



17th

Annual Report
2066-67

Reaching out to
OPPORTUNITY
advancing our values
of pure banking.



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

विशुद्ध बैंकिङ्ग...
अरु केही होइन



Opportunities are often found in the most unexpected places but it is not enough just to discover opportunity. One has to reach out to realize their full potential. Like the Monarch butterfly which migrates thousands of miles every year in search of new opportunities, we too keep our wings open to hold on to new prospects and make them work for all our stakeholders.



NEPAL

SBI

BANK LTD.

ATM
365 Days

VISA

PLUS

Corporate Office
विशुद्ध बैंकिङ्ग... सरकारी नेतृत्व
A Class Institution Licensed by Nepal Rastra Bank

ATM
365 Days

3
इन्डिया
सर्वोत्कृष्ट

Our Aspiration

The Banker to Every Nepali

Our Commitment

My Nepal SBI Bank: My Customer First

My Nepal SBI Bank: First in Customer Satisfaction



Our Code of Ethics

- Directors, India Based Officers (IBOs) and Employees shall conduct business transactions fairly and equitably without being influenced by the friendship and associations with the customers.
- All the members of the Board, Management Committee and Employees at all levels shall maintain confidentiality of customer information and transactions and even after vacating the office continue to maintain confidentiality or secrecy in regard to the copyright material or other correspondences, accounts and dealings of the Bank and its customers. However, providing any information relating to financial transactions to the third party as required by law shall not be construed as breach of confidentiality.
- Chairman and/or any member of the Board shall not interfere in the day-to-day functioning of the management, except he/she holds the position of Managing Director or Executive Director.
- No member of the Board, Management Committee and Employee shall engage directly or indirectly in any activities which are against the interest of the Bank.
- No employee shall do anything, which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.
- Members of the Board, Management Committee and Employees shall not accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything valued from customers, suppliers, shareholders/stakeholders, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commission of fraud, or opportunity for the commission of any fraud.
- Employees shall not take part in politics and shall, with intention to satisfy his/her political interests on the matters relating to his services, exert or attempt to exert any political or other undue influence upon any other employees.
- No one shall willfully destroy or damage any asset of the Bank or carry it outside the premises of the bank and use or allow unauthorized persons to use such asset without obtaining prior permission from the authorized person of the bank.

Our Strategic Goals

Our overall strategic goal is to build an open and honest corporate culture and to develop mutually beneficial relationship with all our stakeholders and create value for them. We aim to reach our strategic goals by:

- Caring for customers' evolving needs and expectations by providing suitable and tailor-made products and services.
- Creating a great environment to work in.
- Practicing exemplary governance and accountability.
- Working harmoniously and in mutual co-operation with our business partners.
- Ensuring reasonable returns on investment for our shareholders.
- Investing in local communities in which we operate, for the benefit of society at large.



Introduction

We, a team of nearly 465 full time employees, move, lend, invest and protect money of over 2,00,000 customers and clients nationally and worldwide. Now in our 18th year of operations, the Bank has been continuously upgrading the quality of its service delivery by using state-of-the-art technology to enhance customer satisfaction. Always promoting open and honest organizational culture, we are a major national financial services provider engaged in various retail and commercial banking services.

Extending our reach to 23 districts through our 50 physical outlets

including 43 branches, 6 extension counters and a Corporate Centre, we are among the largest private banks in Nepal. In addition, we serve our valued customers through delivery points like Automated Teller Machines (ATMs) which number 50 and e-banking service for both corporate and retail clients. This vast network allows us to be 'The Banker to Every Nepali'.

Nepal SBI Bank aspires to be outstanding and unique in its field by working together with all its stake holders and creating values for them. It enjoys the backing of State Bank of India—India's largest

bank, with over 204 years of history and expertise in banking—and Employees Provident Fund—a vibrant public sector non banking Nepali financial institution, thus giving weight to the widely regarded view of Nepal SBI Bank as being the 'most sustainable' commercial bank in Nepal.

We also take diverse Social Responsibility Initiatives which are beyond our regular banking business seriously, to establish ourselves as an admirable corporate citizen of this great nation. These initiatives are at the core of Nepal SBI Bank's corporate mission and values.





Corporate Information

Name of the Company:

Nepal SBI Bank Limited

Legal Form:

A Public Limited Company incorporated with the Office of Company Registrar(OCR), Kathmandu, Nepal on April 28, 1993 under Regd. No. 17-049/50 and licensed by Nepal Rastra Bank on July 6, 1993 under license No NRB/L. Pa. /7/2049/50 and classified as 'A' class licensed institution on April 26, 2006 under license No. NRB/I. Pra.Ka.7/062/063.

Commencement of Business:

July 7, 1993

Accounting Year:

Mid July - Mid July (Shrawan 1st - Ashad End)

Permanent Account Number:

300323003

Stock Exchange Listing:

The Ordinary Shares and Redeemable Debentures (carrying fixed interest rate) of the company are listed on Nepal Stock Exchange.

Registered Office:

Bagmati Zone, Kathmandu District, Kathmandu Metropolitan City, Ward No.-1

Corporate Office:

Nepal SBI Bank Limited
Corporate Office, Hattisar, Kathmandu
Tel No: +977-1-4435516/4435613, Fax No: 4435612
Email: corporate@nsbl.com.np
Web Url: www.nepalsbi.com.np, www.nsbl.com.np

Company Secretary:

Mr. Ramesh Ghimire, LL.M (Commercial Law)

Internal Auditor:

Mr. Sudeep Khanal, ACA

Board of Directors:

Mr. B. K. Shrestha, Chairman of the Board
(Representative of General Public)
Mr. Pratip Chaudhuri, Director
(State Bank of India Nominee)
Mr. Rajiv Pal Singh, Director
(State Bank of India Nominee)
Mr. S K Bhattacharyya, Director
(State Bank of India Nominee)
Mr. Manoj K. Agrawal, Director
(Representative of General Public)
Ms. Hasana Sharma, Director
(Employees' Provident Fund Nominee)
Mr. Mohan Raj Joshi, Director
(Professional Expert Director)
Mr. N. K. Chari, Managing Director
(State Bank of India Nominee)

Audit Committee:

Chairman: Ms. Hasana Sharma
Member: Mr. Manoj K Agrawal
Member: One of the directors from SBI (Other than Managing Director)
Member Secretary: Mr. Sudeep Khanal (Head, Internal Audit Department)

Central Management Committee:

Mr. N. K. Chari, Managing Director
Mr. Madhukar Anand, Chief Operating Officer
Mr. Binod K Mishra, Chief Financial Officer
Mr. Tulsi Ram Gautam, AGM (Credit)

Statutory Auditor:

Ms P.L. Shrestha & Co., Chartered Accountants,
Bhakti Thapa Sadak, Bijuli Bazaar, New Baneshwor
P.O. Box No. 3516, Kathmandu, Nepal

Legal Advisor:

Mr. Purna Man Shakya
Reliance Law Firm, Machagal, Jawalakhel, Lalitpur
G.P.O Box: 8975, EPC 439, Kathmandu, Nepal

Tax Advisor:

Mr. Sudarshan Raj Pandey, FCA
Bijuli Bazar, Kathmandu

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Directors' Statement of Responsibilities

The Directors have pleasure in presenting the Annual Report and Accounts for the fiscal year 2066-67 (2009-10), which includes business performance review, risk management and internal governance report, stakeholders' relations reports etc. Contents of this Annual Report, the Financial Statements, Significant Accounting Policies used and the Notes thereto of the Bank and the additional disclosures in the Annual Report designated as audited, comply with requirements of the Nepal Accounting Standards and all other statutory and regulatory requirements. These Financial Statements and Notes thereto presented give a true and fair view of the Bank's financial position as at 32 Ashad, 2067 and its performance for the year ended on that date.

Risk management function has been accepted as an ongoing process which is in place to identify, measure, monitor and control the risks those are faced or likely to be faced by the Bank. The Directors review this process through Audit Committee and Risk Management Committee(s) and specific steps have been taken by the Bank in managing both banking and non-banking risks

as detailed in the section on "Risk Management" of this Report.

The Board of Directors have taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial operations and compliance control required to carry on the business of banking in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The Board of Directors are satisfied with the effectiveness of the internal controls over financial reporting during the year under review and up to the date of approval of the Annual Report and the Financial Statements to ensure the soundness in financial reporting process.

The Bank's External Auditors, M/s P.L. Shrestha & Co., Chartered Accountants, who were appointed in accordance with a resolution passed at the last Annual General Meeting have expressed their opinion on presentation of Financial Statements which are part of this Report. As far as the Directors are aware, the Auditors do not have any other relationship with the Bank. The Auditors also do not have any interest in contracts with the Bank.

The Bank carried out transactions as per objectives/functions detailed in the Memorandum of Association and Articles of Association of the Bank and there were no significant changes in the nature of principal activities of the Bank during the financial year under review. There have not been any material events that occurred subsequent to the date of the Balance Sheet that required adjustments to the financial statements.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions and related to the employees have been made on time.

The Board of Directors have reviewed the Bank's business plans and are satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the bank are prepared based on going concern concept.

Signed in accordance with a resolution of the Directors.

Profile Of Board Of Directors



Mr. Bala Krishna Shrestha

Mr. Bala Krishna Shrestha (B.K. Shrestha) is the Chairman of the Board of Directors of Nepal SBI Bank Limited. He has been representing the general public as Director of the Bank in the Board since 04.04.2003. He holds a Master's Degree in Arts and Economics from Tribhuwan University, Nepal. He started his career as a Lecturer in Tribhuwan University in 1970 and also held the position of Senior Research Officer in National Planning Commission, Ministry of Education from 1970 to 1981. Mr. Shrestha has held several honorary positions in the Govt. of Nepal and is also a renowned name in the field of Nepalese Industry, Trade and Social Services. He is Deputy General Secretary of Divine Life Society, Chartered President of Lions Club of Everest and holds positions in different social organizations. Mr. Shrestha has also served as a Director in various Commercial Banks and Corporate Entities, such as Premier Insurance Co. Ltd., Himal Cement Co. Ltd., Nepal Bank Ltd., Standard Chartered Bank Ltd., etc. Mr. Shrestha is also the Chairman of Hama Group of Industries.



Mr Pratip Chaudhuri

Mr Pratip Chaudhuri, B.Sc. (Hons), MBA, joined State Bank of India as Probationary Officer in 1974. He took over charge as Dy Managing Director & Group Executive (International Banking), State Bank of India in April 2009. Immediately prior to the present assignment, he was posted as Chief General Manager (Foreign Offices) at Corporate Centre, Mumbai. During his illustrious career spanning over 35 years in State Bank of India, he held several important positions viz. :

- Managing Director, State Bank of Saurashtra,
- Chief General Manager, Chennai Circle,
- General Manager, Mid Corporate Group, New Delhi Region,
- General Manager, Commercial Banking, Local Head Office, New Delhi
- Chief Investment Officer, SBI Mutual Fund,
- Deputy General Manager, Merchant Banking, International Banking Group,
- AGM & Relationship Manager, Corporate Accounts Group, New Delhi
- Vice President (Operations), SBI Canada, Toronto



Mr. Rajiv Pal Singh

Mr. Rajiv Pal Singh, B.Tech, CAIIB, joined State Bank of India as Probationary Officer in 1974. He took over charge as Chief General Manager (Foreign Offices) at Corporate Centre of State Bank of India on 24th Nov 2009. Immediately prior to the present assignment, he was posted as General Manager (Network-1), Local Head Office, Mumbai. During his career spanning over 35 years in State Bank of India, he held several important positions viz.: General Manager (Project Finance), Project Finance & Leasing, Corporate Centre, Mumbai, Deputy General Manager, Mid Corp. Region, Ahmedabad, Deputy General Manager (MIS), Corporate Centre, Mumbai, Assistant General Manager (Per & HRD), Local Head Office, Lucknow, Assistant General Manager (C&C), Local Head Office, Lucknow, Assistant General Manager, Vatva, I.E, NetWork-I, Zonal Office, Ahmedabad.



Mr. S.K. Bhattacharyya

Mr. S.K. Bhattacharyya, M.Sc Physics IIT, Kharagpur, CAIIB, Diploma in Financial Management, Research Scholar at IIT, Kharagpur for 2 years on Cryogenics Engineering, joined State Bank of India as Probationary Officer in 1979 in Bengal Circle. Immediately prior to this assignment as General Manager (Retail Banking), IBG Mumbai, State Bank of India he was posted as DGM HRMS Project SBI CC Mumbai. During his career spanning of 31 years in State Bank of India he held several important positions viz: worked in rural branch in Bengal, BM of 4 retail and critical branches, Chief Manager in Shares and Bonds Department at SBI CC associated with SBI's first GDR issue, Foreign Department Kolkata as Chief Manager (Computers) and AGM (Domestic operations) and Regional Manager, Burdwan Region.



Mrs. Hasana Sharma

Mrs. Hasana Sharma represents Employees' Provident Fund (EPF), the co-promoter of Nepal SBI Bank Ltd, in the Board of the Bank since 26 May, 2008. Mrs. Sharma is an M.P.A. from Tribhuvan University, Nepal. She started her career in the year 1979 at the fourth level cadre of EPF and has spent almost 31 years in different areas of EPF operations. In addition to her experience as a top level executive of EPF, she has gained experience of about 4 years as an Institutional Director of Nepal Merchant Bank Ltd. Before getting appointed to the Bank's Board, she spent around 5 months as a Director on the Board of Directors of Clean Energy Development Bank Ltd. Presently, Mrs. Sharma is the Departmental Chief –HRD (First Class Officer, 10th Level) in EPF.



Mr. Manoj Kumar Agrawal

Mr. Manoj Kumar Agrawal is a Director of Nepal SBI Bank Limited representing the general public since 04.04.2003. He holds a Bachelor's Degree in Commerce from Bombay University, India and a Master's Degree in Business Administration from Temple University, Philadelphia, USA. He taught in Philadelphia College for Textiles & Science, for three months from September 1989 to December 1989. He also holds experience as a high level executive of Ashok Steel Industries. Mr. Agrawal worked with Ashok Steel Industries, Nepal from 1993 to 1997 as a Finance Controller. He has also been involved in the formulation and implementation of national policies and programs for agricultural development. Besides this, Mr. Agrawal has interests in photography, reading, numismatics and philately.



Mr. Mohan Raj Joshi

Mr. Mohan Raj Joshi, M. Com. (T.U.), assumed his charge as Bank's Professional Expert Director with effect from 11th January 2010. A renowned professional expert empanelled by Nepal Rastra Bank (NRB), Mr. Joshi has gained extensive experience in the Nepalese banking industry. Mr. Joshi had started his career in the year 2022 B.S. (1966) as a Supervisor of Nepal Bank Ltd. and retired in the year 2054 B.S. (1997) while he was posted to the apex position of General Manager cum CEO. An ex. Banker, he has undergone a number of skill development trainings on various banking matters and participated in workshops and seminars at domestic as well as international level. He has already served as a member in the Board of Directors of many banks, finance companies, insurance companies and public sector organizations like National Trading Limited, Credit Guarantee Corporation, etc.

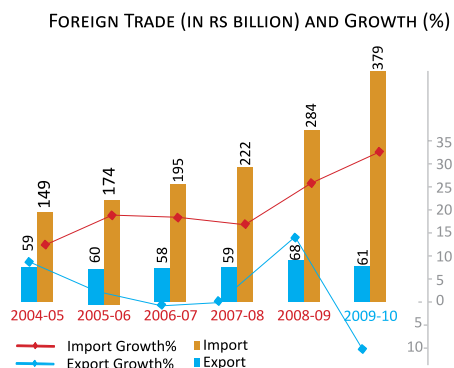
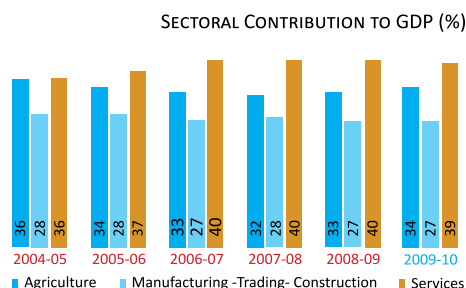
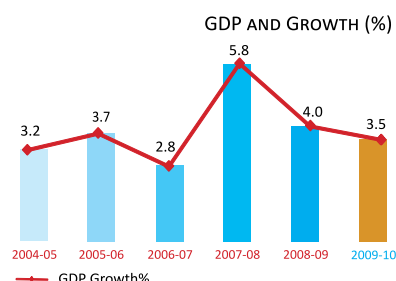


Mr. N Krishnamachari

Mr. N Krishnamachari (N.K. Chari) is the Managing Director of Nepal SBI Bank Limited. He took over as MD on 5th March 2008. Mr. Chari is the Administrative Head of the Bank deputed under the Technical Services Agreement (TSA) entered between the Bank and its foreign joint venture partner State Bank of India (SBI). He holds a Master's Degree in Commerce from Delhi University, India. In addition he has PG Diplomas in Finance and Human Resources from Indira Gandhi National Open University (IGNOU). He also holds an Award in Business (Finance) from the UCLA, Los Angeles, USA. He is also an associate of the Indian Institute of Bankers. Mr. Chari started his career as a Probationary Officer in SBI in 1978 and has held diverse positions in the areas of Operations, Credit and Market Risk Management. As a top level executive of SBI, he has successfully handled various leading positions in different branches/offices of SBI including Commercial Branch Chennai, Overseas Branch, New Delhi and Delhi Zonal Office of SBI. Before joining Nepal SBI Bank, Mr. Chari was DGM in Market Risk Management Department at SBI, Corporate Centre, Mumbai. He presently holds the position of GM in SBI.

Annual Report of the Board of Directors

Sound Growth in Gross Income 54%, Profit Before Tax and Bonus 22% and Profit After Tax 24%, Total Assets 26%, Deposit 25%, Gross Loans and Advances 15%. Return on Average Shareholders' Funds 16% and Non-Performing Loan to Total Loan and Advances 1.48%. Tier I and Tier I & II Capital Adequacy Ratios way over the minimum percentages stipulated by the Nepal Rastra Bank, Addition of 11 Branches and 25 ATMs. Commencing operations in 6 more centres of the nation. We are accessible to anyone with an internet connection, 24 hours a day 365 days of the year with a wide array of transactions at the click of a mouse.



REVIEWING THE YEAR

Nepal SBI Bank Ltd. ended FY 2066-67(2009-10) with a substantial growth in profits, improvement in efficiency and strengthening of its reach driven by strong and steady growth. It was achieved in the context of considerable challenges posed by global and local conditions and an intensely competitive banking environment.

The Operating Environment

The operating environment in Nepal has been tough for many years and review year is no exception. High inflation and low business confidence have made things hard for the industry. Country has estimated to post a real GDP growth of just 3.5% at basic price and 4.6% at producers' price. This meager growth can largely be attributed to 1.1% growth in Agricultural sector due to adverse weather conditions in the country. Industry and manufacturing sector grew by 3.9% and service sector by 6.3% during same period.

The annual average consumer inflation on point-to-point CPI, moderated to 10.5% during FY 2066-67(2009-10) as against 13.2% in previous year, thanks

to low increment of 4.7% in the prices of non-food and services group. Tourism industry witnessed increment in the tourist arrival by 12.8% during the review year, which during the year 2065-66 (2008-09) went down marginally by 0.9%.

On external front, the country's Balance Of Payment (BOP) recorded a deficit of Rs. 2.62 billion due to heavy increase in imports and decline in exports, as against surplus of Rs. 44.76 billion in the previous year. The BOP used to remain in surplus in the past with comfortable foreign exchange reserve. However, this situation was reversed with negative balance of payments and decrease in the level of foreign exchange reserves which dropped by 7.0% to Rs. 266.57 billion.

The inflow of foreign direct investment was also not encouraging in the review year attributed to a gloomy investment climate in the country. Altogether 171 industries have been approved to be set up with foreign or joint venture investment with total investment of Rs. 9.10 billion. From all the approved projects, 7848 people are expected to get employment.

The global economic crisis has adversely affected foreign employment in the later months of the year under review. However, 217 thousand persons got the final approval from Department of Foreign Employment, Government of Nepal to go for foreign employment mainly to Malaysia (38.5%), Qatar, Saudi Arabia and the UAE. Workers' remittances which soared by 47.0% to cross Rs. 2 billion mark as at the end of July 2009 went up by mere 10.5% to Rs. 231.73 billion during the review period.

Notwithstanding the adverse macro-economic conditions the Bank has posted operating profit growth of 28.92% which is indeed a creditable performance. The Bank's NPL and the cost/income ratio are among the lowest in the local banking industry.

The Bank is confident that it can ride through these difficult times by sticking to the fundamentals, strength of reserves, optimum liquidity, healthy capital adequacy ratios, product innovation, a lean organizational structure and a motivated team and workforce. The Bank with its continuous improved delivery processes and work culture will carry on delivering value to all our stakeholders.

The Banking Industry

Banks operate in a highly competitive arena where 27 'A' class commercial banks, 79 'B' class development banks and 79 'C' class finance companies and other financial intermediaries compete for a share in the financial market. Despite these competitive conditions, the banking sector maintained its profitability levels. However, net interest margins are expected to shrink in coming years, as liquid and low costs funds have

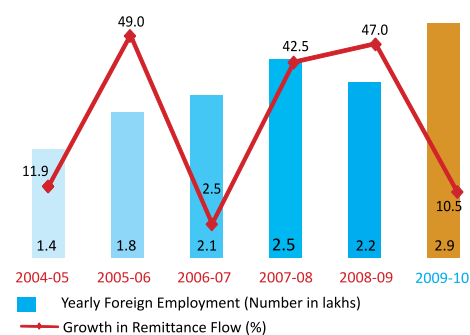
become scarcer in the market. Banks will have to increasingly concentrate on enhancing their non-interest income component, to maintain profitability.

Mobilizing deposits in a high inflation and tight liquidity environment has been a challenge. Although high interest time deposits and attractively structured saving deposits schemes are among the options, the disposable income available for savings in the hands of the people will be less due to the increased cost of living. In 2066-67 (2009/10), deposit augmentation of commercial banks went up by 10.65% (Rs. 67.28 billion) amounting to Rs. 631.28 billion as at Ashadh end 2067. Similarly, Loan and advances of commercial banks increased by 15.80% (Rs. 73.06 billion) to Rs. 462.2 billion during the year.

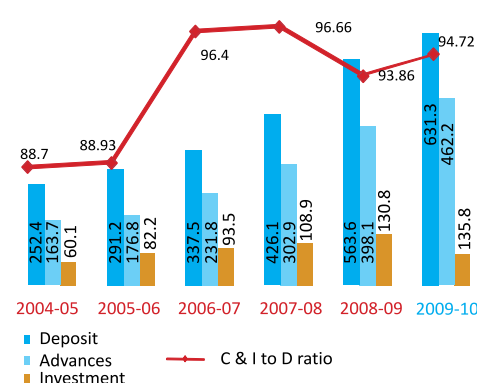
The capital adequacy ratio of most of the banks exceeded both local and international regulatory requirements. The financial market infrastructure has improved substantially in recent years reducing systemic risks and we witnessed significant progress in product innovation and service delivery.

For the last few years, there has been notable expansion in the geographical and numerical presence of the banks and financial institutions with expanded financial transactions as well. Branches of the commercial banks expanded to 966 at the end of Ashad 2067, thanks to improved peace and security in the nation as well as NRB's liberal policy for expansion of commercial banks. It is gratifying to note that most of the branches have been opened outside Kathmandu Valley, including in our bank. As a result,

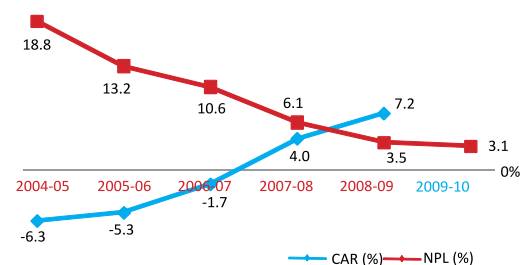
FOREIGN EMPLOYMENT AND REMITTANCE GROWTH (%)



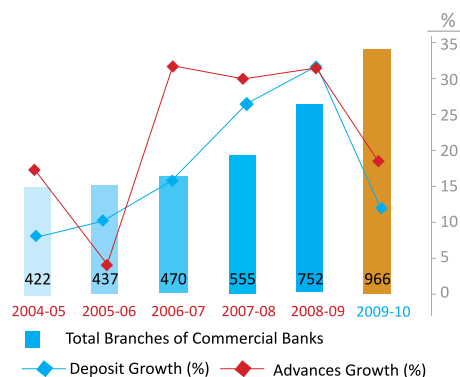
DEPOSIT, ADVANCES AND CREDIT & INVESTMENT TO DEPOSIT RATIO OF BANKING INDUSTRY



CAPITAL ADEQUACY RATIO AND NON-PERFORMING LOANS OF BANKING INDUSTRY

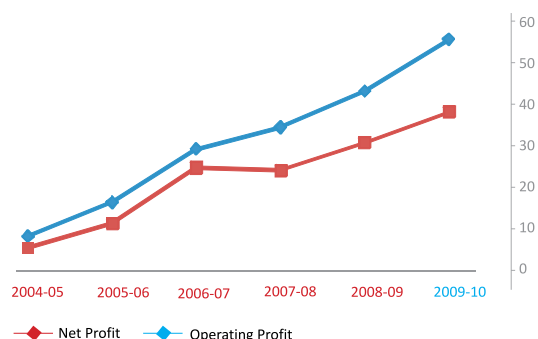


NUMBER OF BANK BRANCHES AND GROWTH IN DEPOSIT AND ADVANCES



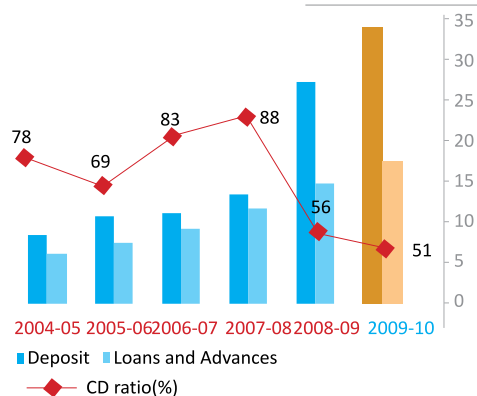
OPERATING PROFIT AND NET PROFIT

AMOUNT IN RS. CRORES



DEPOSIT AND LOANS & ADVANCES AND CD RATIO OF NEPAL SBI BANK

AMOUNT IN RS. CRORES



the intense competition presently found within Kathmandu Valley, will be visible among outside valley branches also.

Other Factors Impacting Business of Bank

Nepal Rastra Bank, while announcing the monetary policy for FY 2066-67 (2009-10), had stipulated that Commercial Banks should maintain Statutory Liquidity Ratio of 8% by the end of the that financial year, which through Monetary Policy for FY 2067-68 (2010-11), has been increased to 15% in which cash in vault, Balance in NRB etc. can also be accounted for. While this is a safety measure and a right step towards strengthening the banking sector, this has impacted the profitability of the banks as the return on approved securities is less than the yield on advances.

Another significant announcement made by the Nepal Rastra Bank in its monetary policy was on the Single Obligor Limit which was 50% of the core capital funds, comprising of 25% fund based and 25% non-fund based earlier, which has been

slashed to 25% of the core capital funds for Fund Based and Non Fund Based limits together, with effect from 1st Magh 2067. This would necessitate banks to improve their capital base in order to maintain the existing level of exposure to clients.

Because of the advent of new commercial banks and branch expansion drive in general, there is a shortage of trained manpower and retaining the existing employees has also become a challenge for banks.

MEASURING OUR SUCCESS

Despite the unfavorable macro-economic conditions and competitive banking scenario that prevailed in the country, the Bank was successful in improving its overall performance during the year. It has continued to maintain its position as a premier Bank in the country and is one of the most profitable and financially robust banks.

RESULTS FOR THE YEAR

	2066-67	2065-66	Change (%)
Total Operating Income	1,106,827,776	828,666,471	33.57
Operating Profit	570,290,430	442,366,383	28.92
Provision for Income Tax (Current Year)	183,015,350	133,123,502	37.48
Net Profit	391,742,119	316,373,495	23.82
Gross Dividend (Cash and Bonus)	290,780,507	368,222,248	-21.03

POSITION AT THE YEAR END	Change (%)	2066-67	2065-66
Shareholder' Funds	43.36	2,440,863,070	1,702,571,354
Deposits	24.82	34,896,424,201	27,957,220,794
Gross Loans and Advances	15.06	17,963,641,179	15,612,050,411
Total Investment	22.73	16,305,632,815	13,286,181,660
Total Assets	26.13	38,047,679,465	30,166,439,549

INFORMATION PER SHARE (Rs.)	2066-67	2065-66
Earnings Per Share	23.69	36.18
Dividend (including Bonus) Per Share (DPS)	17.50	42.11
Market Value at the year end	741	1900
Book Value at the year end	147.61	194.68

FINANCIAL RATIOS	2066-67	2065-66
Return on Shareholders' Equity (%)	16.05	18.58
Return on Net Fixed Assets (%)	93.66	124.76
Price Earnings Ratio (Times)	31.28	52.52

CAPITAL FUND RATIOS	2066-67	2065-66
Capital Fund to Risk Weighted Assets (Capital Adequacy)		
- Core Capital / Total Risk Weighted Assets (Tier I) (%)	10.89	10.03
Minimum Required 6 %.		
- Capital Fund / Total Risk Weighted Assets (Tier I & Tier II) (%) - Minimum Required 10%	12.25	11.92
Non-Performing Loan (NPL) to Total Loan	1.48	2.02
Total Loan Loss Provision to Total NPL (%)	182.21	152.02

CORPORATE CITIZENSHIP

Code of Ethics

The 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 with the code of ethics prescribed by NRB. During the year, the Bank also devised and implemented its own 'Code of Ethics' to be followed meticulously by all the members of its Board of Directors, Management Team and Staff at all levels. The Code of Ethics implemented by the Bank is consistent with the spirit of Good Governance Act.

