

18th Annual Report 2010-2011



Less is More
Minimizing Risk, Maximizing Return



Over the last four years, we have grown larger and stronger - in terms of business, geography and resources. This was achieved by relying on the fundamentals. Our achievements were founded on basic banking norms - quality, consistency and transparency of capital base, sound liquidity, a robust risk management framework coupled with the practice of good corporate governance and above all the tireless focus on customer satisfaction.

Minimalism describes movements in various forms of art and design, where the work is stripped down to its most fundamental features. Focussing on the little things. The finest details. The bare essentials.

Our approach. Our success. Our progress. We attribute to Minimalism.



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Note: In Nepal fiscal year ends on the last day of the month of Ashadh i.e. mid-July as per Gregorian Calendar. FY 2067/68 denotes FY 2010/11.

Introduction

Nepal SBI Bank was incorporated in Nepal on April 28, 1993, as a public limited company. It commenced operations on July 7, 1993, and is principally engaged in the business of banking, as defined in the Banks and Financial Institutions Act, 2006. The Bank is listed on Nepal Stock Exchange, Kathmandu.

Nepal SBI Bank has since expanded into a network of 59 banking and non-banking outlets including 50 full-fledged commercial banking branches, 6 extension counters and 3 administrative offices. A network of 68 online ATMs covering all major cities in Nepal, 24 hours Mobile Banking and Internet Banking services support the delivery for speedier customer service. As on July 16, 2011, the Bank with a staff complement of 505 employees, had an equity of Rs. 2.1 billion and total assets of Rs. 46.1 billion, with more than 3,00,000 banking customers.

The Bank has been taking up diverse Community Service. Initiatives beyond the call of regular banking business, to establish itself as a responsible corporate citizen of this great nation. Its aim is to become "the banker to every Nepali"



Our Aspiration

"The Banker to Every Nepali"

Our Commitment

"First in Customer Satisfaction"



Strategic Objectives

The key elements of our overall strategic goal are to build an open and honest corporate culture and to engage actively on mutual beneficial relationship with all our stakeholders to create value for them. We aim to achieve our strategic goal by achieving following six key objectives:

- To care for customers' evolving needs and expectations by providing suitable products and services
- To create a great place to work
- To practice exemplary governance and accountability.
- To work in harmony and in mutual satisfaction with our Business Partners.
- To provide returns on the investment of our owners.
- To invest in local communities in which we operate for the benefit of the society at large.





Code of Ethics

- Directors, India Based Officers (IBOs) and Employees shall conduct business transactions fairly and equitable without being unduly influenced by individual 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 if he/she holds the position of Managing Director or Executive Director.
- No member of the Board, Management Committee and Employees shall engage directly or indirectly in any activities which are against the interest of the Bank and not 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 valuable 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 not, 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 bank's premises and use or allow unauthorized persons to use such asset without obtaining prior permission from the authorized person of the bank.

Expression Economized



Annual Report of Board of Directors



Nepal SBI Bank Ltd. ended FY 2067-68(2010-11) with a substantial growth in profit, encouraging improvement in efficiency and considerable strengthening of its reach driven by steady growth. All these were achieved in the context of considerable challenges posed by the global and local banking and economic scenario in an intensely competitive banking environment.

The Operating Environment

The operating environment in Nepal has been challenging for many years and the present review year was no exception. High inflation and low business confidence have made things difficult for the industry. The country's real GDP grew at a meagre rate of 3.5 percent at basic price. This meagre real GDP growth can largely be attributed to the mere 4.1 percent growth in Agricultural sector due to adverse weather conditions in the country. Industry and Manufacturing and Service sectors grew by only 1.4 and 3.6 percent respectively during the year, as against the growth of 3.9 percent and 6.3 percent respectively during previous year.

There have been some welcome developments too. The annual average consumer inflation remained at previous year's equivalent of 9.6 percent during the review period. Thanks to lowered increment of 5.4 percent in the prices of non-food and services group. On the external front, owing to the increase in export and substantial decrease in import, the increment rate of export overreached the import rate for the first time in the last decade. Consequently, the rate of Trade deficit has decreased significantly. However, in respect of country-wise trade, it's been more India centric (almost two third) than in the

past years. Foreign employment sector that was hit hard by global economic crisis showed signs of recovery as indicated by increasing demand of Nepali migrant workers in the international labor market and subsequent inflow of remittances which grew by 9.4 percent during FY 2067-68 to reach to a record level of Rs. 205 billion.

The financial crisis that started in the Western economies a few years back is gradually engulfing the economies of both developed and developing countries, causing the global output forecast to shrink. As part of global financial and economic system albeit less significantly, the Nepalese economy could feel the impact of the global financial crisis through different routes like a slowing down in the rate of remittance growth, a recessionary tourism sector, decline in foreign aid, and a demand-deficient manufacturing sector. While a slowing of the first three components will affect poverty reduction and development initiatives, the decline in global demand for Nepali-manufactured products will put direct downward pressure on growth rate. However, we can see some positive improvements in the flow of remittances as well as amelioration of tourism sector during the later period of the review year.



The Banking Industry

The banking industry continued to witness geographic and numeric expansion in terms of outlets, however at a decelerated pace. There are 31 'A' class commercial banks, 87 'B' class Development Banks and 79 'C' class Finance Companies and other financial intermediaries in the market. Branches of the commercial banks expanded to 1,111 at the end of review fiscal year vis-à-vis 966 at the end of Ashadh 2067.

The Regulators introduced stringent regulations relating to investment in real estate due to fears of an asset bubble, but such regulations were relaxed a bit later on.

The country's secondary market saw serious setback during the year as the total market capitalization of the listed companies (mostly Financial Sector) decreased by 14.17 percent to Rs. 323.4 billion as on Ashadh 2068 compared to that of Rs. 376.8 billion on Ashadh 2067 due to substantial decrease in NEPSE Index which was 362.2 points, its lower level in recent years.

Liquidity continued to worry the industry especially during the first six months of the year which resulted in higher short and medium term interest rates. Mobilizing deposits in a high inflation and tight liquidity environment has been a challenge. However, the later months of the fiscal year showed some signs of relief as the liquidity crunch softened and deposits began to flow into the banking system.

In 2067-68, the deposit of commercial banks increased by Rs. 57.3 billion as against 68.7 billion during last financial year. Similarly, Loan and advances of commercial banks increased by Rs. 56.9 billion as against Rs. 67.6 during the last financial year.

The capital adequacy ratio of most of the banks exceeded both local and international regulatory requirements. The industry also witnessed significant progress in product innovation and service delivery.

Despite these constraints, the banking sector maintained its profitability levels and improved other performance indicators.



Other Factors Impacting Business of Bank

Statutory Liquidity Ratio (SLR) rate has been fixed to 15% in case of commercial banks in the Monetary Policy of 2010-11 which was 8% earlier. But this 15% rate is inclusive of CRR 5.5%. Regulators have defined the items viz. investment in government securities, cash in vault of FIs, Cash Reserve Requirement and excess liquidity over CRR to be counted in SLR. Though this provision helps ensure solvency of the banks in general and strengthens liquidity position in particular, it impels banks to augment the investment in Government securities and thus restricts the expansion of credit.

During the year, Nepal Rastra Bank (NRB) unveiled the much talked about Merger and Acquisition Guidelines to consolidate the country's financial sector. The guidelines are expected to prompt banks and financial institutions (BFIs) to go for amalgamation. The Central Bank, through the merger guidelines, has offered regulatory relaxations to prepare a ground for mergers among BFIs. The central bank has relaxed provisions on branch expansion, single obligor limit, deprived sector lending, and expansion of operational area, upgradation, and capital adequacy ratio for a certain period, for BFIs going for merger.

Measuring Our Success

Despite the unfavorable macro-economic conditions and intensely competitive local banking industry, the Bank was successful in improving 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.

Financial Performance

Amount in Rs. million

Results for the year	Fiscal Year		Growth	
	2067-68	2066-67	Volume	Percentage
Total Operating Income	1,421	1,106	315	28.46
Operating Profit	674	570	104	18.23
Net Profit	465	392	73	18.59
Provision for Income Tax (Current Year)	207	183	24	13.11

Amount in Rs. million

Position at the year end	Fiscal Year		Growth	
	2067-68	2066-67	Volume	Percentage
Shareholder' Funds	2,870	2,441	429	17.57
Deposits	42,415	34,896	7,519	21.55
Gross Loans and Advances	21,719	17,964	3,755	20.90
Total Investment	18,911	16,306	2,605	15.98
Total Assets	46,088	38,048	8,040	21.13

Information per share (Rs.)	Fiscal Year		Growth	
	2067-68	2066-67	Volume	Percentage
Earnings	24.85	23.69	1.16	4.90
Dividend (including Bonus)	17.50	17.58	-	-
Market Value at the year end	565	741	-176	-23.75
Book Value at the year end	153.51	147.61	5.90	4.00

Financial Ratios	Fiscal Year		Growth	
	2067-68	2066-67	Change	
Return on Shareholders' Equity (%)	16.19	16.05	0.14	
Return on Net Fixed Assets (%)	111.41	93.66	17.75	
Price Earnings Ratio (Times)	22.74	31.28	(8.54)	
Interest Income/Loans & Advances (%)	11.24	9.80	1.44	

Capital Fund Ratio (%)	Fiscal Year	
	2067-68	2066-67
Adequacy of Capital Fund on Risk Weighted Assets		
- Core Capital	10.32	10.89
- Supplementary Capital	1.20	1.36
- Total Capital	11.52	12.25
Non-Performing Loan (NPL) to Total Loan	1.10	1.48



Corporate Citizenship



CODE OF ETHICS

The Bank is fully complying with 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. Similarly, the Bank has 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.

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. The 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. The Bank is compliant with comprehensive Internal Capital Adequacy Assessment Process (ICAAP), and also has separate policies for Credit Risk, Market Risk and Operational Risk Management. In accordance with these policies, four Risk Management Committees—ICAAP Review Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee—have been 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.

SOCIAL RESPONSIBILITY INITIATIVES

We have continued our approach towards taking social responsibility initiatives as an essential characteristic of our business and as a 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 to the weak and underprivileged. During the year, we have supported directly or in partnership with other organizations, various individuals, groups or institutions in the wider area of social life including Health, Education, Sports, Environment Conservation etc.

Value Creation and Allocation

The Board of Directors recommends the following appropriations for the financial year ended Ashadh 2068

Amount in Rs. Thousand

PARTICULARS	Fiscal Year	
	2067-68	2066-67
Creation		
1. Accumulated Profit up to Last Year	4,249	3,849
2. Current Year's Profit	464,565	391,742
3. Capital Adjustment Reserve up to Previous Year	50,000	65,000
Total	518,814	460,591
Allocation		
1. General Reserve	92,913	78,348
2. Proposed Dividend (5 %)	93,465	83,080
3. Proposed issue of Bonus Shares (12.5%)	233,663	207,700
4. Exchange Fluctuation Reserve Fund	79	
5. Capital Adjustment Reserve	30,000	50,000
6. Investment Adjustment Reserve	24,572	642
7. 6% NSBL Debenture 2070 Redemption Reserve	28,571	28,571
8. Deferred Tax Reserve	12,699	8,000
9. Accumulated Profit/(Loss)	2,852	4,249



Statutory Auditor



M/s P.L. Shrestha & Co, Chartered Accountants, conducted statutory audit of the Bank for the FY 2010-11. New statutory auditors for the fiscal year 2011-12 will be appointed in the forthcoming AGM as per the recommendation of the Bank's Audit Committee.

Changes in the Board of Directors

After the change in incumbency of Shri Pratip Chaudhuri, Shri H. G. Contractor has been nominated by SBI in his place. Further, as a result of the election held on the 17th AGM (11-01-2011) for the directors of the Bank representing the General Public Shareholders, Shri Niranj Kumar Tibrewala and Shri M. K. Agrawal have been elected to be nominated in the Bank's Board by the AGM. Consequently, Ms. Hasana Sharma representing EPF has been appointed to the post of chairperson. Likewise, Shri Alok K. Sharma has recently been nominated by SBI to replace Shri N. K. Chari as the Managing Director. On behalf of the Directors, we would like to place on record our appreciation for the contribution made by Shri Shrestha (Former Chairman of the Board of Directors), Shri Chaudhuri (Former Dy. Managing Director, & Group Executive (International Banking), SBI and currently Chairman of SBI), and Shri Chari (Former Managing Director) in guiding the affairs of the Bank during their tenure and welcome Shri Contractor, Shri Tibrewala and Shri Sharma as new members to the Board.



Further Information and Disclosure

All the statutory requirements on disclosure of information including under Section 109(4) of the Companies Act 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 2067-68. 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

Due to various initiatives taken in the past, we have established ourselves firmly in the Nepali Banking arena. We have been performing better than the industry average under most of the key business indicators in the last couple of years and it will be our endeavour to take this drive further. As we have expanded our network of banking offices from 20 in 2008 to 56 in 2011, we need to consolidate our position and grow. Towards this, we have set up two Regional Offices in Biratnagar and Nepalgunj.

Due to hardening of interest rate on deposits, protecting interest spread is going to be challenging in future. Due to attractive interest rate being provided on fixed deposits, it is observed that savings bank and current account deposits have declined which is further going to increase cost of funds for banks.

After the end of last financial year, the liquidity situation in the market has improved but due to lack of viable banking projects, deployment of funds in profitable assets is going to be another challenge. This situation may affect the profitability of the banks in the coming quarters.

The Asian economy has been growing faster than the rest of the world and due to this the demand for Nepali migrant labour may continue to remain high which will ensure higher inflow of inward remittances in the country. In order to encash this opportunity we have launched our own web based remittances product

in the Middle East countries which will be launched gradually in other countries also where large number of Nepali migrant workers are located.

Capital requirement of the banks is likely to go up in the light of proposed introduction of Basel III by 2015 globally. In order to discourage demand for new licenses, Nepal Rastra Bank may also increase the minimum capital requirement for the banks. Considering the low key performance of the Capital Market in Nepal, raising capital from the primary market is likely to remain challenging particularly when many banks may require to do this.

Issuing operating instructions, introduction and dissemination of knowledge on new services and educating on corporate concerns to the large number of employees spread throughout the country is no less challenging a job. In this direction, we have started two new training centers at Biratnagar and Nepalgunj in addition to the earlier two at Kathmandu and Pokhara. Establishing all these training centers are aimed at imparting necessary skills to employees to update their job knowledge.

Bank will look forward to build a still larger customer base and provide services at affordable rate in order to continue its growth momentum. We will continue to endeavour in upholding Bank's image as a prudent, affordable and reliable financial institution with strong brand value.





Acknowledgement

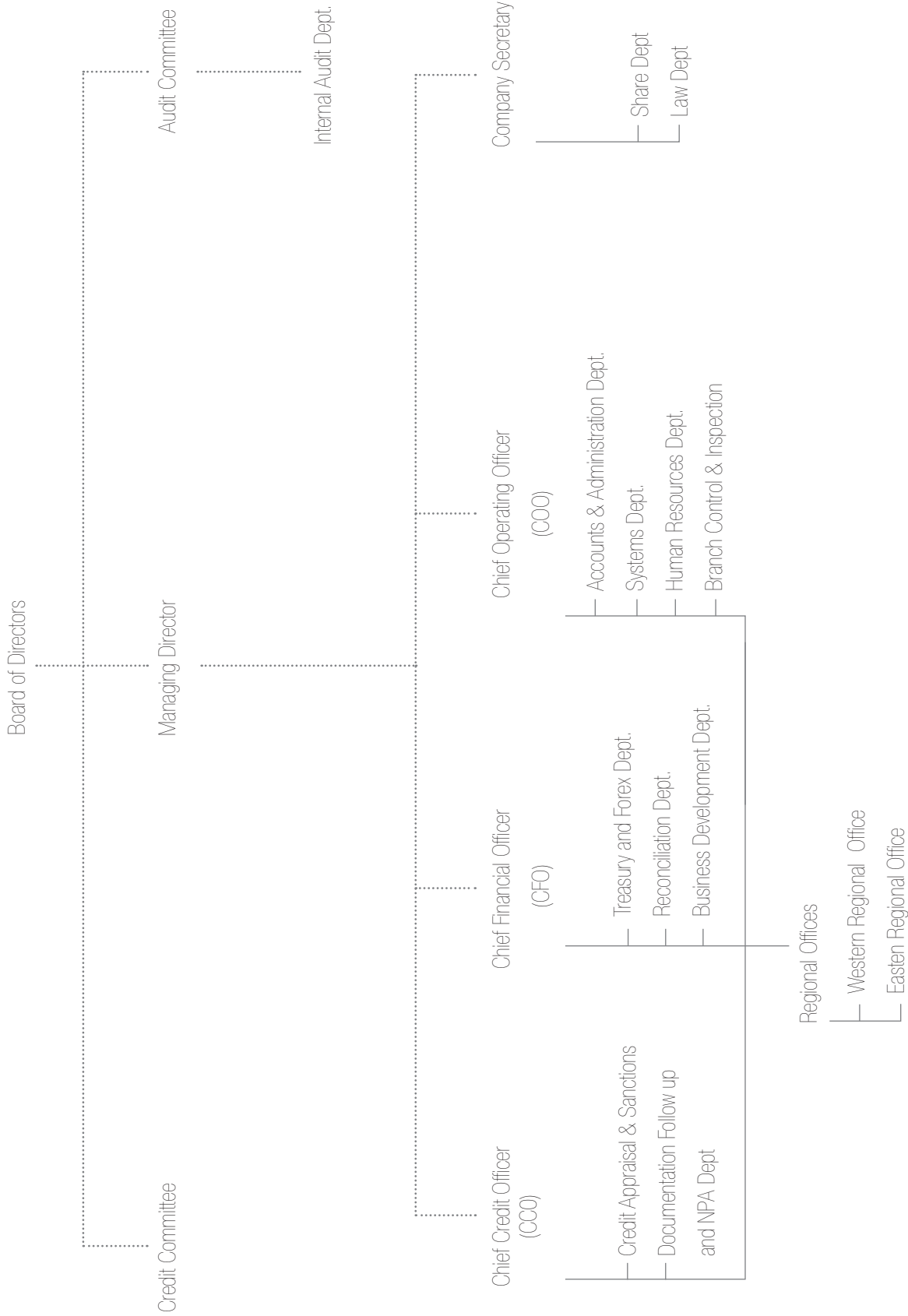
Finally, we would like to express our sincere appreciation to Nepal Rastra Bank, other regulatory bodies and State Bank of India for their guidance and support; to the shareholders and customers of the Bank for their patronage and business; to our business service providers for their continuous support 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.

Thank you !

