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Competitive Market

21st Annual Report
2013-2014



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

With Us, You are Always a Winner.



GLIMPSES OF THE 20TH ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON 9TH OCTOBER 2013 AT KATHMANDU

THE BOARD OF DIRECTORS



Ms. Hasana Sharma

Chairperson
Representing Employees'
Provident Fund



Mr. R. Karthikeyan

Director
Representing State Bank Of India



Mr. Giridhara Kini

Director
Representing State Bank Of India



Mr. Manoj Kumar Agrawal

Director
Representing Public Shareholders



Mr. Niranjana K Tibrewala

Director
Representing Public Shareholders



Mr. Gokul Ram Thapa

Director
Professional Expert Director



Mr. Alok Kumar Sharma

Managing Director (CEO)
Representing State Bank of India

External Auditor
T.R. Upadhy & Co., Chartered Accountants

Company Secretary
Mr. Ramesh Ghimire

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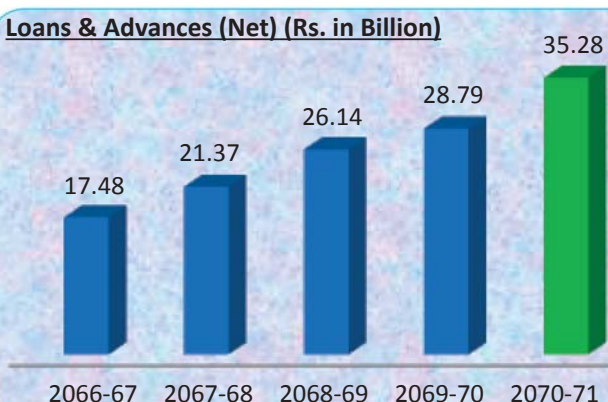
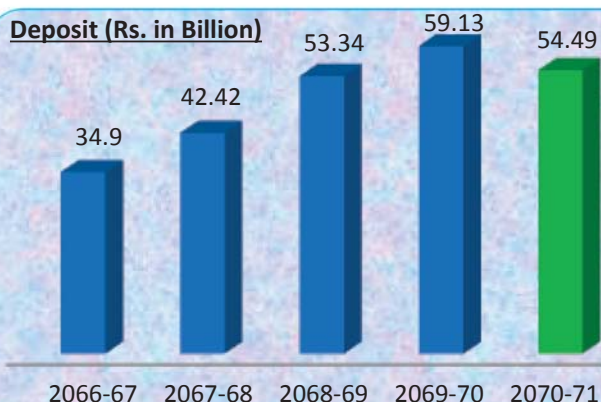
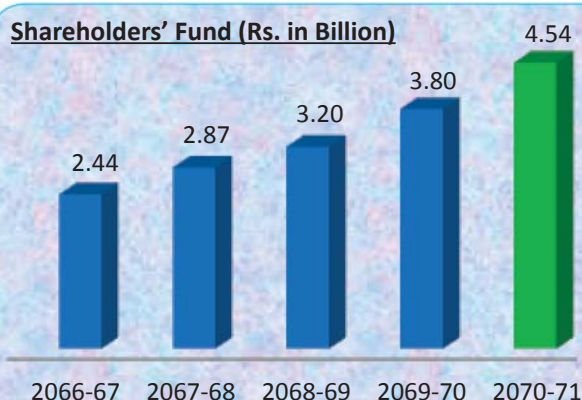
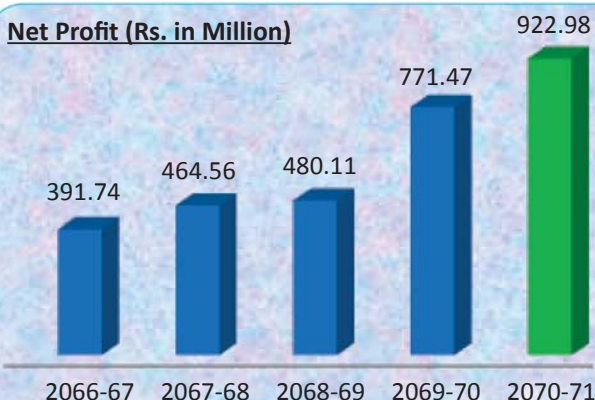
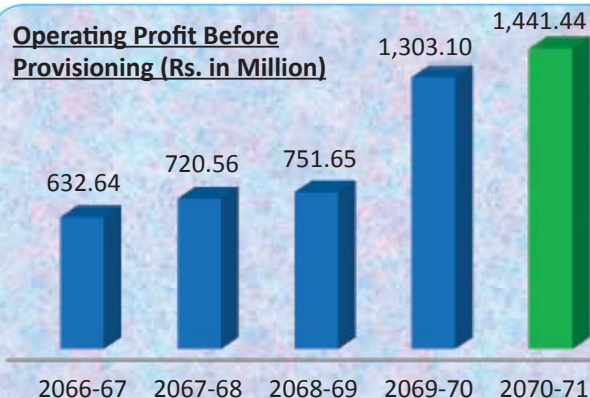
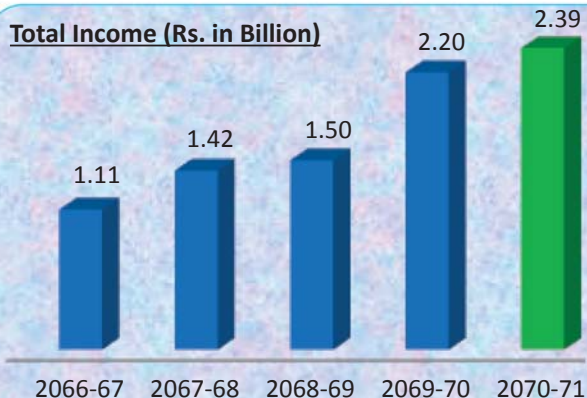
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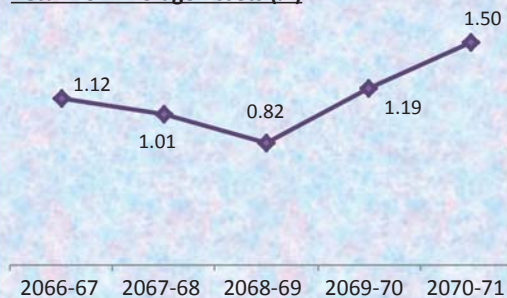
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FINANCIAL HIGHLIGHTS

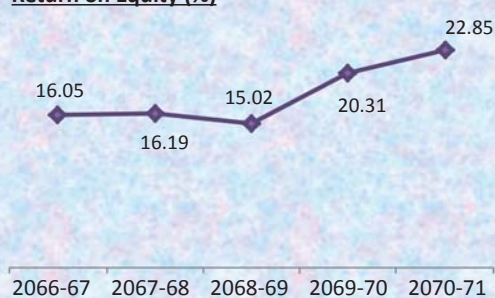


FINANCIAL HIGHLIGHTS

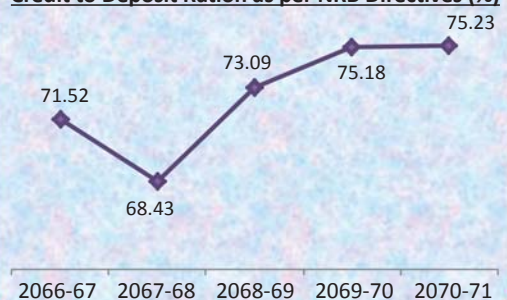
Return on Average Assets (%)



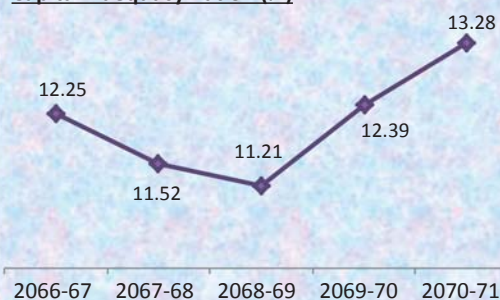
Return on Equity (%)



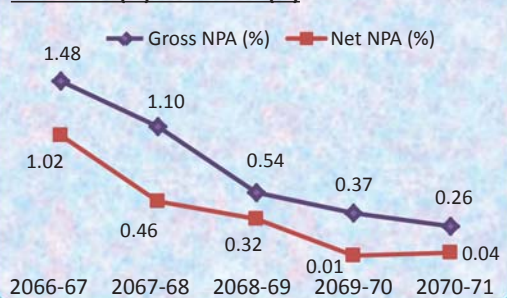
Credit to Deposit Ratio as per NRB Directives (%)



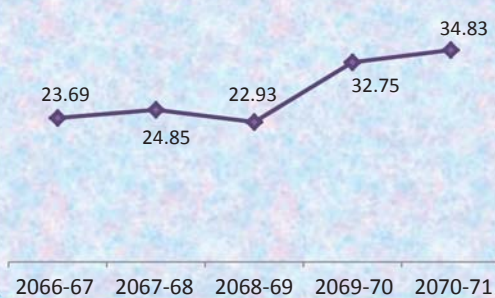
Capital Adequacy Ratio (%)



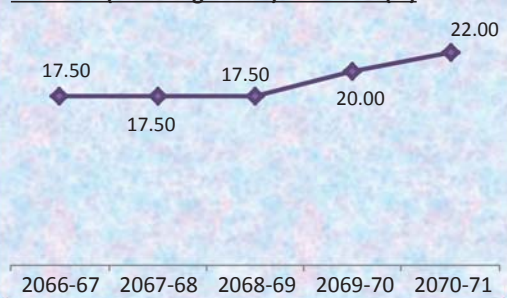
Gross NPA (%) & Net NPA (%)



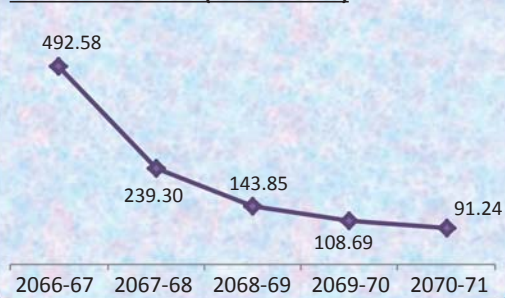
Earning Per Share (Rs.)



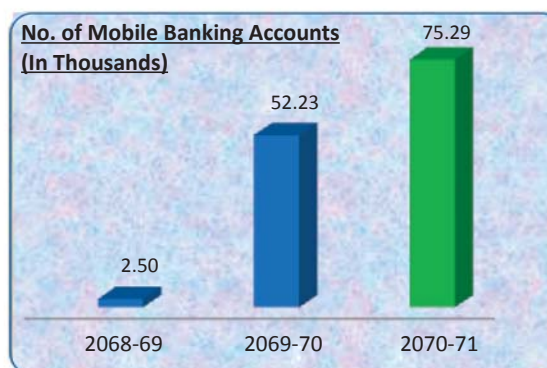
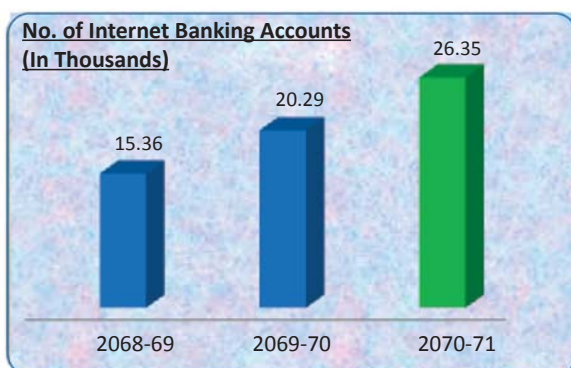
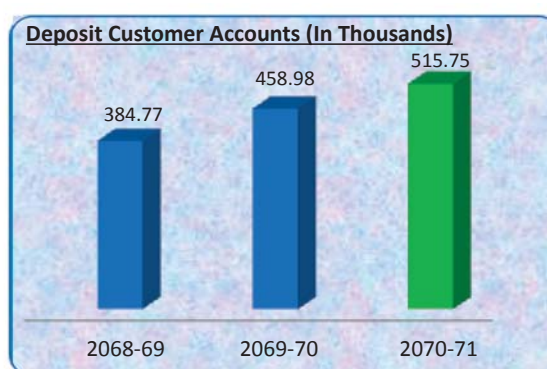
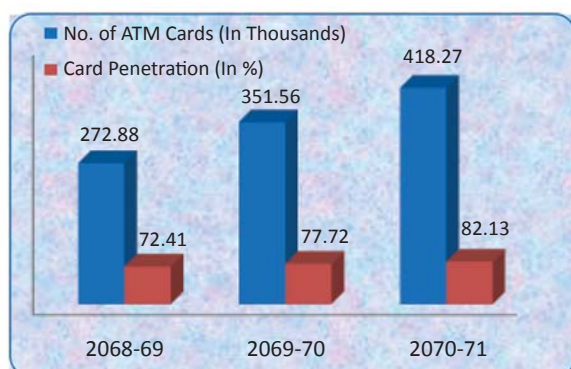
Dividend (Including Bonus) Per Share (%)



Gross NPA Amount (Rs. In Million)



TECHNOLOGY AND OTHER PRODUCTS





REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Nepal SBI Bank have pleasure in presenting this Annual report together with the audited Balance sheet and Profit & Loss account for the year ended 32nd Ashad 2071 (16.07.2014).

REVIEW OF THE FY 2070-71

Nepal SBI Bank has completed 21 years of serving the nation, since the commencement of operations in July 1993. Over the period, the bank has established its presence in 31 districts of Nepal.

Nepal SBI Bank strives to achieve the highest standards in customer service by providing various and convenient products. The bank has achieved satisfactory growth in profits during FY 2070-71(2013-14). The review period also witnessed all round growth in various segments of business.

ECONOMIC ENVIRONMENT

WORLD ECONOMY: Outlook

Growth in the first half of 2014 has remained less than the levels projected in the April 2014. However, the conditions continued to improve, with robust employment growth in US, in particular. U.S. imports were stronger than expected during the first half of the year, suggesting that spillovers from weaker U.S. activity through trade channels turned limited. Latin America witnessed slower growth trends, particularly in Brazil, where investment remained weak and GDP contracted in the first half of 2014. Weaker activity in Russia on account of sizable decline in investment and large capital outflows, following tensions in Ukraine,

also caused spillovers from the Russian slowdown to other countries. Euro area continued to confront with stagnant growth contraction in Italy, no growth in France, and unexpected weakness in Germany in the second quarter. Weaker-than expected GDP expansion, forced Japan to introduce substantial quantitative easing (QE) measures, to avert ill effects of disinflation. Amidst lower activity during the initial period, China implemented measures to buttress activity to support faster growth in the second quarter. Inflation generally remains below central bank policy targets in advanced economies, an indication that many of these economies have substantial output gaps. In the euro area, inflation remained below expectations and declined further. Inflation in the United States has risen modestly, but still remains below the Federal Reserve's longer-term objective of 2 percent. End of QE by US is expected to raise asset values and increase the interest rate in the international financial markets.

Overall, the unfavorable effects of the financial crisis are waning out and, mainly United States, China and India are expected to show some improvement in 2014-2015, despite challenges emanating out of imperatives of controlling spread of Ebola crises and disturbances in Middle East. IMF expects world economy to grow by 3.3 percent in 2014 and 3.8 percent in 2015. Major neighboring economies, India and China are expected to grow by 5.6 percent and 7.4 percent respectively in 2014.

ECONOMIC ENVIRONMENT IN NEPAL

With formation of Constituent Assembly (CA) the country is expected to witness overall improvement in economic activity and development in the country.

The real GDP, at basic price, is expected to grow by 5.2 percent in the Nepalese fiscal year 2013-14 as compared to a growth of 3.5 percent in the previous financial year. The agriculture sector is expected to grow by 4.7 percent and the non-agriculture sector is expected to expand by 5.3 percent. These sectors had grown by 1.1 percent and 4.6 percent respectively in the previous year. The industrial sector is estimated to show almost similar trends of growth at 2.7 percent compared to a growth of 2.5 percent in the previous year. The services sector is estimated to expand by 6.1 percent compared to a growth of 5.2 percent in the previous year. Growth in services sector is mainly attributable to expansion of activity in the wholesale and retail trade, hotels, restaurants, transport, communication, financial intermediaries, public administration and defense, education and health.

The annual average consumer price inflation rate in 2013-14 was at 9.1 percent, as compared to an increase of 9.9 percent in 2012-13. BOP surplus during the previous fiscal year increased to Rs.127.13 billion, as against Rs. 68.94 billion in the previous year. Similarly, the current account surplus was also higher at Rs.89.85 billion in the review year as compared to a surplus of Rs. 57.06 billion in the last year, mainly on account of higher remittance inflows, travel income and foreign grants.

Merchandise exports grew by 17.4 percent to Rs. 90.29 billion, as against a growth of 3.6 percent at Rs.76.92 billion in the previous year. Exports to India increased by 16.5 percent, as compared to a growth of 2.8 percent in the previous year. Likewise, exports to other countries rose by 19.1 percent, as compared to an increase of 5.2 percent in the previous year. Imports continue to show faster growth, showing an increase of 27.3 percent to Rs. 708.76 billion in 2013-14, as against an increase of 20.6 percent at Rs. 556.74 billion in the previous year. The rise in imports is attributed mainly to increased reliance on imports for petroleum products. Imports from India soared by 28.8 percent

compared to a growth of 22.6 percent in the previous year. Likewise, imports from other countries rose by 24.4 percent compared to an increase of 16.9 percent in the previous year. This caused total trade deficit to surge by 28.9 percent at Rs.618.47 billion, as compared to a deficit of 23.9 percent in the previous year. Trade deficit with India increased to 30.8 percent from 26.5 percent in the previous year. Likewise, trade deficit with other countries grew by 25.3 percent compared to an increase of 19.0 percent in the last year. The share of India in Nepal's total trade increased marginally to 66.6 percent year from 66.0 percent in the last year.

In USD terms, the convertible foreign exchange reserves increased by 22.9 percent to USD 5.35 billion in mid-July 2014 from the level of mid-July 2013. On the basis of the trend of imports, the existing level of reserves is sufficient for financing merchandise imports of 11.5 months and merchandise and service imports of 10 months.

THE BANKING INDUSTRY

Amidst pursued path of mergers and acquisitions to consolidate the industry, total number of banks and financial institutions licensed by the NRB dropped to 204 in mid-July 2014 from 207 of previous year. The total number of commercial banks stood at 30 while the number of development banks, finance companies and microfinance development banks stood at 84, 53 and 37 respectively as of mid-July 2014. The branches of commercial banks reached 1547, development banks 818, finance companies 239 and micro finance institutions 826 as of mid-July 2014. They were 1486, 764, 242 and 646 respectively as of mid-July 2013. As a result each branch of BFIs has population coverage of approximately 7,724 people.

Deposit mobilization of banks and financial institutions (BFIs) increased by 18.4 percent (Rs. 218.68 billion) in 2013/14. It had increased by 17.4 percent (Rs. 176.27 billion) in the previous



year. Deposit mobilization of commercial banks increased by 17.8 percent, whereas that of development banks by 29.1 percent and finance companies by 5.7 percent. In the previous year, the deposit mobilization of commercial banks and development banks had increased by 17.9 percent and 27.1 percent respectively whereas the deposit mobilization of finance companies had decreased by 9.6 percent.

In 2013/14, the loan and advances of BFIs increased by 14.4 percent (Rs. 165.48 billion) compared to a growth of 18.6 percent (Rs. 180.20 billion) in the previous year. Loan and advances of commercial banks rose by 13.7 percent and that of development banks by 27.0 percent and finance companies by 4.3 percent respectively. Credit from BFIs to the private sector increased by 18.7 percent (Rs. 176.14 billion) compared to a rise of 20.8 percent (Rs. 161.92 billion) in the previous year. Credit flows to the private sector from commercial banks and development banks registered a growth of 18.7 percent and 29.3 percent respectively whereas the credit flows to the private sector from finance companies declined by 2.1 percent.

The weighted average 91-day Treasury bill rate stood at 0.02 percent, as compared to 1.19 percent a year ago. Likewise, the weighted average inter-bank rate among commercial banks declined to 0.16 percent from 0.86 percent and the weighted average inter-bank rate among other financial institutions declined to 2.40 percent from 5.03 percent a year ago.

As per the modified method of spread rate calculation, weighted average interest rate spread of commercial banks stood at 5.15 percent (Excluding Agricultural Development Bank Limited) in mid-July 2014. Moreover, the average base rate of commercial banks remained at 8.36 percent in mid-July 2014 compared to 9.83 percent a year ago. The Bank's interest rate spread (calculated as per NRB directive)

in mid July 2014 was 4.93 percent, which is better than the industry average. Bank's Base Rate was 8.17 percent as of mid October 2014. Your bank continues to report competitive numbers.

RECENT DEVELOPMENTS IMPACTING BANKING BUSINESS

INCREASE IN CRR

The central bank (Nepal Rastra Bank) through monetary policy 2071-72 and subsequent circular in this regard, increased Cash Reserve Ratio to 6 percent for 'A' Class Banks, from 5 percent earlier. Commercial Banks will be required to maintain 12 percent Statutory Liquidity Ratio.

MERGER AND ACQUISITION

As per the merger policy, which was implemented to strengthen the financial stability, 23 BFIs received final approval to merge with each other to become 9 BFIs in 2013/14. During the previous year, 4 BFIs were given Letter of Intent (LOI) for merger with each other.

DEPRIVED SECTOR AND PRODUCTIVE SECTOR LENDING

Focus on lending to productive sector continued, backed by the provision of requiring commercial banks to lend 20.0 percent of total credit to the productive sector by mid-July 2015, and a sub target of 12.0 percent for lending to the agriculture and energy sector, within the productive sector. Deprived sector lending target was kept at 4.5% of total credit.

OUR STRATEGIES FOR THE CURRENT YEAR

Your bank has a network of 62 banking outlets, 607 employees and one of the richest basket full of alternative delivery channels: Automated Teller Machines, SMS Banking, Mobile Wallet, Internet Banking and now IRCTC Ticket Online Booking Utility. The Bank has successfully tested and is in the

process of introducing Global Link Services (GLS) utility for remittance business, enabling linkages with all the branches of SBI outside India and exchange houses, remittance companies having arrangements with SBI group. Your bank proposes to approach the new businesses with more tech savvy product ranges and integrated solutions to ensure hassle free, high quality customer service.

Emphasis on stable and long term low-cost deposits, expansion of retail advances to improve efficiency parameters and the market share, maintaining asset quality of high standard, developing new products and improving delivery channels, restructuring business processes in the techno-driven environment, further strengthening the sophisticated risk management systems, ensuring high quality of customer service and adopting best Corporate Governance practices, would continue to remain guiding factors and strategy for your Bank.

BUSINESS PERFORMANCE: 2013-14

Your bank achieved a growth of 20.05 percentage in Domestic currency deposits in the fiscal year. In advances, the bank registered a gross growth of 22.33 percentage (excluding provisioning), which

was better than the industry growth rates. The Bank continues to maintain its premier position in the country, as one of the most efficient and financially robust Banks.

Your Bank posted a higher operating profit (before loan loss provisions) of Rs. 1441.44 million, as compared to Rs.1303.09 million in previous year and achieved qualitative improvement in asset quality. The gross NPA and net NPA levels at 0.26 percent and 0.04 percent respectively are amongst the best indicators in the country.

The number of total deposit accounts registered reached to a level of 515,752 showing an increase of 12.36 percent over the previous year. Likewise, the borrowal accounts (net) increased by 1,259 reaching a level of 16,071 as at the end of the year.

The Bank maintained a strong capital base and significantly expanded clientele base of deposits and advances. Greater oversight and improvement in risk based supervision techniques and structures helped your bank achieving higher trust and confidence of stakeholders. Your bank opened an extension counter at Pashupati Area for offering quality customer service at the world heritage premises.

