	(181,078)	385,202	204,124	385,202	204,124	136,761,447	
137,296,781	F. Changes this year	(1,908,884)	8,515,817	177,459,873	-	184,066,806	-	(181,078)	385,202	204,124	385,202	204,124	89,251,964	
6,213,878,776	Net Loan (A-B)	448,181,792	274,088,697	6,734,981,911	-	7,457,252,399	-	11,255,626	158,228,112	169,483,738	158,228,112	169,483,738	7,626,736,137	



Schedule 4.13 (A)

**LOAN, ADVANCES AND BILLS PURCHASED
SECURITYWISE
(END OF ASHAD 2063)**

Previous Year Rs.	Particulars	This Year Rs.
6,739,347,218	A. Secured	8,241,456,544
5,952,768,120	1. Movable/Immovable Assets	7,658,588,441
269,278,074	2. Guarantee of Local Licensed Institutions	243,104,782
-	3. Government Guarantee	-
46,997,000	4. Internationally Rated Bank Guarantee	-
257,583,429	5. Export Documents	85,070,357
175,307,000	6. Fixed Deposit Receipts	223,479,717
84,665,000	a. Own FDR	222,779,717
90,642,000	b. FDR of Other Licensed Institutions	700,000
7,122,000	7. Government Bonds	6,559,000
-	8. Counter Guarantee	-
8,300,283	9. Personal Guarantee	8,250,000
21,991,312	10. Other Securities	16,404,247
-	B. Unsecured	-
6,739,347,218	Total	8,241,456,544

Schedule 4.14

**FIXED ASSETS
(END OF ASHAD 2063)**

Previous Year Rs.	Particulars	ASSETS					This Year Rs.
		Building	Vehicles	Machinery	Office Equipment	Others	
	1. Cost Price						
116,830,455	a. Previous Year balance	-	10,683,057	65,606,600	38,942,385	17,652,692	132,884,734
20,237,396	b. Addition during the year	-	7,724,036	5,996,451	4,133,063	1,643,124	19,496,674
-	c. Revaluation/Written Back this year	-	-	-	-	-	-
2,199,566	d. Sold during the year	-	2,930,950	-	-	-	2,930,950
1,983,551	e. Written off during the year	-	-	-	245,625	1,982,644	2,228,269
132,884,734	Total Cost (a+b+c-d-e)	-	15,476,143	71,603,051	42,829,823	17,313,172	147,222,189
	2. Depreciation						
54,480,264	a. Up to previous year	-	3,481,953	39,400,194	15,973,325	7,577,338	66,432,810
15,403,053	b. For this year	-	3,458,296	9,099,904	4,549,764	1,387,294	18,495,258
-	c. Depreciation on revaluation/Written Back	-	-	-	-	-	-
3,450,507	d. Depreciation on Assets Sold/Written off	-	2,704,751	-	125,469	1,587,457	4,417,677
66,432,810	Total Depreciation	-	4,235,498	48,500,098	20,397,620	7,377,175	80,510,391
66,451,924	3. Book Value (WDV*) (1-2)	-	11,240,645	23,102,953	22,432,203	9,935,997	66,711,798
-	4. Land	-	-	-	-	-	-
-	5. Capital Construction (Pending Capitalization)	-	-	-	-	-	-
-	6. Leasehold Assets	-	-	-	-	-	-
66,451,924	Total (3+4+5+6)	-	11,240,645	23,102,953	22,432,203	9,935,997	66,711,798

* Written Down Value.

Schedule 4.15

NON BANKING ASSETS
(END OF ASHAD 2063)

Previous Year Rs.	Name & Address of Borrower or Party	Date of assuming Non Banking Assets	Total Amount of Non Banking Assets	Loss Provision		This Year Rs.
				In %	In Amount	
6,668,280	Gupta Dal & Oil Mills	16.07.2002	-	-	-	-
1,718,753	Himal Salem Industries	16.07.2003	2,578,000	100.00%	2,578,000	859,247
1,556,239	Saraf Jewellers	01.10.2003	3,278,712	75.00%	2,459,034	902,795
196,000	Kanchan Variety	01.10.2003	392,000	75.00%	294,000	98,000
2,000,000	Bishwanath & Sons	15.07.2005	3,142,133	63.65%	2,000,000	-
-	Hotel Cross Country	16.07.2006	29,994,908	25.00%	7,498,727	7,498,727
12,139,272	Grand Total		39,385,753		14,829,761	9,358,769

Schedule 4.16

OTHER ASSETS
(END OF ASHAD 2063)

Previous Year Rs.	Particulars		This Year Rs.
688,649	1. Stock of Stationery		1,289,234
18,538,184	2. Income receivable on Investment		22,172,194
64,230,292	3. Accrued Interest on Loan	465,922,889	
-	Less: Interest Suspense Account	<u>436,140,013</u>	29,782,876
-	4. Commission Receivable		-
32,484,717	5. Sundry Debtors		916,189
39,608,038	6. Staff Loan & Advances		46,470,678
2,055,191	7. Pre Payments		2,149,319
-	8. Cash in Transit		-
-	9. Other Transit items (including Cheques)		-
32,000,000	10. Drafts paid without notice		32,000,000
2,411,057	11. Expenses not written off		3,312,748
-	12. Branch Account		-
28,881,626	13. Others		87,608,067
28,872,696	a) Income Tax		59,906,744
8,930	b) Others		27,701,323
220,897,754	Total		225,701,305