Elegance Exemplified



Organisation Structure



Management Team

From Left to Right

Shri Arjun Nepal - Regional Manager (Eastern Region)

Shri Tulasi Ram Gautam - Chief Credit Officer (CCO)

Shri N. K. Chari - Managing Director & CEO

Shri Madhukar Anand - Chief Operating Officer (COO)

Shri Binod K. Mishra - Chief Financial Officer (CFO)

Shri Dev Raj Adhikari - Regional Manager (Western Region)



Head of Departments / Units

From Left to Right

Shri Chappi Raj Panta - Main Branch

Shri Bigyan Adhikari - Systems

Shri Sushil Chandra Mahat - Card

Shri Amlesh Ratna Sthapit - Treasury

Shri Badri Lal Amatya - Credit Appraisal & Sanctions

Shrimati Rashmi Kharel Karmacharya - Human Resources



Shrimati Roshani Bharati - Accounts and Administration

Shri Sushil Kumar Sharma - Business Development

Shri Umesh Bahadur Karki - Credit Documentation, Follow Up, Supervision & NPA

Shri Ramesh Ghimire - Law & Shares and Company Secretary

Shri Kamal Ram Bhattarai - Reconciliation

Shri Sudeep Khanal - Internal Audit

Shri Bishnu Dev Yadav - Commerical Branch



Management Review and Analysis

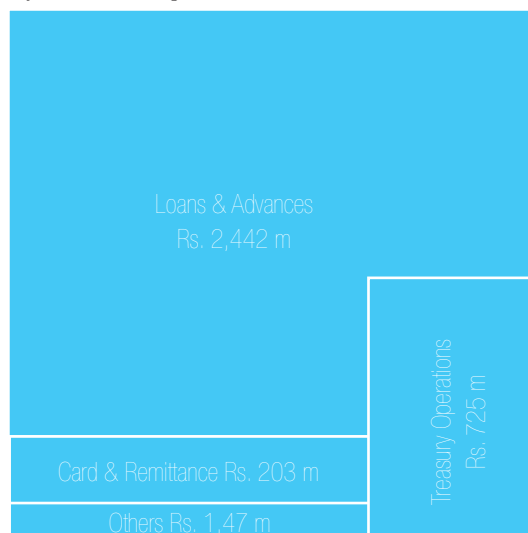
FINANCIAL REVIEW

Gross income

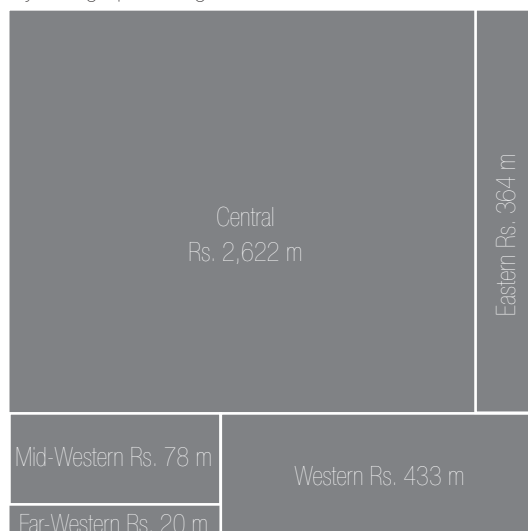
Rs. 3.5 billion

Up by 38%

By Business Segments



By Geographic Regions



VALUE ADDED STATEMENT

As on Ashadh end

	2067-68	2066-67
Value Added		
Income from banking services	3,517,101,949	2,550,521,349
Cost of Services	2,383,448,640	1,592,741,243
Value added by Banking Services	1,133,653,309	957,780,106
Non - Banking Income	(134,558,863)	(34,713,108)
Provision against non - performing assets	132,814,006	(5,729,268)
Total Value Added	1,131,908,452	917,337,730
Value Allocated To		
Employees	320,777,167	184,172,772
Salaries, allowances and other benefits	320,777,167	184,172,772
Providers of Capital	353,155,957	394,218,140
Cash Dividend	93,465,163	83,080,145
Bonus Shares	233,662,907	207,700,362
Interest on debenture and interbank borrowings	26,027,887	103,437,633
Government	188,903,825	146,620,243
Income Tax	188,903,825	146,620,243
Expansion and Growth	269,071,503	192,326,575
Depreciation	131,634,574	91,364,963
Retained in Business	137,436,929	100,961,612
Total Value Allocated	1,131,908,452	917,337,730

Profit before bonus and taxes

Rs. 718.8 m

up from Rs. 592.2m in the previous Fiscal Year

Net Profit

Rs. 464.5 m

an increment of 18.6% from Rs. 391.7m of FY 2066-67

Non Performing Assets (NPA)

0.38pp down

from 1.48% to 1.10% on Year-to-Year basis.

Gross Additional Lending

Rs. 3.7 b

and additional deposit of Rs. 7.5b mobilized during the year

Capital Adequacy Ratio

11.5%

as against the statutory requirement of 10.0%.

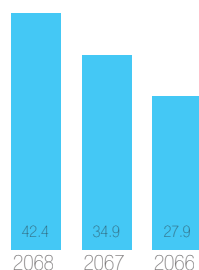
Liquid Assets

Rs. 10.6 b

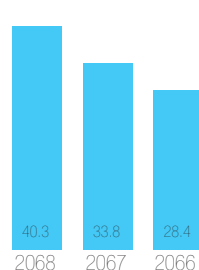
and Liquidity Ratio as per Basel II was 36.3% as on Ashadh end 2068.

As on Ashadh End
(in Rs. Billion)

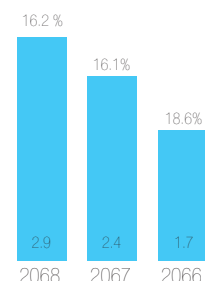
Deposits



Lending & Investments



Shareholders Fund & ROE (%)



Total Tax Paid

Rs. 207.8 m

including Rs. 19.77 million paid on behalf of employees.

Credit - Deposit Ratio

51.2%

and earned average interest of 11.24% on loans with improved interest rate spread of 2.86%

Customer Base

308,644

an increase of 109,680 number of retail customer during the year.

Return on Net Fixed Assets

111.4%

improved return on net fixed assets.
(FY 2066-67: 93.6%)

Human Capital

Rs. 9,19,931

net earning per employee (Total : 505) for bank during the year

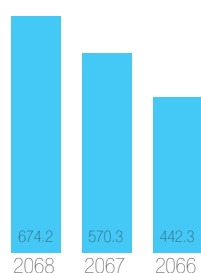
Network

27%

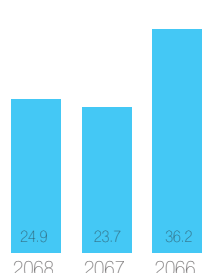
increment in physical representation with 7 branches, 18 ATMs and 2 non-banking offices added since last Fiscal Year.

As on Ashadh End

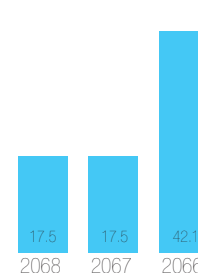
Operating Profit (in Rs. Million)



Earning Per Share (in Rs.)



Dividend Per Share (%)



Horizontal and Vertical Analysis

Balance Sheet

Financial Position	Figures are in Rs. millions		Horizontal Analysis		Vertical Analysis	
	as on Ashadh End		Variance		Composition	
	2068	2067	2068 to 2067	2067 to 2066	In 2068	In 2067
CAPITAL & LIABILITIES						
1. Share Capital	2103.0	1861.3	13.0%	52.0%	4.6%	4.9%
2. Reserves and Funds	776.3	589.2	31.8%	20.7%	1.7%	1.5%
3. Debentures & Bonds	200.0	200.0	0.0%	0.0%	0.4%	0.5%
4. Borrowings	0.0	0.0	-	-	0.0%	0.0%
5. Deposits	42415.4	34896.4	21.5%	24.8%	92.0%	91.7%
6. Bills Payable	80.7	72.4	11.5%	15.0%	0.2%	0.2%
7. Proposed Dividend	93.5	83.1	12.5%	351.3%	0.2%	0.2%
8. Income Tax Liabilities	0.0	0.0	-	-	0.0%	0.0%
9. Other Liabilities	419.3	345.3	21.5%	60.4%	0.9%	0.9%
Total Capital and Liabilities	46088.2	38047.7	21.1%	26.1%	100.0%	100.0%
ASSETS						
1. Cash Balance	1007.7	815.7	23.5%	25.1%	2.2%	2.1%
2. Balance with Nepal Rastra Bank	2330.9	1842.8	26.5%	314.9%	5.1%	4.8%
3. Balance with Banks/Financial Institution	1539.2	782.8	96.6%	875.1%	3.3%	2.1%
4. Money at Call and Short Notice	0.0	0.0	-	-	0.0%	0.0%
5. Investment	18911.0	16305.6	16.0%	22.7%	41.0%	42.9%
6. Loans, Advances and Bills Purchase	21365.8	17480.5	22.2%	15.5%	46.4%	45.9%
7. Fixed Assets	417.0	418.2	-0.3%	64.9%	0.9%	1.1%
8. Non Banking Assets	0.0	0.0	-	-	0.0%	0.0%
9. Other Assets	516.6	402.0	28.5%	26.2%	1.1%	1.1%
Total Assets	46088.2	38047.7	21.1%	26.1%	100.0%	100.0%



Profit and Loss Statement

Financial Position	Figures are in Rs. millions		Horizontal Analysis		Vertical Analysis	
	at Ashadh End		Variance		Composition	
	2068	2067	2068 to 2067	2067 to 2066	In 2068	In 2067
1. Interest Income	3104.2	2269.7	36.8%	55.4%	100.0%	100.0%
2. Interest Expenses	2096.0	1443.7	45.2%	75.1%	67.5%	63.6%
NET INTEREST INCOME	1008.2	826.0	22.1%	29.9%	32.5%	36.4%
3. Commission and Discount	247.2	131.7	87.7%	67.0%	8.0%	5.8%
4. Other Operating Incomes	95.2	78.8	20.8%	49.3%	3.1%	3.5%
5. Exchange Fluctuation Income	70.5	70.3	0.3%	14.7%	2.3%	3.1%
TOTAL OPERATING INCOME	1421.1	1106.8	28.4%	33.6%	45.8%	48.8%
6. Staff Expenses	255.4	130.3	96.0%	6.8%	8.2%	5.7%
7. Other Operating Expenses	445.1	343.9	29.4%	53.5%	14.3%	15.1%
8. Exchange Fluctuation Loss	0.0	0.0	0.0%	0.0%	0.0%	0.0%
OPERATING PROFIT BEFORE PROVISION	720.6	632.6	13.9%	31.1%	23.2%	27.9%
9. Provision for Possible Losses	46.3	62.4	-25.7%	54.5%	1.5%	2.7%
OPERATING PROFIT	674.3	570.3	18.2%	28.9%	21.7%	25.1%
10. Non Operating Income /Loss	3.1	2.6	19.2%	4.0%	0.1%	0.1%
11. Provision for Possible Loss Written Back	179.1	56.6	216.4%	-71.5%	5.8%	2.5%
PROFIT FROM REGULAR ACTIVITIES	856.5	629.5	36.1%	-2.2%	27.6%	27.7%
12. Profit/Loss from extra-ordinary Activities	-137.7	-37.3	269.4%	-76.1%	-4.4%	-1.6%
NET PROFIT AFTER CONSIDERING ALL ACTIVITIES	718.8	592.2	21.4%	21.5%	23.2%	26.1%
13. Provision for Staff Bonus	65.3	53.8	21.4%	21.5%	2.1%	2.4%
14. Provision for Income Tax	188.9	146.6	28.8%	15.7%	6.1%	6.5%
* Current Year's	206.5	183.0	12.8%	37.5%	6.7%	8.1%
* Previous Year's	-4.9	-28.4	-82.7%	-1192.4%	-0.2%	-1.3%
Deferred Tax	-12.7	-8.0	58.7%	-11.1%	-0.4%	-0.4%
NET PROFIT	464.6	391.7	18.6%	23.8%	15.0%	17.3%

Products and Business Performance

Through a widespread branch network in almost all major cities, towns and sub-urban areas coupled with alternative delivery channels, we aim to provide our customers with a wide array of offerings catering to all their banking needs.

Deposit and Account

Saral Bachat Khata: It is one of the most popular deposit accounts of the bank which has attracted more than 150,000 retail customers since its launch in year 2009. This account was targeted towards mid to low income group of people with lowered minimum balance requirement.

Ujjwal Bhavisya Bachat Yojana: This is a flexible recurring account which allows customers to deposit a sum of money periodically up to a desirable term. This product is especially useful for promoting savings and to use the fund received at maturity to fulfill personal needs that call for significant financial commitment.

Varistha Nagarik Bachat: Targeted at individuals above 49 years of age, this product provides customers with added benefits including higher rate of interest.

Karmachari Bachat Khata: This account service was launched with special focus on groups of salaried employees from government and/or non-government organisations including security personnel and teachers. Under the scheme, a group of individuals can open Saving Account and enjoy an array of concessional benefits on various services.

Shareholders' Account: Respecting the interests of the shareholders, the bank has offered to all its public shareholders, accounts with no minimum balance requirement. They can also receive the dividends and other payments by the bank on the same account.

Loans and Advances

Corporate and Business Loans: The bank offers loans to large corporate and institutional customers including public sector entities and service them with offerings ranging from loans to meet operational funding requirements to service related to strategic expansions, syndications, project finance etc.

Convenient Loan: This is tailor-made loan product devised with special focus on the needs of Small and Medium Sized Enterprises to meet their financing need in a very convenient manner.

Mortgage and Mortgage Plus: Both Mortgage as well as Mortgage Plus loans are personal credit given to individuals purely on the basis of their income level.

Other Retail Loans: Retail loans largely comprise of auto finance, home loan and credit for consumer durables. Credit card is not on offer yet.

Remittance

Nepal SBI Remit: This is a newly launched online international remittance service which offers a formal channel for the Nepali community residing all around the world to send money to Nepal.

Domestic Remittance Service: The bank started domestic remittance service in partnership with Prabhu Money Transfer. This product allows customers to send and receive money to and from any part of the country.

SBI Nepal Express Remit: This is a unique remittance product- the only one of its kind in Nepal. Nepali migrant workers residing and working in India can remit money at minimal charges from more than 14,000 branches of State Bank of India located in various parts of India. We are now receiving 600 remittance in averages per day through the service channel.

Indo-Nepal Remit: This is another remittance-from-India product launched by Reserve Bank of India which has chosen Nepal SBI bank to disburse the remittance money to the beneficiaries in Nepal.

WUMT's/PMT's Remittance: Customers can also receive remittance money send from abroad via remittance channels of Western Union Money Transfer as well as Prabhu Money Transfer at the branches of Nepal SBI Bank.

Card

Nepal SBI Card: This is an ATM cum Debit card which can be used at 68 ATM terminals of the bank as well as more than 24,000 ATMs of State Bank of India. Presently, there are more than 200,000 users of Nepal SBI Card which is rising very rapidly.

Bharat Yatra Card: Popularly known as BYC, this is a Nepalese Rupees denominated pre-paid card made for cash withdrawal and purchases while visiting India mainly for medical treatment, education, tours etc. Bank has already sold more than 14,000 Bharat Yatra Cards since its launch in November 2008.

Vishwa Yatra Card: Recently launched Vishwa Yatra Card is a USD denominated international prepaid card which the customers can use for cash withdrawal in all the ATM terminals under VISA network in any part of the world and for purchases.

Alternative Delivery Channels

Mobile Sakha: Mobile Sakha is mobile based banking service delivery channel which allows customers access various banking services like fund transfer, balance inquiry, bill payments, statement request, alert services etc.

Internet Banking: This state-of-the-art online banking channel provides customers with a PC and internet connection access to banking services 24x7 from anywhere.

Automated Teller Machine: Nepal SBI Bank has one of the largest network of ATM terminals both locally and internationally. Presently, the bank has 67 ATM terminals around the country and has access to more than 25,000 ATMs of State Bank of India group.

Auxiliary Services

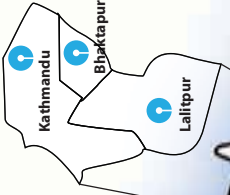
Utility Bill Payment:

Customers both accountholders and non-accountholders of the bank can pay their telephone bills, insurance premium, school and college fees at the bank's branches free of charges.

Safe Deposit Locker:

This is one of the popular auxiliary services of the bank. Presently customers can avail the service from 25 branches of the bank.





www.nepalsbi.com.np

Administrative Offices

Corporate Office

Kathmandu

Eastern Regional Office

Biratnagar

Western Regional Office

Nepalgunj

ATM Locations

Inside Kathmandu Valley (27)

1. Durbarmarg
2. New Road
3. Jawalakhel
4. Embassy of India
5. Bouddha
6. Bhat Bhateni Super Market (BBSM)
7. Maharajgunj
8. Gongabu
9. New Baneshwor
10. Bhaktapur
11. Hotel Sangrila, Lazimpat
12. Bharatiya Gorkha Sainik Niwas, Thamel
13. Kalanki
14. Chauni
15. New Road (2nd ATM)
16. Hattisar
17. Durbarmarg, (2nd ATM)
18. NLIC City Center, Kamalpokhari
19. BabarMahal
20. Kuleshwor
21. Dallu
22. Pepsicola, Purano SinaMangal
23. Teku
24. Gaushala, Kathmandu
25. Gwarko*
26. Mangal Bazar*
27. Putalisadak *

Outside Kathmandu Valley (40)

28. Pokhara
29. PPO Pokhara
30. Sunauli
31. Nepalgunj
32. BPKIHS, Dharan
33. PPO, Fushre, Dharan
34. Adarsha Nagar, Birgunj
35. Bhairahawa
36. Butwal
37. Narayanganj
38. Biratnagar
39. Birtamod
40. Janakpur
41. Palpa
42. Dang
43. Surkhet
44. Ilam
45. Hetauda
46. Gulmi
47. Itahari
48. Baglung
49. Damauli
50. Waling
51. Manipal Hospital, Pokhara
52. Rampur, Birgunj
53. Mahendranagar, Kanchanpur
54. Dhangadi, Kailali
55. Narayanganj (2nd ATM), Chitwan
56. Mahendra Chowk, Biratnagar (2nd ATM)
57. Damak, Jhapa
58. Big Bazar Departmental Store, Birgunj
59. Tikapur, Kailali
60. Abu Khairani, Tanahun
61. Lakeside, Pokhara
62. Butwal (2nd ATM)
63. Dabur Nepal, Shreepur, Parsa
64. New Road, Pokhara (2nd ATM)
65. Srijana Chowk, Pokhara
66. Shishuwa, Pokhara*
67. Baglung (2nd ATM), Baglung*
68. Palpa (2nd ATM), Palpa*

Branch Locations

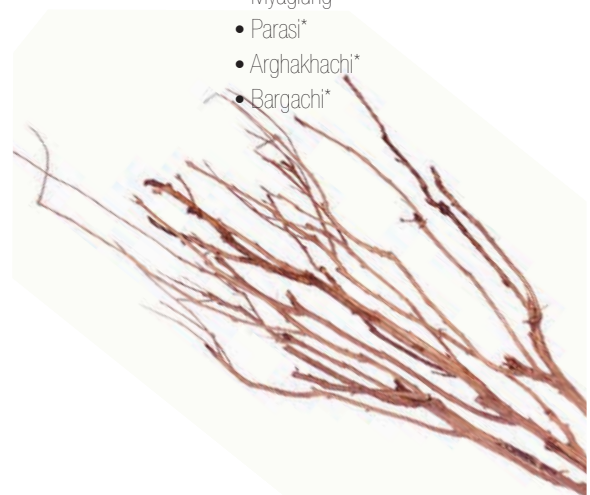
Inside Kathmandu Valley (17)

- Durbar Marg
- New Road
- Teku
- Maharajgunj
- Gongabu
- Boudha
- New Baneshwor
- Kalanki
- Jawalakhel
- Bhaktapur
- Commercial Branch, Lainchaur
- Gwarko
- Dallu
- Kuleshwor
- Gaushala
- Bhainsepati*
- Pepsicola*

Outside Kathmandu Valley (33)

- Abukhairani
- Baglung
- Bhairahawa
- Biratnagar
- Birgunj
- Birtamod
- Palpa
- Butwal
- Dang
- Damak
- Damauli
- Dhangadi
- Dharan
- Gulmi
- Hetauda
- Itahari
- Ilam
- Janakpur
- Mahendranagar
- Narayanganj
- Pokhara
- Nepalgunj
- Rampur
- Shishuwa
- Srijana Chowk
- Surkhet
- Tikapur
- Waling
- Lahan*
- Myaglung*
- Parasi*
- Arghakhachi*
- Bargachi*

* Branches/ATMs opened after Ashadh end 2068.



