



16th Annual Report
2008-2009
BUILDING A SUSTAINABLE FUTURE. TOGETHER.



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

विशुद्ध बैंकिङ्ग...
अरु केही होइन

Cover Theme: **BUILDING A SUSTAINABLE FUTURE. TOGETHER.**

Nepal SBI Bank Limited always operates together hand in hand with all its stakeholders and this has a direct impact on building a sustainable future of the bank. All our shareholders, business partners, regulators, people and customers live and work in the community in which we operate. By supporting the well-being of our community, the bank is investing in its own sustainability.



OUR CUSTOMERS

We believe that our sustainable future depends on our ability to engage meaningfully with our customers, to be sensitive to their different needs and to provide products and services relevant to serving those needs. We carefully analyze and understand our customer demand and market dynamics in all areas in which we operate.

OUR PEOPLE

Our real unique selling proposition (USP) is indeed our people and we are also committed to creating a compelling employee value proposition. We firmly believe that our sustainability is dependent on meeting our employees' expectations in terms of leadership, remuneration, challenging assignments, fair employment practices, career development and sound industrial relations.

OUR REGULATORS

For us, our regulators and their regulatory compliances are not only a requirement of law, but also one of the key components of and partners for building a sustainable future. Nepal Rastra Bank is our primary regulator and supervisor, and the relationship is one of mutual trust built through regular and open communication.

OUR BUSINESS PARTNERS

We walk side-by-side with our business partners in our endeavor to build a sustainable future.

OUR SHAREHOLDERS

Foundation for building a sustainable future is made up of our shareholders. Our shareholding base is diverse spread over as many as 18,000 shareholders. Our existing and prospective shareholders are providers of capital and we are responsible for and committed in providing them with reliable, relevant and timely information and more importantly, value to the money invested.

Vision

We desire to be
"Banker to Every Nepali"

Mission

**"My Nepal SBI Bank: My Customer First,
My Nepal SBI Bank: First in Customer Satisfaction"**



नेपाल एसबिआई बैंक लि. NEPAL SBI BANK LTD.

A joint Venture of State Bank of India

BRANCH OFFICE GONGABU

('A' Class Institution Licenced by Nepal Rastra Bank)



ATM

विशुद्ध बैकिङ्ग - अरु केही होइन



Introduction

**Today, Nepal SBI Bank is
regarded widely as
'A Sustainable' commercial bank
managed transparently in Nepal.**

Nepal SBI Bank Limited is a major national level financial services provider engaged in various commercial banking services. We, a team of 352 employees - move, lend, invest and protect money for over 200,000 customers nationally and worldwide. Now in the 17th year of its operations, the bank has been continuously upgrading the quality of its service delivery with the help of state-of-the-art technology and creating value for all stakeholders.

Extending our reach to 21 districts through our 39 outlets comprising 32 branches, 6 extension counters and a commercial branch (the first in Nepal), we are amongst the largest banks in Nepal. In addition, we serve our valued customers through delivery points like Automated Teller Machines (ATMs) which now number 35 and e-banking services for both corporate and retail clients.

We work as a joint venture partner of State Bank of India—India's largest bank, with over 203 years of history and expertise in banking—which has 55 percent ownership. The remaining shares are held by Employees' Provident Fund of Nepal (15%) and the general public (30%).

We take up diverse Social Responsibility Initiatives apart from our regular banking business activities to establish ourselves as a responsible corporate citizen of this great nation.

The key elements of our shared values in our business are to build an open and honest corporate culture and engage actively with all our stakeholders. We aim to achieve this by focusing on six key areas:

- Caring for customers' evolving needs and expectations by providing them with products and services.
- Creating a great place to work.
- Exemplary Governance and Accountability.
- Working in harmony and in mutual satisfaction with our Business Partners.
- Providing returns on the investment of our owners.
- Investing in local communities in which we operate for the benefit of the society at large.



Corporate Information

Name of the Company:	Nepal SBI Bank Limited
Legal Form:	A Public Limited Company incorporated with the Office of Company Registrar (OCR), Kathmandu, Nepal on April 28, 1993 under Regd. No. 17-049/50 and licensed by Nepal Rastra Bank on July 6, 1993 under license No. NRB/L. Pa. /7/2049/50 and classified as 'A' class licensed institution on April 26, 2006 under license No. NRB/L.Pra.Ka.7/062/063.
Commencement of Business:	July 7, 1993
Accounting Year-end:	15 July (Ashadh 31)
Stock Exchange Listing:	The Ordinary Shares and Redeemable Debentures (carrying fixed interest rate) of the company listed on Nepal Stock Exchange.
Registered Office:	Bagmati Zone, Kathmandu District, Kathmandu Metropolitan City, Ward No.-1
Corporate Office:	Nepal SBI Bank Limited Corporate Office, Hattisar, Kathmandu Tel No: +977-1-4435516, 4435613, Fax No: 4435612 Email: corporate@nsbl.com.np Web URL: www.nepalsbi.com.np, www.nsbl.com.np
Board of Directors:	Mr. B. K. Shrestha, Chairman (Representative of General Public) Mr. Pratip Chaudhuri, Director (State Bank of India Nominee) Mr. Abhay Kumar Singh, Director (State Bank of India Nominee) Mr. Manoj K. Agrawal, Director (Representative of General Public) Ms. Hasana Sharma, Director (Employees' Provident Fund Nominee) Mr. N. K. Chari, Managing Director (State Bank of India Nominee)

Company Secretary:

Mr. Ramesh Ghimire

Audit Committee:

Chairman- Ms. Hasana Sharma, Director
(EPF Nominee)

Member- Mr. Manoj K. Agrawal, Director
(Representative of General Public)

Member- One of the Directors from SBI
(Other than Managing Director)

Member Secretary- Mr. Sudeep Khanal
(Deputy Manager, Internal Audit)

Central Management Committee: Mr. N. K. Chari, Managing Director

Mr. Madhukar Anand, Chief Operating Officer

Mr. Binod K. Mishra, Chief Financial Officer

Mr. Tulsi Ram Gautam, AGM (Credit)

Internal Auditor:

Mr. Sudeep Khanal

Statutory Auditor:

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

Legal Advisor:

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

16th Annual Report

2008-2009



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

विशुद्ध बैंकिङ्ग ... अरु केही होइन

Contents >>

Annual Report of Board of Directors	09-19
Economic & Banking Environment	
Impact of National & International Events on the Banking Business	
Financial Highlights	
Appropriation of Profit & Loss	
Bank's Activities & Future Plans	
Corporate Social Responsibility	
Progress Report for Current Year	
Our People	25-29
Branch Information	30-32
Integrated Services	34-36
Technology	37
Corporate Governance	38-39
Risk Management	40
Shareholders' Information	43-46
Auditor's Report	47-48
Financial Statements	49-99
Letter of Nepal Rastra Bank	100
Three Columns Format (Tin Mahale)	101
Schedule 13 of Securities Registration and Issuance Regulation, 2065	101-102

Board of Directors



MR. PRATIP CHAUDHURI
Director
(SBI Nominee)



MR. B.K. SHRESTHA
Chairman of the Board
(Representative of General Public)



MR. ABHAY KUMAR SINGH
Director
(SBI Nominee)



MS. HASANA SHARMA
Director
(Employees' Provident Fund Nominee)



MR. M.K. AGRAWAL
Director
(Representative of General Public)



MR. N.K. CHARI
Managing Director
(SBI Nominee)

Annual Report of Board of Directors

Dear Shareholders,

I am indeed glad to welcome you all at the Sixteenth Annual General Meeting of Nepal SBI Bank Ltd. On behalf of the Bank's Board of Directors, I take the opportunity to present before you the Directors' Report together with the Financial Statements for the financial year 2065-66 (2008-2009). The Report is in conformity with all the statutory and regulatory requirements.

Economic & Banking Environment

As per preliminary estimates of Central Bureau of Statistics (CBS), the real GDP growth rate in 2065/66 stood at 3.8% at basic price and 4.7% at producers' price. Last year the GDP growth was 5.3% at basic and producers' prices.

In 2065/66 the agriculture sector is estimated to have grown at 2.2% and non agriculture sector at 4.7%. Respective growth rates for agriculture and non agriculture sector were 4.7% and 5.6% in the previous year. Additionally, due to unfavourable monsoon, the production of paddy increased only by 5.2% compared to growth of 16.80% in 2064/65. Fall in production of main winter crop wheat (14.5%) and barley (17.3%) as well as slowdown in growth rate of paddy production led to the deceleration in overall agricultural growth. Manufacturing production index marginally increased by 0.19% in the year 2065/66 against the decline of 0.94% in the previous year. In the review year, the production of rice, wheat flour, animal feeds, soft drinks, noodles, biscuits etc increased where as the production of vegetable ghee, woolen carpet, garments, jute goods, medicine, cement, iron rod, metal products, electrical wire and cables decreased.

During the year 2065/66, the tourist arrival went down marginally by 0.9% to 364.8 thousand from 368.2 thousand in 2064/65. Region-wise, the tourist arrival from third countries dropped by 0.50%. Similarly, arrival of Indian tourist also went down by 2.3 %. In the previous

year, the tourist inflow from third countries had increased by 11% while that from India had decreased by 11.6%. Of the total tourists that visited Nepal, the share of Indian and the third country tourists was 24.1% and 75.9 %, respectively. In the preceding year, the corresponding share was 24.4 % and 75.6 %, respectively.

Due to a gloomy investment climate, the inflow of foreign direct investment has not been encouraging during the year. The number of joint venture projects increased by 8.5 percent to 230, while the foreign investment tied with these projects decreased by 36.4 percent to Rs. 6245 million in 2065/66. In the preceding year, 212 joint venture projects with total FDI amounting to Rs. 9811 million were registered in the Department of Industry. Out of the registered 230 projects, service related projects were 78, tourism related 69, production related 48, mines related 17, energy related 9, agriculture related 8 and construction related 1. On the basis of FDI amount, India is the largest foreign investor in Nepal followed by USA, China, Norway, South Korea and UK. The FDI projects registered in 2065/66 are estimated to create employment opportunities for 11.1 thousand people.

Department of Foreign Employment, Government of Nepal granted final approval to 0.22 million persons for foreign employment during the year 2065/66. The number is lower by 11.7 percent compared to that of the preceding year due to the economic slowdown resulting from the global financial crisis. Qatar, Saudi Arabia, Malaysia, and the UAE are the main destinations for the Nepalese workers. As at Ashadh 2066, the number of

workers granted approval for foreign employment stood at 1.43 millions.

During the year 2065/66, exports went up by 13.5% against a nominal decline of 0.2% during the previous year. Exports to India rose by 6.2% in 2065/66 as against a decline of 7.6% in the previous year; likewise, exports to other countries expanded by 26.9 % compared to an increase of 17.3 % in the previous year. The increase in exports of readymade garments, textiles, G.I. pipes, catechu, shoes and sandals mainly contributed to the increase in exports to India. Similarly, growth in exports to other countries can be attributed to rise in exports of pulses followed by pashmina, woolen carpets, handicrafts and herbs.

During the year under review, total imports soared by 28.2% in comparison to an increase of 14.0% in the previous year. Out of total imports, imports from India increased by 15.1% compared to a growth of 22.9 % in last year; similarly, imports from other countries surged by 51.7% compared to a growth of just 0.9% in the preceding year. An upsurge in the import, among others, of vehicles and spare parts, other machinery and parts, cold-rolled sheet in coil, cement and medicine from India and gold, electrical goods, crude soybean oil, MS billet, and other machinery and parts from other countries were, to a great degree, responsible for the expansion in total imports in 2065/66.

Gross foreign exchange reserves as at the end of the fiscal year 2065/66 went up by 15.6% to US\$ 3.59 billion mainly contributed by workers' remittances. The reserves will be sufficient to finance merchandise imports of the country for 11.8 months and service imports of 9.7 months.

Compared to year end 2065, Nepalese currency vis-à-vis US dollar depreciated by 12.24 % as at year end 2066. It had depreciated by 5.33 % in the previous year. The exchange rate of one US dollar was Rs.78.05 as at Ashadh end 2066 compared to Rs. 68.50 as at Ashadh 2065.

In the international market, the price of oil (Crude Oil Brent) plunged by 57.0% to US\$ 61.5 per barrel as at Ashadh 2066 from US\$ 143.3 per barrel as at Ashadh

2065. Likewise, the price of gold fell by 4.9% to US\$ 938.0 per ounce as at Ashadh 2066 from US\$ 986.0 per ounce a year earlier.

The overall BOP posted a significant surplus of Rs. 37.7 billion in 2065/66 compared to a lower surplus of Rs. 29.7 billion in the previous year.

The average annual consumer inflation rate climbed to 13.20% in 2065/66 compared to 7.70% in 2064/65. The year on year inflation climbed to 11.40% mainly on account of depreciation of Nepali Rupee against US Dollar, which led to increase in the prices of imported goods.

The NEPSE index decreased over the last year by 22.24 % to 749.10 points by mid-July 2009.

Impact of National & International Events on the Banking Business

A total of 9 new banks and financial institutions were established during the year 2065/66. These included 1 commercial bank, 5 development banks and 3 micro-finance institutions. This resulted in a further fierce competition amongst banks to wean away good quality customers by offering fine pricing, low service charges and a host of other concessions. Banks innovated ways to offer low priced loan products to good quality customers whereas interest rates on deposits continued to rise but hovered below the rate of inflation. Due to the intense competition in the market there is bound to be continued pressure on the bottom-line of the banks.

Nepal, more or less, remained insulated from the impact of global economic crisis. This has been because it is located between the Asian giants and their economies are still growing at a good pace as also that the economy is still to open up fully to international presence. Number of emigrant workers also increased and despite recessionary trend world over the workers' remittances soared by 47% to Rs.20969.85 crores.

The impact of global recession was seen in the form of less number of tourists arriving during last year.

Performance Highlights

The major performance indicators of the Bank for the FY 2065/66 are summarized as under:

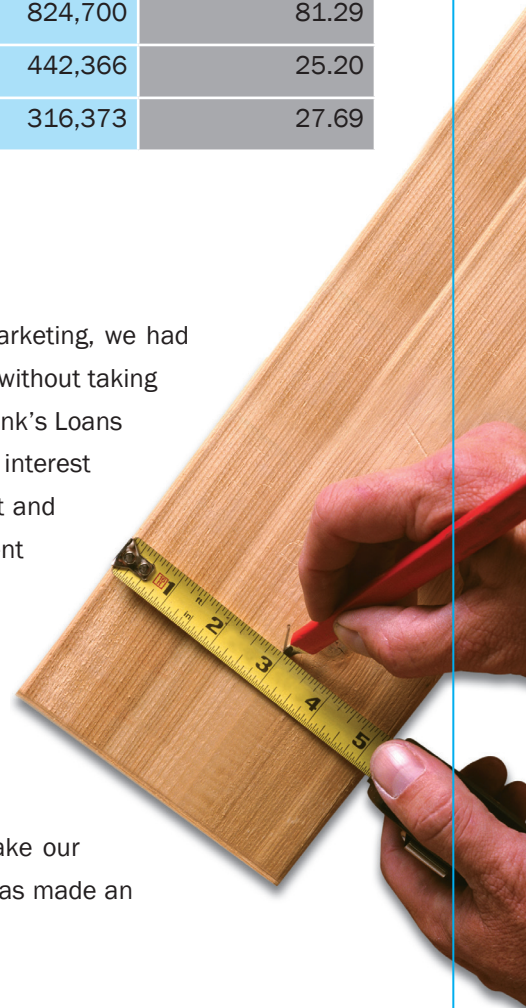
(In NRs '000)

Particulars	FY 2064/65	FY 2065/66	% Growth
Paid up Capital	874,528	874,528	0.00
Reserves	540,117	838,079	55.17
Deposits	13,715,395	27,957,221	103.84
Gross Loans and Advances	12,746,216	15,612,050	22.48
Investment	3,088,887	13,286,182	330.13
Loans to Priority Sector	657,430	614,686	(6.50)
Loans to Deprived Sector	356,892	441,483	23.70
Interest Income	970,513	1,460,446	50.48
Interest Expenses	454,918	824,700	81.29
Operating Profit after Loan Loss Provision	353,325	442,366	25.20
Profit After Tax	247,771	316,373	27.69

Measuring Our Success

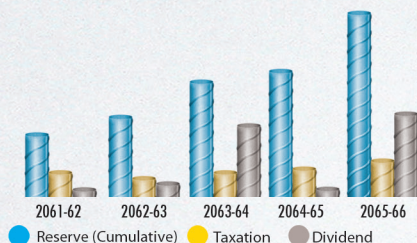
The Bank's deposits increased at a significant rate of 103.84 %. With thrust in marketing, we had obtained Foreign Currency Deposits in our books. Our Domestic Deposit growth rate without taking into account a significant foreign currency institutional deposit, was 31.46%. The Bank's Loans and Advances increased at a rate of 22.48 % during the financial year. In the rising interest rate scenario the cost of funds went up by 45 basis points. Despite return on credit and investments going up by 17 basis points, the weighted average interest spread went down from 3.11% last year to 2.86% in the current year. Bank's exposure to the deprived sector was in line with the benchmarks laid down by Nepal Rastra Bank in this regard. The Bank has been able to increase interest income by Rs.48.99 millions whereas interest expenses went up by Rs.36.98 millions. The operating profit of the Bank has gone up by 25.20% and the Net Profit after tax by 27.69%.

This year, we have made full provisions for leave encashment of employees to make our balance sheet aligned with the best international practices. On this account, Bank has made an additional provision of Rs.23.92 millions which has impacted net profit of the bank.