Internal Control Systems

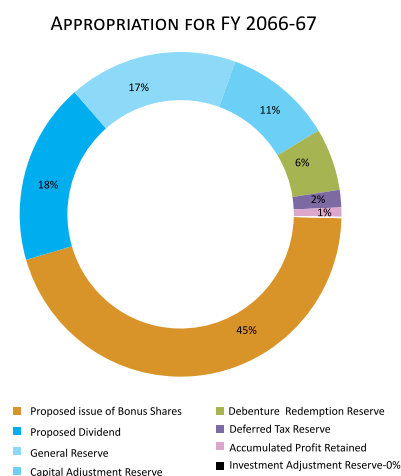
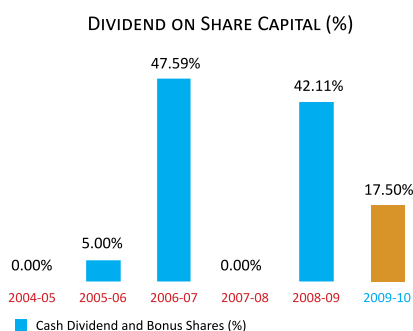
Adequate internal control systems have been put in place by the Bank in the different areas of Bank's operations. There is a separate Internal Audit Department in the Bank headed by Internal Auditor, who directly reports to the Audit Committee and is also responsible for monitoring compliance with various NRB directives and guidelines. 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 issues appropriate guidelines to the Bank based on the feedback received from the internal audit reports.

Risk Management

Fully recognizing the risk management functions as fundamental to the business of banking, more emphasis has been placed on risk assessment considering the turbulent economic environment in which the Bank operates. Bank has adopted a holistic approach and has been engaged in extensive and detailed evaluation and assessment of its risk management framework in all areas of banking activity. During the year, the Board approved comprehensive Internal Capital Adequacy Assessment Process (ICAAP), and also separate policies for Credit Risk, Market Risk and Operational



Risk Management. In accordance with these policies, four new Risk Management Committees—ICAAP Review Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee—were constituted. Primary goal of the Risk Management Framework is to ensure that outcomes of risk-taking activities are predictable and consistent with the Bank's objectives and risk tolerance and that there is an appropriate balance between risk and return in order to maximize shareholder rewards.



The Core Capital Adequacy Ratio (CAR) and Total Capital Adequacy Ratio as at Ashadh 32, 2067 stood at 10.89 % and 12.25% respectively as against the 10.03% and 11.92% at the close of last financial year. Bank's CAR is at a comfortable level, compared to Nepal Rastra Bank requirement of a minimum of 6% and 10% respectively and provides sufficient room for further augmentation in risk assets necessary for the continued growth of the Bank.

Social Responsibility Initiatives

We have continued our approach towards taking social responsibility initiatives as an essential characteristic of our business as partner in progress of the community that we serve. The Bank is not only conscious about maximizing its business and profitability, but also equally conscious about its responsibility towards the society where it carries out business and generates income. The Bank has always been showing its readiness to lend a supporting hand in every walk

of life to the best extent, especially the weak and underprivileged. During the year, we have supported directly or in partnership with other organizations, various individuals, groups or institutions in wider area of social life including Health, Education, Sports, Environment Conservation etc.

STATUTORY AUDITORS

M/s P.L. Shrestha & Co., Chartered Accountants, conducted statutory audit of the Bank for the FY 2066-67. Based on the recommendation of the Bank's Audit Committee, the Bank's Board has proposed reappointment of M/s P.L. Shrestha & Co., Chartered Accountants as Statutory Auditors to audit accounts of the Bank for the year 2067/68.

VALUE CREATION AND ALLOCATION

The Board of Directors recommends the following appropriations from profits for the year ended 32 Ashadh, 2067;

Rs. in thousand

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Accumulated Profit up to Last Year	3,848.81	1,528.84
2. Current Year's Profit	391,742.12	316,373.50
3. Capital Adjustment Reserve up to Previous Year	65,000.00	230,000.00
Total Fund Available for Appropriation	460,590.93	547,902.33
Appropriations		
1. General Reserve	78,348.42	63,274.70
2. Investment Adjustment Reserve	641.72	
3. 6% NSBL Debenture 2070 Redemption Reserve	28,571.43	28,571.43
4. Deferred Tax Reserve	7,999.54	18,985.15
5. Proposed Dividend	83,080.14	18,411.11
6. Proposed issue of Bonus Shares	2,07,700.36	349,811.14
7. Capital Adjustment Reserve	50,000.00	65,000.00
8. Accumulated Profit/(Loss) (Retained)	4,249.31	3,848.81

CHANGES IN THE BOARD OF DIRECTORS

After the change in incumbency of Shri Abhay Kumar Singh, Shri Rajiv Pal Singh has been nominated by SBI in his place. Likewise, Shri S.K. Bhattacharyya has been nominated by SBI as fourth director from SBI in the Bank's Board. Shri Mohan Raj Joshi has been appointed by the Board as a professional expert director. On behalf of the Board of Directors, we would like to place on record our appreciation for the contribution made by Shri Abhay Kumar Singh in guiding the affairs of the Bank during his tenure and welcome Shri Bhattacharyya, Shri Singh, and Shri Joshi as new members to the Board.

PROGRESS REPORT FOR THE CURRENT YEAR

In the first quarter of fiscal year 2067/68, the Bank witnessed residual effect in terms of paying high costs of fund raised during the turbulent environment the Nepalese banking industry experienced during fiscal year 2066/67. However, bank continues to post healthy growth in almost all the business areas. On the deposit front, bank was able to post growth of 11.03 % i.e., from Rs. 3,489.6 crores to Rs. 3,874.4 crores during first quarter of the fiscal year 2067/68. The advances grew from Rs. 1,796.5 crores to Rs. 1,895.2 crores. Similarly, the total operating income post Rs. 27.99 crores compared to Rs. 23.91 crores of previous fiscal year corresponding period.

The Non Performing Loan (NPL) to Total Loan ratio has gone up to 2.55 % in the current quarter because of the change in NRB Policy whereby all the restructured loans are included under NPA category.

Earlier, restructured loans used to be classified as performing loan as per the then NRB Directive. Had the NRB Policy not been changed, the ratio would have been 1.38%.

During the review quarter, Bank added 7 more ATM terminals making total network 57 within the country and issued additional 24,140 Debit Cards (ATM cards).

FURTHER INFORMATION AND DISCLOSURE

All the statutory requirements on disclosure of information—including under Section 109(4) of the Companies Act, 2063 and Rule 22(1) of Securities Registration and Issuance Regulation 2065 - have been embodied as annexure to this report. Apart from these, the Management Analysis and Discussion following this report provides detailed review of Operating and Financial Performance of the Bank during FY 2066-67 (2009-10). Similarly, information regarding the Bank's Corporate Social Responsibility initiatives, Corporate Governance and Risk Management and useful information for shareholders can be found in their respective sections. Financial Statements including Balance Sheet, Profit and Loss Account and Cash Flow Statement followed by the schedules prepared as prescribed by Nepal Rastra Bank and notes to accounts thereto can be found in the complete annual report.

PATH AHEAD

While the uncertainty of the current macro-environment makes it difficult to predict our course of business in coming few years, we have positioned ourselves to create ample business opportunities on the sustained growth path we have embarked

upon. The Bank's strength has always been and will continue to be in steady progress through organic growth supported by constant consolidation over time.

Bank's strategy over the coming years shall be to uphold the its image as a prudent and reliable institution. We shall continue to seek new customer relationships, explore new market segments and expand delivery channels for our products utilizing the Bank's technological strengths.

Consolidation of business and operations would be the key element of our strategy during next few years with greater focus on strengthening policies, processes, controls and workflows. The work flow restructuring initiatives—like setting up regional offices—that the Bank has embarked upon will be implemented in right earnest, the benefits of which are expected to emerge in the coming times in the form of improvement in service quality, process efficiencies and internal controls to further strengthen our capabilities and readiness for future challenges.

ACKNOWLEDGEMENT

Finally, we would like to express our sincere appreciation to Nepal Rastra Bank and other regulatory bodies for their guidance and support; to the shareholders and customers of the Bank for their patronage and business; to our business service providers for their continuous support and last but not the least to the dedicated employees of the Bank for their sincerity and hard work, which has given us these consistently excellent results.

As always, we welcome your thoughts and suggestions.



BOARD OF DIRECTORS

Central Management Committee

Credit Committee

AGM (credit)

Chief Financial Officer (CFO)

Branch Credit Control

Documentation Follow up and NPA Dept

Treasury and Forex Dept

Reconciliation Dept

Business Dev. Dept

From Left to Right

Shri Binod K. Mishra-Chief Financial Officer

Shri N. K. Chari- Managing Director

Shri Madhukar Anand-Chief Operating Officer

Shri Tulsi Ram Gautam-Assistant General Manager

ORGANIZATION STRUCTURE

Managing Director

Audit Committee

Internal Audit Dept.

Chief Operating Officer (COO)

Company Secretary

Accounts &
Admin Dept

Systems
Dept

Human
Resources Dept

Branch Control
& Inspection

Shares Dept

Law Dept



Departmental Heads



Mr. Amlash Ratna Sthapit
(Treasury & Forex)



Mr. Sudeep Khanal
(Internal Audit)



Mr. Ramesh Ghimire (Law &
Shares and Company Secretary)



Mr. Umesh Bdr. Karki (Credit
Documentation, Follow-up,
Supervision and NPA)



Ms. Rashmi Kharel Karmacharya
(Human Resource)



Mr. Badri Lal Amatya
(Branch Credit Control)

Sitting (From Left to Right)



Mr. Arjun Nepal (Business Development)

Mr. Kishor Rijal (Card)

Mr. Kamal Ram Bhattarai
(Reconciliation)

Mr. Monish Kumar Shrestha
(System)

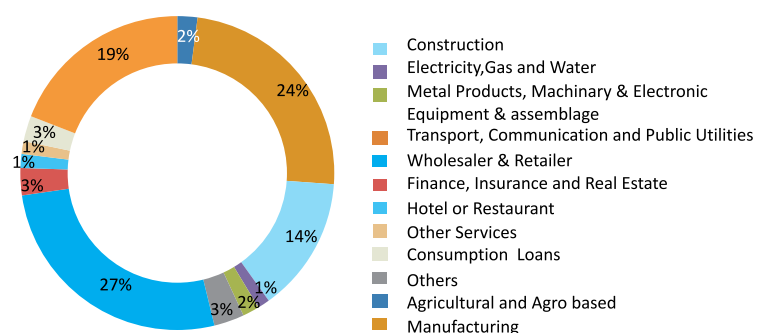
Ms. Roshani Bharati (Accounts and
Administration)

Management Review and Analysis

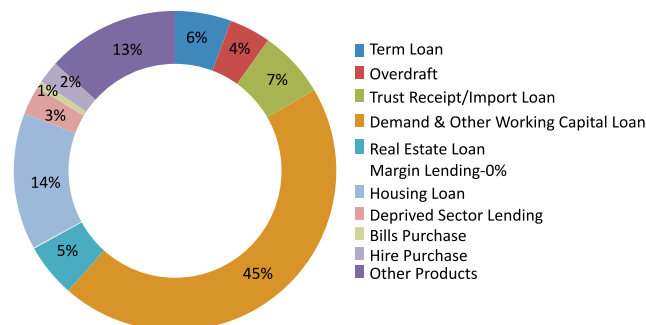
BUSINESS PERFORMANCE ANALYSIS

The performance of Nepal SBI Bank Ltd during FY 2066-67 showed a marked improvement over the previous year despite non-conducive business conditions prevalent during most of the reviewed period. The Bank was able to prudently manage the risks and returns amid continued pressure on banking margins and shrinking avenues of deposit sourcing and lending from conventional sector.

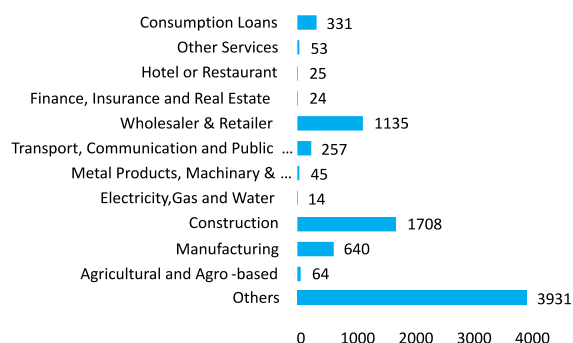
SECTORIAL CLASSIFICATION OF LOAN PORTFOLIO



PRODUCTWISE CLASSIFICATION OF LOAN PORTFOLIO



SECTORIAL CLASSIFICATION OF LOAN ACCOUNTS (NUMBERS)



CORPORATE BANKING BUSINESS

Corporate Banking offerings are targeted towards the Bank's large corporate and institutional customers, including public sector entities. Such offerings range from products for meeting operational funding requirements to a suite of structured financial products and services related to strategic expansions, syndications, project finance, cash management, and other trade and finance related services. To make Corporate Banking a specialized, efficient and client-centric business, we have opened a Commercial Outlet as a full-fledged branch at Lainchaur, Kathmandu - the first of its kind in Nepal.

The political turmoil and uncertainty in the country, coupled with low economic growth, has severely deteriorated the business environment and investors' confidence in the year reviewed as a continuation of the trend from the past several years. Consequently, large-scale domestic as well as foreign investment in Nepalese industries witnessed slow growth and/or declines. The projects acceptable for lending purposes are shrinking.

In the current scenario where NRB has ordained a ceiling on lending to the realty sector accompanied by industry wide liquidity crunch, a very cautious and selective approach was adopted for fresh lending during the year. Despite these adverse impacts, the Bank was able to post growth of 15.06% in corporate advances and maintain a quality loan book.

RETAIL AND CONSUMER BANKING

Retail and Consumer Banking business products and services mostly comprise of auto financing, residential home loan/mortgage finance, personal loans, retail remittance services and Debit cum ATM Cards under the VISA network. The consumer banking segment was affected adversely by a decline in remittance inflow that started from the beginning of the review year and also due to the soaring cost of living. Amidst this challenging environment and one that was non-conducive to vibrant economic activity, all the branches continued to operate and serve customers with added convenience of 24/7 and 365 days banking through expanded ATM network, e-banking services and extra-hours banking services. Public confidence in the Bank continued to rise as evidenced by the growth in its customer base which now surpasses 2,00,000.

Deposit and Account Services

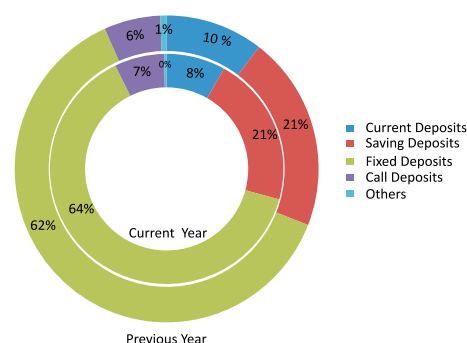
We have opened 64,542 new Savings Bank Accounts during year 2066-67, thus taking the number of Savings Bank accounts to 179,901. We introduced various retail account schemes to cater to the diverse needs of our customers. This has helped us in posting healthy growth in SB deposits which is up by 26.22%

Retail

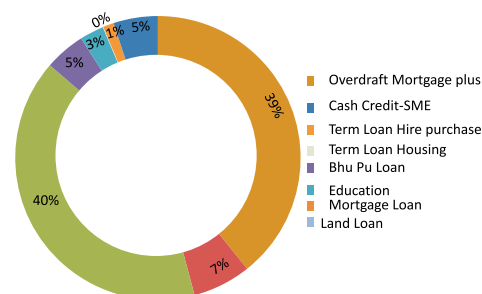
The focus of our retail lending has been on expanding the target market and enhancing our portfolio through new and improved initiatives and products. However, greater emphasis is being placed on secured form of consumer lending. We have taken a cautious approach for mortgage financing and financing for commercial vehicles. Additionally, other personal lendings and education loans against land and building have also been placed under closer scrutiny. We believe that with these measures we will be able to increase our product offerings while improving and maintaining the quality of our risk asset portfolio.

Lending

YEAR TO YEAR DEPOSIT MIX



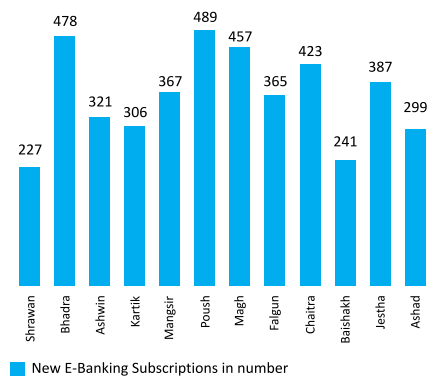
CLASSIFICATION OF RETAIL LENDING



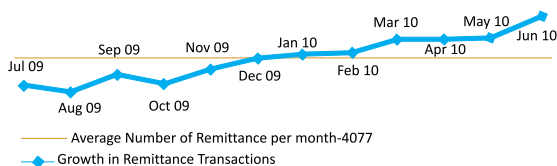
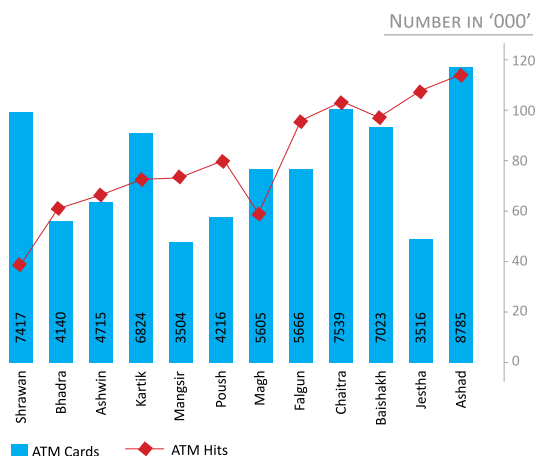
	In Rs. million
Total Retail Lending	6,128.3
Total Loan & Advances	17,963.6
Real Estate loan to total Loan	5.41%*
Real Estate and Housing loan to total loan	19.21%#

* maximum 25% of total loan (for FY 2066-67) as per NRB directives

maximum 40% of total loan (for FY 2066-67) as per NRB directives

SUBSCRIPTION OF E-BANKING SERVICE
DURING YEAR 2066-67

NUMBER OF REMITTANCE (SBI NEPAL EXPRESS REMIT)

MONTHLY ISSUANCE AND USAGES OF ATM CARDS
DURING YEAR 2066-67

Other Retail Services

- E-banking Service:** As additional delivery channel, the usage of our e-banking service has increased substantially. It has made banking from home and/or office a habit for thousands of our customers and it is still growing. We are also expanding the transactional banking facility that can be done in cyberspace.
- Safe Deposit Lockers:** We have expanded our Safe Deposit Locker services to 23 branches. Previously, this service was available only at 15 branches. Customers can opt for these lockers of varying sizes as per their needs to keep their valuables safe.
- Utility Bill Payment Service:** Now, our customers can pay monthly bills of Nepal Telecom's landline telephone as well as UTL's phone bill through our bank counters. We will soon be expanding our service to enable payment of post-paid mobile phone bills through e-banking and SMS banking channels.
- Extra Hours Banking Service:** We have expanded extra hours banking service for our customers' convenience. Now, 10 of our branches provide evening counter services whereas one branch provides 365-day banking services including Saturdays and other public holidays.
- Collection Service:** Life Insurance Corporation (Nepal) policyholders can deposit their life-insurance premium from any of our branches. This service has also been extended to schools and colleges' fees collection.

REMITTANCE

The Bank entered the technology based remittance market a few years ago and has established itself as leading player especially in sending and receiving remittances to and from India. It has been estimated that with the advent of inward remittance products, "SBI Nepal Express Remit" and "Indo-Nepal Remit", a higher proportion

of remittances coming into Nepal from India are now routed via the banking channel. The Bank's goal is to provide a secure, low cost and efficient method of remitting money for Nepalese living and working abroad. The Bank has witnessed surge in receiving remittance thru SBI Nepal Express Remit, both in terms of number and volume of transactions. We are now receiving more than 5000 remittances per month under the schemes. The arrangement made with State Bank of India for Nepalis working in the Indian Army to send free of charges remittance to their families if they maintain an account with SBI in India and with us here in Nepal, also helped us gain sufficient momentum.

For outward remittance to India, we have peerless online remittance service called Real Time Gross Settlement Facility (RTGS). Using this service, customers can directly credit their or their chosen beneficiaries' bank accounts within minutes in any of the more than 44,000 bank branches in India which are on the NEFT banking platform. We have also maintained our leading position for issuing INR Demand Draft in the Industry.

The Bank is also exploring the possibility of strengthening other regional markets and assisting the large number of Nepali expatriate population to send money home, especially from Middle Eastern and East Asian countries and other popular destinations for young Nepali students like Australia, UK and USA. Presently, we have SWIFT arrangement with SBI's foreign offices and Exchange Houses for sending remittance to Nepal.

CARD SERVICES

We offer two types of cards—NSBL Debit Card and Bharat Yatra Prepaid Card—under our card services. All the cards issued are linked with international VISA network. Our ATM card offers access to the convenience of 24/7 banking in any of our 50 ATMs nationwide plus over 22,000 ATMs of State Bank of India and its associate banks in India. Additionally, our Cards can be used in all other VISA-linked ATM terminals in Nepal and India. It also allows the cardholders to pay for purchases at any of the 350,000 merchant establishments in Nepal and India free of any charges.

The issuance of Debit Card grew by 2.72 times to reach 1,19,332 at the end of Ashad 2067 as compared to last year. Similarly, the usage of the cards also went up during review period as recorded by ATM hits, thanks to ever increasing domestic ATM Network and free-of-charge issuance of cards under various saving schemes launched during last year. However, special attention was paid to keep the maximum withdrawal restriction of INR under the limit prescribed by Nepal Rastra Bank. The ATM hits recorded for the month of Ashad 2067 was 1,09,685 as compared to 42,701 hits in Ashad 2066.

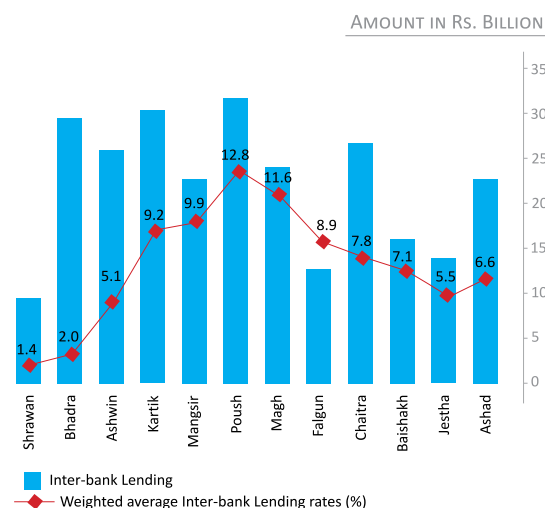
Our exclusive pre-paid card service—Bharat Yatra Card—tailor-made for the convenience of occasional/frequent travelers to India for various purposes is also getting popular. Customers can purchase the card instantly from any of the Bank's branches as well as from the outlets of Prabhu Finance.

TREASURY OPERATION

Treasury is a distinct profit center handled by Chief Financial Officer and is entrusted with managing the Bank's interest rate, liquidity and foreign exchange risk, mobilizing resources from domestic as well as international markets, achieving preferred balance sheet mix and maximizing the returns while minimizing risk to the Bank. It is also responsible for allocating funds for retail and corporate banking. FY 2066-67 witnessed economic instability on the back of declining foreign exchange reserves, double-digit inflation and deterioration in workers' remittances. These developments led to the start of a tightening monetary cycle. While the tightening of monetary policy appears to be focused on the long term stability of the financial system, it has nevertheless affected the liquidity position of the banking industry as well as its profitability.

Treasury operated in a turbulent environment during the second and third quarter of the year, which slightly improved towards the last quarter. Industry-wide liquidity crunch pushed interbank lending up to 12-13% and Repo and Reverse Repo rate upto 12%. Being cognizant of the developments on economic and regulatory front, Treasury managed its operations prudently for maximizing returns. During the review period, treasury operations increased transactional turnover on the back of increase in business volumes and better liquidity position; the size of treasury book also increased considerably compared to last year.

INTERBANK LENDING DURING YEAR 2066-67



FINANCIAL REVIEW

The residual effect of the global financial crisis accompanied by the volatile domestic macroeconomic conditions amidst uncertain political climate created challenging time for the entire banking industry in the country. Despite adverse operating environment, the Bank was able to sustain its profitability and maintain its position as one of the best banks operating in the country today. Presented below is the detailed review of the financial performance of the bank during the financial year 2066-67(2009-10)

BUSINESS VOLUME

The performance measurement indicators across the industry deteriorated, especially during the period of six months beginning Second quarter of the year, in comparison to the corresponding period of the previous year.

Following table shows the performance of major indicators during the fiscal year 2066-67.

	Rs. in '000'			
	1st Quarter (Shrawan-Ashwin)	2nd Quarter (Kartik-Poush)	3rd Quarter (Magh-Chaitra)	4th Quarter (Baisakh-Ashad)
Deposits	1,484,967	(559,707)	2,473,228	3,540,715
	5.31%	(1.90%)	8.56%	11.29%
Loans and Advances (Gross)	929,862	1,884,402	(665,573)	202,900
	5.96%	11.39%	(3.64%)	1.14%
Investment	(1,143,556)	164,336	880,012	3,118,659
	(8.60%)	1.35%	7.15%	23.64%
Net Profit	86,834	115,262	103,288	86,358
	-	132.74%	51.11%	28.28%
Total Assets	2,342,806	747,987	1,948,983	2,094,012
	7.56%	2.21%	5.65%	5.75%
Borrowings	1,421,099	1,247,560	(1,150,606)	(1,518,053)
	100%	87.16%	(43.12%)	(100%)
Non- Performing Assets	1.85%	1.68%	1.47%	1.48%

The bank's deposits grew by 24.82% (Rs. 693.92 crores) during the year. Total deposits at the end of the year stood at Rs. 3,489.64 crores. Industry wide rise in interest rates during later quarters of the year triggered a shift from low cost deposits to high cost deposits, resulting in a unfavorable shift in deposit mix.

Net advances recorded a growth of 15.52% amounting to Rs. 234.9 crores over the previous year. Total net advances stood at Rs. 1,748.05 crores at the end of Ashad 2067(Mid July 2010).

However, most importantly, the Bank was able to restrict its non-

performing advances portfolio to Rs. 26.51 crores, a ratio of 1.48 %, which compares well with the rest of the banking industry and with international standards.

Total assets of the Bank increased by 26.13% or Rs. 788.40 cores to reach to Rs. 3804.77 crores.



VALUE ADDED STATEMENT

Particulars	Year 2066-67 (2009-10)		Year 2065-66 (2008-09)	
	Rs.	Percent	Rs.	Percent
VALUE ADDED				
Income from banking services	2,550,521,349.00		1,653,366,746.00	
Cost of Services	1,592,741,243.00		978,599,130.00	
Value Added by Banking Services	957,780,106.00		674,767,616.00	
Non - Banking Income	34,713,108.00		153,704,421.00	
Provision against non - performing assets	5,729,268.00		(158,327,452.00)	
Total Value Added by Bank	917,337,730.00		679,390,647.00	
VALUE ALLOCATED				
to Employees				
Salaries, allowances and other benefits	184,172,772.00	20%	166,292,319.00	24%
to Providers of capital				
Cash Dividend	83,080,145.00	9%	18,411,112.00	3%
Bonus Shares	138,851,552.00	15%	118,282,300.00	17%
Interest on Debenture and borrowings	103,437,633.00	11%	15,901,064.00	2%
to Government				
Income Tax	146,620,243.00	16%	126,658,096.00	19%
to Expansion and Growth				
Depreciation	91,364,963.00	10%	54,165,673.00	8%
Retained in Business	169,810,422.00	19%	179,680,083.00	26%
Total Value Allocated	917,337,730.00	100%	679,390,647.00	100%

PROFITABILITY AND INCOME ANALYSIS

The operating profit (i.e. profit before provisions and taxation) of the Bank stood at Rs. 63.26 crores, growth of 31.06%. Pre-tax and bonus profit recorded growth of 21.52% whereas profit after tax registered an increase of 23.82% compared to the corresponding year.

(Amount in '000)

	Up to 1st Quarter			Up to 2nd Quarter			Upto 3rd Quarter			Whole Year		
	2066-67	2065-66	Variance	2066-67	2065-66	Variance	2066-67	2065-66	Variance	2066-67	2065-66	Variance
Income												
Gross Income	538,871	328,512	64.03%	1,109,741	660,639	67.97%	1,782,608	1,084,984	64.29%	2,553,074	1,655,883	54.18%
Net Interest Income	173,464	132,751	0.31%	358,247	273,408	31.03%	582,257	423,491	37.48%	826,010	635,745	29.92%
Other Income	65,642	46,957	39.79%	131,133	77,693	68.78%	203,266	120,561	68.60%	280,817	192,921	45.56%
Profit Before Tax and bonus	135,082	112,891	19.65%	272,957	232,087	17.60%	456,175	342,922	33.02%	592,198	487,334	21.51%
Net Profit	86,834	71,958	20.67%	202,096	155,274	30.15%	305,384	225,182	35.61%	391,742	316,373	23.82%

Such rise in profitability can be largely attributed to an increase in Commission and Discount Income from Rs. 7.88 crores in fiscal year 2065-66 to Rs. 13.16 crores in fiscal year 2066-67 and about 30% increase in net-interest income from Rs. 63.57 crores to Rs. 82.60 crores, offset partly by about 54% increase in operating expenses other than for staff during the review period.

Both total interest income and expense increased significantly, by 55% and 75% or by Rs 80.93 crores and Rs. 61.90 crores respectively, mainly reflecting increasing interest rate levels as a result of industry-wide liquidity crunch. Hence, during the year, interest spread squeezed slightly to 2.76 from 2.84 previous year.

The slow growth rate in the Bank's net interest income is compensated by healthy growth in the Bank's other operating income. As a result, the Bank recorded a modest growth of 28.92% in total Operating Profit to end the year at Rs. 57.03 crores, a satisfactory growth given the volatilities and harsh environment during 2066-67.

LIQUIDITY POSITION

The influence of the liquidity crisis was a dominant theme during the year 2066-67, the first half of the year in particular, and it also affected the Bank's funding position in the industry. The Bank's liquidity position however remained healthy throughout 2066-67, helped by continued stability in the deposit business. Particularly during the liquidity crisis, the internal liquidity risk model has proved to be a reliable tool for monitoring and managing liquidity. The applicable

regulatory liquidity requirements were complied with at all times. Our liquidity position as per BASEL II norms as on Ashad-end 2067 remained comfortable.