Beauty Simplified



Human Resources and Industrial Relations

Our team of 505 employees share common values and culture that help us grow further. The enthusiasm, talent and commitment of our people are the source of the competitive strength of our bank which helps in seizing every opportunity present in today's market. We always aspire to create 'a team spirit' as part of our strategic objectives with passionate management and development of our people.

Recruitment and Selection

In order to satisfy the growing human resource needs that stem from the expansion of the branches and also from increase in volume of business, the Bank recruited and selected 60 new employees at various levels and deputed them with 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 as evident from the fact that 26% of all employees are female. In Nepal SBI bank, employees are sourced from every part of the country.

Human Resource Development

The Bank is committed at all 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 a quarterly training calendar with an objective to give every individual ample opportunities to improve his/her skills and professional competencies. During the fiscal year, a total of 1010 number of participants benefited from 110 training programs organized internally as well as externally.

Workplace Health and Safety Issue

During the year, the bank introduced Medical Insurance Policy for all its employees. Additionally, we address any potentially arising health and safety with utmost priority. We witnessed no instances/ events, illness and injuries that can be directed working man days (in FY 2066-67: 828 man days) were lost during the year to absenteeism in respect of the employees due to health issues.



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, we have undertaken Corporate Social Responsibility as an integral part of the way we do business. We believe in giving back to the society by taking initiatives with the intent to positively affect our stakeholders, which include our customers, sponsors, partners, employees, as well as our communities.

Even in difficult economic conditions, we have shown an unwavering commitment to our role as a good corporate citizen. We invest in CSR related-programs and projects within our three areas of activity: Social Service, Education and Sports, and Conservation of Natural Environment.

Under social service, Nepal SBI Bank has always tried to lend a helping hand to those who are less fortunate and in need of assistance. We have distributed food and other supplies to

victims of natural calamities, contributed to raise awareness on various social issues like educating girls, drug abuse and its effects, road traffic rules and management etc. Similarly, we have helped organize several health camps in different parts of the country as well as donated for various such events.

We also attempt to promote public interest by encouraging community growth and development through sponsoring sporting events and supporting educational activities. We provide scholarships to deserving students from poor families to pursue education at different levels. We also sponsor various international, national and regional level sporting events and also encourage our employees to participate in such community events wherever possible.

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.





Promoting Herbal Gardens in School Program

A child-centered, conservation focused, awareness-raising, practical and fun-filled initiative for school children across the Himalayas

विद्यालयमा जडीबुटी उद्यान

The herbal garden video sponsored by Nepal SBI Bank Ltd. highlights the students' learning experience during the making of their gardens in schools. Through watching the video the school children will feel encouraged to build their own school herbal garden. The video, as it explains the basic objective of medicinal and aromatic plant conservation, also guides the children with the process of making a herbal garden. The concept, while innovative for the children, is also interesting for the parents, teachers, families and communities at large.



Help promote the herbal gardens in schools in your community.



Corporate Governance

The Bank uses the term "corporate governance" to refer to the governance structure of organizational and operational practices of its leadership and management. 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.



Directors'

Statement of Responsibilities

The Directors have pleasure in presenting the Annual Reports and Accounts for the fiscal year 2067-68, which includes business performance review, risk management and internal governance report, stakeholders' relation reports etc. Contents of this Annual Report, financial Statements, Significant Accounting Policies used and the Notes to Accounts 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 Ashadh, 2068 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 that are faced by the bank. The Directors review this process through Risk Management Committee and specific steps has been taken by the Bank in managing both banking and non-banking risks are detailed in the section on "Risk Management" of this Report.

The Board of Directors has 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 is 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.

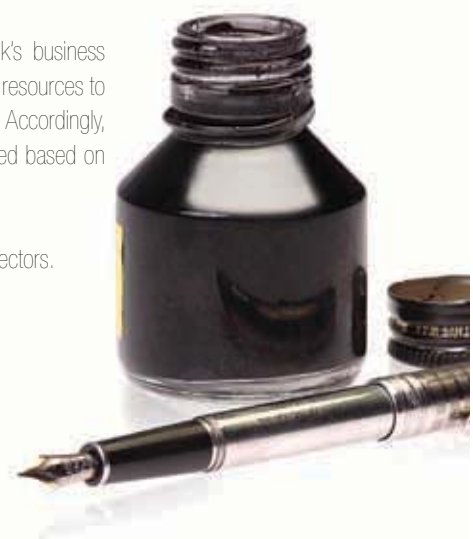
The Bank's External Auditor, M/s P.L. Shrestha & Co., Chartered Accountants, who were appointed in accordance with a resolution passed at the last Annual General Meeting have expressed their opinion on presentation of financial statements and governance of corporate matters and are part of this Report.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

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 has not been any material event that occurred subsequently 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 in time.

The Board of Directors has reviewed the Bank's business plans and is 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.



The Board of Directors



Ms. Hasana Sharma
Chairperson
Representing Employees' Provident Fund



Mr. Hemant G. Contractor
Director
Representing State Bank of India



Mr. Rajiv Pal Singh
Director
Representing State Bank of India



Mr. S. K. Bhattacharyya
Director
Representing State Bank of India



Mr. Manoj Kumar Agrawal
Director
Representing Public Shareholders



Mr. Niranjana Kumar Tibrewala
Director
Representing Public Shareholders



Mr. Mohan Raj Joshi
Director
Independent Professional Expert



Mr. N. K. Chari
Managing Director
Representing State Bank of India



The Board and Management

The Board is collectively responsible for the success of the Bank. Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board. In addition to their statutory duties, the Directors must ensure that the Board focuses effectively on all its accountabilities. The Board determines the strategic objectives and policies of the Bank to deliver long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls.

The Board delegates the responsibility for the day-to-day management of the bank to the Chief Executive and Managing Director and he is responsible for ensuring that the business is operating effectively. The Chief Executive chairs the Central Management Committee, which supports him in this role. The Central Management Committee is supported by a number of management committees, including the Market Risk Management Committee, the Credit Risk Management Committee, the Operational Risk Management Committee, the NPA and the NBA Management Committee.

The Audit Committee

A four member Audit Committee, which includes Internal Auditor of the Bank as member secretary, under chairmanship of a non-executive director has been established.

The Charter of the Audit Committee, which is periodically reviewed and revised by the board, clearly defines the terms of reference of the Audit Committee. 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 compliance affairs of the Bank.

During the review period, seven 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.

Additional Disclosure

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

- (i) No shares have been forfeited by the Bank during the year.
- (ii) Main transactions carried out by the Bank during the financial year 2067/68, 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 2067/68.
- (vi) The Bank has not so far purchased any of its own shares.

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

S. N.	Particulars	Amount (in Rupees)
(i)	Staff Expenses	255,430,285
(ii)	Other Operating Expenses	445,072,722

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

S.N.	Name of the Members	Position Held
i.	Mr. Manoj Kumar Agrawal, Public Director	Chairperson
ii.	Mr. Mohan Raj Joshi, Professional Expert Director	Member
iii.	Director (Other than Managing Director representing SBI)	Member
iv.	Mr. Sudeep Khanal (Internal Auditor)	Member Secretary

NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING 2067/68: SEVEN

MEETING ALLOWANCES PAID TO THE MEMBERS

Directors other than those representing SBI: Rs. 96,000.00

Director representing SBI: NIL

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 reconciliation status of Nostro Accounts.

(ix) **No Payment is due to the Bank from any Director, Managing Director, Executive Chief or the basic shareholders of the Bank or any of their close relatives, or from any firm, company or corporate body in which 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. 1,588,000.00 was paid to the Board members as the Board Meeting fee for the different meetings during 2067/68 (@ 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. 1,591,839.37 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. 255,430,285.69 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 2068:

Financial Year	Amount (Rs.)
2052/53	271,600.00
2053/54	260,000.00
2054/55	296,400.00
2055/56 & 2056/57	453,500.00
2059/60	685,801.20
2062/63	833,406.50
2063/64	1,560,945.00
2066/67	7,212,215.73
Grand Total	11,573,868.43

(xii) **No property was purchased or sold by the Bank during the year as stipulated under Section 141 of the Companies Act, 2063.**

(xiii) **No transaction was held between the Bank and its associate companies during the year as stipulated under Section 175 of the Companies Act, 2006.**

Progress Report for the current year:

The financial results for the 1st quarter of the current fiscal year have not been finalized as on the date of report writing. So we couldnot cover the progress of the 1st quarter of the current fiscal year. Readers are requested to refer to the financial results for first quarter of FY 2068/69 to be published in national daily newspaper by 16th Nov. 2011 .

Mrs. Hasana Sharma
Chairperson
B.S. 2068/8/10
Place: Kathmandu, Nepal

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

(Recommended to the 18th Annual General Meeting)

Existing Provision	Proposed Provision	Reason for the Amendment
Clause	Clause	
5.1	5.1	
a) The authorized capital of the Bank shall be Rs. 2,000,000,000/- (Rupees Two Billion), which shall be divided into 20,000,000/- (Twenty Million) ordinary shares of Rs. 100/- (Rupees one hundred) each.	a) The authorized capital of the Bank shall be Rs. 3,000,000,000/- (Rupees Three Billion), which shall be divided into 30,000,000/- (Thirty Million) ordinary shares of Rs. 100/- (Rupees one hundred) each.	To augment Bank's capital to meet its business requirements as directed by NRB.
b) The issued capital of the Bank shall be Rs. 1,869,303,258/- (Rupees One Billion Eight Hundred Sixty Nine Million Three Hundred Three Thousand Two Hundred and Fifty Eight)	b) The issued capital of the Bank shall be Rs. 2,102,966,165/- (Rupees Two Billion One Hundred Two Million Nine Hundred Sixty Six Thousand One Hundred and Sixty Five)	To issue bonus shares.
c) The paid-up capital of the Bank shall be Rs. 1,869,303,258/- (Rupees One Billion Eight Hundred Sixty Nine Million Three Hundred Three Thousand Two Hundred and Fifty Eight)	c) The paid-up capital of the Bank shall be Rs. 2,102,966,165/- (Rupees Two Billion One Hundred Two Million Nine Hundred Sixty Six Thousand One Hundred and Sixty Five)	

DISCLOSURE RELATED TO SUB RULE (1) OF RULE 22 OF SECURITIES REGISTRATION AND ISSUANCE REGULATION, 2065

- Report of Board of Directors:** Included in the Annual Report
- Report of the Auditors:** Included in the Annual Report
- Audited financial Details:** Included in the Annual Report
- Details relating to Legal Action**
 - Law Suits filed by/against the Bank:
 - 13 law suits have been filed against the bank in respect to credit / NPA and general matters.
 - 2 law suits have been filed by the bank against different borrowers / guarantors for recovery of dues.
 - Law Suits filed by/against the promoters/directors involving charge of regulatory violations or criminal offences: Nil
 - Case filed against any promoters/directors for financial fraud: Nil
- Analysis of share transaction and progress of Organized Institution:**
 - Management view on share transactions of the Bank on Nepal Stock Exchange:
As the Nepal Stock Exchange is operating under the supervision of Securities Board of Nepal, management has no comment on the same.
 - Maximum, minimum and closing share price of organized institution including total transacted number of shares and transacted days during the Year 2067-68:

Quarter (Months)	Maximum Share Price	Minimum Share Price	Closing Share Price	Total Transacted No. of Shares	Total Number of Trading Days
First Quarter					
(Ashwin 2067 End)	766	620	695	59,580	59
Second Quarter					
(Poush 2067 End)	785	570	580	116,311	53
Third Quarter					
(Chaitra 2067 End)	676	491	525	24,010	51
Fourth Quarter					
(Ashadh 2068 End)	579	400	565	43,340	49

6. Problems and Challenges

a. Problems and Challenges Faced:

i. Internal: N/A

ii. External:

Increasing cost of operations/fund.

Competitive banking market.

Liquidity Crunch.

b. Strategy followed by the management in solving such problems and challenges:

- Branch expansion drive initiated with a view to target low cost deposits and business growth through large network.
- Targeting good quality loan customers.
- Regular In-House training to enhance work performance.
- Good industrial relations.

7. Corporate Governance

i) The Bank has been fully complying with the directions, guidelines issued by NRB regarding Corporate Governance.

ii) Regular Central Management Committee Meetings to review progress in various areas of operations.

iii) Bank's Internal Audit Department has been strengthened.

iv) Board of Directors and its Committees' meeting on regular basis.

v) ALCO and Risk Management Committee (Operation, Credit and Market) meetings are held regularly.

8. Declaration of Chairman/Chief Executive on truthfulness, correctness:

I, as at the date, 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 descriptions 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.

Managing Director

A. Disclosure under clause 8(b) of Nepal Rastra Bank's Unified Directive No. 6, 2068

S. No.	Name of the Director	Name of the debtor (Individual/Firm/Company)	Nature of Involvement	Name of the creditor (Financial Institution)	Type of Credit Facility	Amount (Rs)	Tenure of the Loan/Period of facility	Remarks
1.	Ms. Hasana Sharma, Chairperson	-	-	-	-	-	-	N/A
2.	Mr. Niranjan Kumar Tibrewala, Director	Niranjan Kumar Tibrewala	-	Lumbini Bank Ltd.	OD	14,000,000.00	Chaitra 2068	Personal loan
		MB Petrolube Industries Pvt. Ltd. Tripureshwar, Kathmandu	Managing Director	Nabil Bank Ltd.	OD, TR and STDL	22,000,000.00	-	
		MB Petrolube Industries Pvt. Ltd. Tripureshwar, Kathmandu	Managing Director	Bank of Kathmandu Ltd.	OD	18,000,000.00	-	
		Investment Management Merchant Banker Ltd, Putalisadak, Kathmandu	Chairman	Lumbini Bank Ltd.	OD	14,000,000.00	-	
3.	Mr. Manoj Kumar Agrawal, Director	Hyat Enterprises	Proprietor	Global Bank Ltd.	OD	17,100,000.00	-	
		Hyat Enterprises	Proprietor	Global Bank Ltd.	TR	25,000,000.00	-	
		Hyat Enterprises	Proprietor	Nepal SBI Bank Ltd.	OD	94,50,000.00	-	
		Hyat Enterprises	Proprietor	Nepal SBI Bank Ltd.	Adhoc TR	Outstanding 4,167,200.00	-	
4.	Mr. Mohan Raj Joshi, Professional Expert Director	-	-	-	-	-	-	N/A
5.	Mr. H. G. Contractor, Director	-	-	-	-	-	-	N/A
6.	Mr. Rajiv Pal Singh, Director	-	-	-	-	-	-	N/A
7.	Mr. S. K. Bhattacharya, Director	-	-	-	-	-	-	N/A
8.	Mr. N. K. Chari, Managing Director	-	-	-	-	-	-	N/A

B. Summary statement as stipulated under Point No. 9.3 of the Anti Money Laundering Directives issued to Banks and Financial Institutions dated 17.08.2009(2066/5/1) in regard to compliance of Anti-Money Laundering Act, Rules, Directives and order or policy.

The Bank has formulated & implemented a comprehensive policy under the style of **Nepal SBI Bank Ltd. Policy and Procedural Guidelines on Know Your Customer (KYC), Anti Money Laundering (AML) and Combating of Financing of Terrorism (CFT) Measures-2011**. The Bank has established a dedicated KYC/AML Cell headed by Manager-Law at Corporate Office. The KYC/AML Compliance Cell looks after overall matters relating to KYC/AML compliance issues, including but not limited to monitoring of transaction, filing of reports to the concerned bodies, employee trainings, etc. The Bank has designated KYC Compliance Officer/Money Laundering Reporting Officer (MLRO) in each of its Branch/Office/Business Group to look after KYC/AML issues at the relationship points.

During the review year, KYC/AML Cell conducted total 4 trainings. The Bank has submitted requisite reports to the concerned regulating bodies well before the specified deadline and in the manner as prescribed in the relevant directives, laws, regulations etc. The Bank has maintained proper recording of the transactions as per the prevailing laws. Correspondent relationships have been managed keeping in view a risk-based approach.

Internal Audit Department of the Bank has conducted the KYC/AML Audit of the Bank's Departments/Branches/Offices/Extension Counters to ensure that the provisions of the AML laws, rules and directives are fully complied with.

The Annual Report on the status of compliance of KYC/AML laws, rules, directives, order, etc. has been submitted to the Financial Information Unit in compliance with point No. 9.3 of the AML Directives of FIU.

Observations made by the auditors and Nepal Rastra Bank during their respective audits have been taken into account and timely rectification is made, wherever necessary.

Risk Management

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 a holistic approach and have been engaged in extensive and detailed evaluation and assessment of its risk management framework in all areas of banking activities.

Credit risk is the risk of financial loss the Bank may face as a result of a borrower or a counterparty not meeting its obligations in line with the original contract. Since, majority of the bank's assets is in the form of loans and advances, management of credit risk has therefore become the most crucial task. The Credit Risk Management Committee, thus, mainly focuses on monitoring of Credit Risk on a Bank wide basis and ensuring compliance and on implementation of Credit Risk Policy/ Strategy approved by the Board and ensures incorporation of Regulatory compliance in Bank's Policies and Guidelines in regard to Credit Risk.