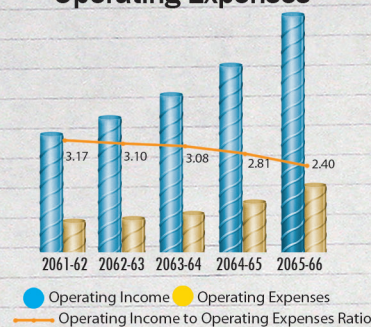
Financial Highlights

Distribution of Profit



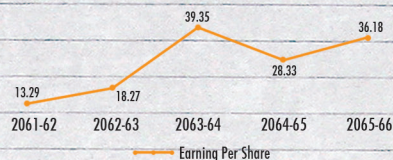
The Bank posted 25.20 percent increase in operating profit (i.e. profit after provisions for possible losses) over last year. Pre-tax profit recorded growth of 27.30 percent, whereas profit after tax increased by 27.69 percent during the financial year.

Operating Income and Operating Expenses



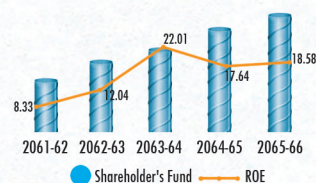
Operating expenses increased by 52.22 percent over last year. This rise is mainly due to inflation and 113.33 percent increase in number of branches from 15 to 32. Operating income to operating expenses ratio registered a negative trend, as on the other hand revenues remain under pressure due to rising competition resulting into rising cost of funds.

Earning Per Share



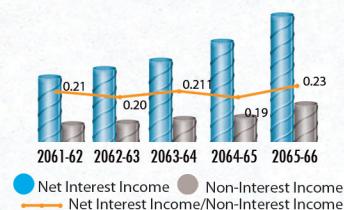
Earning per share (EPS) has increased from Rs 28.33 per share to Rs. 36.18 per share during the financial year.

Shareholder's Fund and ROE



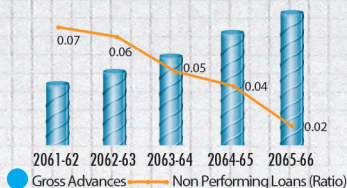
Total Shareholders' funds increased to Rs. 17126.07 Lakhs at 15 July, 2009 from Rs. 14146.45 Lakhs, registering an increase of 21.06 percent.

Net Interest Income/ Non-Interest Income



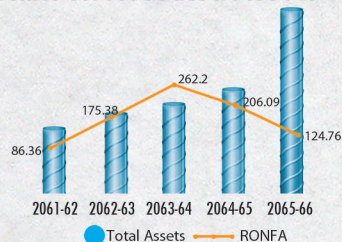
The net interest income registered an increase of 23.30 percent. Non interest income (Other Income) including Fees, Commission and Exchange Income grew splendidly by 57.53 percent.

NPLs and Provision against Advances



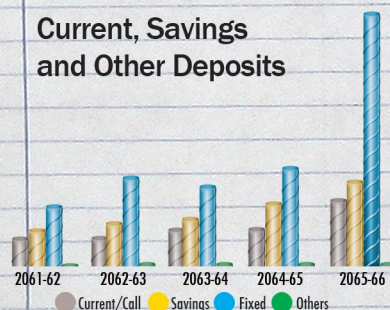
The non performing loan (NPL) decreased to 2.02 percent at the end of the financial year 2065-66 from 3.83 percent at the end of the previous financial year.

Return on Net Fixed Assets



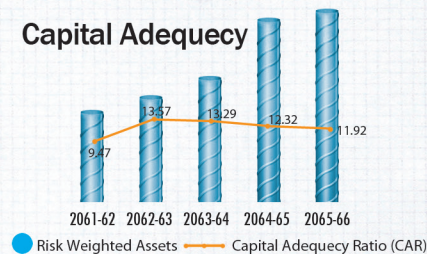
Return on Net Fixed Assets for the FY 2065-66 was 124.76 percent as against 206.09 percent for the last FY. The decrease is mainly due to increase in total fixed assets attributed to increased number of branches and ATMs.

Current, Savings and Other Deposits



Deposits increased by 103.84 percent to Rs. 27.95 billion as at July 15, 2009 as against Rs. 13.71 billion last year. Analysis of deposits show a healthy growth of 98.50 percent in call accounts over last year and 154.40 percent in fixed deposits, while saving deposits showed growth of nearly 40 percent. The aggregate number of saving deposit accounts reached 115,359 at end of July 15, 2009.

Capital Adequacy



Bank's total capital fund and core capital amounted to 11.92 % (12.32% last year) and 10.03 % (9.97% last year) respectively of the risk weighted assets as against the prescription of 10 % and 6 % by Nepal Rastra Bank under Basel II.

(Figures for the FY 2065-66 are based on Basel II whereas those for other FYs are based on Basel I)

Capital Adequacy

Bank's total capital fund and core capital amounted to 11.92 % (10.71% last year) and 10.03 % (8.67% last year) respectively of the risk weighted assets as against the prescription of 10 % and 6 % by Nepal Rastra Bank under Basel II.

Appropriation of Profit & Loss

Your Bank has earned a Net Profit of Rs. 316.37 millions after providing for staff bonus and income tax liabilities. After including Rs.230.00 millions kept in Capital Redemption Reserve and Rs. 1.53 millions of "Accumulated Profit up to last year", the Bank has Rs. 547.90 millions in total available for appropriation. This amount has been appropriated as under:

- i. Rs.63.27 millions i.e. 20 % of net profit transferred to General Reserve fund.
- ii. Rs.28.57 millions transferred to Debenture Redemption Reserve.
- iii. Rs.65.00 millions transferred to Capital Adjustment Reserve.
- iv. Rs.18.99 millions transferred to Deferred Tax Reserve
- v. Rs.349.81 millions for proposed issue of bonus shares at the rate 40%
- vi. Rs.18.41 millions as cash dividend at the rate of 2.11%
- vii. Rs.3.85 millions retained in the business as accumulated profit

Bank's Activities & Future Plans



(i) Branch Expansion and ATMs

During the year 2065-66, I am happy to report that your Bank has opened 17 new branches at Waling (Syangja) Baglung, Bhaktapur, Bouddha, Damauli, Dang, Gulmi, Gongabu, Hetauda, Ilam, Itahari, Kalanki, Maharajganj, New Baneshwor, Palpa, Patan, and Surkhet. Besides the above 17 branches we have also opened an extension counter at Bhartiya Gorkha Sainik Niwas, Thamel taking the number of business outlets to 37.

During the year 2066-67 your Bank is proposing to open 11 new branches. To have a better coverage inside Kathmandu Valley, five branches are proposed to be opened at Lainchour(Commercial Branch), Dallu, Gaushala, Kuleshwor and Gwarko. Six branches are proposed to be opened outside Kathmandu Valley at Dhangarhi, Mahendranagar, Tikapur, Damak, Shishuwa and Abukhaireni. All these branches are proposed to be opened before 31.03.2010. At the end of FY 2066/67 your bank will have 43 branches as against present 32, of which 15 branches will be inside Kathmandu Valley and the rest outside, covering 26 centers as against present 21 centers.

The Bank has shifted its Cards, Business Development and Reconciliation Departments to a new location at Thamel from the corporate office premises at Hattisar, in accordance with emerging needs.

After the last AGM, we have set up 22 new ATMs. 9 ATMs were installed within the Kathmandu Valley and 13 ATMs were installed outside Kathmandu Valley.

Bank is in the process of adding 11 more ATMs within the next three months. Further all the new branches proposed to be opened during the year will have an ATM except Commercial Branch at Lainchour. Considering all these, Bank is expected to have over 50 ATMs

by the end of the financial year 2066/67.

The ATM cards increased from 12,177 to 41,704 by end of F/Y 2065/66 (2008/09). The ATM hits thus went up from around 10,500 hits in the month of Ashadh 2065 to 42,701 hits in the month of Ashadh 2066.

(ii) Introduction of New Services & Technologies

Bharat Yatra Card (BYC), a prepaid card, since its launch last year, has been well received by the customers of the Bank. During the review year your bank has issued over 1900 cards. These cards are linked with over 16000 ATMs of SBI Group in India. In the recent months, we have been issuing on an average 350 cards per month.

Bank has been getting around 3000 remittances in the recent months under the SBI Nepal Express Remittance scheme and the number is increasing.

During the year we have arranged with State Bank of India (SBI) for the Nepalese working with Indian Army to send free of cost remittances to their family in Nepal, if they maintain account with SBI in India and your Bank here in Nepal.

Your Bank has entered into a new area of operation called Visa Service Centre. We have entered into an agreement with Embassy of India for outsourcing visa application handling, at a fee. The Indian Visa Service Centre started functioning from 17.09.2009.

Your Bank has opened 51229 new Savings Bank accounts during the year 2065/66(2008-09), thus taking the number of Savings Banks accounts beyond a lakh to 1,15,359. Introduction of new savings bank deposit scheme called Saral Bachat

Khata, has helped us in achieving this growth in opening SB accounts. Current Account Saving Account (CASA) deposits of the Bank went up from Rs.590.93 crores to Rs.868.70 crores and the ratio of CASA deposits to total Domestic Deposits went up from 43.04% to 48.14%.

Bank has since revamped its website (www.nepalsbi.com.np) to include features such as online banking page, EMI calculator, maturity value calculators and much more. Updated financial information about the Bank is available under "Investor Relations" as also the daily updates of Forex rates & share prices for ready reference of all visitors to the site. Your Bank has also developed website in Nepali for the convenience of customers/ prospective customers of the Bank. In that, we have also provided virtual key board for visitors to the site to give their feedback in Nepali.

Online Banking facility launched by your bank has been made available to all the Branches of your Bank. So far, your Bank has provided this facility to 3587 customers.

Our branches and offices are now inter-connected with a new communication device popularly known as "IP Messenger". With the introduction of this device, the communication cost of the Bank has been reduced substantially. The IP Messenger has also become a helpful tool to curtail increased paperworks in the Bank and has also enabled speedier decision making and instant communication. (For more details on Bank's Integrated Services, please refer to Pg. 34)

(iii) International Banking Relationships

We also opened an US Dollar nostro account with Mashreq Bank to facilitate easy settlement of funds. We opened an INR account with SBI Jogbani Branch in IRs for facilitating custom duty payment of Nepali Industrialists and another INR account was opened with International Service Branch Mumbai under revised drawing arrangement with SBI.

(iv) Human Resources & Industrial Relations

During the year your Bank recruited 91 new employees consisting of 65 Trainee Assistants, 21 Trainee Officers, 2 IT Officers, 1 Legal Officer and 2 Audit Officers. Out of the above there are 21 lady Trainee Assistants and 3 lady Trainee Officers.

For developing skills in banking related areas by the employees of the bank, the bank has deputed 185 employees for 69 external/internal trainings programmes. Your Bank has also deputed 4 of its officers to apex level training institute of SBI at Gurgaon, Haryana for getting training in the area of credit appraisal skill.

Bank has improved upon many existing facilities to its employees and has also introduced new facilities to make the facilities market related. Due to the focus on HRD initiatives, industrial relations remained harmonious and cordial in the Bank.

(v) Other Achievements

Bank installed Solar Power System in Gongabu Branch as a test case. We now run the branch on Solar Power as an alternative source of energy. Your Bank is planning to install more such systems to meet the power deficit during the winter season, thus promoting clean energy.

(vi) Internal Control Systems

Adequate internal control systems have been put in place by the Bank in the different areas of Bank's operations. There is a separate Internal Audit Department in the Bank headed by Internal Auditor, who directly reports to the Audit Committee and is also responsible for monitoring compliance of NRB directives.

(vii) Corporate Governance

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

(For more details, please refer to Pg.-38)

(viii) Appointment of Statutory Auditors

M/s P.L. Shrestha & Co., Chartered Accountants conducted statutory audit of the Bank for the FY 2065/66 and they are eligible for reappointment for the FY 2066/67. Based on recommendation of the Bank's Audit Committee, the Bank's Board has proposed reappointment of M/s P.L. Shrestha & Co., Chartered Accountants as Statutory Auditors of the Bank for the FY 2066/67.

(ix) Corporate Social Responsibility

As a partner in the progress of the community we serve, Bank is not only conscious about maximizing its business and profitability, but also equally conscious about its responsibility towards the society where it carries out business and generates income. Bank has always been showing its readiness to lend a supporting

hand in every walk of life to the best extent, subject to availability of resources and financial capability. I am listing some of the efforts made that reflect our commitment in this regard.

Social

- Bank contributed towards welfare of physically disabled people on request of Fellowship Society Nepal, Balkhu, Kathmandu.
- Bank provided donation to orphans and under privileged students residing in Ama Ko Maya Hostel, Birgunj for purchase of books and other educational materials.
- Bank contributed to Srimadbhagwat Saptaaha Gyanmahayagya, Boudhha, which was conducted to support construction of Multipurpose Community Building with establishment of Health Service Centre and rehabilitation of poor people under the auspices of Handicapped Rehabilitation Centre, Nepal.
- Bank, in collaboration with United Nations Population Fund (UNFPA), organised a one day event including Walkathon, Exhibition, and a Blood Donation program. Over 600 people, including staff members of NSBL and UNFPA, were present on the occasion and 60 individuals including bank employees donated Blood during the event. The program was focused on raising awareness towards “Reproductive Health” among Youth and conducted under the theme “Educate Girl-End Poverty” and thus encouraged participation of vast number of college going students as well.
- Bank contributed through Nepal Bankers’ Association for helping the people affected by diarrhoea epidemic in Jajarkot and neighboring districts.
- Bank in collaboration with Peace-Development Camping Nepal (PDCN) organized a “Free Health Camp” in Gongabu VDC, Kathmandu to mark National Children Day 2066.
- Bank assisted “Skill Development and Rehabilitation Centre for Disabled—Nepal” for distributing wheel chairs to the physically challenged persons in Biratnagar.
- Ilam Branch of the Bank donated a Blood Collection Vessel to the Blood Bank, Nepal Red Cross Society, Ilam.

Education

- Your Bank provided funds to Shree Seti Devi Primary School, Matatirtha VDC, Kathmandu for the reconstruction of school building which was wrecked by a landslide.
- Your Bank provided financial support to top 10 students of Shree Nandi Madhyamik Vidhyalaya SLN Examination 2065.

Sports

- We co-sponsored "International Invitation 11th Buddhasubba Tuborg Gold Cup 2065" football tournament held in Dharan.
- We co-sponsored "Invitational Martyrs' Gold Cup Knock-Out Football Tournament" held at Bomalal Stadium, Birtamod.
- We co-sponsored "5th National Level Players Selection Competition" organized by Sports Development Committee, Damauli, Tanahu.
- We co-sponsored "Inter-School Level Karate Tournament 2066" organized by Nepal Karate Federation's Dojo Branch, Kalinchok, Kathmandu.
- We co-sponsored the "11th Soaltee Crowne Plaza Super Sixes 2009" organized by Hotel Soaltee Crowne Plaza. Bank's team was runners up in the tournament.
- We co-sponsored "Amrit Trophy Basketball" organized by Amrit Science Campus, Kathmandu.
- We co-sponsored "District Level Inter School Volley Ball Tournament" on the request of our Bhaktapur Branch.



Environmental

- We participated in 2nd Bagmati Rafting Challenge Competition organized by Nepal Association of Rafting Agents (NARA). The program was for supporting efforts towards conservation and protection of Bagmati River through awareness and education among the people about the critical condition of the Bagmati River, which symbolizes the civilization of Kathmandu City.

Progress Report for the Current Year

In the first three months of the current financial year 2066/67 (2009-10), bank continues in its march on the growth path and has registered a growth of Rs. 92.99 crores (annualised growth rate of 23.83%) in advances. The deposits level has grown by Rs. 147.86 crore (annualised growth rate of 21.14%). The profit before bonus and taxes during the first quarter of the FY 2066/67 was Rs.14.20 crores, a growth of 21.69% compared to the corresponding period last year. Bank has opened 16,753 new savings bank accounts during the first quarter (upto Ashwin 2066) which has resulted in an improved CASA ratio, in domestic deposits, from 48.14% as at 15.07.2009 to 48.51% as at 17.10.2008. The CASA deposits increased from Rs.868.70 crores to Rs.971.82 crores. During the 1st quarter of the current financial year the Bank has issued 18,775 ATM Cards taking the number of ATM cards base to 60479.

Factors Impacting Business of Banks

Nepal Rastra Bank, while announcing the monetary policy for FY 2066-67, have stipulated that Commercial Banks should maintain Statutory Liquidity Ratio of 8% by the end of the current financial year 2066/67 by way of making investments in treasury bills, government bonds and other approved securities. This is a safety measure and a right step towards strengthening the banking sector, but this is going to impact profitability of banks as return on approved securities are less than the return on advances.

Another announcement made by Nepal Rastra Bank in its monetary policy 2066/67 was slashing the single obligor limit (SOL) from the existing limit of 50 percent of core capital including fund based facility to the extent of 25 percent of core capital to 25 percent of core capital for both fund based and non-fund based facilities effective from 1st Shrawan, 2067 . This would necessitate banks to improve their capital base in order to maintain the existing level of exposure to clients.

During the financial year 2065/66, commercial banks have opened 194 branches. Most of the branches have been opened outside Kathmandu Valley. As a result, the intense competition presently found within Kathmandu Valley, will be visible among outside valley branches also.

Foreign banks expected to come into Nepal under WTO, with better infrastructure and higher capital, may pose further challenges to local banks by intensifying competition and

reducing profit margin.

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

Changes in the Board of Directors

After the retirement of Mr. S.K. Hariharan of SBI, Mr. Pratip Chaudhuri has been nominated in his place. Likewise, Shri Abhay Kumar Singh has been nominated by SBI to replace Mr. T.C.A. Ranganathan who has been transferred from International Banking Group of SBI. On behalf of the Board of Directors, I would like to place on record our appreciation for the contribution made by Mr. Hariharan and Mr. Ranganathan in guiding the affairs of the Bank during their tenure and welcome Mr. Abhay Kumar Singh and Mr. Pratip Chaudhuri as new members to the Board.