The Bank maintains a large portfolio of liquid assets in the form of Nepal Rastra Bank Treasury Bills and Nepal Government Bonds which are low in risk and can be converted in to cash in a short period of time.

Monitoring and management of liquidity risk at the Bank is performed

by an independent risk management function using an internal model. ALCO receives regular reports on the liquidity position and risk situation. The objective of the Bank's liquidity management is to ensure that all anticipated funding commitments can be met when due and that access to funding sources is cost effective. The principal mechanism for implementing the Bank's liquidity policy is to maintain liquid assets to deposit ratio above the regulatory defined ratio of 20%.

	2066-67 (2009-10)	2065-66(2008-09)
Net Interest Income (in Rs.)	826,010,718	635,745,411
Foreign Exchange Income (in Rs.)	70,328,247	61,294,299
Statutory Liquidity Ratio (SLR) (NRB requirement - 8% up to Ashad 067 and 15% there after)	21.53%	Not applicable
Cash Reserve Ratio (CRR) (NRB requirement - 5.5%)	9.03%	6.67%
Liquid Assets to Total Deposit (NRB requirement - 20%)	33.85%	Not applicable

OPERATING EXPENSES AND COST-INCOME RATIO

The Bank's operational expenses grew by 37.07% during the review period, which excludes provisions for possible loan loss. The Bank increased the number of its outlets and upgraded existing ones. The main factor that contributed to this increase is, hence, expenses other than staff expenses including general administrative including depreciation and maintenance of the premises etc., which grew by 53.5% or Rs. 11.99 crores. This sharp rise in the other operating expenses is balanced by relatively slow growth in staff expenses, which grew modestly by 6.8% during the review period.

The bank witnessed deterioration in cost-income ratio which increased to 0.75 from previous year's level of 0.70. Massive expansion spree which added 11 branches and 25 ATMs led to that position.

NPA AND LOAN LOSS PROVISIONS

Provisions for loan losses increased substantially mainly due to the increase in general provisioning consequent to the increase in the advances portfolio during

the year. The bank fully complied with provision requirement on performing and overdue loans and advances as of Ashad End 2067 as stipulated by Nepal Rastra Bank. However, bank has been able to reduce Non-performing assets to 1.48%—a significant improvement from previous year's level at 2.02%.

Total Loan Loss Provision increased by 0.58% from Rs. 48 crores in FY 2065-66 to Rs. 48.3 crores in review year, due to a higher level of provisioning for retail non-performing loans and an increase in provisions for pass and restructured corporate assets.

Our provision coverage ratio (i.e. total provisions as a percentage of gross non-performing advances), at year-end fiscal year was 182.21%. Though NRB has not specifically stipulated standard for the Provision Coverage Ratio, the bank's figure is well above the international standard and practice.

CAPITAL ADEQUACY RATIO

Capital is source of public credibility in Bank and Financial Institutions. It plays crucial role in the long term financing and solvency position although capital constitute a relatively small percentage of the financial resources

of the Bank. With the introduction of Basel Capital accords, capital is considered as a measure of stability and strength of financial institution as against the traditional view point of capital as a mode of transferring ownership and funding a business.

Our capital adequacy framework seeks to ensure that we maintain adequate capital at all times and plan appropriately for our future capital requirements. The capital adequacy framework is supported by a Board approved internal capital adequacy assessment process (ICAAP), which encompasses our capital planning for current and future periods by taking into consideration our strategic focus and business plan and assessment of all material risks.

We are subject to the Basel II capital adequacy guidelines stipulated by Nepal Rastra Bank. Under Pillar 1 of the NRB guidelines on Basel II, we follow the Simplified Standardized Approach (SSA) to measure credit risk while Net Open Position approach and the Basic Indicator Approach for Market Risk and Operational Risk. The NRB guidelines on Basel II require us to maintain a minimum capital to risk-weighted assets ratio (CRAR) of 10.0% and a minimum Tier-1 CRAR of 6.0% on an ongoing basis.

Computation of Capital Adequacy Ratio

	(Amount in '000')	
	2067 Ashad end	2066 Ashad end
Risk Weighted Assets (RWA)		
RWA for Credit Risk	20,580,286	1,59,04,777
RWA for Market Risk	1,196,120	9,30,992
RWA for Operational Risk	322,957	36,948
Total Risk Weighted Assets (A)	22,099,363	1,68,72,717
Adjustment under Pillar II	2,209,940	-
Total RWA after adjustment	22,320,356	-
Capital Available		
Total Eligible Tier 1 Capital	2,430,021	16,92,371
Total Eligible Tier 2 Capital	304,425	3,19,666
Core Capital Ratio (Minimum 6 %)	10.89%	10.03%
Total Capital Ratio (Minimum 10%)	12.25%	11.92%

GEOGRAPHIC ANALYSIS

The Bank, with its 43 branches, 6 extension counters and a network of more than 50 ATMs, has positioned itself as one of the largest non-governmental sector bank in the country in geographic reach. During reviewed period, bank added 11 branches and 25 ATMs in its network, covering total of 23 districts of the country.

Fiscal Year 2066-2067 (2009-2010)					
Regions	Far Western	Mid Western	Western	Central	Eastern
No. of Outlets	3	3	12	24	7
No. of ATMs	2	3	11	26	8
Districts Covered	2	3	7	7	4
Employees	13	18	78	274	82
Extra-Hour Banking Branches	-	1	2	5	2
Savings Bank Accounts	827	10,516	58,436	80,441	29,682
ATM Cards Holders	199	5,024	17,655	34,531	11,880
E-Banking Users	20	248	820	5,377	568

Nepal SBI Bank Branch & ATM Location





INSIDE KATHMANDU VALLEY (15)

BHAKTAPUR (207) SURYA BINAYAK, BHAKTAPUR 01- 6619386	GAUSHALA (217) BATTISPULATI, KATHMANDU 01 -2239828,4480	MAHARAJGUNJ (204) BANSBARI, MAHARAJGUNJ 01-4650945
BOUDDHA (205) CHUCHHEPATI, BOUDDHA 01 -44614 52	GONGABU(201) GONGABU CHOWK 01 -4386919	NEW BANESHWOR (203) NEW BANESHWOR,MINBHAWAN 01-4106608
COMMERCIAL BRANCH (225) PRABHU COMPLEX, LAINCOUR 01 - 4024024	GWARKO (216) GWARKO CHOWK, LILITPUR 01-5552898	NEW ROAD (178) DHAKWA BUILDING,DHARMA PATH 01 4221323
DALLU (214) DALLU AWAS, SWOYAMBHU 01-4280755	KALANKI (213) KALANKI, KATHMANDU 01-4273115	PATAN (202) JAWALAKHEL ,LALITPUR. 01- 5535262
DURBAR MARG MAIN BRANCH (177) DURBAR MARG 01 -4253243	KULESHWOR (215) BALKHU ROAD, KULESHWOR 01-2482466	TEKU (192) TEKU, KATHMANDU 01-4262556

OUTSIDE KATHMANDU VALLEY (28)

ABUKHAIRENI(218) BICH BAZZAR,GORKHA ROAD 065-540557	DANG (206) GHORAH-11, DANG 082-562815	ITAHARI (212) DHARAN ROAD, SUNSARI 025-587125	PALPA (210) TANSEN, PALPA 075-522210
BAGLUNG (197) BANK ROAD, BAGLUNG 068-522491	DAMAK (219) DAMAK CHOWK 023-585415	ILAM (211) ILAM BAZAR, ILAM 027-521724	RAMPUR (181) SHREEPUR, BIRGUNJ 051-533343
BHAIRAHAWA(187) SIDDHARTHA NAGAR, RUPANDEHI 071-524471	DAMAULI (199) MAHARISHI CHOWK,DAMAULI 065-561252	JANAKPUR (183) SRARION ROAD, JANAKPUR 041-525861	SHISHUWA (223) SAINIKBASTI, LEKHNATH MNC 061-561746
BIRATNAGAR(185) MAIN ROAD, BIRATNAGAR 021-523226	DHANGADI (222) DHANGADI 091-522163	MAHENDRANAGAR (221) CAMPUS ROAD, MAHENDRANAGAR, 099-520434	SRIJANA CHOWK(183) SRIJANA CHOWK, POKHARA 061-528515
BIRGUNJ (180) ADARSHA NAGAR, BIRGUNJ 051- 522784	DHARAN (190) MAHENDRA PATH, DHARAN 025-530370	NARAYANGARH (194) SHAHID CHOWK, NARAYANGARH 056-570971,939	SURKHET (208) BIRENDRA NAGAR-6, SURKHET 083-524646
BIRTAMOD (182) ANARMANI, BIRTAMOD 023-540910	GULMI (209) TAMGHAS, GULMI 079-521029	NEPALGUNJ (195) SURKHET ROAD, NEPALGUNJ 081-527315,16	TIKAPUR (220) 025-530370
BUTWAL (191) TRAFFIC CHOWK, BUTWAL 071-546730	HETAUDA (200) MAIN ROAD, HETAUDA 057-526115	POKHARA (189) NEW ROAD, POKHARA 061-551876	WALING (198) WALING BAZAR,WALING 061-622637



INSIDE KATHMANDU VALLEY

1. Durbarmarg
2. Newroad
3. EOI Ext. Counter
4. Jawalakhel
5. Boudha
6. Bhatbhateni (Maharajgunj)
7. Gongabu
8. Army Camp, Chhauni
9. Maharajgunj
10. New Baneshwor
11. Bhaktapur
12. Hotel Shangrila, Lazimpat
13. Kalanki Branch
14. BGSN, Thamel
15. New Road-II
16. Corporate Office
17. NLIC, City Centre
18. Durbarmarg-II
19. Babarmahal
20. Kuleshwor

OUTSIDE KATHMANDU VALLEY

1. Pokhara
2. Nepalgunj
3. Sunauli
4. PPO Pokhara
5. BPKIHS Dharan
6. PPO Dharan
7. Birgunj
8. Bhairahawa
9. Butwal
10. Narayangarh
11. Janakpur
12. Biratnagar
13. Birtamode
14. Palpa
15. Surkhet
16. Dang
17. Ilam
18. Hetauda
19. Itahari
20. Gulmi
21. Baglung
22. Damauli
23. Waling Branch
24. Manipal Hospital, Pokhara
25. Mahendranagar, Kanchanpur
26. Rampur
27. Dhangadi
28. Narayangarh-II
29. Biratnagar
30. Damak

ATM TERMINALS OPENED AFTER ASHAD END 2067

1. Dallu
2. Pepsicola, Sinamangal
3. Teku
4. Birgunj
5. Tikapur
6. Abukhaireni
7. Lake Side, Pokhara
8. Butwal-II

HUMAN RESOURCE

We are always aspiring to create 'a great place to work' as part of our strategic objectives with people oriented management and focus on development of our people. The enthusiasm, talent and commitment of our people are the source of competitive strength of our bank which helps us in seizing every opportunity present in today's competitive market.

Our team of employees shares common values and culture that help us propel our growth. Our business policy and values demand high standards of ethical conduct in every activity we perform. We do not condone unfair treatment of any kind in our employee relations and compensation practices, nor do we tolerate unethical behaviour in any form.

TYPE OF EMPLOYMENT

Presently, the Bank is operating with a full-time staff strength of 465 as against 323 at the end of last financial year, posted at various levels of the organizational hierarchy. The Bank's HR function is under the Chief Operating Officer and is headed assisted by Assistant Manager on aspects related to both Human Resource Management and Human Resource Development.

Type of Contract	No. of Employees
Full Time Employees	465
Contracted Employees	68
Total	533

The Bank does not outsource key functions that has direct impact on its strategic activities that lead to sustainable competitive advantage. However, it always explores the possibilities of outsourcing non-key functions with the aim of maximizing returns to stakeholders by bringing process efficiencies. Some of the functions outsourced by the Bank include;

- Building maintenance and janitorial services
- Security Service
- Transport Service (partial)
- Support Staff (including office helpers and kitchen helpers)
- IT support services
- Printing Services
- Courier Services

Age Analysis of the Staff

Category	Managerial Level	Officer Level	Assistant Level	Trainee Officers	Trainee Asst.	Junior Asst.	Sub-Staff	Total at the end of FY 2066-67	Total at the end of FY 2065-66
Above 60 Years	0	0	0	0	0	0	0	0	0
51-60 Years	2	0	0	0	0	0	1	3	3
41-50 Years	12	17	1	0	0	0	7	37	37
31-40 Years	8	49	12	1	0	0	8	78	60
21-30 Years	1	50	128	24	62	48	10	323	223
20 and below	0	0	0	0	0	24	0	24	0
Total	23	116	141	25	62	72	26	465	323



Service Analysis of the Staff

Category	Managerial Level	Officer Level	Assistant Level	Trainee Officers	Trainee Asst.	Junior Asst.	Sub-Staff	Total at the end of FY 2066-67	Total at the end of FY 2065-66
Above 15 Years	6	3	0	-	-	0	0	9	9
11-15 years	13	27	6	-	-	0	11	57	56
6-10 years	1	35	5	-	-	0	6	47	47
1-5 years	2	51	130	-	-	0	9	192	109
Below 1 year	1	0	0	25	62	72	0	160	102
Total	23	116	141	25	62	72	26	465	323

RECRUITMENT AND SELECTION

There are two entry levels to the Bank—as Trainee Officer and Trainee Assistant including Junior Assistant. Mid-career recruitment is being considered only for specialized job positions.

The recruitment take place centrally at the Corporate Office situated in Kathmandu. Applicants from all parts of the country are called through web based application mode which screen the application at very preliminary stage. However, written examinations are held at various regional centers considering the convenience and cost-involved for the applicants.

As a first step, the Bank conducts written examinations mostly based on objective tests, and upon successful completion of which short listed applicants need to sit for selection interview. In relation to placement of employees at various locations of our presence, the Bank considers home town and the distance required to be travelled by an employee before effecting placements/transfers at all times. The consideration can

be overridden however by the exigencies of business.

With regard to mid-career recruitments, the basis of recruitment is the competencies held by the respective individuals and the experience they carry in the required field of work. Hence, this type of recruitment is carried out independent of any geographical consideration.

In order to satisfy the growing human resources need that arise due to expansion of the branches and also from increase in volume of business, the Bank recruited and selected 142 new employees at various levels and deputed them to different assignments as per the Bank's need.

EQUAL OPPORTUNITY EMPLOYER

We want to position ourselves as equal opportunity employer and provide fair and equal opportunity for everyone to be part of and work with Nepal SBI Bank. The data on the side table illustrates the composition of the Bank's staff force, the breakdown of its employees category wise according to gender and region.

By Gender

Category	Male	Female
Managerial Level	21	2
Officer Level	94	22
Assistant Level	98	43
Trainee Officer	17	8
Trainee Asst.	44	18
Junior Asst.	49	23
Sub Staff	25	1
Total	348	117

By Region

Regions	No of Employees
Far Western	13
Mid-Western	18
Western	78
Central	190
Eastern	82
Corporate Office (central)	84
Total	465

HUMAN RESOURCE DEVELOPMENT

The Bank is committed at all the times to ensure that its people develop to their utmost potential and to equip them to face challenges and acquire opportunities present in the market effectively. Hence, to meet the training requirements of the staff, we have devised quarterly training calendar with an objective to give every individual ample opportunities to improve his/her skills and professional competencies.

Training and Development Programs(both External & In-House)

Category	No. of Employees
Managerial Level	12
Officer Level	95
Assistant Level	142
Trainee Officer	10
Trainee Asst.	25
Junior Asst.	2
Sub Staff	0
Total	286

Type of Program (External & In-House)

Functional Area	Target Group	No. of Programs	No. of Participants
General Banking	Officers/ Assistants	4	41
Credit Management	Credit Officers	6	34
Marketing and Communication	Branch Managers and all other staff	3	12
System and IT	Systems Team	6	82
Operations	Officers/ Assistants	6	25
Customer Service and Relationship Management	Assistants	3	20
KYC and AML	Officers/ Assistants	2	28
Accounting and Administration	Officers/ Assistants	5	40
Leadership and Management Development	Managers	2	4
Total		37	286

WORKPLACE HEALTH AND SAFETY ISSUES

Presently, the Bank does not have formalized mechanism to specifically look after health and safety. We witnessed no instances/events of illness and injuries that can be directly linked to the work or work place. However, a total of 828 men working days were

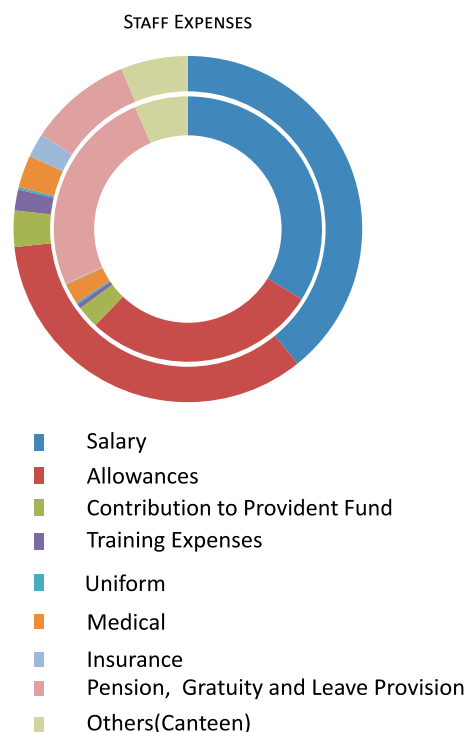
lost during the year to absenteeism in respect of the employees due to health issues.

The bank practices comprehensive medical screening process for employees at the point of recruitment and selection. The bank compensates the employees for medical expenses incurred for themselves and dependents.



EMPLOYEE BENEFITS

The compensation and remuneration policy of the Bank is based mainly on emerging needs as well as market surveys carried out from time to time, which indicate the highest and lowest range of wage structures in the industry.



Staff Expenses

Particulars	Amount in Lacs		
	This Year	Previous Year	Growth (%)
Salary	510.9	413.3	23.6%
Allowances	444.9	344.4	29.2%
Contribution to Provident Fund	44.2	33.3	32.8%
Training Expenses	25.6	7.2	256.0%
Uniform	3.0	2.8	7.5%
Medical	39.5	30.5	29.6%
Insurance	29.2	1.7	1599.5%
Pension, Gratuity and Leave Provision	125.7	308.3	-59.2%
Others(Canteen)	80.5	78.5	2.4%
Total	1303.4	1219.9	6.84%

TURNOVER MANAGEMENT

The Bank recorded 20 resignations from service for the year under review. Table below presents the details according to gender and category of the employees.

Employee Turnover

Categories of Staff	Male	Female	Total
Managerial Level	0	0	0
Officer Level	5	1	6
Assistant Level	6	1	7
Trainee Officer	1	0	1
Trainee Asst.	4	1	5
Junior Asst.	1	0	1
Sub Staff	0	0	0
Total	17	3	20



Branch Managers & Office In-Charges



Mr. Chhapi Raj Pant
Durbar Marg Main Branch



Mr. Bishnu Dev Yadav
Commercial Branch



Mr. Dev Raj Adhikari
Birtamod



Mr. Sushil Kumar Sharma
Butwal



Mr. Binod K. Dhungel
Newroad



Mr. Jeeban Babu Subedi
Teku



Mr. Gopal K. Gartaula
Biratnagar



Mr. Suraj Manandhar
Pokhara



Mr. Dikendra Khadka
Gongabu



Mr. Arun Man Kayastha
Birgunj



Mr. Manoj K. Sharma
Nepalgunj



Mr. Prabin Muni Bajracharya
Boudha



Mr. Uday Panjiar Tharu
Janakpur



Mr. Binod Adhikari
Bhirahawa



Mr. Shreedhar Adhikari
Maharajgunj



Mr. Badri Bahadur Karki
Damauli



Mr. Shishir Kumar Pradhan
Bhaktapur



Mrs. Aparna Sharma
Srijana Chowk



Mr. Jaya Narayan Ghimire
Palpa



Mr. Prabin Bhattarai
Itahari



Mr. Suman Raj Subedi
Gulmi



Mr. Ajaya Acharya
Patan



Mr. Sushil Chandra Mahat
Dang



Mr. Shree Prasad Gelal
Kalanki



Mr. Harish Rana
Dharan



Mr. Dhiraj Sharma
New Baneshwor



Mr. Dipendra Prasad Ojha
Kuleshwor



Mr. Pawan Ghimire
Hetauda



Mr. Jyotesh Dhakal
Surkhet



Mr. Dilip Roy
Ilam



Mr. Jibesh Pandey
Abu Khairani



Mr. Dilli Ram Giri
Narayangarh



Mr. Tej Bahadur Thapa
Mahendranagar



Mr. Min Bahadur Gurung
Indian Visa Service Centre



Mr. Shiva Dahal
Gaushala



Mr. Pujan Raj Aryal
Gwarko



Mr. Sagar Koirala
Dallu



Mr. Manoj Kumar Gautam
Damak



Mr. Ankur Dahal
Tikapur



Mr. Sudhir Poudyal
Waling



Mr. Lok Raj Pandey
Dhangadi



Mrs. Bibha Chaudhary
Rampur



Mrs. Bandana Shrestha
PPO Pokhara Ext. Counter



Mr. Rajesh Acharya
Baglung



Mrs. Sarita K.C.
EOI Ext. Counter, Kathmandu



Mr. Deependra Khanal
PPO Dharan Ext. Counter



Mr. Sanjay Kumar Shrestha
CGI Ext. Counter, Birgunj



Mrs. Vinita Singh (Thapa)
BGSN Ext. Counter,
Kathmandu



Mr. Bishnu Lamichanne
Shishuwa





Social Responsibility Initiatives

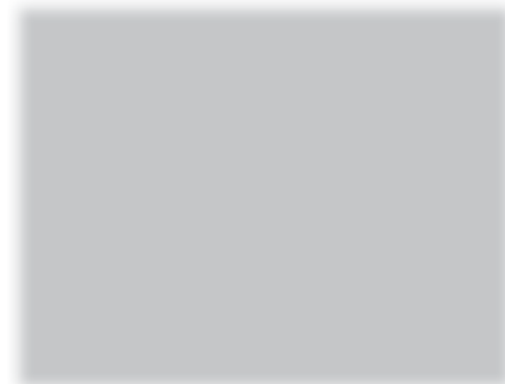
Nepal SBI Bank regards Corporate Social Responsibility (CSR) as an investment in society and its own future. As a responsible corporate citizen, Corporate Social Responsibility is an integral part of the way we do business. Our foremost social responsibility is to remain competitive nationally and internationally, to earn profits and to grow as a company. We believe in giving back to society by taking appropriate initiatives with the intent to positively affect our stakeholders, which include our customers, shareholders, business partners, employees as well as our communities.

Even in difficult economic conditions, we have shown an unwavering commitment to our role as a corporate citizen. That is why we are continuously investing in CSR related-programs and projects within our three areas of activity: Social Service, Education and Sports, and Conservation of natural environment. The Bank has sponsored various events and activities during FY 2066-67.

Social Service

Nepal SBI Bank has always tried to lend a helping hand to those who are less fortunate and in need of assistance. The Bank actively works with and/or supports various charities that work for social welfare.

- We made a financial contribution to Sainik Shrimati Sangha (Nepal Army) for their events for social cause in rescuing the victims of natural calamities and distributing the food and other necessary supplies on the spot to the victims.
- We supported the Revolutionary Voice, a social youth organization, for creating awareness about renouncing drug usage and HIV effect especially among youth.
- We supported the charity fundraiser event – Celebrate 2010 – organized by Rotary Club of Biratnagar.
- We extended monetary help to the



victims of a fire that burnt down and damaged several houses in Ilam bazaar on 15 February 2010.

- We partially sponsored the program of “Anchoring Training” organized by Fellowship Society Nepal for the visually and physically challenged graduates for prospecting job opportunities in radio/ FM stations.
- We painted 85 dividers and night-vision stickers for the traffic police to place on all four sides of Kalanki Chowk.
- We partially contributed for the construction of Police beats in Dang.
- We donated an ambulance to Paropakar Maternity and Women’s Hospital, Thapathali.
- We supported the “Rotary Traffic Awareness Day” organized by Rotary Club of Nepal in collaboration with Traffic Police.

We co-sponsored the International Mini Conference on HIV/ AIDS in Nepal 2010 organized by Manipal College of Medical Sciences, Pokhara.

Education and Sports

In order to fulfill our CSR objectives, we attempt to promote public interest by encouraging community growth and development through sponsoring sporting events and supporting educational activities.

- We supported the educational aspirations of the marginalized and Dalit students of Leela Bhakta Ram Primary School, Biratnagar by purchasing school dresses for them.
- We supported the education of the mentally challenged students of Shree Bhumre Madhyamik Vidhyalaya, Syangja, by providing them with school uniforms and study material.
- We partially sponsored a program organized by students body of Moron Memorial School, Jhapa, which was intended to educate the general public on environmental issues like global warming, pollution, etc.
- We provided several sets of desk and benches to a primary school at Birgunj.

- We, through Rotaract Club of Baneshwor, provided books and stationery to underprivileged students of various government schools in Bagmati District.
- We have arranged for admitting our drivers into secondary level education at Nandi Madhyamik Vidhyalaya, Naxal.
- We donated a set of computer with an UPS and a printer to Shivapuri Madhyamik Vidhyalaya, Maharajgunj in order to establish internet based learning center in the school.
- We partially contributed on adding physical facility to the building of the Blind Unit of Damkada Higher Secondary School, Palpa. The school hostel is accommodating about 30 partially/fully blind students of nearby areas.
- We partially sponsored the rally organized by Nepal Olympic Committee on the occasion of Olympic Day 2010. The rally was held in Dharan on June 23, 2010.
- We, like the previous year, provided financial support to top 10 students of Shree Nandi Madhyamik Vidhyalaya, Naxal, who scored meritoriously in SLC Examination 2066.
- We, like the previous year, participated in the 2nd Rafting challenge competition organized by Nepal Association of Rafting Agents (NARA). NARA aims at conservation and protection of Bagmati River through awareness and education about the critical condition of the Bagmati River which symbolizes the civilization of Kathmandu City.
- We, through Nepal Bankers' Association, supported National Trust for Nature Conservation (NTCT) towards protecting saplings planted in the areas of Bagmati River system.
- We partially sponsored "Cycle Rally" organized by Yatra, a youth led NGO promoting environment conservation and garbage management.

Environment Conservation

The Bank believes in the cause of a better environment and continually sponsors tree plantations, flower festivals as well as other beautification projects for a greener and cleaner country.



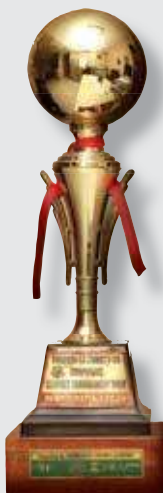
Hall of Fame



Letter of Appreciation from Shivapuri Higher Secondary School family for donating computer sets.



Letter of Appreciation from Paropakar Maternity and Women's Hospital, Thapathali, for donating an ambulance.



Participation in Shangri-la Twenty-20 Corporate Cricket Tournament.



Winner of Bagmati Rafting Challenge.



Winner of Inter Bank Beach Cricket 2010.



Winning Team



Winner of 12th Soaltee Super Sixes 2010

सम्मान गुणस्तस्यिताको लागि "सर्वोत्कृष्ट कमर्सियल बैंक"

बेस टप १० बिजनेस एक्सेलेंस अवार्ड २००८-०९



समस्त ग्राहकवर्ग साथै शुभ चिन्तकहरू समक्ष
नेपाल एसबिआई बैंक
प्रतिको विश्वास र सहकार्यको लागि यो सम्मान
तथा सफलता सन्धन्यता प्रकट गर्दछौं ।



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

विशुद्ध बैंकिङ्ग...
अरु केही होइन

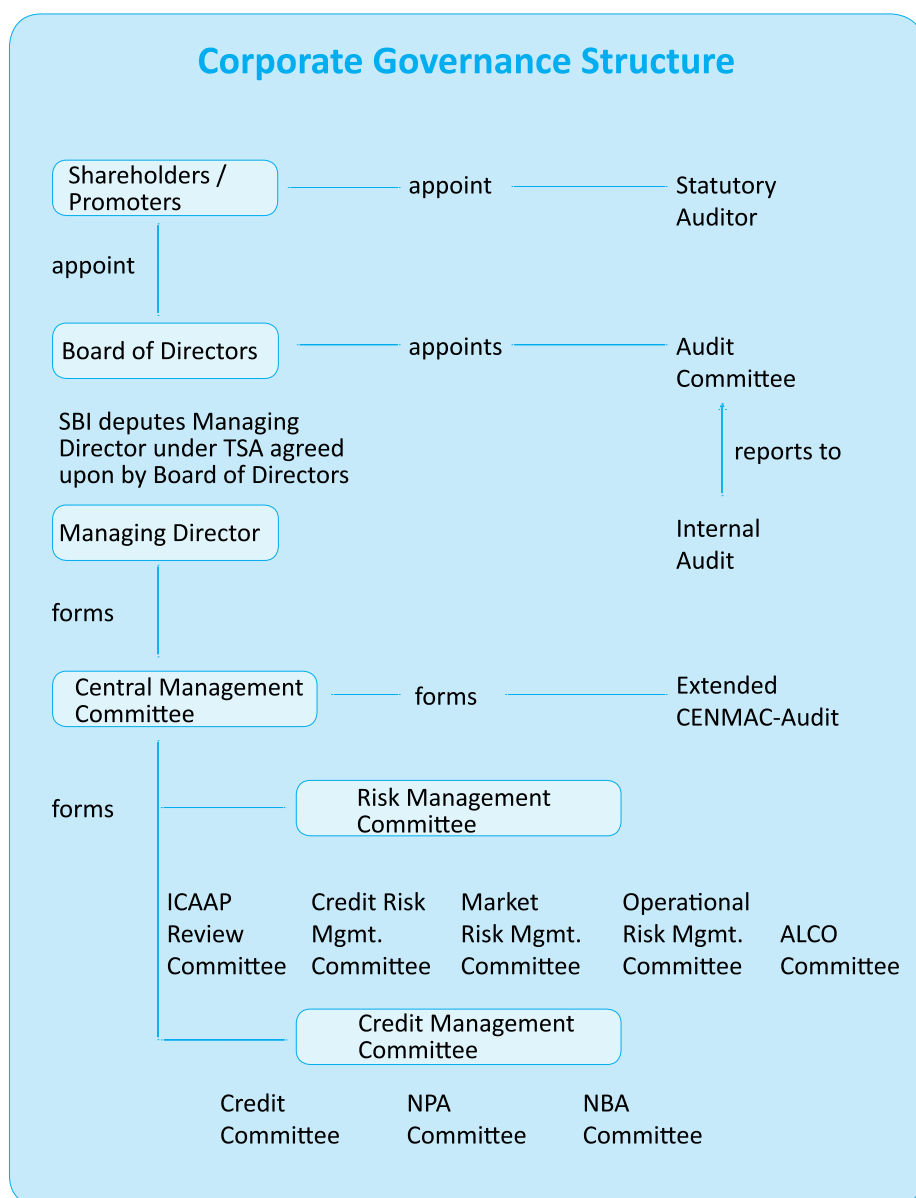
Corporate Governance

The Bank uses the term “corporate governance” to refer to the governance structure of organization and operational practices of its leadership and management. The Bank is subject to, and fully complies with, all but not limited only to, the regulatory requirements of Banks and Financial Institutions Act-2063, Companies Act-2063, various regulations issued by Security Exchange Board of Nepal (SEBON), Directives and Circulars issued by Nepal Rastra Bank—the central bank of Nepal, various guidelines from Institute of Chartered Accountants of Nepal (ICAN) and other national and international bodies devising policies on Corporate Governance.