Market Risk as defined by Market Risk Management policy of the bank is the risk of probable loss due to adverse changes in the market value of the Bank's assets and liabilities. The Market Risk Management Committee has the overall responsibility to monitor / manage various market risk exposures of the

Bank through Market Risk limits, stop loss limits, etc., at a more granular level. It is involved in identification, assessment, monitoring, reporting and analysis of Market risks profile associated with Treasury Operations.

Operational risk can be defined as a risk arising from execution of a company's business functions and arises from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, legal risks, physical or environmental risks. The Operational Risk Management Committee reviews the risk profile, anticipates changes and threats and concurs on areas of highest priority and related mitigation strategies and ensures that adequate resources are being assigned to mitigate risks as needed.

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 which are submitted to Nepal Rastra Bank. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Management Committee (ALCO).

Liquidity Risk 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.



Less



Shareholders' Information

The ordinary shares of Nepal SBI Bank Limited are listed on the Nepal Stock Exchange. The stock exchange symbol of Nepal SBI's share is SBI. Two Institutional promoters hold 70 percent of total shares in the Bank and rest is distributed among nearly 18,187 general shareholders. State Bank of India holds 55% of the total ownership whereas Employee Provident fund continue to hold 15% shares.

Shareholding by Members of BOD and Central Management Team

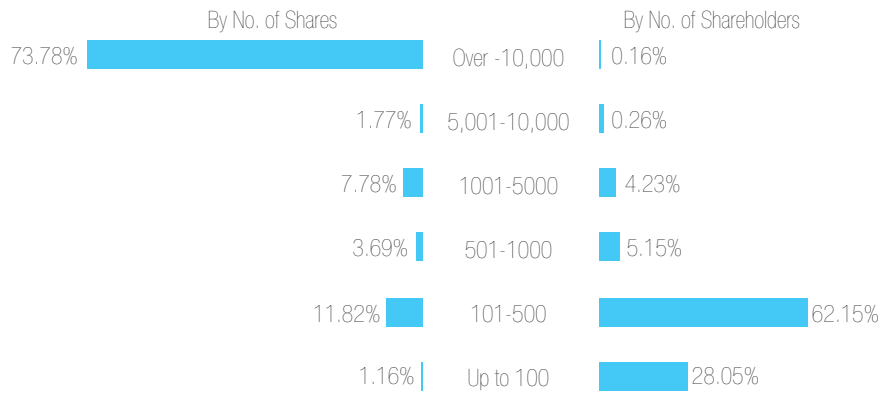
(As on Ashadh end 2068)

Name	Position	No. of Shares
Mr. Manoj Kumar Agrawal	Director	1298
Mr. Niranjan Kumar Tibrewala	Director	32058
Mr. Mohan Raj Joshi	Professional Expert Director	646
Mr. Tulsi Ram Gautam	Chief Credit Officer	1665

Note: Apart from these, no other member of the Board and the Management team holds shares of the Bank.



Distribution of Shareholders (Ashadh end 2068)



Market Price Movement



Six Years' Financial Highlights

in Rs. Lakhs

Ashadh End	fy-05/06 2062/63	fy-06/07 2063/64	fy -07/08 2064/65	fy-08/09 2065/66	fy - 09/10 2066/67	fy-10/11 2067/68
Profitability						
Interest Income	7,087.19	8,311.17	9,705.13	14,604.46	22,697.04	31,042.32
Interest Expenditure	3,347.70	4,122.62	4,549.18	8,247.00	14,436.94	20,960.38
Fee, Commission and						
Exchange income	838.14	1,020.55	1,029.07	1,401.31	2,020.20	3,176.97
Other income	71.37	126.01	195.57	527.90	787.97	951.73
Operating Expenses	992.14	1,201.12	1,523.80	2,239.66	3,438.50	4,450.73
Operating Profit	1,684.89	3,007.90	3,533.25	4,423.66	5,702.90	6,742.52
Profit Before tax	1,997.64	3,445.90	3,480.34	4,430.32	5,383.62	6,534.69
Profit After tax	1,170.02	2,549.09	2,477.71	3,163.73	3,917.42	4,645.65
Shareholders Fund						
Total Shareholders funds	9,823.74	11,632.91	14,146.45	17,126.07	24,505.54	28,792.93
Share Capital	6,402.36	6,477.98	8,745.28	12,243.39	18,613.24	21,029.66
Reserves	3,421.38	5,154.92	5,401.17	4,882.68	5,892.30	7,763.27
Liabilities						
Deposit Accounts	110,020.41	114,452.86	137,153.95	279,572.21	348,964.24	424,154.43
Debenture	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Bills Payable	462.39	488.56	751.15	629.47	723.68	806.85
Other liabilities	8,051.86	10,437.68	17,622.91	2,336.64	4,283.33	5,128.12
Assets						
Advances	76,267.36	94,604.51	121,136.98	151,317.48	174,805.48	213,657.71
Investments	36,107.75	26,594.53	30,888.87	132,861.82	163,056.33	189,110.22
Liquid Assets	14,813.58	14,726.90	16,469.73	11,764.40	34,412.61	48,778.26
Net Fixed Assets	667.12	972.19	1,202.22	2,535.81	4,182.45	4,170.03
Other Assets	2,502.57	2,113.88	2,176.65	3,184.89	4,019.92	5,166.13
Total Assets	130,358.39	139,012.01	171,874.46	301,664.40	380,476.79	460,882.34



Business Ratio and Information

Ashadh End	fy - 09/10 2066/67	fy-10/11 2067/68
Ratios		
Return on Net Fixed Assets (ROA)	93.66%	111.41%
Weighted Average Interest Rate Spread	2.76%	2.86%
Total Operating Expenses/Total Assets	5.04%	6.07%
Total Credit/Deposit	51.48%	51.20%
Gross Profit Ratio	43.40%	40.40%
Return on Capital Employed	16.05%	16.19%
Debt Equity Ratio	7.55%	6.49%
Statutory Liquidity Reserve	21.53%	29.65%
Net Int. Income/Working Fund (Total Assets)	2.17%	2.19%
Return on Average Total Assets	1.15%	1.10%
Gross Cost/Income Ratio	75.20%	79.51%
Profit per employees	Rs. 842,456.17	Rs. 919,930.69
Capital Adequacy Ratio	12.25%	11.52%
Operating Profit as a percentage of working fund (Total Assets)	1.50%	1.46%
Cash Reserve Ratio	9.03%	7.00%
Gross NPA to Gross Advances	1.48%	1.10%
Share information		
Earnings Per Share	Rs. 23.69	Rs. 24.85
Number of Ordinary Shares	16,536,239	18,693,033
Price Earnings ratio (PE)	31.28	22.74
Cash Dividend on Share Capital	5%	5%
Dividend (Including Bonus) on Share Capital	17.58%	17.50%
Dividend Coverage Ratio	73.87%	70.42%
Book Value Per Share	Rs. 147.61	Rs. 153.51
Other information		
Number of Employees	465	505
Number of Branches	43	50
Number of ATMs	50	68

7 Branches and 6 ATMs were added after Ashadh end 2068.



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Financial Statements

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, 2068 (July 16, 2011), 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 depend on our professional judgment, 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 consider the internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, 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, 2068 (16 July, 2011) and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards-so far as applicable in compliance with the prevailing Laws and comply with Company Act 2063, Banks and Financial Institutions Act, 2063 and Directives of Nepal Rastra Bank.

Report on Other Legal and Regulatory Requirements

5. On the basis of our examination, we would like to further report that:
 - i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - ii. 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.
 - iii. In our opinion, proper books of accounts as required by the law have been kept by the Bank. The Bank has accounted for Interest Income from Loans & Advances on cash basis as per Nepal Rastra Bank's Directives.
 - 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 operations of the Bank were within its jurisdiction.
 - vi. In our opinion, so far as it 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.
 - vii. The Bank has written-off loans as per the policy approved by Nepal Rastra Bank.
 - 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 returns received from branches of the Bank, though the statements are independently not audited, were adequate for the purpose of our audit, and
 - xi. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book.

Place: Kathmandu
Date: October 14, 2011


P. L. Shrestha, FCA
Partner



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Also at: Radha Krishna Marg, New Baneshwor, P.O. Box No. 3516, Kathmandu, Nepal. Tel: 2104400, 4462367, Fax: 4491187

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



BALANCE SHEET

As on 32nd Ashadh 2068 (16 July, 2011)

S.No.	Capital & Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1.	Share Capital	1	2,102,966,165	1,861,324,239
2.	Reserves and Funds	2	776,326,985	589,229,831
3.	Debentures & Bonds	3	200,000,000	200,000,000
4.	Borrowings	4	-	-
5.	Deposits	5	42,415,443,294	34,896,424,201
6.	Bills Payable	6	80,685,337	72,368,229
7.	Proposed Dividend		93,465,163	83,080,145
8.	Income Tax Liabilities		-	-
9.	Other Liabilities	7	419,347,031	345,252,820
	Total Capital and Liabilities		46,088,233,975	38,047,679,465

S.No.	Assets	Schedule	Current Year Rs.	Previous Year Rs.
1.	Cash Balance	8	1,007,688,499	815,679,624
2.	Balance with Nepal Rastra Bank	9	2,330,927,217	1,842,802,239
3.	Balance with Banks/Financial Institution	10	1,539,210,142	782,779,614
4.	Money at Call and Short Notice	11	-	-
5.	Investment	12	18,911,021,520	16,305,632,815
6.	Loans, Advances and Bills Purchase	13	21,365,771,129	17,480,548,194
7.	Fixed Assets	14	417,002,530	418,244,760
8.	Non Banking Assets	15	-	-
9.	Other Assets	16	516,612,938	401,992,219
	Total Assets		46,088,233,975	38,047,679,465

Contingent Liabilities	Schedule 17
Directors' Declaration	Schedule 29
Statement of Capital Fund	Schedule 30(A)
Statement of Credit Risk	Schedule 30(B)
Credit Risk Mitigation	Schedule 30(C)
Risk Weighted exposure for operational risk	Schedule 30(D)
Risk Weighted exposure for market risk	Schedule 30(E)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

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

(M. Anand) Chief Operating Officer	(N. K. Chari) Managing Director	(H. Sharma) Chairperson	(H.G. Contractor) Director
(R. P. Singh) Director	(S. K. Bhattacharyya) Director	(M. K. Agrawal) Director	(N. K. Tibrewala) Director

As per our attached report of even date

(M. R. Joshi) Director	(P. L. Shrestha, FCA) Partner, PL Shrestha & Co. Chartered Accountants
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PROFIT AND LOSS ACCOUNT

For the period 1st Shrawan 2067 to 32nd Ashadh 2068 (17th July 2010 to 16th July 2011)

S.No.	Particulars	Schedule	Current Year Rs.	Previous Year Rs.
1.	Interest Income	18	3,104,231,807	2,269,704,291
2.	Interest Expenses	19	2,096,038,379	1,443,693,573
	Net Interest Income		1,008,193,428	826,010,718
3.	Commission and Discount	20	247,164,764	131,692,149
4.	Other Operating Incomes	21	95,172,658	78,796,662
5.	Exchange Fluctuation Income	22	70,532,720	70,328,247
	Total Operating Income.		1,421,063,570	1,106,827,776
6.	Staff Expenses	23	255,430,285	130,336,536
7.	Other Operating Expenses	24	445,072,722	343,850,266
8.	Exchange Fluctuation Loss	22	-	-
	Operating Profit before provision for possible loss		720,560,563	632,640,974
9.	Provision for Possible Losses	25	46,308,152	62,350,544
	Operating Profit		674,252,411	570,290,430
10.	Non Operating Income /Loss	26	3,113,765	2,552,892
11.	Provision for Possible Loss Written Back	27	179,122,158	56,621,276
	Profit from Regular Operations		856,488,334	629,464,598
12.	Profit/Loss from Extra-Ordinary Activities	28	(137,672,628)	(37,266,000)
	Net profit after considering all activities		718,815,706	592,198,598
13.	Provision for Staff Bonus		65,346,882	53,836,236
14.	Provision for Income Tax		188,903,825	146,620,243
	* Current Year's		206,531,475	183,015,350
	* Previous Year's		(4,928,484)	(28,395,565)
	Deferred Tax		(12,699,166)	(7,999,542)
	Net Profit/Loss		464,564,999	391,742,119

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

(M. Anand) Chief Operating Officer	(N. K. Chari) Managing Director	(H. Sharma) Chairperson	(H.G. Contractor) Director
(R. P. Singh) Director	(S. K. Bhattacharyya) Director	(M. K. Agrawal) Director	(N. K. Tibrewala) Director

As per our attached report of even date

(M. R. Joshi) Director	(P. L. Shrestha, FCA) Partner, PL Shrestha & Co. Chartered Accountants
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PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period 1st Shrawan 2067 to 32nd Ashadh 2068 (17th July 2010 to 16th July 2011)

S.No.	Particulars	Schedule	This Year Rs.	Previous Year Rs.
INCOME				
1.	Accumulated Profit up to Last Year		4,249,307	3,848,810
2.	Current Year's Profit		464,564,999	391,742,119
3.	Exchange Fluctuation Reserve			
4.	Capital Adjustment Reserve up to Previous Year		50,000,000	65,000,000
	Total		518,814,306	460,590,929
EXPENSES				
1.	Accumulated Loss up to Last Year		-	-
2.	Current Year's Loss		-	-
3.	General Reserve		92,913,000	78,348,424
4.	Contingent Reserve		-	-
5.	Institutional Development Reserve		-	-
6.	Dividend Equalization Reserve		-	-
7.	Staff Related Reserve		-	-
8.	Proposed Dividend		93,465,163	83,080,145
9.	Proposed issue of Bonus Shares		233,662,907	207,700,362
10.	Special Reserve		-	-
11.	Exchange Fluctuation Reserve Fund		79,009	-
12.	Capital Redemption Reserve Fund		-	-
13.	Capital Adjustment Reserve		30,000,000	50,000,000
14.	Investment Adjustment Reserve		24,572,100	641,720
15.	6% NSBL Debenture 2070 Redemption Reserve		28,571,429	28,571,429
16.	Deferred Tax Reserve		12,699,166	7,999,542
	Total		515,962,774	456,341,622
17.	Accumulated Profit/(Loss)		2,851,532	4,249,307

(M. Anand) Chief Operating Officer	(N. K. Chari) Managing Director	(H. Sharma) Chairperson	(H.G. Contractor) Director
(R. P. Singh) Director	(S. K. Bhattacharyya) Director	(M. K. Agrawal) Director	(N. K. Tibrewala) Director

As per our attached report of even date

(M. R. Joshi) Director	(P. L. Shrestha, FCA) Partner, PL Shrestha & Co. Chartered Accountants
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STATEMENT OF CHANGES IN EQUITY
FISCAL YEAR 2067/68 (2010/11)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Reserve	Share Premium	Investment Adjustment Reserve	Proposed Bonus Shares	Exchange Equilisation Fund	Deferred Tax Reserves	Other Reserve and Funds	Total Amount
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening Balance at Shrawan 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
Adjustments: Deferred Tax											
Adjustments: Proposed Bonus											
Share of previous year treated as											
Share Capital as per NRB Directive	207,700,362						(207,700,362)				
Restated Balance as on Shrawan 2067	1,861,324,239	4,249,307	382,868,285	50,000,000	-	641,720	-	10,200,116	26,984,687	114,285,716	2,450,554,070
Adjustments											
Net profit for the period	-	464,564,999	-	-	-	-	-	-	-	-	464,564,999
Capital Adjustment Reserve	-	50,000,000	-	(50,000,000)	-	-	-	-	-	-	-
Transfer to General Reserve	-	(92,913,000)	92,913,000	-	-	-	-	-	-	-	-
Capital Adjustment Reserve	-	(30,000,000)	-	30,000,000	-	-	-	-	-	-	-
Proposed Dividend	-	(93,465,163)	-	-	-	-	-	-	-	-	(93,465,163)
Proposed Bonus Shares		(233,662,907)					233,662,907				-
Share Premium					49,660,225						49,660,225
Exchange Equalization Fund	-	(79,009)	-	-	-	-	-	79,009	-	-	-
Unsubscribed Shares Issued	-				-						-
Capital Redemption Reserve	-	-	-	-	-	-	-	-	-	-	-
Bonus Share Issued					-						-
Debiture Redemption Reserve	-	(28,571,429)	-	-	-	-	-	-		28,571,429	-
Deferred Tax Reserve	-	(12,699,166)	-	-	-	-	-	-	12,699,166	-	-
Investment Adjustment Reserve		(24,572,100)				24,572,100					-
Right Share issue	7,979,019										7,979,019
Closing Balance at Asadh 2068	1,869,303,258	2,851,532	475,781,285	30,000,000	49,660,225	25,213,820	233,662,907	10,279,125	39,683,853	142,857,145	2,879,293,150

(M. Aranda)
Chief Operating Officer

(N. K. Chari)
Managing Director

(H. Sharma)
Chairperson

(M. K. Agrawal)
Director

(H.G. Contractor)
Director

(N. K. Tibrewala)
Director

(M. R. Joshi)
Director

(S. K. Bhattacharya)
Director

(R. P. Singh)
Director

(FCA, P. L. Shrestha) Partner, P. L. Shrestha &
Co. Chartered Accountants

CASH FLOW STATEMENT

For the period 1st Shrawan 2067 to 32nd Ashadh 2068 (17th July 2010 to 16th July 2011)

S.No.	Particulars	This Year Rs.	Previous Year Rs.
(a)	Cash Flow from Operating Activities	1,506,835,670	1,884,344,926
1.	Cash Received	3,472,163,522	2,533,379,086
	1.1 Interest Income	3,055,222,675	2,242,447,613
	1.2 Commission and Discount Income	247,164,764	131,692,149
	1.3 Income from Foreign Exchange transaction	70,216,686	73,029,593
	1.4 Recovery of loan written off	-	7,082,000
	1.5 Other Incomes	99,559,397	79,127,731
2.	Cash Payment	2,877,318,098	2,019,645,949
	2.1 Interest Expenses	2,082,963,604	1,438,901,798
	2.2 Staff Expenses	207,930,584	120,367,410
	2.3 Office Overhead Expenses	344,587,674	258,751,056
	2.4 Income Tax Paid	188,000,000	157,322,526
	2.5 Other Expenses	53,836,236	44,303,159
	Cash Flow before changes in Working Capital	594,845,424	513,733,137
	(Increase) /Decrease of Current Assets	(6,546,251,810)	(5,457,606,767)
1.	(Increase)/Decrease in Money at Call and Short Notice	-	-
2.	(Increase)/Decrease in short term Investment	(2,608,627,305)	(3,019,451,155)
3.	(Increase)/Decrease in Loans, Advances and Bills Purchase	(3,893,322,180)	(2,398,877,518)
4.	(Increase)/Decrease in Other Assets	(44,302,325)	(39,278,094)
	Increase /(Decrease) of Current Liabilities	7,458,242,056	6,828,218,556
1.	Increase/(Decrease) in Deposits	7,519,019,093	6,939,203,407
2.	Increase/(Decrease) in Certificates of Deposits	-	-
3.	Increase/(Decrease) in Short Term Borrowings	-	-
4.	Increase/(Decrease) in Other Liabilities	(60,777,037)	(110,984,851)
(b)	Cash Flow from Investment Activities	(128,226,567)	(253,807,204)
1.	(Increase)/Decrease in Long-term Investment	-	-
2.	(Increase)/Decrease in Fixed Assets	(130,560,099)	(255,602,229)
3.	Interest income from Long term Investment	-	-
4.	Dividend Income	2,333,532	1,795,025
5.	Others	-	-
(c)	Cash Flow from Financing Activities	57,639,244	636,985,263
1.	Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	-
2.	Increase/(Decrease) in Share Capital	57,639,244	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	316,034	(2,701,346)
(e)	Current Year's Cash Flow from All Activities	1,436,564,381	2,264,821,639
(f)	Opening Balance of Cash and Bank Balances	3,441,261,477	1,176,439,838
(g)	Closing Balance of Cash and Bank Balances	4,877,825,858	3,441,261,477