Schedule 4.16 (A)

OTHER ASSETS (Additional Statement)
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.			
		Up to 1Year	1 to 3 years	Above 3 years	Total
475,455,107	1. Accrued Interest on Loan	100,444,813	134,472,831	231,005,246	465,922,890
32,000,000	2. Drafts Paid without notice	-	-	32,000,000	32,000,000
-	3. Branch Account	-	-	-	-
507,455,107	Total	100,444,813	134,472,831	263,005,246	497,922,890

Schedule 4.17

CONTINGENT LIABILITIES
(END OF ASHAD 2063)

Previous Year Rs.	Particulars	This Year Rs.
-	1. Claims on institution not accepted by the Institution	-
959,874,998	2. Letter of Credit (Full Amount)	908,943,282
959,874,998	a. Less than 6 months maturity	908,943,282
-	b. More than 6 months maturity	-
-	3. Rediscounted Bills	-
164,452,544	4. Unmatured Guarantees/Bonds	218,755,787
1,504,350	a. Bid Bonds	4,524,873
162,948,194	b. Performance Bonds	214,230,914
-	c. Other Guarantee/Bonds	-
-	5. Unpaid Shares in Investment	-
-	6. Forward Exchange Contract Liabilities	-
3,337,855	7. Bills under Collection	50,633,074
80,433,212	8. Acceptance & Endorsement	211,913,993
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
444,025,413	11. Counter Guarantee of Internationally Rated Banks	507,816,054
22,443,817	12. Advance Payment Guarantee	41,448,591
1,875,000	13. Financial Guarantee	9,065,800
31,395,790	14. Contingent Liabilities on Income Tax	5,351,557
7,467,352	15. Others	-
1,715,305,981	Total	1,953,928,138



INTEREST INCOME
FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
520,430,171	A. On Loans, Advances and Overdraft	608,321,202
491,570,271	1. Loans & Advances	549,999,122
28,859,900	2. Overdraft	58,322,080
50,029,424	B. On Investment	91,407,070
50,029,424	1. <u>Nepal Government Securities</u>	91,407,070
48,621,015	a. Treasury Bills	84,976,865
1,408,409	b. Development Bonds	6,430,205
-	c. National Saving Certificates	-
-	2. <u>Foreign Securities</u>	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture & Bonds	-
-	a. Banks/Financial Institutions	-
-	b. Other Organizations	-
-	5. Interest on Inter Bank Lending	-
1,640,919	C. On Agency Balances	955,718
-	1. Local Banks	-
1,640,919	2. Foreign Banks	955,718
2,366,579	D. On Money at Call and Short Notice	5,442,394
2,366,579	1. Local Banks/Financial Institutions	5,442,394
-	2. Foreign Banks	-
3,904,977	E. On Others	2,592,230
-	1. Certificate of Deposits	-
-	2. Inter-Bank Loan	-
3,904,977	3. Others	2,592,230
578,372,070	Total	708,718,614



Schedule 4.19

INTEREST EXPENSES
FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
256,231,417	A. ONDEPOSIT LIABILITIES	332,119,400
190,590,870	1. Fixed Deposits	247,515,452
190,590,870	1.1 Local Currency	244,915,615
-	1.2 Foreign Currency	2,599,837
61,122,744	2. Saving Deposits	71,728,578
60,762,471	2.1 Local Currency	71,361,351
360,273	2.2 Foreign Currency	367,227
4,517,803	3. Call Deposits	12,875,370
4,517,803	3.1 Local Currency	12,875,370
-	3.2 Foreign Currency	-
-	4. Certificate of Deposits	-
2,198,586	B. ONBORROWINGS	2,650,696
-	1. Debentures & Bonds	-
625,375	2. Loan from Nepal Rastra Bank	136,072
1,573,211	3. Inter Bank /Financial Institutions Borrowing	2,514,624
-	4. Other Corporate Body	-
-	5. Other Loans	-
-	C. ONOTHERS	-
258,430,003	Total	334,770,096

Schedule 4.20

COMMISSION AND DISCOUNT INCOME
FROM 1ST SHRAWAN 20 62 TO 32ND ASHAD 2063

Previous Year Rs.	Particulars	This Year Rs.
4,167,310	A. Bills Purchase & Discount	3,273,661
-	1. Local	-
4,167,310	2. Foreign	3,273,661
36,172,523	B. Commission	34,629,705
7,957,240	1. Letters of Credit	9,566,245
10,360,171	2. Guarantees	5,076,792
1,638,060	3. Collection Fees	1,672,621
16,080,887	4. Remittance Fees	18,248,661
-	5. Credit Card	-
12,715	6. Share Underwriting/Issue	-
-	7. Government Transactions	-
123,450	8. Agency Commission	65,386
-	9. Exchange Fee	-
2,228,427	C. Others	2,850,619
42,568,260	Total	40,753,985



Schedule 4.21

OTHER INCOME
FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
19,600	1. Safe Deposit Lockers Rental	84,000
-	2. Issue & Renewals of Credit Cards	-
115,390	3. Issue & Renewals of ATM Cards	60,700
3,741,161	4. Telex / T. T.	2,580,639
7,399,060	5. Service Charges	4,411,236
-	6. Renewal Fees	-
-	7. Others	-
11,275,211	Total	7,136,575