Other information

Other information required to be incorporated in the Directors' report as per provisions of Section 109(4) of the Companies Act is embodied as Annexure to this report.

(Please refer to Pg. 41)

Acknowledgement

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

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

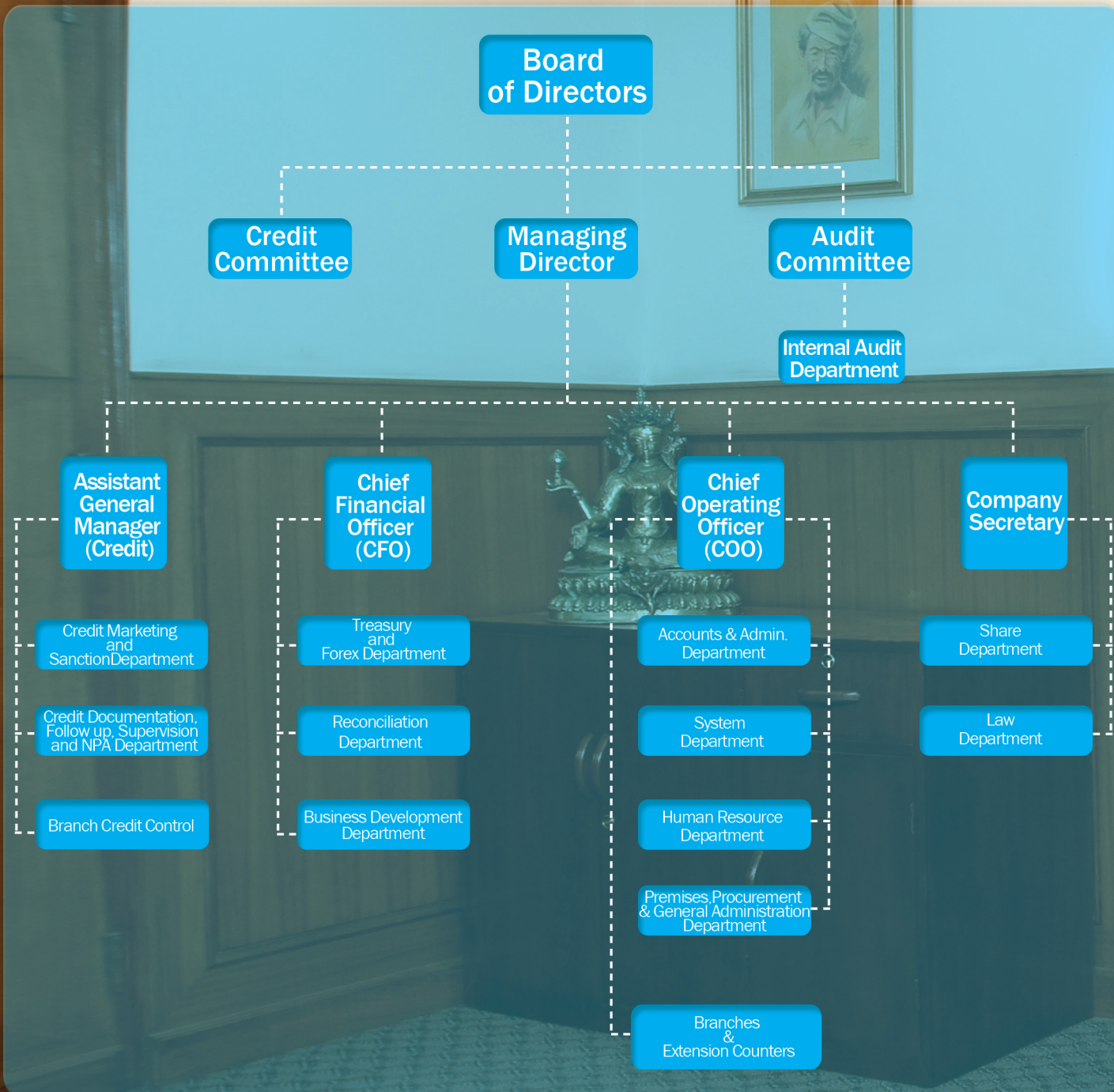
Thank you.

For and on behalf of the Board of Directors
Kathmandu

Date : 11 January, 2010 (27 Poush, 2066)

B. K. Shrestha
Chairman of the Board

Organizational Structure





Central Management Committee

Front Centre: Mr. N. K. Chari - Managing Director

Back From Left: Mr. Binod K. Mishra - Chief Financial Officer, Mr. Madhukar Anand - Chief Operating Officer

Mr. Tulsi Ram Gautam - Assistant General Manager (Credit)

Departmental Heads



Mr. Arjun Nepal -

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

Ms. Roshani Bharati- Accounts and Administration

Mr. Kamal Ram Bhattarai- Reconciliation

Mr. Monish Kumar Shrestha- System

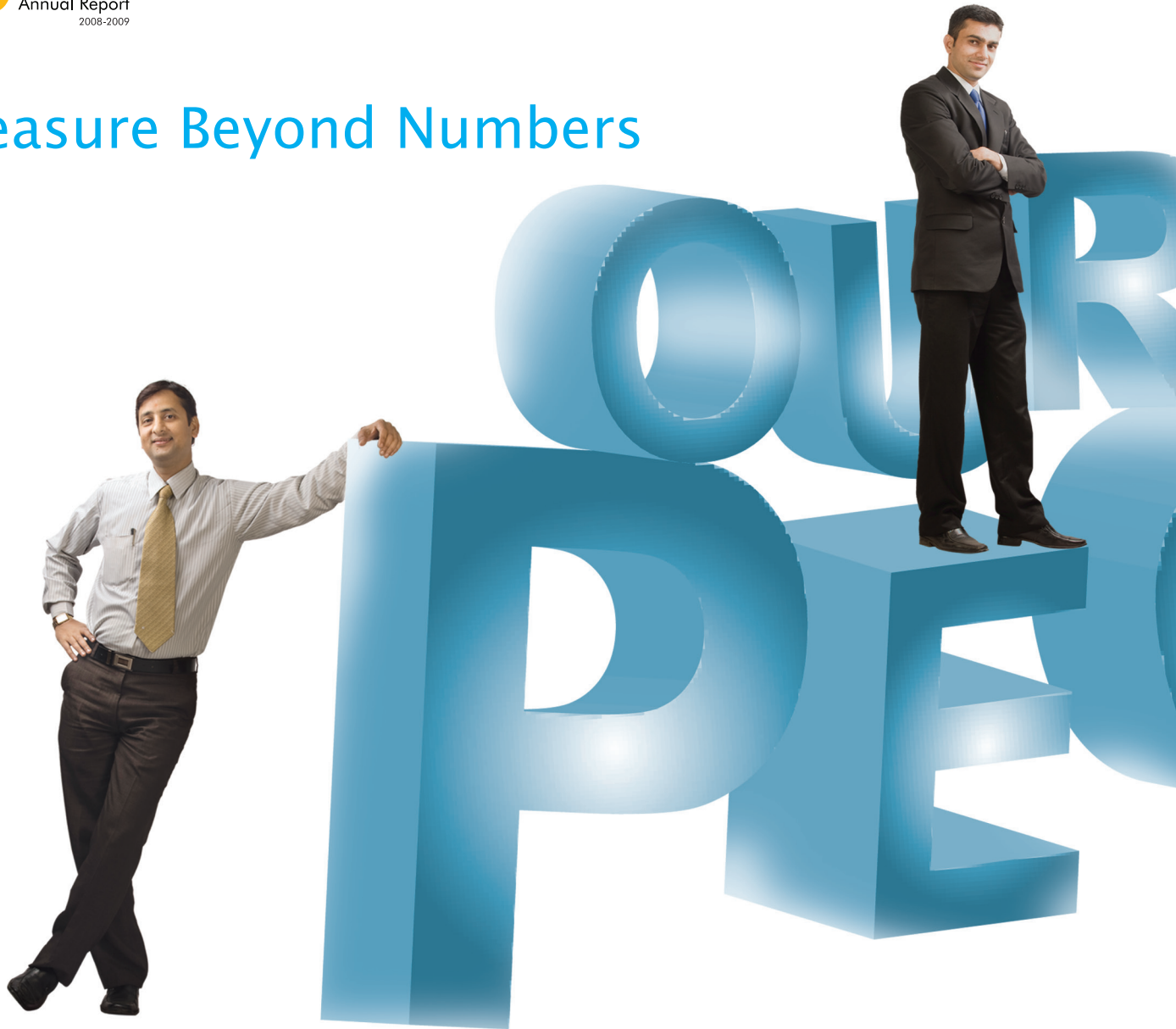
Mr. Badri Lal Amatya - Branch Credit Control



Business Development

- Mr. Sudeep Khanal- Internal Audit
- Mr. Ramesh Ghimire- Law & Shares and Company Secretary
- Mr. Amlesh Ratna Sthapit- Treasury & Forex
- Ms. Rashmi Kharel Karmacharya- Human Resource
- Mr. Kishor Rijal- Card

Treasure Beyond Numbers



We rely on our people – their enthusiasm, their talent, their commitment – to maintain and build a sustainable success of our business in today's competitive market. We depend on our people to deliver excellent service to our customers. We believe that the better the experience our people have at the Bank, the better the service they will give to our customers. Our Business Values demand high standards of ethical conduct in everything we do. We do not condone unfair treatment of any kind in our employee relations and compensation practices, nor do we tolerate corruption in any form. We have assembled a team of well qualified and talented persons over the years to help achieve our objectives and they have been our propeller for growth. Our 352 employees share our values and our commitment. We are passionate about helping our people to achieve their potential. We have put in extra efforts for human capital enrichment through extensive internal and external training to keep employees abreast with advancement in technology and skills required to grow the bank on a sustainable path.



For developing skills in banking related areas we have deputed 185 employees for 69 external/internal training programmes. The Bank has also deputed 4 officers to State Bank Academy, an apex level training institute of SBI at Gurgaon, Haryana for getting training in the area of credit appraisal. To meet the training requirements of the staff, we have devised quarterly training calendar with an objective to give every individual ample opportunities to improve his/her skills and professional competence. We plan to set up our own 'Staff Training Centre' to impart quality training in a specialized manner. Bank has improved upon many existing facilities available to its employees and has also introduced new facilities to make them relevant to our people. Due to the focus on HRD initiatives, industrial relations remained harmonious and cordial in the Bank. Our talented, motivated and satisfied people—evident by our low turnover rate—make Nepal SBI Bank one of the great places to work. We're committed to attracting people into our fold, retaining them, and helping them to be the best they can be — now and in the future.

Branch Managers



Mr. Chhapi Raj Pant

Durbarmarg



Mr. Dev Raj Adhikari

Commercial
Branch

Mr. Bishnu Dev Yadav



Mr. Binod K. Dhungel

Birtamod

Butwal

Mr. Sushil K. Sharma



Mr. Gopal K. Gartaula

New Road

Teku

Mr. Jeeban Babu
Subedi



Mr. Dikendra Khadka

Biratnagar

Pokhara

Mr. Suraj Manadhar



Gongabu

Birgunj

Mr. Arun Man Kayastha





Mr. Prabin Muni
Bajracharya

Nepalgunj

Mr. Manoj K. Sharma



Bouddha

Janakpur

Mr. Uday Panjiar Tharu



Mr. Binod Adhikari

Bhairahawa

Maharajgunj

Mr. Shreedhar Adhikari



Mr. Shishir K. Pradhan

Bhaktapur

Damauli

Mr. Badri Bdr. Karki



Ms. Aparna Sharma

Sishuwa

Patan

Mr. Ajaya Acharya



Mr. Prabin Bhattarai

Itahari





Mr. Dhiraj Sharma

New
Baneshwor



Mr. Suman Raj Subedi

Palpa

Mr. Jaya Narayan
Ghimire



Mr. Shree Prasad Gelal

Gulmi

Dang

Mr. Sushil C. Mahat



Mr. Pawan Ghimire

Kalanki

Dharan

Mr. Harish Rana



Mr. Dilli Ram Giri

Hetauda

Surkhet

Mr. Jyotesh Dhakal



Narayangarh

Ilam

Mr. Dilip Roy





Mr. Min Bahadur Gurung

Waling

Mr. Sudhir Poudel



IVSC Ext. Counter

PPO Pokhara

Ms. Bandana Shrestha



Ms. Bibha Chaudhary

Rampur

Baglung

Mr. Rajesh Acharya



Ms. Sarita K.C.

EOI Ext. Counter

PPO Dharan

Mr. Deependra Khanal



Ms. Vinita Singh (Thapa)

BGSN Ext. Counter

CGI Ext. Counter

Mr. Sanjay K. Shrestha



Branch Information

Baglung (197) Bank Road, Baglung Phone: 068-522492 Fax: +977-68-522492 Email: baglung@nsbl.com.np	Bhairahawa (187) Bank Road, Siddhartha Nagar-5, Rupandehi Phone: 071-524471 Fax: +977-71-523471 Email: bhairahawa@nsbl.com.np	Bhaktapur (207) Surya Binayak, Bhaktapur Phone: 01-6619386 Fax: +977-1-6619246 Email: bhaktapur@nsbl.com.np	Bharatiya Gorkha Sainik Ext. Counter (196) Bharatiya Gorkha Sainik Niwas, Thamel, Kathmandu Phone: 01-4417948 Fax: +977-1-4417948 Email: ppo.kathmandu@nsbl.com.np
Birtamod (182) Anarmani-3, Birtamod Phone: 023-540910 Fax: +977-23-540481 Email: birtamod@nsbl.com.np	Biratnagar (185) Main Road, Biratnagar Phone: 021-523226 Fax: +977-21-521854 Email: biratnagar@nsbl.com.np	Birgunj (180) Adarshanagar, Birgunj Phone: 051-522784 Fax: +977-51-523268 Email: birgunj@nsbl.com.np	Bouddha (205) Chuchhepati, Bouddha, Kathmandu Phone: 01-4461452 Email: bouddha@nsbl.com.np
Butwal (191) Traffic Chowk, Butwal Phone: 071-546730 Fax: +977-71-546729 Email: butwal@nsbl.com.np	CGI Extention Counter (193) Shreepur, Birgunj Phone: 051-534453 Fax: +977-51-525860 Email: cgi.birgunj@nsbl.com.np	Commercial Branch (225) Prabhu Complex, Lainchour, Kathmandu Phone: 01-4024024 / 25 / 26 Fax: +977-1-4024023 Email: commercial@nsbl.com.np	Damauli (199) Maharishi Chowk, Damauli Byas Municipality, Ward No:10 Phone: 065-561252 Fax: +977-65-561796 Email: damauli@nsbl.com.np
Dang (206) New Road, Ghorahi, Dang Phone: 082-562815 Fax: +977-82-562814 Email: dang@nsbl.com.np	Dharan (190) Lok Plaza, Mahendra Path, Dharan-5 Phone: 025-530370 Fax: +977-25-530371 Email: dharan@nsbl.com.np	Durbar Marg (177) Durbar Marg, Kathmandu Phone: 01-4253243 GPO: 6049 Fax: +977-1-4221268 Email: durbarmarg@nsbl.com.np	Embassy of India (Ext. Counter) (179) Kapurdhara Marg, Lainchour, Kathmandu Phone: 01-4443548 Fax: +977-1-4443548 Email: eoi@nsbl.com.np
Gongabu (201) Kathmandu, Nepal Phone: 01-4386919 Fax: +977-1-4386920 Email: gongabu@nsbl.com.np	Gulmi (209) Mukhyaa Bazaar, Tamghas, Gulmi Phone: 079-521029 Fax: 079-521194 Email: gulmi@nsbl.com.np	Hetauda (200) Main Road, Hetauda Phone: 057-526015 Fax: +977-57-526015 Email: hetauda@nsbl.com.np	Ilam (211) Ilam Bazar, Ward No.1 Phone: 027-521724 Email: ilam@nsbl.com.np
Itahari (212) Dharan Road, Itahari Municipality, Sunsari Phone: 025-587125 Fax: +977-25-587126 Email: itahari@nsbl.com.np	IVSC Extention Counter Kapurdhara Marg, Lainchour, Kathmandu Phone: 01-44001516 Fax: +977-1-44001517 Email: visa@nsbl.com.np	Janakpur (188) Shiva Chowk, Station Road, Janakpur Phone: 041-525861 Fax: +977-41-525860 Email: janakpur@nsbl.com.np	Kalanki (213) Kalanki, Near Makalu Petrol Pump Phone: 01-4284341 Fax: +977-1-4284341 Email: kalanki@nsbl.com.np
Maharajung (204) Near to Australian Embassy Phone: 01-4650945 Fax: +977-1-4650943 Email: maharajung@nsbl.com.np	Narayangarh (194) Shahid Chowk, Narayangarh Phone: 056-532939 Fax: +977-56-532940 Email: narayangarh@nsbl.com.np	Nepalgunj (195) Surkhet Road, Nepalgunj Municipality Phone: 081-527315, 16 Fax: +977-81-527314 Email: nepalgunj@nsbl.com.np	New Baneshwor (203) Minbhawan, New Baneshwor, Kathmandu Phone: 01-4106608 Fax: +977-1-4106609 Email: newbaneshwor@nsbl.com.np
New Road (178) Dhakwa Building, Dharma Path Phone: 01-4221323 Fax: +977-1-4241419 Email: newroad@nsbl.com.np	Palpa (210) Silkhan Tole, Tansen-4, Palpa Phone: 075-522210 Fax: +977-75-522703 Email: palpa@nsbl.com.np	Patan (202) Jawalakhel, Lalitpur Phone: +977-1-5535262 Fax: +977-1-5535162 Email: patan@nsbl.com.np	Pokhara (189) New Road, Pokhara Phone: 061-535389 Fax: +977-61-536020 Email: pokhara@nsbl.com.np
PPO Dharan (186) Amar Path, Dharan-13, Sunsari Phone: 025-524893 Fax: +977-25-524893 Email: ppo.dharan@nsbl.com.np	PPO Pokhara (184) Embassy of India Pension Camp, Ram Bazar, Pokhara Phone: 061-432496 Fax: +977-61-432496 Email: ppo.pokhara@nsbl.com.np	Rampur (181) Shreepur, Ward No.14 Phone: 051-533343 Fax: +977-51-533343 Email: rampur@nsbl.com.np	Srijana Chowk (183) Srijana Chowk, Pokhara, Kaski Phone: 061-528515 Fax: +977-61-541433 Email: shishuwa@nsbl.com.np
Surkhet (208) Birendra Nagar-6, Surkhet Phone: 083-524649 Fax: +977-83-524650 Email: surkhet@nsbl.com.np	Teku (192) Teku, Kathmandu Phone: 01-4262556 Fax: +977-1-4261353 Email: teku@nsbl.com.np	Waling (198) Waling Bazar, Waling, Syangja Phone: 061-622637 Email: waling@nsbl.com.np	

After the last AGM, we have set up 22 new ATMs. 9 ATMs were installed within the Kathmandu Valley and 13 ATMs were installed outside Kathmandu Valley.