(M. Ananda)
Chief Operating Officer

(N. K. Chari)
Managing Director

(H. Sharma)
Chairperson

(M. K. Agrawal)
Director

(M. R. Joshi)
Director

(H.G. Contractor)
Director

(N. K. Tibrewala)
Director

(S. K. Bhattacharyya)
Director

(R. P. Singh)
Director

(FCA, P. L. Shrestha)
Partner, PL Shrestha & Co. Chartered Accountants

As per our attached report of even date

SHARE CAPITAL AND OWNERSHIP

End of Ashadh 2068 (16th July 2011)

S.No.	Particulars	This Year Rs.	Previous Year Rs.
1.	Share Capital		
1.1	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 -Redeemable Preference shares of Rs.....each	-	-
	c).....Redeemable Preference Shares of Rseach	-	-
1.2	Issued Capital	1,869,303,258	1,661,602,896
	a) 18,693,032.58 Ordinary Shares of Rs. 100 each	1,869,303,258	1,661,602,896
	b)Non -Redeemable Preference shares of Rs.....each	-	-
	c).....Redeemable Preference Shares of Rseach	-	-
1.3	Paid Up Capital	1,869,303,258	1,653,623,877
	a) 18,693,032.58 Ordinary Shares of Rs.100 each	1,869,303,258	1,653,623,877
	b).....Non -Redeemable Preference shares of Rs.....each	-	-
	c).....Redeemable Preference Shares of Rseach	-	-
1.4	Proposed Bonus Share	233,662,907	207,700,362
1.5	Calls in Advance	-	-
1.6	Total Amount (1.3+1.4+1.5)	2,102,966,165	1,861,324,239

As a result of issue of bonus shares of 12.56 % declared by the 17th AGM and issue of right shares (2:1) declared by the 15th AGM (FY 2065-66) and allotted during the FY 2066-67, total (9641.38 kitta of bonus and 5385.20 for right issue) 15026.58 shares have come into fraction figures. 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	This Year		Previous Year Rs.	
	%	Share Capital	%	Share Capital
1. Domestic Ownership	44.95%	840,315,132	44.72%	739,457,877
1.1 Nepal Government	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	15.01%	280,633,125	15.08%	249,318,000
1.5 General Public	29.94%	559,682,007	29.64%	490,139,877
1.6 Others	-	-	-	-
2. Foreign Ownership	55.05%	1,028,988,126	55.28%	914,166,000
Total	100.00%	1,869,303,258	100.00%	1,653,623,877

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 Ashadh 2068 (16th July 2011)

Particulars	This Year Rs.	Previous Year Rs.
1. General Reserve	475,781,285	382,868,285
2. Capital Reserve		
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Reserve	30,000,000	50,000,000
5. Other Reserves and Funds	257,415,043	141,912,123
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	39,683,853	26,984,687
5.7 Other Free Reserves	-	-
5.8 Investment Adjustment Reserve	25,213,820	641,720
5.8 Other Reserves (Debenture Reserves)	142,857,145	114,285,716
5.9 Share Premium Account	49,660,225	
6. Accumulated Profit/(Loss)	2,851,532	4,249,307
7. Exchange Equalization Fund	10,279,125	10,200,116
Total 776,326,985	589,229,831	

Schedule 3

DEBENTURES AND BONDS

End of Ashadh 2068 (16th July 2011)

Particulars	This 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 (Outstanding balance of Redemption Reserve Rs 142,857,145.00)	200,000,000	200,000,000
	-	-
	-	-
Total	200,000,000	200,000,000

Schedule 4

BORROWINGS

End of Ashadh 2068 (16th July 2011)

Particulars	This 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 Ashadh 2068 (16th July 2011)

	Particulars	This Year Rs.	Previous Year Rs.
1.	Non-Interest bearing accounts		
A.	Current Deposits	4,259,415,723	2,861,877,958
1.	Local Currency	4,156,210,911	2,520,409,399
	1.1 Nepal Government	14,469,735	527,390
	1.2 "A" Class Licensed Institutions	52,579	30,384
	1.3 Other Licensed Institutions	15,208,398	12,618,413
	1.4 Other Organized Institutions	4,027,893,352	1,381,994,849
	1.5 Individuals	98,586,847	1,125,238,363
	1.6 Others	-	-
2.	Foreign Currency	103,204,811	341,468,559
	2.1 Nepal Government	-	-
	2.2 "A" Class Licensed Institutions	-	-
	2.3 Other Licensed Institutions	-	-
	2.4 Other Organized Institutions	103,204,811	341,468,559
	2.5 Individuals	-	-
	2.6 Others	-	-
B.	Margin Deposits	146,158,747	123,087,392
	1. Employees Guarantee	-	-
	2. Guarantee Margin	47,464,444	29,505,215
	3. Margin on Letter of Credit	98,694,303	93,582,177
C.	Others	-	-
1.	Local Currency	-	-
	1.1 Financial Institutions	-	-
	1.2 Other Organized Institutions	-	-
	1.3 Individual	-	-
2.	Foreign Currency	-	-
	2.1 Financial Institutions	-	-
	2.2 Other Organized Institutions	-	-
	2.3 Individual	-	-
	Total of Non-Interest Bearing Accounts	4,405,574,469	2,984,965,350

DEPOSITS

End of Ashadh 2068 (16th July 2011)

Particulars	This Year Rs.	Previous Year Rs.
2. Interest Bearing Accounts		
A. Saving Deposits	8,079,243,659	7,348,969,807
1. Local Currency	7,961,340,989	7,259,969,075
1.1 Organized Institutions	109,198,972	147,410,268
1.2 Individual	7,852,142,017	7,112,558,807
1.3 Others	-	-
2. Foreign Currency	117,902,670	89,000,732
2.1 Organized Institutions	94,728,586	79,988,138
2.2 Individual	23,174,084	9,012,594
2.3 Others	-	-
B. Fixed Deposits	28,013,550,392	22,148,948,329
1. Local Currency	14,780,482,661	10,408,484,131
1.1 Organized Institutions	9,141,818,577	5,190,040,746
1.2 Individual	5,638,664,084	5,218,443,385
1.3 Others	-	-
2. Foreign Currency	13,233,067,731	11,740,464,198
2.1 Organized Institutions	13,233,067,731	11,740,464,198
2.2 Individual	-	-
2.3 Others	-	-
C. Call Deposits	1,917,074,774	2,413,540,715
1. Local Currency	1,860,003,849	2,386,366,289
1.1 "A" Class Licensed Institutions	-	218,391
1.2 Other Licensed Institutions	47,897,493	161,117,700
1.3 Other Organized Institutions	624,589,093	979,287,466
1.4 Individual	1,187,517,263	1,245,742,732
1.5 Others	-	-
2. Foreign Currency	57,070,925	27,174,426
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions	-	-
2.3 Other Organized Institutions	57,070,925	27,174,426
2.4 Individual	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individual	-	-
3. Others	-	-
Total of Interest Bearing Accounts	38,009,868,825	31,911,458,851
Total Deposit (1+2)	42,415,443,294	34,896,424,201

BILLS PAYABLE

End of Ashadh 2068 (16th July 2011)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	62,624,968	54,331,627
2. Foreign Currency	18,060,369	18,036,602
Total	80,685,337	72,368,229

Schedule 7

OTHER LIABILITIES

End of Ashadh 2068 (16th July 2011)

	Particulars	This Year Rs.	Previous Year Rs.
1.	Pension/Gratuity / Leave Fund	110,240,045	62,740,344
2.	Employee Provident Fund	-	-
3.	Employees Welfare Fund	-	-
4.	Provision for Staff Bonus	65,346,882	53,836,236
5.	Interest Payable on Deposits	15,536,106	5,461,331
6.	Interest Payable on Borrowings / Debenture	10,500,000	7,500,000
7.	Unearned Discount and Commission	-	-
8.	Sundry Creditors	32,032,747	99,643,635
9.	Branch Account	-	-
10.	Deferred Tax liability	-	-
11.	Dividend Payable	11,573,869	4,980,739
12.	Others	171,977,352	102,721,205
13.	Interest Suspense (Loan)	2,140,030	8,369,330
	Total	419,347,031	345,252,820

Schedule 8

CASH BALANCE

End of Ashadh 2068 (16th July 2011)

	Particulars	This Year Rs.	Previous Year Rs.
1.	Local Currency (Including Coins)	978,466,637	796,874,997
2.	Foreign Currency	29,221,862	18,804,627
	Total	1,007,688,499	815,679,624

Schedule 9

BALANCE WITH NEPAL RASTRA BANK

End of Ashadh 2068 (16th July 2011)

	Particulars	Local Currency	Foreign Currency			This Year Rs.	Previous Year Rs.
			INR	Convertible	Total		
1.	Nepal Rastra Bank	2,318,372,878	-	12,554,339	12,554,339	2,330,927,217	1,842,802,239
	a. Current Account	2,318,372,878	-	12,554,339	12,554,339	2,330,927,217	1,842,802,239
	b. Other Account	-	-	-	-	-	-

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS
End of Ashadh 2068 (16th July 2011)

Particulars	Local Currency	IRS.	Foreign Currency		This Year Rs.	Previous Year Rs.
			Convertible FCY	Total		
1. Local Licensed Institutions	55,257,129	-	4,437,260	4,437,260	59,694,389	56,919,797
a. Current Account	55,257,129	-	4,437,260	4,437,260	59,694,389	56,919,797
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	1,315,678,442	163,837,311	1,479,515,753	1,479,515,753	725,859,817
a. Current Account	-	1,315,678,442	163,837,311	1,479,515,753	1,479,515,753	725,859,817
b. Other Account	-	-	-	-	-	-
Total	55,257,129	1,315,678,442	168,274,571	1,483,953,013	1,539,210,142	782,779,614

Note: Total balance for which the confirmations are received from respective licensed institutions Rs. 2,426,661,555

MONEY AT CALL AND SHORT NOTICE
End of Ashadh 2068)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency -	-	-
2. Foreign Currency -	-	-
TOTAL	-	-

INVESTMENTS

End of Ashadh 2068 (16th July 2011)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1. Nepal Government Treasury Bills	-	4,682,117,520	4,682,117,520	3,720,592,315
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Other securities	-	892,725,000	892,725,000	592,725,000
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	50,500,000
7. Foreign Banks	-	13,296,532,500	13,296,532,500	11,904,794,000
8. Corporate Shares	-	39,646,500	39,646,500	37,021,500
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
Total Investment	-	18,911,021,520	18,911,021,520	16,305,632,815
Provision	-	-	-	-
Net Investment	-	18,911,021,520	18,911,021,520	16,305,632,815

INVESTMENT IN SHARES, DEBENTURES AND BONDS

End of Ashadh 2068 (16th July 2011)

Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	This Year Rs.	Previous Year Rs.
1. Investment in Shares	39,646,500	-	-	39,646,500	37,021,500
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	-	-	3,000,000	3,000,000
5,000 Shares of Rs. 100 Additional Investment	500,000	-	-	500,000	500,000
26,250 Shares of Rs. 100 Additional Investment	2,625,000	-	-	2,625,000	-
1.3 Alliance Insurance Co. Ltd.					
7,480 Ordinary Shares of Rs. 100 fully paid up	748,000	882,640	-	748,000	748,000
1496 Bonus Shares	-	176,528	-	-	-
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
13061 Bonus Shares	-	-	-	-	-
1.6 Nepal Clearing House					
1.7 National Banking Training Institute					
12000 Shares of Rs. 100 fully paid up	1,200,000	-	-	1,200,000	1,200,000
2. Investment in Debentures and Bonds	-	-	-	-	-
2.1	-	-	-	-	-
2.2	-	-	-	-	-
2.3	-	-	-	-	-
Total Investment	39,646,500	-	-	39,646,500	37,021,500
3. Provision for Loss	-	-	-	-	-
3.1 Up to previous year	-	-	-	-	-
3.2 Additions/Write back this year	-	-	-	-	-
Total Provision	-	-	-	-	-
Net Investment	39,646,500	-	-	39,646,500	37,021,500

Note:

- Himalayan Distillery has not declared any dividend till date and has been listed in Nepal Stock Exchange Ltd.
- 13 % cash dividend of Rs. 2,333,532.00 has been received from Rural Micro Finance Development Centre Ltd. during the current FY 2067/68 for the FY 2066/67
- The additional investment of Rs 2,650,000 was made in Madhya Paschimanchal Grameen Bikash Bank Ltd. during the FY 2067/68
- Credit Information Bureau Ltd. has issued 20% Bonus Share during the FY 2066/67 for the FY 2065/66 and issued 50% Bonus Share during the FY 2067/68 for the FY 2066/67.

BUSINESS INVESTMENT (Held for Trading)
End of Ashadh 2068 (16th July 2011)

Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	This Year. Profit /Loss (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. Debiture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debitures 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 Ashadh 2068 (16th July 2011)

Particulars	Cost Price/a Rs.	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	4,682,117,520.00	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other securities	892,725,000.00	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Domestic Licensed Institution	-	-	-	-	-	
7. Debiture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debitures and Bond of Domestic Entity	-	-	-	-	-	
9. Foreign Bank Investment (Placement)	13,296,532,500.00	-	-	-	-	
10. Other Investments (Inter Bank Lending)	-	-	-	-	-	
Total Investment	18,871,375,020.00	-	-	-	-	

BUSINESS INVESTMENT (Available for Sale)
End of Ashadh 2068 (16th July 2011)

Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	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. Debiture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debitures and Bond of Domestic Entity	-	-	-	-	-	*
Listed	9,691,000.00	10,226,568.00	10,002,168.00	-	-	
Not Listed	29,955,500.00	-	-	-	-	**
9. Foreign Bank Investment (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investment	39,646,500.00	10,226,568.00	10,002,168.00	-	-	

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 Directive No 4/ 2068 has exempted maintenance of such reserve against investment in Credit Information Center Ltd., Nepal Clearing House and National Banking Training Institute.

CLASSIFICATION OF LOANS AND BILLS PURCHASE & PROVISIONING
End of Astrath 2068 (16th July 2011)

Particulars	Loans & Advances				Bills Purchased/Discount				This Year Rs.	Previous Year Rs.	
	Priority Sector		Domestic	Other	Foreign	Total	Domestic	Foreign			Total
	Insured	Uninsured									
1. Performing Loan	133,530,958	651,723,013	20,632,534,027	-	21,417,787,998	61,703,547	21,479,491,545	56,207,684	5,495,863	61,703,547	17,471,059,189
1.1 Pass	133,530,958	651,723,013	20,632,534,027	-	21,417,787,998	61,703,547	21,479,491,545	56,207,684	5,495,863	61,703,547	17,471,059,189
2. Non-Performing Loan	6,479,127	3,726,177	229,093,882	-	239,299,186	-	239,299,186	-	-	-	492,581,990
2.a Restructured	497,744		139,446,836	-	139,944,580	-	139,944,580	-	-	-	227,448,241
2.1 Sub-Standard	425,828		1,970,259	-	2,396,087	-	2,396,087	-	-	-	12,975,351
2.2 Doubtful	1,077,065		722,883	-	1,799,948	-	1,799,948	-	-	-	1,113,939
2.3 Loss	4,478,490	3,726,177	86,953,904	-	95,158,571	-	95,158,571	-	-	-	251,044,459
A. Total Loan	140,010,085	655,449,190	20,861,627,909	-	21,657,087,184	61,703,547	21,718,790,731	56,207,684	5,495,863	61,703,547	17,963,641,179
3. Loan Loss Provision											
3.1 Pass	333,827	6,517,230	206,325,340	-	213,176,397	617,035	213,793,432	562,077	54,959	617,035	173,583,537
3.2 Restructured	54,377	-	46,356,837	-	46,411,214	-	46,411,214	-	-	-	60,345,774
3.3 Sub-Standard	26,614	-	492,565	-	519,179	-	519,179	-	-	-	3,189,722
3.4 Doubtful	134,633	-	361,441	-	496,074	-	496,074	-	-	-	219,153
3.5 Loss	1,119,622	3,726,177	86,953,904	-	91,799,703	-	91,799,703	-	-	-	245,754,799
B. Total Provisioning	1,669,073	10,243,407	340,490,087	-	352,402,567	617,035	353,019,602	562,077	54,959	617,035	483,092,985
4. Provisioning up to previous year											
4.1 Pass	375,685	3,851,399	168,170,412	-	172,397,496	1,186,041	173,583,537	2,150	1,183,891	1,186,041	149,466,541
4.2 Restructured	136,252	-	60,209,522	-	60,345,774	-	60,345,774	-	-	-	39,071,496
4.3 Sub-Standard	18,038	-	3,171,684	-	3,189,722	-	3,189,722	-	-	-	2,740,744
4.4 Doubtful	112,606	-	106,547	-	219,153	-	219,153	-	-	-	3,685,439
4.5 Loss	1,763,220	5,275,067	238,716,512	-	245,754,799	-	245,754,799	-	-	-	285,338,247
C. Total previous year's provision	2,405,801	9,126,466	470,374,677	-	481,906,944	1,186,041	483,092,985	2,150	1,183,891	1,186,041	480,302,467
D. Written Back from Previous Year's	428,292	206,301	175,548,815	-	176,183,408	-	176,183,408	-	-	-	56,621,276
E. Additional Provision of Current Year	(308,436)	1,323,242	45,664,225	-	46,679,031	(569,006)	46,110,025	559,927	(1,128,932)	(569,006)	59,411,794
F. Changes this year	(736,728)	1,116,941	(129,884,590)	-	(129,504,377)	(569,006)	(130,073,383)	559,927	(1,128,932)	(569,006)	2,790,518
Net Loan (A-B)	138,341,012	645,205,783	20,521,137,822	-	17,480,548,194	61,086,512	21,365,771,129	55,645,607	5,440,904	61,086,512	17,480,548,194

Note: Total exposure under Deprived Sector is Rs. 5,771.67 Lacs. (excluding investment of Rs. 250.20 Lacs.)