MEASURING OUR SUCCESS

IMPROVEMENT IN KEY EFFICIENCY PARAMETERS

(NPR IN CRORE)

FY ended	15th July 2013	16th July 2014	Growth/Improvement
1 Net Interest Income	162.35	174.50	12.15
2 Operating Profit	117.51	135.85	18.34
3 Net Profit	77.15	92.30	15.15
4 Cost of Funds (%)	4.44	3.99	(0.45)
5 Cost to Income Ratio (%)	40.65	39.70	(0.95)
6 Net Interest Margin (%)	3.10	3.29	0.19
7 Return on Assets (RoA) (%)	1.19	1.50	0.31
8 RoA (%) excluding SAARC Funds	1.81	1.87	0.06
9 Profit per employee	0.14	0.15	0.01
10 Gross NPA Amount	10.87	9.12	(1.75)
11 NPA (%)	0.37	0.26	(0.11)



RETAIL BANKING SEGMENT

During the Fiscal Year 2070-71, retail segment deposits recorded a growth of Rs.453 crores to Rs. 2586.79 crores. 55,811 new savings deposit accounts and 4,307 new current accounts were opened during the year. This increment was spurred by better customer service and aggressive marketing efforts.

Retail segment advances stood at Rs.1120.73 crores in 2070-71 as against Rs.926.22 crores in 2069-70. Suitable changes were made to various schemes of retail banking segment during the year.

CREDIT MANAGEMENT

The bank has always focused on the quality aspect of credit while augmenting its credit portfolio. This year the total credit exposure reached Rs. 3,571.43 crores showing a growth of 22.33% over previous year. 1,110 new advance accounts were increased during the review year against 1,024 of the previous year.

SME BUSINESS

Realizing the importance of SMEs in creating decent jobs, development of indigenous technologies, aggregation of savings and investments and contribution in overall development of Nepal, the bank focused on this segment of business in the fiscal year 2070-71. The advances under SME Business portfolio registered year on year growth of 41.52% during the review period.

DEPRIVED SECTOR LENDING

Nepal Rastra Bank has prescribed a statutory requirement of 4.50 percent deprived sector lending compared to overall advances. Your bank achieved deprived sector lending position of 4.72 percent with Rs.138.99 crore lending in the category.

NPA MANAGEMENT

Both preventive management and curative management strategies are being pursued with regards to NPAs. A strong KYC profile of the client with an emphasis on credibility is maintained while establishing credit relationship. The bank has installed a strong credit assessment and risk management mechanism to filter out the likely NPAs. Regular monitoring of accounts to sense early warning signs is being done to reduce the incidence of NPAs.

The bank has been able to lower the Gross NPA to 0.26% and net NPA to 0.04%. Similarly, the number of NPA accounts came down from 69 to 68.

TREASURY AND INVESTMENTS

Amidst low investment opportunities due to high liquidity, your bank skillfully optimized the return on investment. Earnings of Rs.10.78 crore was achieved on Foreign Currency business in 2070-71.

FINANCIAL HIGHLIGHTS

NET INTEREST INCOME

The bank earned a net interest income of Rs. 174.50 crores in the FY 2070-71 as against Rs.162.35 crores during the previous year. This shows a growth of 7.48%.

NON INTEREST INCOME

Non-interest income stood at Rs. 64.55 crores in 2070-71 as against Rs. 57.34 crores in 2069-70 registering an increase of 12.57%.

PROFIT

The Operating Profit of the Bank for 2070-71 stood at Rs. 135.85 crores as compared to Rs. 117.51 crores in 2069-70 registering an increment of 15.61%. The Bank posted Net Profit of Rs. 92.29 crores for 2070-71 as compared to Rs. 77.15 crores in 2069-70 registering a growth of 19.62%.

KEY FINANCIAL INDICATORS

Earnings per share stood at Rs. 34.83 (per share of face value Rs.100) in 2070-71.

The Book value of the share improved to a level of Rs. 171.15. This was achieved on higher equity base, since the Bank has been issuing and distributing Bonus shares to its shareholders for the past few years.

RoA of your bank also improved from 1.19% to 1.50% during the review year. Similarly NIM improved from 3.10% to 3.29% during the review year.

Your bank effectively ensured efficient use of resources and brought about significant increase in level of advances by over Rs.652.04 crores. The augmented base of assets was achieved while simultaneously perusing best global practices to maintain sound capital base with capital adequacy ratio at 13.28 percent in mid July 2014. This was well above the Nepal Rastra Bank benchmark of 10 percent. Likewise, the Core capital to Total Risk Weighted Assets (Tier-I) at the end Ashad 2071 was 10.19 percent, which was well above the minimum required benchmark of 6 percent of NRB.

Your bank, as a part of strategic capital planning process and strengthen the consistency and quality of bank capital base, successfully completed the 10 year Debenture issue worth Rs.20 crores at coupon rate of 7.90% in March 2014. The instrument also received the highest ever credit rating of LAA by ICRA (Nepal) in the country.

Your bank's capital base successfully qualifies all applicable and possible stress test scenario analyses and withstands all key risk factors across all portfolios and also takes care, appropriately, of the forward-looking scenario. This also provides sufficient room for further increase in risk assets necessary for the continued growth of the Bank.

CORPORATE CITIZENSHIP

CODE OF ETHICS

The Bank has devised and implemented its own 'Code of Ethics' to be followed meticulously by all the members of its Board of Directors, Management Team and staff at all levels. The Code of Ethics implemented by your bank is consistent with the spirit of Good Governance Act and is fully compliant with Nepal Rastra Bank's guidelines on maintaining good corporate governance in the bank.

INTERNAL CONTROL, INSPECTION AND AUDIT

The Bank has put in place a well-established independent audit system and structure to ensure adequate internal control for safe and sound operations. Internal Auditor 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 based on the feedback received from the internal audit reports.

The bank has adopted and successfully implemented Risk Focused Internal Audit (RFIA), whereby a provision of 12 different types of Audits has been made in the Audit Manual. Under RFIA, branches are categorized into three groups as per risk perception and are subject to various degrees of audit. The periodicity of audit is determined by the classification of the branches according to the extent of control quantified by previous RFIA. Self Audit of operating units has also been introduced, under which audit of a branch is carried out by the branch itself providing greater insight and controlling tools for the Regional Managers and the Management for effective supervision of qualitative parameters of operations.



RISK MANAGEMENT

Banking business involves a trade-off between risk and return. A fine balance between risk and return ensures continuity and prosperity of the bank.

Your bank has various risk management committees in place to manage and control all facets of risk arising out of different areas of banking business, viz. ICAAP Review Committee, Market Risk Management Committee, Credit Risk Management Committee, Operational Risk Management Committee, Assets and Liabilities Management Committee. These committees identify, assess, mitigate, control and monitor risk strictly in line with the policy frameworks for such areas of banking business. These risk management committees together with the Audit Committee form the structure through which the Board oversees the risk management function. The functioning of risk committees has been appreciated by Nepal Rastra Bank (NRB) also in the Onsite inspection report dated 23.06.2014. The regulator has observed that your bank's quality of assets is in improving trend and functions pertaining to credit management are being performed efficiently; various committees are in place in the Bank for management of various risks associated with the Bank's business; the decision making process of the committees appears transparent and robust as there is a system to hold deliberations and take necessary decisions in a collective manner. Further, your bank has been found by NRB to have remained as committed to ensure compliance of the rules and regulations of the regulatory bodies and its own policies and byelaws; and the Bank's operational activities are being performed accordingly. NRB in its onsite inspection report has observed that the Bank will gain improvements in overall areas of operation and it will be able to position itself as a financially stronger bank in the days to come.

Your bank received A+ rating, the highest rating by the Management Audit, completed on 14th April, 2014. The Management Audit confirmed that the processes adopted by the Bank are robust and the performance of the Bank is in tune with the Corporate Objectives and expectations.

Your bank has already migrated to Basel-II norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-II. The Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

The Bank has created Integrated Risk Management Department headed by Chief Risk Officer (CRO) to further strengthen the Risk Management structure, which includes assessing, identifying, monitoring and reducing pertinent business risks.

ASSET LIABILITY MANAGEMENT

The Bank is efficient in ensuring asset liability management and is undertaking timely review of the ALM positions. A comprehensive Asset Liability Management (ALM) System is in place for effective management of Market Risk covering Liquidity Risk, Interest Rate Risk and Foreign Exchange Risk.

Liquidity and Interest Rate Risks are measured through Structural Liquidity Report. Both the risks on Foreign Assets & Liabilities are being monitored through Maturity & Position (MAP) and Sensitivity to Interest Rate (SIR) reports. The

monitoring of liquidity on a dynamic basis over a time horizon spanning 1-90 days and more, is in place.

The Asset Liability Management Policy coupled with Investment Policy of the Bank specifies various prudential limits for management of Liquidity and Interest Rate Risks. A system of daily monitoring of inflows and outflows of deposits is in place for managing Liquidity on a day-to-day basis. Stress Testing on Liquidity, Interest rate and Foreign Exchange positions has also been undertaken during the year. The structural liquidity report is being prepared and reviewed regularly. Scenario analysis on market risk, as prescribed by Nepal Rastra Bank is also being ensured.

CORE BANKING SOLUTION (CBS)

The bank uses Finacle Core Banking Solution, a real time 24X7 account processing platform which has a layered Service Oriented Architecture (SOA), Straight through Processing capabilities and web enabled technology. On this core platform are integrated various value added services like SMS Banking, Mobile Wallet and Internet Banking in addition to ATM cards.

CARD PRODUCTS

The bank offers various card products to its customers: ATM cum Debit Card, Bharat Yatra Card and Viswa Yatra Card. Our Debit card and Bharat Yatra Card are VBV (Verified by Visa) enabled. The bank has over 4.18 lacs cardholders as at the end of Ashad 2071. This represents a penetration of over 82% out of total number of customers (savings and current accountholders).

AUTOMATED TELLER MACHINES (ATMS)

Our cardholders can transact free of cost in 75 ATMs of your bank installed wide over the country. Apart from that, they can transact at all visa enabled ATMs inside the country and in India at

a minimum service charge. Our ATMs can also be used by holders of various International Cards.

INTERNET BANKING

The bank offers Internet Banking facility to individual and corporate customers free of cost and encourages use of the facility for quick and hassle-free experience. Facility for fund transfer, payment of utility bills and requests for various services are available on the internet banking platform.

Your bank, during 2013-14, became the first ever foreign banking entity in the world to have added the IRCTC Online Railway Ticket utility. This has encouraged our clientele to subscribe more for INB utility.

A total of 26,351 customers are enjoying the Internet Banking facility. The user base has grown by 29.85 percent as compared to last year. The bank also launched a campaign to inform and encourage the use of Internet Banking product.

MOBILE BANKING

More than 75 thousands customers are enjoying the Mobile Banking facility. Facilities of obtaining information, lodging requests and making fund transfers and payments can be availed through this channel. Through Mobile Banking, users can also book tickets of airlines.

INFORMATION TECHNOLOGY & SYSTEMS SECURITY

In order to control the threats and risks associated with IT enabled services, the Bank has a comprehensive IT and Information Systems (IS) Security systems to address all the concerns including maintenance of customers' confidentiality, security and integrity of data. Bank's data centre where the Bank's CBS database resides (both Primary and Disaster Recovery Site) has acquired the accreditation for the international standard for Information



Security Management Systems. All the Banking applications have built-in security features like access control, data encryption and transmission through secured channels as per the requirement of the application. The threat of virus is minimized by having a centralized anti-virus solution. Adequate Firewalls and Intrusion Detection Systems are in place so as to prevent unauthorized access to the network.

The Disaster Recovery Plan (DRP) for all the operations is in place. The Bank has taken steps to increase security awareness amongst staff as well as customers and to ensure compliance of IT security. A detailed booklet for guidelines on IT Policy containing IS Security guidelines has been provided to all the branches and offices.

CUSTOMER SERVICE

Broad-basing the clientele base and rendering better services continues to be a major thrust area for the Bank. Providing value added services, leveraging core Banking technology and re-designing key business processes in line with the requirements of the customers, have helped in providing customers a satisfying banking experience. Customers now want to check balances on their mobile phones, transfer money without having to go to their branch and have their questions answered quickly and easily. We cater to all these needs with our technology driven products like Mobile Banking, Internet Banking and Live support. Proactive rather than reactive approach to customer service, coupled with technological innovations, has helped us in providing customer service which is at par with international standards.

SOCIAL RESPONSIBILITY INITIATIVES

The bank as a corporate citizen fully understands its duties towards society and so is engaged in various social responsibility initiatives .The bank

comprehends social responsibility initiatives to go beyond philanthropy and compliance .It tries to act as a partner in the progress of the community and the country. The bank has lent a supporting hand in every walk of life of the community in which it operates with an emphasis on the weak and the underprivileged. During the year, we supported directly or in partnership with other organizations, various individuals, groups or institutions in wider area of social life including Natural Calamities, Education, Sports etc.

CHANGES IN THE BOARD OF DIRECTORS

Consequent upon transfer of Shri Vijaya Jasuja, GM (Retail & Subsidiaries) from International Banking Group (IBG) of SBI, Shri Giridhara Kini, General Manager (Retail & Subsidiaries), SBI, has been nominated by SBI in his place. Similarly, the position of Director held by Shri Hemant G. Contractor, MD & GE, SBI has fallen vacant after the retirement of Shri Contractor from SBI's service and appointment of new Director in his place, is in progress. On behalf of the Board of Directors, we place on record our appreciation for the contribution made by both the directors in guiding the affairs of the Bank during their tenure and welcome Shri Giridhara Kini, General Manager (Retail & Subsidiaries), SBI as a new member on the Board of the Bank.

STATUTORY AUDITORS

M/S T.R. Upadhya and Co. Chartered Accountants, conducted the statutory audit of the Bank for the FY 2070-71 as appointed by the 20th AGM. New statutory auditors for the FY 2071-72 will be appointed in the forth-coming AGM as per the recommendation of the Audit Committee of the Bank's Board.

FURTHER INFORMATION AND DISCLOSURES

All the statutory requirements on disclosure of information—including under Section 109(4) of the Companies Act, 2063 and Rule 22(1) of

Securities Registration and Issuance Regulation 2065 – have been embodied as annexure to this report. 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 subsequently.

PATH AHEAD

Your bank has attained the present position in banking gradually but steadily in the past 21

years. We will leverage our position to expand the customer base by exploring new market segments and expanding delivery channels for our products, while at the same time, providing customer service of high standard by enabling our employees. Our large network of branches and ATMs will help serve people residing in all areas of Nepal. This wide range of presence helps us build up larger customer base with low cost deposit.

PROGRESS REPORT FOR THE CURRENT YEAR (First Quarter ending as on 17.10.2014)

First quarter of fiscal year 2071/72 is over. Progress (unaudited) achieved during the 1st quarter of current year is presented below;

(NPR IN CRORE)

S.N.	Particulars	This Quarter Ending as on 31.06.2071 (17.10.2014) Unaudited	Previous Quarter Ending 32.03.2071 (16.07.2014) Unaudited	Corresponding Previous Year Quarter Ending as on 31.06.2070 (17.10.2013) Unaudited	Growth (%) Quarter on Quarter
1	Total Deposits	5,506.66	5,449.29	5,637.31	(2.32)
2	Out of above: Domestic Currency Deposit	4,199.75	4,202.72	3,678.67	14.16
3	Loans and Advances (Net)	3,721.11	3,527.96	3,005.27	23.82
4	Net Interest Income	46.86	174.50	39.86	17.56
5	Operating Profit Before Provision	42.12	144.14	33.21	26.83
6	Operating Profit	38.83	135.85	32.11	20.93
7	Net Profit	25.62	92.29	22.28	15.00
8	Capital Fund to Risk Weighted Assets (RWA)	13.18%	13.28%	12.48%	0.70
9	Non Performing Loan (NPL) to Total Loan	0.23%	0.26%	0.35%	(0.12)
10	Total Loan Loss Provision to Total NPL	517.27%	476.42%	385.21%	132.06
11	Cost of Fund (Annualized)	3.42%	3.99%	4.40%	(0.98)
12	Credit to Deposit Ratio (Calculated as per NRB Directives)	78.17%	75.23%	74.67%	3.50
13	Base Rate	8.17%	8.78%	9.66%	(1.49)
14	Return on Assets (Annualized)	1.63%	1.50%	1.41%	0.22

Your bank continues to maintain satisfactory value accretion and improvement in efficiency parameters during the current financial year as well. Total deposits during the first quarter of current financial year has also improved. Your bank

has been pursuing a policy of encouraging low cost retail deposits over high cost bulk deposits, which have intrinsically volatile nature. Overall, your bank is well poised to achieve and maintain encouraging growth trend during the ensuing period, as well.

VALUE CREATION AND ALLOCATION

The following appropriations from profits are proposed for the year ended Ashad End, 2071 :

	This Year Rs.	Previous Year Rs.
INCOME		
1. Accumulated Profit up to Previous Year	5,055,793	8,910,620
2. Current Year's Profit	922,984,007	771,471,129
3. Exchange Fluctuation Fund	-	-
4. Investment Adjustment Reserve	515,360	515,360
5. Capital Adjustment Reserve up to Previous Year	35,000,000	5,000,000
Total	963,555,160	785,897,109
EXPENSES		
1. Accumulated Loss up to Previous Year	-	-
2. Current Year's Loss	-	-
3. General Reserve	184,596,802	154,294,226
4. Contingent Reserve fund	-	-
5. Institutional Development Reserve	-	-
6. Dividend Equalization Reserve	-	-
7. Staff Related Reserve	-	-
8. Proposed Dividend @ 7%	186,142,754	176,680,388
9. Proposed issue of Bonus Shares @ 15%	398,877,300	294,467,300
10. Special Reserve fund	-	-
11. Exchange Fluctuation Reserve Fund	1,178,556	1,133,538
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Reserve	85,000,000	35,000,000
14. Investment Adjustment Reserve	-	515,360
15. 6% NSBL Debenture 2070 Redemption Reserve	-	28,571,426
16. 12.5% NSBL Debenture 2078 Redemption Reserve	40,000,000	40,000,000
17. 8% NSBL Debenture 2079 Redemption Reserve	40,000,000	17,863,014
18. 7.9% NSBL Debenture 2080 Redemption Reserve	4,821,918	-
19. Deferred Tax Reserve	17,122,579	32,316,064
Total	957,739,909	780,841,316
20. Accumulated Profit/(Loss)	5,815,251	5,055,793

N.B.: The Bank has recently sold 89,763.96 shares through auction process initiated vide public notice published in Karobar daily dated 9/12/2014. Previously, these shares were remaining unsubscribed in the Bank's Issued Capital. With subscription of these shares, the Bank's Paid-up Capital presently stands at Rs. 2,659,182,200.00. The Cash Dividend (7%) and Bonus Shares (15%) proposed by the Board is based on the Paid-up Capital of Rs. 2,659,182,200.00. We have since moved special resolution to the 21st AGM for issuing new shares through FPO so as to align the ratio of the public holding with that of the MOA.

ACKNOWLEDGEMENT

The Board of Directors is grateful to the valued customers, esteemed shareholders and the public at large for their patronage and confidence reposed in the Bank and places on record its appreciation. The Board of Directors also expresses its sincere thanks to the Government of Nepal, Nepal Rastra Bank, Office of the Company Registrar (OCR), Securities Board of

Nepal (SEBON) and other regulatory bodies for their valuable support and guidance throughout the year.

The Board of Directors also places on record its appreciation of the commitment, sense of involvement and dedication exhibited by employees of the Bank in the overall development and prosperity of the Bank.

For and on behalf of the Board of Directors

Kathmandu

Ms. Hasana Sharma
Chairperson

ADDITIONAL DISCLOSURES

ANNEXURE TO THE REPORT OF THE BOARD OF DIRECTORS

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 fiscal year 2070/71.

(ii) Main transactions carried out by the Bank during the financial year 2070/71, 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. 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 been 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 2070/71.

(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)
1	Staff Expenses	443,077,803
2	Other Operating Expenses	506,028,826

(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. Gokul Ram Thapa, Professional Expert Director	Member
iii.	Director (Other than Managing Director representing SBI)	Member
iv.	Mr. Lekha Nath Pokhrel (Internal Auditor)	Member Secretary

▶ **NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING 2070/71: 12 (TWELVE) MEETINGS**

▶ **MEETING ALLOWANCES PAID TO THE MEMBERS**

- Directors other than those representing SBI: Rs.192,000
- Director representing SBI: Nil

▶ **ROLE PLAYED BY THE AUDIT COMMITTEE**

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

(ix) Payment due to the Bank from any Director, Managing Director, Executive Chief or the basic shareholder of the Bank or any of their close relatives, or from any firm, company or corporate body in which he is involved: NRB had directed the Bank to recover certain expenditure incurred on one director Shri. M.K. Agrawal. The Bank has filed a petition to the NRB explaining the position vis-a-vis Memorandum of Association and extant laws.

(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. 624,000/- was paid to the Board members as Meeting fee during 2070/71 (@ Rs. 10,000/- per meeting for the Chairman and @ Rs. 8,000/- for other Directors.), which includes Rs. 264,000 paid to Directors for the meeting of Risk Management Committee of the Board and the Audit Committee of the Board.

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. 4,721,880.73 towards the rent of their residential quarters and payment of permissible allowances and expenses. Their salary and allowances are paid by SBI under Technical Services Agreement.
- b) **Other Office Bearers:** A total of Rs. 443,077,803/- 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 2071:

Financial Year	Amount (Rs.)
2052/53	264,200.00
2053/54	249,600.00
2054/55	285,200.00
2055/56 & 2056/57	436,500.00
2059/60	591,819.60
2062/63	580,811.00
2063/64	984,627.50
2066/67	1,841,333.44
2067/68	2,312,279.01
2068/69	3,302,478.78
2069/70	9,364,937.79
Grand Total	20,213,787.12

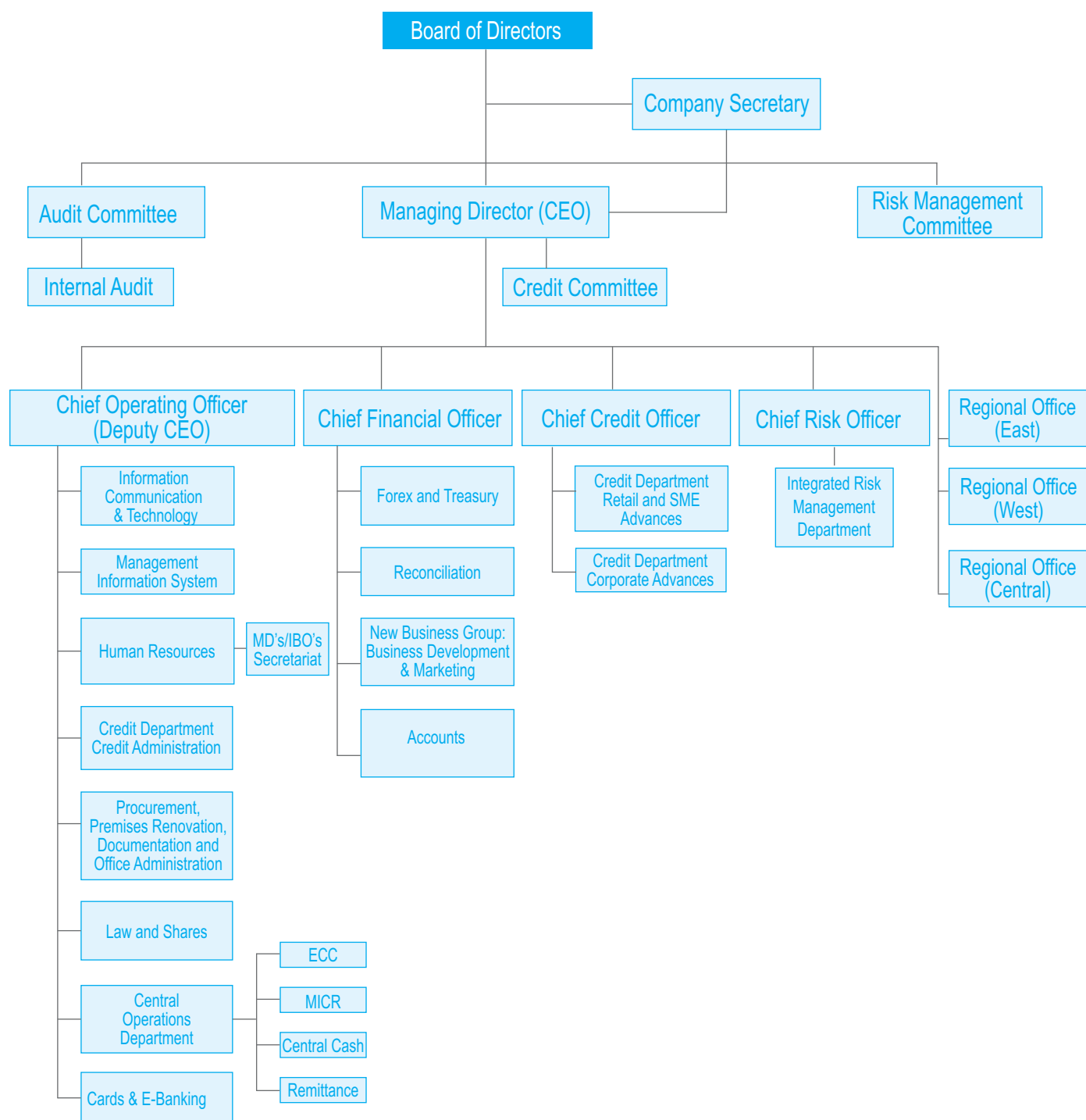
(xii) No property was purchased or sold by the Bank during the year as stipulated under Section 141 of the Companies Act, 2063.