The Bank is in the process of adding 11 more ATMs within the next three months. Further, all the new branches proposed to be opened during the year will have an ATM except Commercial Branch at Lainchour. Bank is expected to have over 50 ATMs by the end of Ashadh 2067.



Existing Branch Location



Proposed Branch Location



नेपाल एसबिआई बैंक लिमिटेड
NEPAL SBI BANK LTD.

विशुद्ध बैंकिङ्ग ... अरु केही होइन

Nepal SBI Bank ATM Location



EXISTING ATM LOCATION IN KATHMANDU VALLEY

1. Durbar Marg 2. New Road 3. Embassy of India, Lainchaur 4. Hotel Sangrila, Lazimpat 5. Maharajgunj 6. Bhatbhateni Supermarket 7. Boudha 8. Gongabu 9. New Baneshwor 10. Suryabinayak, Bhaktapur 11. Jawalakhel, Lalitpur 12. Chauni Army Camp 13. BGSN, Thamel 14. Kalanki

PROPOSED ATM LOCATION IN KATHMANDU VALLEY

15. Teku 16. Gaushala 17. Dallu 18. Balkhu 19. Gwarko

EXISTING ATM LOCATION OUTSIDE KATHMANDU VALLEY

20. Birtamod 21. Ilam Bazar 22. BP Koirala hospital, Dharan 23. Dharan 24. Itahari 25. Biratnagar 26. Janakpur 27. Birgunj 28. Hetauda 29. Narayanghar 30. Sunauli, Bhairahawa 31. Bhairahawa 32. Butwal 33. Palpa 34. Pokhara 35. PPO Pokhara, Rambazar 36. Tamghas 37. Ghorahi 38. Nepalgunj 39. Birendranagar

PROPOSED ATM LOCATION OUTSIDE KATHMANDU VALLEY

40. Manipal College Pokhara 41. Rampur 42. Baglung 43. Waling 44. Mahendranagar 45. Dhangadi 46. Tikapur 47. Abukhaireni 48. Damak 49. Shishuwa





INTEGRATED SERVICES

Our Valued Customers

**Perhaps
the most important
force of change in the banking
industry is the rapid evolution of
customer wants and desires.**

Our customers are also demanding that a variety of delivery channels be made available for their use. On the other hand we also realize that a majority of our customers still prefer branch banking. We, therefore, are expanding our branch network in every nook-and-corner of the country.

We encourage Cross-Departmental teamwork for product and service development so that departments within the Bank are not segregated from one another and people who know what kind of innovations are needed are not isolated from those in a position to deliver these innovations

CORPORATE CREDIT

We have recently set up a commercial branch to cater to the needs of corporate credit customers. We have adopted a customized business approach through dedicated Credit Officers, who would be the primary points of contact for the customers. This has improved the depth of business relationship and ability to respond effectively to the financial service needs of our corporate clients, which continue to grow in complexity.

We are dedicated towards improving quality of our Credit Team through continuous training for better industry analysis and more accurate reporting. In view of the growing portfolio of corporate lending, we have implemented better risk management measures as per the Bank's risk policy.

RETAIL CREDIT

Development of retail banking is a strategic priority. Rapid expansion within the retail sector suggests that retail products will become more important to the Bank's overall strategy. Retail Credit primarily offers Home Loans and Auto Loans and other personal loans. Credit Card business is not on offer yet.

Initial processing of all retail credit applications is done at branches. However, sanctioning is centralized and further processing is done by 'Branch Credit Control' unit residing in the Corporate Office. Increasing portfolio size of our retail credit is evidence of growth of trust of retail customers in the Bank. The Bank strives to work even harder so that everyone can get a preferred retail credit service.

SME AND MICRO FINANCING

The Bank has earmarked the SME sector and the micro sector as a priority area. The SME credit lines will contribute to the transition process by supporting the constrained SME market and maintaining an essential flow of lending to this group of enterprises. The Bank will give increased focus and attention to SMEs over the coming years. The Branch Managers and the officers required to handle SME credit proposals will be exposed to suitable in-house and external training programs at regular intervals.

REMITTANCE SERVICES

Our Remittance services allow our customers to transfer funds to and from Nepal through inward and outward remittance solutions. We have a streamlined and efficient fund transfer mechanism called SBI Nepal Express Remit and Indo Nepal Remit for transferring money from India to Nepal. The Bank has been getting over 3000 remittances per month in the recent past under the SBI Nepal Express Remittance scheme and the number is increasing. During the year we have also made arrangements with State Bank of India (SBI) for the Nepalese working with the Indian Army to send free of cost remittances to their families in Nepal, if they

maintain account with SBI in India and with us here in Nepal.

Real Time Gross Settlement Facility (RTGS) is a non-conventional outward remittance service that the Bank provides for transferring money from Nepal to India with efficiency and speed. Using this service, customers can directly credit their or their chosen beneficiaries' bank accounts within minutes in any of the around 44,000 bank branches in India on the core banking platform.

Besides this, we have not overlooked the needs of the huge Nepali population residing and working across the globe especially in Middle East Nations. Sending money back home to family and loved ones from their work place is an important service provided by Nepal SBI Bank. The Bank provides the service with help of its service partners. Individuals can send their money through Western Union Money Transfer or Prabhu Money Transfer or Sewa Money Remit or Nepal Remit and get payment through more than 1000 paying agents spread over 75 Districts of the country, if they do not have any account with us.

CARD SERVICES

Our ATM Card gives a customer access to the convenience of 24-hour banking in any of our 35 ATM locations nationwide, plus more than 150 ATMs of national financial institutions that are part of the VISA network, plus over 16,000 ATMs of State Bank of India in India. It also allows the cardholders to pay for purchases at any of the 265,000 of merchant establishments in Nepal and India.

The ATM Cards Issued increased from 12177 at the end of the previous fiscal year 2064/65 (2007-08) to 41,704 at the end of F/Y 2065/66 (2008-09). The ATM hits thus went up from around 10,500 hits in the month of Ashadh 2065 (mid July, 2008) to 42,701 hits in the month of Ashadh 2066 (mid July, 2009).

Bharat Yatra Card, an exclusive prepaid card service, tailor made for the convenience of frequent travelers to India for various purposes is also getting popular. In the recent months, we have been issuing ,on an average, 350 cards per month.

INTERNATIONAL BANKING AND TREASURY SERVICES

We have also opened US Dollar account with Mashreq Bank and Australian Dollar account with Sydney Branch of SBI to facilitate easy settlement of funds. We have opened an INR account with SBI Jogbani Branch for facilitating customs duty payments of Nepali Industrialists and another INR account was opened with International Services Branch Mumbai under revised drawing arrangement with SBI.

Flow of inward dollar remittance continues to rise. Our need for dollars was primarily met by dollar remittances and through deposit mobilization.

We have also enabled linking of dollar accounts with exiting NSBL ATM Cards for the convenience of our customers who have USD Accounts with us. This means that USD Account holders can now withdraw equivalent Nepalese currency from their USD accounts subject to NRB Regulations, without transferring first to Nepali Rupee Account.

OTHER SERVICES

For the safety and convenience of our customers, we have maintained **Safe Deposit Boxes** at 15 branches as of now. Customers can opt for these vaults of varying sizes as per their needs to keep whatever they deem valuable - whether it's a family heirloom, a priceless antique, special piece of jewellery, a collection of rare stamps or coins - or even vital documents.

We have applied the speed and flexibility of the internet to our popular banking services, through **Nepal SBI Online Banking**. Customers now have access to secure online services that allow them to carry out many routine banking operations faster, more economically and more efficiently than before. Customers can check their account status, print statements, transfer funds to other Nepal SBI accounts and very soon, will be able to pay utility bills too.

The Bank has entered into a new area of Visa processing through its **Indian Visa Service Centre (IVSC)** for receiving and scrutinizing of Visa Applications from citizens of third countries going to India. IVSC is located adjacent to Embassy of India in Lainchaur, Kathmandu and is operating as the sixth extension counter of the Bank. However, banking services are not provided to the general public at this center. The Indian Visa Service Centre started functioning from 17.09.2009.



Technology

Technology plays a key role in the functioning of banks. Significant portion of our non-interest expenses is incurred on information technology and we believe that investing in technology has to be constant and continuous and not a one time action. In line with our policy of providing modern and convenient banking services, the Bank acquired Finacle core banking software.

During FY 2065-66 (2008-09), a major expansion in our Automated Teller machines network was achieved by installing 22 new ATMs, as against 9 ATMs that we had end of the last fiscal year. 9 ATMs were installed within the Kathmandu Valley and 13 ATMs were installed outside Kathmandu Valley. The Bank is in the process of adding 11 more ATMs within the next three months. Further, all the new branches proposed to be opened during the current financial year except Commercial Branch at Lainchor will have an ATM.



The Bank is expected to have over 50 ATMs by the end of the current financial year 2066-67.

Similarly, 17 new branches opened during the financial year 2065/66 started functioning on core banking platform from day one of their respective operations. Some of the other IT projects which are currently under implementation include 'web-based Interactive customer feedback system', 'Automated Employee Attendance System', and restructuring Nepali Version of our official website.

We are taking steps to enhance usage of our internet banking services as well as ATM services by introducing some more utility features for which work is in progress. **Also, we made all our ATMs VISA compatible so that any VISA card can be used to withdraw cash from them.**

Corporate Governance

Overview

The corporate governance framework of Nepal SBI Bank is designed to lead the bank towards building a sustainable future through steady growth and protect the interests of, as well as to create value for, all its stakeholders.

The Bank uses the term “corporate governance” to refer to the organizational structure and operational practices of its leadership and management. The Bank is subject to, and fully complies with, all but not limited only to, the regulatory requirements of **Banks and Financial Institutions Act - 2063**, **Companies Act - 2063**, various regulations issued by **SEBON** and Directives and Circulars issued by **NRB** from time to time.

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

Salient Feature of our Corporate Governance Approach

- Taking into account views of all stakeholders and neutrals.
- Promoted by institutions
- The roles of Chairman of the Board and Chief Executive Officer are separate and distinct.
- Well versed risk management framework and robust committee arrangement.

Board and Directors

The Board of Directors recognizes its responsibility for leadership, direction and control of the Bank for creating value for its customers, shareholders and business partners; value for employees and the communities in which we operate. Nepal SBI Bank has a unitary board structure. The Board comprises of a Non-executive Chairman, 4 Non-executive Directors and an Executive Director (Managing Director).

Role of Chairman of the Board and Managing Director

Roles of Chairman of the Board and Managing Director are separate and distinct as set out in writing and duly approved by the Board. The Chairman of the Board is an independent non-executive director. Board delegates day-to-day running of the Bank to a Managing Director/Chief Executive and Senior Management.

The role of Chairman of Board includes monitoring of corporate governance, effective communication with shareholders and providing leadership to the Board. The role of Chief Executive, apart from being a member of the Board of Directors, also has responsibility for the day-to-day management of the Bank’s operations. Managing Director/Chief Executive has the central role in maintaining and enhancing the culture of the Bank and in motivating staff to act in the Bank’s best interests.

Board Committees

In accordance with the Banks and Financial Institutions Act 2063, we have an Audit Committee, Credit Committee and an Executive Committee operating under their own specific terms of reference which are reviewed annually by the Board. Membership of Board Committees is reviewed on a regular basis. Board committees operate in terms of mandates that are reviewed and approved by the Board. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board. All Board Committee mandates have been reviewed to take into account amendments to relevant legislations / regulatory guidelines.

Audit Committee

The Audit Committee reviews the Bank's financial statements, considers significant financial reporting issues and makes appropriate recommendations to the Board. The Committee also monitors internal control systems of the Bank. It controls internal audit functions, facilitates statutory audit function and advises the management and recommends to the Board on, major audit issues.

Matters regarding composition of the Audit Committee and its role are well described under point no. VIII of the Annexure to BOD report. [\(Please refer to Pg. 41\)](#)

Credit Committee

Credit Committee, operates as per the charter authorized and duly approved by the Board. The committee comprises of:

- | | |
|--------------------------------------|------------|
| • Managing Director | – Chairman |
| • Assistant General Manager (Credit) | – Member |
| • Chief Operating Officer | – Member |
| • Chief Financial Officer | – Member |

The Credit Committee is delegated certain discretionary limits and authorities for loans and advances. The committee is involved in reviewing and sanctioning the credit proposals under the criterion delegated to the committee as per the Credit Policy approved by the Board.

Executive Committee

Executive Committee even though the provision is available as under, this committee has been temporarily dissolved due to certain practical problems associated with implementation of certain regulatory directives on constitution of such committee.

Executive Committee members are EPF Nominee, a Public Director, Managing Director and any one Director nominated by SBI. The committee is coordinated by Assistant General Manager (Credit). The EC is delegated certain discretionary limits and authority for loans and other credit facilities, treasury and investment activities, and capital expenditures. The EC assists the Board in overseeing the Bank's risk profile. Regular reports on the bank's business and management's oversight of the risks and the adequacy of the Bank's risk management processes are reviewed by the EC.

Risk Management

Fully recognizing the risk management functions as fundamental to the banking business, more emphasis has been placed on risk assessment considering the turbulent economic environment in which the clients operate. The Bank has adopted a holistic approach and has been engaged in extensive and detailed evaluation and assessment of its risk management framework in all areas of banking activities. Primary goal of our Risk Management Framework is to ensure that outcomes of risk-taking activities is predictable and consistent with the Bank's objectives and risk tolerance levels and that there is an appropriate balance between risk and return in order to maximize return to shareholders.

While we remain committed to the objective of increasing shareholder value by developing and growing our business in a way that is consistent with our board determined risk appetite, we are also cognizant of the need to balance this objective with the interests of our customers and depositors, and the directives of our regulators. We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

During the previous FY 2064-65 (2007-08), the Bank successfully carried out a parallel run to compute Capital

Adequacy Ratio (CAR) under Basel II. The Bank migrated to Basel II from the beginning of the FY 2065-66 (2008-09) as per Nepal Rastra Bank's guidelines in which 'Simplified Standardized Approach' is used to measure Credit Risk while 'Basic Indicator Approach' and 'Net Open Position Approach' are used to measure 'Operational Risk' and 'Market Risk' respectively. The Bank did not observe significant variances in the reported ratios during the period under review compared to that of 2064-65 (2007-08).



Additional information required to be furnished as per Section 109(4) of the Companies Act, 2063.