Schedule 13 (A)

LOAN, ADVANCES AND BILLS PURCHASED SECURITY WISE

End of Ashadh 2068 (16th July 2011)

	Particulars	This Year Rs.	Previous Year Rs.
A.	Secured	21,718,790,731	17,963,641,179
	1. Movable/Immovable Assets	19,424,653,395	15,598,318,245
	2. Guarantee of Local Licensed Institutions	-	-
	3. Government Guarantee	156,121,000	156,121,000
	4. Internationally Rated Bank Guarantee	98,000,000	-
	5. Export Documents	187,728,943	297,980,114
	6. Fixed Deposit Receipts	722,841,640	879,563,504
	a. Own FDR	722,841,640	879,563,504
	b. FDR of Other Licensed Institutions	-	-
	7. Government Bonds	91,725,854	78,385,762
	8. Counter Guarantee	-	-
	9. Personal Guarantee	-	-
	10. Other Securities	1,037,719,899	953,272,554
B.	Unsecured	-	-
	Total	21,718,790,731	17,963,641,179

FIXED ASSETS

End of Ashrafi 2068 (16th July 2011)

Particulars	ASSETS					This Year Rs.	Previous Year Rs.
	Buildings	Vehicles	Machinery	Office Equipment	Others		
1. Cost Price							
a. Previous Year balance	-	105,608,078	190,435,709	255,333,167	78,239,772	629,616,726	404,070,587
b. Addition during the year	-	16,278,617	35,497,037	62,025,001	21,157,170	134,957,825	257,766,185
c. Revaluation/Written Back this year	-	-	-	-	-	-	-
d. Sold during the year	-	-	-	-	-	-	-
e. Written off during the year	-	10,925	3,073,199.69	6,658,809	1,347,346.52	11,090,280	32,220,046
Total Cost (a+b+c-d-e)	-	121,875,770	222,859,546	310,699,359	98,049,595	753,484,271	629,616,726
2. Depreciation							
a. Up to previous year	-	30,617,328	80,678,076	77,768,838	22,307,724	211,371,966	150,489,892
b. For this year	-	19,103,990	45,369,855	55,138,340	12,022,388	131,634,573	91,364,966
c. Depreciation on revaluation/Written Back	-	-	-	-	-	-	-
d. Depreciation on Assets Sold/Written off	-	2,566	2,385,139	3,179,659	957,434	6,524,798	30,482,892
Total Depreciation	-	49,718,752	123,662,792	129,727,519	33,372,678	336,481,741	211,371,966
3. Book Value (WDV*) (1-2)	-	72,157,018	99,196,754	180,971,840	64,676,917	417,002,530	418,244,760
4. Land	-	-	-	-	-	-	-
5. Capital Construction (Pending Capitalization)	-	-	-	-	-	-	-
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	-	72,157,018	99,196,754	180,971,840	64,676,917	417,002,530	418,244,760

Schedule 15

NON BANKING ASSETS

End of Ashadh 2068 (16th July 2011)

Name & Address of Borrower or Party	Date of assuming Non Banking Assets	Total Amount of Non Banking Assets	Loss Provision		Net Non Year Rs. Assets (Rs)	“Previous Year Rs.” (Net NBA)”
			In %	Banking In Amount		
Total	-	-	-	-	-	-

Schedule 16

OTHER ASSETS

End of Ashadh 2068 (16th July 2011)

Particulars		This Year Rs.	Previous Year Rs.
1. Stock of Stationery		4,148,587	4,362,396
2. Income receivable on Investment		163,407,655	114,398,523
3. Accrued Interest on Loan	140,411,150		283,256,183
Less: Interest Suspense Account	132,621,022	7,790,128	(283,256,183)
4. Commission Receivable		-	-
5. Sundry Debtors		15,631,408	15,881,314
6. Staff Loan & Advances		176,275,813	123,783,251
7. Pre Payments		35,123,315	11,626,629
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		8,363,205	9,448,677
12. Branch Account		-	-
13. Deferred Tax Assets		39,683,852	26,984,686
14. Others		56,548,350	85,866,118
a) Advance Income Tax		27,680,460	40,357,237
b) Others		28,867,890	45,508,881
Total		516,612,938	401,992,219

Schedule 16(A)

OTHER ASSETS (Additional Statement)

End of Ashadh 2068 (16th July 2011)

Particulars	This Year Rs.				Previous Year Rs.
	Up to 1Year	1 to 3 years	Above 3years	Total	
1. Accrued Interest on Loan	35,563,917	27,501,977	77,345,256	140,411,150	283,256,183
2. Drafts Paid without notice	-	-	32,000,000	32,000,000	32,000,000
3. Branch Account	-	-	-	-	-
4. Local/ Foreign Agency Account					
Total	35,563,917	27,501,977	109,345,256	172,411,150	315,256,183

Note: For the DD paid without notice of Rs 3.2 crore, Rs 96 lakhs was received from insurance company and banks 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 Ashadh 2068 (16th July 2011)

Particulars	This Year Rs.	Previous Year Rs.
1. Claims on institution not accepted by the Institution	-	-
2. Letter of Credit (Full Amount)	1,448,994,775	1,933,140,934
a. Less than 6 months maturity	1,448,994,775	1,933,140,934
b. More than 6 months maturity	-	-
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	613,456,924	494,025,173
a. Bid Bonds	115,022,312	60,861,123
b. Performance Bonds	498,434,612	433,164,050
c. Other Guarantee/Bonds	-	-
5. Unpaid Shares in Investment	-	-
6. Forward Exchange Contract Liabilities	-	-
7. Bills under Collection	33,993,511	56,448,012
8. Acceptance & Endorsement	990,275,705	611,172,713
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	2,492,998,420	2,065,436,420
11. Guarantee provided on Counter Guarantee of Internationally Rated Banks"	890,850,650	825,308,855
12. Advance Payment Guarantee	36,055,092	34,943,873
13. Financial Guarantee	376,958,590	462,308,590
14. Contingent Liabilities on Income Tax	-	-
15. Others	-	-
Total	6,883,583,667	6,482,784,570

Schedule 18

INTEREST INCOME

From 1st Shrawan 2067 to 32nd Asadh 2068

Particulars	This Year Rs.	Previous Year Rs.
A. On Loans, Advances and Overdraft	2,441,993,586	1,760,201,809
1. Loans & Advances	1,987,462,256	1,426,270,778
2. Overdraft	454,531,330	333,931,031
B. On Investment	397,295,514	209,922,727
1. Nepal Government Securities	374,513,728	206,326,285
a. Treasury Bills	311,820,527	170,154,994
b. Development Bonds	62,693,201	36,171,291
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	22,781,786	3,596,442
C. On Agency Balances	-	-
1. Local Banks	-	-
2. Foreign Banks	-	-
D. On Money at Call and Short Notice	-	-
1. Local Banks/Financial Institutions	-	-
2. Foreign Banks	-	-
E. On Others	264,942,707	299,579,755
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	-	-
3. Placement with Foreign Banks	257,351,461	293,911,320
4. Others	7,591,246	5,668,435
Total	3,104,231,807	2,269,704,291

INTEREST EXPENSES

From 1st Shrawan 2067 to 32nd Asadh 2068

Particulars	This Year Rs.	Previous Year Rs.
A. ON DEPOSIT LIABILITIES	2,070,010,492	1,340,255,940
1. Fixed Deposits	1,665,036,117	980,473,961
1.1 Local Currency	1,435,173,171	703,879,572
1.2 Foreign Currency	229,862,946	276,594,389
2. Saving Deposits	248,283,754	204,145,523
2.1 Local Currency	247,726,636	203,598,047
2.2 Foreign Currency	557,118	547,476
3. Call Deposits	156,690,621	155,636,456
3.1 Local Currency	156,480,283	155,232,187
3.2 Foreign Currency	210,338	404,269
4. Certificate of Deposits	-	-
B. ON BORROWINGS	26,027,887	103,437,633
1. Debentures & Bonds	12,000,000	12,000,000
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowing	14,027,887	91,437,633
4. Other Corporate Body	-	-
5. Other expenses/Income	-	-
C. ON OTHERS	-	-
Total	2,096,038,379	1,443,693,573

Schedule 20

COMMISSION AND DISCOUNT INCOME

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchase & Discount	986,715	1,563,411
1. Local	142,529	601,169
2. Foreign	844,186	962,242
B. Commission	89,546,099	74,077,635
1. Letters of Credit	22,304,824	21,389,282
2. Guarantees	28,874,229	20,414,063
3. Collection Fees	4,120,247	3,775,557
4. Remittance Fees	34,246,799	28,491,494
5. Credit Card	-	-
6. Share Underwriting/Issue	-	-
7. Government Transactions	-	-
8. Agency Commission	-	-
9. Exchange Fee	-	7,239
C. Others	156,631,950	56,051,103
Total	247,164,764	131,692,149

Schedule 21

OTHER INCOME

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
1. Safe Deposit Lockers Rental	1,610,763	913,850
2. Issue & Renewals of Credit Cards	-	-
3. Issue & Renewals of ATM Cards	23,449,726	14,800,174
4. Telex / T. T.	21,675,190	21,371,259
5. Service Charges	39,081,276	35,874,781
6. Renewal Fees	8,691,020	5,181,892
7. Others(Postage)	664,683	654,706
Total	95,172,658	78,796,662

Schedule 22

EXCHANGE GAIN/LOSS

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
a. Revaluation Gain (Loss)	316,034	(2,701,346)
b. Trading Gain (except Exchange Fees)	70,216,686	73,029,593
Total Income (Loss)	70,532,720	70,328,247

Schedule 23

EXPENSES RELATING TO EMPLOYEES

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
1. Salary	95,070,779	51,091,744
2. Allowances	71,664,907	44,489,672
3. Contribution to Provident Fund	7,436,695	4,418,535
4. Training Expenses	1,810,768	2,559,034
5. Uniform	613,122	296,210
6. Medical	5,689,056	3,949,343
7. Insurance	12,779,727	2,919,262
8. Pension, Gratuity and Leave Provision	50,040,312	12,567,055
9. Others (Canteen)	10,324,919	8,045,681
Total	255,430,285	130,336,536

OTHER OPERATING EXPENSES

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
1. House Rent	60,747,291	45,924,035
2. Electricity & Water	12,275,982	9,853,085
3. Repair & Maintenance	13,497,937	7,785,014
a. Building (on lease)	1,166,331	920,688
b. Vehicles	2,022,972	1,310,829
c. Others (Computer, Office Equipment, Furniture)	10,308,634	5,553,497
4. Insurance	7,817,020	7,728,027
5. Postage, Telex, Telephone & Fax	10,626,221	10,674,462
6. Office Equipment, Furniture and Repair	1,485,278	1,285,842
7. Travelling Allowances & Expenses	10,953,419	7,903,169
8. Printing & Stationery	30,245,524	31,158,535
9. Books & Periodicals	688,488	620,115
10. Advertisements	12,061,346	11,155,181
11. Legal Expenses	1,647,527	1,553,161
12. Donations	452,272	891,110
13. Expenses relating to Board of Directors	3,645,743	4,019,994
a. Meeting Fees	1,684,000	1,656,000
b. Other Expenses	1,961,743	2,363,994
14. Annual General Meeting Expenses	2,987,835	2,362,505
15. Expenses relating to Audit	689,818	841,646
a. Audit Fees	226,000	169,500
b. Other Expenses	463,818	672,146
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	131,634,574	91,364,963
18. Amortization of Preliminary Expenses	-	-
19. Share Issue expenses	-	1,442,287
20. Technical Services Fee	12,213,181	12,868,001
21. Entertainment	465,706	401,329
22. Written Off Expenses	4,324,072	1,820,033
23. Security Expenses	28,772,563	21,962,841
24. Credit Guarantee Premium	1,531,230	1,808,927
25. Commission and Discount	-	-
26. Others	96,309,695	68,426,004
a) Office Equipment & Furniture (not capitalised items)		
b) Information Technology Support Cost	46,140,635	35,670,480
c) Others	50,169,060	32,755,524
Total	445,072,722	343,850,266

Schedule 25

PROVISION FOR POSSIBLE LOSS

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	46,110,025	59,411,794
2. Increase in Provision for Loss on Investment	-	-
3. Provision Against Non-Banking Assets	-	2,938,750
4. Provision Against Other Assets	198,127	-
Total	46,308,152	62,350,544

Schedule 26

NON-OPERATING INCOME / LOSS

From 1st Shrawan 2067 to 32nd Ashadh 2068

Particulars	This Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investments	-	-
2. Profit (Loss) on Sale of Assets	404,605	426,798
3. Dividend (Net)	2,333,532	1,795,025
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	375,628	331,069
Total Non-Operating Income (Loss)	3,113,765	2,552,892

Schedule 27

LOSS PROVISIONS WRITTEN BACK

Fiscal Year 2067/68

Particulars	This Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	176,183,408	56,621,276
2. Provision against Non Banking Assets Written Back	2,938,750	
3. Investment Provision Written Back		
4. Provision against other Assets Written Back		
Total	179,122,158	56,621,276

Schedule 28

PROFIT/LOSS FROM EXTRA ACTIVITIES

Fiscal Year 2067/68

Particulars	This Year Rs.	Previous Year Rs.
1. Recovery of Write off Loan		4,651,963
2. Voluntary Retirement Scheme Expenses		
3. Loan Write -Offs (4.28 (a))	(138,172,628)	(44,348,000)
4. Other expenses/Income	500,000	2,430,037
Total	(137,672,628)	(37,266,000)

STATEMENT OF LOAN WRITTEN-OFF
Fiscal Year 2067/68

S.No.	Types of Loan	Written off amount Rs.	Type of Security	Basis of valuation of collateral	Loan Approved by Name/Designation	Initiations made	Remarks for recovery DRT has given
1	Working Capital Loan		Land, Building, Stock , Personal	Engineer's Valuation	Managing Director		verdict in Bank's favour.
		98,372,628					Guarantee etc.
2	Project Loan	39,800,000	Land,	Engineer's Building , Personal	Board of the Valuation ,	DRT has given Bank	verdict in Bank's favour.
			Guarantee etc.				
3	Fixed Capital Loan		-	-	-	-	
4	Personal Loan		-	-	-	-	
5	Other Loan		-	-	-	-	
	Total Loan						138,172,628

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF EXECUTIVE /PROMOTERS/EMPLOYEES AND SHAREHOLDERS
(End of Asadh 2068)

	Name of Promoter/Director/ Chief Executive	Outstanding up to Last Year		Recovered in Current Year		Additional Lending in this year	Outstanding as of Asadh end 2068	
		Principal	Interest	Principal	Interest		Principal	Interest
A.	Directors	-	-	-	-	-	-	-
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
B.	Chief Executive	-	-	-	-	-	-	-
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
C.	Promoters	-	-	-	-	-	-	-
	1. Agriculture Development Bank	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
D.	Employees	-	-	-	-	-	-	-
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
E.	Shareholders	-	-	-	-	-	-	-
	1.	-	-	-	-	-	-	-
	2.	-	-	-	-	-	-	-
	3.	-	-	-	-	-	-	-
	Total	-	-	-	-	-	-	-

STATEMENT OF CAPITAL FUND

As on Ashadh End 2068 (16th July 2011)

1.1	RISK WEIGHTED ASSETS	Ashadh End 2068	Ashadh End 2067
a	Credit Risk	25,267,759,682	20,580,286,049
b	Operational Risk	1,196,119,880	1,196,119,882
c	Market Risk	724,922,310	322,956,646
	Total Risk Weighted Assets (a+b+c)	27,188,801,872	22,099,362,574
	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)"	271,888,019	220,993,626
	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)	27,460,689,891	22,320,356,200
1.2	CAPITAL	Ashadh End 2068	Ashadh End 2067
	Core Capital (Tier 1)	2,834,109,205	2,430,021,234
a	Paid up Capital	1,869,303,258	1,653,623,877
b	Irredeemable Non-cumulative preference shares		
c	Share Premium	49,660,225	
d	Proposed Bonus Shares	233,662,907	207,700,362
e	General Reserves	475,781,285	382,868,285
f	Retained Earnings Up to last FY	-	
g	Current Year's P/L Account	2,851,532	4,249,307
h	Capital Redemption Adjustment Fund	-	
i	Capital Adjustment Fund	30,000,000	50,000,000
j	Dividend Equalization Fund	-	-
k	Debenture Redemption Fund	142,857,145	114,285,716
l	Other Free Reserve	-	
m	Deferred Tax Reserve	39,683,853	26,984,687
	Deductions :		
a	Goodwill	-	-
b	Miscellaneous Assets Not Written Off	-	-
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	-9,691,000
g	Reciprocal crossholdings	-	-
h	Others		
	Supplementary Capital (Tier 2)	329,286,377	304,425,373
a	Cumulative and/or Redeemable Preference Share	-	-
b	Unsecured Subordinate Long Term Loans	80,000,000	120,000,000
c	Hybrid Capital Instruments	-	-
d	Pass Loan Loss Provision	213,793,432	173,583,537
e	Exchange Equalization Fund	10,279,125	10,200,116
f	Investment Adjustment Fund	25,213,820	641,720
g	Assets Revaluation Fund	-	
h	Other Funds	-	-
	Total Capital Fund (Tier I and Tier II)	3,163,395,582	2,734,446,607
1.3	CAPITAL FUND RATIOS	Ashadh End 2068	Ashadh End 2067
	Core Capital / Total Risk Weighted Assets (Tier I)	10.32%	10.89%
	Capital Fund / Total Risk Weighted Assets (Tier I & Tier II)	11.52%	12.25%

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK

As on Ashadh Erd 2068 (16 th July 2011)

A. Balance Sheet Exposures		Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Previous Year Risk Weighted Exposure
	a	b	c	d=a-b-c	e	f=d*e			
Cash Balance	1,007,688,499			1,007,688,499	0%	-	-	815,679,624	-
Balance With Nepal Rastra Bank	2,330,927,217			2,330,927,217	0%	-	-	1,842,802,239	-
Gold				-	0%	-	-	-	-
Investment in Nepalese Government Securities	4,682,117,520			4,682,117,520	0%	-	-	3,720,592,315	-
All other Claims on Government of Nepal	156,121,000			156,121,000	0%	-	-	173,751,563	-
Investment in Nepal Rastra Bank securities	892,725,000			892,725,000	0%	-	-	592,725,000	-
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 (MDBs) 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)	108,065,163			108,065,163	150%	162,097,745	114,281,825	171,422,738	
Claims on domestic banks that meet capital adequacy requirements	277,544,292			277,544,292	20%	55,508,858	292,550,813	58,510,163	
Claims on domestic banks that do not meet capital adequacy requirements	100,126,004			100,126,004	100%	100,126,004	66,566,125	66,566,125	