(xiii) No transaction was held between the Bank and its associate companies during the year as stipulated under Section 175 of the Companies Act, 2063.

Place: Kathmandu

Ms. Hasana Sharma
Chairperson

ORGANIZATIONAL STRUCTURE



MANAGEMENT TEAM



Mr. Alok Kumar Sharma
Managing Director (CEO)



Mr. V.K. Tyagi
Chief Operating Officer (Dy CEO)



Mr. Anil Kumar Singh
Chief Financial Officer



Mr. Chhapi Raj Pant
Chief Risk Officer



Mr. Dev Raj Adhikari
Chief Credit Officer



Mr. Sushil Kumar Sharma
Regional Manager (Central)
Kathmandu



Mr. Suraj Manandhar
Regional Manager (East)
Biratnagar



Mr. Jeeban Babu Subedi
Regional Manager (West)
Nepalgunj

HEAD OF DEPARTMENTS / UNITS



Mr. Umesh Bahadur Karki
Credit Department
Credit Administration



Mr. Ramesh Ghimire
Law and Shares &
Company Secretary



Mr. Binod Dhungel
Credit Department
Retail, SME and Corporate
Advances



Mrs. Soma Roy Gupta
Reconciliation



**Mr. Prabin Muni
Bajracharya**
Forex and Treasury



Mr. Lekha Nath Pokharel
Internal Audit



Ms. Damayanthi Joshi
Human Resources



Ms. Aparna Sharma
Procurement,
Premises Renovation,
Documentation and Office
Administration



**Mr. Monish Kumar
Shrestha**
Cards & E-Banking



Mr. Bigyan Adhikari
Management
Information System
(MIS)



Mr. Santosh Bhandari
Accounts



Mrs. Sujata Giri Ban
Central Operations
Department



Mr. Vikas Budhathoki
Information
Communication
& Technology



Mr. Vijay Ghimire
New Business Group:
Business Development
& Marketing

Chief Managers



Mr. Bishnu Dev Yadav
Commercial Branch (Kathmandu)



Mr. Arjun Nepal
Durbar Marg Branch (Kathmandu)

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

We regard people as the building blocks of organization. They drive and sustain growth in the long run. Building a strong organization depends on building an able and committed work force. Over the years, we have formed a team of 607 employees with knowledge and skills that are above par in the banking industry.

Our employees come from diverse backgrounds in education, language and culture. Ranging from Science and Technology to the Liberal Arts, from Maithili as the mother tongue to Doteli, and being as rich as the Nepali culture itself; we have a workforce that stands as one to lead the banking industry.

We absorbed a mass of 83 enthusiasts into our organization during the year. Most came from various other organizations bolstering our faith in our organizational culture that is envied by many in industry.

Development of our employees has been our top priority since inception. During the year, we imparted training to 410 employees through 42 training programs organized internally as well as externally.

Because of our focus on employee development , growth and their well-being, our relations with the union remained harmonious during the year.

BUSINESS PROMOTION AND SOCIAL RESPONSIBILITY INITIATIVES

Nepal SBI Bank is a socially responsible organization. We support sustainable socio-economic, cultural and environmental development initiatives aimed at enriching the lives of the people in the communities.

The roots of our organization lie in the society and we nurture these roots consciously.



Scholarship to 11 meritorious students of Shree Nandi Madhyamik Vidyalaya, Naxal for outstanding performance in SLC examination 2069.

We invest in CSR related-programs and projects within four broad areas of activity: Social Service, Education, Sports and help to victims of natural calamities.



Token of Love (Pens) being distributed at Nandi Madhyamik Vidyalaya

We believe that education is crucial to the development and prosperity of every country. By supporting education in Nepal, we seek to contribute to cultivating talent for Nepal's future. This year we focused on education of children and conducted various CSR activities relating to it. We believe our continuous CSR activities relating to education of children will be of help in raising the status of our country further.



Photocopy machine being handed-over to Nandi Madhyamik Vidyalaya

PRODUCT AND SERVICES

The Bank has presence in 31 districts of the country through a network of 56 branches, 6 extension counters, 3 regional offices and 75 ATMs. We have been extending our services to all sectors of the economy with an aim to improve the financial health of these sectors and the population dependent on the sectors. Through a widespread branch network in almost all major cities, towns and other areas coupled with alternative delivery channels, we aim to cater to all the banking needs of our customers.

DEPOSIT MOBILIZATION ACTIVITIES

Your Bank shows significant move away from high cost bulk deposits by consistent focus on CASA (Current Account & Saving Account) and retail deposits. CASA mobilization campaign was launched to shed the high cost bulk deposits and replenish them with CA & SB deposits. Campaign was also launched for popularizing our technology products like mobile wallet, mobile banking and internet banking etc. with an aim to provide our customers with alternative delivery channel for 24x7 access to our banking services.

DEPOSIT PRODUCTS

Your Bank values the expectations and needs of its customers and has adequate product line up to cater to their specific requirements. The savings bank account is normally the first on-board facility



Some Glimpses of Inauguration of Pashupati Extension Counter



Computers and Printers handed over to Shree Nilgiri Higher Secondary School and Shree Siddheshwori Secondary School at Panchthar.



availed by a customer and the referral point for all future services from the Bank. Several variants of savings bank account are available to meet the specific needs of individual customers, prominent amongst them are:

Normal Savings Account

This scheme is designed to facilitate easy and regular deposit of funds as and when required at zero balance. The account becomes eligible for earning interest income when balance in the account reaches a threshold minimum balance.

Saral Bachat Khata

The product with low minimum balance requirement is a popular deposit scheme having customer base of 2.89 lacs. This scheme is targeted towards mid to low income group of people.

Indreni Bachat Khata

Under this scheme, customer gets the benefits of higher interest rate for maintaining higher balance in the account. The scheme offers free internet banking, any branch banking, concession on remittance facilities etc.

Vishesh Bachat

Vishesh Bachat Scheme is offered with attractive interest rate and high balance requirement targeted at High Networth Individuals. The scheme offers bundle of additional benefits like free internet banking, Visa debit card, any branch banking, concession on remittance facilities and locker rental charge etc.

Varistha Nagarik Bachat

Individuals of 50 years and above are eligible to open account this scheme. Customers are provided with added benefits like free any branch banking service, Visa debit card, discount on locker rental charge and at the same time higher rate of interest. Customers who

open Fixed Deposit under Varistha Nagarik Scheme are paid interest at monthly interval.

Karmachari Bachat Khata

This product is aimed at salaried employees from government and non-government organizations including security personnel. Under the scheme, salaried employees can open savings account with us and enjoy concessional benefits on various services.

Nepal Army, Nepal Police and Armed Police Force Scheme

This account is designed for serving personnel of Nepal Army, Nepal Police or Armed Police Force. It has features like; Free Visa Debit Card, free ABBS, free stop payment of cheques, free registration of Standing Instructions etc.

Students Savings Account

This scheme has been introduced with an objective to inculcate saving habits in the students. Under this scheme any student can open savings account with zero minimum balance.

Shareholders' Account

Shareholders of our Bank are eligible to open account under this scheme. The account does not have minimum balance requirement. Dividends paid by the Bank can be credited to the account directly.

Apart from the savings schemes, the Bank offers Business Current Account and Personal Current Account. Term deposits facilities like Recurring Deposit and Fixed Deposit offer competitive interest rate. Provident fund account facility for permanent staff of organizations is also available wherein the interest rate is higher compared to savings account. Call deposit account facility is available with attractive interest rates and unlimited withdrawal facility.

LOANS AND ADVANCES

To cater to the credit requirements of our large and diversified clientele base, we have wide range of loan products. Working capital loan, term loan, personal loan, mortgage loan, trade finance solutions etc. are available to fulfill the varied needs of the customers. Some of our key loan products are:

Corporate and Business Loans

The Bank offers loans to large corporate and institutional customers including public sector entities to meet funding requirements ranging from service related to strategic expansions, project finance etc.



Tea Unit at Illam financed by Nepal SBI Bank.



Yarn Manufacturing Unit at Birgunj financed by Nepal SBI Bank.



Multiplex financed by Nepal SBI Bank at Kathmandu



Cement Manufacturing Unit financed by Nepal SBI Bank at Dang.



Cement Manufacturing Unit financed by Nepal SBI Bank at Chatapipra, Parsa.



Pharmaceutical Unit financed by Nepal SBI Bank at Kathmandu.



SME Convenient Loan

Small & medium Enterprises (SME) is vital to the economic growth of the country. The sector not only generates employment but also stands auxiliary to big industrial/corporate projects. SME Convenient loan is a customized loan product designed to meet the financing needs of manufacturing, trading, business enterprise and self employed professionals in Small and Medium Enterprise (SME) sector.

Mortgage and Mortgage Plus

These products offer personal credit on easy terms to individuals on the basis of their income level and value of mortgaged property. Simplified loan processes and quick turn-around time ensures smooth delivery to the customer.

Other Retail Loans

Other retail loans largely comprise of auto finance, home loan, education loan, credit for consumer durables, loan for retired Nepalese pensioners of Indian Armed Forces etc.

Besides these, the Bank also provides Trust Receipt loans, Pre-shipment and Post-shipment credit and non-fund based facilities like Letter of Credit and Bank Guarantees.

REMITTANCE

The Bank offers easy, convenient and safe international and domestic money transfer facilities. We have wide reach in the country through our extensive branch network and more than 3500 instant payout location of Prabhu Money Transfer (our remittance partner), which ensure delivery of remittance proceeds to beneficiary in quick time and hassle-free manner. Some remittance products are:

SBI Nepal Express Remit

Remittance through Electronic Fund Transfer

(EFT) mechanism provides money transfer facility at minimal cost to Nepali migrant population residing and working in India. Remittance can be originated through more than 17,500 branches of State Bank of India located in various parts of India. We receive more than 450 remittances on an average per working day.

Indo-Nepal Remit

The product was introduced by Reserve Bank of India in consultation with Nepal Rastra Bank on Electronic Fund Transfer (EFT) platform for smooth and speedy remittance from India to Nepal. Remittance can be originated through more than 117,000 NEFT enabled branches of various Banks in India.

Nepal SBI Remit

This is an online inward international remittance service which offers a formal channel for Nepali community residing abroad to send money to Nepal.

SBI Express Remit Gulf-Nepal (GLS)

A new remittance scheme has been introduced for providing easy, convenient and safe international money transfer service from Exchange Houses in gulf countries to our customer's account on Straight Through Process(STP) enabled model.

RTGS

Real Time Gross Settlement is a product from which customers can send Remittance to India at a real time in more than 75,000 branches of 106 banks in India.

Domestic Remittance Service

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 within the country.

CARD

Nepal SBI Card

This is ATM cum Debit card which can be used for cash withdrawal as well as for merchandise payments at more than 6,00,000 merchant outlets in Nepal and India. Presently, there are over 4.18 lakhs users of Nepal SBI Card.

Bharat Yatra Card

Popularly known as BYC, this is a Nepalese Rupees denominated pre-paid card suited for Nepalese population visiting India for medical treatment, education, tours etc. The card can be used for cash withdrawal at all Sate Bank ATMs and VISA enabled ATMs in India. BYC was launched in November 2008 and is able to attract substantial number of customers.

VishwaYatra Card

Vishwa Yatra Card, a CHIP based EMV compliant 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 (except Nepal and India) and also for merchandise payments. It provides safety, security and convenience to overseas travelers.

ALTERNATIVE DELIVERY CHANNELS

Mobile Wallet

NSBL is the first leading Bank in the country to have received NRB's approval for Mobile Wallet service. It is premium mobile banking service that can be operated through mobile phone. The service will be instrumental not only in bringing previously unbanked population into the formal banking channel but also to add convenience to serving existing customers. Nepal SBI Bank is among a few commercial banks in Nepal which have come out with a complete range of services to Mobile Banking and Mobile Wallet System.



NEPAL SBI BANK LTD.
Bharat Yatra Card

THE BEST WAY TO TRAVEL TO INDIA
VBV (Verified by VISA) Enabled

Features:

- Instant availability at all branches of Nepal SBI Bank.
- Card can be used for cash withdrawal at State Bank ATMs and VISA network ATMs in India and Nepal SBI ATMs in Nepal.
- Maximum daily cash withdrawal limit is NRs. 24,000/- in India & NRs. 40,000/- in Nepal.
- No Charges on cash withdrawals from Nepal SBI Bank ATMs and nominal charges on ATMs in India.
- Maximum daily limit for purchase on Point of Sale (POS) is NRs. 100,000/- in Nepal & India.
- Minimum Deposit of NRs. 1,000/-.

Serving Nepal through 62 Banking Outlets & 75 ATMs.
For secure banking experience, please change ATM/E-Banking PIN/Password fortnightly

NEPAL SBI BANK LTD.
Kathmandu Head Office: 4435516
www.nepalsbi.com.np

Mobile Sakha

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

Internet Banking

Internet Banking is available through www.nepalsbi.com.np for both retail and corporate customer of the Bank. This online banking channel provides access to banking services 24x7 from anywhere. Fund transfer, utility bill payments, ticket booking etc. are available on the internet banking platform.

IRCTC Ticket Online Booking Utility

This product was launched in February 2014 with a view to facilitate hassle-free booking of tickets of Indian Railways. NSBL is the first and the only Bank outside India to offer this facility. With this utility, NSBL Internet Banking users can book tickets through IRCTC's Online Passenger Reservation System and can make payment through Nepal SBI Internet Banking.



Deputy Governor of NRB, Shri Maha Prasad Adhikari addressing the launching ceremony of IRCTC Ticket Online Booking Utility



Ambassador of India HE, Shri Ranjit Rae addressing the launching ceremony of IRCTC Ticket Online Booking Utility

Automated Teller Machine

Nepal SBI Bank has one of the largest network of ATM terminals. Presently, the bank has 75 ATM terminals around the country. Our ATMs can also be used by holders of various International Cards.

AUXILIARY SERVICES

Safe deposit Locker Services

Customers can deposit their valuable items in their safe deposit lockers. This service is available at 41 branches of Nepal SBI Bank Ltd.

Utility Bill Payment

Customers—both accountholders and non-accountholders—of the bank can pay their telephone bills, at the bank's branches free of charge.



The banner is titled 'One Stop Solution for Your Travel Needs' in a large, bold font. Below the title, it says 'Reliable & Widespread SBI Group Network of over 51,000 ATMs' and 'One of the Largest in the World'. The central part of the banner features a collage of travel-related images: a blue and white train, a white airplane, a blue and white bus, and a map of India. Overlaid on these images are several travel cards: 'Bharat Yatra Card' (Your Ticket to India at Competitive Rates), 'Vishwa Yatra Card' (US Dollar Card to Travel Across the Globe), and a 'VISA' card. Below the collage, there is a section titled 'Book your Tickets Online' with a list of services: '* IRCTC Online for - Indian Railway Tickets - International Flights - Online Shopping' and '* mytrip2nepal.com for Domestic Airlines Tickets'. At the bottom left, there is a section titled 'WE ACCEPT' with logos for VISA, MasterCard, and PLUS. At the bottom right, there is a section titled 'INTERNATIONAL CARDS' with logos for VISA, MasterCard, and PLUS. The bottom of the banner features the Nepal SBI Bank Ltd. logo and the website address 'www.nepalsbi.com.np'.

Please Remember Us for:

Credit Facilities on Easy Terms
Home Loan
Vehicle Loan
Personal Loan
Business Loan
Loan to Professional etc.

Various Deposits Schemes
Karmachari Bachat Khata
Saraal Bachat Khata
Varishtha Nagrik Bachat Khata
Vishesh Bachat Khata
Fixed Deposits etc.

Other Services
Mobile Banking/Wallet Service
ATM cum Debit Card
Bharat Yatra Card
Vishwa Yatra Card
Internet Banking Service etc.

Fees and Premia Collection

Customers of the bank can pay their insurance premia, school and college fees at the bank's branches, of the organizations having agreement with us, free of charge.

आन्तरिक विप्रेषण सेवा
Domestic Remittance Service

नेपालको एसबिआई बैंकको शाखाहरूबाट नेपालको कुनै पनि स्थानमा पैसा पठाउन वा पाउन
अति सजिलो !

आन्तरिक विप्रेषण सेवा
(Domestic Remittance Service)

विशेषताहरू:

- सजिलोसँग नेपाल भरि पैसा पठाउन वा पाउन सकिने ।
- प्रभु मनि ट्रान्सफरको ३५०० भन्दा बढी एजेन्टहरू मार्फत नेपाल भित्र पैसा पठाउन वा पाउन सकिने ।
- नेपाल एसबिआईमा खाता खोली सिधै रकम जम्मा गर्न सकिने ।

नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.
With us, You are Always a Winner
Kathmandu Head Office: 4435516
www.nepalsbi.com.np

नेपालको सेवामा ६२ बैकिङ्ग कार्यलय र ७५ एटिएमहरू

SWARNIM BACHAT
Save today for better tomorrow

Features*:

- Interest calculation on daily balance.
- Attractive interest rate.
- Unlimited Withdrawal.
- Free ABBS Facility.
- Free Nepal SBI Visa Debit Card.
- Facility of E-Banking & Mobile Banking.

नेपाल एसबिआई बैंक लिमिटेड
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www.nepalsbi.com.np

Serving Nepal through 62 Banking outlets and 75 ATMs.

CORPORATE GOVERNANCE

Nepal SBI Bank is committed to the best practices in the area of Corporate Governance in letter and in spirit. 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.

DIRECTOR'S STATEMENT OF RESPONSIBILITIES

The Directors have pleasure in presenting the Annual Reports and Accounts for the fiscal year 2070-71, which includes business performance review, risk management and internal governance report, stakeholder's 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 Ashad, 2071.

Risk management function is an ongoing process to identify, monitor and control the risks that are faced by the Bank. The Directors review this process through the deliberations of Risk Management Committee. Specific steps have been taken by the Bank in managing both banking and non-banking risks as detailed in the section on "Risk Management".

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 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 Bank's External Auditor, M/s T.R.Upadhya & Co. Chartered Accountants, who were appointed in accordance with a resolution passed at the 20th Annual General Meeting have expressed their opinion on presentation of financial statements and governance of corporate matters. 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 and 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 subsequent to the date of the Balance Sheet that required adjustments to the financial statements.

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

a) The board and management

The Board is collectively responsible for the success of the bank. The directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board. 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 Managing Director and he is responsible for ensuring that the business operates effectively. The Chief Executive is the head of the Central Management Committee. The Bank has adequate Risk Management Structures and Systems, best suited to its various complexities of its business verticals and operations. The Management receives continuous support from number of management committees, including the Market Risk Management Committee, the Credit Risk Management Committee, the Operational Risk Management Committee, NPA Management Committee, Asset and Liability Management Committee and Credit Committee. The Board keeps regular oversight over the deliberations and minutes of the various committees.

b) 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 functioning.

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, 12 meetings of the Committee were held to review the matters connected with the internal control, systems & procedures and other aspects as required in terms of Nepal Rastra Bank's guidelines.

c) Risk Management Committee

The Risk Management Committee (RMC) of the Board consists of 4 members, which is coordinated by one of the non-executive directors. The RMC, as a sub committee of the Board, regularly monitors appropriateness and adequacy of the existing risk identification and management system put in place in the Bank and makes recommendation for devising appropriate system and procedures. The Committee constantly reviews various risks associated with the business activities, including risks bearing capabilities and strategies required to manage and mitigate the risks and makes recommendation to the Board as to the appropriateness and adequacy thereof.