- (i) No shares have been forfeited by the Bank during the year.
- (ii) Main transactions carried out by the Bank during the financial year 2065-66 (2008-09), and any important change in the business of the Bank during the period:
Bank carried out transactions as per objectives/functions detailed in the Memorandum of Association and Articles of Association of the Bank and the highlights of the business have been detailed in the Directors' Report. There was no significant change in the nature of the business performed by the Bank during the year.
- (iii) No information has been received by the Bank from its basic shareholders as per the provisions of the Companies Act, 2063.
- (iv) No shares were taken up by the Directors and key office-bearers of the Bank during the year nor were they found to have engaged in the share transactions of the Bank's shares in contravention of the prevailing laws.
- (v) No information was received from any Director or any of his/her close relatives about his/her personal interest in any agreement connected with the Bank signed during the financial year 2065-66 (2008-09).
- (vi) The Bank has not so far purchased any of its own shares.
- (vii) Particulars of the Total Management expenses of the financial year:

	Particulars	Amount
(i)	Staff Expenses	Rs. 12,19,89,160.00
(ii)	Other Operating Expenses	Rs. 22,39,65,592.00

- (viii) Audit Committee:

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

i)	Mrs. Hasana Sharma, Director representing EPF	Chairperson
ii)	Mr. Manoj Kumar Agrawal, Public Director	Member
iii)	One of SBI Directors (Other than Managing Director)	Member
iv)	Mr. Sudeep Khanal (Internal Auditor)	Member Secretary

Number of meetings held during 2065/66	-	8 (Eight)
Meeting Allowances paid to the members		
Directors other than those representing SBI	-	Rs. 1,28,000/-
Director representing SBI	-	NIL

Role played by the Audit Committee

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

- (ix) No Payment is due to the Bank from any Director, Managing Director, Executive Chief or the basic shareholder of the Bank or any of their close relatives, or from any firm, company or corporate body in which such person is involved.
- (x) The under noted amounts were paid as remunerations, allowances and facilities to the Directors, the Managing Director and other office bearers.
1. Allowances / facilities to the Members of the Board:
A total of NRs.24,52,090.00 was paid to the Board members as the Board Meeting fee for the different meetings during 2065/66 (@ Rs. 10,000/- per meeting for the Chairman and @ Rs. 8,000/- for other Directors.)
 2. Managing Director & Other Office Bearers:
 - a) No remuneration was paid to the Managing Director & other India Based Officers (IBOs) / Management team seconded by SBI during the financial year, except the payment of NRs.19,44,768.77 towards the rent of their residential accommodation and medical expenses etc. Their salary and allowances are paid by SBI.
 - b) Other Office Bearers: A total of NRs.12,19,89,160.00 was paid to other office bearers of the bank as their remuneration, allowances and facilities.
- (xi) Dividends yet to be collected by the shareholders
Dividends pertaining to the following financial years are yet to be collected by the shareholders as on 31st Ashadh 2066:

Financial Year	Amount (Rs.)
2052/53 (1995/96)	2,81,400.00
2053/54 (1996/97)	2,72,600.00
2054/55 (1997/98)	3,15,400.00
2055/56, 2056/57 (1998/99, 1999/2000)	4,87,000.00
2059/60 (2002/03)	8,44,762.80
2062/63 (2005/06)	13,47,057.25
2063/64 (2006/07)	29,45,317.00
Grand Total	64,93,537.05

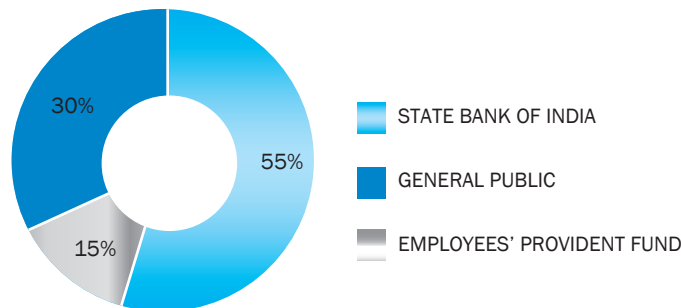
- (xii) No property was purchased or sold by the Bank during the financial year as stipulated under Section 141 of the Companies Act, 2063.
- (xiii) No transaction was held between the Bank and its associate companies during the financial year as stipulated under Section 175 of the Companies Act, 2063.

Shareholders' Information

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

Shareholding Pattern

Two institutional promoters hold 70 percent of total shares in the Bank and rest is distributed among nearly 18,000 public shareholders. During the review period, Agricultural Development Bank Nepal—then one of institutional promoters—divested all its 5 percent holdings. State Bank of India, through an open bid, purchased all the 5 percent shares, increasing its total stake to 55%. Employees' Provident Fund continue to hold 15% shares.



Share Price Chart (16 July, 2007-16 July, 2009)



Share Trading Information

Year	High During the Year	Low During the Year	Number of shares traded during the year	At Ashadh End		
				Market Price	Market Capitalization (in millions)	No. of Shares
2060-61	307	231	71060	307	1325.18	426875900
2061-62	480	315	161000	335	1446.04	431865600
2062-63	689	335	307700	612	3964.56	640236100
2063-64	1176	505	459800	1176	7618.17	647798400
2064-65	1612	1000	416990	1511	9788.31	874527840
2065-66	1519	1050	330990	1900	12308.26	874528000

Record of Share Issues

Year	Issue	Number of Shares	Share Capital (NRs)
2050-51	IPO	11,98,200	119,820,000
2051-52	-	11,98,710	119,871,000
2052-53	-	11,99,770	119,977,000
2053-54	-	11,99,460	119,946,000
2054-55	-	11,99,460	119,946,000
2055-56	-	11,99,460	119,946,000
2056-57	-	11,99,460	119,946,000
2057-58	20% Bonus Share	14,39,352	143,935,200
2058-59	1:2 Right Share	42,48,933	424,893,300
2059-60	-	42,51,573	425,157,300
2060-61	-	42,68,759	426,875,900
2061-62	-	43,18,656	431,865,600
2062-63	2:1 Right Share	64,02,361	640,236,100
2063-64	35% Bonus Share	64,77,984	647,798,400
2064-65	2:1 Right Share	87,45,278.4	874,527,840
2065-66	40% Bonus Share Proposed		

Shares held by Directors/ Executives

Directors		Number of Shares Held
Mr. B K Shrestha	Chairman	10189.8
Mr. Pratip Chaudhuri	Director	-
Mr. Abhay Kumar Singh	Director	-
Mr. Manoj Agrawal	Director	607.5
Ms. Hasana Sharma	Director	-
Mr. N K Chari	Managing Director	-
Management Committee		
Mr. N K Chari	Managing Director	-
Mr. Madhukar Anand	Chief Operating Officer	-
Mr. Binod K Mishra	Chief Financial Officer	-
Mr. T R Gautam	Assistant General Manager (Credit)	778.65

Summarized Quarterly Results

		2066 Ashwin	2066 Ashadh	2065 Chaitra	2065 Poush	2065 Ashwin
S. N.	Particulars	This Quarter Ending as on 31.06.2066 (17.10.2009)	Quarter Ending as on 31.03.2066 (15.07.2009)	Quarter Ending as on 31.12.2065 (13.04.2009)	Quarter Ending as on 29.09.2065 (13.01.2009)	Quarter Ending as on 30.06.2065 (16.10.2008)
1	Total Capital and Liabilities (1.1 to 1.7)	33,288,525	30,916,682	30,965,541	24,385,053	19,377,475
1.1	Paid Up Capital	874,528	874,528	874,528	874,528	874,528
1.2	Reserve and Surplus	924,913	838,079	765,299	695,391	612,075
1.3	Debenture and Bond	200,000	200,000	200,000	200,000	200,000
1.4	Borrowings	1,421,099	727,466	1,956,333	1,295,108	2,614,604
1.5	Deposits (a+b)	29,442,188	27,957,221	26,329,442	20,611,622	13,833,565
	a. Domestic Currency	19,454,747	17,687,754	15,124,547	14,863,521	13,670,826
	b. Foreign Currency	9,987,441	10,269,467	11,204,894	5,748,101	162,739
1.6	Income Tax Liability	35,968	-	86,565	55,714	30,671
1.7	Other Liabilities	389,828	319,388	753,374	652,691	1,212,033
2	Total Assets (2.1 to 2.7)	33,288,525	30,916,682	30,965,541	24,385,053	19,377,475
2.1	Cash and Bank Balance	4,338,381	1,903,906	3,244,249	2,586,736	3,746,430
2.2	Money at Call and Short Notice	-	-	-	100,000	-
2.3	Investments	12,142,626	13,286,182	12,918,638	7,944,943	1,616,727
2.4	Loans and Advances (Net)	16,054,679	15,131,748	14,246,451	13,396,821	13,698,885
2.5	Fixed Assets (Net)	293,630	253,581	241,185	190,819	168,056
2.6	Non Banking Assets (Net)	-	-	10,748	10,748	5,720
2.7	Other Assets	459,208	341,265	304,271	154,987	141,657
3	Profit and Loss Account	Up to this Quarter Ending as on 31.06.2066 (17.10.2009)	Quarter Ending as on 31.03.2066 (15.07.2009)	Quarter Ending as on 31.12.2065 (13.04.2009)	Quarter Ending as on 29.09.2065 (13.01.2009)	Quarter Ending as on 30.06.2065 (16.10.2008)
3.1	Interest Income	473,296	1,460,446	963,645	582,165	281,619
3.2	Interest Expenses	299,832	824,700	540,154	308,757	148,868
	A. Net Interest Income (3.1-3.2)	173,464	635,745	423,491	273,408	132,751
3.3	Fees, Commission and Discount	25,014	78,837	50,040	31,687	16,575
3.4	Other Operating Income	19,629	52,790	29,106	15,373	7,833
3.5	Foreign Exchange Gain/Loss (Net)	20,999	61,294	41,415	30,633	22,549
	B. Total Operating Income (A.+3.3+3.4+3.5)	239,105	828,666	544,052	351,100	179,708
3.6	Staff Expenses	34,234	121,989	71,583	46,377	24,873
3.7	Other Operating Expenses	62,791	223,966	141,824	83,619	38,457
	C. Operating Profit Before Provision (B.-3.6-3.7)	142,081	482,712	330,645	221,104	116,378
3.8	Provision for Possible Losses	9,839	40,345	12,954	16,330	3,814
	D. Operating Profit (C.-3.8)	132,241	442,366	317,691	204,774	112,564
3.9	Non Operating Income/Expenses (Net)	(67)	2,516	778	781	(64)
3.10	Write Back of Provision for Possible Loss	2,908	198,673	136,196	138,274	392
	E. Profit From Regular Activities (D + 3.9+3.10)	135,082	643,556	454,664	343,829	112,891
3.11	Extraordinary Income/Expenses (Net)		(156,221)	(111,742)	(111,742)	-
	F. Profit before Bonus and Taxes (E + 3.11)	135,082	487,335	342,922	232,087	112,891
3.12	Provision for Staff Bonus	12,280	44,303	31,175	21,099	10,263
3.13	Provision for Tax	35,968	126,658	86,565	55,714	30,671
	G. Net Profit/Loss (F-3.12-3.13)	86,834	316,373	225,182	155,274	71,958
4	Ratios	At the End of this Quarter	At the End of Quarter	At the End of Quarter	At the End of Quarter	At the End of Quarter
4.1	Capital Fund to Risk Weighted Assets (RWA)**	10.90%	11.92%	11.67%	12.66%	11.50%
4.2	Non Performing Loan (NPL) to Total Loan	1.85%	2.02%	2.59%	2.67%	3.64%
4.3	Total Loan Loss Provision to Total NPL	159.49%	152.02%	137.67%	142.35%	127.65%

** The Capital Fund to RWA has been calculated as per Basel II.

A Decade of Performance

(Rs. in Lakh)

A decade of Performance Ashadh End	fy-1999/2000	fy-2000/2001	fy-01/02	fy-02/03	fy-03/04	fy-04/05	fy-05/06	fy-06/07	fy -07/08	fy-08/09
	56/2057	57/2058	58/2059	59/2060	60/2061	61/2062	62/2063	63/2064	64/2065	65/2066
Profitability										
Interest Income	4,373.16	4,445.59	3,996.31	4,697.40	4,935.98	5,783.72	7,087.19	8,311.17	9,705.13	14,604.46
Interest Expenditure	2,816.58	2,717.98	2,885.80	2,918.20	2,559.19	2,584.30	3,347.70	4,122.62	4,549.18	8,247.00
Fee, Commission and Exchange income	579.70	606.70	791.15	484.72	612.83	749.25	838.14	1,020.55	1,029.07	1,401.31
Other income	-	-	43.73	54.94	82.20	112.75	71.37	126.01	195.57	527.90
Operating Expenses	491.45	593.61	607.50	773.65	821.80	906.29	992.14	1,201.12	1,523.80	2,239.66
Operating Profit	979.42	559.03	395.90	366.17	737.67	846.88	1,684.89	3,007.90	3,533.25	4,423.66
Profit Before tax	881.48	503.13	568.73	690.53	1,095.32	1,251.93	1,997.64	3,445.90	3,480.34	4,430.32
Profit After tax	500.65	124.90	408.44	487.48	608.52	573.87	1,170.02	2,549.09	2,477.71	3,163.73
Shareholders Fund										
Total Shareholders funds	2,249.42	2,385.45	5,603.47	5,698.52	6,266.37	6,890.13	9,823.74	11,632.91	14,146.45	17,126.07
Share Capital	1,199.46	1,439.35	4,248.93	4,251.57	4,268.76	4,318.66	6,402.36	6,477.98	8,745.28	8,745.28
Reserves	1,049.96	946.09	1,354.53	1,446.95	1,997.61	2,571.47	3,421.38	5,154.92	5,401.17	8,380.79
Liabilities										
Deposit Accounts	45,357.34	66,122.90	55,724.70	65,228.17	71,983.27	86,547.74	110,020.41	114,452.86	137,153.95	279,572.21
Borrowing	-	-	5,587.92	658.26	1,171.78	4,696.29	8,124.29	10,153.65	18,274.80	9,274.66
Bills Payable	74.54	61.48	0.88	-	-	311.24	462.39	488.56	751.15	629.47
Other liabilities	1,902.32	1,849.65	3,294.44	4,078.32	4,982.64	5,008.34	1,927.57	2,284.03	1,548.11	2,564.40
Assets										
Advances (Net)	34,111.94	39,455.66	42,992.49	44,687.20	51,436.62	62,138.79	76,267.36	94,604.51	121,136.98	151,317.48
Investments	2,017.94	3,736.32	5,990.56	12,072.75	19,075.21	26,076.80	36,107.75	26,594.53	30,888.87	132,861.82
Cash, short term funds and statutory deposit	10,100.19	23,351.42	16,199.62	13,335.34	8,644.27	8,468.58	14,813.58	14,726.90	16,469.73	19,039.06
Net Fixed Assets	635.16	682.80	655.88	710.34	623.50	664.52	667.12	972.19	1,202.22	2,535.81
Other Assets	2,718.40	3,193.28	4,372.86	4,857.64	4,624.46	6,105.05	2,502.57	2,113.88	2,176.65	3,412.65
Ratios										
Return on shareholders equity (ROE)	22.26	5.24	7.29	8.55	9.71	8.33	12.04	22.10	17.64	18.58
Return on Net Fixed Assets (ROA)	78.82	18.29	62.27	68.63	97.60	86.36	175.38	262.20	206.09	124.76
Percent of Net Profit/Gross Income	10.11	2.47	8.03	8.61	9.95	7.98	14.63	26.95	22.67	19.14
Weighted Average Interest Rate Spread	4.75	4.88	3.84	4.08	3.55	3.68	3.33	3.01	3.11	2.84
Total Operating Expenses/Total Assets	6.75	5.04	5.35	5.40	4.46	3.74	3.72	4.21	3.97	3.79
Total Credit/Deposit	78.47	63.34	82.27	73.52	76.85	77.87	69.32	82.66	88.32	55.84
Cash Dividend on Share Capital	15.00	-	-	8.00	-	-	5.00	12.59	-	2.11
Dividend (Including Bonus) on Share Capital	-	20.00	-	8.00	-	-	5.00	47.59	-	42.11
Price earning ratio (PE)	13.46	172.61	41.72	22.24	21.54	25.21	33.49	29.89	53.34	52.52
Share information										
Earning per Share	41.74	8.69	9.61	11.47	14.26	13.29	18.27	39.35	28.33	36.18
No of Shares	1,199,460.00	1,439,352.00	4,248,933.00	4,251,573.00	4,268,759	4,318,656	6,402,361	6,477,984	8,745,278	8,745,278
Other information										
Number of Employees	133	135	141	148	151	164	174	189	249	323
Number of Branches	9	9	11	11	13	13	13	15	15	32



P. L. Shrestha & Co.

Chartered Accountants

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

1. We have audited the accompanying financial statements of Nepal SBI Bank Limited, which comprise the Balance Sheet as at Ashad 31, 2066 (July 15, 2009), and the profit and loss account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of significant Accounting Policies and other explanatory notes.

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

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

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

Opinion

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

113/19 Surung Galli, Maharajgunj, Kathmandu, Nepal. Tel: 4425761, 4412207, E-mail: plshrestha@wlink.com.np
Also at: 657/28 Bhakti Thapa Sadak, Bijulbazar, P.O. Box No. 3516, Kathmandu, Nepal. Tel: 4491187, 4462367, Fax: 4462408
P. L. Shrestha & Co. is a member of International. A world-wide network of professional accounting firms & business advisors.



P. L. Shrestha & Co.

Chartered Accountants

- vi. The returns received from branches of the Bank were adequate for the purpose of our audit.
 - vii. In our opinion, so far as appeared from our examination of the book, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;
 - viii. The Bank has written off loans during this fiscal year as per the policy approved by NRB.
 - ix. The Bank has been functioning as per the directives of Nepal Rastra Bank.
 - x. The Bank has not acted in a manner to jeopardize the interest and security of the depositors and shareholders.
 - xi. The operations of the Bank were within its jurisdiction, and
 - xii. We have not come across any fraudulence in the accounts.
5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Nepal SBI Bank Limited as at Ashad 31, 2066 (15 July, 2009) and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063, Banks and Financial Institutions Act, 2063 and Directives of Nepal Rastra Bank.

Rajesh Foudel, FCA
Partner
P. L. Shrestha & Co
Chartered Accountants
Place: Kathmandu
Date: November 1, 2009



A decorative collage of financial documents and a calculator. In the top right, a blue spiral notebook has a sticky note with the word 'Notes' written in blue ink. In the bottom left, another blue spiral notebook has a sticky note with 'Credit + Car' and 'Savings' written in blue ink. In the bottom right, a hand is shown pressing buttons on a silver calculator. The background is white with a blue horizontal band across the middle.