Claims on foreign bank (ECA Rating 0-1)	327,882,975		-	327,882,975	20%	65,576,595	299,916,049	59,983,210
Claims on foreign bank (ECA Rating 2)	2,856,476		-	2,856,476	50%	1,428,238	14,037,674	7,018,837
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	14,445,308,803		-	14,445,308,803	20%	2,889,061,761	12,316,700,095	2,463,340,016
Claims on Domestic Corporates	12,734,877,250	2,118,630	492,620,861	12,240,137,759	100%	12,240,137,759	9,826,776,707	9,826,776,707
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)	4,019,046,945		13,930,795	4,005,116,150	75%	3,003,837,113	3,003,033,671	2,252,275,253
Claims Fulfilling all criterion of regulatory retail except granularity	-		-	-	100%	-	-	-
Claims secured by residential properties	2,706,587,711		-	2,706,587,711	60%	1,623,952,627	2,538,128,688	1,522,877,213
Claims not fully secured by residential properties			-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	34,391,984	3,244,940	-	31,147,044	100%	31,147,044	12,220,313	12,220,313
Claims secured by Commercial real estate	313,062,000		-	313,062,000	100%	313,062,000	141,412,459	141,412,459
Past due claims (except for claim secured by residential properties)	242,556,730	135,981,230	-	106,575,500	150%	159,863,250	25,640,777	38,461,166
High Risk Claims	1,024,402,495		367,038,926	657,363,569	150%	986,045,354	484,933,174	727,399,761
Investments in equity and other capital instruments of institutions listed in the stock exchange	29,955,500		-	29,955,500	100%	29,955,500	27,330,500	27,330,500
Investments in equity and other capital instruments of institutions not listed in the stock exchange			-	-	150%	-	-	-
Other Assets - Interest Receivable / Claim on Govt. Securities	55,162,411			55,162,411	0%	-	62,574,770	
Other Assets - Cash & Cash in Transit Items	61,703,547		-	61,703,547	20%	12,340,709	118,604,069	23,720,814
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)	1,576,644,800	698,191,739	-	878,453,061	100%	878,453,061	740,031,640	740,031,640
TOTAL	47,129,754,322	839,536,539	873,590,582	45,416,627,201		22,552,593,618	37,230,290,090	18,139,346,915

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	Previous Year	
							Net Value	Risk Weighted Exposure
Revocable Commitments				-	0%	-		
Bills Under Collection	33,993,511			33,993,511	0%	-	56,448,013	-
Forward Foreign Exchange Contract Liabilities	-			-	10%	-	-	-
LC Commitments With Original Maturity Up to 6 months Domestic Counterparty	1,448,994,775		68,918,254	1,380,076,521	20%	276,015,304	1,851,768,690	370,353,738
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)			-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)			-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)			-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months Domestic Counterparty			-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)			-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)			-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)			-	-	150%	-	-	-
Bid Bond, Performance Bond and Counter guarantee Domestic Counterparty	1,503,937,574		231,398,165	1,272,539,409	50%	636,269,705	1,264,649,517	632,324,759
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-	-	-
Foreign Counterparty (ECA Rating 2)			-	-	50%	-	-	-
Foreign Counterparty (ECA Rating 3-6)			-	-	100%	-	-	-
Foreign Counterparty (ECA Rating 7)			-	-	150%	-	-	-
Unpaid Guarantee Claims	370,000		37,000	333,000	200%	666,000	333,000	666,000
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	36,055,092		2,385,978	33,669,114	100%	33,669,114	33,301,044	33,301,044
Financial Guarantee	376,958,590		18,266,430	358,692,160	100%	358,692,160	457,337,160	457,337,160
Acceptances and Endorsements	990,275,705		24,006,780	966,268,925	100%	966,268,925	599,411,881	599,411,881
Unpaid portion of Partly paid shares and Securities	-		-	-	100%	-	-	-
Irrevocable Credit commitments (Short Term)	2,492,998,420		275,074,139	2,217,924,281	20%	443,584,856	1,737,722,759	347,544,552
Irrevocable Credit commitments (Long Term)				-	50%	-	-	-
Other Contingent Liabilities			-	-	100%	-	-	-
TOTAL	6,883,583,667	-	620,086,746	6,263,496,921		2,715,166,064	6,000,972,064	2,440,939,134
Total RME for credit Risk Before Adjustment (A) +(B)	54,013,337,989	839,536,539	1,493,677,328	51,680,124,122		25,267,759,682	43,231,262,154	20,580,286,049

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

FORM NO.3 ELIGIBLE CREDIT RISK MITIGANTS

As on Ashadh end 2068 (16th July 2011)

Credit Exposures	Deposits with Bank (a)	Deposits with other banks/FI (b)	Gold (c)	Govt. & NRB Securities (d)	G'tee of Govt. of Nepal (e)	Sec/G'tee of other Sovereigns (f)	G'tee of domestic banks (g)	G'tee of MDBs (h)	Sec/G'tee of Foreign Banks (i)	Total
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	-	-	-	-						-
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	332,298,751	-		91,722,110					68,600,000	492,620,861

FORM NO.6 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK
As on Ashadh end 2068 (16th July 2011)

Particulars	Year 1 (2064/65)	Year 2 (2065/66)	Year 3 (2066/67)	2067 Ashadh End
Net Interest Income	515,594,968	635,745,411	826,010,718	
Commission and Discount Income	50,917,830	78,836,624	131,692,149	
Other Operating Income	19,557,259	52,790,137	78,796,662	
Exchange Fluctuation Income	51,989,275	61,294,299	70,328,247	
Addition / Deduction Interest Suspense during the period	44,927,359	-211,611,464	-14,629,711	
Gross income (a)	682,986,691	617,055,007	1,092,198,065	
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	102,448,004	92,558,251	163,829,710	
Capital Requirement for operational risk (d) (average of c)	119,611,988			119,611,988
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10			10
Equivalent Risk Weight Exposure [f=(d×e)]	1,196,119,880			1,196,119,882

FORM NO.7 RISK WEIGHTED EXPOSURE FOR MARKET RISK
As on Ashadh Erid 2068 (16th July 2011)

S.No.	Currency	Open Position (FCY)	Rate	Open Position (NPR)	Relevant Open Position	"Relevant Open Position (2067 Ashadh End)"
1	AUD	86,559	76.22	6,597,564	6,597,564	4,772,910
2	CAD	75	73.88	5,541	5,541	717
3	CNY	-	-	-	-	20,976
4	CHF	40	87.73	3,509	3,509	-
5	EURO	351,058	101.04	35,470,941	35,470,941	7,621,919
6	GBP	90,419	114.64	10,365,644	10,365,644	19,565,151
7	HKD	-	-	-	-	7,030
8	INR	854,886,376	1.60075	1,368,459,366	1,368,459,366	583,124,358
9	JPY	4,459,456	0.895	3,991,213	3,991,213	4,547,905
10	SGD	720	58.29	41,969	41,969	41,803
11	USD	349,598	71.25	24,908,879	24,908,879	26,210,523
	Total Open Position (a)				1,449,844,626	645,913,292
	Fixed Percentage (b)				5%	5%
	Capital Charge for Market Risk [c=(a×b)]				72,492,231	32,295,665
	Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10	10
	Equivalent Risk Weight Exposure [e=(c×d)]				724,922,310	322,956,650

PRINCIPAL INDICATORS (For 5 years)

	Particulars	Indicators	F. Y. 2063/2064	F. Y. 2064/2065	F. Y. 2065/2066	F. Y. 2066/2067	F. Y. 2067/2068
1.	Percent of Net Profit/Gross Income	%	26.95	22.67	19.14	15.36	13.21
2.	Earnings Per Share	Rs.	39.35	28.33	36.18	23.69	24.85
3.	Market Value per Share	Rs.	1,176.00	1,511.00	1,900.00	741.00	565.00
4.	Price Earning Ratio	%	29.89	53.34	52.52	31.28	22.74
5.	Dividend (including bonus) on share capital	%	47.59	-	42.11	17.50	17.50
6.	Cash Dividend on Share Capital	%	12.59	-	2.11	5.00	5.00
7.	Interest Income/Loans & Advances	%	7.01	6.75	7.56	9.80	11.24
8.	Staff Expenses/Total Operating Expenses	%	9.09	10.98	10.42	6.80	9.13
9.	Interest Expenses /Total Deposit and Borrowings	%	3.36	2.93	2.93	4.11	4.92
10.	Exchange Gain/Total Income	%	5.23	4.76	3.71	2.76	2.01
11.	Staff (Statutory) Bonus/ Total Staff Expenses	%	39.30	31.73	26.64	29.23	20.37
12.	Net Profit/Loans & Advances	%	2.69	2.05	2.03	2.18	2.14
13.	Net Profit/ Total Assets	%	1.83	1.44	1.05	1.03	1.01
14.	Total Credit/Deposit	%	82.66	88.32	55.84	51.48	51.20
15.	Total Operating Expenses/Total Assets	%	4.21	3.97	3.88	5.04	6.07
16.	Adequacy of Capital Fund on Risk Weightage Assets						
	a. Core Capital	%	10.53	9.97	10.03	10.89	10.32
	b. Supplementary Capital	%	2.76	2.35	1.89	1.36	1.20
	c. Total Capital Fund	%	13.29	12.32	11.92	12.25	11.52
17.	Liquidity (CRR)	%	5.60	5.72	6.67	9.03	7.00
18.	Non Performing Credit/Total Credit	Ratio	4.56	3.83	2.02	1.48	1.10
19.	Weighted Average Interest Rate Spread	%	3.01	3.11	2.84	2.76	2.86
20.	Book Net worth	Rs.	1,153,313,329	1,404,264,131	1,702,571,354	2,440,863,070	2,869,602,150
21.	Total Shares	No.	6,477,984	8,745,278	8,745,278	16,536,239	18,693,033
22.	Total Staff	No.	189	249	323	465	505
23.	Return on Shareholder's Equity	%	22.10	17.64	18.58	16.05	16.19
24.	Book Value Per Share	Rs.	178.04	160.57	194.68	147.61	153.51
25.	Return on Net Fixed Assets	%	262.20	206.09	124.76	93.66	111.41
26.	Total Interest Earning to External Assets	%	6.86	6.38	5.14	6.72	7.71

PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 32nd ASHADH 2068(16th JULY 2011)

i) General Information

Nepal SBI Bank Limited 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 2011 (Ashadh 32, 2068) were authorised for issue by the BOD in its 315th meeting held on October 13, 2011.

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. Management believes that estimates used in the preparation of financial statements are prudent and reasonable.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 as per the Directives of Nepal Rastra Bank, which is not in line with Nepal Accounting Standard (NAS) 7 (Revenue Accounting), which prescribes that interest income should be recognised on an accrual basis.

Interest income from Investments and other assets 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 recognised as revenue on a cash basis at the time the services are provided.

vii) Dividend Income

Dividend income is recognised 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". As per Directives of Nepal Rastra Bank 25% of the revaluation gain has to be transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account.

ix) Interest Expense

Interest payable on deposit liabilities, debenture bonds borrowings and other liabilities 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 Directives of Nepal Rastra Bank.

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 Directives of Nepal Rastra Bank.

xiii) Investments

Bank 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 Directives of Nepal Rastra Bank.

xiv) Fixed Assets and Depreciation

- a. Fixed assets are stated at cost less accumulated depreciation.
- b. 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.
- c. 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:

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

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 "Office Equipment" (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 Directives of Nepal Rastra Bank.

Non-Banking Assets are stated net of provision for losses in the Balance Sheet.

xvii) Employee Benefits

Short Term Employee Benefit

The undiscounted amount of short-term employee benefits, such as salaries, medical benefit, staff bonus etc. which are expected to be paid in exchange for the service rendered by employees is recognised during the period when the employee renders the service.

The bank offers leave encashment facility to its confirmed employees which may be encashed during the service period as per the Staff Service Rule of the Bank and unused leave is accumulated and paid 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.

Defined Contribution Plan

Bank contributes 10% of Basic Salary of all permanent employees to "Nepal SBI Bank Limited Retirement Fund" and same amount is contributed from employee. "Nepal SBI Bank Limited Retirement Fund" is an approved retirement fund which is independently administrated. Bank's contribution is charged as expense when employee has rendered service to bank.

Bank pays insurance premium of its permanent employee as per Staff Service Rules of the Bank. Insurance policy is in the name of a specified plan participant and bank has no legal liability to cover any loss on the policy and insurer has sole responsibility for paying the benefit. The amount of insurance premium paid is charged as expense for the period.

Defined Benefit Plan

Permanent employee of bank is eligible for gratuity payment on their separation from service as per Staff Service Rule of the Bank. 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. Gratuity is accumulated as provision and has not been transferred to any other retirement funds.

xviii) Stationery Stock

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

xix) Provision for Taxation

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

xx) 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 difference 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.

xxi) Cash & Cash Equivalents

Cash & cash equivalents comprise cash balances only.

NOTES TO ACCOUNTS

FOR THE YEAR ENDED 32nd ASHADH 2068(16th JULY 2011)

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. **Interest Income**
As mentioned in our Accounting Policy, interest income from loans and advances is recognized as per the Nepal Rastra Bank (NRB) Directive. NRB with its circular number 01/068/69 dated 2068/04/03 provided an option to recognize outstanding interest due on Ashadh End 2068 collected in the month of Shrawan 2068 as income of the FY 2067/68. The Bank has recognized Rs 7,790,128.32 due on Ashadh End 2068 but collected in Shrawan 2068 as interest income for FY 2067/68 by exercising the option provided in the aforesaid circular.
5. **Exchange Fluctuation Reserve**
Revaluation gain arising out of exchange fluctuation during the year is Rs 316,034. Twenty five percent of such gain amounting to Rs 79,009 has been transferred to Exchange Fluctuation Reserve as required by NRB Directive.
6. **Investment Adjustment Reserve**
As required by Nepal Rastra Bank Directive, 2 % of additional investment amount under Investment Available for Sale category amounting to Rs 24,572,100 has been transferred to Investment Adjustment Reserve. Total balance of Investment Adjustment Reserve after such transfer is Rs 25,213,820.
7. **Capital Adjustment Reserve**
The Opening Capital Adjustment Reserve of Rs. 5 crores is transferred to Profit & Loss Appropriation Account for the purpose of 12.5 bonus share Rs. 3 crores has been transferred to Capital Adjustment Reserve from the Profit and Loss Appropriation Account this year.
8. **Provision for Gratuity**
During the FY, the bank has provided Rs. 23,592,647.50 on account of gratuity. A sum of Rs 493,000.00 was paid as gratuity during the year out of the accumulated provision.
9. **Provision for Leave Encashment**
During the FY, the Bank has provided Rs. 26,447,664.75 for accrued leave encashment.
10. **Tax Settlement Outstanding**
Bank has settled the corporate tax liability up to FY 2063-064 and has also received advance payment certificate from LTPO for excess tax payment made up to the end of the FY 2063-064. For the FY 2064-065, 2065-066 and 2066-67 self assessments have been submitted to Large Tax Payer Office for which final assessment is yet to be done.
11. **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	Deductible Temp Diff	Taxable Tem. Diff.	Deferred Tax Asset	Deferred Tax Liability
Fixed Assets	417,002,530	477,442,231	60,439,701		18,131,910	
Provision for Gratuity and Leave	110,240,045	-	110,240,045		33,072,014	
Provision for NBA	-	-	-		-	
Premium Paid on Development Bond	8,363,205	13,951,170	5,587,965		1,676,390	
Interest Income Treasury Bills	43,988,205	-		43,988,205		13,196,461
Opening Balances	579,593,985	491,393,401	176,267,711	43,988,205	52,880,314	13,196,461
Differences					26,984,687	0
					25,895,627	13,196,461

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	12,699,166	
Deferred Tax Liabilities		0
Deferred Tax Income		
(Credited to Income Statement)		12,699,166
Total	12,699,166	12,699,166

Closing Deferred Tax Assets and Liabilities

Particulars	Debit	Credit
Deferred Tax Assets	39,683,853	
Deferred Tax Liabilities		0
Deferred Tax Income		12,699,166
Accumulated P&L A/C		26,984,687
Total	39,683,853	39,683,853

12. 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 banks and 100 % provision has been made for the balance amount of Rs 22,359,375 against possible loss on this account.

13. Reconciliation Status of Agency Accounts Outstanding as on 16.07.2011

BRANCH	TOTAL		< 3 MONTHS		>3< 9 MONTHS		9 MONTHS	
	Entry	Net Amt	Entry	Net Amt	Entry	Net Amt	Entry	Net Amt
TOTAL AMOUNT (NPR)	9352	2631360	4108	2169065	749	15328	4495	446968

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.

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

Rs. '000'

Particulars	Amount
Balance as on 16/07/2010	17,963,641.46
Loans Disbursed	84,518,244.17
Loans Recovered	80,624,921.90
Loans Written Off	138,173.63
Interest Written Off	145,842.20
Balance as on 16/07/2011	21,718,790.73

15. Summary of Changes in deposit & liabilities

Rs. '000'

Particulars	Current Year	Previous Year	Changes
Call Deposits	1,917,075	2,413,541	(496,466)
Current Deposits	4,259,416	2,861,878	1,397,538
Fixed Deposits	28,013,550	22,148,948	5,864,602
Margin Deposits	146,159	123,087	23,072
Saving Deposits	8,079,244	7,348,970	730,274
Total	42,415,444	34,896,424	7,519,020

16. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of Return on Interest Earning Assets (Loan and Advances (including staff loans) and Investments including investment in shares)	8.05
Average Cost on Fund (Deposits, Borrowings, Debenture and NRB Refinance)	5.19
Net Spread	2.86

17. Particulars of Expenses yet to be Expensed-off

Rs. in '000

Premium paid on Development Bond	8,363.20
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18. Summary of Concentration Exposure

Rs. in '000'

Particulars	Loans, Advances & Bills Purchased	Deposits & Borrowing	Contingent Liabilities
Total amount as on 16/07/2011	21,718,791	42,415,443	4,356,592
Highest exposure to a single unit	275,595	13,243,490	263,465
Percentage of exposure to single unit/total	1.27%	31.22%	6.05%

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

20. Related Party Information and Transactions

20.1 Related Party Information

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

20.2 Related parties transactions

Expense of Rs 12,213,183.00 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 1,588,000.00.

20.3 Outstanding Assets with related party

Total outstanding balances with related party as on Ashadh End 2068 is as follow

SN	Particulars	Holding Company	Group Company (Excluding Holding Company)
1	Outstanding Placement	12,869,032.50	427,500.00
2	Outstanding Agency Balance	1,578,125.59	50,066.46
3	Interest recognized as income during the year	246,774.39	8,200.27

21. . Classification of Assets and Liabilities based on Maturity.