OUR NETWORK

Nepal SBI Bank Branch Network



BRANCHES / EXTENSION COUNTERS

INSIDE KATHMANDU VALLEY

- 1 Bhainsepati, Lalitpur
- 2 Bhaktapur
- 3 Boudha
- 4 Commercial Branch, Lainchaur
- 5 Dallu
- 6 Durbar Marg Main Branch
- 7 EOI Ext. Counter, Lazimpat, Ktm.
- 8 Gaushala
- 9 Gongabu
- 10 Gwarko, Lalitpur
- 11 IVSC, Lazimpat, Ktm.
- 12 Kalanki
- 13 Kuleshwor
- 14 Maharajgunj
- 15 New Baneshwor
- 16 New Road
- 17 Pashupatinath Ext. Counter, Pashupati
- 18 Patan
- 19 Sinamangal
- 20 Teku
- 21 Thamel

OUTSIDE KATHMANDU VALLEY

- 22 Abu Khairani, Tanahu
- 23 Baglung
- 24 Bardibas, Mahottari
- 25 Bargachhi, Morang
- 26 Beshisahar, Lamjung
- 27 Bhairahawa, Rupandehi
- 28 Biratnagar, Morang
- 29 Birgunj, Parsa
- 30 Birtamod, Jhapa
- 31 Butwal, Rupandehi
- 32 CGI Ext. Counter, Birgunj
- 33 Chandranigahpur, Rautahat
- 34 Damak, Jhapa
- 35 Damauli, Tanahu
- 36 Dang, Ghorahi
- 37 Dhangadi, Kailali
- 38 Dharan, Sunsari
- 39 Gulmi, Tamghas
- 40 Hetauda, Makwanpur
- 41 Ilam
- 42 Itahari, Sunsari
- 43 Janakpur, Dhanusha
- 44 Lahan, Siraha
- 45 Mahendranagar, Kanchanpur
- 46 Myaglung, Terathum
- 47 Narayangarh, Chitwan
- 48 Nepalgunj, Banke
- 49 Palpa, Tansen
- 50 Parasi, Nawalparasi
- 51 Pension Paying Office, Dharan
- 52 Pension Paying Office, Pokhara
- 53 Phidim, Panchthar
- 54 Pokhara, New Road
- 55 Rampur, Parsa
- 56 Ratnanagar, Chitwan
- 57 Sandhikharka, Arghakhanchi
- 58 Shishuwa, Pokhara
- 59 Srijana Chowk, Pokhara
- 60 Surkhet, Birendranagar
- 61 Tikapur, Kailali
- 62 Waling, Syangja

Corporate Office
Kathmandu

Regional Office (East)
Biratnagar

Regional Office (West)
Nepalgunj

Regional Office (Central)
Kathmandu

ATM LOCATIONS

INSIDE KATHMANDU VALLEY (27)

1. Army Camp, Chhauni
2. ATM Lounge Thamel
3. Babarmahal
4. BGSN Thamel
5. Bhainsepati
6. Bhaktapur
7. Bhatbhateni, Maharajgunj
8. Bhatbhateni, Tugal
9. Boudha
10. Corporate Office, Hattisar
11. Dallu
12. Durbar Marg - I
13. Durbar Marg - II
14. Embassy of India
15. Gaushala
16. Gongabu
17. Gwarko
18. Jain Bhawan, Kamalpokhari
19. Jawalakhel
20. Kalanki
21. Kuleshwor
22. Maharajgunj
23. New Baneshwor
24. New Road - I
25. New Road - II
26. Sinamangal
27. Teku

OUTSIDE KATHMANDU VALLEY (48)

28. Abukhaireni
29. Baglung - I
30. Baglung- II
31. Bargachhi, Biratnagar
32. Bhairahawa
33. Biratnagar
34. Biratnagar, Mahendra Chowk
35. Birgunj - I
36. Birgunj-II
37. Birtamod
38. BPKIHS Dharan
39. Butwal - I
40. Butwal - II
41. Butwal - III
42. Dabur Nepal, Rampur
43. Damak
44. Damauli
45. Dang
46. Dhangadi
47. Dharan
48. Gulmi
49. Hetauda
50. Ilam
51. Itahari
52. Janakpur
53. Lahan
54. Mahendranagar
55. Manipal Hospital, Pokhara
56. Myanglung
57. Narayangarh - I
58. Narayangarh-II
59. Narayangarh-III, Lions Chowk
60. Nepalgunj
61. Palpa
62. Parasi
63. Pokhara - I
64. Pokhara - II
65. Pokhara, Lake Side
66. PPO Dharan
67. PPO Pokhara - I
68. PPO Pokhara - II
69. Sandhikharka
70. Shrijanachowk
71. Sishuwa
72. Sunauli
73. Surkhet
74. Tikapur
75. Waling

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

1. **Report of Board of Directors:** Included in the Annual Report
2. **Report of the Auditors:** Included in the Annual Report
3. **Audited Financial Details:** Included in the Annual Report
4. **Details relating to Legal Action**
 - a. Law Suits filed by/against the Bank:
 - (i) 7 lawsuits have been filed against the Bank in respect to Credit/NPA and general matters.
 - One of the shareholders had filed a lawsuit with Kathmandu District Court demanding interest on the subscription money deposited for subscription of unsubscribed right shares. On 2070.02.19, Kathmandu District Court rendered its verdict to compensate Rs 3,600,636 in the form of interest @10% from 2067.08.08 to 2068.12.19 on the subscription money deposited. The Bank filed an appeal with Appellate Court, Patan against the decision of the Kathmandu District Court. The Appellate Court, Patan rendered its verdict on 26.06.2014 nullifying the decision of Kathmandu District Court in Bank's favor. The Bank has not received any notice/information regarding any future recourse opted by the plaintiff.
 - Four of the retired officials of the Bank filed a writ petition before Appellate Court Patan seeking an order of Mandamus in the Bank's name to order the Bank to pay retirement benefits and salary arrears as per the salary scale approved by the Bank's Board after their retirement and cessation of service. The amount of claim works out at Rs 1,896,091.52. The Court vide its verdict dated 21.10.2014 has adjudged the payment as maintainable. The written verdict of the court, however, is awaited. The bank will take further recourse including appeal to higher court(s) against the verdict in due course.
 - (ii) No lawsuit has been filed by the Bank with DRT/ District Courts against different borrowers/ guarantors for recovery of dues.
 - b. Law Suits filed by/against the promoters/directors involving charge of regulatory violations or criminal offences: No information received by the Bank.
 - c. Case filed against any promoters/directors for financial fraud: No information received by the Bank.
5. **Analysis of share transaction and progress of Organized Institution:**
 - a. Management view on share transactions of the Bank on Nepal Stock Exchange:

As the Nepal Stock Exchange is operating under the supervision of Securities Board of Nepal, management has no comment on the same.
 - b. Maximum, minimum and closing share price of organized institution including total transacted number of shares and transacted days during the Year 2070-71 (as per the table):

Quarter (Months)	Maximum Share Price	Minimum Share Price	Closing Share Price	Total Transacted Number of Shares	Total Number of Trading Days
First Quarter (Ashwin End 2070)	899	702	790	157462	60
Second Quarter (Poush End 2070)	1200	732	1115	244505	50
Third Quarter (Chaitra End 2070)	1142	930	990	185010	55
Fourth Quarter (Ashadh End 2071)	1354	957	1280	333152	62

6. Problems and Challenges

- a. Problems and Challenges Faced:
 - i. Internal: N/A
 - ii. External:
 - Excessive liquidity in the Market leading to price competition and therefore the spread.
 - Aspects affecting the credit-off-take, particularly in manufacturing sector such as power shortage, etc.

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

- Improvement in asset and liability management.
- Targeting good quality loan customers.
- Regular In-House training to enhance work performance.
- Good industrial relations.

7. Corporate Governance

- The Bank has been fully complying with the directions, guidelines issued by NRB regarding Corporate Governance.
- Regular Central Management Committee Meetings, Operation Risk Management Committee, Market Risk Management Committee, NPA Management Committee, Credit Risk Management Committee, NBA Management Committee and Risk Management Committee to review progress in various areas of operations.
- Bank's Internal Audit Department has been strengthened.
- Board of Directors and its Committees' (Audit Committee of the Board and RMCB) meeting are held on regular basis.
- ALCO and Risk Management Committees (Operation, Credit and Market) meetings are held regularly.

8. Details on deviation of 20% or more in the Bank's Audited Financials in comparison to Financials Projected in the prospectus published for the issuance of "7.9% NSBL Debentures 2080" is as under:

NEPAL SBI BANK LIMITED

Particulars	Fiscal Year 2070/71			Reasons for Difference
	Rs. In '000			
	Projected	Audited	% Change	
Balance Sheet Items				
Other Liabilities	972,093.00	711,670.72	-26.79%	Decrease in TDS payable on deposit interest due to decrease in interest expenses and decrease in other payables.
Balance with Nepal Rastra Bank	5,375,552.00	3,890,989.16	-27.62%	Due to increase in investment in treasury bills.
Balance with Banks/Financial Institution	1,654,016.00	1,236,953.17	-25.22%	The decrease is due to decrease in nostro balances towards the end of the year.
Investment	22,987,156.00	17,722,395.65	-22.90%	Due to decrease in USD placements.
Other Assets	1,687,264.00	818,575.67	-51.49%	Due to decrease in USD placements, interest accruals on USD placements decreased towards the end of the year.
Profit/Loss Account Items				
Non Operating Income /(Expense)	0.00	8,728.28	-	Due to income on sale of investment and dividend receipt.
Profit/(Loss) from extra-ordinary Activities	0.00	4,131.24	-	Profit on sale of Non-banking assets.

9. Special Events or Circumstances Related to Sub-Rule (5) of Rule 22:

The Bank issued "7.9% NSBL Debentures 2080" amounting to 20 Crores during FY 2070/71. Other events are as follows:

Date of occurrence of Special Event	Description of Special Event	Reporting Date
01.09.2013	Declaration of Dividend	01.09.2013
09.10.2013	Amendment in MoA, AoA	07.11.2013
09.02.2014	Listing of Bonus Share	14.02.2014

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

I, as on 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.

Alok Kumar Sharma
Managing Director

THREE COLUMNS FORMAT (TIN- MAHALE) OF THE AMENDMENTS IN THE MEMORANDUM & ARTICLES OF ASSOCIATION OF NEPAL SBI BANK LTD.

(Proposed to the 21st Annual General Meeting)

Memorandum of Association

Clause/ Sub-clause	Existing Provision	Clause/ Sub-clause	Proposed Provisions	Reason for the Amendment
4 UU2	Proposed	4 UU2	To incorporate subsidiary/joint-venture companies to carry out the business of Merchant Banking, Remittance, Micro Credit services, Credit Cards, etc. after obtaining necessary approval/license/membership from the concerned authority under the prevailing laws.	To incorporate subsidiary/ joint-venture companies of the Bank.
5.1 (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.	5.1 (a)	The authorized capital of the Bank shall be Rs. 7,000,000,000/- (Rupees Seven Billion), which shall be divided into 70,000,000 (Seventy Million) ordinary shares of Rs. 100/- (Rupees one hundred) each.	To increase the capital required for bank's business.
5.1 (b)	The Issued Capital of the Bank shall be Rs. 2,659,182,200.00 (Two Billion Six Hundred Fifty Nine Million One Hundred Eighty Two Thousand and Two Hundred), which shall be divided into 26,591,822 (Twenty Six Million Five Hundred Ninty One Thousand Eight Hundred Twenty Two) ordinary shares of Rs. 100 (Rupees One Hundred) each.	5.1 (b)	The Issued Capital of the Bank shall be Rs. 3,063,395,600.00 (Three Billion Sixty Three Million Three Hundred Ninety Five Thousand and Six Hundred), which shall be divided into 30,633,956 (Thirty Million Six Hundred Thirty Three Thousand Nine Hundred Fifty Six) ordinary shares of Rs. 100 (Rupees One Hundred) each.	To increase the capital required for bank's business.
5.1 (c)	The Paid-up Capital of the Bank shall be Rs. 2,650,205,804.00 (Two Billion Six Hundred Fifty Million Two Hundred Five Thousand Eight Hundred and Four).	5.1 (c)	The Paid-up Capital of the Bank shall be Rs. 3,063,395,600.00 (Three Billion Sixty Three Million Three Hundred Ninety Five Thousand and Six Hundred)	To meet capital requirement for bank's business.

Articles of Association

Rule	Existing Provision	Rule	Proposed Provisions	Reason for the Amendment
29 (b)	The meeting allowances to be paid to the Directors shall be as under: Chairman of the Board: Rs. 10,000/- per meeting Other Directors: Rs. 8,000/- per meeting. The members of the Board shall be paid meeting allowance as stated above for attending the meetings of the Board as also the meetings of any sub-committee(s) formed by the Board.	29 (b)	The meeting allowances to be paid to the Directors shall be as under: Chairman of the Board: Rs. 15,000/- per meeting Other Directors: Rs. 12,000/- per meeting. The members of the Board shall be paid meeting allowance as stated above for attending the meetings of the Board as also the meetings of any sub-committee(s) formed by the Board.	To revise sitting allowances of Directors to make the same compatible to time.

SUMMARY STATEMENT IN REGARD TO COMPLIANCE OF ANTI-MONEY LAUNDERING ACT, RULES, DIRECTIVES, ORDERS AND POLICIES.

The Bank has formulated and 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 policy was revised by the Board of the Bank on 26th June 2014. The bank has established a dedicated KYC/AML Cell headed by a Senior Manager level officer at Corporate Office. The KYC/AML Compliance Cell looks after overall matters relating to KYC/AML compliance issues including employee trainings. 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.

The Bank has submitted requisite reports to the concerned regulatory bodies within the specified deadlines 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 FIU Directives and NRB unified Directives.

Observations made by the auditors and Nepal Rastra Bank during their respective audits have been taken into account and remedial action taken.

RISK MANAGEMENT

Bank has a forward looking approach in managing risks. We have extensive risk management framework for effective assessment, measurement and mitigation of risk. Primary goal of our risk management framework is long-term sustainability of our Bank and having appropriate balance between risk and return, in order to enhance shareholder value.

The Risk Management Committee of the Board (RMCB) oversees overall risk governance framework of The Bank. The Committee, on an on-going basis monitors the effectiveness of the risk management and internal control systems. The Board is apprised regularly by the RMCB regarding appropriateness and adequacy of the existing risk identification and measurement system put in place in the Bank and makes recommendation for devising appropriate system & procedures.

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 are in the form of loans and advances, management of credit risk becomes the most crucial task.

The Credit Risk Management Committee (CRMC), monitors Credit Risk, ensuring compliance and implementations of Credit Risk policy/strategy approved by the Board and incorporation of Regulatory Compliance in Bank's Policies and Guidelines.

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 (MRMC) 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 is risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Operational Risk Management Committee (ORMC) reviews the operational risk profile of the Bank at periodic intervals and recommends suitable controls/ mitigation for managing operational risk in the Bank. The Committee anticipates changes and threats, concurs on areas of highest priority and related mitigation strategies and ensures that adequate resources are being assigned to mitigate risks as needed.

For assessment of Pillar I risks and Pillar II risks such as liquidity risk and interest rate risk, as well as adequacy of capital and overall risk management practices under normal and stressed conditions, the Bank has comprehensive Internal Capital Adequacy Assessment Process (ICAAP) in place.

SHAREHOLDERS' INFORMATION

The Ordinary Shares of the 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 70.36% of total shares in the Bank and rest is distributed among nearly 19282 general shareholders. State Bank of India holds 55.28% of the total ownership whereas Employee provident Fund holds 15.08% shares.

Shareholding by Members of the Board and Central Management Team

as on Ashad end 2071 (July 16, 2014)

Name	Position	No. of Shares
Mr. Manoj Kumar Agrawal	Director	1849
Mr. Niranjana Kumar Tibrewala	Director	18593
Mr. Chhapi Raj Pant	CRO	5763
Mr. Dev Raj Adhikari	CCO	1817

Distribution of Shareholders

as on Ashad end 2071 (July 16, 2014)

Range	No of Shareholders	Percentage	No of Shares	Percentage
Upto 100	5450	28.26%	230682	0.871%
101-500	10855	56.29%	2395147	9.043%
501-1000	1730	8.971%	1214008	4.583%
1001-5000	1119	5.803%	2166640	8.180%
5001-10000	75	0.389%	494030	1.865%
Above 10000	55	0.285%	19986495	75.46%
Total	19284	100%	26487002	100%

FIVE YEARS' FINANCIAL HIGHLIGHTS

NPRs. in Lacs

Ashadh End	F/Y -09/10 2066/67	F/Y -10/11 2067/68	FY 11/12 2068/69	FY 12/13 2069/70	FY 13/14 2070/71
Profitability (Key Indicators)					
Interest Income	22,697.04	30,999.08	37,694.83	41,105.14	39,766.48
Interest Expenditure	14,436.94	20,960.38	27,707.99	24,869.79	22,316.04
Fee, Commission and Exchange income	2,020.20	3,066.92	3,564.90	4,156.12	4,282.32
Other Operating Income	787.97	951.73	1,417.62	1,577.56	2,172.67
Staff Expenses	1,303.37	2,554.30	2,891.53	4,165.60	4,430.78
Other Operating Expenses	3,438.50	4,297.43	4,561.26	4,772.47	5,060.29
Provision for possible losses	623.51	463.08	780.12	1,280.41	829.67
Operating Profit	5,702.90	6,742.52	6,736.45	11,750.55	13,584.70
Profit Before Tax	5,383.62	6,534.69	6,866.54	11,099.59	13,119.45
Profit After Tax	3,917.42	4,645.65	4,801.05	7,714.71	9,229.84
Total Capital and Liabilities	380,476.79	460,882.33	580,597.07	647,961.53	610,829.72
Share Capital	18,613.24	21,029.66	23,557.39	26,502.06	30,490.83
Reserves	5,892.30	7,763.27	8,417.20	11,487.52	14,867.15
Liabilities	-	-	-	-	-
Deposits	348,964.24	424,154.43	533,372.64	591,257.29	544,929.94
Debenture	2,000.00	2,000.00	6,000.00	8,000.00	10,000.00
Bills Payable	723.68	806.85	786.16	1,653.55	1,563.67
Proposed Dividend	830.80	934.65	1,046.99	1,766.80	1,861.43
Other Liabilities	3,452.53	4,193.47	7,416.69	7,294.31	7,116.70
Total Assets	380,476.79	460,882.33	580,597.07	647,961.53	610,829.72
Advances (Net)	174,805.48	213,657.71	261,420.94	287,881.47	352,795.83
Investments	163,056.33	189,110.21	244,634.52	259,061.20	177,223.96
Liquid Assets	34,412.61	48,778.26	56,866.32	78,523.29	66,549.71
Net Fixed Assets	4,182.45	4,170.02	7,159.20	6,615.89	6,074.46
Other Assets	4,019.92	5,166.13	10,516.09	15,879.68	8,185.76

INDEPENDENT AUDITOR'S REPORT

THE SHAREHOLDERS OF NEPAL SBI BANK LIMITED

We have audited the accompanying financial statements of Nepal SBI Bank (the "Bank") which comprise the balance sheet as at 16 July 2014, the profit and loss account, statements of changes in equity and cash flow for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards so far as applicable in compliance with prevailing laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by 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 opinion.

Report on the Requirements of the Companies Act 2063, Bank and Financial Institution Act 2063

We have obtained information and explanations asked for, which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, the balance sheet, the profit and loss account and the cash flow statement, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of account of the Bank; and proper books of account as required by law have been kept by the Bank. In our opinion the returns received from the branches were adequate for the purpose of the audit though the statements are independently not audited.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

To the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardise the interest and security of the Bank, its depositors and investors.



As disclosed in Note 5 of the Significant Accounting Policies in Schedule 4.32, the Bank recognises interest income on loans and advances on cash basis to comply with the Nepal Rastra Bank Unified Directives, which, is not in accordance with Nepal Accounting Standards.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to the preceding paragraph, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 16 July 2014, and 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 prevailing laws and comply with the provision of the Companies Act 2063, Nepal Rastra Bank Directives and Banks and Financial Institutions Act 2063.

Shashi Satyal

Shashi Satyal
Managing Partner

T R Upadhy & Co.
Chartered Accountants



Kathmandu,
24 November 2014



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

FINANCIAL STATEMENTS FOR THE
FY 2070-71 (16.7.2013-16.7.2014)

BALANCE SHEET

AS ON 32 ASHAD 2071 (16 JULY 2014)

CAPITAL & LIABILITIES	SCHEDULE	This Year Rs.	Previous Year Rs.
1. Share Capital	1	3,049,083,104	2,650,205,804
2. Reserves and Funds	2	1,486,715,566	1,148,751,613
3. Debentures & Bonds	3	1,000,000,000	800,000,000
4. Borrowings	4	-	-
5. Deposits	5	54,492,993,606	59,125,729,453
6. Bills Payable	6	156,366,610	165,354,686
7. Proposed Dividend		186,142,754	176,680,388
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	711,670,715	729,430,878
Total Capital and Liabilities		61,082,972,355	64,796,152,822

ASSETS	SCHEDULE	This Year Rs.	Previous Year Rs.
1. Cash Balance	8	1,527,028,783	1,239,453,119
2. Balance with Nepal Rastra Bank	9	3,890,989,164	4,957,064,493
3. Balance with Banks/Financial Institution	10	1,236,953,173	1,516,885,723
4. Money at Call and Short Notice	11	-	138,925,434
5. Investment	12	17,722,395,654	25,906,119,814
6. Loans, Advances and Bills Purchase	13	35,279,583,339	28,788,146,625
7. Fixed Assets	14	607,446,572	661,589,203
8. Non Banking Assets	15	-	-
9. Other Assets	16	818,575,670	1,587,968,411
Total Assets		61,082,972,355	64,796,152,822

Contingent Liabilities	Schedule 17
Directors' Declaration	Schedule 29
Statement of Capital Fund	Schedule 30 (Ka1)
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.

(Anil Kumar Singh)
Chief Financial Officer

(Alok Kumar Sharma)
Managing Director

(Hasana Sharma)
Chairperson

(Manoj Kumar Agrawal)
Director

(Niranjan Kumar Tibrewala)
Director

(Gokul Ram Thapa)
Director

As per our attached report of even date

(R. Karthikeyan)
Director

(Giridhara Kini)
Director

(Shashi Satyal, FCA)
Managing Partner, TR Upadhy & Co.,
Chartered Accountants

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
1. Interest Income	18	3,976,647,583	4,110,514,126
2. Interest Expenses	19	2,231,604,253	2,486,978,979
Net Interest Income		1,745,043,330	1,623,535,147
3. Commission and Discount	20	320,425,412	313,696,555
4. Other Operating Incomes	21	217,267,151	157,755,684
5. Exchange Fluctuation Income	22	107,806,967	101,915,128
Total Operating Income		2,390,542,860	2,196,902,514
6. Staff Expenses	23	443,077,803	416,560,412
7. Other Operating Expenses	24	506,028,826	477,246,891
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before provision for Possible loss		1,441,436,231	1,303,095,211
9. Provision for Possible Losses	25	82,966,699	128,040,596
Operating Profit		1,358,469,532	1,175,054,615
10. Non Operating Income /(Expense)	26	8,728,276	(287,286)
11. Provision for Possible Loss Written Back	27	71,810,082	43,861,090
Profit from Regular Operations		1,439,007,890	1,218,628,419
12. Profit/(Loss) from extra-ordinary Activities	28	4,131,237	2,326,357
Net profit after considering all activities		1,443,139,127	1,220,954,776
13. Provision for Staff Bonus		131,194,466	110,995,889
14. Provision for Income Tax		388,960,654	338,487,758
* Current Year's		406,083,233	363,530,553
* Previous Year's		-	565,456
Deferred Tax (Income)/Expenses		(17,122,579)	(25,608,251)
Net Profit/(Loss)		922,984,007	771,471,129

Schedule 18 to 28 form integral part of the Profit and Loss Account.