Schedule 4.22

EXCHANGE GAIN/LOSS
FROM 1ST SHRAWAN 2062 TO 32ND ASHAD 2063

Previous Year Rs.	Particulars	This Year Rs.
1,303,242	a. Revaluation Gain (Loss)	4,575,050
31,053,907	b. Trading Gain (except Exchange Fees)	38,485,265
32,357,149	Total Income (Loss)	43,060,315

Schedule 4.23

EXPENSES RELATING TO EMPLOYEES
FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
16,208,792	1. Salary	20,597,861
12,768,407	2. Allowances	16,478,421
1,517,750	3. Contribution to Provident Fund	1,864,994
462,441	4. Training Expenses	1,970,653
104,949	5. Uniform	77,256
1,464,096	6. Medical	2,302,280
122,986	7. Insurance	127,614
2,320,200	8. Pension and Gratuity Provision	3,446,400
2,612,598	9. Others	3,674,049
37,582,219	Total	50,539,528



Schedule 4.24

OFFICE OPERATING EXPENSES
FROM 1ST SHRAWAN 2062 TO 32ND ASHAD 2063

Previous Year Rs.	Particulars	This Year Rs.
12,093,877	1. House Rent	13,414,110
3,090,079	2. Electricity & Water	3,528,432
2,013,949	3. Repair & Maintenance	1,518,286
644,701	a. Building	513,773
211,817	b. Vehicles	222,733
1,157,431	c. Others	781,780
2,007,933	4. Insurance	7,309,830
8,168,496	5. Postage, Telex, Telephone & Fax	6,370,167
567,329	6. Office Equipment, Furniture and Repair	698,576
3,951,294	7. Travelling Allowances & Expenses	4,403,075
3,933,879	8. Printing & Stationery	4,592,609
320,883	9. Books & Periodicals	360,498
1,226,670	10. Advertisements	1,447,511
544,247	11. Legal Expenses	2,466,540
14,000	12. Donations	9,000
483,209	13. Expenses relating to Board of Directors	425,233
206,500	a. Meeting Fees	335,000
276,709	b. Other Expenses	90,233
2,630,302	14. Annual General Meeting Expenses	1,099,017
269,861	15. Expenses relating to Audit	332,280
70,000	a. Audit Fees	100,000
199,861	b. Other Expenses	232,280
-	16. Commission on Remittances	-
15,403,053	17. Depreciation on Fixed Assets	17,760,132
-	18. Amortization of Preliminary Expenses	-
142,459	19. Share Issue expenses	8,000
10,770,000	20. Technical Services Fee	10,815,625
177,240	21. Entertainment	650,956
967,005	22. Written Off Expenses	927,028
4,375,273	23. Security Expenses	4,743,347
6,020,851	24. Credit Guarantee Premium	4,333,887
-	25. Commission and Discount	-
11,456,725	26. Others	11,999,943
103,183	a) Office Equipment & Furniture (not capitalised items)	117,535
3,143,059	b) Information Technology Support Cost	1,041,020
8,210,483	c) Others	10,841,388
90,628,615	Total	99,214,082



Schedule 4.25

PROVISION FOR POSSIBLE LOSS
FROM 1ST SHRAWAN 2062 TO 32ND ASHAD 2063

Previous Year Rs.	Particulars	This Year Rs.
190,269,412	1. Increase in Loan Loss Provision	136,761,447
-	2. Increase in Provision for Loss on Investment	536,580
2,974,225	3. Provision Against Non-Banking Assets	9,358,769
-	4. Provision Against Other Assets	-
193,243,637	Total	146,656,796

Schedule 4.26

NON-OPERATING INCOME / LOSS
FROM 1ST SHRAWAN 2062 TO 32ND ASADH 2063

Previous Year Rs.	Particulars	This Year Rs.
-	1. Profit (Loss) on Sale of Investments	-
1,393,479	2. Profit (Loss) on Sale of Assets	(3,024,977)
49,352	3. Dividend	98,705
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5. Others	-
1,442,831	Total Non-Operating Income (Loss)	(2,926,272)

Schedule 4.27

LOSS PROVISION WRITTEN BACK
FISCAL YEAR 2062/63 (2005/06)

Previous Year Rs.	Particulars	This Year Rs.
52,972,631	1. Loan Loss Provision Written Back	47,509,483
-	2. Provision against Non Banking Assets Written Back	6,668,280
-	3. Investment Provision Written Back	-
-	4. Provision against other Assets Written Back	-
52,972,631	Total	54,177,763



Schedule 4.28

PROFIT/LOSS FROM EXTRA ACTIVITIES
FISCAL YEAR 2062/63 (2005/06)

Previous Year Rs.	Particulars	This Year Rs.
-	1. Recovery of Write off Loan	-
-	2. Voluntary Retirement Scheme Expenses	-
-	3. Loan Write -Offs (4.28 (a))	-
-	4. Other expenses/Income	-
-	Total	-

Schedule 4.28 (A)

STATEMENT OF LOAN WRITTEN-OFF
FISCAL YEAR 2062/63 (2005/06)

S.No.	Types of Loan	Written off amount Rs.	Type of Security	Basis of valuation of collateral	Loan Approved by Name/Designation	Initiations made for recovery	Remarks
1.	Working Capital Loan	-	-	-	-	-	-
2.	Project Loan	-	-	-	-	-	-
3.	Fixed Capital Loan	-	-	-	-	-	-
4.	Personal Loan	-	-	-	-	-	-
5.	Other Loan	-	-	-	-	-	-
	Total Loan	-	-	-	-	-	-

Note : Particulars of loan written off during the fiscal year shall be mentioned in above.