OVERVIEW AND FRAMEWORK

Compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of organizational culture at Nepal SBI Bank. The Board of Directors (BODs) is the apex decision-making body and has ultimate responsibility for governance. The Board monitors compliance with these by means of management reports, which include information on any significant interaction with all key stakeholders.

The corporate governance framework of Nepal SBI Bank is designed to lead us towards creating opportunity while protecting the interests of, as well as to create value for, shareholders and other stakeholders including customers, employees and communities and also to ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.



BOARD AND DIRECTORS

Composition of the Board

The Board of Directors recognizes its responsibility for the leadership, direction and control of the Bank, driven by core values and strategies. Nepal SBI Bank has a unitary board structure. The composition of the Board as on the 32nd Ashad, 2067 (July 16, 2010), was as under:

- two directors elected by the shareholders.
- two directors nominated by State Bank of India (SBI).
- one director nominated by Employees' Provident Fund (EPF).
- one Professional Export Director appointed from panel of NRB.
- one Managing Director who is also Chief Executive Officer of the Bank nominated by SBI.

Chairman of the Board and Managing Director

Mr. B K Shrestha, who is elected by general shareholder as director, plays

role of the Chairman of the Board and Mr. N K Chari, nominated by State Bank of India under Technical Services Agreement with the Bank, performs the role of the Managing Director cum Chief Executive Officer. There is no relationship whatsoever, including financial, business, family or any other material/relevant relationship between the Chairman and the Managing Director. Similarly, no relationship prevail among the other members of the board. The roles of the Chairman and the Managing Director are separate and distinct as set out in laws.

The chairman is an independent non-executive director. Board delegates day-to-day running of the Bank to a Managing Director/Chief Executive and senior management. The Chairman provides leadership to the Board by ensuring that the Board functions effectively and facilitates the effective discharge of Board functions. The role of Chairman

also includes the promotion of corporate governance, effective communication with shareholders and leadership of the Board.

The business of the Bank is managed by Managing Director with the assistance of the other Executives and general staff of the Bank. Managing Director has the central role in maintaining and enhancing the culture of the Bank and in motivating staff to act in the Bank's best interests.

The roles of the Chairman of the Board and that of Managing Director are, thus, distinct and independent.

Board Meetings and Attendance

In accordance with the Banks and Financial Institutions Act 2063, the Bank's Board meets a minimum of six times a year. During FY 2066-67, total 48 Board meetings were held including urgent Board meetings.

Attendance of Directors in Board Meetings

During Fiscal year 2066-67 (16 July 2009 to 16 July, 2010)

S No.	Name of the Director	No. of Meeting Held	No. of Meetings Attended	Board Meetings Number	Meeting Dates
1	Mr. B K Shrestha	48	48	212th to 259th	01.04.2066 to 31.03.2067
2	Mr. Pratip Chaudhuri		1	226th	03.11.2009
3	Mr. Rajiv Pal Singh		3	233rd; 234th; 242nd	28.12.2009, 29.12.2009, 19.03.2010
4	Mr. S K Bhattacharyya		1	235th	11.01.2010
5	Mr. Manoj Kumar Agrawal	48	48	212th to 259th	01.04.2066 to 31.03.2067
6	Ms. Hasana Sharma	48	48	212th to 259th	01.04.2066 to 31.03.2067
7	Mr. Mohan Raj Joshi		25	235th to 259th	11.01.2010 to 15.07.2010
8	Mr. N K Chari	48	48	212th to 259th	01.04.2066 to 31.03.2067
9	Mr. R. N. Sahay		1	256th	02.07.2010
10	Mr. Abhay Kumar Singh		1	226th	03.11.2009

No. of meetings held during the tenure of the Directors.



AUDIT COMMITTEE

Composition and Functioning

As per directives issued by Nepal Rastra Bank, Companies Act 2063, Bank's and Financial Institutions Act 2063 and Bank's Articles of Association and in accordance with commonly accepted Best Practice and Corporate Governance guidelines, an Audit Committee under chairmanship of a non-executive director has been established. The composition of the Audit Committee is as follows:

- Director Representing Employees' Provident Fund (EPF)- Chairperson
- Any one of the Directors representing SBI other than the Managing Director- Member
- Public Director (other than the Chairman) - Member
- Head-Internal Audit Department- Member Secretary

Hence, all of the members of the Committee are Non-Executive Directors and head of the Internal Audit Department, a qualified Chartered Accountant, acts as member secretary and it is in accordance with local laws and regulations. In order to convene the Audit Committee meeting presence of at least two members other than the member secretary is necessary.

Audit Committee Charter

The Charter of the Audit Committee clearly defines the terms of reference of the Audit Committee. The charter is periodically reviewed and revised with the concurrence of the Board of Directors in order to ensure that new developments and concerns are adequately addressed and timely updated.

The main objective of the Audit Committee, as per the Charter, is to assist the Board of Directors to effectively carry out its responsibilities relating to financial and other

connected affairs of the Bank. The Audit Committee's tasks are;

- To review the bank's financial condition, internal controls, audit program, program relating to branch expansion and findings of the internal audit team and to recommend to the Board of Directors about the actions to be taken.
- To review the matters contained in the audit report of the statutory auditors and initiate for necessary corrective actions.
- To prepare for the selection of the external auditors for appointment each year.
- To help ensure publication of annual report in true and accurate manner. To ensure the Board of Directors that accounts are accurate, along with frequent reviews of the adequacy of provisioning against contingencies and classified loans.
- To review and supervise as to whether the auditor of the Bank has observed such conduct, standards and directives determined by the competent body pursuant to the prevailing law as required to be

observed in the course of doing auditing work.

- To comply with the terms required by Nepal Rastra Bank to prepare long form audit report of the Bank
- To review the internal financial controls system and risk management system of the Bank.
- To perform such other terms as prescribed by the Board of directors in respect of the accounts, financial management and audit of the Bank.
- To review the inspection report of the Nepal Rastra Bank

Audit Committee Meeting and Attendance

Head-Internal Audit being the Member Secretary of the Audit Committee facilitates the convening of the Committee Meetings. During the review period Nine meetings of the Committee were held to review the various matters connected with the internal control, systems and procedures and other aspects as required in terms of Nepal Rastra Bank's guidelines.

Attendance of Audit Committee Meetings

During Fiscal Year 2066-67 (16 July 2009 to 16 July, 2010)

Name of the Committee Members	No. of Meetings Held [#]	No. of Meetings Attended	Dates
Ms. Hasana Sharma Chairperson, Director	9	9	07.09.2009, 16.01.2009, 25.10.2009, 18.12.2009, 05.02.2010, 19.03.2010, 19.05.2010, 24.05.2010, 16.07.2010
Mr. Rajiv Pal Singh Member, Director	9	1	19.05.2010
Mr. Manoj Agrawal Member, Director	9	9	07.09.2009, 16.01.2009, 25.10.2009, 18.12.2009, 05.02.2010, 19.03.2010, 19.05.2010, 24.05.2010, 16.07.2010
Mr. Sudeep Khanal Member Secretary, Head- Internal Audit Dept.	9	9	07.09.2009, 16.01.2009, 25.10.2009, 18.12.2009, 05.02.2010, 19.03.2010, 19.05.2010, 24.05.2010, 16.07.2010

[#] No. of meetings held during the tenure of the members.

Performance of Audit Committee

The functions and duties of this committee can be summarized as follows:

- i. Review of comparative overall Financial Statements analysis of the Bank with other Banks.
- ii. Review of the loans and advances and NPAs.
- iii. Review of various audit reports issued by the Internal Audit Department and direction to the concerned authority for implementation.
- iv. Review of Reconciliation status.
- v. Review of implementation status of NRB, Statutory Audit Observation, Audit Committee Direction and notes to the MD.
- vi. Review of compliance status of Capital Adequacy as per Basel II.
- vii. Review and Supervision of the Statutory Auditor's auditing work as per section 165 of the Company Act 2063.
- viii. Review of Financial Statements prepared and recommendation to the Board.
- ix. Recommendation for the appointment of the Statutory Auditor.
- x. Approval of Internal Audit plan.

MANAGEMENT COMMITTEE

Central Management Committee

The committee comprises of the Managing Director, Chief Operating Officer, Chief Financial Officer and Asst. General Manager (Credit) meet regularly and reviews the bank's strategies and progress in implementation.

Credit Committee (CC)

It is a committee with credit sanctioning authority above AGM (Credit) but below Board. Credit Committee operates as per the charter authorized and duly approved by the Board. It is delegated certain discretionary limits and authorities regarding assessment and sanctioning of loans and advances. The committee is involved in reviewing and sanctioning the credit proposals under the criterion delegated to the committee as per the Credit Policy approved by the Board.

NPA Management Committee

In order to focus on minimizing the Non-Performing Advances (NPAs), the Bank has set up a special committee chaired by the Assistant General Manager (Credit) to review all advances transferred to NPA as well as monitoring potential NPAs. The committee's aim is to analyze the underlying reasons for delinquency and to take corrective actions to turn them around or to expedite the recovery actions. The committee is represented by Head-Credit Monitoring and Controlling as well as In-charge of NPA Cell of the Bank whereas COO and CFO are regular invitees to the committee.

NBA Management Committee

NBA Management Committee undertakes the processes relating to Non-Banking Assets by the bank.

Further, the Committee involves itself in reviewing maintenance of the NBAs until they are disposed of or put to the Bank's own use. The committee is responsible for disposal of the NBAs.

Extended Central Management Committee (Audit)

Meeting of the Extended Central Management Committee is held to facilitate timely implementation of Audit Committee's directions, External/Internal audit observations and NRB's supervisory observations. The main objectives and functions of the Extended Central Management Committee are as follows:

- i. Internal Auditor submits internal audit reports, other major concerns of Internal Audit Department, status of implementation of Audit Committee decisions and status of implementation of NRB Inspection/ Statutory Audit observations before the committee.
- ii. The Extended Central Management Committee discuss the aforesaid reports and implementation status and get implemented the issues raised in internal audit reports, other concerns of Internal Audit Department and NRB inspection/ Statutory audit observations.



ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED AS PER SECTION 109(4) OF THE COMPANIES ACT, 2063

(Integral Part of Annual Report of the Board of Directors)

- (i) No shares have been forfeited by the Bank during the year.
- (ii) Main transactions carried out by the Bank during the financial year 2066/67, 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 Directors' 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 provisions of the Companies Act, 2063.
- (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 engaged in the share transactions of the Bank's shares in contravention of the prevailing laws.
- (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 2066/67.

(vii) Particulars of the Total Management expenses of the financial year

S. N.	Particulars	Amount(Rs.)
(i)	Staff Expenses	130,336,536.00
(ii)	Other Operating Expenses	343,850,266.00

(viii) The Bank has an Audit Committee comprising of the following members

S. N.	Name of the Members	Position Held
i.	Mrs. Hasana Sharma, Director representing EPF	Chairperson
ii.	Mr. Manoj Kumar Agrawal, Public Director	Member
iii.	Director (Other than Managing Director representing SBI)	Member
iv.	Mr. Sudeep Khanal (Internal Auditor)	Member Secretary

NUMBER OF MEETINGS HELD DURING 2066/67: 9 (NINE)

MEETING ALLOWANCES PAID TO THE MEMBERS OF AUDIT COMMITTEE

Directors other than those representing SBI: Rs 144,000.00

Director representing SBI: NIL

- (vi) The Bank has not so far purchased any of its own shares.

ROLE PLAYED BY THE AUDIT COMMITTEE

- Review of financial position of the bank in comparison to other banks.
- Supervision of activities of the Bank's Internal Audit Department.
- Review of the Bank's internal controls in different areas of Bank's operations.
- Finalization of Internal Audit Program.
- Reviewing the implementation of recommendations made by the Statutory Auditors and NRB Inspection Team.
- Recommending the appointment of Statutory Auditors to the AGM.
- Ensuring that the Financial Statements to be submitted to the Board of Directors are true and correct.
- Reviewing the status of Nostro Accounts.

- (ix) No Payment is due to the Bank from any Director, Managing Director, Executive Chief or the basic shareholder of the Bank or any of their close relatives, or from any firm, company or corporate body in which he is involved.

- (x) The under noted 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. 1,512,000.00 was paid to the Board members as the Board Meeting fee for the different meetings during 2066-67 (@ Rs. 10,000/- per meeting for the Chairman and @ Rs. 8,000/- for 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. 1,427,520.76 towards the rent of their residential accommodation and medical expenses etc. Their salary and allowances are paid by SBI.
- b) Other Office Bearers: A total of Rs. 130,336,536.00 was paid to other office bearers of the bank as 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 2067:

Financial Year	Amount (Rs.)
2052/53 (1995/96)	275,200.00
2053/54 (1996/97)	264,800.00
2054/55 (1997/98)	303,400.00
2055/56, 2056/57 (1998/99, 1999/2000)	464,250.00
2059/60 (2002/03)	740,186.80
2062/63 (2005/06)	985,715.25
2063/64 (2006/07)	1,947,186.50
Grand Total	4,980,738.55



Disclosure related to Sub Rule (1) of Rule 22 of Securities Registration and Issuance Regulation, 2065

(Details to be incorporated in Annual Report)

1. Report of Board of Directors:
Included in the Annual Report.

2. Report of Auditors:
Included in the Annual Report.

3. Audited Financial Details:
Included in the Annual Report.

4. Details relating to Legal Actions

(a) Law suits filed by/against the bank:

- 48 pending civil suits filed by the Bank with DRT against different defaulting borrowers/guarantors for recovery of its dues.

- 11 pending different lawsuits/writ petitions filed by/against the Bank with different courts in respect of Credit/NPA issues.

(b) Law suits filed by/against the promoters/directors for violating prevailing regulations or criminal offences: Nil

(c) Case filed against any promoters/directors for financial fraud: Nil

5. Analysis of share transaction and progress of Organized Institution

a. Management view on share transactions of the Bank on Nepal Stock Exchange:

As the Nepal Stock Exchange is operating under supervision of Securities Board of Nepal, management has no comment on the same.

b. Maximum Price, Minimum Price and Closing Price, total number of trading days and total number of transactions during the Year 2066/67:

Months	Maximum Share Price	Minimum Share Price	Closing Market Price	Total No. of Transactions	Total No. of Trading days
First Quarter (Ashwin 2066 End)	1735	1570	1715	294	19
Second Quarter (Poush 2066 End)	1779	806	840	897	58
Third Quarter (Chaitra 2066 End)	840	630	690	159	28
Fourth Quarter (Ashadh 2067 End)	905	556	741	461	57

6. Problems and Challenges

(a) Problems and Challenges Faced:

(i) Internal: N/A
(ii) External

- Worldwide economic recession.
- Increasing cost of operation.
- Competitive banking market.
- Retention of staff in the Bank's service.

(b) Strategy adopted by the management to mitigate such problems and challenges:

- Targeting good quality loan customers.
- Regular In-House training to enhance work performance.
- Good industrial relations.

7. Corporate Governance:

- Regular Central Management Committee Meetings to review progress in various areas of operations.
- Bank's Internal Audit Department has been strengthened.

- Board of Directors and its Committees' meeting on regular basis.
- ALCO and Risk Management Committee (Operation, Credit and Market) meetings are held regularly.

8. Declaration of Managing Director on truthfulness of financials/information:

I, Managing Director of the Bank, personally take responsibility on the truthfulness of the information and description presented in this report. Further, I declare that as far as I know and understand, the description mentioned in this report are true, fair and complete and have not concealed any necessary particulars, notices and information to the investors to take informed decision.

N. K. Chari
Managing Director

Three Columns Format (Tin- Mahale) of the Amendments in the Memorandum of Association of Nepal SBI Bank Ltd.

(Proposed to the 17th Annual General meeting)

Existing Provision		Proposed Provision		Reason for the Amendment
Clause	Clause			
5.1	(b) The Issued capital of the Bank shall be Rs. 1,661,602,896/- (Rupees One Billion Six Hundred Sixty One Million Six Hundred Two Thousand Eight Hundred Ninety Six).	5.1	(b)The Issued capital of the Bank shall be Rs. 1,869,303,258/- (Rupees One Billion Three Hundred Eleven Thousand Seven Hundred Ninety-one Thousand Seven Hundred and Sixty).	To augment Bank's capital to meet its business requirements as directed by NRB.
	(c) The Paid-up capital of the Bank shall be Rs. 1,224,338,976/- (Rupees One Billion Two Hundred Twenty four Million Three Hundred Thirty Eight Thousand Nine Hundred Seventy Six)		(c) The Paid-up capital of the Bank shall be Rs. 1,869,303,258/- (Rupees One Billion Three Hundred Eleven Thousand Seven Hundred Ninety-one Thousand Seven Hundred and Sixty).	To augment Bank's capital to meet its business requirements as directed by NRB.



Risk Management

RISK MANAGEMENT FRAMEWORK

Primary goal of our risk management framework is to ensure that outcomes of risk taking activities are predictable and consistent with the Bank's objectives and risk tolerance levels and that there is an appropriate balance between risk and return in order to maximize return to shareholders. We take holistic approach and have been engaged in extensive and detailed evaluation and assessment of our risk management framework in all areas of banking activities.

RISK MANAGEMENT COMMITTEE

ICAAP Review Committee (IRC)

The internal capital adequacy assessment process (ICAAP) is a comprehensive process which requires board and senior management's oversight, monitoring, reporting and internal control. The committee reviews the capital measurement process to ensure the alignment of regulatory capital requirement with the true and actual risk profile of the bank and thus ensure long-term safety and soundness of the bank.

The other salient roles of IRC is to review Credit Risk, Credit concentration risk, Operational risk, Market Risk, Liquidity risk, and Other residual risks to ensure alignment of regulatory capital requirement with the true risk profile of the bank and thus ensure long-term safety and soundness of the bank.

Market Risk Management Committee (MRMC)

The Market Risk Management Committee has the overall responsibility to monitor / manage various market risk exposures of the Bank. It involve in identification, assessment, monitoring, reporting and analysing of Market Risks profile associated with Treasury Operations. MRMC assesses risk parameters, oversees compliance with risk parameters & develops hedging strategies. The committee makes resource allocation for all categories of risk assets. MRMC also performs risk research and analysis for development of risk mitigation strategies



Credit Risk Management Committee (CRMC)

The Credit Risk Management Committee mainly focus on monitoring of bank wide Credit Risk ensuring compliance and implementation of Credit Risk Policy/ Strategy approved by the Board. It ensures incorporation of Regulatory compliance in Bank's Policies and Guidelines in regard to Credit Risk and subsequent compliance with all the Risk Parameters/ Prudential Limits set-out by those regulatory guidelines. The committee performs monitoring of quality of Loan Portfolio on a periodical basis, identify problems and correcting deficiencies and monitoring of Risk Concentrations.

Operational Risk Management Committee (ORMC)

The ORMC reviews the risk profile, anticipates changes and threats on areas of highest priority and works out related mitigation strategy and assures that adequate resources are being assigned to mitigate risks as needed. It reviews reports from various business groups and units about their risk profiles and mitigation programs and communicates with business units and staff about the importance of operational risk. It also reviews and approves the development and implementation of operational risk methodologies and tools including assessments and loss event databases. At broad level, the committee monitors and ensures that appropriate ORM frameworks are in place by reviewing the reports with respect to operational risk profile of the Bank and approves policy-related mitigation plans.

Assets Liabilities Management Committee (ALCO)

ALCO is responsible for managing the balance sheet, off balance sheet exposures and capital within the performance and risk parameters laid down by the Investment and other relevant policies of the Bank. It provides directions to the Bank's treasury and other businesses regarding short term business strategy taking into account market variables in relation to the Bank's exposures and the Bank's Corporate Plan. The Committee approves the liquidity and funding plans of the Bank and assesses the liquidity risk facing the Bank while articulating interest rate views. It also monitors key market and operations risk indicators, reviews the potential impact of concentrations and various scenarios on the Bank's business and gives directives to mitigate and manage the related risks while ensuring adherence to tolerance/risk limits set by the Board of Directors.

CREDIT RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss the Bank may face as result of a borrower or a counterparty not meeting its obligations in line with the original contract. Credit Risk can be defined as the major risk faced by a financial institution due to its direct lending as well as off-balance sheet exposures such as Guarantees, Letters of Credit etc. Credit Risk may take following forms:

- In case of fund based exposure, principal and/or interest may not be paid, in time.
- In case of non-fund based exposure, the applicants may not arrange funds upon crystallization of the liabilities.
- In case of treasury operations, the payment or series of payment due from the counter parties under the respective contracts may not be forthcoming or ceases.
- In case of securities trading business, fund/securities settlement may not be effected.

Since, majority of the bank's assets is in the form of loans and advances, management of credit risk has become the most crucial task. Considering the rapidly changing domestic and global economic environment and increasing pressure for consolidation amidst intense competitive operating environment, it has become essential for the Bank to have robust credit risk management policies and procedures.

Credit Policy

The Bank's Credit Policy which outlines the business development priorities, risk appetite and the parameters within which the credit proposals are to be approved was revised during FY 2066-67 taking into consideration the changes in the economy, competitive business environment and the evolution of the Bank's loan portfolio. The policy assists the Credit Officers in managing their lending portfolios and canvassing new lending business in efficient and secured manner.



CRM Governance Structure

Credit Department:	The Bank's Credit Risk derives mainly from loans and trade finance business. Hence, primary responsibility of Credit Risk Management vests with the Credit Officers at various levels of organization. The Credit Officers actively manage and monitor their respective portfolios in accordance with the Bank's credit policies and established procedures. All types of lending are subject to detailed credit risk evaluation which includes obligor's financial, business, management risks as well as risks relating to the collateral and facility structures.
CRM Committee	CRMC ensures compliance with risk parameters and prudential limits prescribed by banks' lending policies and guidelines and regulatory provisions in regards to Credit Risk. The committee continuously monitors the quality of Loan Portfolio and Risk Concentrations on periodical basis for identifying the problems and correcting deficiencies.
Board of Directors/ Audit Committee	BOD/AC ensures that the Credit Risk Management process is as per the guidelines given in the Bank's policy and check the robustness of financial model for effective calculation of Credit Risk. It sets up policies and guidelines for Credit Risk Measurement, Management and Reporting.

rate risk limits approved by the Asset Liability Management Committee.

Liquidity Risk

Liquidity risk is measured through gap analysis. We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations in the domestic market are principally funded by accepting deposits from retail and corporate depositors. The resources are augmented by borrowings in the short-term inter-bank market. Loan maturities and sale of investments also provide liquidity.

MARKET RISK MANAGEMENT

Market Risk Overview

Market Risk Management policy of the bank defines Market Risk as the risk of probable loss due to adverse changes in the market value of the Bank's assets and liabilities. The traditional banking business related products such as loans, investments, deposits, term borrowings etc are inherently subject to market risks and the Bank manages this portion of the business through the Assets and Liabilities Management process.

The prime source of market risk for the Bank is the interest rate risk we are exposed to as a financial intermediary. In addition to interest rate risk, we are exposed to other elements of market risk such as liquidity or funding risk, price risk on trading portfolios, exchange rate risk on foreign currency positions and credit spread risk. These risks are controlled through limits such as stop loss and liquidity gap limits. The limits are stipulated in our Investment Policy which are

reviewed and approved by Board of Directors.

MRM Governance Structure

The Asset Liability Management Committee and Market Risk Management Committee meets on a regular basis and reviews the trading positions, monitors interest rate and liquidity gap positions, formulates viewsoninterestrates,setsbenchmark lending rates and determines the asset liability management strategy in light of the current and expected business environment. Market Risk Management Policy which includes issues on ALM, liquidity, foreign exchange and investment etc was formulated and approved by Board of Directors during FY 2066-67.

Interest Rate Risk

Interest rate risk of the overall balance sheet is measured through the use of re-pricing gap analysis and duration analysis. We prepare interest rate risk reports on a periodic basis. These reports are submitted to Nepal Rastra Bank on a monthly basis. Interest rate risk is further monitored through interest

OPERATIONAL RISK MANAGEMENT

The Bank's operational risk management governance and framework risk is defined in the Operational Risk Management Policy, approved by the Board of Directors. While the policy provides a broad framework, detailed standard operating procedures for operational risk management processes are established. We have constituted an Operational Risk Management Committee (ORMC) to oversee the implementation of the Operational Risk Management framework. The policy specifies the composition, roles and responsibilities of ORMC. The framework comprises identification and assessment of risks and controls, new products and processes approval framework, measurement through incidents and exposure reporting, monitoring through key risk indicators and mitigation through process and control enhancement and insurance. ORMC is also responsible for design, implementation and enhancement of the operational risk framework and to support business and operation unit in carrying out operational risk management.



Shareholders' Information

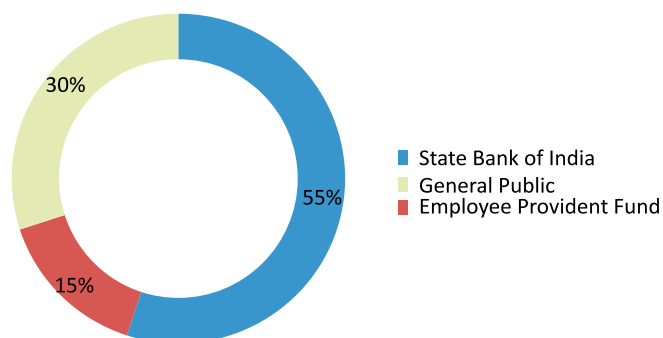
The ordinary shares of Nepal SBI Bank Limited are listed on the Nepal Stock Exchange. The audited financial statements and other reports have been submitted to the stock exchange within the time frame prescribed by the relevant regulations. The stock exchange symbol of Nepal SBI's share is SBI.

FINANCIAL CALENDAR

S.No. 2066-67	Date in Nepali	Date in English
1 First Quarter Result Published on	Kartik 28, 2066	November 14, 2009
2 Second Quarter Result Published on	Magh 21, 2066	February 4, 2010
3 Third Quarter Result Published on	Baisakh 27, 2067	May 10, 2010
4 Fourth Quarter Result Published on	Shrawan 30, 2067	August 15, 2010
5 17th AGM Scheduled for	Poush 27, 2067	January 11, 2011
6 Cash/Bonus dividend issued on	-	-

S.No. 2065-66	Date in Nepali	Date in English
1 First Quarter Result Published on	-	-
2 Second Quarter Result Published on	Magh 15, 2065	January 28, 2009
3 Third Quarter Result Published on	Baisakh 15, 2066	April 28, 2009
4 Fourth Quarter Result Published on	Bhadra 2, 2066	August 18, 2009
5 16th AGM held	Poush 27, 2066	January 11, 2010
6 50 % Right Share distribution	Baisakh 5, 2067	April 18, 2010
7 2.11 Cash Dividend and 40% Bonus Share Distributed on	Falgun 9, 2066	December 26, 2009

SHAREHOLDING PATTERN OF BANK



SHAREHOLDING PATTERN

Composition

Two Institutional promoters hold 70% of total shares in the Bank and rest is distributed among nearly 18000 general shareholders. State Bank of India holds 55% of the total ownership whereas Employees' Provident Fund continue to hold 15% shares.