(Anil Kumar Singh)
Chief Financial Officer

(Alok Kumar Sharma)
Managing Director

(Hasana Sharma)
Chairperson

(Manoj Kumar Agrawal)
Director

(Niranjan Kumar Tibrewala)
Director

(Gokul Ram Thapa)
Director

As per our attached report of even date

(R. Karthikeyan)
Director

(Giridhara Kini)
Director

(Shashi Satyal, FCA)
Managing Partner, TR Upadhy & Co.,
Chartered Accountants

PROFIT AND LOSS APPROPRIATION ACCOUNT

FOR THE PERIOD FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	Schedule	This Year Rs.	Previous Year Rs.
INCOME			
1. Accumulated Profit up to Previous Year		5,055,793	8,910,620
2. Current Year's Profit		922,984,007	771,471,129
3. Exchange Fluctuation Fund		-	-
4. Investment Adjustment Reserve		515,360	515,360
5. Capital Adjustment Reserve up to Previous Year		35,000,000	5,000,000
Total		963,555,160	785,897,109
EXPENSES			
1. Accumulated Loss up to Previous Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		184,596,802	154,294,226
4. Contingent Reserve fund		-	-
5. Institutional Development Reserve		-	-
6. Dividend Equalization Reserve		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend @ 7%		186,142,754	176,680,388
9. Proposed issue of Bonus Shares @ 15%		398,877,300	294,467,300
10. Special Reserve fund		-	-
11. Exchange Fluctuation Reserve Fund		1,178,556	1,133,538
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Reserve		85,000,000	35,000,000
14. Investment Adjustment Reserve		-	515,360
15. 6% NSBL Debenture 2070 Redemption Reserve		-	28,571,426
16. 12.5% NSBL Debenture 2078 Redemption Reserve		40,000,000	40,000,000
17. 8% NSBL Debenture 2079 Redemption Reserve		40,000,000	17,863,014
18. 7.9% NSBL Debenture 2080 Redemption Reserve		4,821,918	-
19. Deferred Tax Reserve		17,122,579	32,316,064
Total		957,739,909	780,841,316
20. Accumulated Profit/(Loss)		5,815,251	5,055,793

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Managing Partner, TR Upadhy & Co.,
Chartered Accountants



STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve fund	Capital Adjustment Reserve	Share Premium	Investment Adjustment Reserve	Proposed Bonus Shares	Exchange Fluctuation Fund	Deferred Tax Reserve	Other Reserve & Funds	Total Amount
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Opening Balance at 01.04.2070	2,355,738,504	5,055,793	926,096,611	35,000,000	-	515,360	294,467,300	12,211,613	95,232,966	74,639,270	3,798,957,417
Adjustments: Proposed Bonus Share of previous year treated as Share Capital as per NRB Directives	294,467,300	-	-	-	-	-	(294,467,300)	-	-	-	-
Restated Balance as on 01.04.2070	2,650,205,804	5,055,793	926,096,611	35,000,000	-	515,360	-	12,211,613	95,232,966	74,639,270	3,798,957,417
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	922,984,007	-	-	-	-	-	-	-	-	922,984,007
Capital Adjustment Reserve	-	35,000,000	-	(35,000,000)	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	515,360	-	-	-	(515,360)	-	-	-	-	-
Transfer to General Reserve	-	(184,596,802)	184,596,802	-	-	-	-	-	-	-	-
Capital Adjustment Reserve	-	(85,000,000)	-	85,000,000	-	-	-	-	-	-	-
Proposed Dividend	-	(186,142,754)	-	-	-	-	-	-	-	-	(186,142,754)
Proposed Bonus Shares	-	(398,877,300)	-	-	-	-	398,877,300	-	-	-	-
Share Premium	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	(1,178,556)	-	-	-	-	-	1,178,556	-	-	-
Debtenture Redemption Reserve	-	(84,821,918)	-	-	-	-	-	-	-	84,821,918	-
Deferred Tax Reserve	-	(17,122,579)	-	-	-	-	-	-	17,122,579	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-
Closing Balance as at Asadh end 2071	2,650,205,804	5,815,251	1,110,693,413	85,000,000	-	-	398,877,300	13,390,169	112,355,545	159,461,188	4,535,798,670

(Anil Kumar Singh)
Chief Financial Officer

(Alok Kumar Sharma)
Managing Director

(Hasana Sharma)
Chairperson

(Manoj Kumar Agrawal)
Director

(Niranjana Kumar Tibrewala)
Director

(Gokul Ram Thapa)
Director

As per our attached report of even date

(R. Karthikeyan)
Director

(Giridhara Kini)
Director

(Shashi Satyal, FCA)
Managing Partner, TR Upadhyay & Co.,
Chartered Accountants

CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
(a) Cash Flow from Operating Activities	(1,207,953,976)	2,060,734,242
1. Cash Received	5,574,509,043	4,087,296,346
1.1 Interest Income	4,854,337,254	3,516,708,507
1.2 Commission and Discount Income	320,425,412	313,696,555
1.3 Income from Foreign Exchange transaction	103,092,746	101,915,128
1.4 Recovery of loan written off	649,465	2,326,357
1.5 Other Incomes	296,004,166	152,649,799
2. Cash Payment	3,648,076,504	3,671,509,128
2.1 Interest Expenses	2,206,380,761	2,470,114,436
2.2 Staff Expenses	402,263,543	330,010,367
2.3 Office Operating Expenses	398,222,896	366,114,793
2.4 Income Tax Paid	427,048,139	396,600,000
2.5 Other Expenses	214,161,165	108,669,532
Cash Flow before changes in Working Capital	1,926,432,539	415,787,218
(Increase) /Decrease of Current Assets	1,760,144,207	(4,016,612,361)
1. (Increase)/Decrease in Money at Call and Short Notice	138,925,434	39,324,566
2. (Increase)/Decrease in short term Investment	8,195,303,103	(1,430,828,398)
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(6,492,295,942)	(2,730,231,958)
4. (Increase)/Decrease in Other Assets	(81,788,388)	105,123,429
Increase /(Decrease) of Current Liabilities	(4,894,530,722)	5,661,559,385
1. Increase/(Decrease) in Deposits	(4,632,735,847)	5,583,191,463
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	-	-
4. Increase/(Decrease) in Other Liabilities	(261,794,875)	78,367,922
(b) Cash Flow from Investment Activities	(55,192,460)	(60,247,554)
1. (Increase)/Decrease in Long-Term Investment	-	-
2. (Increase)/Decrease in Fixed Assets	(60,943,179)	(58,173,262)
3. Interest income from Long Term Investment	-	-
4. Dividend Income	3,328,073	(2,074,292)
5. Others	2,422,646	-
(c) Cash Flow from Financing Activities	200,000,000	200,000,000
1. Increase/(Decrease) in Long Term Borrowings (Bonds, Debentures etc)	200,000,000	200,000,000
2. Increase/(Decrease) in Share Capital	-	-
3. Increase/(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Facilities / Refinance received from NRB	-	-
(d) Income/Expenses from change in exchange rate in Cash & bank balances	4,714,221	4,534,151
(e) Current Year's Cash Flow from All Activities	(1,058,432,215)	2,205,020,839
(f) Opening Balance of Cash and Bank Balances	7,713,403,335	5,508,382,496
(g) Closing Balance of Cash and Bank Balances	6,654,971,120	7,713,403,335

(Anil Kumar Singh)
Chief Financial Officer

(Alok Kumar Sharma)
Managing Director

(Hasana Sharma)
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(Manoj Kumar Agrawal)
Director

(Niranjan Kumar Tibrewala)
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(Gokul Ram Thapa)
Director

As per our attached report of even date

(R. Karthikeyan)
Director

(Giridhara Kini)
Director

(Shashi Satyal, FCA)
Managing Partner, TR Upadhy & Co.,
Chartered Accountants

SHARE CAPITAL AND OWNERSHIP
AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Share Capital		
1.1 Authorized Capital	3,000,000,000	3,000,000,000
a) 30,000,000 Ordinary Shares of Rs. 100 each	3,000,000,000	3,000,000,000
b).....Non -Reedemable Preference shares of Rs.....each		
c).....Reedemable Preference Shares of Rseach		
1.2 Issued Capital	2,659,182,200	2,364,714,900
a) 26,591,822 Ordinary Shares of Rs. 100 each	2,659,182,200	2,364,714,900
b).....Non -Reedemable Preference shares of Rs.....each		
c).....Reedemable Preference Shares of Rseach		
1.3 Paid Up Capital	2,650,205,804	2,355,738,504
a) 26,502,058.04 Ordinary Share of Rs. 100 Each	2,650,205,804	2,355,738,504
b).....Non -Reedemable Preference shares of Rs.....each		
c).....Reedemable Preference Shares of Rseach		
1.4 Proposed Bonus Share	398,877,300	294,467,300
1.5 Calls in Advance	-	-
1.6 Total Amount (1.3+1.4+1.5)	3,049,083,104	2,650,205,804

As a result of issue of Right Shares (2:1) declared by the 15th AGM (FY 2065-66) and allotted during the FY 2066-67 and Bonus Shares issued in the past from time to time, total (9,671.03 kitta of bonus and 5,385.01 for right issue) 15,056.04 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, the Bank has credited such fractions entitlement in a dematerialized (De-mat) form without issuing physical Share Certificates. Such fraction entitlement of the shareholders is also accounted under share capital.

Share Ownership Details	This Year		Previous Year	
	%	Share Capital Rs.	%	Share Capital Rs.
1. Domestic Ownership	44.72%	1,185,103,568	44.72%	1,053,425,399
1.1 Nepal Government	-	-	-	-
1.2 "A" Class Licensed Institutions	-	-	-	-
1.3 Other Licensed Institutions	-	-	-	-
1.4 Other Entities	15.08%	399,573,337	15.08%	355,176,301
1.5 General Public	29.64%	785,530,231	29.64%	698,249,098
1.6 Others	-	-	-	-
2. Foreign Ownership	55.28%	1,465,102,236	55.28%	1,302,313,105
Total	100.00%	2,650,205,804	100.00%	2,355,738,504

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 is State Bank of India.

SCHEDULE 2

RESERVES AND FUNDS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. General/Statutory Reserve	1,110,693,413	926,096,611
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve Fund	-	-
4. Capital Adjustment Reserve Fund	85,000,000	35,000,000
5. Other Reserves and Funds	271,816,733	170,387,596
5.1 Contingent Reserve	-	-
5.2 Institution Development Reserve	-	-
5.3 Dividend Equalization Reserve	-	-
5.4 Special Reserve Fund	-	-
5.5 Asset Revaluation Reserve	-	-
5.6 Deferred Tax Reserve	112,355,545	95,232,966
5.7 Other Free Reserves	-	-
5.8 Investment Adjustment Reserve	-	515,360
5.9 Debenture Redemption Reserves	159,461,188	74,639,270
6. Accumulated Profit/(Loss)	5,815,251	5,055,793
7. Exchange Fluctuation Fund	13,390,169	12,211,613
Total	1,486,715,566	1,148,751,613

SCHEDULE 3

DEBENTURES AND BONDS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. 12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured) Issued on 12.02.2012 and maturing on 11.02.2022 (Outstanding balance of Redemption Reserve Rs.96,776,256)	400,000,000	400,000,000
2. 8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured) Issued on 03.02.2013 and maturing on 02.02.2023 (Outstanding balance of Redemption Reserve Rs. 57,863,014)	400,000,000	400,000,000
3. 7.9% Nepal SBI Bank Debentures 2080 of Rs.1,000 each (Unsecured) Issued on 20.04.2014 and maturing on 19.04.2024 (Outstanding balance of Redemption Reserve Rs. 4,821,918)	200,000,000	-
Total (1+2+3)	1,000,000,000	800,000,000

Note :-

ICRA Nepal has assigned rating of [ICRANP] LAA (pronounced ICRA NP L Double A) to 7.9% Nepal SBI Bank Debentures 2080 of NRs 20 crores. Instruments with this Rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

SCHEDULE 4

LOANS DUE TO BE PAID (BORROWINGS) AS ON 32 ASHAD 2071 (16 JULY 2014)

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)	-	-

SCHEDULE 5

DEPOSITS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Non-Interest bearing accounts		
A. Current Deposits	4,115,406,375	5,037,126,566
1. Local Currency	3,907,188,461	3,973,522,687
1.1 Nepal Government	29,048,792	7,164,103
1.2 "A" Class Licensed Institutions	7,935,015	23,555,451
1.3 Other Licensed Financial Institutions	84,022,054	64,301,034
1.4 Other Organized Institutions	3,614,852,543	3,777,072,411
1.5 Individuals	171,330,057	101,429,688
1.6 Others	-	-
2. Foreign Currency	208,217,914	1,063,603,879
2.1 Nepal Government	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Financial Institutions	48,100	-
2.4 Other Organized Institutions	198,507,491	1,063,603,879
2.5 Individuals	9,662,323	-
2.6 Others	-	-
B. Margin Deposits	283,146,228	245,627,516
1. Employees Earnest Money	-	-
2. Gurantee Margin	85,754,602	79,058,175
3. Margin on Letter of Credit	197,391,626	166,569,341
C. Others	140,489,354	205,273,797
1. Local Currency	140,489,354	205,273,797
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	-	-
1.3 Individual	140,489,354	205,273,797
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
Total of Non-Interest Bearing Accounts	4,539,041,957	5,488,027,879
2. Interest Bearing Accounts		
A. Saving Deposits	16,610,549,438	12,887,139,796
1. Local Currency	16,459,385,967	12,814,666,116
1.1 Organized Institutions	430,699,630	141,219,285
1.2 Individual	16,028,686,337	12,673,446,831
1.3 Others	-	-

DEPOSITS
AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
2. Foreign Currency	151,163,471	72,473,680
2.1 Organized Institutions	705,500	38,874,293
2.2 Individual	150,457,971	33,599,387
2.3 Others	-	-
B. Fixed Deposits	28,569,413,388	38,179,006,333
1. Local Currency	16,782,937,209	15,215,385,792
1.1 Organized Institutions	10,954,961,981	8,534,117,370
1.2 Individual	5,827,975,228	6,681,268,422
1.3 Others	-	-
2. Foreign Currency	11,786,476,179	22,963,620,541
2.1 Organized Institutions	11,786,476,179	22,963,620,541
2.2 Individual	-	-
2.3 Others	-	-
C. Call Deposits	4,773,988,823	2,571,555,445
1. Local Currency	4,474,492,500	2,554,949,935
1.1 "A" Class Licensed Institutions	564	-
1.2 Other Licensed Financial Institutions	1,817,320,495	213,112,601
1.3 Other Organized Institutions	2,218,324,694	1,287,946,488
1.4 Individual	438,846,747	1,053,890,846
1.5 Others	-	-
2. Foreign Currency	299,496,323	16,605,510
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	-	-
2.3 Other Organized Institutions	299,496,323	16,605,510
2.4 Individual	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individual	-	-
3. Others	-	-
Total of Interest Bearing Accounts	49,953,951,649	53,637,701,574
Total Deposit (1+2)	54,492,993,606	59,125,729,453

SCHEDULE 6

BILLS PAYABLE AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	26,150,468	42,343,805
2. Foreign Currency	130,216,142	123,010,881
Total	156,366,610	165,354,686

SCHEDULE 7

OTHER LIABILITIES AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Pension/Gratuity / Leave Fund	259,355,178	218,540,918
2. Employee Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	131,194,466	110,995,889
5. Interest Payable on Deposits	58,337,971	36,171,507
6. Interest Payable on Borrowings/ Debenture	44,922,775	41,865,747
7. Unearned Discount and Commission	-	-
8. Sundry Creditors	61,640,393	39,560,401
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	20,213,786	15,737,036
12. Others	136,006,146	266,559,380
a. Matured Debenture	-	85,000,000
b. TDS Payable	35,789,222	50,356,877
c. Others	100,216,924	131,202,503
Total	711,670,715	729,430,878

SCHEDULE 8

CASH BALANCE AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (Including Coins)	1,506,823,342	1,210,972,479
2. Foreign Currency	20,205,441	28,480,640
Total	1,527,028,783	1,239,453,119

SCHEDULE 9

BALANCE WITH NEPAL RASTRA BANK AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Local Currency	Foreign Currency			This Year Rs.	Previous Year Rs.
		INR	Convertible	Total		
1. Nepal Rastra Bank	3,861,363,208	-	29,625,956	29,625,956	3,890,989,164	4,957,064,493
a. Current Account	3,861,363,208	-	29,625,956	29,625,956	3,890,989,164	4,957,064,493
b. Other Account	-	-	-	-	-	-

Note: Balance as per confirmation statements from NRB is Rs. 3,941,317,470 and all the differences are reconciled.

SCHEDULE 10

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Local Currency	Foreign Currency			This Year Rs.	Previous Year Rs.
		INR	Convertible	Total		
1. Local Licensed Institutions	345,803,344	-	-	-	345,803,344	82,688,472
a. Current Account	345,803,344	-	-	-	345,803,344	82,688,472
b. Other Account	-	-	-	-	-	-
2. Foreign Banks	-	845,821,401	45,328,428	891,149,829	891,149,829	1,434,197,251
a. Current Account	-	845,821,401	45,328,428	891,149,829	891,149,829	1,434,197,251
b. Other Account	-	-	-	-	-	-
Total	345,803,344	845,821,401	45,328,428	891,149,829	1,236,953,173	1,516,885,723

Note: Balance as per confirmation statements from respective licensed institutions is Rs. 1,717,329,815 and all the differences are reconciled.

SCHEDULE 11

MONEY AT CALL AND SHORT NOTICE AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency	-	-
2. Foreign Currency	-	138,925,434
TOTAL	-	138,925,434

SCHEDULE 12

INVESTMENTS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Purpose		This Year Rs.	Previous Year Rs.
	Trading	Other		
1. Nepal Government Treasury Bills	-	5,171,692,154	5,171,692,154	2,742,523,736
2. Nepal Government Saving Bonds	-	-	-	-
3. Nepal Government Other securities	-	804,550,000	804,550,000	922,725,000
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	-
7. Foreign Banks	-	11,716,198,000	11,716,198,000	22,210,167,578
8. Corporate Shares	-	29,955,500	29,955,500	30,703,500
9. Corporate Bonds and Debentures	-	-	-	-
10. Other Investments	-	-	-	-
10.1 Reverse Repo	-	-	-	-
Total Investment	-	17,722,395,654	17,722,395,654	25,906,119,814
Provision	-	-	-	-
Net Investment	-	17,722,395,654	17,722,395,654	25,906,119,814

SCHEDULE 12 (Ka)

INVESTMENT IN SHARES, DEBENTURES AND BONDS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Cost Price Rs.	Market Price Rs.	Provision Amount Rs.	This Year Rs.	Previous Year Rs.
1. Investment in Shares	29,955,500	160,229,600	-	29,955,500	30,703,500
1.1 Rural Micro-finance Development Center Ltd. (RMDC)					
51,950 Ordinary Shares of Rs. 100 fully paid up	5,195,000	44,053,600	-	5,195,000	5,195,000
137,000 Right Shares of Rs. 100 fully paid up	13,700,000	116,176,000	-	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	2,625,000
1.3 Alliance Insurance Co. Ltd.				-	-
7,480 Ordinary Shares of Rs. 100 fully paid up	-	-	-	-	748,000
4670 Bonus Shares of Rs 100 fully paid up	-	-	-	-	-
1.4 Credit Information Center Ltd.				-	-
3,530 Ordinary Shares of Rs. 100 fully paid up	353,000	-	-	353,000	353,000
8,825 Right Shares of Rs 100 fully paid up	882,500	-	-	882,500	882,500
24,244 Bonus Shares of Rs 100 fully paid up	-	-	-	-	-
1.5 Nepal Clearing House Ltd.					
25,000 Ordinary Shares of Rs. 100 fully paid up	2,500,000	-	-	2,500,000	2,500,000
1.6 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	29,955,500	160,229,600	-	29,955,500	30,703,500
3. Provision for Loss	-	-	-	-	-
3.1 Up to previous year	-	-	-	-	-
3.2 Additions/Write back this year	-	-	-	-	-
Total Provision	-	-	-	-	-
Net Investment	29,955,500	160,229,600	-	29,955,500	30,703,500

Note: Madhya Paschimanchal Grameen Bikash Bank Ltd. has not distributed dividend in last three years.

SCHEDULE 12.1

INVESTMENT (HELD FOR TRADING) AS ON 32 ASHAD 2071 (16 JULY 2014)

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. Debenture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	
9. Foreign Bank Investment (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investment	-	-	-	-	-	

SCHEDULE 12.2

INVESTMENT (HELD TO MATURITY) AS ON 32 ASHAD 2071 (16 JULY 2014)

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	5,171,692,154	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other securities	804,550,000	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Domestic Licensed Institution	-	-	-	-	-	
7. Debenture and Bond of Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	
9. Foreign Bank Investment (Placement)	11,716,198,000	-	-	-	-	
10. Other Investments (Reverse Repo)	-	-	-	-	-	
Total Investment	17,692,440,154	-	-	-	-	

SCHEDULE 12.3

INVESTMENT (AVAILABLE FOR SALE) AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Cost Price Rs.	Previous Market Price (a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1. Nepal Government Treasury Bills	-	-	-	-	-	
2. Nepal Government Saving Bonds	-	-	-	-	-	
3. Nepal Government Other securities	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Domestic Licensed Institution	-	-	-	-	-	
7. Debenture and Bond Domestic Licensed Institution	-	-	-	-	-	
8. Shares, Debentures and Bond of Domestic Entity	-	-	-	-	-	
Listed	18,895,000	-	160,229,600	-	-	*
Not Listed	11,060,500	-	-	-	-	**
9. Foreign Bank Investment (Placement)	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investments	-	-	-	-	-	
Total Investment	29,955,500	-	160,229,600	-	-	

Note:

* Even though the current market price is higher than the cost price, these have not been marked to market.

* No Investment Adjustment Reserve has been maintained for investment in Madhya Paschimanchal Grameen Bikash Bank, Rural Micro-finance Development Center Ltd., Credit Information Center Ltd., Nepal Clearing House Ltd., and National Banking Training Institute as NRB Directive No 8/ 2070 has exempted maintenance of such reserve against such investments.

SCHEDULE 13

CLASSIFICATION OF LOANS AND BILLS PURCHASE & PROVISIONING AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	Loans & Advances					Bills Purchased/Discounted			This Year (Rs).	Previous Year (Rs).
	Domestic				Total	Domestic	Foreign	Total		
	Deprived Sector		Other	Foreign						
	Insured	Uninsured								
1. Performing Loan	-	1,520,642,316	33,449,333,171	-	34,969,975,487	-	653,043,232	653,043,232	35,623,018,719	29,085,211,566
1.1 Pass	-	1,520,642,316	33,449,333,171	-	34,969,975,487	-	653,043,232	653,043,232	35,623,018,719	29,085,211,566
2. Non-Performing Loan	-	377,923	90,779,075	-	91,156,998	-	80,038	80,038	91,237,036	108,691,856
2 a Restructured/Rescheduled	-	-	27,075,998	-	27,075,998	-	-	-	27,075,998	27,630,936
2.1 Sub-Standard	-	-	9,370,737	-	9,370,737	-	-	-	9,370,737	-
2.2 Doubtful	-	-	11,533,509	-	11,533,509	-	-	-	11,533,509	-
2.3 Loss	-	377,923	42,798,831	-	43,176,754	-	80,038	80,038	43,256,792	81,060,920
A. Total Loan	-	1,521,020,239	33,540,112,246	-	35,061,132,485	-	653,123,270	653,123,270	35,714,255,755	29,193,903,422
3. Loan Loss Provision										
3.1 Pass	-	15,206,423	334,493,332	-	349,699,755	-	6,530,432	6,530,432	356,230,187	299,006,548
3.2 Restructured/Rescheduled	-	-	27,075,998	-	27,075,998	-	-	-	27,075,998	27,630,936
3.3 Sub-Standard	-	-	2,342,684	-	2,342,684	-	-	-	2,342,684	-
3.4 Doubtful	-	-	5,766,755	-	5,766,755	-	-	-	5,766,755	-
3.5 Loss	-	377,923	42,798,831	-	43,176,754	-	80,038	80,038	43,256,792	79,119,313
B. Total Provisioning	-	15,584,346	412,477,600	-	428,061,946	-	6,610,470	6,610,470	434,672,416	405,756,797
4. Provisioning up to previous year										
4.1 Pass	-	11,442,558	287,098,746	-	298,541,304	-	465,244	465,244	299,006,548	262,432,500
4.2 Restructured/Rescheduled	-	-	27,630,936	-	27,630,936	-	-	-	27,630,936	29,903,968
4.3 Sub-Standard	-	-	-	-	-	-	-	-	-	1,145,990
4.4 Doubtful	-	-	-	-	-	-	-	-	-	1,227,822
4.5 Loss	-	377,923	78,661,352	-	79,039,275	-	80,038	80,038	79,119,313	26,867,012
C. Total previous year's provision	-	11,820,481	393,391,034	-	405,211,515	-	545,282	545,282	405,756,797	321,577,292
D. Written Back from Previous Year	-	-	54,051,082	-	54,051,082	-	-	-	54,051,082	43,861,090
E. Additional Provision of Current Year	-	-	82,966,699	-	82,966,699	-	-	-	82,966,699	128,040,596
Changes in this year	-	-	28,915,617	-	28,915,617	-	-	-	28,915,617	84,179,506
Net Loan (A-B)	-	1,505,435,893	33,127,634,646	-	34,633,070,539	-	646,512,800	646,512,800	35,279,583,339	28,788,146,625

Note: Total Exposure under Deprived Sector is Rs. 15,210.20 Lacs (Excluding Investment in share of RMDC and Gramin Bikas Bank Rs.250.20 Lacs)

SCHEDULE 13 (Ka)

LOAN, ADVANCES AND BILLS PURCHASED SECURITY WISE AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
A. Secured Against	35,714,255,755	29,193,903,422
1. Movable/Immovable Assets	30,644,679,181	25,345,253,361
2. Guarantee of Local Licensed Institutions	1,364,402,452	630,324,042
3. Government Guarantee	156,120,721	156,121,000
4. Internationally Rated Bank Guarantee	-	-
5. Export Documents	1,221,728,676	45,833,878
6. Fixed Deposit Receipts	887,968,583	1,009,416,032
a. Own FDR	887,968,583	1,009,416,032
b. FDR of Other Licensed Institutions	-	-
7. Government Bonds	-	326,531,998
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	1,439,356,142	1,680,423,111
B. Unsecured	-	-
Total (A+B)	35,714,255,755	29,193,903,422