Schedule 4.29

**STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF
EXECUTIVE/PROMOTERS/EMPLOYEES AND SHAREHOLDERS**
(END OF ASHAD 2063)

(In Rs.)

Name of Promoter/Director/ Chief Executive	Outstanding up to Last Year		Recovered in Current Year		Additional Lending in this year	Outstanding as of Asadh end 2063	
	Principal	Interest	Principal	Interest		Principal	Interest
A. Directors							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
B. Chief Executive							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
C. Promoters							
1. Agriculture Development Bank	162,000,000	701,990	35,000,000	-	-	127,000,000	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
D. Employees							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
E. Shareholders							
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-
Total	162,000,000	701,990	35,000,000	-	-	127,000,000	-



TABLE OF CAPITAL FUND
FISCAL YEAR 2062/63 (2005/06)

Particulars	Previous Year	This Year
A. Core Capital	682,847,846	964,420,051
1. Paid Up Capital	431,865,600	640,236,100
2. Share Premium	-	-
3. Non-Redeemable Preference Shares	-	-
4. General Reserve Fund	117,308,846	140,709,241
5. Cumulative Profit/Loss	5,283,520	1,705,920
6. Capital Redemption Reserve	-	-
7. Capital Adjustment Reserve	128,389,880	192,413,490
8. Other Free Reserve	-	-
Less: Goodwill	-	-
Investment in excess of prescribed Limit	-	-
Fictitious Assets	-	1,701,700
Investments in securities of companies with financial interest	-	-
Investments in the Shares underwritten of Himalayan Distillery	-	8,943,000
B. Supplementary Capital	62,028,539	278,150,196
1. Loan Loss Provision on Pass Loan	55,863,325	70,841,219
2. Asset Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	-	200,000,000
5. Exchange Equalization Reserve	6,165,214	7,308,977
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	-	-
8. Provision for Loss on Investment	-	-
C. Total Capital Fund (A+B)	744,876,385	1,242,570,247
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@11%)	867,642,782	1,007,519,785
Core Capital (@5.5%)	433,821,391	503,759,892
Capital Fund (Excess/Short) (i.e. 2.57% excess)	(122,766,397)	235,050,462
Core Capital (Excess/Short) (i.e. 5.03% excess)	249,026,456	460,660,159

TABLE OF RISK WEIGHTED ASSETS STATEMENT
(END OF ASHAD 2063)

On -Balance Sheet Assets	Weightage	Ashad End 2062		Ashad End 2063	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
Cash Balance	0%	143,749,917	-	244,187,671	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	390,025,828	-	626,123,385	-
Investments in Government Securities	0%	2,588,141,003	-	3,591,773,064	-
Investments in N.R.B. Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	84,665,000	-	222,779,717	-
Fully secured loan against Government Securities	0%	7,122,000	-	6,559,000	-
Balances with Domestic Licensed Banks and Financial Institutions	20%	8,602,791	1,720,558	10,413,018	2,082,604
Fully secured FDR Loan against Fixed Deposit Receipt of other Licensed banks & Financial Institutions	20%	90,642,000	18,128,400	700,000	140,000
Balances with Foreign Banks	20%	181,366,763	36,273,353	237,434,334	47,486,866
Money at Call	20%	123,112,500	24,622,500	363,200,000	72,640,000
Loan against Guarantees of Internationally Rated Banks	20%	46,997,000	9,399,400	-	-
Other Investments in Internationally Rated Banks	20%	-	-	-	-
Investment in Shares, Debentures and Bonds	100%	19,539,000	19,539,000	19,539,000	19,539,000
Other Investments	100%	-	-	-	-
Loans, Advances and Bills Purchased/Discounted	100%	6,509,921,218	6,509,921,218	8,011,417,827	8,011,417,827
Fixed Assets	100%	132,884,734	132,884,734	66,711,798	66,711,798
All Other Assets (Except net advance tax deposit)	100%	610,504,867	610,504,867	243,428,404	243,428,404
Net Other Interest Receivable (Gross Interest Receivable-Interest Receivable on Government Bonds-Interest Suspense)	100%	18,046,098	18,046,098	21,658,653	21,658,653
Total (A)		10,955,320,719	7,381,040,128	13,665,925,871	8,485,105,152
Off -Balance Sheet Items					
Bills Collection	0%	3,337,855	-	50,633,074	-
Forward Foreign Exchange Contract	10%	-	-	-	-
Letters of Credit with maturity of less than 6 months (Full value)	20%	959,874,998	191,975,000	908,943,282	181,788,656
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	444,025,413	88,805,083	490,746,154	98,149,231
Letters of Credit with maturity of more than 6 months (Full value)	50%	-	-	-	-
Bid Bond	50%	1,504,350	752,175	4,524,873	2,262,436
Performance Bond	50%	162,948,194	81,474,097	214,230,914	107,115,457
Advance Payment Guarantee	100%	22,443,817	22,443,817	41,448,591	41,448,591
Financial Guarantee	100%	1,875,000	1,875,000	9,065,800	9,065,800
Other Guarantee	100%	7,467,352	7,467,352	17,069,900	17,069,900
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liabilities in respect of Income Tax	100%	31,395,790	31,395,790	5,351,557	5,351,557
All Other Contingent Liabilities	100%	80,433,212	80,433,212	211,913,993	211,913,993
Total (B)		1,715,305,980	506,621,525	1,953,928,138	674,165,621
Total Risk Weighted Assets		12,670,626,699	7,887,661,653	15,619,854,009	9,159,270,773