Shareholding by Members of Board of Directors and Central Management Team

S No.	Name	Position	2066 Ashad End	2067 Ashad End
Board of Directors				
1	Mr. B K Shrestha	Chairman	10189.8	19359
2	Mr. Pratip Chaudhuri	Director	-	-
3	Mr. Rajiv Pal Singh	Director	-	-
4	Mr. S K Bhattacharyya	Director	-	-
5	Mr. Manoj Kumar Agrawal	Director	607.5	1153
6	Ms. Hasana Sharma	Director	-	-
7	Mr. Mohan Raj Joshi	Director	-	574
Central Management Committee				
8	Mr. N K Chari	Managing Director	-	-
9	Mr. Madhukar Anand	Chief Operating Officer	-	-
10	Mr. Binod K Mishra	Chief Financial Officer	-	-
11	Mr. Tulsi Ram Gautam	AGM (Credit)	778.65	1479

Shareholding by relatives of Members of Board of Directors and Central Management Team

S.N.	Directors' Name	Family Members Name	Relation	No. of Shares
1	Bala Krishna Shrestha			
		Aamir Shrestha	Spouse	445
		Anita Shrestha	Married Daughter	138
		Rajan Krishna Shrestha	Son	1569
		Namarata Shrestha	Married Daughter	138
2	Mohan Raj Joshi			
		Rabin Joshi	Son	138
		Rakesh Joshi	Son	138



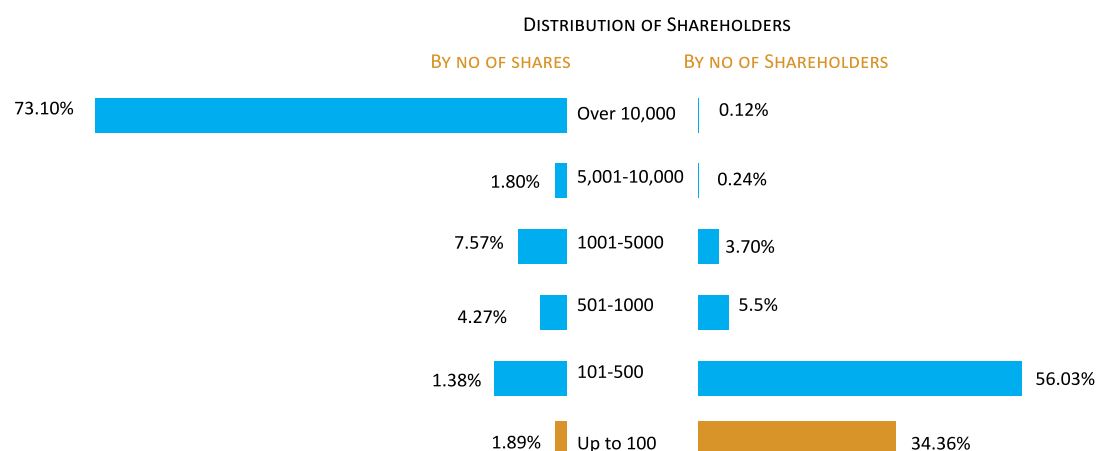
Distribution of Shareholders

As on Ashad end 2067

By No. of Shares Held

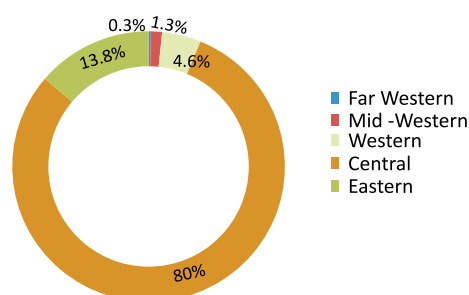
S No.	Range	No of Shareholders	%	No of Shares	%
1	Up to 100	6139	34.36%	311777	1.89%
2	101 - 500	10012	56.03%	1880427	11.38%
3	501-1000	992	5.55%	706018	4.27%
4	1001-5000	661	3.70%	1250767	7.57%
5	5001-10000	43	0.24%	296687	1.80%
6	Over 10000	22	0.12%	12080995	73.10%
Total		17869	100.00%	16526671*	100.00%

* The figure excludes the no. of shares held in fraction. Total no. of shares paid up including fraction shares is 16536238.77.



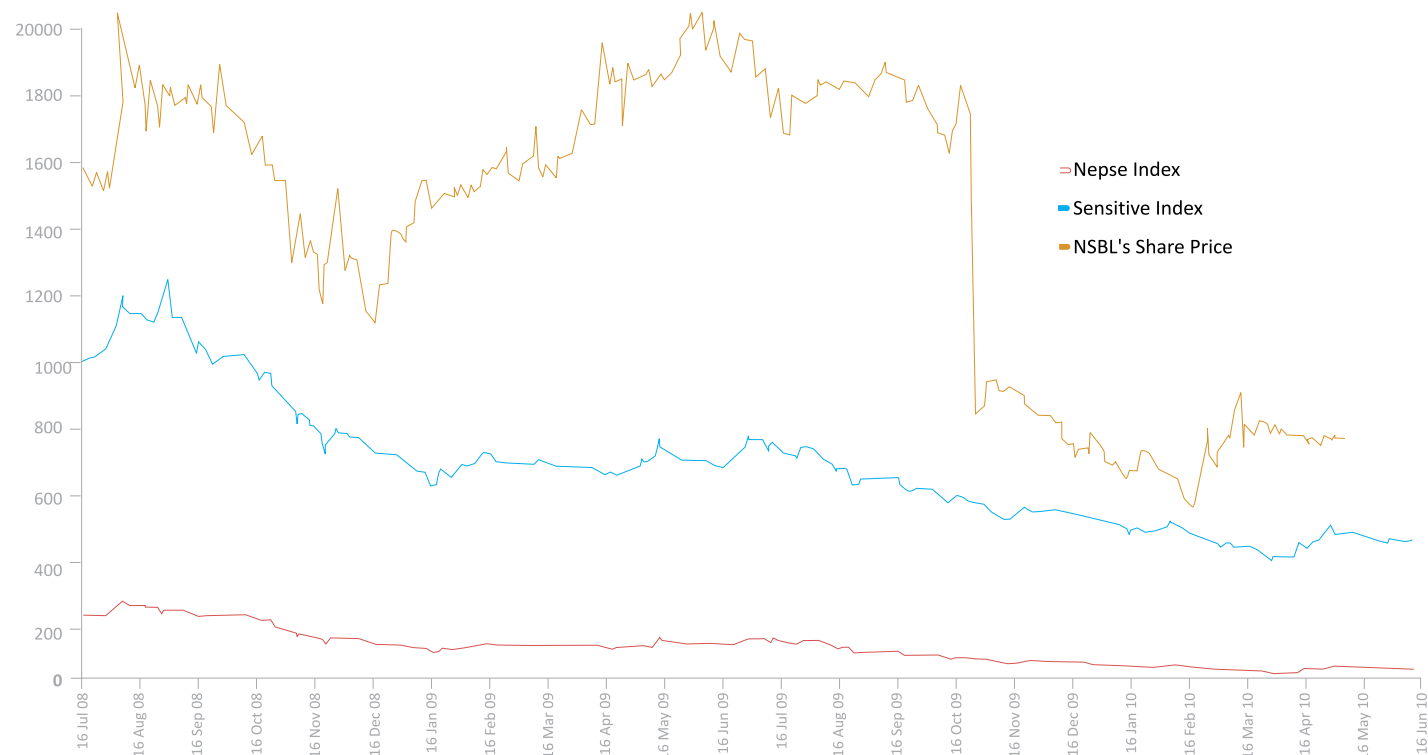
By Geographic Distribution

	No. of Shareholders	Paid-up Amount
Far Western	48	1257838
Mid-Western	243	4228760
Western	848	16210869
Central	14662	669187170.5
Eastern	2520	46249486
Total	18321	737134123.5



Share Trading Information

MARKET PRICE MOVEMENT



Nepal SBI Bank's Share Trading

S No.	Year	High During the Year	Low During the Year	Number of Share traded (in '000)	Value of Share traded (in million)	Market Price (Ashad end)
1	2060-61	307	231	71.06	19.31	307
2	2061-62	480	315	161.00	60.48	335
3	2062-63	689	335	307.70	147.76	612
4	2063-64	1176	505	459.80	365.01	1176
5	2064-65	2660	1000	416.99	671.98	1511
6	2065-66	1938	1050	330.99	502.71	1900
7	2066-67	1905	556	298.81	422.93	741

Market Capitalization

S No.	as on 31 Ashad	NSBL Market Capitalization	Total Market Capitalization at NEPSE	As % of NEPSE Market Capitalization	Market Capitalization Ranking*
1	2060-61	1325.18	41424.77	3.20%	7
2	2061-62	1446.04	61365.89	2.36%	10
3	2062-63	3964.56	96763.74	4.10%	6
4	2063-64	7618.17	186301.28	4.09%	7
5	2064-65	9788.31	366247.56	2.67%	9
6	2065-66	12308.26	512939.07	2.40%	5
7	2066-67	12246.35	376871.37	3.25%	NA

*among listed commercial banks.

Summarized Quarterly Report

S. N. Particulars	Ending as 2066 Ashwin (17.10.2009)	Ending as 2066 Poush (14.01.2010)	Ending as 2066 Chaitra (13.04.2010)	Ending as 2067 Ashad (16.07.2010)
Total Capital and Liabilities (1.1 to 1.7)	33,739,790	34,487,777	36,436,760	38,530,772
1.1 Paid Up Capital	874,528	874,528	1,653,624	1,653,624
1.2 Reserve and surplus	924,913	1,040,176	793,653	796,930
1.3 Debenture and Bond	200,000	200,000	200,000	200,000
1.4 Borrowings	1,421,099	2,668,659	1,518,054	-
1.5 Deposits (a+b)	29,442,188	28,882,481	31,355,709	34,896,424
a. Domestic Currency	19,454,747	19,036,496	21,531,311	22,689,958
b. Foreign Currency	9,987,441	9,845,986	9,824,398	12,206,466
1.6 Income Tax Liability			-	
1.7 Other Liabilities	877,062	821,933	915,721	983,794
2 Total Assets (2.1 to 2.7)	33,739,790	34,487,777	36,436,760	38,530,773
2.1 Cash and Bank Balance	4,338,381	2,924,802	4,681,089	3,441,261
2.2 Money at Call and Short Notice	-	-	-	-
2.3 Investments	12,142,626	12,306,962	13,186,974	16,305,633
2.4 Loans and Advances (Gross)	16,541,913	18,426,314	17,760,741	17,963,641
a. Real Estate Loan	1,856,210	964,323	966,900	971,375
b. Home/Housing Loan	2,460,123	2,588,136	2,546,683	2,479,813
c. Margin Type Loan	17,717	14,164	14,034	14,947
d. Term Loan	1,506,899	1,110,020	1,063,709	1,012,252
e. Overdraft Loan/TR Loan/WC Loan	9,138,461	10,466,699	9,758,810	9,704,554
f. Others	1,562,503	3,282,973	3,410,605	3,780,700
2.5 Fixed Assets (Net)	293,630	331,339	333,943	418,245
2.6 Non Banking Assets (Net)	-	-	2,939	
2.7 Other Assets	423,240	498,360	471,074	401,992
3 Profit and Loss Account	Up to 2066 Ashwin	Up to 2066 Poush	Up to 2066 Chaitra	Up to 2067 Ashad
3.1 Interest Income	473,296	976,422	1,577,045	2,269,704
3.2 Interest Expenses	299,832	618,175	994,788	1,443,694
A Net Interest Income (3.1-3.2)	173,464	358,247	582,257	826,011
3.3 Fees, Commission and Discount	25,014	50,171	90,789	131,692
3.4 Other Operating Income	19,629	41,754	59,776	78,797
3.5 Foreign Exchange Gain/Loss (Net)	20,999	39,208	52,701	70,328
B. Total Operating Income (A.+3.3+3.4+3.5)	239,105	489,381	785,523	1,106,828
3.6 Staff Expenses	34,234	63,246	92,237	130,337
3.7 Other Operating Expenses	62,791	134,415	225,393	343,850
C. Operating Profit Before Provision (B.-3.6-3.7)	142,081	291,720	467,893	632,641
3.8 Provision for Possible Losses	9,839	30,086	31,010	62,351
D. Operating Profit (C.-3.8)	132,241	261,634	436,883	570,290
3.9 Non Operating Income/Expenses (Net)	(67)	2,186	2,297	2,553
3.10 Write Back of Provision for Possible Loss	2,908	3,155	55,361	56,621
E. Profit From Regular Activities (D + 3.9+3.10)	135,082	266,975	494,541	629,465
3.11 Extraordinary Income/Expenses (Net)		5,982	(38,366)	(37,266)
F. Profit before Bonus and Taxes (E + 3.11)	135,082	272,957	456,175	592,199
3.12 Provision for Staff Bonus	12,280	24,814	41,470	53,836
3.13 Provision for Tax	35,968	46,047	109,320	146,620
G. Net Profit/Loss (F-3.12-3.13)	86,834	202,096	305,384	391,742

Decade of Performance

Amount in Lacs

A decade of Performance	FY-2000/2001	FY-01/02	FY-02/03	FY-03/04	FY-04/05	FY-05/06	FY-06/07	FY-07/08	FY-08/09	FY-09/10
As on Ashad End	57/2058	58/2059	59/2060	60/2061	61/2062	62/2063	63/2064	64/2065	65/2066	66/2067
Profitability										
Interest Income	4,445.59	3,996.31	4,697.40	4,935.98	5,783.72	7,087.19	8,311.17	9,705.13	14,604.46	22,697.04
Interest Expenditure	2,717.98	2,885.80	2,918.20	2,559.19	2,584.30	3,347.70	4,122.62	4,549.18	8,247.00	14,436.94
Fee, Commission and Exchange income	606.70	791.15	484.72	612.83	749.25	838.14	1,020.55	1,029.07	1,401.31	2,020.20
Other income	-	43.73	54.94	82.20	112.75	71.37	126.01	195.57	527.90	787.97
Operating Expenses	593.61	607.50	773.65	821.80	906.29	992.14	1,201.12	1,523.80	2,239.66	3,438.50
Operating Profit	559.03	395.90	366.17	737.67	846.88	1,684.89	3,007.90	3,533.25	4,423.66	5,702.90
Profit Before tax	503.13	568.73	690.53	1,095.32	1,251.93	1,997.64	3,445.90	3,480.34	4,430.32	5,383.62
Profit After tax	124.90	408.44	487.48	608.52	573.87	1,170.02	2,549.09	2,477.71	3,163.73	3,917.42
Shareholders Fund										
Total Shareholders funds	2,385.45	5,603.47	5,698.52	6,266.37	6,890.13	9,823.74	11,632.91	14,146.45	17,126.07	24,505.54
Share Capital	1,439.35	4,248.93	4,251.57	4,268.76	4,318.66	6,402.36	6,477.98	8,745.28	12,243.39	18,613.24
Reserves	946.09	1,354.53	1,446.95	1,997.61	2,571.47	3,421.38	5,154.92	5,401.17	4,882.68	5,892.30
Outside Liabilities										
Deposit Accounts	66,122.90	55,724.70	65,228.17	71,983.27	86,547.74	110,020.41	114,452.86	137,153.95	279,572.21	348,964.24
Borrowing	-	5,587.92	658.26	1,171.78	4,696.29	8,124.29	10,153.65	18,274.80	2,000.00	2,000.00
Bills Payable	61.48	0.88	-	-	311.24	462.39	488.56	751.15	629.47	723.68
Other liabilities	1,849.65	3,294.44	4,078.32	4,982.64	5,008.34	1,927.57	2,284.03	1,548.11	2,336.64	4,283.33
Assets										
Advances	39,455.66	42,992.49	44,687.20	51,436.62	62,138.79	76,267.36	94,604.51	121,136.98	151,317.48	174,805.48
Investments	3,736.32	5,990.56	12,072.75	19,075.21	26,076.80	36,107.75	26,594.53	30,888.87	132,861.82	163,056.33
Cash, short term funds and statutory deposit	23,351.42	16,199.62	13,335.34	8,644.27	8,468.58	14,813.58	14,726.90	16,469.73	11,764.40	34,412.61
Net Fixed Assets	682.80	655.88	710.34	623.50	664.52	667.12	972.19	1,202.22	2,535.81	4,182.45
Other Assets	3,193.28	4,372.86	4,857.64	4,624.46	6,105.05	2,502.57	2,113.88	2,176.65	3,184.89	4,019.92
Total Assets	70,419.48	70,211.41	75,663.27	84,404.06	103,453.73	130,358.39	139,012.01	171,874.46	309,166.40	380,476.79
Ratios										
Return on shareholders equity (ROE) (%)	5.24	7.29	8.55	9.71	8.33	12.04	22.10	17.64	18.58	16.05
Return on Net Fixed Assets (ROA) (%)	18.29	62.27	68.63	97.60	86.36	175.38	262.20	206.09	124.76	93.66
Percent of Net Profit/Gross Income (%)	2.47	8.03	8.61	9.95	7.98	14.63	26.95	22.67	19.14	15.36
Weighted Average Interest Rate Spread (%)	4.88	3.84	4.08	3.55	3.68	3.33	3.01	3.11	2.84	2.76
Total Operating Expenses/Total Assets (%)	5.04	5.35	5.40	4.46	3.74	3.72	4.21	3.97	3.88	5.04
Total Credit/Deposit Ratio	63.34	82.27	73.52	76.85	77.87	69.32	82.66	88.32	55.84	51.48
Cash Dividend on Share Capital (%)	-	-	8.00	-	-	5.00	12.59	-	2.11	5.00
Dividend (Including Bonus) on Share Capital (%)	20.00	-	8.00	-	-	5.00	47.59	-	42.11	17.50
Price earning ratio (PE)	172.61	41.72	22.24	21.54	25.21	33.49	29.89	53.34	52.52	31.28
Share information										
Earning per Share (Rs.)	8.69	9.61	11.47	14.26	13.29	18.27	39.35	28.33	36.18	23.69
No of Shares	1,439,352	4,248,933	4,251,573	4,268,759	4,318,656	6,402,361	6,477,984	8,745,278	8,745,278	16,536,239
Other information										
Number of Employees	135	141	148	151	164	174	189	249	323	465
Number of Branches	9	11	11	13	13	13	15	15	32	43



P. L. Shrestha & Co.

Chartered Accountants

**REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED**

1. We have audited the accompanying financial statements of Nepal SBI Bank Limited, which comprise the Balance Sheet as at Ashad 32, 2067 (July 16, 2010), and the profit and loss account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.


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

Opinion

4. On the basis of our examination, we would like to report that:
 - i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit;
 - ii. The Bank has accounted interest income from Loans & Advances on cash basis as per Nepal Rastra Bank's Directives; which is not in line with Nepal Accounting Standard 7 – Revenue Recognition, otherwise the Bank has kept proper books of accounts as required by the law;
 - iii. The Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are prepared as per Directives of Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank;
 - iv. During our examination of the books of account of the Bank, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Bank has acted contrary to the provisions of law or caused loss or damage to the Bank;
 - v. The returns received from branches of the Bank were adequate for the purpose of our audit;
 - vi. In our opinion, so far as appeared from our examination of the book, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;



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P. L. Shrestha & Co. is a member of  International, A world-wide network of professional accounting firms & business advisors.



P. L. Shrestha & Co.

Chartered Accountants

- vii. The Bank has written off loans in during this fiscal year as per the policy approved by NRB;
 - viii. The Bank has been functioning as per the directives of Nepal Rastra Bank;
 - ix. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and shareholders;
 - x. The operations of the Bank were within its jurisdiction, and
 - xi. We have not come across any fraudulence in the accounts.
5. In our opinion, except for the matter referred to in the Para 4 (ii), the accompanying financial statements give a true and fair view, in all material respects the financial position of Nepal SBI Bank Limited as at Ashad 32, 2067 (16 July, 2010) and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063, Banks and Financial Institutions Act, 2063 and Directives of Nepal Rastra Bank.

P. L. Shrestha, FCA
Partner
P. L. Shrestha & Co.,
Chartered Accountants
Place: Kathmandu
Date: October 7, 2010



Balance Sheet

As on 32nd Ashad 2067 (16 July, 2010)

CAPITAL & LIABILITIES	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Share Capital	1	1,861,324,239	1,224,338,976
2. Reserves and Funds	2	589,229,831	488,268,219
3. Debentures & Bonds	3	200,000,000	200,000,000
4. Borrowings	4	-	-
5. Deposits	5	34,896,424,201	27,957,220,794
6. Bills Payable	6	72,368,229	62,947,325
7. Proposed Dividend		83,080,145	18,411,112
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	345,252,820	215,253,123
Total Capital and Liabilities		38,047,679,465	30,166,439,549
ASSETS	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Cash Balance	8	815,679,624	652,027,266
2. Balance with Nepal Rastra Bank	9	1,842,802,239	444,138,596
3. Balance with Banks/Financial Institution	10	782,779,614	80,273,976
4. Money at Call and Short Notice	11	-	-
5. Investment	12	16,305,632,815	13,286,181,660
6. Loans, Advances and Bills Purchase	13	17,480,548,194	15,131,747,944
7. Fixed Assets	14	418,244,760	253,580,695
8. Non Banking Assets	15	-	-
9. Other Assets	16	401,992,219	318,489,412
Total Assets		38,047,679,465	30,166,439,549

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Schedules 1 to 17 form integral part of the Balance Sheet.

(M. Anand)
Chief Operating Officer

(N. K. Chari)
Managing Director

(B. K. Shrestha)
Chairman

(M. K. Agrawal)
Director

(H. Sharma)
Director

(M. R. Joshi)
Director

(R. P. Singh)
Director

(P. Chaudhuri)
Director

(S. K. Bhattacharyya)
Director

(P. L. Shrestha, FCA)
Partner,

P. L. Shrestha & Co., Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the period 1st Shrawan 2066 to 32nd Ashad 2067 (16th July 2009 to 16th July 2010)

PARTICULARS	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Interest Income	18	2,269,704,291	1,460,445,686
2. Interest Expenses	19	1,443,693,573	824,700,275
Net Interest Income		826,010,718	635,745,411
3. Commission and Discount	20	131,692,149	78,836,624
4. Other Operating Incomes	21	78,796,662	52,790,137
5. Exchange Fluctuation Income	22	70,328,247	61,294,299
Total Operating Income		1,106,827,776	828,666,471
6. Staff Expenses	23	130,336,536	121,989,160
7. Other Operating Expenses	24	343,850,266	223,965,592
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before provision for Possible loss		632,640,974	482,711,719
9. Provision for Possible Losses	25	62,350,544	40,345,336
Operating Profit		570,290,430	442,366,383
10. Non Operating Income /(Loss)	26	2,552,892	2,516,407
11. Provision for Possible Loss Written Back	27	56,621,276	198,672,788
Profit from Regular Operations		629,464,598	643,555,578
12. Profit/(Loss) from extra-ordinary activities	28	(37,266,000)	(156,220,828)
Net profit after considering all activities		592,198,598	487,334,750
13. Provision for Staff Bonus		53,836,236	44,303,159
14. Provision for Income Tax		146,620,243	126,658,096
Current Year's		183,015,350	133,123,502
Previous Year's		(28,395,565)	2,582,900
Deferred Tax		(7,999,542)	(9,048,306)
Net Profit/(Loss)		391,742,119	316,373,495

Schedule No. 18 to 28 form are integral part of the Profit and Loss Account.

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(M. K. Agrawal)
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(S.K. Bhattacharyya)
Director

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(M.R. Joshi)
Director

(P. L. Shrestha, FCA)
Partner,

P. L. Shrestha & Co., Chartered Accountants

PROFIT AND LOSS APPROPRIATION ACCOUNT

Fiscal Year 2066/2067 (2009/2010)

PARTICULARS	SCHEDULE	Current Year Rs.	Previous Year Rs.
INCOME			
1. Accumulated Profit up to Last Year		3,848,810	1,528,836
2. Current Year's Profit		391,742,119	316,373,495
3. Exchange Fluctuation Reserve			
4. Capital Adjustment Reserve up to Previous Year		65,000,000	230,000,000
Total		460,590,929	547,902,332
EXPENSES			
1. Accumulated Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		78,348,424	63,274,699
4. Contingent Reserve		-	-
5. Institutional Development Reserve		-	-
6. Dividend Equalization Reserve		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend		83,080,145	18,411,112
9. Proposed issue of Bonus Shares		207,700,362	349,811,136
10. Special Reserve		-	-
11. Exchange Fluctuation Reserve Fund		-	-
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Reserve		50,000,000	65,000,000
14. Investment Adjustment Reserve		641,720	
15. 6% NSBL Debenture 2070 Redemption Reserve		28,571,429	28,571,429
16. Deferred Tax Reserve		7,999,542	18,985,145
Total		456,341,622	544,053,521
16. Accumulated Profit/(Loss)		4,249,307	3,848,810

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Partner,

P. L. Shrestha & Co., Chartered Accountants

Statement of Changes in Equity

Fiscal Year 2066/67

PARTICULARS	Share Capital		Accumulated Profit/Loss	General Reserve		Capital Reserve	Share Premium	Investment Adjustment Reserve	Proposed Bonus Shares	Exchange Equalization Fund	Deferred Tax Reserves		Other Reserve and Funds	Total Amount
	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Opening Balance at Shrawan 2066	874,527,840	3,848,810	304,519,861	65,000,000	-	-	-	-	349,811,136	10,200,116	18,985,145	85,714,287	1,712,607,195	
Adjustments: Deferred Tax														
Adjustments: Proposed Bonus Share of previous year treated as Share Capital as per NRB Directive	349,811,136							(349,811,136)						
Restated Balance as on Shrawan 2066	1,224,338,976	3,848,810	304,519,861	65,000,000	-	-	-	-	-	10,200,116	18,985,145	85,714,287	1,712,607,195	
Adjustments														
Net profit for the period	-	391,742,119	-	-	-	-	-	-	-	-	-	-	391,742,119	
Capital Adjustment Reserve	-	65,000,000	-	(65,000,000)	-	-	-	-	-	-	-	-	-	
Transfer to General Reserve	-	(78,348,424)	78,348,424	-	-	-	-	-	-	-	-	-	-	
Capital Adjustment Reserve	-	(50,000,000)	-	50,000,000	-	-	-	-	-	-	-	-	-	
Proposed Dividend	-	(83,080,145)	-	-	-	-	-	-	-	-	-	-	(83,080,145)	
Proposed Bonus Shares	-	(207,700,362)	-	-	-	-	-	-	207,700,366	-	-	-	-	
Exchange Equalization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unsubscribed Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bonus Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debtenture Redemption Reserve	-	(28,571,429)	-	-	-	-	-	-	-	-	28,571,429	-	-	
Deferred Tax Reserve	-	(7,999,542)	-	-	-	-	-	-	-	-	7,999,542	-	-	
Investment Adjustment Reserve	-	(641,720)	-	-	-	-	-	641,720	-	-	-	-	-	
Right Share issue	429,284,901	-	-	-	-	-	-	-	-	-	-	-	429,284,901	
Closing Balance at Asadh 2067	1,653,623,877	4,249,307	382,868,285	50,000,000	-	641,720	207,700,362	10,200,116	26,984,687	114,285,716	2,450,554,070			

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(S. K. Bhattacharyya)
Director

(P. L. Shrestha, FCA)
Partner,

P. L. Shrestha & Co., Chartered Accountants



Cash Flow Statement

From 1st Shrawan 2066 to 32nd Asadh 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
(a) Cash Flow from Operating Activities	1,884,344,926	19,712,590
1. Cash Received	2,533,379,086	1,602,193,179
1.1 Interest Income	2,242,447,613	1,393,254,610
1.2 Commission and Discount Income	131,692,149	78,836,624
1.3 Income from Foreign Exchange transaction	73,029,593	62,519,675
1.4 Recovery of loan written off	7,082,000	8,680,000
1.5 Other Incomes	79,127,731	58,902,270
2. Cash Payment	2,019,645,949	1,207,941,889
2.1 Interest Expenses	1,438,901,798	822,530,719
2.2 Staff Expenses	120,367,410	91,209,442
2.3 Office Overhead Expenses	258,751,056	168,857,375
2.4 Income Tax Paid	157,322,526	90,541,000
2.5 Other Expenses	44,303,159	34,803,353
Cash Flow before changes in Working Capital	513,733,137	394,251,290
Increase /(Decrease) of Current Assets	(5,457,606,767)	(13,017,536,921)
1.(Increase)/Decrease in Money at Call and Short Notice	-	304,012,877
2. (Increase)/Decrease in short term Investment	(3,019,451,155)	(10,197,294,742)
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(2,398,877,518)	(3,030,735,025)
4. (Increase)/Decrease in Other Assets	(39,278,094)	(93,520,031)
Increase /(Decrease) of Current Liabilities	6,828,218,556	12,642,998,221
1. Increase/(Decrease) in Deposits	6,939,203,407	14,241,825,834
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	-	(1,627,480,190)
4. Increase/(Decrease) in Other Liabilities	(110,984,851)	28,652,577
(b) Cash Flow from Investment Activities	(253,807,204)	(185,007,702)
1. (Increase)/Decrease in Long-term Investment	-	-
2. (Increase)/Decrease in Fixed Assets	(255,602,229)	(185,905,214)
3. Interest income from Long term Investment	-	-
4. Dividend Income	1,795,025	897,512
5. Others	-	-
(c) Cash Flow from Financing Activities	636,985,263	-
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	-
2. Increase/(Decrease) in Share Capital	636,985,263	-
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	(2,701,346)	(1,225,376)
(e) Current Year's Cash Flow from All Activities	2,264,821,639	(166,520,488)
(f) Opening Balance of Cash and Bank Balances	1,176,439,838	1,342,960,326
(g) Closing Balance of Cash and Bank Balances	3,441,261,477	1,176,439,838

(M. Anand)
Chief Operating Officer

(N. K. Chari)
Managing Director

(B. K. Shrestha)
Chairman

(M. K. Agrawal)
Director

(H. Sharma)
Director

(M.R. Joshi)
Director

(R.P. Singh)
Director

(P. Chaudhuri)
Director

(S.K. Bhattacharyya)
Director

(P. L. Shrestha, FCA)
Partner,

P. L. Shrestha & Co., Chartered Accountants

SHARE CAPITAL AND OWNERSHIP

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
I. Share Capital		
I.1 Authorized Capital	2,000,000,000	2,000,000,000
a) 20,000,000 Ordinary Shares of Rs. 100 each	2,000,000,000	2,000,000,000
b).....Non -Reedemeble Preference shares of Rs.....each	-	-
c).....Reedemable Preference Shares of Rseach	-	-
I.2 Issued Capital	1,661,602,896	877,500,000
a) 16,616,028.96 Ordinary Shares of Rs. 100 each	1,661,602,896	877,500,000
b).....Non -Reedemeble Preference shares of Rs.....each	-	-
c).....Reedemable Preference Shares of Rseach	-	-
I.3 Paid Up Capital	1,653,623,877	874,527,840
a) 16,536,238.77 Ordinary Shares of Rs.100 each	1,653,623,877	874,527,840
b).....Non -Reedemeble Preference shares of Rs.....each	-	-
c).....Reedemable Preference Shares of Rseach	-	-
I.4 Proposed Bonus Share	207,700,362	349,811,136
I.5 Calls in Advance		

As a result of issue of bonus shares(10:4) declared by the 16th AGM and issue of rights shares (2:1) declared by the 15th AGM and allotted during the current year, total (4182.76 for Bonus and 5385.01 for Rights issue) 9567.77 shares have come in fraction figure. In the absence of clear legal provisions permitting issuance of Share Certificate for such fraction entitlements of the shareholders, we have credited such fractions entitlement in a dematerialized (De-mat) form without issuing physical Share Certificate. Such fraction entitlement of the shareholders is also accounted under share capital.