SCHEDULE 14

FIXED ASSETS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	ASSETS					This Year Rs.	Previous Year Rs.
	Land/ Buildings	Vehicles	Machinery	Office Equipment	Others		
1. Cost Price							
a. Previous Year balance	-	138,964,343	254,910,296	423,949,616	121,603,052	939,427,307	888,211,763
b. Addition during the year	-	12,412,280	6,259,681	41,062,407	7,580,119	67,314,487	61,189,073
c. Revaluation/Written Back this year	-	-	-	-	-	-	-
d. Sold during the year	-	(23,226,683)	(2,003,451)	(1,800,440)	(12,000)	(27,042,574)	(5,453,962)
e. Written off during the year	-	-	-	-	-	-	(4,519,567)
Total Cost (a+b+c+d+e)	-	128,149,940	259,166,526	463,211,583	129,171,171	979,699,220	939,427,307
2. Depreciation							-
a. Up to previous year	-	80,856,650	183,983,539	225,715,597	46,442,319	536,998,105	431,451,208
b. For this year	-	14,389,248	31,946,913	60,791,401	8,349,872	115,477,434	112,536,998
c. Depreciation on revaluation/Written Back	-	-	-	-	-	-	-
d. Depreciation on Assets Sold/Written off	-	17,420,807	1,917,735	1,712,350	11,999	21,062,891	6,990,101
Total Depreciation	-	77,825,091	214,012,717	284,794,648	54,780,192	631,412,648	536,998,105
3. Book Value (WDV) (1-2)	-	50,324,849	45,153,809	178,416,935	74,390,979	348,286,572	402,429,203
4. Land	259,160,000	-	-	-	-	259,160,000	259,160,000
5. Capital Construction (Pending Capitalization)	-	-	-	-	-	-	-
6. Leasehold Assets	-	-	-	-	-	-	-
Total (3+4+5+6)	259,160,000	50,324,849	45,153,809	178,416,935	74,390,979	607,446,572	661,589,203

SCHEDULE 15

NON BANKING ASSETS AS ON 32 ASHAD 2071 (16 JULY 2014)

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

SCHEDULE 16

OTHER ASSETS AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars		This Year Rs.	Previous Year Rs.
1. Stock of Stationery		4,517,332	3,923,710
2. Income receivable on Investment		82,532,473	960,222,144
3. Accrued Interest on Loan	68,057,910		
Less: Interest Suspense Account	(68,057,910)	-	-
4. Commission Receivable		-	-
5. Sundry Debtors		59,788,773	14,987,488
6. Staff Loan & Advances		418,252,497	383,298,544
7. Pre Payments		6,727,382	13,946,167
8. Cash in Transit		-	-
9. Other Transit Items (Including Cheques)		-	-
10. Drafts paid without notice	32,000,000		
Less: Provision	(22,359,375)	9,640,625	9,640,625
11. Expenses not written off (Govt. Devp. Bond Premium)		9,902,104	21,481,047
12. Branch Adjustment Account		-	-
13. Deferred Tax Assets		112,355,544	95,232,965
14. Others		114,858,940	85,235,721
a) Advance Income Tax (Net of Liability)		59,261,128	38,296,222
b) Others		55,597,812	46,939,499
Total		818,575,670	1,587,968,411

SCHEDULE 16 (Ka)

OTHER ASSETS (ADDITIONAL DETAILS) AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.				Previous Year Rs.
	Up to 1Year	1 to 3 years	Above 3years	Total	
1. Accrued Interest on Loan	28,076,071	5,558,197	34,423,642	68,057,910	71,342,890
2. Drafts Paid without notice	-	-	32,000,000	32,000,000	32,000,000
3. Branch Adjustment Account	-	-	-	-	-
4. Local/ Foreign Agency Account	-	-	-	-	-
Total	28,076,071	5,558,197	66,423,642	100,057,910	103,342,890

Note: For the DD paid without notice of Rs 3.2 crore, the Bank has already received Rs 96 lacs from insurance company and collecting banks, and 100% provision has been made against possible loss for the balance amount of Rs 2.24 crore. Amount net of aforesaid provision is disclosed in schedule 4.16.

SCHEDULE 17

CONTINGENT LIABILITIES AS ON 32 ASHAD 2071 (16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Claims on institution not accepted by the Institution	-	7,801,037
2. Letter of Credit (Full Amount)	2,640,614,887	1,662,738,662
a. Less than 6 months maturity	2,640,614,887	1,662,738,662
b. More than 6 months maturity	-	-
3. Rediscounted Bills	-	-
4. Unexpired Guarantees/Bonds	953,781,311	831,501,401
a. Bid Bonds	63,096,370	105,819,660
b. Performance Bonds	890,684,941	725,681,741
c. Other Guarantee/Bonds	-	-
5. Unpaid shares in investment	-	-
6. Forward Exchange Contract Liabilities	-	-
7. Bills under Collection	86,825,944	130,492,359
8. Acceptance & Endorsement	454,119,750	686,026,825
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment*	4,911,424,508	4,220,991,985
11. Guarantee issued against on Counter Guarantee of Internationally Rated Banks	3,996,632,907	3,173,821,979
12. Advance Payment Guarantee	102,078,582	68,507,794
13. Financial Guarantee	96,200,000	100,835,620
14. Contingent Liabilities on Income Tax	-	-
15. Others	-	-
Total	13,241,677,889	10,882,717,662

* As defined by Capital Adequacy Framework 2007 (Updated July 2008)

SCHEDULE 18

INTEREST INCOME

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
A. On Loans, Advances and Overdraft	3,412,068,164	3,270,328,955
1. Loans & Advances	2,781,135,131	2,683,605,397
2. Overdraft	630,933,033	586,723,558
B. On Investment	94,613,833	150,207,099
1. Nepal Government Securities	94,106,655	142,988,497
a. Treasury Bills	25,463,045	62,510,077
b. Development Bonds	68,643,610	80,478,420
c. National Saving Certificates	-	-
2. Foreign Securities	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debenture & Bonds	-	-
5. Interest on Inter Bank Lending	507,178	7,218,602
a. Banks/Financial Institutions	507,178	7,218,602
b. Other Organizations	-	-
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	469,965,586	689,978,072
1. Certificate of Deposits	-	-
2. Inter-Bank Loan	-	-
3. Others	469,965,586	689,978,072
a. Placement with Foreign Banks	447,062,424	668,520,847
b. Others	22,903,162	21,457,225
Total	3,976,647,583	4,110,514,126

SCHEDULE 19

INTEREST EXPENSES

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
A. ON DEPOSIT LIABILITIES	2,145,363,029	2,409,602,918
1. Fixed Deposits	1,561,425,450	1,940,747,084
1.1 Local Currency	1,146,428,583	1,322,044,618
1.2 Foreign Currency	414,996,867	618,702,466
2. Saving Deposits	449,373,084	383,166,927
2.1 Local Currency	448,750,599	382,723,391
2.2 Foreign Currency	622,485	443,536
3. Call Deposits	134,564,495	85,688,907
3.1 Local Currency	134,220,593	85,345,461
3.2 Foreign Currency	343,902	343,446
4. Certificate of Deposits	-	-
B. ON BORROWINGS	86,241,224	77,376,061
1. Debentures & Bonds	85,809,315	76,257,534
2. Loan from Nepal Rastra Bank	-	-
3. Inter Bank /Financial Institutions Borrowing	431,909	1,118,527
4. Other Corporate Body	-	-
5. Other Borrowings	-	-
C. ON OTHERS	-	-
Total	2,231,604,253	2,486,978,979

SCHEDULE 20

COMMISSION AND DISCOUNT INCOME

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
A. Bills Purchase & Discount	12,500	131,594
1. Local	-	-
2. Foreign	12,500	131,594
B. Commission	167,748,794	135,988,684
1. Letters of Credit	27,553,152	21,319,661
2. Guarantees	85,343,793	57,425,712
3. Collection Fees	3,514,639	5,516,348
4. Remittance Fees	51,337,210	51,726,963
5. Credit Card	-	-
6. Share Underwriting/Issue	-	-
7. Government Transactions	-	-
8. Agency Commission	-	-
9. Exchange Fee	-	-
C. Others	152,664,118	177,576,277
Total	320,425,412	313,696,555

SCHEDULE 21

OTHER OPERATING INCOME

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Safe Deposit Lockers Rental	4,410,850	3,461,500
2. Issue & Renewals of Credit Cards	-	-
3. Issue & Renewals of ATM Cards	64,021,362	40,114,016
4. Telex / T. T.	36,277,174	36,593,015
5. Service Charges	97,364,340	63,258,916
6. Renewal Fees	11,269,716	10,965,252
7. Others	3,923,709	3,362,985
Total	217,267,151	157,755,684

SCHEDULE 22

EXCHANGE FLUCTUATION GAIN/LOSS

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
a. Revaluation Gain (Loss)	4,714,221	4,534,151
b. Trading Gain (except Exchange Fees)	103,092,746	97,380,977
Total Gain/ (Loss)	107,806,967	101,915,128

SCHEDULE 23

STAFF EXPENSES

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Salary	195,018,272	156,352,389
2. Allowances	138,191,046	113,802,899
3. Contribution to Provident Fund	18,620,420	15,302,200
4. Training Expenses	420,732	1,617,542
5. Uniform	420,774	733,876
6. Medical	8,028,677	7,767,920
7. Insurance	19,039,428	17,371,895
8. Pension, Gratuity and Leave Provision	46,713,977	92,387,304
9. Others (Canteen)	16,624,477	11,224,387
Total	443,077,803	416,560,412

SCHEDULE 24

OTHER OPERATING EXPENSES

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. House Rent	83,189,220	75,720,232
2. Electricity & Water	18,310,153	16,918,300
3. Repair & Maintenance	19,512,550	18,518,833
a. Building (on lease)	1,398,097	1,433,568
b. Vehicles	3,014,056	2,932,249
c. Others(Computer, Office Equipment, Furniture)	15,100,397	14,153,016
4. Insurance	7,973,021	22,790,710
5. Postage, Telex, Telephone & Fax	10,188,422	9,170,246
6. Small equipments	562,786	588,462
7. Travelling Allowances & Expenses	13,267,283	8,980,979
8. Printing & Stationery	26,841,096	29,366,886
9. Books & Periodicals	1,191,287	778,332
10. Advertisements	6,384,989	8,103,685
11. Legal Expenses	1,389,695	1,352,118
12. Donations	-	200,000
13. Expenses relating to Board of Directors	1,099,705	2,064,028
a. Meeting Fees	624,000	608,000
b. Other Expenses	475,705	1,456,028
14. Annual General Meeting Expenses	1,855,551	1,833,444
15. Expenses relating to Audit	462,684	404,705
a. Audit Fees	271,200	271,200
b. Other Expenses	191,484	133,505
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	115,477,434	112,536,997
18. Amortization of Preliminary Expenses	-	-
19. Share Issue expenses	-	-
20. Technical Services Fee	19,391,577	14,928,713
21. Entertainment	1,462,690	1,317,470
22. Written Off Expenses	-	-
23. Security Expenses	50,624,579	39,163,761
24. Credit Guarantee Premium	-	358,640
25. Commission and Discount	-	-
26. Others	126,844,104	112,150,350
a) Information Technology Support Cost	39,421,517	47,693,073
b) Fuel	21,990,487	21,776,784
c) Others	65,432,100	42,680,493
Total	506,028,826	477,246,891

SCHEDULE 25

PROVISION FOR POSSIBLE LOSS

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Increase in Loan Loss Provision	82,966,699	128,040,596
2. Increase in Provision for Loss on Investment	-	-
3. Provision Against Non-Banking Assets	-	-
4. Provision Against Other Assets	-	-
Total	82,966,699	128,040,596

SCHEDULE 26

GAIN/ (LOSS) FROM NON-OPERATING ACTIVITIES

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Profit (Loss) on Sale of Investments	2,422,646	-
2. Profit (Loss) on Sale of Assets	391,624	32,383
3. Dividend (Net)	3,328,073	(2,074,292)
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	2,585,933	1,754,623
Total Non-Operating Gain/ (Loss)	8,728,276	(287,286)

SCHEDULE 27

PROVISION FOR POSSIBLE LOSS WRITTEN BACK

FY 2070/71 (FY 2013/14)

Particulars	This Year Rs.	Previous Year Rs.
1. Loan Loss Provision Written Back	54,051,082	43,861,090
2. Provision against Non Banking Assets Written Back	17,759,000	-
3. Investment Provision Written Back	-	-
4. Provision against other Assets Written Back	-	-
Total	71,810,082	43,861,090

SCHEDULE 28

PROFIT/LOSS FROM EXTRA ORDINARY ACTIVITIES

FROM 1 SHRAWAN 2070 TO 32 ASHAD 2071 (16 JULY 2013 TO 16 JULY 2014)

Particulars	This Year Rs.	Previous Year Rs.
1. Recovery of Write off Loan	-	1,258,192
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write -Offs (28 (ka))	(859,228)	-
4. Other expenses/Income (recovery of interest from written off loans and income from sale of NBA)	4,990,465	1,068,165
Total	4,131,237	2,326,357

SCHEDULE 28 (Ka)

STATEMENT OF LOAN WRITTEN-OFF FY 2070/71 (FY 2013/14)

S.No.	Types of Loan	Written off amount Rs.	Type of Security & Amount	Basis of valuation of collateral	Loan Sanction Authority / Designation	Initiations made for recovery	Remarks
1	Working Capital Loan						
2	Project Loan						
3	Fixed Capital Loan						
4	Personal Loan						
5	Other Loan	859,228	Vehicle	NA	AM (Retail Finance)	Residual position is after disposal of vehicle. Recovery suit filed against the borrower with Debt Recovery Tribunal (DRT), verdict has been awarded in Bank's favor.	-
	Total Loan	859,228					

SCHEDULE 29

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF EXECUTIVE / PROMOTERS/EMPLOYEES AND SHAREHOLDERS AS ON 32 ASHAD 2071 (16 JULY 2014)

Details of Loans & Advances including Bills Purchased and discounted provided to Directors, CEO, Promoters, Employees and Shareholders holding more than 1% shares (included in total loans & advances) and their undivided family members or Company in which such family members are the Managing Agent or Guarantor of such company is as under:

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 2071	
	Principal	Interest	Principal	Interest		Principal	Interest
A. Directors	-	-	-	-	-	-	-
1. Manoj Kumar Agrawal (M/s Hyat Enterprises)*	11,286,069	-	11,286,069	-	-	-	-
B. Chief Executive	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
C. Promoters	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
D. Employees	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
E. Shareholders	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-
Total	11,286,069	-	11,286,069	-	-	-	-

* Loan settled during the FY 2070/71.

CAPITAL ADEQUACY TABLE
AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

Particulars	This Year Rs.	Previous Year Rs.
1.1 RISK WEIGHTED EXPOSURES	As on Ashad end 2071	As on Ashadh End 2070
a Risk Weighted Exposure for Credit Risk	40,232,074	36,300,667
b Risk Weighted Exposure for Operational Risk	2,451,490	1,901,971
c Risk Weighted Exposure for Market Risk	381,149	484,175
Total Risk Weighted Exposures (a+b+c) (before adjustment of Pillar II)	43,064,713	38,686,813
<i>Adjustments Under Pillar II</i>		
Add: SRP 6.4a (6)% of the total deposit due to insufficient liquid assets	-	-
Add: SRP 6.4a (7) 2% of the Gross Income as per NRB Direction	438,249	-
Add: SRP 6.4a (9) 2% of the total RWE as per NRB Direction	861,294	773,736
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	44,364,256	39,460,549
1.2 CAPITAL FUND	As on Ashadh End 2071	As on Ashadh End 2070
(A) Core Capital (Tier I)	4,522,408	3,785,483
a Paid-up Equity Share Capital	2,650,206	2,355,739
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus Equity Shares	398,877	294,467
e Statutory General Reserves	1,110,693	926,097
f Retained Earnings	-	-
g Accumulated Profit/(Loss)	5,815	5,056
h Capital Redemption Reserve	-	-
i Capital Adjustment Reserve	85,000	35,000
j Dividend Equalization Reserves	-	-
k Debenture Redemption Reserves	159,461	74,639
l Deferred Tax Reserve	112,356	95,233
m Other Free Reserve	-	-
Deduction:		
a Less: Goodwill	-	-
b Less: Fictitious Assets	-	-
c Less: Investment in equity in licensed Financial Institutions	-	-
d Less: Investment in equity of institutions with financial interests	-	-
e Less: Investment in equity of institutions in excess of limits	-	-
f Less: Investments arising out of underwriting commitments	-	(748)
g Less: Reciprocal crossholdings	-	-
h Less: Purchase of land & building in excess of limit and unutilized	-	-
i Less: Other	-	-
<i>Adjustments Under Pillar II</i>		
Less: SRP 6.4a(1) Shortfall in Provision	-	-
Less: SRP 6.4a(2) Loans and Facilities extended to Related Parties and Restricted Lending	-	-
(B) Supplementary Capital (Tier II)	1,369,620	1,103,156
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt (Unsecured)	1,000,000	800,000
c Hybrid Capital Instruments	-	-
d General Loan Loss Provision	356,230	290,429
e Exchange Equalization Reserve	13,390	12,212
f Investment Adjustment Reserve	-	515
g Assets Revaluation Reserve	-	-
h Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	5,892,028	4,888,638
1.3 CAPITAL ADEQUACY RATIOS	As on Ashadh End 2071	As on Ashadh End 2070
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.19%	9.59%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	13.28%	12.39%

SCHEDULE 30 (Kha)

RISK WEIGHTED EXPOSURE FOR CREDIT RISK AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

A. Balance Sheet Exposures	Ashad end 2071						Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Cash Balance	1,527,029			1,527,029	0%	-	1,239,453	~
Balance With Nepal Rastra Bank	3,890,989			3,890,989	0%	-	4,957,064	-
Gold	-			-	0%	-		
Investment in Nepalese Government Securities	5,976,242			5,976,242	0%	-	3,665,249	-
All Claims on Government of Nepal	156,121			156,121	0%	-	156,121	-
Investment in Nepal Rastra Bank securities	-			-	0%	-		
All claims on Nepal Rastra Bank	47,006			47,006	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 MDB's recognized by the framework				-	0%	-		
Claims on Other Multilateral Development Banks			-	-	100%	-		
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-		
Claims on Public Sector Entity (ECA 2)			-	-	50%	-		
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-		
Claims on Public Sector Entity (ECA 7)			-	-	150%	-	98,406	147,609
Claims on domestic banks that meet capital adequacy requirements	947,858		-	947,858	20%	189,572	741,231	148,246
Claims on domestic banks that do not meet capital adequacy requirements	337,423		-	337,423	100%	337,423	110,707	110,707
Claims on foreign bank (ECA Rating 0-1)	52,820		-	52,820	20%	10,564	388,402	77,680
Claims on foreign bank (ECA Rating 2)	12,422		-	12,422	50%	6,211		
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-	19,610	19,610
Claims on foreign bank (ECA Rating 7)			-	-	150%	-		
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	12,542,106		-	12,542,106	20%	2,508,421	23,236,353	4,647,271
Claims on Domestic Corporates	23,295,687		727,365	22,568,322	100%	22,568,322	17,616,405	17,616,405
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-		
Claims on Foreign Corporates (ECA 2)			-	-	50%	-		

RISK WEIGHTED EXPOSURE FOR CREDIT RISK
AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

A. Balance Sheet Exposures	Ashad end 2071						Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-		
Claims on Foreign Corporates (ECA 7)			-	-	150%	-		
Regulatory Retail Portfolio (Not Overdue)	8,187,920		40,552	8,147,368	75%	6,110,526	6,073,066	4,554,799
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-		
Claims secured by residential properties	1,896,737		-	1,896,737	60%	1,138,042	1,865,438	1,119,263
Claims not fully secured by residential properties			-	-	150%	-		
Claims secured by residential properties (Overdue)	79,483	14,468	-	65,015	100%	65,015	59,306	59,306
Claims secured by Commercial real estate	60,000		-	60,000	100%	60,000	120,000	120,000
Past due claims (except for claims secured by residential properties)	128,983	63,894	-	65,089	150%	97,634	20,504	30,755
High Risk claims	969,767	-	44,911	924,856	150%	1,387,284	1,150,394	1,725,591
Investments in equity and other capital instruments of institutions listed in stock exchange	18,895		-	18,895	100%	18,895		
Investments in equity and other capital instruments of institutions not listed in the stock exchange	11,061		-	11,061	150%	16,592	29,956	44,933
Staff loan secured by residential property	167,863			167,863	60%	100,718	138,453	83,072
Interest Receivable/claim on government securities	12,595			12,595	0%	-	14,601	-
Cash in transit and other cash items in the process of collection	80	80		-	20%	-	46,604	9,321
Other Assets (as per attachment)	2,326,472	1,128,154	-	1,198,318	100%	1,198,318	2,096,503	2,096,503
TOTAL (A)	62,645,559	1,206,596	812,828	60,626,135		35,813,537	63,843,826	32,611,071

RISK WEIGHTED EXPOSURE FOR CREDIT RISK

AS ON 32 ASHAD 2071 (16 JULY 2014)



SCHEDULE 30 (Kha) Contd....
(Rs in '000)

B. Off Balance Sheet Exposures	Ashad end 2071						Previous Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Value	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e		
Revocable Commitments				-	0%	-		
Bills Under Collection	86,826			86,826	0%	-	130,492	-
Forward Exchange Contract Liabilities			-	-	10%	-		
LC Commitments With Original Maturity Upto 6 months domestic counterparty	2,640,615		128,451	2,512,164	20%	502,433	1,556,107	311,221
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	4,950,044		237,687	4,712,357	50%	2,356,179	3,723,954	1,861,977
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%	-		
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	102,079		4,517	97,562	100%	97,562	62,830	62,830
Financial Guarantee	96,200		9,012	87,188	100%	87,188	88,006	88,006
Acceptances and Endorsements	454,120		7,374	446,746	100%	446,746	677,246	677,246
Unpaid portion of Partly paid shares and Securities			-	-	100%	-		
Irrevocable Credit commitments (short term)	4,911,425		272,609	4,638,816	20%	927,763	3,437,871	687,576
Irrevocable Credit commitments (long term)			-	-	50%	-		
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-		
Other Contingent Liabilities			-	-	100%	-		
Unpaid Guarantee Claims	370		37	333	200%	666	370	740
TOTAL (B)	13,241,679	-	659,687	12,581,992		4,418,537	9,676,876	3,689,596
Total RWE for credit Risk Before Adjustment (A) +(B)	75,887,238	1,206,596	1,472,515	73,208,127		40,232,074	73,520,702	36,300,667
Adjustments under Pillar II								
Add: 10% of the loan and facilities in excess of Single Obligor Limits (6.4 a 3)								
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)								
Total RWE for Credit Risk after Bank's adjustments under Pillar II	75,887,238	1,206,596	1,472,515	73,208,127		40,232,074	73,520,702	36,300,667

SCHEDULE 30 (Ga)

ELIGIBLE CREDIT RISK MITIGANTS AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

Credit Exposures	Deposits with Bank	Deposits with other Banks/FI	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic Banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Balance Sheet Exposures										
Cash Balance										
Balance With Nepal Rastra Bank										
Gold										
Investment in Nepalese Government Securities										
All Claims on Government of Nepal										
Investment in Nepal Rastra Bank securities										
All claims on Nepal Rastra Bank										
Claims on Foreign Government and Central Bank (ECA 0-1)										
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 BIS, IMF, ECB, EC and MDB's recognized by the framework										
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	727,365									727,365
Claims on Foreign Corporates (ECA 0-1)										-
Claims on Foreign Corporates (ECA 2)										-
Claims on Foreign Corporates (ECA 3-6)										-
Claims on Foreign Corporates (ECA 7)										-
Regulatory Retail Portfolio (Not Overdue)	40,552									40,552

ELIGIBLE CREDIT RISK MITIGANTS

AS ON 32 ASHAD 2071 (16 JULY 2014)

SCHEDULE 30 (Ga) *Contd....*
(Rs in '000)

Credit Exposures	Deposits with Bank	Deposits with other Banks/Fl	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic Banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Regulatory Retail Portfolio (Overdue)										
Claims fulfilling all criterion of regularity retail except granularity										-
Claims secured by residential properties										-
Claims not fully secured by residential properties										-
Claims secured by residential properties (Overdue)										-
Claims secured by Commercial Real Estate										-
Past due claims (except for claims secured by residential properties)										-
High Risk claims	44,911									44,911
Investments in equity and other capital instruments of institutions listed in stock exchange										-
Investments in equity and other capital instruments of institutions not listed in the stock exchange										-
Other Assets (as per attachment)										-
Total	812,828	-	-	-	-	-	-	-	-	812,828
Off Balance Sheet Exposures										
Revocable Commitments										-
Bills Under Collection										
Forward Exchange Contract Liabilities										
LC Commitments With Original Maturity Upto 6 months domestic counterparty	128,451									128,451
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
LC Commitments With Original Maturity Over 6 months domestic counterparty										-
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	83,067						19,790		134,830	237,687
Foreign counterparty (ECA Rating 0-1)										-
Foreign counterparty (ECA Rating 2)										-
Foreign counterparty (ECA Rating 3-6)										-
Foreign counterparty (ECA Rating 7)										-
Unpaid Guarantee Claims	37									37
Underwriting commitments										-
Lending of Bank's Securities or Posting of Securities as collateral										-

SCHEDULE 30 (Ga) Contd....