PRINCIPAL INDICATORS
(AT LEAST FOR PREVIOUS 5 YEARS)

Particulars	Indicators	F. Y. 2058/2059 (2001-02)	F. Y. 2059/2060 (2002-03)	F. Y. 2060/2061 (2003-04)	F. Y. 2061/2062 (2004-05)	F. Y. 2062/2063 (2005-06)
1. Percent of Net Profit/Gross Income	%	8.03	8.61	9.95	7.98	14.63
2. Earnings Per Share	Rs.	9.61	11.47	14.26	13.29	18.27
3. Market Value per Share	Rs.	401.00	255.00	307.00	335.00	612.00
4. Price Earning Ratio	%	41.72	22.24	21.54	25.21	33.49
5. Dividend (including bonus) on share capital	%	-	8.00	-	-	0.00
6. Cash Dividend on Share Capital	%	-	8.00	-	-	5.00
7. Interest Income/Loans & Advances	%	7.85	8.72	8.10	7.72	7.38
8. Staff Expenses/Total Operating Expenses	%	7.09	8.26	8.77	9.72	10.43
9. Interest Expenses/Total Deposit and Borrowings	%	4.71	4.43	3.50	2.83	2.88
10. Exchange Gain/Total Income	%	8.37	3.27	5.01	4.50	5.38
11. Staff (Statutory) Bonus/ Total Staff Expenses	%	19.17	18.53	27.24	27.01	28.33
12. Net Profit/Loans & Advances	%	0.90	1.03	1.12	0.87	1.53
13. Net Profit/ Total Assets	%	0.58	0.64	0.72	0.55	0.90
14. Total Credit/Deposit	%	82.27	73.52	76.85	77.87	69.32
15. Total Operating Expenses/Total Assets	%	5.35	5.40	4.46	3.74	3.72
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	10.83	10.16	9.47	8.68	10.53
b. Supplementary Capital	%	2.03	2.19	1.47	0.79	3.04
c. Total Capital Fund	%	12.86	12.34	10.95	9.47	13.57
17. Liquidity (CRR)	%	12.60	18.19	7.74	5.26	5.83
18. Non Performing Credit/Total Credit	Ratio	6.32	8.90	6.25	6.54	6.13
19. Weighted Average Interest Rate Spread	%	3.84	3.23	3.55	3.68	3.33
20. Book Net worth	Rs.	560,346,564	569,852,181	626,636,726	689,013,061	971,729,028
21. Total Shares	No.	4,248,933	4,251,573	4,268,759	4,318,656	6,402,361
22. Total Staff	No.	141	148	151	164	174
23. Return on Shareholder's Equity	%	7.29	8.55	9.71	8.33	12.04
24. Book Value Per Share	Rs.	131.88	134.03	146.80	159.54	151.78
25. Return on Net Fixed Assets	%	62.27	68.63	97.60	86.36	175.38
26. Total Interest Earning to External Assets	%	8.16	8.28	7.00	6.56	6.31
27. Total Cost to Net Interest Income & Other Income	%	44.93	47.91	37.34	31.46	32.84



NEPAL SBI BANK LIMITED

Hattisar, Kathmandu.

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 32ND ASHAD 2063 (16TH JULY 2006)

i) General information

Nepal SBI Bank Limited (“the Bank”) is a limited liability company domiciled in Nepal. The address of its registered office is Hattisar, Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

The Bank is running commercial banking business in Nepal. The financial statements are authorised for issue by the Board of Directors.

ii) Summary of Principal Accounting Policies

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

iii) Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards (“NAS”) issued by the Nepal Accounting Standard Board except otherwise stated, Generally Accepted Accounting Principles (“GAAP”), Bank & Financial Institutions Act 2063, presentation requirement of NRB Directives and in conformity with the Companies Act 2063.

iv) Basis of Preparation

The financial statements are presented in Nepalese Rupees, rounded off to the nearest Rupee. They are prepared on the historical cost basis. The preparation of financial statements in conformity with NAS and GAAP require the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying Bank’s accounting policies.

v) Interest Income

Interest income on loans and advances are recognised on cash basis as per the Nepal Rastra Bank Directive. It also includes the interest accrued as at the year ended (July 16, 2006) which has been collected within one month of the Balance Sheet date, as permitted by NRB, although it is not as per Nepal Accounting Standards.

Interest income on Investments is accounted for on accrual basis.

vi) Commission Income

Income from export bills purchased/discounted and on usance bills is recognised as income on the date of the transaction.

Commission earned on guarantee is accounted for on cash basis and is recognised as income on the date of the transaction.

vii) Dividend Income

Dividend on equity shares are recognised when the right to receive dividend is established.



viii) Foreign Exchange Transactions

Foreign currency assets and liabilities are translated into Nepalese Rupees at the prevailing middle rate ruling on the Balance Sheet date.

Income realised from the difference between buying and selling rates of foreign currency is accounted for as Trading Gain on foreign exchange.