Share Ownership Details		Current Year Rs.		Previous Year Rs.
	%	Share Capital	%	Share Capital
I. Domestic Ownership	44.72%	739,457,877	44.98%	393,387,840
I.1 Nepal Government	-	-	-	-
I.2 "A" Class Liscensed Institutions	-	-	-	-
I.3 Other Liscensed Institutions	-	-	-	-
I.4 Other Entities	15.08%	249,318,000	15.00%	131,220,000
I.5 General Public	29.64%	490,139,877	29.98%	262,167,840
I.6 Others	-	-	-	-
2. Foreign Ownership	55.28%	914,166,000	55.02%	481,140,000
Total	100.00%	1,653,623,877	100.00%	874,527,840

Note :-

- 1) None of the General Public Shareholders hold more than 0.50% of the shares of the Bank individually.
- 2) "Other Entities" reported is Karmachari Sanchaya Kosh.
- 3) The "Foreign Ownership" reported above is State Bank of India.

RESERVES AND FUNDS

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. General Reserve	382,868,285	304,519,861
2. Capital Reserve	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Reserve	50,000,000	65,000,000
5. Other Reserves and Funds	141,912,123	18,985,145
5.1 Contingent Reserve	-	-
5.2 Institution Development Reserve	-	-
5.3 Dividend Equalization Reserve	-	-
5.4 Special Reserve	-	-
5.5 Assets Revaluation Reserve	-	-
5.6 Deferred Tax Reserve	26,984,687	18,985,145
5.7 Other Free Reserves	-	-
5.8 Investment Adjustment Reserve	641,720	
5.8 Other Reserves (Debenture Reserves)	114,285,716	85,714,287
6. Accumulated Profit/(Loss)	4,249,307	3,848,810
7. Exchange Equalization Fund	10,200,116	10,200,116
Total	589,229,831	488,268,219

DEBENTURES AND BONDS

Schedule 3

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. 6% Nepal SBI Bank Debentures 2070 of Rs. 1,000 each (Unsecured) issued on 16.07.2006 and maturing on 15.07.2013	200,000,000	200,000,000
(Outstanding balance of Redemption Reserve Rs. 114,285,716)	-	-
	-	-
Total	200,000,000	200,000,000

BORROWINGS

Schedule 4

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
A. Local	-	-
1. Nepal Government	-	-
2. Nepal Rastra Bank	-	-
3. Repo Obligations	-	-
4. Inter Bank and Financial institutions	-	-
5. Other Organised Institutions	-	-
6. Others	-	-
Total	-	-
B. Foreign	-	-
1. Banks	-	-
2. Others	-	-
Total	-	-
Total (A+B)	-	-



DEPOSITS

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
I. Non-Interest Bearing Accounts		
A. Current Deposits	2,861,877,958	2,864,733,204
I. Local Currency	2,520,409,399	2,671,855,699
I.1 Nepal Government	527,390	15,095
I.2 "A" Class Licensed Institutions	30,384	29,812
I.3 Other Licensed Institutions	12,618,413	5,051,464
I.4 Other Organized Institutions	1,381,994,849	1,301,922,377
I.5 Individuals	1,125,238,363	1,364,836,951
I.6 Others	-	-
2. Foreign Currency	341,468,559	192,877,505
2.1 Nepal Government	-	-
2.2 "A" Class Licensed Institutions	-	5,899,621
2.3 Other Licensed Institutions	-	-
2.4 Other Organized Institutions	341,468,559	186,977,884
2.5 Individuals	-	-
2.6 Others	-	-
B. Margin Deposits	123,087,392	186,524,335
1. Employees Guarantee	-	-
2. Guarantee Margin	29,505,215	35,780,547
3. Margin on Letter of Credit	93,582,177	150,743,788
C. Others	-	-
I. Local Currency	-	-
I.1 Financial Institutions	-	-
I.2 Other Organized Institutions	-	-
I.3 Individual	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
Total of Non-Interest Bearing Accounts (I)	2,984,965,350	3,051,257,539

DEPOSITS

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
2. Interest Bearing Accounts		
A. Saving Deposits	7,348,969,807	5,822,293,866
I. Local Currency	7,259,969,075	5,751,589,090
1.1 Organized Institutions	147,410,268	186,682,316
1.2 Individual	7,112,558,807	5,564,906,774
1.3 Others	-	-
2. Foreign Currency	89,000,732	70,704,776
2.1 Organized Institutions	79,988,138	62,900,726
2.2 Individual	9,012,594	7,804,050
2.3 Others	-	-
B. Fixed Deposits	22,148,948,329	17,438,404,928
I. Local Currency	10,408,484,131	7,472,986,587
1.1 Organized Institutions	5,190,040,746	4,443,526,000
1.2 Individual	5,218,443,385	3,029,460,587
1.3 Others	-	-
2. Foreign Currency	11,740,464,198	9,965,418,341
2.1 Organized Institutions	11,740,464,198	9,963,237,141
2.2 Individual	-	2,181,200
2.3 Others	-	-
C. Call Deposits	2,413,540,715	1,645,264,461
I. Local Currency	2,386,366,289	1,604,798,442
1.1 "A" Class Liscensed Institutions	218,391	1,369,322
1.2 Other Liscensed Institutions	161,117,700	97,730,898
1.3 Other Organized Institutions	979,287,466	1,392,916,600
1.4 Individual	1,245,742,732	112,781,622
1.5 Others	-	-
2. Foreign Currency	27,174,426	40,466,019
2.1 "A" Class Liscensed Institutions	-	-
2.2 Other Liscensed Institutions	-	-
2.3 Other Organized Institutions	27,174,426	40,466,019
2.4 Individual	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individual	-	-
3. Others	-	-
Total of Interest Bearing Accounts (II)	31,911,458,851	24,905,963,255
Total Deposit (I+II)	34,896,424,201	27,957,220,794



Schedule 6

BILLS PAYABLE
 (End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Local Currency	54,331,627	44,910,723
2. Foreign Currency	18,036,602	18,036,602
Total	72,368,229	62,947,325

Schedule 7

OTHER LIABILITIES
 (End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Pension/Gratuity / Leave Fund	62,740,344	52,771,218
2. Employee Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	53,836,236	44,303,159
5. Interest Payable on Deposits	5,461,331	2,169,556
6. Interest Payable on Borrowings/ Debenture	7,500,000	6,000,000
7. Unearned Discount and Commission	-	-
8. Sundry Creditors	99,643,635	29,073,303
9. Branch Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	4,980,739	6,493,537
12. Others	102,721,205	74,442,350
13. Interest Suspense (Loan)	8,369,330	-
Total	345,252,820	215,253,123

Schedule 8

CASH BALANCE
 (End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Local Currency (Including Coins)	796,874,997	633,483,928
2. Foreign Currency	18,804,627	18,543,338
Total	815,679,624	652,027,266

Schedule 9

BALANCE WITH NEPAL RASTRA BANK
 (End of Ashad 2067)

PARTICULARS	Local Currency	Foreign Currency			Current Year Rs.	Previous Year Rs.
		INR	Convertible	Total		
I. Nepal Rastra Bank	1,777,301,054	-	65,501,185	65,501,185	1,842,802,239	444,138,596
a. Current Account	1,777,301,054	-	65,501,185	65,501,185	1,842,802,239	444,138,596
b. Other Account	-	-	-	-	-	-

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS

(End of Ashad 2067)

Schedule 10

PARTICULARS	Local Currency	IRS.	Foreign Currency Convertible FCY	Total	Current Year Rs.	Previous Year Rs.
1. Local Licensed Institutions	52,261,452	-	4,658,345	4,658,345	56,919,797	48,707,802
a. Current Account	52,261,452	-	4,658,345	4,658,345	56,919,797	48,707,802
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	478,538,364	247,321,453	725,859,817	725,859,817	31,566,174
a. Current Account	-	478,538,364	247,321,453	725,859,817	725,859,817	31,566,174
b. Other Account	-	-	-	-	-	-
Total	52,261,452	478,538,364	251,979,798	730,518,162	782,779,614	80,273,976

Note: Total balance for which the confirmations are received from respective Licensed Institutions Rs. 1,031,289,811

MONEY AT CALL AND SHORT NOTICE

(End of Ashad 2067)

Schedule 11

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Local Currency		
2. Foreign Currency	-	-
TOTAL	-	-

INVESTMENTS

(End of Ashad 2067)

Schedule 12

PARTICULARS	Purpose		Current Year Rs.	Previous Year Rs.
	Trading	Other		
1. Nepal Government Treasury Bills	-	3,720,592,315	3,720,592,315	2,933,848,660
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Other Securities	-	592,725,000	592,725,000	372,725,000
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	50,500,000	50,500,000	-
7. Foreign Banks	-	11,904,794,000	11,904,794,000	9,946,661,500
8. Corporate Shares	-	37,021,500	37,021,500	32,946,500
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
Total Investment	-	16,305,632,815	16,305,632,815	13,286,181,660
Provision	-	-	-	-
Net Investment	-	16,305,632,815	16,305,632,815	13,286,181,660

INVESTMENT IN SHARES, DEBENTURES AND BONDS

(End of Ashad 2067)

Schedule 12 (A)

PARTICULARS	Cost Price Rs	Market Price Rs	Provision Amount Rs	Current Year Rs.	Previous Year Rs.
I. Investment in Shares	37,021,500	-	-	37,021,500	32,946,500
1.1 Rural Micro-finance Development Center Ltd. (RMDC)					
51,950 Ordinary Shares of Rs. 100 fully paid up	5,195,000	-	-	5,195,000	5,195,000
137,000 Right Shares of Rs. 100 fully paid up	13,700,000	-	-	13,700,000	13,700,000
1.2 Madhya Paschimanchal Grameen Bikash Bank Ltd.					
30,000 Ordinary Shares of Rs. 100 fully paid up	3,000,000	3,930,000	-	3,000,000	3,000,000
5,000 Shares of Rs. 100 Additional Investment	500,000	655,000	-	500,000	-
1.3 Alliance Insurance Co. Ltd.					
7,480 Ordinary Shares of Rs. 100 fully paid up	748,000	1,069,640	-	748,000	748,000
748 Bonus Shares	-	213,928	-	-	-
1.4 Himalayan Distillery Ltd.					
89,430 Ordinary Shares of Rs. 100 fully paid up	8,943,000	8,943,000	-	8,943,000	8,943,000
1.5 Credit Information Center Ltd.				-	-
3,530 Ordinary Shares of Rs. 100 fully paid up	353,000	-	-	353,000	353,000
8825 Right Shares of Rs 100 fully paid up	882,500	-	-	882,500	882,500
1765 Bonus Shares	-	-	-	-	-
1.6 Nepal Clearing House	2,500,000	-	-	2,500,000	125,000
1.7 National Banking Training Institute					
12000 Shares of Rs. 100 fully paid up	1,200,000	-	-	1,200,000	-
2. Investment in Debentures and Bonds	-	-	-	-	-
2.1	-	-	-	-	-
2.2	-	-	-	-	-
2.3	-	-	-	-	-
Total Investment	37,021,500	-	-	37,021,500	32,946,500
3. Provision for Loss	-	-	-	-	-
3.1 Up to previous year	-	-	-	-	-
3.2 Additions/Write back this year	-	-	-	-	-
Total Provision	-	-	-	-	-
Net Investment	37,021,500	-	-	37,021,500	32,946,500

Note:

- 1) Alliance Insurance Co.Ltd. has issued 10 % Bonus Share during the fiscal year 2063/64
- 2) Himalayan Distillery has not declared any dividend till date and has been listed in Nepal Stock Exchange Ltd.
- 3) 10 % cash dividend of Rs. 1,795,025.00 has been received from Rural Micro Finance Development Centre Ltd. during the current fiscal year 2066/67 for the fiscal year 2065/66
- 4) The additional investment of Rs 500,000 was made in Madhya Paschimanchal Grameen Bikash Bank Ltd. during the fiscal year 2066/67
- 5) Credit Information Bureau Ltd. has issued Right Share in the ratio 1:2.5 and Bonus Share in the ratio of 2:1 (on Ordinary Shares) during the fiscal year 2065/66 for the fiscal year 2064/65

BUSINESS INVESTMENT (Held for Trading)
(End of Ashad 2067)

Schedule 12.1

PARTICULARS	Cost Price	Previous Market	Current Market	This Year Profit /		Previous Year	Remarks
	Rs.	Price(a) Rs.	Price (b) Rs.	(Loss) (b-a)	Rs.	Profit / (Loss) Rs.	
1. Nepal Government Treasury Bills	-	-	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-	-
3. Nepal Government Other securities	-	-	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-	-
5. Foreign Securities	-	-	-	-	-	-	-
6. Shares of Domestic Licensed Institution	-	-	-	-	-	-	-
7. Debenture and Bond Domestic Licensed Institution	-	-	-	-	-	-	-
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	-	-
9. Foreign Bank Investment (Placement)	-	-	-	-	-	-	-
10. Interbank Lending	-	-	-	-	-	-	-
11. Other Investments	-	-	-	-	-	-	-
Total Investment	-	-	-	-	-	-	-

BUSINESS INVESTMENT (Held to Maturity)
(End of Ashad 2067)

Schedule 12.2

PARTICULARS	Cost Price(a)	Impairment Till Date (b) Rs.	Impairment This Year (c) Rs.	This Year Profit / (Loss) (a-b-c) Rs.	Previous Year Profit (Loss) Rs.	Remarks
1. Nepal Government Treasury Bills	3,720,592,315	-	-	-	-	-
2. Nepal Government Saving Bonds	-	-	-	-	-	-
3. Nepal Government Other securities	592,725,000	-	-	-	-	-
4. Nepal Rastra Bank Bonds	-	-	-	-	-	-
5. Foreign Securities	-	-	-	-	-	-
6. Shares of Domestic Licensed Institution	-	-	-	-	-	-
7. Debenture and Bond Domestic Licensed Institution	-	-	-	-	-	-
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	-
9. Foreign Bank Investment (Placement)	11,904,794,000	-	-	-	-	-
10. Other Investments (Inter Bank Lending)	50,500,000	-	-	-	-	-
Total Investment	16,268,611,315	-	-	-	-	-



BUSINESS INVESTMENT (Available for Sale)

(End of Ashad 2067)

Schedule 12.3

PARTICULARS	Cost Price (a) Rs.	Previous Market Price(a) R	Current MarketPrice (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other securities	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Domestic Licensed Institution	-	-	-	-	-	
7. Debenture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	
Listed	13,191,000	10,378,830	14,597,640	-	-	*
Not Listed	23,830,500			-	-	**
9. Foreign Bank Investment (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investment	37,021,500	10,378,830	14,597,640	-	-	

Note:

* Eventhough the current market price is higher than the cost price we have not marked these securities to market because the volume of transaction on these securities is very low.

** No Investment Adjustment Reserve has been maintained because NRB circular No 2067/68/4 has exempted maintenance of such reserve against investment in CICL, Nepal Clearing House and National Banking Training Institute

CLASSIFICATION OF LOANS AND BILLS PURCHASE & PROVISIONING

(End of Ashad 2067)

Schedule 13

Loans & Advances													Bills Purchased/Discount				Current		Previous	
PARTICULARS	Insured				Priority Sector Uninsured				Other		Total	Domestic	Foreign	Total	Year Rs.	Year Rs.	Year Rs.	Year Rs.		
1. Performing Loan	152,033,078	385,139,889	17,042,730,394	-	17,579,903,361	215,000	118,389,069	118,604,069							17,698,507,430	15,296,095,646				
1.1 Pass	150,274,001	385,139,889	16,817,041,230	-	17,352,455,120	215,000	118,389,069	118,604,069							17,471,059,189	15,081,169,429				
1.2 Restructured	1,759,077	-	225,689,164	-	227,448,241	-	-	-							227,448,241	214,926,217				
2. Non-Performing Loan	8,242,341	5,275,067	251,616,341	-	265,133,749	-	-	-							265,133,749	315,954,765				
2.1 Sub-Standard	288,615	-	12,686,736	-	12,975,351	-	-	-							12,975,351	13,235,686				
2.2 Doubtful	900,846	-	213,093	-	1,113,939	-	-	-							1,113,939	11,338,722				
2.3 Loss	7,052,880	5,275,067	238,716,512	-	251,044,459	-	-	-							251,044,459	291,380,357				
A.Total Loan	160,275,419	390,414,956	17,294,346,735	-	17,845,037,110	215,000	118,389,069	118,604,069							17,963,641,179	15,612,050,411				
3. Loan Loss Provision																				
3.1 Pass	375,685	3,851,399	168,170,412	-	172,397,496	2,150	1,183,891	1,186,041							173,583,537	149,466,541				
3.2 Restructured	136,252	-	60,209,522	-	60,345,774	-	-	-							60,345,774	39,071,496				
3.3 Sub-Standard	18,038	-	3,171,684	-	3,189,722	-	-	-							3,189,722	2,740,744				
3.4 Doubtful	112,606	-	106,547	-	219,153	-	-	-							219,153	3,685,439				
3.5 Loss	1,763,220	5,275,067	238,716,512	-	245,754,799	-	-	-							245,754,799	285,338,247				
B.Total Provisioning	2,405,801	9,126,466	470,374,677	-	481,906,944	2,150	1,183,891	1,186,041							483,092,985	480,302,467				
4. Provisioning up to previous year																				
4.1 Pass	448,384	4,084,868	143,464,917	-	147,998,169	210,753	1,257,619	1,468,372							149,466,541	117,922,667				
4.2 Restructured	326,030	-	38,745,466	-	39,071,496	-	-	-							39,071,496	47,763,975				
4.3 Sub-Standard	189,393	-	2,551,351	-	2,740,744	-	-	-							2,740,744	566,279				
4.4 Doubtful	661,307	-	3,024,132	-	3,685,439	-	-	-							3,685,439	9,869,035				
4.5 Loss	2,014,036	3,921,766	279,402,445	-	285,338,247	-	-	-							285,338,247	456,395,830				
C.Total previous year's provision	3,639,150	8,006,634	467,188,311	-	478,834,095	210,753	1,257,619	1,468,372							480,302,467	632,517,786				
D. Written Back from Previous Year's	1,166,697	44,429,750	11,024,829	-	56,621,276	-	-	-							56,621,276	192,560,655				
E. Additional Provision of Current Year	(66,652)	45,549,582	14,211,195	-	59,694,125	(208,603)	(73,728)	(282,331)							59,411,794	40,345,336				
F.Changes this year	(1,233,349)	1,119,832	3,186,366	-	3,072,849	(208,603)	(73,728)	(282,331)							2,790,518	(152,215,319)				
Net Loan (A-B)	157,869,618	381,288,490	16,823,972,058	-	17,363,130,166	212,850	117,205,178	117,418,028							17,480,548,194	15,131,747,944				

Note: Total exposure under Deprived Sector is Rs. 5640.91 Lacs.

LOAN, ADVANCES AND BILLS PURCHASED SECURITY WISE

Schedule 13 (A)

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
A. Secured	17,963,641,179	15,612,050,411
1. Movable/Immovable Assets	15,598,318,245	14,049,060,334
2. Guarantee of Local Licensed Institutions	296,655,092	124,795,643
3. Government Guarantee	156,121,000	-
4. Internationally Rated Bank Guarantee	-	-
5. Export Documents	297,980,114	126,525,772
6. Fixed Deposit Receipts	879,563,504	471,652,656
a. Own FDR	879,563,504	348,064,823
b. FDR of Other Licensed Institutions	-	123,587,833
7. Government Bonds	78,385,762	159,133,341
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	656,617,462	680,882,665
B. Unsecured		
Total	17,963,641,179	15,612,050,411

FIXED ASSETS
(End of Ashad 2067)

PARTICULARS	ASSETS					Current Year Rs.	Previous Year Rs.
	Buildings	Vehicles	Machinery	Office Equipment	Others		
1. Cost Price							
a. Previous year balance	-	67,040,160	154,476,632	138,625,530	43,928,265	404,070,587	249,013,026
b. Addition during the year	-	39,603,773	53,567,201	128,946,812	35,648,399	257,766,185	188,674,772
c. Revaluation/Written Back this year	-	-	-	-	-	-	-
d. Sold during the year	-	-	-	-	-	-	23,348,197
e. Written off during the year	-	1,035,855	17,608,124	12,239,175	1,336,892	32,220,046	10,269,014
Total Cost (a+b+c-d-e)	-	105,608,078	190,435,709	255,333,167	78,239,772	629,616,726	404,070,587
2. Depreciation							
a. Up to previous year	-	16,813,183	64,712,965	53,363,536	15,600,208	150,489,892	128,790,767
b. For this year	-	14,832,769	33,528,660	35,171,868	7,831,669	91,364,966	54,165,673
c. Depreciation on revaluation/Written Back	-	-	-	-	-	-	-
d. Depreciation on Assets sold/Written Off	-	1,028,624	17,563,549	10,766,566	1,124,153	30,482,892	32,466,548
Total Depreciation	-	30,617,328	80,678,076	77,768,838	22,307,724	211,371,966	150,489,892
3. Book Value (WDV*) (1-2)	-	74,990,750	109,757,633	177,564,329	55,932,048	418,244,760	253,580,695
4. Land	-	-	-	-	-	-	-
5. Capital Construction (Pending Capitalization)	-	-	-	-	-	-	-
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	-	74,990,750	109,757,633	177,564,329	55,932,048	418,244,760	253,580,695



NON BANKING ASSETS

(End of Ashad 2067)

Schedule 15

Name & Address of Borrower or Party	Date of assuming Non Banking Assets	Total Amount of Non Banking Assets	Loss Provision In %	Loss Provision In Amount	Net Non Banking Assets (Rs)	Previous Year Rs. (Net NBA)
Shivalaya Metels Pvt.ltd						
Jhora Hat VDC-06 Morang	13.04. 2010	2,938,750	100.00%	2,938,750	-	-
Total	-	2,938,750		2,938,750	-	-

OTHER ASSETS

(End of Ashad 2067)

Schedule 16

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Stock of Stationery	4,362,396	2,662,561
2. Income receivable on Investment	114,398,523	87,141,845
3. Accrued Interest on Loan	283,256,183	297,885,894
Less: Interest Suspense Account	283,256,183	(297,885,894)
4. Commission Receivable	-	-
5. Sundry Debtors	15,881,314	39,564,350
6. Staff Loan & Advances	123,783,251	87,540,471
7. Pre Payments	11,626,629	19,712,415
8. Cash in Transit	-	-
9. Other Transit items (including Cheques)	-	-
10. Drafts paid without notice	9,640,625	9,640,625
11. Expenses not written off	9,448,677	9,393,729
12. Branch Account	-	-
13. Deferred Tax Assest	26,984,686	18,985,144
14. Others	85,866,118	43,848,272
a) Income Tax	40,357,237	37,277,821
b) Others	45,508,881	6,570,451
Total	401,992,219	318,489,412

OTHER ASSETS (Additional Statement)

(End of Ashad 2067)

Schedule 16(A)

PARTICULARS	Current Year Rs.				Previous Year Rs.
	Up to 1 Year	1 to 3 years	Above 3years	Total	
1. Accrued Interest on Loan	44,584,820	24,366,017	214,305,346	283,256,183	297,885,894
2. Drafts Paid without notice	-	-	32,000,000	32,000,000	32,000,000
3. Branch Account	-	-	-	-	-
4. Local/ Foreign Agency Account					
Total	44,584,820	24,366,017	246,305,346	315,256,183	329,885,894

Note: For the DD paid without notice of Rs. 3.2 crore, Rs. 96 lakhs was received from insurance company and provision has been provided for the balance of Rs. 2.23 crore, net of aforesaid provision is disclosed in schedule 16

CONTINGENT LIABILITIES

(End of Ashad 2067)

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Claims on Institution not accepted by the Institution	-	-
2. Letter of Credit (Full Amount)	1,933,140,934	2,285,959,305
a. Less than 6 months maturity	1,933,140,934	2,285,959,305
b. More than 6 months maturity	-	-
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	494,025,173	754,049,115
a. Bid Bonds	60,861,123	60,208,647
b. Performance Bonds	433,164,050	693,840,468
c. Other Guarantee/Bonds		
5. Unpaid Shares in Investment		2,375,000
6. Forward Exchange Contract Liabilities		
7. Bills under Collection	56,448,012	48,050,053
8. Acceptance & Endorsement	611,172,713	205,402,470
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	2,065,436,420	1,388,457,763
11. Guarantee provided on Counter Guarantee of Internationally Rated Banks"	825,308,855	613,425,647
12. Advance Payment Guarantee	34,943,873	31,248,207
13. Financial Guarantee	462,308,590	46,740,000
14. Contingent Liabilities on Income Tax	-	-
15. Others	-	-
Total	6,482,784,570	5,375,707,560



INTEREST INCOMEFrom 1st Shrawan 2066 to 32nd Asadh 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
A. On Loans, Advances and Overdraft	1,760,201,809	1,179,593,130
1. Loans & Advances	1,426,270,778	964,828,962
2. Overdraft	333,931,031	214,764,168
B. On Investment	209,922,727	133,632,804
1. Nepal Government Securities	209,922,727	133,632,804
a. Treasury Bills	170,154,994	110,663,578
b. Development Bonds	36,171,291	18,864,096
c. National Saving Certificates	-	-
2. Foreign Securities	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture & Bonds	-	-
a. Banks/Financial Institutions	-	-
b. Other Organizations	-	-
5. Interest on Inter Bank Lending	3,596,442	4,105,130
C. On Agency Balances	293,911,320	143,071,460
1. Local Banks	-	-
2. Foreign Banks	293,911,320	143,071,460
D. On Money at Call and Short Notice	-	-
1. Local Banks/Financial Institutions	-	-
2. Foreign Banks	-	-
E. On Others	5,668,435	4,148,292
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	-	-
3. Others	5,668,435	4,148,292
Total	2,269,704,291	1,460,445,686

INTEREST EXPENSESFrom 1st Shrawan 2066 to 32nd Asadh 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
A. ON DEPOSIT LIABILITIES	1,340,255,940	808,799,209
1. Fixed Deposits	980,473,961	644,782,714
1.1 Local Currency	703,879,572	512,020,144
1.2 Foreign Currency	276,594,389	132,762,570
2. Saving Deposits	204,145,523	113,565,254
2.1 Local Currency	203,598,047	113,302,939
2.2 Foreign Currency	547,476	262,315
3. Call Deposits	155,636,456	50,451,241
3.1 Local Currency	155,232,187	50,096,555
3.2 Foreign Currency	404,269	354,686
4. Certificate of Deposits	-	-
B. ON BORROWINGS	103,437,633	15,901,064
1. Debentures & Bonds	12,000,000	12,000,000
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowing	91,437,633	3,901,064
4. Other Corporate Body	-	-
5. Other Expenses/Income	-	-
C. ON OTHERS	-	-
Total	1,443,693,573	824,700,275



COMMISSION AND DISCOUNT INCOMEFrom 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
A. Bills Purchase & Discount	1,563,411	2,727,623
1. Local	601,169	1,891,304
2. Foreign	962,242	836,319
B. Commission	76,349,482	67,357,031
1. Letters of Credit	21,389,282	18,205,131
2. Guarantees	20,414,063	17,022,685
3. Collection Fees	3,775,557	2,886,390
4. Remittance Fees	28,491,494	28,300,061
5. Credit Card	-	-
6. Share Underwriting/Issue	-	-
7. Government Transactions	-	-
8. Agency Commission	2,271,847	932,917
9. Exchange Fee	7,239	9,848
C. Others	53,779,256	8,751,970
Total	131,692,149	78,836,624

OTHER INCOMEFrom 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Safe Deposit Lockers Rental	913,850	530,800
2. Issue & Renewals of Credit Cards	-	-
3. Issue & Renewals of ATM Cards	14,800,174	5,424,905
4. Telex / T.T.	21,371,259	14,546,387
5. Service Charges	35,874,781	29,017,291
6. Renewal Fees	5,181,892	2,465,125
7. Others (Postage)	654,706	805,629
Total	78,796,662	52,790,137

EXCHANGE GAIN/(LOSS)From 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
a. Revaluation Gain /(Loss)	(2,701,346)	(1,225,376)
b. Trading Gain (except Exchange Fees)	73,029,593	62,519,675
Total Income (Loss)	70,328,247	61,294,299

EXPENSES RELATING TO EMPLOYEESFrom 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Salary	51,091,744	41,328,058
2. Allowances	44,489,672	34,437,701
3. Contribution to Provident Fund	4,418,535	3,327,508
4. Training Expenses	2,559,034	718,759
5. Uniform	296,210	275,667
6. Medical	3,949,343	3,048,321
7. Insurance	2,919,262	171,774
8. Pension, Gratuity and Leave Provision	12,567,055	30,826,718
9. Others (Canteen)	8,045,681	7,854,654
Total	130,336,536	121,989,160



OFFICE OPERATING EXPENSESFrom 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. House Rent	45,924,035	31,856,503
2. Electricity & Water	9,853,085	6,368,952
3. Repair & Maintenance	7,785,014	4,671,510
a. Building (on lease)	920,688	1,174,427
b. Vehicles	1,310,829	756,341
c. Others(Computer, Office Equipment, Furniture)	5,553,497	2,740,742
4. Insurance	7,728,027	5,056,171
5. Postage, Telex, Telephone & Fax	10,674,462	8,597,861
6. Office Equipment, Furniture and Repair	1,285,842	164,186
7. Travelling Allowances & Expenses	7,903,169	9,235,100
8. Printing & Stationery	31,158,535	18,132,722
9. Books & Periodicals	620,115	421,370
10. Advertisements	11,155,181	4,543,592
11. Legal Expenses	1,553,161	755,560
12. Donations	891,110	667,264
13. Expenses relating to Board of Directors	4,019,994	2,452,090
a. Meeting Fees	1,656,000	1,548,000
b. Other Expenses	2,363,994	904,090
14. Annual General Meeting Expenses	2,362,505	1,417,763
15. Expenses relating to Audit	841,646	567,681
a. Audit Fees	169,500	150,000
b. Other Expenses	672,146	417,681
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	91,364,963	54,165,673
18. Amortization of Preliminary Expenses	-	-
19. Share Issue expenses	1,442,287	-
20. Technical Services Fee	12,868,001	11,636,563
21. Entertainment	401,329	230,130
22. Written Off Expenses	1,820,033	942,544
23. Security Expenses	21,962,841	15,271,250
24. Credit Guarantee Premium	1,808,927	2,612,151
25. Commission and Discount	-	-
26. Others	68,426,004	44,198,956
a) Information Technology Support Cost	35,670,480	19,377,351
b) Others	32,755,524	24,821,605
Total	343,850,266	223,965,592