ELIGIBLE CREDIT RISK MITIGANTS AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

Credit Exposures	Deposits with Bank	Deposits with other Banks/Fl	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of other Sovereigns	G'tee of domestic Banks	G'tee of MDBs	Sec/G'tee of Foreign Banks	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Repurchase Agreements, Assets sale with recourse										-
Advance Payment Guarantee	4,517									4,517
Financial Guarantee	9,012									9,012
Acceptances and Endorsements	7,374									7,374
Unpaid portion of Partly paid shares and Securities										-
Irrevocable Credit commitments (short term)	272,609									272,609
Irrevocable Credit commitments (long term)										-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement										
Other Contingent Liabilities										-
Total	505,067	-	-	-	-	-	19,790	-	134,830	659,687
Grand Total	1,317,895	-	-	-	-	-	19,790	-	134,830	1,472,515

SCHEDULE 30 (Gha)

RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK AS ON 32 ASHAD 2071 (16 JULY 2014)

(Rs in '000)

S.N.	Particulars	Previous Years from Ashad end 2071			"As on Ashad end 2070"
		FY 2067/68	FY 2068/69	FY 2069/70	
1	Net Interest Income	1,008,193	998,684	1,623,535	
2	Commission and Discount Income	247,165	255,352	313,697	
3	Other Operating Income	95,173	141,762	157,756	
4	Exchange Fluctuation Income	70,533	101,138	101,915	
5	Addition/Deduction in Interest Suspense during the period	(150,635)	(55,621)	(5,658)	
6	Gross income (a)	1,270,429	1,441,315	2,191,245	
7	Alfa (b)	15%	15%	15%	
8	Fixed Percentage of Gross Income [c=(a×b)]	190,564	216,197	328,687	
9	Capital Requirement for operational risk (d) (average of c)			245,149	190,197
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
11	Equivalent Risk Weight Exposure [f=(d×e)]			2,451,490	1,901,971
SRP 6.4a (8) Adjustments under Pillar II (If Gross Income for the last three years is negative)					
1	Total Credit and Investment (net of Specific Provision) of related month			-	
2	Capital Requirement for Operational Risk (5% of net credit and investment)			-	
3	Risk Weight (reciprocal of capital requirement of 10%) in times			10	
4	Equivalent Risk Weight Exposure (g)			-	
5	Equivalent Risk Weight Exposure [h=f+g]			2,451,490	1,901,971

SCHEDULE 30 (Nga)

RISK WEIGHTED EXPOSURE FOR MARKET RISK AS ON 32 ASHAD 2071 (16 JULY 2014)

Rs. (In full figure)

S.No.	Currency	As on Ashad end 2071			Relevant Open Position Ashad end 2070 (NPR)
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position	
1	INR	467,229,203	747,917,147	747,917,147	938,421,656
2	USD	22,782	2,191,628	2,191,628	4,333,490
3	EUR	10,060	1,310,416	1,310,416	13,741,697
4	GBP	22,251	3,667,855	3,667,855	3,831,623
5	THB	-	-	-	-
6	CHF	120	12,935	12,935	1,150,900
7	AUD	53,394	4,831,089	4,831,089	3,212,556
8	CAD	75	6,684	6,684	6,878
9	SGD	220	16,993	16,993	16,606
10	JPY	2,473,906	2,342,789	2,342,789	3,633,727
11	HKD	-	-	-	-
12	DKK	-	-	-	-
13	SEK	-	-	-	-
14	SAR	-	-	-	-
15	QAR	-	-	-	-
16	AED	-	-	-	-
17	MYR	-	-	-	-
18	KRW	-	-	-	-
19	CNY	-	-	-	-
20	KWD	-	-	-	-
21	BHD	-	-	-	-
(a) Total Open Position				762,297,536	968,349,133
(b) Fixed Percentage				5%	5%
(c) Capital Charge for Market Risk (=a×b)				38,114,877	48,417,457
(d) Risk Weight (reciprocal of capital requirement of 10%) in times				10	10
(e) Equivalent Risk Weight Exposure (=c×d)				381,148,770	484,174,570

PRINCIPAL INDICATORS (FOR 5 YEARS)

Particulars	Indicators	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2066/2067	2067/2068	2068/2069	2069/2070	2070/2071
1. Percent of Net Profit/Gross Income	%	15.36	13.21	11.25	16.47	19.97
2. Earnings Per Share	Rs.	23.69	24.85	22.93	32.75	34.83
3. Market Value per Share	Rs.	741.00	565.00	635.00	850.00	1280.00
4. Price Earning Ratio	Times	31.28	22.73	27.69	25.95	36.75
5. Dividend (including bonus) on share capital	%	17.50	17.50	17.50	20.00	22.0745*
6. Cash Dividend on Share Capital	%	5.00	5.00	5.00	7.50	7.0237*
7. Interest Income/Loans & Advances	%	9.80	11.24	11.27	11.20	9.55
8. Staff Expenses/Total Operating Expenses	%	6.80	9.13	8.22	12.32	13.93
9. Interest Expenses/Total Deposit and Borrowings	%	4.11	4.92	5.14	4.16	4.02
10. Exchange Gain/Total Income	%	2.76	2.01	2.37	2.18	2.33
11. Staff (Statutory) Bonus/ Total Staff Expenses	%	29.23	20.37	19.19	21.04	22.85
12. Net Profit/Loans & Advances	%	2.18	2.14	1.81	2.64	2.58
13. Net Profit/ Total Assets	%	1.03	1.01	0.83	1.19	1.51
14. Total Credit/Deposit	%	51.48	51.20	49.62	49.55	65.54
15. Total Operating Expenses/Total Assets	%	5.04	6.07	6.06	5.22	5.21
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	10.89	10.32	9.16	9.59	10.19
b. Supplementary Capital	%	1.36	1.20	2.05	2.80	3.09
c. Total Capital Fund	%	12.25	11.52	11.21	12.39	13.28
17. Liquidity (CRR)	%	9.03	7.00	8.33	9.58	9.32
18. Non Performing Credit/Total Credit	%	1.48	1.10	0.54	0.37	0.26
19. Base Rate	%	NA	NA	NA	9.86	8.78
20. Weighted Average Interest Rate Spread	%	2.76	2.86	2.70	3.38	3.45
21. Book Net worth	Rs.	2,440,863,070	2,869,602,150	3,196,710,863	3,798,957,417	4,535,798,670
22. Total Shares	No.	16,536,239	18,693,033	20,939,898	23,557,385	26,502,058
23. Total Staff	No.	465	505	538	538	607
24. Return on Shareholder's Equity	%	16.05	16.19	15.02	20.31	22.85
25. Book Value Per Share	Rs.	147.61	153.51	152.66	161.26	171.15
26. Return on Net Fixed Assets	%	93.66	111.41	67.06	116.61	151.94
27. Total Interest Earning to External Assets	%	6.72	7.71	7.45	7.52	7.50

*For FY2070/71 dividend of 22% has been proposed after allotment of 89763.96 unsubscribed shares. This includes 15% bonus shares and 7% cash dividend. Accordingly, ratio under row 5&6 will undergo change.

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED 32 ASHAD 2071 (16 JULY 2014)

i) General information

Nepal SBI Bank Limited is a limited liability public listed company domiciled in Nepal. The registered office of the “Bank” is situated at Hattisar, Kathmandu, Nepal. It is a subsidiary of State Bank of India which holds 55.28% shares in the Bank.

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 Ashad 32, 2071 (16 July 2014) were authorised for issue by the BOD in its 370th meeting held on 23.11.2014.

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, Banks & 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. 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 on cash basis 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 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 as per NRB Directives.

x) Loans and Advances including Bills Purchased

Loans and advances including bills purchased are stated in the Balance Sheet Net off 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 as per NRB Directives.

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 1% to 100% according to classification of such risk assets as per Directives of Nepal Rastra Bank. Loan loss provisions on loans and advances which are insured by the bank are made at 25% of the prevailing rates prescribed by Nepal Rastra Bank.

xiii) Loan (Book) Write off

Unrecoverable loans and advances graded “Loss” in compliances with NRB Directives are written off in the books as per criteria / policy upon approval of the Board of Directors.

Amount recovered against loans written off are recognised as income in the year of recovery.

xiv) Investments

The Bank has segregated its investment portfolio into following three categories in compliance with NRB Directives:

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:

Investments made with positive intent and ability of the bank to hold till maturity is 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.

xv) Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation.
- Land is not depreciated.
- Asset with a value less than Rs 5,000 is charged off as a revenue expense in the year of purchase irrespective of its useful life.
- Fixed assets and cost on improvements and renovation of leasehold properties are depreciated at rates based upon their expected useful lives, using the straight-line method and grouped under ‘Others’ in schedule 14. The estimated useful lives and depreciation rates of fixed assets are as follows:

Asset Heads	Useful Life (years)	Depreciation Rate (%)
Equipments and Computer & Accessories	2.5 -5	40 -20
Furniture	6.67-10	15-10
Civil Construction (Leasehold assets)	13.33	7.50
Vehicles	6.66	15

xvi) 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 depreciation and any impairment losses. These assets are included under the account head “Office Equipment” (Computers and Accessories) and amortized accordingly.

xvii) 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.

No NBA as on 16.07.2014.

xviii) 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 as provident fund 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.

xix) Stationery Stock

Stationery purchased is stated at cost and

charged to revenue at the time of consumption

xx) Provision for Taxation

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

xxi) Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted on the reporting date.

Deferred tax assets arising from temporary 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 NRB Directives No. 4. An amount equal to total of deferred tax income is transferred to Deferred Tax Reserve.

xxii) Lease

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate

of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

xxiii) Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Liabilities on account of derivative contracts are reported under contingent liabilities under Forward Exchange Contract liabilities. These include notional principal on outstanding forward rate agreements.

xxiv) Cash & Cash Equivalents

Cash & cash equivalents comprise cash and bank balances.

xxv) Previous Year's Figures

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

NOTES TO ACCOUNTS

FOR THE YEAR ENDED 32 ASHAD 2071 (16 JULY 2014)

1. Provision for Staff Bonus

Provision for staff bonus amounting to Rs 131,194,466 has been computed and provided for at 10% of net profit (before tax) after 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. Debenture Redemption Reserve

Debenture Redemption Reserve has been appropriated as under:

6. Capital Adjustment Reserve

The opening 'Capital Adjustment Reserve' of Rs 350 lacs is transferred to 'Profit & Loss Appropriation Account' for the purpose of 15% bonus shares. Rs 850 lacs have been transferred to 'Capital Adjustment Reserve' from the 'Profit and Loss Appropriation Account' in the current year.

7. Investment Adjustment Reserve

Unified Directives No. 8 of Nepal Rastra Bank, has exempted for maintaining 2% 'Investments Adjustment Reserve' under 'Investment Available for Sale' category for the investment in share

Amount in Rs.						
S. No.	Debentures	Period	Debenture Amount	Debenture Redemption Reserve as on 01.04.2070 (a)	Debenture Redemption Reserve appropriated during the year (b)	Debenture Redemption Reserve as on 32.03.2071 (a+b)
1	12.5% NSBL Debenture 2078	Issued on: 12.02.2012 Maturity on: 11.02.2022	400,000,000	56,776,256	40,000,000	96,776,256
2	8% NSBL Debenture 2079	Issued on: 03.02.2013 Maturity on: 02.02.2023	400,000,000	17,863,014	40,000,000	57,863,014
3	7.9% NSBL Debenture 2080	Issued on: 20.04.2014 Maturity on: 19.04.2024	200,000,000	-	4,821,918	4,821,918
Total			1,000,000,000	74,639,270	84,821,918	159,461,188

4. General Reserve

As required under the Banks and Financial Institutions Act, 2063, 20% of the current year's net profit amounting to Rs. 184,596,802 has been transferred to General Reserve.

5. Exchange Fluctuation Reserve

Revaluation gain arising out of exchange fluctuation during the year is Rs 4,714,221. As per Directives of Nepal Rastra Bank, 25% of such gain amounting to Rs 1,178,556 has been transferred to Exchange Fluctuation Reserve.

of Gramin Bikash Bank, Rural Microfinance Development Center (RMDC), Credit Information Center Pvt. Ltd. Nepal Clearing House Ltd. and National Banking Training Institute. Therefore, 'Investments Adjustment Reserve' maintained for investment in share of such organizations up to previous year amounting to Rs 515,360 have been transferred to Profit and Loss Appropriation Account.

8. Provision for Gratuity

During the FY 2070-71, the Bank has provided Rs 30,721,488 on account of staff gratuity liability as per Staff Service Rule of the Bank. A sum of Rs 3,023,798 was paid as gratuity during the year. Separate fund as required by the Labour Rule, 2048 has not been created for staff gratuity liability.

9. Provision for Leave Encashment

During the FY 2069-70, the Bank has provided Rs 15,992,489 for accrued leave encashment. A sum of Rs 2,875,919 was paid against leave encashment during the year.

10. Tax Settlement Outstanding

Large Taxpayers Office (LTO) has completed the assessment of tax returns filed under self assessment procedure pertaining up to FY 2065-66 and accordingly the Bank has settled its corporate tax liability related to those financial years. Assessment of tax return of FY 2066-67 has completed by the LTO, however the Bank has applied for administrative review to Inland Revenue Department for some disallowance by LTO. Tax returns filed under self assessments for the FYs 2067-68, 2068-69 and 2069-70 is yet to be assessed by the LTO.

11. Income Tax and Deferred Tax

Provision for income tax has been made as per the provisions of Income Tax Act and amendment thereof. Deferred Tax has been calculated as per the "Nepal Accounting Standard 9 - Income Taxes".

The movement in deferred tax assets/ liabilities is as follows:

Amount in Rs.

Particulars / Items	Carrying Amount	Tax Base	Deductible Temporary Diff	Taxable Temporary Diff.	Deferred Tax Asset
Fixed Assets	348,286,572	441,090,499	92,803,927	-	27,841,178
Provision for Gratuity and Leave	259,355,178	-	259,355,178	-	77,806,554
Provision for Draft Fraud	22,359,375	-	22,359,375	-	6,707,813
	630,001,125	441,090,499	374,518,480	-	112,355,545
Opening Balances (2070.04.01)					95,232,966
Differences					17,122,579
a. Accounted in Profit and Loss Account					17,122,579

12. Draft Paid Without Notice (FY A.D. 1998/99 – B.S.2055/56)

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 Kathmandu District Court and Appellate Court was not in favor of the Bank, a review petition was filed with the Supreme Court. Hearing on the Bank's petition is under process. The Bank has already received Rs 9,640,625 from an insurance company and collecting banks, for the balance, 100% provision has been made against possible loss for the balance amount of Rs 22,359,375 since 15.07.2005.

13. Claims against the Bank

One of the shareholders had filed a legal suit with Kathmandu District Court demanding interest on the subscription money deposited for subscription of unsubscribed right shares. On 2070.02.19, Kathmandu District Court rendered its verdict to compensate Rs 3,600,636 in the form of interest @10% from 2067.08.08 to 2068.12.19 on the subscription money deposited. The Bank, filed as appeal with Appellate Court, Patan against the decision of the Kathmandu District Court. The Appellate Court, Patan rendered its verdict on 26.06.2014 nullifying the decision of Kathmandu District Court in Bank's favor.

The claim pertains to the allotment of unsubscribed right shares which was annulled by the Supreme Court vide its writ of certiorari cum mandamus dated 2068.11.22 (5.3.2012 AD).

14. Reconciliation Status of Agency Accounts Outstanding as on 16.07.2014

Rs in '000

PARTICULARS	TOTAL		= < 3 MONTHS		>3=< 9 MONTHS		> 9 MONTHS	
	No. of Entries	Net Amt (Rs.)	No. of Entries	Net Amt (Rs.)	No. of Entries	Net Amt (Rs.)	No. of Entries	Net Amt (Rs.)
Total Amount	6,012	587,254	4,218	534,066	280	26,243	1,514	26,945

Un-reconciled amount represents the net amount of un-reconciled debit and credit entries. The Bank regularly follows up on the matter for identification and these will be adjusted in subsequent years in due course of business.

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

Rs in '000

Particulars	Current Year	Previous Year
Opening Balance	29,193,903	26,463,671
Loans Disbursed	173,195,354	136,239,116
Loans Recovered	166,674,142	133,508,884
Loans Written Off	859	-
Interest Written Off	2,313	-
Closing Balance	35,714,256	29,193,903

During the year Rs. 649,465 has been recovered against the interest written-offs in previous period.

16. Summary of Changes in deposit & liabilities

Rs in '000

Particulars	Current Year	Previous Year	Changes
Call Deposits	4,773,989	2,571,555	2,202,434
Current Deposits	4,115,406	5,037,127	-921,721
Fixed Deposits	28,569,413	38,179,006	-9,609,593
Margin Deposits	283,146	245,628	37,518
Saving Deposits	16,610,549	12,887,140	3,723,409
Matured Fixed Deposits	140,492	205,274	-64,782
Total	54,492,995	59,125,730	-4,632,735

Matured Fixed Deposits Rs. 205,274 ('000) of previous year, which was classified as other liabilities under schedule 4.7 (Other Liabilities), current year it has been classified as other non-interest bearing deposits under schedule 4.5 (Deposits) in compliance with monthly financial statements prescribed by Nepal Rastra Bank.

17. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of Return on Interest Earning Assets i.e. Loan and Advances (including staff loans), Investments in Fixed Deposits and Shares	7.44
Average Cost of Fund on Deposits, Borrowings, Debenture and NRB Refinance	3.99
Average Net Spread (overall)	3.45

18. Detail of Amortization of premium paid on Investment

Particulars	Premium to be written off as on 01.04.2070 (Rs)	Premium written of during the year (Rs)	Premium to be written off as on 32.03.2071 (Rs)
Govt. Development Bond	21,481,047	11,578,943	9,902,104

19. Details of leasehold assets amortized and software cost

Particulars	Balance as on 15 July 2013 (Rs.)	Added / (Sold) during the year (Rs.)	Amortized During the Year (Rs.)	Balance as on 16 July 2014 (Rs.)
Lease hold	70,407,152	7,044,522	7,769,754	69,681,920
Software	7,021,203	305,100	3,140,140	4,186,163
Total	77,428,355	7,349,622	10,909,894	73,868,083

20. Summary of Concentration Exposure

Rs in '000

Particulars	Loans, Advances & Bills Purchased	Deposits & Inter Bank Borrowing	Contingent Liabilities
Total amount as on 16/07/2014	35,714,256	54,492,994	8,243,427
Highest exposure to a single unit (group)	942,869	11,981,750*	241,588
Percentage of exposure to single unit/total	2.64%	21.99%	2.93%

* Highest exposure to a single unit (group) of Deposit is relating to SAARC Development Fund (SDF). NRB's special dispensation has been obtained vide letter no. Bai. Bi. Ni. Bi. /Bi. R. 2/NSBI/12/065/66 dated: 2066/01/15 for exemption of Deposit from a single unit (group) shall be maximum 20% of total Deposits as per NRB Directives.

21. Loan against collateral of its own assets

Bank has not taken any loans against collateral of its own assets.

22. Lease

22.1 Finance Lease

The Bank has not entered into finance lease and does not have any obligation in respect of such.

22.2 Operating Lease

The Bank has entered into a lease arrangement for office premises and ATM space outside of the branch for different periods continuing from previous years, which can be terminated by either party on prior notice of the period of 90 to 180 days. Details of lease payment are as follows:

Particulars	Current Year	Previous Year
Amount due during the Current Period	83,189,220	75,720,232
Amount due within one year from the balance sheet date	87,348,681	78,923,911
Amount due in the period from second year to sixth year from balance sheet date	532,411,008	520,897,813
Amount due for the remaining period after sixth year from balance sheet date	117,130,422	95,497,932

23. Related Party Information and Transactions

23.1 Related Party Information

The following are the details of related parties:

Particulars	Relationship	Remarks
State Bank of India	Parent Company	55.28 % holding in the Bank
Employee Provident Fund	Promoter	15.08 % holding in the Bank
Mr. Alok Kumar Sharma	Managing Director	Key Management Personnel
Mr. V K Tyagi	Chief Operating Officer	Key Management Personnel
Mr. Anil Kumar Singh	Chief Financial Officer	Key Management Personnel
Subsidiaries of State Bank of India	Fellow Subsidiaries	

23.2 Key Management Personnel

Salary to the key management personnel is borne by State Bank of India, the parent company under the Technical Service Agreement (TSA) entered with the Bank which is approved by Nepal Rastra Bank. The key management personnel are also provided with living, medical and other related facilities as per TSA.