Financial Statements

BALANCE SHEET AS ON 31ST ASHADH 2066 (15 JULY, 2009)

CAPITAL & LIABILITIES	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Share Capital	1	874,527,840	874,527,840
2. Reserves and Funds	2	838,079,355	540,116,972
3. Debentures & Bonds	3	200,000,000	200,000,000
4. Borrowings	4	727,466,283	1,627,480,190
5. Deposits	5	27,957,220,794	13,715,394,960
6. Bills Payable	6	62,947,325	75,115,471
7. Proposed and Dividend Payable		24,904,649	12,228,852
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	231,535,550	142,581,889
Total Capital and Liabilities		30,916,681,796	17,187,446,174

ASSETS	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Cash Balance	8	652,027,266	308,101,599
2. Balance with Nepal Rastra Bank	9	444,138,596	403,810,203
3. Balance with Banks/Financial Institution	10	807,740,259	631,048,524
4. Money at Call and Short Notice	11	-	304,012,877
5. Investment	12	13,286,181,660	3,088,886,918
6. Loans, Advances and Bills Purchase	13	15,131,747,944	12,113,698,428
7. Fixed Assets	14	253,580,695	120,222,259
8. Non Banking Assets	15	-	-
9. Other Assets	16	341,265,376	217,665,366
Total Assets		30,916,681,796	17,187,446,174

Contingent Liabilities	Schedule 17
Directors' Declaration	Schedule 29
Statement of Capital Fund	Schedule 30(A)
Statement of Credit Risk	Schedule 30(B)
Credit Risk Mitigation	Schedule 30(C)
Risk Weighted exposure for operational risk	Schedule 30(D)
Risk Weighted exposure for market risk	Schedule 30(E)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33
Promoter Loan from other Bank/Financial Institution against Bank's Share	Schedule 34
Unaudited Financial Result(Quarterly)	Schedule 35
Comparison of unaudited and audited FS	Schedule 36

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

M. Anand
Chief Operating Officer

N.K. Chari
Managing Director

B.K. Shrestha
Chairman

M.K. Agrawal
Director

H. Sharma
Director

R. Poudel, FCA
Partner,
P. L. Shrestha & Co., Chartered Accountants

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1ST SHRAWAN 2065 TO 31 ASHADH 2066 (16TH JULY 2008 TO 15 TH JULY 2009)

PARTICULARS	SCHEDULE	Current Year Rs.	Previous Year Rs.
1. Interest Income	18	1,460,445,686	970,512,681
2. Interest Expenses	19	824,700,275	454,917,713
Net Interest Income		635,745,411	515,594,968
3. Commission and Discount	20	78,836,624	50,917,830
4. Other Operating Incomes	21	52,790,137	19,557,259
5. Exchange Fluctuation Income	22	61,294,299	51,989,275
Total Operating Income.		828,666,471	638,059,332
6. Staff Expenses	23	121,989,160	74,890,269
7. Other Operating Expenses	24	223,965,592	152,379,842
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before provision for Possible loss		482,711,719	410,789,221
9. Provision for Possible Losses	25	40,345,336	57,463,909
Operating Profit		442,366,383	353,325,312
10. Non Operating Income /Loss	26	2,516,407	(271,006)
11. Provision for Possible Loss Written Back	27	198,672,788	29,782,580
Profit from Regular Operations		643,555,578	382,836,886
12. Profit/Loss from extra-ordinary Activities	28	(156,220,828)	-
Net profit after considering all activities		487,334,750	382,836,886
13. Provision for Staff Bonus		44,303,159	34,803,353
14. Provision for Income Tax		126,658,096	100,262,775
* Current Year's		133,123,502	105,745,947
* Previous Year's		2,582,900	870,463
Deffered Tax		(9,048,306)	(6,353,635)
Net Profit/Loss		316,373,495	247,770,758

Schedule no. 18 to 28 form are integral part of the Profit & Loss Account.

M. Anand
Chief Operating Officer

N.K. Chari
Managing Director

B.K. Shrestha
Chairman

M.K. Agrawal
Director

H. Sharma
Director

R. Poudel, FCA
Partner,
P. L. Shrestha & Co., Chartered Accountants

PROFIT AND LOSS APPROPRIATION ACCOUNT

FISCAL YEAR 2065/2066 (2008/2009)

PARTICULARS	SCHEDULE	Current Year Rs.	Previous Year Rs.
INCOME			
1. Accumulated Profit up to Last Year		1,528,836	4,249,095
2. Current Year's Profit		316,373,495	247,770,758
3. Exchange Fluctuation Reserve			
4. Capital Adjustment Reserve up to Previous Year		230,000,000	-
Total		547,902,331	252,019,853
EXPENSES			
1. Accumulated Loss up to Last Year		-	-
2. Current Year's Loss		-	-
3. General Reserve		63,274,699	49,554,152
4. Contingent Reserve		-	-
5. Institutional Development Reserve		-	-
6. Dividend Equalization Reserve		-	-
7. Staff Related Reserve		-	-
8. Proposed Dividend		18,411,112	-
9. Proposed issue of Bonus Shares		349,811,136	-
10. Special Reserve		-	-
11. Exchange Fluctuation Reserve		-	2,365,436
12. Capital Redemption Reserve		-	-
13. Capital Adjustment Reserve		65,000,000	170,000,000
14. 6% NSBL Debenture 2070 Redemption Reserve		28,571,429	28,571,429
15. Deferred Tax Reserve		18,985,145	-
Total		544,053,521	250,491,017
16. Accumulated Profit/(Loss)		3,848,810	1,528,836

M. Anand
Chief Operating Officer

N.K. Chari
Managing Director

B.K. Shrestha
Chairman

M.K. Agrawal
Director

H. Sharma
Director

R. Poudel, FCA
Partner,
P. L. Shrestha & Co., Chartered Accountants

(in Rs.)

Statement of Changes in Equity

Fiscal Year 2065/66

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Reserve	Share Premium	Exchange Equilisation Fund	Proposed Bonus Shares	Deferred Tax Reserve	Other Reserves and Funds	Total Amount
Opening Balance at Shrawan 2065	874,527,840	1,528,836	241,245,162	230,000,000	-	10,200,116	-	-	57,142,858	1,414,644,812
Adjustments: Deferred Tax										-
Restated Balance as on Shrawan 2065	874,527,840	1,528,836	241,245,162	230,000,000	-	10,200,116	-	-	57,142,858	1,414,644,812
Adjustments										
Net profit for the period	-	316,373,495	-	-	-	-	-	-	-	316,373,495
Capital Adjustment Reserve	-	230,000,000	-	(230,000,000)	-	-	-	-	-	-
Transfer to General Reserve	-	(63,274,699)	63,274,699	-	-	-	-	-	-	-
Capital Adjustment Reserve	-	(65,000,000)	-	65,000,000	-	-	-	-	-	-
Proposed Dividend	-	(18,411,112)	-	-	-	-	-	-	-	(18,411,112)
Proposed Bonus Shares	-	(349,811,136)	-	-	-	-	349,811,136	-	-	-
Exchange Equalization Fund	-	-	-	-	-	-	-	-	-	-
Unsubscribed Shares Issued	-	-	-	-	-	-	-	-	-	-
Capital Redemption Reserve	-	-	-	-	-	-	-	-	-	-
Bonus Share Issued	-	-	-	-	-	-	-	-	-	-
Debiture Redemption Reserve	-	(28,571,429)	-	-	-	-	-	-	28,571,429	-
Deferred Tax Reserve	-	(18,985,145)	-	-	-	-	-	18,985,145	-	-
Closing Balance at Asadh 2066	874,527,840	3,848,810	304,519,861	65,000,000	-	10,200,116	349,811,136	18,985,145	85,714,287	1,712,607,195

M. Anand
Chief Operating Officer

N.K. Chari
Managing Director

B.K. Shrestha
Chairman

M.K. Agrawal
Director

H. Sharma
Director

R. Poudel, FCA
Partner,
P. L. Shrestha & Co., Chartered Accountants

Cash Flow Statement From 1st Shrawan 2065 to 31st Asadh 2066

Previous Year Rs.	Particulars	This Year Rs.
6,543,864	(a) Cash Flow from Operating Activities	694,632,095
1,113,297,883	1. Cash Received	1,863,563,805
970,512,681	1.1 Interest Income	1,460,445,686
50,917,830	1.2 Commission and Discount Income	78,836,624
42,527,533	1.3 Income from Foreign Exchange transaction	62,519,675
-	1.4 Recovery of loan written off	8,680,000
49,339,839	1.5 Other Incomes	253,081,820
875,527,375	2. Cash Payment	1,381,961,618
454,917,713	2.1 Interest Expenses	824,700,275
74,890,269	2.2 Staff Expenses	121,989,160
152,379,842	2.3 Office Overhead Expenses	223,965,592
100,262,775	2.4 Income Tax Paid	126,658,096
93,076,776	2.5 Other Expenses	84,648,495
237,770,508	Cash Flow before changes in Working Capital	481,602,187
(3,042,972,061)	Increase /(Decrease) of Current Assets	(13,034,931,391)
45,987,123	1.(Increase)/Decrease in Money at Call and Short Notice	304,012,877
(429,433,999)	2. (Increase)/Decrease in short term Investment	(10,197,294,742)
(2,653,247,727)	3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(3,018,049,516)
(6,277,458)	4. (Increase)/Decrease in Other Assets	(123,600,010)
2,811,745,417	Increase /(Decrease) of Current Liabilities	13,247,961,299
2,270,108,930	1. Increase/(Decrease) in Deposits	14,241,825,834
-	2. Increase/(Decrease) in Certificates of Deposits	-
812,114,971	3. Increase/(Decrease) in Short Term Borrowings	(900,013,907)
(270,478,484)	4. Increase/(Decrease) in Other Liabilities	(93,850,628)
(22,464,947)	(b) Cash Flow from Investment Activities	(132,460,924)
-	1. (Increase)/Decrease in Long-term Investment	-
(23,003,455)	2. (Increase)/Decrease in Fixed Assets	(133,358,436)
-	3. Interest income from Long term Investment	-
538,508	4. Dividend Income	897,512
-	5. Others	-
226,729,440	(c) Cash Flow from Financing Activities	-
-	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-
226,729,440	2. Increase/(Decrease) in Share Capital	-
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
9,461,742	(d) Income/Loss from change in exchange rate in Cash & bank balances	(1,225,376)
220,270,099	(e) Current Year's Cash Flow from All Activities	560,945,795
1,122,690,227	(f) Opening Balance of Cash and Bank Balances	1,342,960,326
1,342,960,326	(g) Closing Balance of Cash and Bank Balances	1,903,906,121

M. Anand
Chief Operating Officer

N.K. Chari
Managing Director

B.K. Shrestha
Chairman

M.K. Agrawal
Director

H. Sharma
Director

R. Poudel, FCA
Partner,
P. L. Shrestha & Co., Chartered Accountants

SHARE CAPITAL AND OWNERSHIP (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
1,000,000,000	1. Share Capital	2,000,000,000
1,000,000,000	1.1 Authorized Capital	2,000,000,000
-	a) 20,000,000 Ordinary Shares of Rs. 100 each	-
-	b).....Non -Reedemeble Preference shares of Rs.....each	-
-	c).....Reedemable Preference Shares of Rseach	-
877,500,000	1.2 Issued Capital	877,500,000
877,500,000	a) 87,75000 Ordinary Shares of Rs. 100 each	877,500,000
-	b).....Non -Reedemeble Preference shares of Rs.....each	-
-	c).....Reedemable Preference Shares of Rseach	-
874,527,840	1.3 Paid Up Capital	874,527,840
874,527,840	a) 87,45,278.4 Ordinary Shares of Rs.100 each	874,527,840
-	b).....Non -Reedemeble Preference shares of Rs.....each	-
-	c).....Reedemable Preference Shares of Rseach	-

As a result of issue of bonus shares in the ratio of 35 shares for every 100 shares declared by the 14th AGM held on 22nd Feb 2008, 10,535.40 shares came in fraction figure. In the absence of clear legal provisions permitting issuance of Share Certificate for such fraction entitlements of the shareholders, we have credited such fractions entitlement of the shareholders in a dematerialized (De-mat) form without issuing physical Share Certificate and is accounted under share capital.

SHARE OWNERSHIP (End of Ashadh 2066)				
Previous Year Rs.	%	Particulars	%	This Year Rs.
612,360,000	70.02%	A. Promoters	70.02%	612,360,000
-	-	1.1 Nepal Government	0.00%	-
437,400,000	50.02%	1.2 Foreign Institutions	55.02%	481,140,000
43,740,000	5.00%	1.3 "A" Class Liscensed Institutions	0.00%	-
-	-	1.4 Other Liscensed Institutions	0.00%	-
131,220,000	15.00%	1.5 Other Entities	15.00%	131,220,000
-	-	1.6 General Public	-	-
-	-	1.7 Others	-	-
262,167,840	29.98%	B. General Public	29.98%	262,167,840
874,527,840	100%	Total	100%	874,527,840

Note :-

- None of the General Public Shareholders hold more than 0.50% of the shares of the Bank individually.
- The "A" Class Liscensed Institutions reported above is Agricultural Development Bank Ltd. and "Other Entities" reported is Karmachari Sanchaya Kosh. There are no other shareholders in the above categories.
- The "Foreign Institution" reported above is State Bank of India.

RESERVES AND FUNDS (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
241,245,162	1. General Reserve	304,519,861
	2. Proposed Bonus Share	349,811,136
-	3. Capital Reserve	-
-	4. Capital Redemption Reserve	-
230,000,000	5. Capital Adjustment Reserve	65,000,000
57,142,858	6. Other Reserves and Funds	85,714,287
-	a. Contingent Reserve	-
-	b. Institution Development Reserve	-
-	c. Dividend Equalization Reserve	-
-	d. Special Reserve	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
57,142,858	g. Other Reserves and Funds (Debenture Reserve)	85,714,287
1,528,836	7. Accumulated Profit/(Loss)	3,848,810
10,200,116	8. Exchange Equalization Fund	10,200,116
	9. Deferred Tax Reserve	18,985,145
540,116,972	Total	838,079,355

Schedule 3

DEBENTURES AND BONDS (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
200,000,000	1. 6% Nepal SBI Bank Debentures 2070 of Rs.1,000 each (Unsecured)	200,000,000
-	Issued on 16.07.2006 and maturing on 15.07.2013	-
-	(Outstanding balance of Redemption Reserve Rs 85,714,287)	-
-		-
200,000,000	Total	200,000,000

Schedule 4

BORROWINGS (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
-	A. Local	-
-	1. Nepal Government	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
20,000,000	4. Inter Bank and Financial institutions	-
-	5. Other Organised Institutions	-
-	6. Others	-
20,000,000	Total	-
	B. Foreign	
1,607,480,190	1. Banks	727,466,283
-	2. Others	-
1,607,480,190	Total	727,466,283
1,627,480,190	Total (A+B)	727,466,283

DEPOSITS (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
	1. Non-Interest bearing accounts	
1,738,101,358	A. Current Deposits	2,864,733,204
1,694,801,132	1. Local Currency	2,671,855,699
15,095	1.1 Nepal Government	15,095
48,542	1.2 "A" Class Liscensed Institutions	29,812
11,659,785	1.3 Other Liscensed Institutions	5,051,464
1,105,945,593	1.4 Other Organized Institutions	1,301,922,377
577,132,117	1.5 Individuals	1,364,836,951
-	1.6 Others	-
43,300,226	2. Foreign Currency	192,877,505
-	2.1 Nepal Government	-
2,154,279	2.2 "A" Class Liscensed Institutions	5,899,621
-	2.3 Other Liscensed Institutions	-
41,145,947	2.4 Other Organized Institutions	186,977,884
-	2.5 Individuals	-
-	2.6 Others	-
122,438,261	B. Margin Deposits	186,524,335
-	1. Employees Guarantee	-
26,612,931	2. Gurantee Margin	35,780,547
95,825,330	3. Margin on Letter of Credit	150,743,788
-	C. Others	-
-	1. Local Currency	-
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
-	1.3 Individual	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individual	-
1,860,539,619	Total of Non-Interest Bearing Accounts	3,051,257,539

DEPOSITS (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
	2. Interest Bearing Accounts	
4,171,175,548	A. Saving Deposits	5,822,293,866
4,103,714,143	1. Local Currency	5,751,589,090
172,999,791	1.1 Organized Institutions	186,682,316
3,930,714,352	1.2 Individual	5,564,906,774
-	1.3 Others	-
67,461,405	2. Foreign Currency	70,704,776
60,062,443	2.1 Organized Institutions	62,900,726
7,398,962	2.2 Individual	7,804,050
-	2.3 Others	-
6,854,884,456	B. Fixed Deposits	17,438,404,928
6,834,816,456	1. Local Currency	7,472,986,587
3,672,546,000	1.1 Organized Institutions	4,443,526,000
3,162,270,456	1.2 Individual	3,029,460,587
-	1.3 Others	-
20,068,000	2. Foreign Currency	9,965,418,341
-	2.1 Organized Institutions	9,963,237,141
20,068,000	2.2 Individual	2,181,200
-	2.3 Others	-
828,795,337	C. Call Deposits	1,645,264,461
826,435,946	1. Local Currency	1,604,798,442
1,380,926	1.1 "A" Class Liscensed Institutions	1,369,322
118,730,778	1.2 Other Liscensed Institutions	97,730,898
85,462,733	1.3 Other Organized Institutions	1,392,916,600
620,861,509	1.4 Individual	112,781,622
-	1.5 Others	-
2,359,391	2. Foreign Currency	40,466,019
-	2.1 "A" Class Liscensed Institutions	-
-	2.2 Other Liscensed Institutions	-
-	2.3 Other Organized Institutions	40,466,019
2,359,391	2.4 Individual	-
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institutions	-
-	2. Individual	-
-	3. Others	-
11,854,855,341	Total of Interest Bearing Accounts	24,905,963,255
13,715,394,960	Total Deposit (1+2)	27,957,220,794

Schedule 6

BILLS PAYABLE (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
56,958,813	1. Local Currency	44,910,723
18,156,658	2. Foreign Currency	18,036,602
75,115,471	Total	62,947,325