PROVISION FOR POSSIBLE/(LOSS)From 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	59,411,794	40,345,336
2. Increase in Provision for Loss on Investment	-	-
3. Provision Against Non-Banking Assets	2,938,750	-
4. Provision Against Other Assets	-	-
Total	62,350,544	40,345,336

NON-OPERATING INCOME / (LOSS)From 1st Shrawan 2066 to 32nd Ashad 2067

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investments	-	-
2. Profit (Loss) on Sale of Assets	426,798	1,618,895
3. Gross Dividend Less : Dividend Tax Net Dividend income after tax"	1,795,025	897,512
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	331,069	-
Total Non-Operating Income /(Loss)	2,552,892	2,516,407



LOSS PROVISIONS WRITTEN BACK

Fiscal Year 2066/67

Schedule 27

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	56,621,276	192,560,655
2. Provision against Non Banking Assets Written Back		6,112,133
3. Investment Provision Written Back		
4. Provision against other Assets Written Back		
Total	56,621,276	198,672,788

PROFIT/(LOSS) FROM EXTRA ACTIVITIES

Fiscal Year 2066/67

Schedule 28

PARTICULARS	Current Year Rs.	Previous Year Rs.
1. Recovery of Write off Loan	7,082,000	8,680,000
2. Voluntary Retirement Scheme Expenses		
3. Loan Write - Offs (4.28 (a))	(44,348,000)	(164,900,828)
4. Other Expenses/Income		
Total	(37,266,000)	(156,220,828)

STATEMENT OF LOAN WRITTEN-OFF

Fiscal Year 2066/67

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	Cash Credit	20,000,000	2nd charge (Land and building having plot no 978 (0-13-9), 981 (0-12-11), 983(0-11-10), 975(0-4-1.25) and 985(0-11-10) bigha of devouli I Chitwan, Machinery and other equipment and PG of Mr. Binod Bahadur Amatya	NA	Managing Director	DRT give Verdict in bank's favour, Recovery process is going on.	-
2	Demand Loan	24,348,000					-
	Total Loan	44,348,000					

**STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF EXECUTIVE
/PROMOTERS/EMPLOYEES AND SHAREHOLDERS**
(End of Ashad 2067)

		In Rs.			
Name of Promoter/Director/ Chief Executive		Outstanding up to Last Year		Recovered in Current Year	
		Principal	Interest	Principal	Interest
		Additional Lending in this year		Outstanding as of Asadh end 2067	
		Principal	Interest	Principal	Interest
A. Directors		-	-	-	-
1.		-	-	-	-
2.		-	-	-	-
3.		-	-	-	-
B. Chief Executive		-	-	-	-
1.		-	-	-	-
2.		-	-	-	-
C. Promoters		-	-	-	-
1.		-	-	-	-
2.		-	-	-	-
3.		-	-	-	-
D. Employees		-	-	-	-
1.		-	-	-	-
2.		-	-	-	-
3.		-	-	-	-
E. Shareholders		-	-	-	-
1.		-	-	-	-
2.		-	-	-	-
3.		-	-	-	-
Total		-	-	-	-

Statement of Capital Fund
As on Ashadh End 2067

Schedule 30 (A)

I. RISK WEIGHTED ASSETS	Ashadh End 2067	Ashadh End 2066
a Credit Risk	20,580,286,047.02	15,904,777,543.67
b Operational Risk	1,196,119,881.50	930,991,586.00
c Market Risk	322,956,645.80	36,948,120.60
Total Risk Weighted Assets (a+b+c)	22,099,362,574.32	16,872,717,250.27
Adjustments Under Pillar II		
Add: 1% of the total RWE as Supervisor is not satisfied with the overall risk Management Policies and Procedures (6.4 a 9)"	220,993,625.74	-
Add: % of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-	-
Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	22,320,356,200.06	16,872,717,250.27
I.2 CAPITAL	Ashadh End 2067	Ashadh End 2066
Core Capital (Tier I)	2,430,021,234.00	1,692,371,238.20
a Paid up Capital	1,653,623,877.00	874,527,840.00
b Irredeemable Non-cumulative preference shares		
c Share Premium		
d Proposed Bonus Shares	207,700,362.00	349,811,136.00
e General Reserves	382,868,285.00	304,519,861.00
f Retained Earnings Up to last FY	-	-
g Current Year's P/L Account	4,249,307.00	3,848,810.00
h Capital Redemption Adjustment Fund		
i Capital Adjustment Fund	50,000,000.00	65,000,000.00
j Dividend Equalization Fund	-	-
k Debenture Redemption Fund	114,285,716.00	85,714,287.00
l Other Free Reserve		
m Deferred Tax Reserve	26,984,687.00	18,985,145.00.00
Deductions :		
a Goodwill	-	-
b Miscellaneous Assets Not Written Off	-	(344,840.80.00)
c Share Investment in Licensed Institution	-	-
d Investment in financial interested company	-	-
e Investment exceeding the limit	-	-
f Investments arising out of underwriting commitments	(9,691,000.00)	(9,691,000.00)
g Reciprocal crossholdings	-	-
h Others	-	-
Supplementary Capital (Tier 2)	304,425,373.00	319,666,657.00
a Cumulative and/or Redeemable Preference Share	-	-
b Unsecured Subordinate Long Term Loans	120,000,000.00	160,000,000.00
c Hybrid Capital Instruments	-	-
d Pass Loan Loss Provision	173,583,537.00	149,466,541.00
e Exchange Equalization Fund	10,200,116.00	10,200,116.00
f Investment Adjustment Fund	641,720.00	-
g Assets Revaluation Fund	-	-
h Other Funds	-	-
Total Capital Fund (Tier I and Tier II)	2,734,446,607.00	2,012,037,895.20
I.3 CAPITAL FUND RATIOS	Ashadh End 2067	Ashadh End 2066
Core Capital / Total Risk Weighted Assets (Tier I)	10.89%	10.03%
Capital Fund / Total Risk Weighted Assets (Tier I & Tier II)	12.25%	11.92%



FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As on 16.07.2010 (Ashad End 2067)

Schedule 30 (B)

A. Balance Sheet Exposures	Book Value (a) Provision (b)	Specific Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures f=d*e	Previous Year	
						Net Value	Risk Weighted Exposure
Cash Balance	815,679,624.06		815,679,624.06	0%	-	652,027,266.00	
Balance With Nepal Rastra Bank	1,842,802,238.78		1,842,802,238.78	0%	-	444,138,596.00	
Gold			-	0%	-		
Investment in Nepalese Government Securities	3,720,592,315.00		3,720,592,315.00	0%	-	2,933,848,660.00	
All other Claims on Government of Nepal	173,751,562.50		173,751,562.50	0%	-	-	
Investment in Nepal Rastra Bank securities	592,725,000.00		592,725,000.00	0%	-	372,725,000.00	
All other claims on Nepal Rastra Bank			-	0%	-		
Claims on Foreign Government and Central Bank (ECA 0-1)			-	0%	-		
Claims on Foreign Government and Central Bank (ECA -2)		-	-	20%	-		
Claims on Foreign Government and Central Bank (ECA -3)		-	-	50%	-		
Claims on Foreign Government and Central Bank (ECA-4-6)		-	-	100%	-		
Claims on Foreign Government and Central Bank (ECA -7)		-	-	150%	-		
"Claims On BIS, IMF, ECB, EC and on Multilateral							
Development Banks (MDB's) recognized by the framework "			-	0%	-		
Claims on Other Multilateral Development Banks		-	-	100%	-		
Claims on Public Sector Entity (ECA 0-1)		-	-	20%	-		
Claims on Public Sector Entity (ECA 2)		-	-	50%	-		
Claims on Public Sector Entity (ECA 3-6)		-	-	100%	-		
Claims on Public Sector Entity (ECA 7)	114,281,825.00	-	114,281,825.00	150%	171,422,737.50	114,377,167.46	171,565,751.19
Claims on domestic banks that meet capital adequacy requirements	324,050,812.91	31,500,000.00	292,550,812.91	20%	58,510,162.58	166,991,816.35	33,398,363.27
Claims on domestic banks that do not meet capital adequacy requirements	66,566,124.57	-	66,566,124.57	100%	66,566,124.57	38,592,904.35	38,592,904.35
Claims on foreign bank (ECA Rating 0-1)	299,916,048.50	-	299,916,048.50	20%	59,983,209.70	378,151,375.75	75,630,275.15
Claims on foreign bank (ECA Rating 2)	14,037,674.11	-	14,037,674.11	50%	7,018,837.06	4,918,314.65	2,459,157.33
Claims on foreign bank (ECA Rating 3-6)		-	-	100%	-		
Claims on foreign bank (ECA Rating 7)		-	-	150%	-		

Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	12,316,700,094.70	-	12,316,700,094.70	20%	2,463,340,018.94	375,962,767.04	75,192,553.41
Claims on Domestic Corporates	10,414,863,215.00	66,480,825.28	521,605,682.33	100%	9,826,776,707.39	8,737,973,637.32	8,737,973,637.32
Claims on Foreign Corporates (ECA 0-1)	-	-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	3,013,569,109.00	10,535,438.39	3,003,033,670.61	75%	2,252,275,252.96	1,955,867,969.24	1,466,900,976.93
Claims Fulfilling all criterion of regulatory retail except granularity	-	-	-	100%	-	83,650,003.42	83,650,003.42
Claims secured by residential properties	2,538,128,688.00	-	2,538,128,688.00	60%	1,522,877,212.80	2,574,463,685.15	1,544,678,211.09
Claims not fully secured by residential properties	-	-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	16,604,879.00	4,384,566.19	12,220,312.81	100%	12,220,312.81	21,971,623.92	21,971,623.92
Claims secured by Commercial real estate	141,412,459.00	-	141,412,459.00	100%	141,412,459.00	135,636,743.99	135,636,743.99
Past due claims (except for claim secured by residential properties)	271,607,997.00	245,967,220.30	-	150%	38,461,165.05	47,472,342.21	71,208,513.32
High Risk Claims	895,250,801.00	410,317,627.42	484,933,173.58	150%	727,399,760.37	825,968,761.39	1,238,953,142.09
Investments in equity and other capital instruments of institutions listed in the stock exchange	27,330,500.00	-	27,330,500.00	100%	27,330,500.00	23,255,500.00	23,255,500.00
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	150%	-	-	-
Other Assets - Interest Receivable / Claim on Govt. Securities	62,574,770.36	-	62,574,770.36	0%	-	35,207,909.84	-
Other Assets - Cash & Cash in Transit Items	118,604,069.10	-	118,604,069.10	20%	23,720,813.82	146,837,262.00	29,367,452.40
“Other Assets-Investment in equity or regulatory Capital Instrument issued by securities firms”	-	-	-	-	-	-	-
Fictitious Assets not deducted from Tier I	-	-	-	-	-	-	-
Other Assets (as per attachment)	1,442,973,263.14	702,941,623.19	740,031,639.95	100%	740,031,639.95	546,040,132.05	546,040,132.05
TOTAL	39,224,023,070.73	1,019,774,234.96	973,958,748.14	37,230,290,087.63	18,139,346,914.50	20,616,079,438.13	14,296,474,941.23



B. Off Balance Sheet Exposures

	Gross Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Net Value	Previous Year Risk Weighted Exposure
Revocable Commitments				-	0%	-		
Bills Under Collection	56,448,012.49			56,448,012.49	0%	-	48,050,053.00	-
Forward Foreign Exchange Contract Liabilities	-			-	10%	-		
LC Commitments	1,933,140,933.89		81,372,244.17	1,851,768,689.72	20%	370,353,737.94	2,154,136,609.72	430,827,321.94
With Original Maturity Up to 6 months Domestic Counter party								
Foreign Counter party (ECA Rating 0-1)			-	-	20%	-		
Foreign Counter party (ECA Rating 2)			-	-	50%	-		
Foreign Counter party (ECA Rating 3-6)			-	-	100%	-		
Foreign Counter party (ECA Rating 7)			-	-	150%	-		
LC Commitments With Original Maturity Over 6 months Domestic Counter party			-	-	50%	-		
Foreign Counter party (ECA Rating 0-1)			-	-	20%	-		
Foreign Counter party (ECA Rating 2)			-	-	50%	-		
Foreign Counter party (ECA Rating 3-6)			-	-	100%	-		
Foreign Counter party (ECA Rating 7)			-	-	150%	-		
Bid Bond, Performance Bond and Counter guarantee Domestic Counter party	1,318,964,027.97		54,314,511.50	1,264,649,516.47	50%	632,324,758.24	1,260,080,578.95	630,040,289.48
Foreign Counter party (ECA Rating 0-1)			-	-	20%	-		
Foreign Counter party (ECA Rating 2)			-	-	50%	-		
Foreign Counter party (ECA Rating 3-6)			-	-	100%	-		

Foreign Counter party (ECA Rating 7)									
Unpaid Guarantee Claims	370,000.00	37,000.00	-	-	150%	-	666,000.00	333,000.00	666,000.00
Underwriting commitments			-	-	50%	-			
Lending of Bank's Securities or Posting of Securities as collateral		-	-	-	100%				
Repurchase Agreements, Assets sale with recourse			-	-	100%	-			
Advance Payment Guarantee	34,943,873.00	1,642,829.00	33,301,044.00	100%		33,301,044.00	29,670,463.36	29,670,463.36	
Financial Guarantee	462,308,590.00	4,971,430.00	457,337,160.00	100%		457,337,160.00	39,068,000.00	39,068,000.00	
Acceptances and Endorsements	611,172,713.47	11,760,832.86	599,411,880.61	100%		599,411,880.61	203,936,514.74	203,936,514.74	
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-			
Irrevocable Credit commitments (Short Term)	2,065,436,420.02	327,713,661.36	1,737,722,758.66	20%		347,544,551.73	1,370,470,064.59	274,094,012.92	
Irrevocable Credit commitments (Long Term)			-	-	50%				
Other Contingent Liabilities			-	-	100%	-			
TOTAL	6,482,784,570.84	-	481,812,508.89	6,000,972,061.95		2,440,939,132.52	5,105,745,284.36	1,608,302,602.44	
Total RWE for credit Risk Before Adjustment (A) +(B)	45,706,807,641.57	1,019,774,234.96	1,455,771,257.03	43,231,262,149.58		20,580,286,047.0	25,721,824,722.49	15,904,777,543.67	

The investment in equity include the investment made in RMDC, MPGBBL, CICL, NCL and NBTI which are approved by NRB. Due to this we have reported the figure under listed institutions.



FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS

As on Ashad End 2067

Schedule 30 (C)

Credit Exposures

	Deposits with Bank	Deposits with Other banks /FI	Gold	Govt.& NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic banks	Sec/G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Balance Sheet Exposures										
Claims on Foreign Government and Central Bank (ECA -2)										-
Claims on Foreign Government and Central Bank (ECA -3)										-
Claims on Foreign Government and Central Bank (ECA-4-6)										-
Claims on Foreign Government and Central Bank (ECA -7)										-
Claims on Other Multilateral Development Banks										-
Claims on Public Sector Entity (ECA 0-1)										-
Claims on Public Sector Entity (ECA 2)										-
Claims on Public Sector Entity (ECA 3-6)										-
Claims on Public Sector Entity (ECA 7)										-
Claims on domestic banks that meet capital adequacy requirements	31,500,000.00	0.00	0.00	0.00						31,500,000.00
Claims on domestic banks that do not meet capital adequacy requirements										-
Claims on foreign bank (ECA Rating 0-1)										-
Claims on foreign bank (ECA Rating 2)										-
Claims on foreign bank (ECA Rating 3-6)										-
Claims on foreign bank (ECA Rating 7)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										-
Claims on Domestic Corporates	521,605,682.33	0.00		0.00						521,605,682.33
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporate (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)	10,535,438.39									10,535,438.39
Claims Fulfilling all criterion of regulatory Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-

FORM NO.6 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

As on Ashad End 2067

PARTICULARS	Year 1 (2064/65)	Year 2 (2065/66)	Year 3 (2066/67)	2066 Ashad End
Net Interest Income	515,594,968.00	635,745,411.00	826,010,718.00	
Commission and Discount Income	50,917,830.00	78,836,624.00	131,692,149.00	
Other Operating Income	19,557,259.00	52,790,137.00	78,796,662.00	
Exchange Fluctuation Income	51,989,275.00	61,294,299.00	70,328,247.00	
Addition / Deduction Interest	44,927,359.00	(211,611,464.00)	(14,629,711.00)	
Suspense during the period				
Gross income (a)	682,986,691.00	617,055,007.00	1,092,198,065.00	
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	102,448,003.65	92,558,251.05	163,829,709.75	
Capital Requirement for operational risk (d) (average of c)	119,611,988.15			93,099,158.60
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10.00			10.00
Equivalent Risk Weight Exposure [f=(d×e)]	1,196,119,881.50			930,991,586.00

FORM NO.7 RISK WEIGHTED EXPOSURE FOR MARKET RISK

As on Ashad End 2067

S.No.	Currency	Open Position (FCY)	Rate (NPR)	Open Position	Relevant Open Position	Relevant Open Position (2066 Ashad End)
1	AUD	72,426.56	65.90	4,772,910.30	4,772,910.30	3,828,479.45
2	CAD	10.00	71.66	716.60	716.60	41,208.00
3	CNY	1,900.00	11.04	20,976.00	20,976.00	
4	EURO	78,836.56	96.68	7,621,918.62	7,621,918.62	35,781,903.94
5	GBP	169,969.17	115.11	19,565,151.16	19,565,151.16	4,361,301.88
6	HKD	730.00	9.63	7,029.90	7,029.90	
7	INR	364,281,966.48	1.60075	583,124,357.84	583,124,357.84	25,277,933.83
8	JPY	5,294,418.00	0.859	4,547,905.06	4,547,905.06	260,535.63
9	SGD	770.00	54.29	41,803.30	41,803.30	5,360.00
10	USD	(350,408.06)	74.80	(26,210,522.89)	26,210,522.89	4,339,518.43
Total Open Position (a)				645,913,291.67		73,896,241.16
Fixed Percentage (b)				5%		5%
Capital Charge for Market Risk [c=(a×b)]				32,295,664.58		3,694,812.06
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10.00		10.00
Equivalent Risk Weight Exposure [e=(c×d)]				322,956,645.80		36,948,120.58

PRINCIPAL INDICATORS

(For 5 years)

PARTICULARS	Indicators	F.Y.	F.Y.	F.Y.	F.Y.	F.Y.
		2062/2063	2063/2064	2064/2065	2065/2066	2066/2067
1. Percent of Net Profit/Gross Income	%	14.63	26.95	22.67	19.14	15.36
2. Earnings Per Share	Rs.	18.27	39.35	28.33	36.18	23.69
3. Market Value per Share	Rs.	612.00	1,176.00	1,511.00	1,900.00	741.00
4. Price Earning Ratio	%	33.49	29.89	53.34	52.52	31.28
5. Dividend (including bonus) on share capital	%	5.00	47.59	-	42.11	17.50
6. Cash Dividend on Share Capital	%	5.00	12.59	-	2.11	5.00
7. Interest Income/Loans & Advances	%	7.38	7.01	6.75	7.56	9.80
8. Staff Expenses/Total Operating Expenses	%	10.43	9.09	10.98	10.42	6.80
9. Interest Expenses /Total Deposit and Borrowings	%	2.88	3.36	2.93	2.93	4.11
10. Exchange Gain/Total Income	%	5.38	5.23	4.76	3.71	2.76
11. Staff (Statutory) Bonus/ Total Staff Expenses	%	28.33	39.30	31.73	26.64	29.23
12. Net Profit/Loans & Advances	%	1.53	2.69	2.05	2.03	2.18
13. Net Profit/ Total Assets	%	0.90	1.83	1.44	1.05	1.03
14. Total Credit/Deposit	%	69.32	82.66	88.32	55.84	51.48
15. Total Operating Expenses/Total Assets	%	3.72	4.21	3.97	3.88	5.04
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	10.53	10.53	9.97	10.03	10.89
b. Supplementary Capital	%	3.04	2.76	2.35	1.89	1.36
c. Total Capital Fund	%	13.57	13.29	12.32	11.92	12.25
17. Liquidity (CRR)	%	5.83	5.60	5.72	6.67	9.03
18. Non Performing Credit/Total Credit	Ratio	6.13	4.56	3.83	2.02	1.48
19. Weighted Average Interest Rate Spread	%	3.33	3.01	3.11	2.84	2.76
20. Book Net worth	Rs.	971,729,028	1,153,313,329	1,404,264,131	1,702,571,354	2,440,863,070
21. Total Shares	No.	6,402,361	6,477,984	8,745,278	8,745,278	16,536,239
22. Total Staff	No.	174	189	249	323	465
23. Return on Shareholder's Equity	%	12.04	22.10	17.64	18.58	16.05
24. Book Value Per Share	Rs.	151.78	178.04	160.57	194.68	147.61
25. Return on Net Fixed Assets	%	175.38	262.20	206.09	124.76	93.66
26. Total Interest Earning to External Assets	%	6.31	6.86	6.38	5.14	6.72

Nepal SBI Bank Limited
Hattisar, Kathmandu
PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 32nd ASHAD 2067(16th JULY 2010)

- i) **General information**
Nepal SBI Bank Limited ("the Bank") is a limited liability public quoted company domiciled in Nepal. The registered office of the Bank is situated at Hattisar, Kathmandu, Nepal. Nepal SBI Bank Limited has become a foreign subsidiary of State Bank of India with effect from 14.06.2009. The principal activities of the Bank consist of the business of commercial banking and other financial services in Nepal. The Financial Statements for the year ended on 16th July 2010 (Ashad 32, 2067) were authorized for issue by the BOD on 264th meeting held on October 04, 2010.
- ii) **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, Bank & Financial Institutions Act 2063, presentation requirement of Nepal Rastra Bank directives and in conformity with the Companies Act 2063. These policies have been consistently applied to all the years presented except otherwise stated.
- iii) **Basis of Preparation**
The Financial Statements are prepared on the historical cost basis except for foreign currency items and applied consistently with no adjustments being made for inflationary factors affecting the Financial
- Statements. They are presented in Nepalese Rupees and have been rounded to the nearest Rupee.
- iv) **Use of Estimates, Assumptions & Judgements**
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.
- v) **Interest Income**
Interest income from loans and advances is recognised on a cash basis as per the Nepal Rastra Bank Directive, which is not in line with NAS 7 (Revenue Accounting), which prescribes that interest income should be recognised on an accrual basis. Interest income from Investments is recognised on an accrual basis.
- vi) **Commission and Fee Income**
Commission and fee income mainly comprises fees receivable from customers for guarantees, letter of credit and other services provided by the bank. Such income is recognized as revenue on a cash basis at the time the services are provided.
- vii) **Dividend Income**
Dividend income is recognized when the right to receive payment 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 arising from the difference between buying and selling rates of Foreign Exchange transactions are recorded on a daily basis and shown as "Trading Gain on foreign exchange". Gains/losses arising due to fluctuation in exchange rate of different foreign currencies is accounted for on daily basis as "Revaluation Gain/Loss". 25% of the revaluation gain has to be transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.
- ix) **Interest Expense**
Interest payable on deposit liabilities and borrowings are accounted for on accrual basis.
- x) **Loans and Advances including Bills Purchased**
Loans and advances including bills purchased are stated in the Balance Sheet net of provisions for loan losses. These loans and advances including bills purchased are classified as per the Nepal Rastra Bank's Directives.

xi) Staff Loans

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

xii) Loan Loss Provision

Provision for possible losses has been made to cover risks inherent in Bank's Loan portfolio. Provision for possible losses from loans, advances and bills purchased are made at the rates ranging from 0.25% to 100% according to classification of such risk assets as per NRB Directive.

xiii) Investments

Banks has segregated its investment portfolio into following three categories:

a. Held for Trading:

An investment that is made for the purpose of generating a profit from short term fluctuations in price is classified under this category. An asset is classified as held for trading even if it is a part of a portfolio of similar assets for which there is a pattern of trading for the purpose of generating a profit from short term fluctuations in price. These investments are marked to market and differences reflected in the profit and loss account.

b. Held to Maturity:

The investments made with positive intent and ability of the bank to hold till maturity are classified as held to maturity investments. Bank does not have the positive intent to hold an investment to maturity, if any of the following conditions are met: 1. Bank has the intent and the ability to hold the asset for only an undefined period; or 2. Bank stands ready to sell the asset (other than if a situation arises that is non-recurring and could not

have been reasonably anticipated) in response to changes in market interest rates or risks, liquidity needs, changes in the availability of and the yield on alternative investments, changes in financing sources and terms, or changes in foreign currency risk. The held to maturity investments are valued at amortised cost i.e. the cost price less any impairments (if applicable). The impairments are included in the profit and loss accounts for the period.

c. Available for Sale:

All other investments that are neither "held for trading" nor "held to maturity" are classified under this category. These investments are marked to market on a regular basis and the difference is adjusted through reserves. Bank will maintain Investment Adjustment Reserve (eligible as Tier 2 capital) to the extent of 2% of available for sale portfolio as per NRB Directive.

xiv) Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation.
- Assets with a value less than Rs 5,000 are charged off as a revenue expense in the year of purchase irrespective of their useful life.
- Fixed assets and cost on improvements and renovation of leasehold properties are depreciated at rates based upon their expected useful lives, using the straight-line method.

The estimated useful lives and depreciation rates of fixed assets are as follows:

xv) Intangible Assets

a. Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the bank and the cost of the assets can be measured reliably.

b. Measurement

Software: Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. These intangible assets are carried at its cost, less accumulated amortisation and any impairment losses. These assets are included under the account head "Computers and Accessories" and amortized accordingly

xvi) Non-Banking Assets (NBAs)

Non-Banking Assets represent properties that are acquired in full or partial satisfaction of debts. The Bank has adopted a policy of acquiring properties that are placed as collateral in full or partial satisfaction of debts as per prevailing laws and guidelines. The value of such properties shall be determined as per NRB directive. Non-Banking Assets are stated net of provision for losses in the Balance Sheet.

Nature of Assets	Useful Life (years)	Depreciation Rate
Furniture	5-10	10-20%
Equipments	3-4	25-33.33%
Vehicles	5	20%
Computers	4	25%
Leasehold premises	7	15%



xvii) Retirement Benefits

The Bank has scheme of retirement benefits namely provident fund and gratuity. Provision for gratuity is made on accrual basis determined by the management as per Staff Service Rule of the Bank taking the proportion of service period served by permanent employees and periodic contribution to the provident fund have been expensed off and accounted for as income of the concerned staff. Provident fund contribution is being deposited with the approved retirement fund on monthly basis whereas gratuity is accumulated as provision and not transferred to any other retirement funds.

xviii) Leave Encashment Facility

The bank offers leave encashment facility to its confirmed employees which may be encashed during the service period as per the Service Rules and balance is payable at the time of separation

from service. Provision for leave is made on accrual basis determined by the management as per 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) Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to

taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted on the reporting date. Deferred tax assets arising from temporary differences are recognized to the extent there is certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets and liabilities are presented under "Other Assets or Liabilities" as Per Nepal Accounting Standard 9 and Directives No.4. An amount equal to total of deferred tax surplus is transferred to Deferred Tax Reserve.

xxii) Cash & Cash Equivalents

Cash & cash equivalents comprise cash balances only.

Nepal SBI Bank Limited
Hattisar, Kathmandu
Notes to Accounts
For the year ended 32nd Ashad, 2067 (16th July, 2010)

1. **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.
2. **Staff Housing Fund**
As the Bank has a provision for extending housing loans to the eligible staff, a separate staff housing fund has not been created as prescribed by the Labour Act, 2048.
3. **General Reserve**
As required under the Banks and Financial Institutions Act 2063, 20% of the current year's net profit has been transferred to General Reserve.
4. **Exchange Fluctuation Reserve**
No amount has been transferred to Exchange Fluctuation Reserve by debiting Profit & Loss Appropriation Account as the Bank made an exchange revaluation loss in the FY 2066/67. The exchange revaluation loss of Rs. 2,701,346 has been charged to Profit & Loss Account.
5. **Investment Adjustment Reserve**
As required by Nepal Rastra Bank Directive, 2 % of investment amount under Investment Available for Sale category amounting to Rs 641,720 has been transferred to Investment Adjustment Reserve.
6. **Capital Adjustment Reserve**
The Opening capital Adjustment reserve of Rs. 6.5 crores is transferred to Profit & Loss Appropriation Account for the purpose of issuing 10% bonus shares. Rs. 5 crores has been transferred to Capital Adjustment Reserve from the Profit and Loss Appropriation Account this year.
7. **Provision for Gratuity**
During the FY, the bank has provided Rs. 7,110,200 on account of gratuity. A sum of Rs. 787,500 was paid as gratuity during the year out of the accumulated provision.
8. **Provision for Leave Encashment**
During the FY, the Bank has provided Rs. 5,456,854.80 for accrued leave encashment.
9. **Tax Settlement Outstanding**
Bank has settled the corporate tax liability up to FY 2061-062 and has also received advance payment certificate from LTPO for excess tax payment made up to the end of the FY 2061-062. For the FYs 2062-063, LTPO has examined the books of account and is in a process of settlement. For the FY 2063-064, 2064-065 and 2065-66 self assessments have been submitted to Large Tax Payer Office for which final assessment is yet to be done.
10. **Income Tax and Deferred Tax**
Provision for income tax has been made as per the Income Tax Laws. Deferred Tax has been calculated as per the "Nepal Accounting Standard 9- Income Taxes". The movement in deferred tax assets/ liabilities is as follows:



Particulars / Items	Carrying Amount	Tax Base "Temp Diff"	Deductible Temp Diff	Taxable Tem. Asset	Deferred Tax Asset	Deferred Tax liability
Fixed Assets	418,244,760	445,239,479	26,994,719		8,098,416	
Provision for Gratuity & Leave	62,740,344	-	62,740,344		18,822,103	
Deferred Revenue Expenditure	10,498,677	10,712,570	213,893		64,168	
Total	491,483,781	455,952,049	89,948,956	-	26,984,687	-
Opening Balances					19,401,734	416,589
Differences					7,582,953	(416,589)

Note: Prevailing Tax Rate of 30 % has been considered for the calculation of Deferred tax Assets and Liabilities.