23.3 Related Party Transactions

The details of the related party transactions are as follows:

Rs in '000

S.NO.	Related Parties	Particulars	Current Year	Previous Year
1.	State Bank of India	Technical Service Fee (Expenses)	19,392	14,929
2.	State Bank of India & Fellow Subsidiaries	Receivable against placement (asset)	11,783,443	22,210,168
3.	State Bank of India & Fellow Subsidiaries	Against outstanding Agency Balance (Asset)	825,908	1,440,820
4.	State Bank of India & Fellow Subsidiaries	Interest recognized as income during the year (Income)	447,062	664,441
5.	Employee Provident Fund	Deposit	1,342,139	595,664

24. Classification of Assets and Liabilities based on Maturity as on Ashad end 2071 (16 July 2014)

Rs. In Lacs

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	15,270	-	-	-	-	-	-	15,270
2	Balance with Banks & FIs	51,279	-	-	-	-	-	-	51,279
3	Investment in Foreign Banks	2,886	-	17,156	1,924	60,827	34,368	0	117,161
4	Call Money	-	-	-	-	-	-	-	-
5	Government Securities	3,000	5,000	27,350	5,858	5,842	8,168	4,546	59,764
6	Nepal Rastra Bank Bonds	-	-	-	-	-	-	-	-
7	Inter Bank & FI Lending	-	-	-	-	-	-	-	-
8	Loans & Advances	7,915	21,418	76,597	54,191	62,347	61,895	72,779	357,142
9	Interest Receivable	17	16	818	75	495	62	-	1,483
10	Reverse Repo	-	-	-	-	-	-	-	-
11	Acceptance Receivable	-	-	-	-	-	-	-	-
12	Payments under S.No. 20,21 & 22	11,944	8,054	31,759	14,221	18,223	18,948	27,664	130,813
13	Others	5,559	-	-	-	-	-	4,179	9,738
Total (A)		97,870	34,488	153,680	76,269	147,734	123,441	109,168	742,650
Liabilities									
14	Current Deposits	9,220	-	-	-	-	-	34,765	43,985
15	Saving Deposits (including call)	57,091	-	-	-	-	-	156,754	213,845
16	Fixed Deposits	5,467	5,332	39,039	58,023	85,565	71,060	21,208	285,694
17	Debentures/Bonds	-	-	-	-	-	-	10,000	10,000
18	Borrowings	-	-	-	-	-	-	-	-
	Call/Short Notice	-	-	-	-	-	-	-	-
	Inter-bank/Financial Institutions	-	-	-	-	-	-	-	-
	Refinance	-	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-	-
19	Other Liabilities and Provisions	8,504	0	1,312	0	0	0	2,594	12,410
	Sundry Creditors	1,028							1,028
	Bills Payable	2,180							2,180
	Interest Payable	1,033							1,033
	Provisions	4,061	0	1,312				2,594	7,967
	Others	202							202
20	Acceptance Liabilities	2,617	859	1,065					4,541
21	Irrevocable Loan Commitment	1,825	2,832	8,518	8,640	11,549	15,750		49,114
22	Letter of Credit/Guarantee	7,502	4,362	22,177	5,581	6,674	3,935	27,664	77,895
23	Repo								0
24	Payable under s.no.11								0
25	Others								0
Total (B)		92,226	13,385	72,111	72,244	103,788	90,745	252,985	697,484
Net Financial Assets (A-B)		5,644	21,103	81,569	4,025	43,946	32,696	-143,817	45,166
Cumulative Net Financial Assets		5,644	26,747	108,316	112,341	156,287	188,983	45,166	0

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)

As on 32 Ashad 2071 (16 July 2014)

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

		Rs. in Lacs
	Particulars	Amount
A	Paid-up Equity Share Capital	26,502
B	Statutory General Reserve	11,107
C	Proposed Bonus Equity Shares	3,989
D	Accumulated Profit/(Loss)	58
E	Capital Adjustment Reserve	850
F	Deferred Tax Reserve	1,124
G	Other Free Reserve (Debenture Redemption Reserve)	1,595
Total Core Capital (Tier I)		45,225

ii. Supplementary Capital (Tier II)

		Rs. in Lacs
	Particulars	Amount
A	Subordinate Term Debt	10,000
B	General Loan Loss Provision	3,562
C	Investment Adjustment Reserve	-
D	Exchange Equalization Reserve	134
Total Supplementary Capital (Tier II)		13,696

iii. Information about Subordinate Term Debt

		Rs. in Lacs
1. 12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured) issued on 12.02.2012 and maturing on 11.02.2022 of Rs. 4,000.00 lacs; 2. 8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured) issued on 03.02.2013 and maturing on 02.02.2023 of Rs. 4,000.00 lacs and 3. 7.9% Nepal SBI Bank Debentures 2080 of Rs. 1,000 each (Unsecured) issued on 20.04.2014 and maturing on 19.04.2024.		
-	Outstanding Amount	10,000
Fixed Maturity Period of 10 Years		
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	1,595
-	Amount raised during the year	2,000
-	Amount released during the year due to maturity	-
-	Amount Eligible to be reckoned as Capital Fund	10,000

iv. Deduction From Capital

Nil

v. Total Qualifying Capital

Rs. in Lacs	
Particulars	Amount
Total Core Capital (Tier I)	45,225
Total Supplementary Capital (Tier II)	13,696
Total Capital Fund (Tier I + Tier II)	58,921

vi. Capital Adequacy Ratio

Capital Adequacy Ratio (Percentage)	13.28%
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2. RISK EXPOSURE

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

Rs. in Lacs	
Particulars	Amount
A Risk Weighted Exposure for Credit Risk	402,321
B Risk Weighted Exposure for Operational Risk	24,515
C Risk Weighted Exposure for Market Risk	3,811
D Add: 2% of the total RWE as per NRB Direction.	8,613
E Add: 2% of the Gross Income as per NRB Direction	4,382
Total Risk Weighted Exposure (A+B+C+D+E)	443,642

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

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

		Rs. in Lacs
S.No.	Categories	Amount
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	-
3	Claims on Banks	30,522
4	Claims on Corporate and Securities Entities	225,683
5	Claims on Regulatory Retail Portfolio	61,105
6	Claims Secured by Residential Properties	12,031
7	Claims Secured by Commercial Real Estate	600
8	Past Due Claims	976
9	High Risk Claims	13,873
10	Other Assets	13,156
11	Off Balance Sheet Items	44,185
	Total	402,131

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

Rs. in Lacs

	Particulars	Gross Amount	Provision	Net Amount
A	Restructured	271	271	-
B	Sub-standard	94	23	71
C	Doubtful	115	58	57
D	Loss	433	433	-
	Total	913	785	128

iv. Non Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
- Gross NPA to Gross Advances	0.26%
- Net NPA to Net Advances	0.04%

v. Movement of Non Performing Assets

Rs. in Lacs

S.No.	Particulars	Opening Balance (Ashad End 2070)	Closing Balance (Ashad End 2071)	Movement
	Non Performing Loan			
1	Restructured Loan	276	271	(5)
2	Sub-Standard	0	94	94
3	Doubtful	0	115	115
4	Loss	811	433	(378)

vi. Write off of Loans and Interest Suspense

- During the financial year the bank has written off Rs. 8,59,228.31 loan (principal) and Rs. 2,313,047.09 interest suspense as per NRB Directive.

vii. Movement of Loan Loss Provision and Interest Suspense

Loan Loss Provision

Rs. in Lacs

S.No.	Particulars	Opening Balance (Ashad End 2070)	Closing Balance (Ashad End 2071)	Movement
1	Pass	2,990	3,562	572
2	Restructure	276	271	(5)
3	Sub-Standard	-	23	23
4	Doubtful	-	58	58
5	Loss	791	433	(358)
	Total Loan Loss Provision	4,057	4,347	290

Interest Suspense

Rs. in Lacs

S.No.	Particulars	Opening Balance (Ashad End 2070)	Closing Balance (Ashad End 2071)	Movement
1	Interest Suspense	713	681	(32)

viii. Details of Additional Loan Loss Provision

Rs. in Lacs

S.No.	Particulars	Ashad End 2071
1	Pass	658
2	Restructure	-
3	Sub-Standard	23
4	Doubtful	58
5	Loss	91
	Total	830

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

Rs. in Lacs

S.No.	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	51,717	-	-	-	-	
2	Nepal Government Other securities	8,046	-	-	-	-	
3	Foreign Bank Investment (Placement)	117,162	-	-	-	-	
4	Other Investments (Inter Bank Lending)	-	-	-	-	-	
	Total Investment	176,925	-	-	-	-	

B. Investment Available for Sale

S.No.	Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Shares, Debentures and Bond of Domestic Entity						
	Listed	188.95	-	1,602.30	-	-	
	Not Listed*	110.61	-	-	-	-	
	Total Investment	299.56	-	1,602.30	-	-	

Note:

* No Investment Adjustment Reserve has been maintained for investment in Madhya Paschimanchal Grameen Bikash Bank. Rural Micro-finance Development Center Ltd. (RMDC), Credit Information Center Ltd., Nepal Clearing House, and National Banking Training Institute as NRB Directive No 8/ 2070 has exempted maintenance of such reserve against such investments.

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

A comprehensive Risk Management System has been ensured to deal with various types of risks. The risk management function is overseen by the Board of Directors through the Risk Management Committee of the Board (RMCB) and Audit Committee of the Board (ACB). Besides, there are Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) for formulating and reviewing the risk management policies and monitoring their implementation in the matters related to credit, market and operational risks. The progress of the action implementation is reviewed by the Bank's Board, including review of the decisions of the Central Management Committee. The Bank has already migrated to Basel-II norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-II. The Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

The Bank has created Integrated Risk Management Department headed by Chief Risk Officer (CRO) to further strengthen the Risk Management structure, which includes assessing, identifying, monitoring and reducing pertinent business risk that could interface with the Bank's objectives and goal.

The Risk structures are being revisited at frequent intervals and the requisite policies, systems are being introduced and kept updated. For both credit and market risks, stress testing is being done regularly. With all branches on Core Banking Solution (CBS), Credit Information and MIS works on a robust platform. The Bank has direct access to the CIB database which have been allocated to our operating units/offices, enabling them to generate Credit Information Report on borrowers / prospective borrowers from this database. An MIS website is maintained by your Bank to provide easy access to the central database, which is being extensively used by the operating units. Various returns to be submitted to regulatory agencies are now being centrally generated at Corporate office level, thus enabling branches to focus more on business development and customer services.

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 (Credit Risk Mitigants)

As on 32nd Ashad 2071 (16.07.2014)

Particulars	Eligible CRM
Deposits with Bank	13,179
Govt. & NRB Securities	-
G'tee of domestic banks	198
G'tee of foreign banks	1,348
Total	14,725

SCHEDULE 34

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

S.No	Name of the Promoter/ Promoter Group Shareholders	Shares Held by Promoters		Particulars of the Loan			Remarks
		Total Number of Shares	Percentage of the Total Paid Up Capital	Name of the Lending Bank/ Financial Institution	Loan Amount	Number of Shares Pledged	
1	State Bank of India(SBI)	14,651,022	55.28%	NA	Nil	Nil	
2	Employees Provident Fund (EPF)	3,995,733	15.08%	NA	Nil	Nil	

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT FOR THE FY 2070/71

Rs in '000

S.No.	Particulars	As per Unaudited Finalcial Statement as on 16.07.2014 Rs.	As per Audited Finalcial Statement as on 16.07.2014 Rs.	Variance		Reason for Variance
				In Amount	In %	
		A	B	C=B-A	D=C/A%	
1	Total Capital and Liabilities (1.1 to 1.7)	61,082,973	61,082,973	-	-	
1.1	Paid Up Capital	2,650,206	3,049,083	398,877	15.00%	Due to proposed bonus share.
1.2	Reserve and surplus	2,071,736	1,486,716	(585,020)	-28.24%	Due to proposed bonus shares and cash dividend.
1.3	Debenture and Bond	1,000,000	1,000,000	-	-	
1.4	Borrowings	-	-	-	-	
1.5	Deposits (a+b)	54,492,994	54,492,994	-	-	
	a. Domestic Currency	42,027,199	42,027,199	-	-	
	b. Foreign Currency	12,465,795	12,465,795	-	-	
1.6	Income Tax Liability	-	-	-	-	
1.7	Other Liabilities	868,037	1,054,180	186,143	21.44%	Due to proposed cash dividend.
2	Total Assets (2.1 to 2.7)	61,082,973	61,082,973	-	-	
2.1	Cash and Bank Balance	6,654,971	6,654,971	-	-	
2.2	Money at Call and Short Notice	-	-	-	-	
2.3	Investments	17,722,396	17,722,396	-	-	
2.4	Loans and Advances (Net)	35,279,583	35,279,583	-	-	
	a. Real Estate Loan	1,559,898	1,559,898	-	-	
	1. Residential Real Estate Loan (Except Personal Home loan up to Rs. 10 (Million)	291,657	291,657	-	-	
	2. Business Complex & Residential Apartment Construction Loan	59,400	59,400	-	-	
	3. Income generating Commercial Complex Loan	-	-	-	-	
	4. Other Real Estate Loan (Including Land purchase & Plotting)	1,208,841	1,208,841	-	-	
	b. Personal Home Loan of Rs. 10 Million or Less	2,259,904	2,259,904	-	-	
	c. Margin Type Loan	-	-	-	-	
	d. Term Loan	2,107,760	2,107,760	-	-	
	e. Overdraft Loan / TR Loan / WC Loan	21,885,295	21,885,295	-	-	
	f. Others	7,466,726	7,466,726	-	-	
2.5	Fixed Assets (Net)	607,447	607,447	-	-	
2.6	Non Banking Assets (Net)	-	-	-	-	
2.7	Other Assets	818,576	818,576	-	-	

COMPARISON OF UNAUDITED AND AUDITED FINANCIAL STATEMENT FOR THE FY 2070/71

Rs in '000

S.No.	Particulars	As per Unaudited Finalcial Statement as on 16.07.2014 Rs.	As per Audited Finalcial Statement as on 16.07.2014 Rs.	Variance		Reason for Variance
				In Amount	In %	
3	Profit and Loss Account			-		
3.1	Interest Income	3,976,648	3,976,648	-	-	
3.2	Interest Expenses	2,231,604	2,231,604	-	-	
	A. Net Interest Income (3.1-3.2)	1,745,044	1,745,044	-	-	
3.3	Fees, Commission and Discount	320,425	320,425	-	-	
3.4	Other Operating Income	217,267	217,267	-	-	
3.5	Foreign Exchange Gain/Loss (Net)	107,807	107,807	-	-	
	B. Total Operating Income (A.+3.3+3.4+3.5)	2,390,543	2,390,543	-	-	
3.6	Staff Expenses	443,078	443,078	-	-	
3.7	Other Operating Expenses	506,028	506,028	-	-	
	C. Operating Profit Before Provision (B.-3.6-3.7)	1,441,437	1,441,437	-	-	
3.8	Provision for Possible Losses	82,967	82,967	-	-	
	D. Operating Profit (C.-3.8)	1,358,470	1,358,470	-	-	
3.9	Non Operating Income/Expenses (Net)	8,728	8,728	-	-	
3.10	Write Back of Provision for Possible Loss	71,810	71,810	-	-	
	E. Profit From Regular Activities (D + 3.9+3.10)	1,439,008	1,439,008	-	-	
3.11	Extraordinary Income/Expenses (Net)	4,131	4,131	-	-	
	F. Profit before Bonus and Taxes (E + 3.11)	1,443,139	1,443,139	-	-	
3.12	Provision for Staff Bonus	131,194	131,194	-	-	
3.13	Provision for Tax	388,961	388,961	-	-	
	G. Net Profit/Loss (F-3.12-3.13)	922,984	922,984	-	-	

SCHEDULE A

UNAUDITED FINANCIAL RESULTS (QUARTERLY) As at end of the 4th Quarter (32/03/2071) of the Fiscal Year 2070/71

Rs. in '000

S.No.	Particulars	This Quarter Ending as on 32.03.2071 (16.07.2014) Unaudited	Previous Quarter Ending 30.12.2070 (13.04.2014) Unaudited	Corresponding Previous Year Quarter Ending as on 31.03.2070 (15.07.2013) Audited
1	Total Capital and Liabilities (1.1 to 1.7)	61,082,973	58,460,976	64,796,152
1.1	Paid Up Capital	2,650,206	2,650,206	2,650,206
1.2	Reserves and Surplus	2,071,736	1,823,465	1,148,752
1.3	Debentures and Bonds	1,000,000	800,000	800,000
1.4	Borrowings	-	7,552	-
1.5	Deposits (a+b)	54,492,994	51,436,871	59,125,730
	a. Domestic Currency	42,027,199	39,590,688	35,009,426
	b. Foreign Currency	12,465,795	11,846,183	24,116,304
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	868,037	1,742,882	1,071,465
2	Total Assets (2.1 to 2.7)	61,082,973	58,460,976	64,796,152
2.1	Cash and Bank Balance	6,654,971	5,264,016	7,713,403
2.2	Money at Call and Short Notice	-	-	138,925
2.3	Investments	17,722,396	17,391,166	25,906,120
2.4	Loans and Advances (Net)	35,279,583	33,592,705	28,788,147
	a. Real Estate Loans	1,559,898	1,432,441	1,023,788
	1. Residential Real Estate Loans (Except Personal Home Loan up to Rs. 10 Million)	291,657	289,489	273,693
	2. Business Complex & Residential Apartment Construction Loans	59,400	89,100	118,800
	3. Income Generating Commercial Complex Loans	-	-	-
	4. Other Real Estate Loans (Including Land Purchase & Plotting)	1,208,841	1,053,852	631,295
	b. Personal Home Loans of Rs. 10 Million or Less	2,259,904	2,269,635	2,299,876
	c. Margin Type Loans	-	-	-
	d. Term Loans	2,107,760	2,080,344	1,591,847
	e. Overdraft Loans / TR Loans / WC Loans	21,885,295	20,963,684	17,763,631
	f. Others	7,466,726	6,846,601	6,109,005
2.5	Fixed Assets (Net)	607,447	625,556	661,589
2.6	Non Banking Assets (Net)	-	-	-
2.7	Other Assets	818,576	1,587,533	1,587,968

UNAUDITED FINANCIAL RESULTS (QUARTERLY)

As at end of the 4th Quarter (31/03/2070) of the Fiscal Year 2069/70

Rs. in '000

3	Profit and Loss Account	This Quarter Ending as on 32.03.2071 (16.07.2014) Unaudited	Previous Quarter Ending 30.12.2070 (13.04.2014) Unaudited	Corresponding Previous Year Quarter Ending as on 31.03.2070 (15.07.2013) Audited
3.1	Interest Income	3,976,648	3,006,937	4,110,514
3.2	Interest Expenses	2,231,604	1,730,581	2,486,979
	A. Net Interest Income (3.1-3.2)	1,745,044	1,276,356	1,623,534
3.3	Fees, Commission and Discount	320,425	247,069	313,697
3.4	Other Operating Income	217,267	138,885	157,756
3.5	Foreign Exchange Gain/Loss (Net)	107,807	77,178	101,915
	B. Total Operating Income (A.+3.3+3.4+3.5)	2,390,543	1,739,488	2,196,903
3.6	Staff Expenses	443,078	331,067	416,560
3.7	Other Operating Expenses	506,028	348,435	477,247
	C. Operating Profit Before Provision (B.-3.6-3.7)	1,441,437	1,059,986	1,303,096
3.8	Provision for Possible Losses	82,967	73,882	128,041
	D. Operating Profit (C.-3.8)	1,358,470	986,104	1,175,054
3.9	Non Operating Income/Expenses (Net)	8,728	3,616	(287)
3.10	Write Back of Provision for Possible Loss	71,810	66,204	43,861
	E. Profit From Regular Activities (D + 3.9+3.10)	1,439,008	1,055,924	1,218,629
3.11	Extraordinary Income/Expenses (Net)	4,131	4,341	2,326
	F. Profit before Bonus and Taxes (E + 3.11)	1,443,139	1,060,265	1,220,955
3.12	Provision for Staff Bonus	131,194	96,388	110,996
3.13	Provision for Tax	388,961	289,163	338,488
	G. Net Profit/Loss (F-3.12-3.13)	922,984	674,714	771,471
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)	13.70%	13.32%	12.39%
4.2	Non Performing Loan (NPL) to Total Loan	0.26%	0.35%	0.37%
4.3	Total Loan Loss Provision to Total NPL	476.42%	361.61%	373.31%
4.4	Cost of Fund (Annualized)	3.99%	4.09%	4.44%
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	75.23%	76.40%	75.18%
4.6	Base Rate	8.78%	8.02%	9.86%
4.7	Average Monthly Interest rate Spread LCY (Calculated as per NRB Directive)	4.93%	5.75%	NA
	Additional Information			
	Average Yield (Local Currency) (Annualized)	9.03%	9.15%	10.21%
	Average Cost (Local Currency Fund Adjusted for CRR Factor) (Annualized)	4.86%	4.98%	5.78%
	Return on Equity (Annualized)	22.85%	22.64%	20.31%
	Return on Assets (Annualized)	1.50%	1.46%	1.19%

The above figure may undergo change on completion of statutory audit and /or as per directives of Nepal Rastra Bank.



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बैंक सुपरिवेक्षण विभाग
गैर-स्थलगत सुपरिवेक्षण इकाई



पत्रसंख्या:- बै.सु.वि./अफसाइट/एजिएम/२२/२०७१-७२

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

मिति २०७१/०९/०४

नेपाल एसबिआई बैंक लिमिटेड
हात्तीसार, काठमाडौं।

विषय: लाभांश घोषणा/वितरण तथा वित्तीय विवरण प्रकाशन सम्बन्धमा।

महाशय,

तहाँवाट पेश गरिएका वित्तीय विवरण तथा अन्य कागजातका आधारमा बैंक तथा वित्तीय संस्था सम्बन्धी ऐन, २०६३ को दफा ४६ को उपदफा (१) का प्रावधानहरु पालना गरेको देखिएको हुँदा, ऐ. ऐनको उपदफा (२) बमोजिम प्रस्तावित नगद लाभांश रु. १८,६१,४२,७५४/- तथा बोनस शेयर रु. ३९,८८,७७,३००/- वार्षिक साधारण सभाबाट स्वीकृत भएको अवस्थामा मात्रै वितरण गर्न स्वीकृतिका साथै आ.व. २०७०/७१ को वार्षिक हिसाब वार्षिक साधारण सभामा स्वीकृतिको लागि पेश गर्ने प्रयोजनार्थ देहायका निर्देशन सहित सार्वजनिक गर्न मात्र सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु।

१. लेखापरीक्षण प्रतिवेदनमा उल्लेख गरिएका कैफियतहरु पूर्ण रुपले सुधार गर्न तथा त्यस्ता कैफियतहरु पुनः दोहोरिन नदिने व्यवस्था मिलाउनु हुन।

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

भवदीय,

(Signature)

(वासुदेव भट्टराई)
उप निर्देशक

बोधार्थ :-


१. नेपाल राष्ट्र बैंक
बैंक तथा वित्तीय संस्था नियमन विभाग।
२. बैंक सुपरिवेक्षण विभाग.
प्रतिवेदन कार्यान्वयन इकाई, नेपाल एसबिआई बैंक लिमिटेड।

Nepal SBI Bank Limited 103



NOTES:

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue lines spaced evenly across the page, typical of notebook or primary writing paper. The lines are light blue and extend from the left edge towards the right. There are no margins, text, or other markings on the page.



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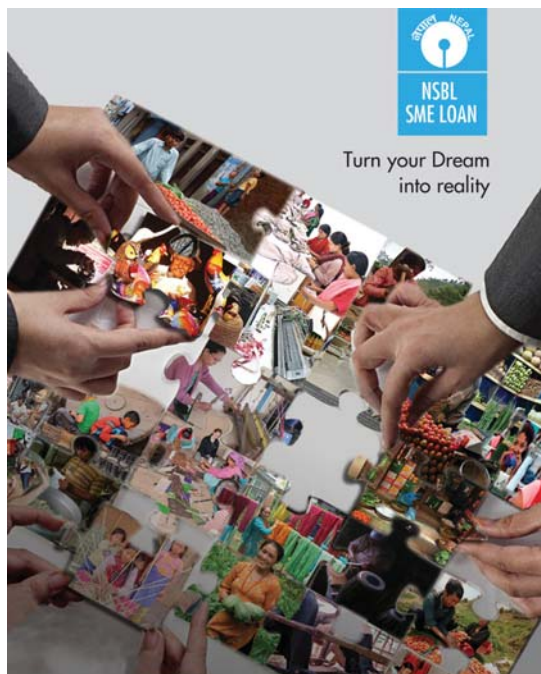
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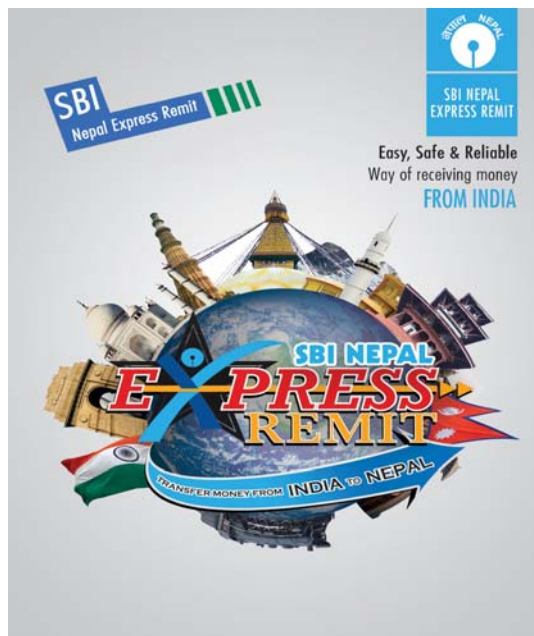
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- Fund transfer from Mobile Wallet to Nepal SBI account & vice-versa.
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