Gains/losses arising due to fluctuation in exchange rate of different foreign currencies is accounted for as "Revaluation Gain/Loss". 25% of the revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

ix) Interest Expense

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

x) Loans and Advances including Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to customers. These include overdrafts, term loans, retail finance and loans given to priority and deprived sectors. All loans and advances are subject to regular scrutiny and classified as per the Nepal Rastra Bank's Directives. Loans and advances, overdrafts and bills purchased are shown net of provisions.

xi) Staff Loans

Loans and advances to staff granted in accordance with the staff loan schemes of the Bank are shown under Other Assets.

xii) Loan Loss Provision

Provision for possible losses has been made to cover doubtful loans and advances, overdraft, bills purchased. The level of loan loss provision is determined from 1% to 100% on the basis of classification of loans and advances, overdraft, bills purchased in accordance with the Nepal Rastra Bank Directives.

xiii) Write Off

Loan accounts graded 'Bad' in compliance with Nepal Rastra Bank Directives are written off in the books as per criteria/policy approved by the Board, without prejudice to Bank's right to recovery.

xiv) Investments

Investments in Treasury Bills & Nepal Government Development Bonds are those, which the Bank purchased with the positive intent and ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts. Premiums and discounts are capitalised and amortised from the date of purchase to maturity.

All Investments are subject to regular review as required by the Nepal Rastra Bank Directives.

xv) Fixed Assets and Depreciation

- a. Fixed assets are stated at cost less accumulated depreciation.
- b. Assets with a value less than Rs 2,000 are charged off as a revenue expense irrespective of its useful life in the year of purchase.
- c. Fixed assets and cost on improvements and renovation of leasehold properties are depreciated at rates based upon their expected useful lives of the assets, using the straight-line method. The useful lives of the assets are as follows:



Nature of Assets	Useful Life (years)
Furniture	10
Equipments	4 -10
Vehicles	5
Computers	7
Leasehold premises	10

xvi) Non-Banking Assets

Non-Banking Assets are valued at lower of loan amount (Principal) or fair market value of the assets acquired. Provisions for NBAs are made in accordance with the Nepal Rastra Bank Directives. However, the figures reported last year represented the Principal and interest due on those accounts.

xvii) Software Expenses

Software applications purchased by the Bank are included in Computers and Accessories and depreciated accordingly.

xviii) Retirement Benefits

The Bank offers retirement benefits to its confirmed employees, mainly provident fund and gratuity, payable at the time of separation from service.

a. Provident fund

Provident fund is recognised at the time of periodic contribution to the fund.

b. Gratuity

Provision for gratuity is made on accrual basis in terms of the personnel policies laid down in the Staff Service Rules of the Bank.

xix) Stationery Stock

Stationery purchased is stated at cost and charged to revenue at the time of consumption.

xx) Provision for Taxation

Provision for taxation has been made on the basis of the Income Tax Act 2058 and amendments thereto.

xxi) Cash & Cash Equivalents

Cash & cash equivalents comprise cash balances.

xxii) Previous Year's Figures

Previous year's figures are grouped or regrouped wherever necessary in order to facilitate comparison.

NEPAL SBI BANK LIMITED

Hattisar, Kathmandu

NOTES TO ACCOUNTS FOR THE YEAR ENDED 32ND ASHAD 2063 (16TH JULY 2006)

1. Interest Income and Interest Suspense

Interest amounting to Rs 29,782,876 collected within 1 month of the Balance Sheet date has been included in the interest income in the current year as allowed by the NRB Directives.

2. Provision for Staff Bonus

Provision for staff bonus has been computed and provided for at 10% of the profit after making provision for loan loss, non banking assets, investments and staff bonus.

3. Staff Housing Fund

As the terms of service of the staff has a provision for extending housing loans to the eligible staff, a separate housing fund has not been created as prescribed by the Labour Act, 2048.

4. General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current year's profit amounting to Rs 23,400,395 has been transferred to General Reserves.

5. Exchange Fluctuation Reserve

Revaluation gain as at the year-end amounted to Rs 4,575,050. Out of this 25% has been transferred to Exchange Fluctuation Reserve by debiting Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

6. Capital Adjustment Reserve

Rs.64,023,610 has been transferred to Capital Adjustment Reserve from the Profit and Loss Appropriation Account as a part of Bank's preparation to increase the Bank's paid up capital to a minimum of Rs. 800 million by 2009 as per NRB directive.

7. Provision for Gratuity

During the year, the Bank has provided Rs 3,446,400 (previous year Rs 2,320,200) on account of gratuity. A sum of Rs 572,400 (previous year Rs 404,200) paid as gratuity during the year is out of the provisions there against.

8. Tax Settlement Outstanding

Inland Revenue Office has completed the assessments upto Financial Year 2057/58 and tax clearance has been received. For the Financial Years 2058/59 and 2059/60, the tax authorities have raised additional demand aggregating to Rs.5,351,556.84. In this regard a petition for administrative review has been filed with Inland Revenue Department. Their decision is awaited.

9. Fraudulent Draft Case

The Bank had filed a case with the Kathmandu District Court for the recovery of Rs 32,000,000 on account of losses incurred by the Bank due to payment negligently made by collecting banks against fraudulent drafts. Since the decision was not in favour of the Bank, the Bank has filed an appeal with Appellate Court, Patan. The hearing is in progress. The Bank has already made 100 percent provision against the possible losses on account of the fraudulent drafts encashed.