Details of Deferred Tax dealt through Profit & Loss Account for the Current FY.

Particulars	Debit	Credit
Deferred Tax Assets	7,582,953	
Deferred Tax Liabilities	416,589	
Deferred Tax Income (Credited to Income Statement)		7,999,542
Total	7,999,542	7,999,542

Closing Deferred Tax Assets and Liabilities

Particulars	Debit	Credit
Deferred Tax Assets	26,984,687	
Deferred Tax Liabilities		-
Deferred Tax Income		7,999,542
Accumulated P&L A/C		18,985,145
Total	26,984,687	26,984,687

11. Fraudulent Draft Case

Bank had filed a case with the Kathmandu District Court for recovery of Rs. 32,000,000 on account of loss incurred by the Bank due to the negligence of collecting Banks. Since the decision of the District Court and Appellate Court was not in favor of the Bank, we have filed a leave petition with the Supreme Court. Hearing on the Bank's leave petition is under process. The Bank has already received Rs 9,640,625 from insurance company and 100 % provision has been made for the balance amount of Rs 22,359,375 against possible loss on this account.

12. Reconciliation Status of Agency Accounts Outstanding as on 16.07.2010

Reconciliation Status	Total Amount	< 3 months	>3 < 9 months	Rs. in 000 > 9 months
Agency Accounts	882,344	773,191	10,999	98,153

The un-reconciled entries represent unpaid credit entries, net of un-reconciled debit entries outstanding. All the un-reconciled entries are identified and being followed up with the correspondent banks. They will be adjusted in due course of business.

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

Rs.in 000

Particulars	Amount
Balance as on 16/07/2009	15,612,050
Loans Disbursed	73,591,290
Loans Recovered	71,195,351
Loans Written Off	44,348
Interest Suspense Written Off	70,120
Balance as on 16/07/2010	17,963,641

14. Summary of Changes in Deposit & Liabilities

Rs.in 000

Particulars	Current Year	Previous Year	Changes
Call Deposits	2,413,541	1,645,265	768,276
Current Deposits	2,861,878	2,864,733	(2,855)
Fixed Deposits	22,148,948	17,438,405	4,710,543
Inter-bank Deposit			
Margin Deposits	123,087	186,524	(63,437)
Saving Deposits	7,348,970	5,822,294	1,526,676

15. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of Return from Credit and Investments	7.37
Average Cost on Deposits	4.61
Net Spread	2.76

16. Particulars of Expenses yet to be Expensed-off

Rs. in 000

Premium paid on Development Bond	9,448
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17. Summary of Concentration Exposure

Rs.in 000

Particulars	Loans, Advances & Bills	Deposits & Borrowing	Contingent
Total amount as on 16/07/2010	17,963,641	35,004,598	6,554,285
Highest exposure to a single unit	364,404	10,125,466	321,933
Percentage of exposure to single unit/total	2.03%	28.93%	4.91%



18. Classification of Assets and Liabilities based on maturity

SN Assets:-		1-90 days	91-180 days	181-270 days	271-365 days	Over 1Year	Total
1	Cash Balance	8,156.80	-	-	-	-	8,156.80
2	Balance with Banks and FIs	26,255.82	-	-	-	-	26,255.82
3	Investment in Foreign Banks	22,420.55	9,350.00	84,285.39	2,992.00	-	119,047.94
4	Call Money						-
5	Government Securities	14,724.37	7,115.88	3,745.43	11,620.25	-	37,205.92
6	NRB Bonds	-	-	-	-	5,927.25	5,927.25
7	Inter Bank Lending	-	-	-	-	-	-
8	Loans & Advances	58,507.25	1,571.64	1,259.77	21,836.17	96,461.58	179,636.41
9	Interest Receivables						-
	From Investments - Treasury Bills	164.23	95.40	246.95	28.91		535.49
	From Investments - Govt Bond	6.43	84.62				91.05
	From Foreign Banks	41.05	427.46	5.26	44.47		518.24
	Loans & Advances	3,976.55					3,976.55
10	Reverse Repo						-
11	Financial Commitment from Other Institutions						-
12	Payment under Sr. No. 20,21 and 22		21,672.14	8,343.95	10,684.68		40,700.77
13	Others						-
	Total Assets	134,253.04	40,317.15	97,886.75	47,206.47	102,388.83	422,052.24
Liabilities:-		0-90 days	91-180 days	181-270 days	271-365 days	Over 1Year	Total
14	Current Deposits	20,849.65	-	-	-	9,000.00	29,849.65
14	A Call Deposit	17,935.41	-	-	-	6,200.00	24,135.41
15	Savings Deposits	14,699.23	-	-	-	58,790.47	73,489.70
16	Fixed Deposits	38,745.03	30,619.62	110,849.47	24,528.87	16,746.49	221,489.48
17	Debentures	-	-	-	-	2,000.00	2,000.00
18	Borrowings		-	-	-	-	-
	Call Money (SLF)	-					-
	Inter Bank Borrowing	-					-
	Refinance						-
	Others (cr mirror nostro balance)	-					-
19	Other Liabilities and Provisions						-
	Sundry Creditors	994.96					994.96
	Bills Payable	1,718.64					1,718.64
	Interest Payable	129.61					129.61
	Provisions (other than LLP)						-
	Others						-
20	Financial Commitment to Other Institutions						-
21	Unutilised Credit Commitments*	14,958.55	6,410.81				21,369.36
22	LC / Guarantee (Net)	17,398.27	1,933.14				19,331.41
23	Repo	-					-
24	Payment under Sr. No. 11						-
25	Other						-
	Total Liabilities	127,429.35	38,963.57	110,849.47	24,528.87	92,736.96	394,508.23
	Net Financial Assets	6,823.70	1,353.57	(12,962.73)	22,677.61	9,651.86	27,544.01
	Cumulative Net Financial Assets	6,823.70	8,177.27	(4,785.46)	17,892.15	27,544.01	

The unutilized credit commitments has been computed as per its definition given in Capital Adequacy Framework 2007 (updated in July 2008)

19. None of the bank's borrowings is against the collateral of its own assets.

20. Reclassification made in comparative figures

SN	Account Head	Schedule	Previous Year Figure	Reclassified Figure	Reason
1	Share Capital	4.1	874,527,840	1,224,338,976	Presentation of Proposed Bonus Share amounting to Rs 349,811,136 under Share Capital as required by NRB directives
2	Reserves and Funds	4.2	838,079,355	488,268,219	Presentation of Proposed Bonus Share amounting to Rs 349,811,136 under Share Capital as required by NRB directives
3	Borrowings	4.3	727,466,283	-	Credit balance in ledger of balance with bank and financial institutions amounting to Rs 727,466,283 presented under balance with bank and financial institutions. Earlier presented as borrowings.
4	Balance With Bank/ Financial Institutions	4.10	807,740,259	80,273,976	Credit balance in ledger of Balance With Bank and Financial Institutions amounting to Rs 727,466,283 presented under Balance With Bank and Financial Institutions. Earlier presented as borrowings.

21. Related Party Information and Transactions

21.1 Related Party Information

The bank is controlled by State Bank of India, which owns more than 50 % share of company.

21.2 Related parties transactions

Expense of Rs 12,868,000.63 during the financial year has been made for the technical support provided by Holding Company to Bank as per Technical Service Agreement (TSA) among the parties approved by Nepal Rastra Bank.

Total meeting fee paid to directors of bank for the fiscal year is Rs 1,656,000.

21.3 Outstanding Assets with related party

Total outstanding balances with related party as on 32nd Ashad 2067 is as follow

SN	Particulars	Holding Company	Rs. 000'
			Group Company (Excluding Holding Company)
1	Outstanding Placement	9,976,898.8	1,927,895.2
2	Outstanding Agency Balance	1,011,975.6	86,459.9



DISCLOSURE UNDER BASEL II

At the end of Ashad 2067

I. CAPITAL STRUCTURE & CAPITAL ADEQUACY

(Amount in Lacs)

i. Core Capital (Tier I)

PARTICULARS	Amount	Amount
A Paid UP Equity Share Capital		16,536.24
B Proposed Bonus Equity Share		2,077.00
C Statutory General Reserve		3,828.68
D Retained Earnings		-
E Unaudited Current Year Cumulative Profit		-
F Capital Adjustment Reserve		500.00
G Deferred Tax Reserve		269.85
H Current Year's P/L Account		42.49
G Other Free Reserve (Debenture Redemption Reserve)		1,142.86
I Less:	(96.91)	(96.91)
a) Fictitious Assets	-	
b) Investment arising out of underwriting commitments	(96.91)	
Total Core Capital (Tier I)		24,300.21

ii. Supplementary Capital (Tier II)

PARTICULARS	Amount
A Subordinate Term Debt	1,200.00
B General Loan Loss Provision	1,735.84
C Exchange Equalization Reserve	102.00
D Investment Adjustment Fund	6.42
Total Supplementary Capital (Tier II)	3,044.26

iii. Capital Fund (Tier I + Tier II)

PARTICULARS	Amount
Total Core Capital (Tier I)	24,300.21
Total Supplementary Capital (Tier II)	3,044.26
Total Capital Fund (Tier I + Tier II)	27,344.47

iv. Information about Subordinate Term Debt

6% Nepal SBI Debentures 2070 of Rs. 1,000/- each issued on 16.07.2006 and maturing on 15.07.2013

- Outstanding Amount	2,000.00
- Fixed Maturity Period of 7 Years from 16.07.2006	
- Interest Payment - Half Yearly	
- At the time of liquidation, right of claims will be only after depositors	
- Redeemable and Non-Convertible	
- Outstanding Balance of Redemption Reserve	1,142.86
- Amount raised during the year	NIL
- Amount Eligible to be reckoned as Capital Fund	1,200.00

v. Deduction Form Capital

PARTICULARS	Amount
A Fictitious Assets	-
B Investmetn arising out of underwriting comitments	96.91
Total Deduction	96.91

Vi. Total Qualifying Capital

Total Qualifying Capital	27,344.47
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vii. Capital Adequacy Ratio

Capital Adequacy Ratio	12.25%
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viii. Summary of Bank's Internal Approach to assess the adequacy of its capital to support current and future activities

A comprehensive ICAAP document is in place in this regatd.

ix. Features of Subordinate Term Debt

- Fixed Maturity Period of 7 years
- Interest payment half yearly
- At the time of liquidation, right of claims will be only after depositors
- Redeemable and non convertible

2. RISK EXPOSURE

i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk

PARTICULARS	Amount
A Risk Weighted Exposure for Credit Risk	205,802.86
B Risk Weighted Exposure for Operational Risk	11,961.20
C Risk Weighted Exposure for Market Risk	3,229.57
Total Risk Weighter Exposure (A+B+C)	220,993.63

Adjustments Under Pillar II

D "Add: 1% of the total RWE as Supervisor is not satisfied with the overall risk Management Policies and Procedures (6.4 a 9)"	2,209.94
E Add: % of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-
Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	223,203.57



ii. Risk Weighted Exposure under each II Categories of Credit Risk

PARTICULARS	Amount
1 Claims on Government and Central Bank	
2 Claims on Other Official Entities	1,714.23
3 Claims on Banks	26,554.18
4 Claims on Corporate and Securities Entities	98,267.77
5 Claims on Regulatory Retail Portfolio	22,522.75
6 Claims Secured by Residential Properties	15,228.77
7 Claims Secured by Commercial Real Estate	1,414.12
8 Past Due Claims	506.81
9 High Risk Claims	7,547.30
10 Other Assets	7,637.52
11 Off Balance Sheet Items	24,409.39
Total	205,802.84

iii. Amount of Non Performing Assets (Gross and Net Amount)

PARTICULARS	Gross Amount	Provision	Net Amount
A Restructured	2,274.48	603.46	1,671.02
B Sub-standard	129.75	31.90	97.85
C Doubtful	11.14	2.19	8.95
D Loss	2,510.44	2,457.55	52.89
Total	4,925.81	3,095.10	1,830.71

iv. Non Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
- Gross NPA to Gross Advances	1.48%
- Net NPA to Net Advances	0.09%

v. Movement of Non Performing Assets

S.No.	PARTICULARS	"Opening Balance (Chaitra End 2066)"	"Closing Balance (Ashad End 2067)"	Movement
	Non Performing Loan			
1	Sub-Standard	102.17	129.75	27.58
2	Doubtful	73.31	11.14	(62.17)
3	Loss	2,440.62	2,510.44	69.82

vi Writeoff of loans and interest Suspense

During the financial year the bank has written off Rs 44,348,000 loan (principal) and Rs. 51,555,332.43 interest suspense as per NRB Directive.

vii. Movement Of Loan Loss Provison and Interest Suspense Loan Loss Provision

S.No.	PARTICULARS	“Opening Balance (Chaitra End 2066)”	“Closing Balance (Ashad End 2067)”	Movement
1	Pass	1,719.03	1,735.84	16.81
2	Restructure	367.53	603.46	235.93
3	Sub-Standard	19.63	31.90	12.27
4	Doubtful	23.77	2.19	(21.58)
5	Loss	2,400.16	2,457.55	57.39
	Total Loan Loss Provision	4,530.12	4,830.94	300.82

Interest Suspense

S.No.	PARTICULARS	“Opening Balance (Chaitra End 2066)”	“Closing Balance (Ashad End 2067)”	Movement
1	Interest Suspense	2,774.18	2,832.56	58.38

viii. Details of Additional Loan Loss Provision

S.No.	PARTICULARS	Ashad End 2067
1	Pass	16.81
2	Restructure	235.93
3	Sub-Standard	12.27
4	Doubtful	(21.58)
5	Loss	57.39
	Total	300.82

ix. Segregation of the Bank's Investment portfolio

Investments are segregated as per NRB directive. At the present investment under category “Held for Trade” is Nil and investments under other categories are as follows:

A Investment Held to Maturity

S.No.	PARTICULARS	Cost Price(a Rs.	Impairment Till Date(b) Rs.	Impairment This Year Rs.	This Year Profit / Loss (a-b-c) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Nepal Government Treasury Bills	3,720,592,315.00	-	-	-	-	
2	Nepal Government Other securities	592,725,000.00	-	-	-	-	
3	Foreign Bank Investment (Placement)	11,904,794,000.00					
4	Other Investments (Inter Bank Lending)	50,500,000.00	-	-	-	-	
	Total Investment	16,268,611,315.00	-	-	-	-	



B. Investment Available for Sale

SN	PARTICULARS	Cost Price (a) Rs.	Previous Market Price(a)Rs.	Current Market Price (b)Rs.	This Year Investment Adjustment Reserve (b-a) Rs	Previous Year Profit /(Loss) Rs.	Remarks
I	Shares, Debentures and Bond of Domestic Entity						
	Listed	13,191,000.00	10,378,830.00	14,597,640.00	-	-	*
	Not Listed	23,830,500.00	-	-	-	-	**
	Total Investment	37,021,500.00	10,378,830.00	14,597,640.00	-	-	-

Note:

* Even though the current market price is higher than the cost price we have not marked these securities to market because the volume of transaction on these securities is very low.

** No Investment Adjustment Reserve has been maintained because NRB circular No 2067/68/4 has exempted maintenance of such reserve against investment in CICL, Nepal Clearing House and National Banking Training Institute

3. Risk Management Function**i. Strategies and Policies**

Credit risk process is a joint effort between its marketing and credit areas. Credit officers are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring seniority, protection and control of the bank's assets and collateral.

ii. The Structure and Organization of the Relevant Risk Management Function

The Board of Directors (BOD) is the ultimate authority in the decision making process. The process, however, is initiated at the business unit officers / business unit heads / ALCO level, credit control and goes through the Assistant General Manager, Managing Director, Credit Committee and the BOD. The risk management stops at different levels depending on the bank's policy relating to approval discretions. Further policy manuals on credit, risk management and operations are also available to guide the staff on day to day business.

iii. The Scope and Nature of Risk Reporting and / or Measurement Systems

Ris reporting / measurement system is done through regular customer interactions, site inspections & annual reviews. These are continuous processes. Further, review of the bank's performance is every quarter and findings are reported to the BOD.

iv. Policies for Hedging and / or the mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions / visits, during annual reviews, quarterly reviews and at meetings at various levels.

v. Eligible CRM

Particulars	Eligible CRM
Deposits with Bank	12,435.32
Deposits with other banks/Fl	-
Govt.& NRB Securities	2,122.39
G'tee of domestic banks	-
Total	14,557.71

PARTICULARS REGARDING LOAN AVAILED BY THE PROMOTER/PROMOTER GROUP SHAREHOLDERS FROM ANY BANK/FINANCIAL INSTITUTION AGAINST PLEDGE OF SHARES HELD BY THEM

S.No	Name of the Promoter/Promoter Group Shareholders	Shares Held by Promoters		Particulars Of the Loan		Remarks
		Total Number Of Shares	Percentage Of the Total Paid Up Capital	Name of the Lending Bank/ Financial Institution	Loan Amount	Number Of Shares Pledged
1	State Bank of India(SBI)	9,141,660	58.28%		Nil	Nil
2	Employees Provident Fund (EPF)	2,493,180	15.08%		Nil	Nil

Corporate Office, Hattisar, Kathmandu

Comparison of Unaudited and Audited Financial Statement as of FY 2066/67

Schedule 35

Rs. in '000

S. N.	PARTICULARS	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance	Reason for Variance
		as on 16.07.2010	as on 16.07.2010	In %	
		A	B	C=B-A	D=C/A%
I	Total Capital and Liabilities (1.1 to 1.7)	38,670,010	38,047,679		
I.1	Paid Up Capital	1,653,624	1,861,324	207,700	12.56%
I.2	Reserve and surplus	888,421	589,230	(299,191)	-33.68%
I.3	Debenture and Bond	200,000	200,000	-	0.00%
I.4	Borrowings	108,174	-	(108,174)	-100.00%
I.5	Deposits (a+b)	34,896,424	34,896,424	-	0.00%
	a. Domestic Currency	22,689,958	22,689,958	-	0.00%
	b. Foreign Currency	12,206,466	12,206,466	-	0.00%
I.6	Income Tax Liability	-	-	-	0.00%
I.7	Other Liabilities	923,367	500,701	(422,666)	-45.77%
2	Total Assets (2.1 to 2.7)	38,670,010	38,047,679		

2.1	Cash and Bank Balance	3,549,435	3,441,261	(108,174)	-3.05%	We normally have credit balance in ledger of some of the nostro accounts with SBI. Earlier, such credit balances were used to be disclosed as borrowings but now disclosed as balance with bank and financial Institutions (Sch 10).
2.2	Money at Call and Short Notice	-	-	-	0.00%	
2.3	Investments	16,255,133	16,305,633	50,500	0.31%	Loan to "B" and "C" class Financial Institutions earlier shown under Loans and Advances now shown under Investments as per NRB Directives
2.4	Loans and Advances (Gross)	18,031,772	17,480,548	(551,224)	-3.06%	"In the quarterly unaudited report, loans and advances was disclosed in gross figure without deducting provisions. However, in the audited FS, such amounts have been shown net of respective provisions. There has been slight increase in loan loss provision amount after publication of the quarterly report. Loan to "B" and "C" class Financial institutions earlier shown under loans and advances now shown under investments as per NRB Directive."
2.5	Fixed Assets (Net)	418,248	418,245	(3)	0.00%	
2.6	Non Banking Assets (Net)	-	-	-	0.00%	
2.7	Other Assets	415,422	401,992	(13,430)	-3.23%	In the quarterly unaudited report, amount of Draft Fraud case was disclosed in gross figure without deducting respective provision. However, in the audited FS, such amount has been shown net of respective provision. Amount of provision for income tax was also increased after quarterly publication.
3	Profit and Loss Account					
3.1	Interest Income	2,269,779	2,269,704	(75)	0.00%	Minor error in booking of interest income from investment rectified.
3.2	Interest Expenses	1,452,701	1,443,694	(9,007)	-0.62%	Overbooking of provision for interest expenses noticed and rectified after quarterly publication.
	A Net Interest Income (3.1-3.2)		826,011			
3.3	Fees, Commission and Discount	130,550	131,692	1,142	0.87%	"Insurance agency commission which was booked under cash and net basis has been booked on gross and accrual basis after quarterly publication. Certain commissions such as TC commission etc earlier booked under "other head transferred to "Fee, Commission and Discount" head."
3.4	Other Operating Income	78,895	78,797	(98)	-0.12%	Certain commissions such as TC commission etc earlier booked under "other Operating Income" head transferred to "Fee, Commission and Discount" head.
3.5	Foreign Exchange Gain/Loss (Net)	70,328	70,328	-	0.00%	
	B. Total Operating Income (A.+3.3+3.4+3.5)		1,106,828			
3.6	Staff Expenses	130,362	130,337	(25)	-0.02%	Rectification in computation of provision for leave encashment.
3.7	Other Operating Expenses	343,849	343,850	1	0.00%	
	C. Operating Profit Before Provision (B.-3.6-3.7)	622,640	632,641			
3.8	Provision for Possible Losses	60,338	62,351	2,013	3.34%	Certain shortfall in loan loss provision located and fulfilled after publication of the quarterly report.
	D. Operating Profit (C.-3.8)	562,302	570,290			
3.9	Non Operating Income/Expenses (Net)	2,549	2,553	4	0.16%	Due to rectification of error in calculation profit on sale of fixed assets.
3.10	Write Back of Provision for Possible Loss	56,621	56,621	-	0.00%	
	E. Profit From Regular Activities (D + 3.9+3.10)	621,472	629,465	7,993	1.29%	Due to combined effects of aforesaid changes.
3.11	Extraordinary Income/Expenses (Net)	(37,266)	(37,266)	-	0.00%	
	F. Profit before Bonus and Taxes (E + 3.11)	584,206	592,199	7,993	1.37%	Due to combined effects of aforesaid changes.
3.12	Provision for Staff Bonus	53,110	53,836	726	1.37%	Due to combined effects of aforesaid changes.
3.13	Provision for Tax	130,944	146,620	15,676	11.97%	Due to combined effects of aforesaid changes and error in computation located and rectified.
	G. Net Profit/Loss (F-3.12-3.13)	400,152	391,742	(8,410)	-2.10%	Due to combined effects of aforesaid changes.

Unaudited Financial Results (Quarterly)

As at end of the 4th Quarter (32/03/2067) of the Fiscal Year 2066/67

Schedule 36

Rs. in '000

S. N. PARTICULARS		This Quarter	Previous Quarter	Corresponding
		Ending as on 32.03.2067 (16.07.2010) Unaudited	Ending as on 31.12.2066 (13.04.2010) Unaudited	Previous Year Quarter Ending as on 31.03.2066 (15.07.2009) Audited
1	Total Capital and Liabilities (1.1 to 1.7)	38,670,010	36,433,822	31,396,985
1.1	Paid Up Capital	1,653,624	1,653,624	874,528
1.2	Reserve and surplus	888,421	793,653	838,079
1.3	Debenture and Bond	200,000	200,000	200,000
1.4	Borrowings	108,174	1,518,054	727,466
1.5	Deposits (a+b)	34,896,424	31,355,709	27,957,221
	a. Domestic Currency	22,689,958	21,531,311	17,687,754
	b. Foreign Currency	12,206,466	9,824,398	10,269,467
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	923,367	912,782	799,690
2	Total Assets (2.1 to 2.7)	38,670,010	36,433,822	31,396,985
2.1	Cash and Bank Balance	3,549,435	4,681,089	1,903,906
2.2	Money at Call and Short Notice	-	-	-
2.3	Investments	16,255,133	13,186,974	13,286,182
2.4	Loans and Advances (Gross)	18,031,772	17,760,741	15,612,051
	a. Real Estate Loan	971,375	966,900	1,177,483
	b. Home/Housing Loan	2,479,820	2,546,683	2,253,969
	c. Margin Type Loan	14,947	14,034	224,683
	d. Term Loan	1,020,622	1,063,709	1,446,773
	e. Overdraft Loan/TR Loan/WC Loan	9,736,046	9,758,810	9,002,142
	f. Others	3,808,961	3,410,605	1,507,001
2.5	Fixed Assets (Net)	418,248	333,943	253,581
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	415,422	471,074	341,265



Unaudited Financial Results (Quarterly) continue..

Schedule 36

As at end of the 4th Quarter (32/03/2067) of the Fiscal Year 2066/67

3 Profit and Loss Account	Up to this Quarter Ending as on 32.03.2067 (16.07.2010) Unaudited	Up to the Previous Quarter Ending as on 31.12.2066 (13.04.2010) Unaudited	Up to the Corresponding Previous Year Quarter Ending as on 31.03.2066 (15.07.2009) Audited
3.1 Interest Income	2,269,779	1,577,045	1,460,446
3.2 Interest Expenses	1,452,701	994,788	824,700
A Net Interest Income (3.1-3.2)	817,078	582,257	635,745
3.3 Fees, Commission and Discount	130,550	90,789	78,837
3.4 Other Operating Income	78,895	59,776	52,790
3.5 Foreign Exchange Gain/Loss (Net)	70,328	52,701	61,294
B.Total Operating Income (A.+3.3+3.4+3.5)	1,096,851	785,523	828,666
3.6 Staff Expenses	130,362	92,237	121,989
3.7 Other Operating Expenses	343,849	225,393	223,966
C. Operating Profit Before Provision (B.-3.6-3.7)	622,640	467,893	482,712
3.8 Provision for Possible Losses	60,338	31,010	40,345
D. Operating Profit (C.-3.8)	562,302	436,883	442,366
3.9 Non Operating Income/Expenses (Net)	2,549	2,297	2,516
3.10 Write Back of Provision for Possible Loss	56,621	55,361	198,673
E. Profit From Regular Activities (D + 3.9+3.10)	621,472	494,541	643,556
3.11 Extraordinary Income/Expenses (Net)*	(37,266)	(38,366)	(156,221)
F. Profit before Bonus and Taxes (E + 3.11)	584,206	456,175	487,335
3.12 Provision for Staff Bonus	53,110	41,470	44,303
3.13 Provision for Tax	130,944	109,320	126,658
G. Net Profit/Loss (F-3.12-3.13)	400,152	305,384	316,373

4 Ratios	At the End of this Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1 Capital Fund to Risk Weighted Assets (RWA)	14.28%	13.43%	12.18%
4.2 Non Performing Loan (NPL) to Total Loan	1.47%	1.47%	2.02%
4.3 Total Loan Loss Provision to Total NPL	181%	173.00%	152.02%
4.4 Cost Of Fund	4.61%	4.32%	4.03%
4.5 Credit to Deposit Ratio (Calculated as per NRB Directives)	71.52%	74.13%	80.56%



नेपाल राष्ट्र बैंक
बैंक सुपरिवेक्षण विभाग
गैर-स्थलगत सुपरिवेक्षण महाशाखा



केन्द्रीय कार्यालय
 बालुवाटार, काठमाडौं
 पोष्ट बक्स नं. : ७३
 फोन नं. : ४४१७४९७
 आन्तरिक: २०४, २०५ र २०६
 फ्याक्स नं. : ४४१२३०६
 E-mail : bsdo@nrb.org.np
 Web Site: www.nrb.org.np

पत्रसंख्या:- बै.सु.वि./अफसाइट/एजिएम/१८/२०६७-६८

मिति २०६७/७/१०

नेपाल एसबिआई बैंक लिमिटेड
हात्तीसार, काठमाडौं ।

विषय: वित्तीय विवरण प्रकाशनको स्वीकृति तथा लाभांश वितरण सम्बन्धमा ।

महाशय,

तहाँको मिति ७ अक्टोबर, २०१० को पत्रको सन्दर्भमा लेखिदैछु ।

त्यस बैंकको आर्थिक वर्ष २०६६/६७ को वासलात, नाफा नोक्सान हिसाव र सोसंग सम्बन्धित अनुसूचीहरू सहितको वित्तीय विवरणहरू देहायको निर्देशन सहित प्रकाशित गर्न स्वीकृति तथा तहाँबाट प्रस्ताव गरे बमोजिम चुक्ता पूजीको ५ प्रतिशत नगद लाभांश र १२.५ प्रतिशत बोनस शेयर वार्षिक साधारण सभाबाट स्वीकृत भएको आधारमा वितरण गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

लेखापरीक्षकले औल्याएका कैफियतहरूको सुधार गर्न र त्यस्ता कैफियतहरू पुनः दोहोरिने नदिने व्यवस्था मिलाउन ।

उपरोक्त निर्देशनलाई त्यस बैंकको वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्नु हुन अनुरोध गर्दछु ।

भवदीय,

(मुकुन्द महत)
 उप-निर्देशक

बोधार्थ :

१. नेपाल राष्ट्र बैंक
 बैंक तथा वित्तीय संस्था नियमन विभाग ।
२. नेपाल एसबिआई बैंक लि. डेस्क ।

Letter of Nepal Rastra Bank

Nepal Rastra Bank
Bank Supervision Department
Off-site Supervision Division

Central Office
Baluwatar, Kathmandu
PO Box No. 73
Telephone-(977 1) 4417497
Internal- 204, 205 & 206
Fax-(977 1) 4412306
Email-bisdoffsite@nrb.org.np
Web Site: www.nrb.org.np

Ref. No.: Bai.Su.Bi./Offsite/AGM/18/2067-68

Date: 27th Oct, 2010

Nepal SBI Bank Ltd.
Hattisar, Kathmandu

Subject: Regarding approval for publication of financial statements and declaration of dividend.

Dear Sir,

This is in reference to your letter dated 7th October, 2010.

I hereby inform, as decided, that approval has been accorded to publish the Financial Statements for the Financial Year 2009-10 including Balance Sheet, Profit and Loss Account and related Schedules and to distribute 5% cash dividend and 12.5% bonus shares of the Paid-up capital subject to the approval of the Annual General Meeting of the Bank.

Statutory Audit observations shall be implemented and arrangement shall be made so that such irregularities are not repeated.

Requested to publish the aforesaid direction in a separate page of the Bank's report.

Yours faithfully,
-Sd-
Mukunda Mahat
Dy-Director

C.C:

1. Nepal Rastra Bank
Banks and Financial Institutions Regulation Department.
2. Nepal SBI Bank Limited Desk