Schedule 7

OTHER LIABILITIES (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
21,991,500	1. Pension/Gratuity / Leave Fund	52,771,218
-	2. Employee Provident Fund	-
-	3. Employees Welfare Fund	-
34,803,353	4. Provision for Staff Bonus	44,303,159
-	5. Interest Payable on Deposits	2,169,556
6,000,000	6. Interest Payable on Borrowings/ Debenture	6,000,000
-	7. Unearned Discount and Commission	-
23,643,205	8. Sundry Creditors	29,073,303
-	9. Branch Account	-
468,046	10. Deferred tax liability	416,589
56,143,831	11. Others	96,801,725
110,000	a. Audit Fee	150,000
56,033,831	b. Others	96,651,725
143,049,935	Total	231,535,550

Schedule 8

CASH BALANCE (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
294,609,245	1. Local Currency (Including Coins)	633,483,928
13,492,354	2. Foreign Currency	18,543,338
308,101,599	Total	652,027,266

Schedule 9

BALANCE WITH NEPAL RASTRA BANK (End of Ashadh 2066)						
Previous Year Rs.	Particulars	Local Currency	Foreign Currency			This Year Rs.
			INR	Convertible	Total	
403,810,203	1. Nepal Rastra Bank	380,634,366	-	63,504,230	63,504,230	444,138,596
406,896,614	a. Current Account	380,634,366	-	63,504,230	63,504,230	444,138,596
(3,086,411)	b. Other Account	-	-	-	-	

Schedule 10

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS (End of Ashadh 2066)						
Previous Year Rs.	Particulars	Local Currency	Foreign Currency			This Year Rs.
			INR	Convertible FCY	Total	
19,451,178	1. Local Licensed Institutions	45,024,897	-	3,682,905	3,682,905	48,707,802
19,451,178	a. Current Account	45,024,897	-	3,682,905	3,682,905	48,707,802
-	b. Other Account	-	-	-	-	-
611,597,346	2. Foreign Banks	-	570,799,197	188,233,260	759,032,457	759,032,457
611,597,346	a. Current Account	-	570,799,197	188,233,260	759,032,457	759,032,457
-	b. Other Account	-	-	-	-	-
631,048,524	Total	45,024,897	570,799,197	191,916,165	762,715,362	807,740,259

Note: Total balance for which the confirmations are received from respective licensed institutions Rs. 743,391,946.17

Schedule 11

MONEY AT CALL AND SHORT NOTICE (End of Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
304,012,877	1. Local Currency	
-	2. Foreign Currency	-
304,012,877	TOTAL	-

Schedule 12

INVESTMENTS (End of Ashadh 2066)				
Previous Year Rs.	Particulars	Purpose		This Year Rs.
		Trading	Other	
2,762,828,586	1. Nepal Government Treasury Bills	-	2,933,848,660	2,933,848,660
-	2. Nepal Government Saving Bonds	-	-	-
272,725,000	3. Nepal Government Other securities	-	372,725,000	372,725,000
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
20,511,832	7. Foreign Banks	-	9,946,661,500	9,946,661,500
32,821,500	8. Corporate Shares	-	32,946,500	32,946,500
-	9. Corporate Bonds and Debentures	-	-	-
-	10. Other Investments	-	-	-
3,088,886,918	Total Investment	-	13,286,181,660	13,286,181,660
-	Provision	-	-	-
3,088,886,918	Net Investment	-	13,286,181,660	13,286,181,660

Schedule 12 (A)

INVESTMENT IN SHARES, DEBENTURES AND BONDS (End of Ashadh 2066)				
Previous Year Rs.	Particulars	Cost Price Rs.	Market Price Rs	Provision Amount Rs
32,821,500	1. Investment in Shares	32,946,500	-	-
	1.1 Rural Micro-finance Development Center Ltd. (RMDC)			
5,195,000	51,950 Ordinary Shares of Rs. 100 fully paid up	5,195,000	-	-
13,700,000	137,000 Right Shares of Rs. 100 fully paid up	13,700,000	-	-
	1.2 Madhya Paschimanchal Grameen Bikash Bank Ltd.			
3,000,000	30,000 Ordinary Shares of Rs. 100 fully paid up	3,000,000	-	-
	1.3 Alliance Insurance Co. Ltd.			
748,000	7,480 Ordinary Shares of Rs. 100 fully paid up	748,000	1,346,400	-
	748 Bonus Shares	-	134,640	-
	1.4 Himalayan Distillery Ltd.			
8,943,000	89,430 Ordinary Shares of Rs. 100 fully paid up	8,943,000	9,032,430	-
	1.5 Credit Information Center Ltd.			
353,000	3,530 Ordinary Shares of Rs. 100 fully paid up	353,000	-	-
882,500	8825 Right Shares of Rs 100 fully paid up	882,500	-	-
	1765 Bonus Shares	-	-	-
	1.6 Nepal Clearing House	125,000	-	-
-	2. Investment in Debentures and Bonds	-	-	-
-	2.1	-	-	-
-	2.2	-	-	-
-	2.3	-	-	-
32,821,500	Total Investment	32,946,500	-	-
-	3. Provision for Loss	-	-	-
-	3.1 Up to previous year	-	-	-
-	3.2 Additions/Write back this year	-	-	-
-	Total Provision	-	-	-
32,821,500	Net Investment	32,946,500		

Note:

- (1) Alliance Insurance Co.Ltd. has issued 10% bonus share during the FY2063/64
- (2) Himalayan Distillery has not declared any dividend till date and has been listed in Nepal Stock Exchange Ltd.
- (3) 5 % cash dividend of Rs. 944,749 has been received from Rural Micro Finance Development Centre Ltd. during the current FY 2065/66 for the FY 2064/65
- (4) Madhya Paschimanchal Gramin Bikas Bank Ltd. has not been listed in Nepal Stock Exchange Ltd and has not declared and distributed dividend for more than 4 years.
- (5) Credit Information Bureau Ltd. has issued right share in the ratio 1:2.5 and bonus share in the ratio of 2:1 (on Ordinary Shares) during the FY 2065/66 for the FY 2064/65
- (6) Investment made in Nepal Clearing House is only 5% of the total share capital commitment.

CLASSIFICATION OF LOANS AND BILLS PURCHASE & PROVISIONING (End of Ashadh 2066)

Previous Year Rs.	Particulars	Loans & Advances						Bills Purchased/Discount			This Year Rs.
		Domestic			Other	Foreign	Total	Domestic	Foreign	Total	
		Priority Sector *									
		Insured	Uninsured								
12,257,806,145	1. Performing Loan	185,900,838	408,486,832	14,554,870,714	-	15,149,258,384	21,075,316	125,761,946	146,837,262	15,296,095,646	
11,981,058,849	1.1 Pass	179,353,665	408,486,832	14,346,491,670	-	14,934,332,167	21,075,316	125,761,946	146,837,262	15,081,169,429	
276,747,296	1.2 Restructured	6,547,173		208,379,044	-	214,926,217	-	-	-	214,926,217	
488,410,069	2. Non-Performing Loan	16,376,885	3,921,766	295,656,114	-	315,954,765	-	-	-	315,954,765	
3,874,789	2.1 Sub-Standard	3,030,280	-	10,205,406	-	13,235,686	-	-	-	13,235,686	
21,626,680	2.2 Doubtful	5,290,459	-	6,048,263	-	11,338,722	-	-	-	11,338,722	
462,908,600	2.3 Loss	8,056,146	3,921,766	279,402,445	-	291,380,357	-	-	-	291,380,357	
12,746,216,214	A. Total Loan	202,277,723	412,408,598	14,850,526,828	-	15,465,213,149	21,075,316	125,761,946	146,837,262	15,612,050,411	
	3. Loan Loss Provision										
117,922,667	3.1 Pass	448,384	4,084,868	143,464,917	-	147,998,169	210,753	1,257,619	1,468,372	149,466,541	
47,763,975	3.2 Restructured	326,030	-	38,745,466	-	39,071,496	-	-	-	39,071,496	
566,279	3.3 Sub-Standard	189,393	-	2,551,351	-	2,740,744	-	-	-	2,740,744	
9,869,035	3.4 Doubtful	661,307	-	3,024,132	-	3,685,439	-	-	-	3,685,439	
456,395,830	3.5 Loss	2,014,036	3,921,766	279,402,445	-	285,338,247	-	-	-	285,338,247	
632,517,786	B. Total Provisioning	3,639,150	8,006,634	467,188,311	-	478,834,095	210,753	1,257,619	1,468,372	480,302,467	
	4. Provisioning up to previous year										
91,486,927	4.1 Pass	631,429	3,675,934	111,941,870	-	116,249,233	188,015	1,485,419	1,673,434	117,922,667	
66,461,165	4.2 Restructured	785,240	28,265	46,950,470	-	47,763,975	-	-	-	47,763,975	
544,869	4.3 Sub-Standard	134,139	-	432,140	-	566,279	-	-	-	566,279	
3,892,644	4.4 Doubtful	390,600	-	9,478,435	-	9,869,035	-	-	-	9,869,035	
442,215,888	4.5 Loss	2,314,040	5,520,240	448,561,550	-	456,395,830	-	-	-	456,395,830	
604,601,493	C. Total previous year's provision	4,255,448	9,224,439	617,364,465	-	630,844,352	188,015	1,485,419	1,673,434	632,517,786	
28,762,083	D.Written Back from Previous Year's	285,092	1,014,970	191,260,593	-	192,560,655	-	-	-	192,560,655	
56,678,376	E.Additional Provision of Current Year	(331,206)	(202,835)	41,084,439	-	40,550,398	22,738	(227,800)	(205,062)	40,345,336	
27,916,293	F. Changes this year	(616,298)	(1,217,805)	(150,176,154)	-	(152,010,257)	22,738	(227,800)	(205,062)	(152,215,319)	
12,113,698,428	Net Loan (A-B)	198,638,573	404,401,964	14,383,338,517	-	14,986,379,054	20,864,563	124,504,327	145,368,890	15,131,747,944	

* Note: Out of these total loan under Deprived Sector Lending is Rs. 4414.83 Lacs.

Schedule 13 (A)

LOAN, ADVANCES AND BILLS PURCHASED SECURITY WISE
(End of Ashadh 2066)

Previous Year Rs.	Particulars	This Year Rs.
12,746,216,214	A. Secured	15,612,050,411
11,377,606,882	1. Movable/Immovable Assets	14,049,060,334
506,133,097	2. Guarantee of Local Licensed Institutions	124,795,643
-	3. Government Guarantee	-
-	4. Internationally Rated Bank Guarantee	-
119,439,225	5. Export Documents	126,525,772
300,104,999	6. Fixed Deposit Receipts	471,652,656
89,981,791	a. Own FDR	348,064,823
210,123,208	b. FDR of Other Licensed Institutions	123,587,833
9,238,986	7. Government Bonds	159,133,341
-	8. Counter Guarantee	-
8,250,000	9. Personal Guarantee	-
425,443,025	10. Other Securities	680,882,665
-	B. Unsecured	
12,746,216,214	Total	15,612,050,411

FIXED ASSETS (End of Ashadh 2066)						
Previous Year Rs.	Particulars	ASSETS				This Year Rs.
		Building	Vehicles	Machinery	Office Equipment	
	1. Cost Price					
194,294,552	a. Previous Year balance	-	20,452,279	101,596,387	93,684,691	33,279,669
58,418,870	b. Addition during the year	-	47,352,074	79,665,137	50,270,474	11,387,087
-	c. Revaluation/Written Back this year	-				-
-	d. Sold during the year	-	764,193	16,515,878	5,329,635	738,491
3,700,396	e. Written off during the year	-		10,269,014		23,348,197
249,013,026	Total Cost (a+b+c-d-e)	-	67,040,160	154,476,632	138,625,530	43,928,265
	2. Depreciation					
97,075,748	a. Up to previous year	-	9,900,918	70,523,588	37,655,530	10,710,731
34,507,434	b. For this year	-	7,674,167	20,521,002	20,477,462	5,493,042
-	c. Depreciation on revaluation/Written Back	-				-
2,792,415	d. Depreciation on Assets Sold/Written off	-	761,902	26,331,625	4,769,456	603,565
128,790,767	Total Depreciation	-	16,813,183	64,712,965	53,363,536	15,600,208
120,222,259	3. Book Value (WDV*) (1-2)	-	50,226,977	89,763,667	85,261,994	28,328,057
-	4. Land	-	-	-	-	-
-	5. Capital Construction (Pending Capitalization)	-	-	-	-	-
-	6. Lease Hold Assets	-	-	-	-	-
120,222,259	Total (3+4+5+6)	-	50,226,977	89,763,667	85,261,994	28,328,057
						253,580,695

Schedule 15

NON BANKING ASSETS (End of Ashadh 2066)						
Previous Year Rs. (Net NBA)	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)
				In %	In Amount	
-	Himal Salem Industries	16.07.2003	-		-	-
-	Kanchan Variety	01.10.2003	-		-	-
-	Bishwanath & Sons	15.07.2005	-		-	-
-	Total	-	-		-	-

Schedule 16

OTHER ASSETS (End of Ashadh 2066)			
Previous Year Rs.	Particulars		This Year Rs.
872,191	1. Stock of Stationery		2,662,561
19,950,769	2. Income receivable on Investment		87,141,845
509,497,358	3. Accrued Interest on Loan	297,885,894	
(509,497,358)	Less: Interest Suspense Account	<u>297,885,894</u>	-
-	4. Commission Receivable		-
3,885,170	5. Sundry Debtors		39,564,350
57,845,023	6. Staff Loan & Advances		87,540,471
9,358,871	7. Pre Payments		19,712,415
-	8. Cash in Transit		-
-	9. Other Transit items (including Cheques)		-
32,000,000	10. Drafts paid without notice		32,000,000
1,485,861	11. Expenses not written off		9,393,729
-	12. Branch Account		-
10,404,884	13. Deferred Tax Asset		19,401,733
82,330,643	14. Others		43,848,272
82,276,917	a) Income Tax		37,277,821
53,726	b) Others		6,570,451
218,133,411	Total		341,265,376

Schedule 16(A)

OTHER ASSETS (ADDITIONAL STATEMENTS) (End of Ashadh 2066)					
Previous Year Rs.	Particulars	This Year Rs.			
		Up to 1 Year	1 to 3 Years	Above 3 Years	Total
509,497,358	1. Accrued Interest on Loan	62,319,561	66,505,431	169,060,902	297,885,894
32,000,000	2. Drafts Paid without notice	-	-	32,000,000	32,000,000
-	3. Branch Account	-	-	-	-
541,497,358	Total	62,319,561	66,505,431	201,060,902	329,885,894

CONTINGENT LIABILITIES (End of Ashadh 2066)

Previous Year Rs.	Particulars	This Year Rs.
-	1. Claims on institution not accepted by the Institution	-
1,876,531,781	2. Letter of Credit (Full Amount)	2,285,959,305
1,876,531,781	a. Less than 6 months maturity	2,285,959,305
-	b. More than 6 months maturity	-
-	3. Rediscounted Bills	-
430,254,511	4. Unmatured Guarantees/Bonds	754,049,115
26,999,184	a. Bid Bonds	60,208,647
313,280,084	b. Performance Bonds	693,840,468
89,975,243	c. Other Guarantee/Bonds	
-	5. Unpaid Shares in Investment	2,375,000
5,813,748	6. Forward Exchange Contract Liabilities	
31,740,170	7. Bills under Collection	48,050,053
224,236,111	8. Acceptance & Endorsement	205,402,470
-	9. Underwriting Commitment	-
3,855,201,681	10. Irrevocable Loan Commitment	1,388,457,763
518,849,806	11. Guarantee provided on Counter Guarantee of Internationally Rated Banks	613,425,647
31,115,882	12. Advance Payment Guarantee	31,248,207
42,060,000	13. Financial Guarantee	46,740,000
-	14. Contingent Liabilities on Income Tax	-
-	15. Others	-
7,015,803,690	Total	5,375,707,560

INTEREST INCOME (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
860,190,628	A. On Loans, Advances and Overdraft	1,179,593,130
742,540,917	1. Loans & Advances	964,828,962
117,649,711	2. Overdraft	214,764,168
93,200,434	B. On Investment	129,527,674
93,200,434	1. Nepal Government Securities	129,527,674
86,733,801	a. Treasury Bills	110,663,578
6,466,633	b. Development Bonds	18,864,096
-	c. National Saving Certificates	-
-	2. Foreign Securities	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture & Bonds	-
10,090,386	C. On Agency Balances	143,071,460
-	1. Local Banks	-
10,090,386	2. Foreign Banks	143,071,460
3,506,182	D. On Money at Call and Short Notice	-
3,506,182	1. Local Banks/Financial Institutions	-
-	2. Foreign Banks	-
3,525,051	E. On Others	8,253,422
-	1. Certificate of Deposits	-
-	2. Inter-Bank Loan	4,105,130
3,525,051	3. Others	4,148,292
970,512,681	Total	1,460,445,686

INTEREST EXPENSES (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
437,639,433	A. ON DEPOSIT LIABILITIES	808,799,209
327,608,143	1. Fixed Deposits	644,782,714
324,604,584	1.1 Local Currency	512,020,144
3,003,559	1.2 Foreign Currency	132,762,570
92,813,494	2. Saving Deposits	113,565,254
92,442,325	2.1 Local Currency	113,302,939
371,169	2.2 Foreign Currency	262,315
17,217,796	3. Call Deposits	50,451,241
17,185,729	3.1 Local Currency	50,096,555
32,067	3.2 Foreign Currency	354,686
-	4. Certificate of Deposits	-
17,278,280	B. ON BORROWINGS	15,901,064
12,000,000	1. Debentures & Bonds	12,000,000
-	2. Loan from Nepal Rastra Bank	-
5,278,280	3. Inter Bank /Financial Institutions Borrowing	3,901,064
-	4. Other Corporate Body	-
-	5. Other Loan	-
-	C. ON OTHERS	-
454,917,713	Total	824,700,275