10. Reconciliation Status Outstanding as on 16.07.2006

(Rs. in '000)

Reconciliation Status	Total Amount	< 3 months	> 3 < 6 months	> 6 < 12 months	> 1 < 3 years	> 3 years
Branch Reconciliation	5,646	5,363	83	105	60	35
Agency Accounts	130,543	47,902	16,394	19,130	15,791	31,326

In case of Interbranch entries, the un-reconciled debit and credit entries have been cumulated.

In case of agency accounts, the total of un-reconciled credit entries in the bank's book are netted off against the un-reconciled debit entries and the reported figures represent net credit entries outstanding as un-reconciled.

Un-reconciled entries stated in the above table are identified, and will be adjusted in due course of business.

11. Summary of Loans and Advances disbursed, recovered and Principal & Interest Written-off

(Rs. in '000)

Particulars	Amount
Balance as on 16/07/2005	6,739,347
Loans Disbursed	28,593,056
Loans Recovered	(27,090,947)
Loans Written off	-
Interest written off	-
Balance as on 16/07/2006	8,241,456

12. Summary of Changes in deposit & liabilities

(Rs. in '000)

	Current Year	Previous Year	Changes
Call Deposits	565,142	225,897	339,245
Current Deposits	1,408,297	1,773,544	(365,247)
Fixed Deposits	6,116,173	4,086,359	2,029,814
Inter-bank Deposits	-	-	-
Margin Deposits	79,790	110,174	(30,384)
Saving Deposits	2,832,639	2,458,800	373,839

13. Weighted Average Interest Spread

	Rate %
Average Rate of return from Credit and Investments	6.87
Average Rate on Deposits	3.54
Net Spread	3.33

14. Particulars of Expenses yet to be Expensed-off

(Rs. in '000)

1.	Pre operating expenses	NIL
2.	Share Issue expense	1,701.70
3.	Others (premium on Development Bond & Membership fee of Visa card)	1,611.05



15. Summary of Concentration of Exposure

(Rs. in '000)

Particulars	Loans and Advances and Bills	Deposits and Borrowing	Contingent
Total amount as on 16/07/2006	8,241,456.54	11,614,469.28	1,953,928.14
Highest exposure to a single unit	174,334.17	935,677.31	243,842.02
Percentage of exposure to single unit/total	2.12%	8.06%	12.48%

16. Classification of Assets and Liabilities based on Maturity

(Rs in lakhs)

Assets	1 – 90 Days	91 - 180 Days	181 – 270 Days	271 - 365 Days	Above One Year	Total Amount
Cash Balance	2,441.88	-	-	-	-	2,441.88
Bank Balance	8,739.70	-	-	-	-	8,739.70
Investment in Foreign Banks	296.40	1,111.50	-	74.10	-	1,482.00
HMG Bonds-TB	15,422.25	3,000.00	7,500.00	9,700.00	-	35,622.25
NRB Bonds	-	-	-	-	1,181.75	1,181.75
Inter Bank Loans	2,150.00	-	-	-	-	2,150.00
Loans and Advances/ Bills Purchase	27,426.75	10,311.69	3,753.89	7,834.68	33,087.55	82,414.56
Total Assets	56,476.98	14,423.19	11,253.89	17,608.78	34,269.30	134,032.14
Liabilities Borrowings	6,124.28	-	-	-	-	6,124.28
Call Account	-	-	-	-	-	-
Current & Margin Deposits	5,880.87	-	-	-	9,000.00	14,880.87
Savings Deposits	-	-	-	-	28,326.39	28,326.39
Fixed & Call Deposits	13,041.16	7,361.05	18,036.97	7,983.05	20,390.91	66,813.14
Debentures	-	-	-	-	2,000.00	2,000.00
Total Liabilities	25,046.31	7,361.05	18,036.97	7,983.05	59,717.30	118,144.68
Net Financial Assets	31,430.67	7,062.14	(6,783.08)	9,625.73	(25,448.00)	15,887.46
Cumulative Net Financial Assets	31,430.67	38,492.81	31,709.73	41,335.46	15,887.46	-