S.N.	Particulars	1-7 days	8-30 days	31-90 days	91-180 days	181-270 days	271-365 days	More than 1 year	Total
Assets									
1	Cash Balance	10077							10077
2	Balance with Banks & FIs	38701							38701
3	Investment in Foreign Banks	24938	1974	2138	12859	86213	4845		132965
4	Call Money								0
5	Government Securities	489	1663	15196	10056	5079	14339		46821
6	Nepal Rastra Bank Bonds							8927	8927
7	Inter Bank & FI Lending								0
8	Loans & Advances	22,489.14	8,804.16	36,040.23	32,985.53	30,256.79	33,801.48	52,810.58	217188
9	Interest Receivable	8	96	418	723	583	30	1180	3038
10	Reverse Repo								0
11	Acceptance Receivable								0
12	Payments under S.No. 20,21 & 22	15762	14648	38086					68496
13	Others	3760						1762	5521
	Total (A)	116223	27185	91878	56623	122131	53015	64679	531735
Liabilities									
14	Current Deposits	26556						17500	44056
15	Saving Deposits (including call)	25744						74219	99963
16	Fixed Deposits	27145	7804	25665	36259	122270	35190	25803	280136
17	Debentures/Bonds							2000	2000
18	Borrowings	0	0	0	0	0	0	0	0
	Call/Short Notice								0
	Inter-bank/Financial Institutions	0							0
	Refinance								0
	Others								0
19	Other Liabilities and Provisions	5310	0	653	0	0	0	1103	7066
	Sundry Creditors	2,062							2062
	Bills Payable	807							807
	Interest Payable	260							260
	Provisions	2065	0	653				1103	3821
	Others	116							116
20	Acceptance Liabilities	9903							9903
21	Irrevocable Loan Commitment	2493	6232	16204					24930
22	Letter of Credit/Guarantee	3366	8416	21881					33663
23	Repo								0
24	Payable under s.no.11								0
25	Others								0
	Total (B)	100516	22452	64404	36259	122270	35190	120625	501716
	Net Financial Assets (A-B)	15707	4733	27474	20364	-138	17825	-55945	30019
	Cumulative Net Financial Assets	15707	20440	47914	68278	68140	85964	30019	0

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

DISCLOSURE UNDER Capital Adequacy Framework 2007 (Updated July 2008)

At the end of Ashadh 2068

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

(Amount in Lacs)

Particulars	Amount	Amount
A Paid UP Equity Share Capital		18,693.03
B Proposed Bonus Equity Share		2,336.63
C Statutory General Reserve		4,757.81
D Retained Earnings		-
E Share Premium		496.60
F Unaudited Current Year Cumulative Profit		-
G Capital Adjustment Reserve		300.00
H Deferred Tax Reserve		396.84
I Current Year's P/L Account		28.52
J Other Free Reserve (Debenture Redemption Reserve)		1,428.57
K Less:		(96.91)
a) Fictitious Assets	-	
b) Investment arising out of underwriting commitments	(96.91)	
Total Core Capital (Tier I)		28,341.09

ii. Supplementary Capital (Tier II)

Particulars	Amount
A Subordinate Term Debt	800.00
B General Loan Loss Provision	2,137.93
C Exchange Equalization Reserve	102.79
D Investment Adjustment Fund	252.14
Total Supplementary Capital (Tier II)	3,292.86

iii. Capital Fund (Tier I + Tier II)

Particulars	Amount
Total Core Capital (Tier I)	28,341.09
Total Supplementary Capital (Tier II)	3,292.86
Total Capital Fund (Tier I + Tier II)	31,633.95

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	1,428.57
- Amount raised during the year	Nil
- Amount Eligible to be reckoned as Capital Fund	800.00

v. Deduction Form Capital

Particulars	Amount
A Fictitious Assets	Nil
B Investment arising out of underwriting commitments	96.91
Total Deduction	96.91

vi. TOTAL QUALIFYING CAPITAL

Total Qualifying Capital	31,633.95
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vii. Capital Adequacy Ratio

Capital Adequacy Ratio (Percentage)	11.52%
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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 regard.

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	252,677.60
B Risk Weighted Exposure for Operational Risk	11,961.20
C Risk Weighted Exposure for Market Risk	7,249.22
Total Risk Weighter Exposure (A+B+C)	271,888.02
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)*	2,718.88
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)	274,606.90

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

S.No.	Categories	Amount
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	1,620.98
3	Claims on Banks	31,117.01
4	Claims on Corporate and Securities Entities	122,401.38
5	Claims on Regulatory Retail Portfolio	30,038.37
6	Claims Secured by Residential Properties	16,239.53
7	Claims Secured by Commercial Real Estate	3,130.62
8	Past Due Claims	1,910.10
9	High Risk Claims	10,160.01
10	Other Assets	8,907.94
11	Off Balance Sheet Items	27,151.66
	Total	252,677.60

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

Particulars	Gross Amount	Provision	Net Amount
A Restructured	1,399.45	464.11	935.34
B Sub-standard	23.96	5.19	18.77
C Doubtful	18.00	4.96	13.04
D Loss	951.59	918.00	33.59
Total	2,393.00	1,392.26	1,000.74

iv. Non Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
- Gross NPA to Gross Advances	1.10
- Net NPA to Net Advances	0.47

v. Movement of Non Performing Assets

S.No.	Particulars	Opening Balance (Ashadh End 2067)	Closing Balance (Ashadh End 2068)	Movement
	Non Performing Loan			
1	Restructured	2,274.48	1,399.45	(875.03)
2	Sub-Standard	129.75	23.96	(105.79)
3	Doubtful	11.14	18.00	6.86
4	Loss	2,510.44	951.59	(1,558.85)

vi Write off of loans and interest Suspense

During the financial year the bank has written off Rs 138,172,628.45 loan (principal) and Rs. 145,842,204.78 interest suspense as per NRB Directive.

vii. Movement Of Loan Loss Provision and Interest Suspense

Loan Loss Provision

S.No.	Particulars	Opening Balance (Ashadh End 2067)	Closing Balance (Ashadh End 2068)	Movement
1	Pass	1,735.84	2,137.93	402.09
2	Restructure	603.46	464.11	(139.35)
3	Sub-Standard	31.90	5.19	(26.71)
4	Doubtful	2.19	4.96	2.77
5	Loss	2,457.55	918.00	(1,539.55)
	Total Loan Loss Provision	4,830.94	3,530.19	(1,300.75)

Interest Suspense

S.No.	Particulars	Opening Balance (Ashadh End 2067)	Closing Balance (Ashadh End 2068)	Movement
1	Interest Suspense	2,832.56	1,326.21	(1,506.35)

viii. Details of Additional Loan Loss Provision

S.No.	Particulars	Ashadh End 2068
1	Pass	402.09
2	Restructure	(139.35)
3	Sub-Standard	(26.71)
4	Doubtful	2.77
5	Loss	(1,539.55)
	Total	(1,300.75)

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 (c) Rs.	This Year Profit /Loss (a-b-c) Rs.	Previous Year Profit / Loss Rs.	Remarks
1	Nepal Government Treasury Bills	46,821.18	-	-	-	-	
2	Nepal Government Other securities	8,927.25	-	-	-	-	
3	Foreign Bank Investment (Placement)	132,965.33					
4	Other Investments (Inter Bank Lending)	-	-	-	-	-	
	Total Investment	188,713.76	-	-	-	-	

B. Investment Available for Sale

S.No.	Particulars	Cost Price (a) Rs.	Impairment Till Date (b) Rs.	Impairment (c) Rs.	This Year Profit /Loss (a-b-c) Rs.	Previous Year Profit / Loss Rs.	Remarks
1	Shares, Debentures and Bond of Domestic Entity						
	Listed	96.91	102.27	100.02	-	-	*
	Not Listed	299.56	-	-	-	-	**
	Total Investment	396.47	102.27	100.02	-	-	

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 Directive No. 4/ 2068 has exempted maintenance of such reserve against investment in Credit Information Center Ltd., 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 Chief Credit Officer, 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

Risk 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 conducted 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	10,346.79
Govt. & NRB Securities	2,518.04
G'tee of domestic banks	232.53
G'tee of foreign banks	1,839.41
Total	14,936.77

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	Total Number Of Shares	Shares Held by Promoters	Name of the Lending Bank/ Financial Institution	Loan Amount	Particulars Of the Loan	Remarks
1	State Bank of India(SBI)	10,289,881	Percentage Of the Total Paid Up Capital 55.05%	NA	Nil	Number Of Shares Pledged Nil	
2	Employees Provident Fund (EPF)	2,806,331	15.01%	NA	Nil	Nil	

Corporate Office, Hatisar, Kathmandu
Comparison of Unaudited and Audited Financial Statement as of FY 2067/68

S. N.	Particulars	As per Unaudited Financial Statement as on 16.07.2011	As per Audited Financial Statement as on 16.07.2011	Variance		Reason for Variance
				In Amount C=B-A	In % D=C/A%	
1	Total Capital and Liabilities (1.1 to 1.7)	46,088,234	46,088,234	-	0.00%	
1.1	Paid Up Capital	1,869,303	2,102,966	233,663	12.50%	Due to proposed bonus shares and proposed dividend
1.2	Reserve and surplus	1,103,455	776,327	(327,128)	-29.65%	
1.3	Debtenture and Bond	200,000	200,000	-	0.00%	
1.4	Borrowings	-	-	-	-	
1.5	Deposits (a+b)	42,415,443	42,415,443	-	0.00%	
	a. Domestic Currency	28,904,197	28,904,197	-	0.00%	
	b. Foreign Currency	13,511,246	13,511,246	-	0.00%	
1.6	Income Tax Liability	-	-	-	-	
1.7	Other Liabilities	500,032	593,498	93,466	18.69%	Due to proposed dividend
2	Total Assets (2.1 to 2.7)	46,088,234	46,088,234	0	0.00%	
2.1	Cash and Bank Balance	4,877,826	4,877,826	-	0.00%	
2.2	Money at Call and Short Notice	-	-	-	-	
2.3	Investments	18,911,022	18,911,022	-	0.00%	
2.4	Loans and Advances (Net)	21,365,771	21,365,771	0	0.00%	
2.5	Fixed Assets (Net)	417,003	417,003	-	0.00%	
2.6	Non Banking Assets (Net)	-	-	-	-	
2.7	Other Assets	516,613	516,613	-	0.00%	
3	Profit and Loss Account			-	-	
3.1	Interest Income	3,104,232	3,104,232	-	0.00%	
3.2	Interest Expenses	2,096,038	2,096,038	-	0.00%	
3.3	A. Net Interest Income (3.1-3.2)	1,008,193	1,008,193	-	0.00%	
3.4	Fees, Commission and Discount	247,165	247,165	-	0.00%	
3.4	Other Operating Income	95,173	95,173	-	0.00%	
3.5	Foreign Exchange Gain/Loss (Net)	70,533	70,533	-	0.00%	
3.6	B. Total Operating Income (A + 3.3+3.4+3.5)	1,421,064	1,421,064	-	0.00%	
3.6	Staff Expenses	255,430	255,430	-	0.00%	
3.7	Other Operating Expenses	445,073	445,073	-	0.00%	
3.8	C. Operating Profit Before Provision (B.-3.6-3.7)	720,561	720,561	-	0.00%	
3.8	Provision for Possible Losses	46,308	46,308	-	0.00%	
3.9	D. Operating Profit (C.-3.8)	674,252	674,252	-	0.00%	
3.9	Non Operating Income/Expenses (Net)	3,114	3,114	-	0.00%	
3.1	Write Back of Provision for Possible Loss	179,122	179,122	-	0.00%	
3.11	E. Profit From Regular Activities (D + 3.9+3.10)	856,488	856,488	-	0.00%	
	Extraordinary Income/Expenses (Net)	(137,673)	(137,673)	-	0.00%	
3.12	F. Profit before Bonus and Taxes (E + 3.11)	718,816	718,816	-	0.00%	
3.13	Provision for Staff Bonus	65,347	65,347	-	0.00%	
	Provision for Tax	188,904	188,904	-	0.00%	
	G. Net Profit/Loss (F-3.12-3.13)	464,565	464,565	-	0.00%	

As at end of the 4th Quarter (32/03/2068) of the Fiscal Year 2067/68

Rs. in '000

S. N.	Particulars	This Quarter Ending as on 32.03.2068 (16.07.2011) Unaudited	Previous Quarter Ending as on as on 30.12.2067 (13.04.2011) Unaudited	Corresponding Previous Year Quarter Ending as on 32.03.2067 (16.07.2010) Audited
1	Total Capital and Liabilities (1.1 to 1.7)	46,088,234	44,657,242	38,047,679
1.1	Paid Up Capital	1,869,303	1,869,303	1,861,324
1.2	Reserve and surplus	1,103,455	955,844	589,230
1.3	Debiture and Bond	200,000	200,000	200,000
1.4	Borrowings	-	370,965	-
1.5	Deposits (a+b)	42,415,443	40,492,187	34,896,424
	a. Domestic Currency	28,904,197	27,528,941	22,689,958
	b. Foreign Currency	13,511,246	12,963,246	12,206,466
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	500,032	768,943	500,701
2	Total Assets (2.1 to 2.7)	46,088,234	44,657,242	38,047,679
2.1	Cash and Bank Balance	4,877,826	4,632,087	3,441,261
2.2	Money at Call and Short Notice	-	360,000	-
2.3	Investments	18,911,022	17,579,756	16,305,633
2.4	Loans and Advances (Net)	21,365,771	21,029,785	17,480,548
	a. Real Estate Loan	1,733,730	1,701,478	1,428,777
	1. Residential Real Estate Loan (Except Personal Home loan up to Rs. 80 Lacs)	539,903	532,187	467,117
	2. Business Complex & Residential Apartment Construction Loan	309,931	294,030	118,800
	3. Income generating Commercial Complex Loan	-	-	-
	4. Other Real Estate Loan (Including Land purchase & Plotting)	883,896	875,261	842,861
	b. Personal Home Loan of Rs. 80 Lacs or Less	2,108,451	2,121,468	1,982,987
	c. Margin Type Loan	2,074	6,116	14,798
	d. Term Loan	1,059,183	964,058	908,772
	e. Overdraft Loan / TR Loan / WC Loan	12,221,405	11,986,337	9,420,145
	f. Others	4,240,928	4,250,328	3,725,069
2.5	Fixed Assets (Net)	417,003	437,232	418,245
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	516,613	618,382	401,992

		This Quarter Ending as on	Previous Quarter Ending as on as on	Corresponding Previous Year Quarter Ending as on
3	Profit and Loss Account	32.03.2068 (16.07.2011)	30.12.2067 (13.04.2011)	32.03.2067 (16.07.2010)
		Unaudited	Unaudited	Audited
3.1	Interest Income	3,104,232	2,193,717	2,269,704
3.2	Interest Expenses	2,096,038	1,512,381	1,443,694
3.3	A Net Interest Income (3.1-3.2)	1,008,193	681,336	826,011
3.4	Fees, Commission and Discount	247,165	178,771	131,692
3.5	Other Operating Income	95,173	69,638	78,797
3.6	Foreign Exchange Gain/Loss (Net)	70,533	48,595	70,328
3.7	B. Total Operating Income (A.+3.3+3.4+3.5)	1,421,064	978,340	1,106,828
3.8	Staff Expenses	255,430	169,782	130,337
3.9	Other Operating Expenses	445,073	305,594	343,850
3.10	C. Operating Profit Before Provision (B.-3.6-3.7)	720,561	502,965	632,641
3.11	Provision for Possible Losses	46,308	43,605	62,351
3.12	D. Operating Profit (C.-3.8)	674,252	459,359	570,290
3.13	Non Operating Income/Expenses (Net)	3,114	2,720	2,553
3.14	Write Back of Provision for Possible Loss*	179,122	169,003	56,621
3.15	E. Profit From Regular Activities (D + 3.9+3.10)	856,488	631,083	629,465
3.16	Extraordinary Income/Expenses (Net)*	(137,673)	(138,173)	(37,266)
3.17	F. Profit before Bonus and Taxes (E + 3.11)	718,816	492,910	592,199
3.18	Provision for Staff Bonus	65,347	45,221	53,836
3.19	Provision for Tax	188,904	130,735	146,620
3.20	G. Net Profit/Loss (F-3.12-3.13)	464,565	316,954	391,742
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)	11.74%	11.16%	12.25%
4.2	Non Performing Loan (NPL) to Total Loan	1.10%	1.29%	1.48%
4.3	Total Loan Loss Provision to Total NPL	147.52%	130.79%	182.21%
4.4	Cost Of Fund (Annualized)	5.19%	5.04%	4.61%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	68.18%	70.52%	71.51%
	Additional Information			
	Average Yield (Local Currency) (Annualized)	10.51%	10.12%	8.67%
	Average Cost (Local currency fund adjusted for CRR factor) (Annualized)	7.27%	7.07%	5.85%
	Net Interest Spread (Local currency)	3.24%	3.04%	2.82%
	Return on Equity (Annualized)	15.68%	16.51%	16.05%
	Return on Assets (Annualized)	1.01%	0.95%	1.03%



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 : bsdoffsite@nrb.org.np
Web Site: www.nrb.org.np

पत्रसंख्या:- बै.सु.वि./अफसाइट/एजिएम/१२/२०६८-६९

मिति २०६८/७/८

नेपाल एसबिआइ बैंक लिमिटेड
हात्तीसार, काठमाडौं।

विषय: वित्तीय विवरण प्रकाशनको स्वीकृति तथा लाभांश वितरण सम्बन्धमा।

महाशय,

तहाँको अक्टोवर १४, २०११ को पत्रको सन्दर्भमा लेखिदैछु।

त्यस बैंकको आर्थिक वर्ष २०६७/६८ को वासलात, नाफा नोक्सान हिसाब र सोसंग सम्बन्धित अनुसूचीहरु सहितको वित्तीय विवरणहरु देहायको निर्देशन सहित प्रकाशित गर्न स्वीकृति तथा तहाँबाट प्रस्ताव गरे गरेबमोजिम ५.०० प्रतिशत (रु.९,३४,६५,१६३/-) नगद लाभांश र १२.५० प्रतिशत (रु. २३,३६,६२,९०५/-) वोनस शेयर वार्षिक साधारण सभाबाट स्वीकृत भएको आधारमा वितरण गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु।

(क) लेखापरीक्षकले औल्याएका देहायका कैफियतहरु सहित अन्य कैफियतहरु सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था मिलाउनु हुन।

- कतिपय अवस्थाहरुमा बैंकको कर्जा नीतिमा भएको व्यवस्था अनुसार नियमित रुपमा लिनुपर्ने Stock, Debtors तथा Payables को Statement लिने नगरेको।
- कतिपय ऋणी कम्पनीहरुको विद्यमान शेयर होल्डर एवं संचालकहरुको अद्यावधिक अभिलेख राख्ने नगरेको।
- KYC Guide Line मा भएका कतिपय व्यवस्थाहरुको पालना नभएको।
- कतिपय ऋणी फर्म/कम्पनीको लेखापरिक्षण भएको अद्यावधिक विवरण लिने नगरेको।

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

भब्दीय,

(विमल राज खनाल)
उप-निर्देशक

बोधार्थ :

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