17. None of the bank's borrowings are against the collateral of its own assets.

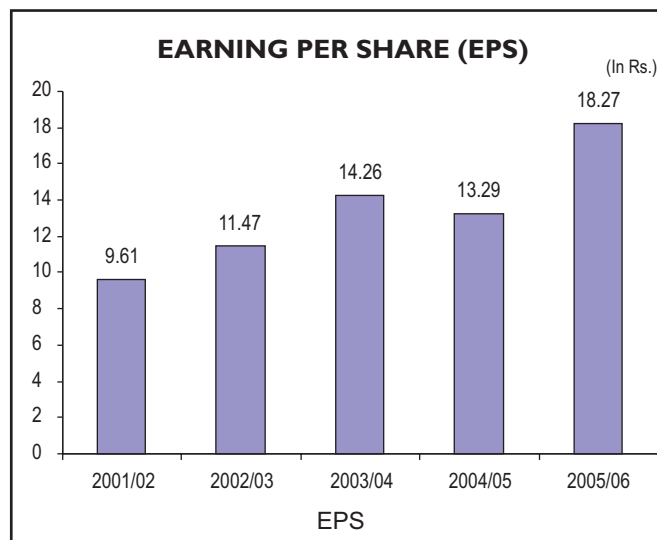
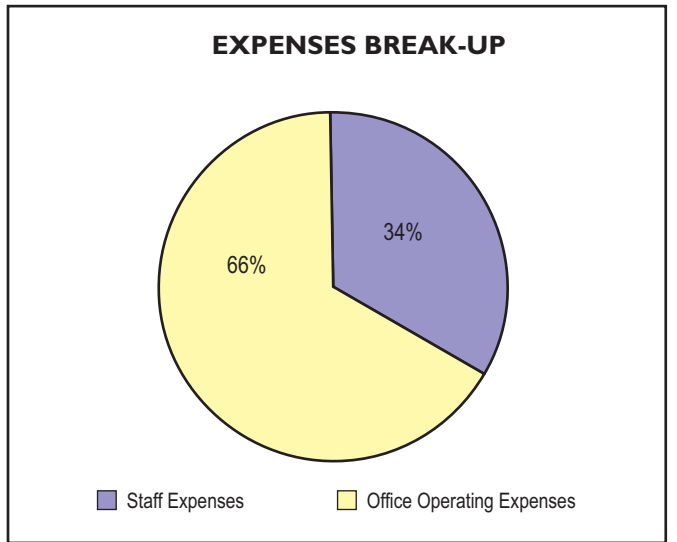
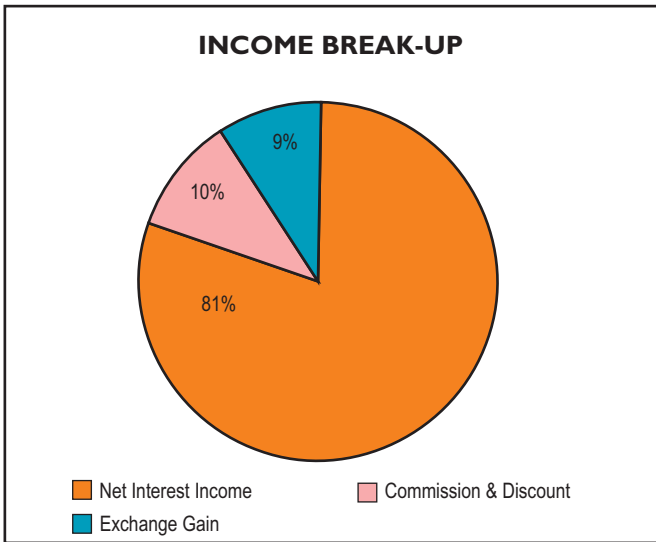
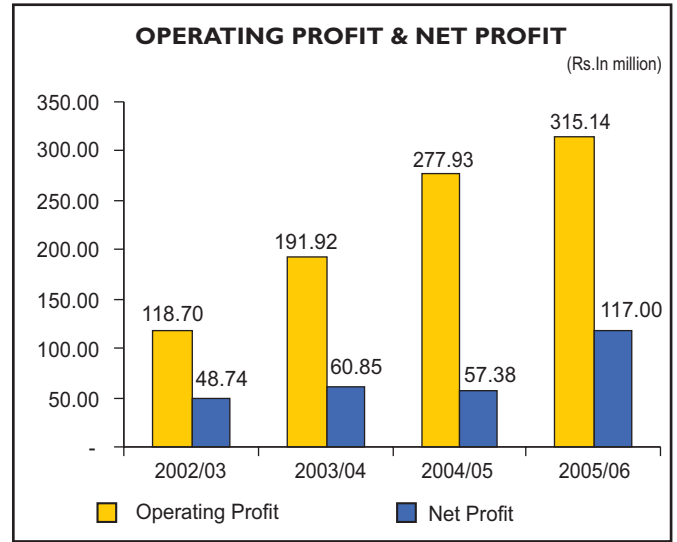
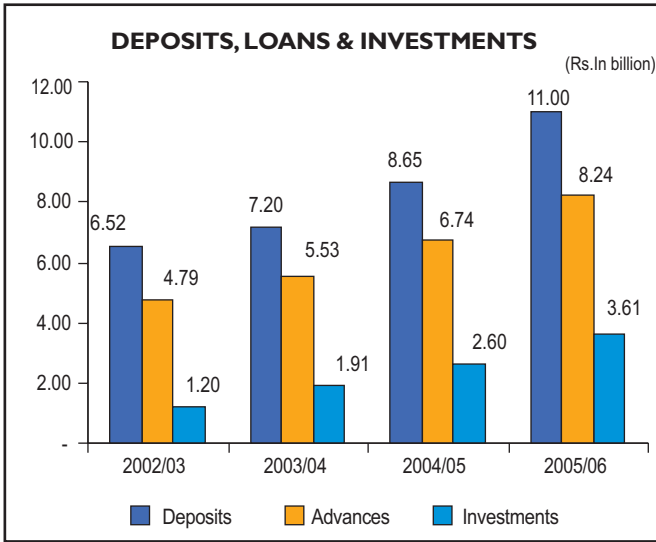
18. The Bank has made provision for the dividend at the rate of 5% on paid up capital amounting to Rs. 32,011,805 as at 32nd Asadh 2063.

19. Rounding off

Figures have been rounded off to the nearest rupee.



FINANCIAL HIGHLIGHTS





Nepal Rastra Bank's Comments while according their approval for the publication of Bank's Annual Report for Financial Year 2005-06

1. To rectify errors in the format of the Financial Statements.

Response : Necessary rectifications have been made while publishing these.

2. To effect improvements on the observations of the Auditor.

Response : Noted for rectification.

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