Schedule 20

COMMISSION AND DISCOUNT INCOME (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
2,718,000	A. Bills Purchase & Discount	2,727,623
1,367,083	1. Local	1,891,304
1,350,917	2. Foreign	836,319
46,219,042	B. Commission	67,357,031
11,372,171	1. Letters of Credit	18,205,131
10,480,007	2. Guarantees	17,022,685
1,668,766	3. Collection Fees	2,886,390
22,665,703	4. Remittance Fees	28,300,061
-	5. Credit Card	-
-	6. Share Underwriting/Issue	-
-	7. Government Transactions	-
32,395	8. Agency Commission	942,764
-	9. Exchange Fee	-
1,980,788	C. Others	8,751,970
50,917,830	Total	78,836,624

Schedule 21

OTHER INCOME (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
333,000	1. Safe Deposit Lockers Rental	530,800
-	2. Issue & Renewals of Credit Cards	-
1,348,640	3. Issue & Renewals of ATM Cards	5,424,905
4,171,720	4. Telex / T. T.	14,546,387
13,463,904	5. Service Charges	29,017,291
-	6. Renewal Fees	2,465,125
239,995	7. Others (Postage)	805,629
19,557,259	Total	52,790,137

Schedule 22

EXCHANGE GAIN/LOSS (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
9,461,742	a. Revaluation Gain (Loss)	(1,225,376)
42,527,533	b. Trading Gain (except Exchange Fees)	62,519,675
51,989,275	Total Income (Loss)	61,294,299

Schedule 23

EXPENSES RELATING TO EMPLOYEES (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
30,348,164	1. Salary	41,328,058
23,715,324	2. Allowances	34,437,701
2,563,355	3. Contribution to Provident Fund	3,327,508
297,108	4. Training Expenses	718,759
77,882	5. Uniform	275,667
2,911,748	6. Medical	3,048,321
169,152	7. Insurance	171,774
9,976,750	8. Pension, Gratuity and Leave Provision	30,826,718
4,830,786	9. Others(Canteen)	7,854,654
74,890,269	Total	121,989,160

OFFICE OPERATING EXPENSES (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
18,883,468	1. House Rent	31,856,503
4,775,384	2. Electricity & Water	6,368,952
4,280,790	3. Repair & Maintenance	4,671,510
1,099,490	a. Building (on lease)	1,174,427
319,540	b. Vehicles	756,341
2,861,760	c. Others(Computer, Office Equipment, Furniture)	2,740,742
4,263,077	4. Insurance	5,056,171
5,434,776	5. Postage, Telex, Telephone & Fax	8,597,861
347,361	6. Office Equipment, Furniture and Repair	164,186
7,891,220	7. Travelling Allowances & Expenses	9,235,100
8,990,098	8. Printing & Stationery	18,132,722
345,533	9. Books & Periodicals	421,370
2,494,712	10. Advertisements	4,543,592
1,045,350	11. Legal Expenses	755,560
434,083	12. Donations	667,264
1,651,035	13. Expenses relating to Board of Directors	2,452,090
1,031,000	a. Meeting Fees	1,548,000
620,035	b. Other Expenses	904,090
1,616,401	14. Annual General Meeting Expenses	1,417,763
515,582	15. Expenses relating to Audit	567,681
110,000	a. Audit Fees	150,000
405,582	b. Other Expenses	417,681
-	16. Commission on Remittances	-
34,502,819	17. Depreciation on Fixed Assets	54,165,673
-	18. Amortization of Preliminary Expenses	-
-	19. Share Issue expenses	-
9,802,500	20. Technical Services Fee	11,636,563
828,975	21. Entertainment	230,130
583,360	22. Written Off Expenses	942,544
7,122,697	23. Security Expenses	15,271,250
3,270,214	24. Credit Guarantee Premium	2,612,151
-	25. Commission and Discount	-
33,300,407	26. Others	44,198,956
14,205,057	a) Information Technology Support Cost	19,377,351
19,095,350	b) Others	24,821,605
152,379,842		223,965,592

Schedule 25

PROVISION FOR POSSIBLE LOSS (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
56,678,376	1. Increase in Loan Loss Provision	40,345,336
-	2. Increase in Provision for Loss on Investment	-
785,533	3. Provision Against Non-Banking Assets	-
-	4. Provision Against Other Assets	-
57,463,909	Total	40,345,336

Schedule 26

NON OPERATING INCOME/LOSS (From 1st Shrawan 2065 to 31st Ashadh 2066)		
Previous Year Rs.	Particulars	This Year Rs.
-	1. Profit (Loss) on Sale of Investments	-
(809,514)	2. Profit (Loss) on Sale of Assets	1,618,895
538,508	3. Gross Dividend Rs. 944,749.00 Less : Dividend Tax Rs 47,237.00 Net Dividend income after tax"	897,512
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5. Others	-
(271,006)	Total Non-Operating Income (Loss)	2,516,407

Schedule 27

LOSS PROVISIONS WRITTEN BACK (Fiscal Year 2065/66)		
Previous Year Rs.	Particulars	This Year Rs.
28,762,083	1. Loan Loss Provision Written Back	192,560,655
1,020,497	2. Provision against Non Banking Assets Written Back	6,112,133
-	3. Investment Provision Written Back	
-	4. Provision against other Assets Written Back	
29,782,580	Total	198,672,788

Schedule 28

PROFIT/LOSS FROM EXTRA ACTIVITIES (Fiscal Year 2065/66)		
Previous Year Rs.	Particulars	This Year Rs.
-	1. Recovery of Write off Loan	8,680,000.00
-	2. Voluntary Retirement Scheme Expenses	
-	3. Loan Write -Offs (4.28 (a))	(164,900,828)
-	4. Other expenses/Income	
-	Total	(156,220,828.00)

STATEMENT OF LOAN WRITTEN-OFF (Fiscal Year 2065/66)							
S.No.	Types of Loan	Written off amount Rs	Type of Security	Basis of valuation of collateral	Loan Approved by Name/Designation	Initiations made for recovery	Remarks
1	Working Capital Loan	143,998,791.64	Land, Building etc.	Engineer's Valuation	Managing Director, Chief Manager (Credit), Branch Manager, Executive Committee "	Recovery suit against the unit has been filed with Debt Recovery Tribunal (DRT). Follow up is being made for recovery.	-
2	Project Loan	20,865,293.56	Land, Building etc.	Engineer's Valuation	Managing Director, Branch Manager, Business Committee "	Recovery suit against the unit has been filed with Debt Recovery Tribunal (DRT). Follow up is being made for recovery.	-
3	Fixed Capital Loan		-	-	-	-	-
4	Personal Loan	36,743.29	No Collateral	-	Chief Manager (Credit)	Follow up is being made for recovery. Borrower is out of contact	-
5	Other Loan		-	-	-	-	-
	Total Loan	164,900,828.49					

Schedule 29
In Rs.

STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/CHIEF EXECUTIVE /PROMOTERS/EMPLOYEES AND SHAREHOLDERS
(End of ASHADH 2066)

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 2066	
	Principal	Interest	Principal	Interest			Principal	Interest
A. Directors	-	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-	-
B. Chief Executive	-	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
C. Promoters	-	-	-	-	-	-	-	-
1. Agriculture Development Bank	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-	-
D. Employees	-	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-	-
E. Shareholders	-	-	-	-	-	-	-	-
1.	-	-	-	-	-	-	-	-
2.	-	-	-	-	-	-	-	-
3.	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

Statement of Capital Fund
As on 15.07.2009 (Ashadh End 2066)

1.1	RISK WEIGHTED ASSETS	Ashadh End 2066	Ashadh End 2065
a	Credit Risk	15,904,777,543.67	14,565,374,252
b	Operational Risk	930,991,586.00	867,371,378
c	Market Risk	36,948,120.60	653,267,575
	Total Risk Weighted Assets (a+b+c)	16,872,717,250.27	16,086,013,205.00

1.2	CAPITAL	Ashadh End 2066	Ashadh End 2065
	Core Capital (Tier 1)	1,692,371,238.20	1,394,064,014
a	Paid up Capital	874,527,840.00	874,527,840
b	Irredeemable Non-cumulative preference shares		
c	Share Premium		
d	Proposed Bonus Shares	349,811,136.00	
e	General Reserves	304,519,861.00	241,245,162
f	Retained Earnings Up to last FY	3,848,810.00	1,528,836
g	Current Year's P/L Account		
h	Capital Redemption Adjustment Fund		
l	Capital Adjustment Fund	65,000,000.00	230,000,000
j	Dividend Equalization Fund	-	-
k	Debenture Redemption Fund	85,714,287.00	57,142,858
l	Other Free Reserve		
m	Deferred Tax Reserve	18,985,145.00	
	Deductions :		
a	Goodwill	-	-
b	Miscellaneous Assets Not Written Off	-344,840.80	-689,682
c	Share Investment in Licensed Institution	-	-
d	Investment in financial interested company	-	-
e	Investment exceeding the limit	-	-
f	Investments arising out of underwriting commitments	-9,691,000.00	-9,691,000
g	Reciprocal crossholdings	-	-
h	Others		
	Supplementary Capital (Tier 2)	319,666,657.00	328,122,783
a	Cumulative and/or Redeemable Preference Share	-	-
b	Unsecured Subordinate Long Term Loans	160,000,000.00	200,000,000
c	Hybrid Capital Instruments	-	-
d	Pass Loan Loss Provision	149,466,541.00	117,922,667
e	Exchange Equalization Fund	10,200,116.00	10,200,116
f	Investment Adjustment Fund	-	-
g	Assets Revaluation Fund		-
h	Other Funds	-	-
	Total Capital Fund (Tier I and Tier II)	2,012,037,895.20	1,722,186,797

1.3	CAPITAL FUND RATIOS	Ashadh End 2066	Ashadh End 2065
	Core Capital / Total Risk Weighted Assets (Tier I)	10.03%	8.67%
	Capital Fund / Total Risk Weighted Assets (Tier I & Tier II)	11.92%	10.71%

FORM NO.2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK
As on 15.07.2009 (Ashadh End 2066)

A. Balance Sheet Exposures	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e	Previous Year	
							Net Value	Risk Weighted Exposures
Cash Balance	652,027,266.00			652,027,266.00	0%	-	308,101,599.00	-
Balance With Nepal Rastra Bank	444,138,596.00			444,138,596.00	0%	-	403,810,203.00	-
Gold				-	0%	-		-
Investment in Nepalese Government Securities	2,933,848,660.00			2,933,848,660.00	0%	-	2,762,828,586.00	-
All other Claims on Government of Nepal					0%	-	19,919,970.00	-
Investment in Nepal Rastra Bank securities	372,725,000.00			372,725,000.00	0%	-	272,725,000.00	-
All other claims on Nepal Rastra Bank				-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)			-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)			-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)			-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework				-	0%	-	-	-
Claims on Other Multilateral Development Banks			-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	114,377,167.46		-	114,377,167.46	150%	171,565,751.19	400,000,000.00	600,000,000.00
Claims on domestic banks that meet capital adequacy requirements	257,004,118.36		90,012,302.01	166,991,816.35	20%	33,398,363.27	562,798,134.33	112,559,626.87
Claims on domestic banks that do not meet capital adequacy requirements	38,592,904.35		-	38,592,904.35	100%	38,592,904.35		-
Claims on foreign bank (ECA Rating 0-1)	378,151,375.75		-	378,151,375.75	20%	75,630,275.15	563,587,446.81	112,717,489.36
Claims on foreign bank (ECA Rating 2)	4,918,314.65		-	4,918,314.65	50%	2,459,157.33	-	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-	68,521,731.56	68,521,731.56
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	375,962,767.04		-	375,962,767.04	20%	75,192,553.41		
Claims on Domestic Corporates	9,001,641,430.30		263,667,792.98	8,737,973,637.32	100%	8,737,973,637.32	8,133,964,801.48	8,133,964,801.48
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-	-	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-	-	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-	-	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	1,961,917,839.06		6,049,869.82	1,955,867,969.24	75%	1,466,900,976.93	1,094,958,901.31	821,219,175.98
Claims Fulfilling all criterion of regulatory retail except granularity	83,650,003.42		-	83,650,003.42	100%	83,650,003.42	-	-
Claims secured by residential properties	2,574,463,685.15		-	2,574,463,685.15	60%	1,544,678,211.09	1,836,559,548.06	1,377,419,661.05
Claims not fully secured by residential properties			-	-	150%	-	-	-
Claims secured by residential properties (Overdue)	24,120,019.11	2,148,395.49	-	21,971,623.92	100%	21,971,623.92	-	-
Claims secured by Commercial real estate	135,636,743.99		-	135,636,743.99	100%	135,636,743.99	-	-
Past due claims (except for claim secured by residential properties)	376,159,873.02	328,687,530.81	-	47,472,342.21	150%	71,208,513.32	21,578,925.00	32,368,387.50
High Risk Claims	946,357,166.58		120,388,405.19	825,968,761.39	150%	1,238,953,142.09	-	-

Investments in equity and other capital instruments of institutions listed in the stock exchange	23,255,500.00		-	23,255,500.00	100%	23,255,500.00	23,130,500.00
Investments in equity and other capital instruments of institutions not listed in the stock exchange			-	-	150%	-	
Other Assets - Interest Receivable / Claim on Govt. Securities	35,207,909.84			35,207,909.84	0%	-	-
Other Assets- Cash & Cash in Transit Items	146,837,262.00		-	146,837,262.00	20%	29,367,452.40	-
Other Assets - Investments in equity or regulatory capital instruments issued by securities firms			-	-	100%	-	-
Fictitious Assets not deducted from Tier I			-	-	100%	-	-
Other Assets (as per attachment)	1,026,415,918.05	480,375,786.00	-	546,040,132.05	100%	546,040,132.05	285,277,972.96
TOTAL	21,907,409,520.13	811,211,712.00	480,118,370.00	20,616,079,438.13		14,296,474,941.23	11,567,179,346.76
B. Off Balance Sheet Exposures					Risk Weight	Risk Weighted Exposures	Previous Year
Revocable Commitments					e	f=d*e	Risk Weighted Exposures
Bills Under Collection	48,050,053.00			48,050,053.00	0%	-	
Forward Foreign Exchange Contract Liabilities	-			-	10%	-	31,740,170.00
LC Commitments With Original Maturity Up to 6 months Domestic Counterparty	2,285,959,305.00		131,822,695.28	2,154,136,609.72	20%	430,827,321.94	581,374.80
Foreign Counterparty (ECA Rating 0-1)			-	-	20%	-	358,186,970.74
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%	-	-
Bit Bond, Performance Bond and Counter guarantee Domestic Counterparty	1,367,104,762.00		107,024,183.05	1,260,080,578.95	50%	630,040,289.48	425,514,184.22
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%	-	-
Guarantee Invoked but yet to be honoured	370,000.00		37,000.00	333,000.00	200%	666,000.00	-
Underwriting commitments			-	-	50%	-	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-	-
Advance Payment Guarantee	31,248,207.00		1,577,743.64	29,670,463.36	100%	29,670,463.36	30,305,844.95
Financial Guarantee	46,740,000.00		7,672,000.00	39,068,000.00	100%	39,068,000.00	41,997,981.79
Acceptances and Endorsements	205,402,469.74		1,465,955.00	203,936,514.74	100%	203,936,514.74	214,007,708.66
Unpaid portion of Partly paid shares and Securities			-	-	100%	-	-
Irrevocable Credit commitments (Short Term)	1,388,457,762.58		17,987,697.99	1,370,470,064.59	20%	274,094,012.92	1,927,600,840.36
Irrevocable Credit commitments (Long Term)			-	-	50%	-	-
Other Contingent Liabilities			-	-	100%	-	-
TOTAL	5,373,332,559.32		267,587,274.96	5,105,745,284.36		1,608,302,602.44	2,998,194,905.52
Total RWE for credit Risk (A) +(B)	27,280,742,079.45	811,211,712.00	747,705,644.96	25,721,824,722.49		15,904,777,543.67	14,565,374,252.28

* The investment in equity include the investment made in RMDC, MPGBBL & CIC which is approved by NRB. Due to this we have reported the figure under listed institutions.

[illegible]

Schedule 30 D

FORM NO.6 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

As on 15.07.2009 (Ashadh End 2066)

Particulars	Year 1 (2063/64)	Year 2 (2064/65)	Year 3 (2065/66)	2066 Ashadh End
Net Interest Income	418,855,037.00	515,594,968.00	635,745,411.00	635,745,411.00
Commission and Discount Income	52,591,560.00	50,917,830.00	78,836,624.00	78,836,624.00
Other Operating Income	12,601,352.00	19,557,259.00	52,790,137.00	52,790,137.00
Exchange Fluctuation Income	49,463,539.00	51,989,275.00	61,294,299.00	61,294,299.00
Additional Interest Suspense during the period	28,429,986.00	44,927,359.00	(211,611,464.00)	(211,611,464.00)
Gross income (a)	561,941,474.00	682,986,691.00	617,055,007.00	617,055,007.00
Fixed Percent (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	84,291,221.10	102,448,003.65	92,558,251.05	
Capital Requirement for operational risk (d) (average of c)	93,099,158.60			
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10.00			
Equivalent Risk Weight Exposure [f=(d×e)]	930,991,586.00			

Schedule 30 E

FORM NO.7 RISK WEIGHTED EXPOSURE FOR MARKET RISK

As on 15.07.2009 (Ashadh End 2066)

S.No.	Particulars	As On 2066 Ashadh End				Relevant Open Position (2065 Ashadh End)
		Open Position (FCY)	Rate	Open Position (NPR)	Relevant Open Position	
1	INR	15,798,708.64	1.60	25,277,933.83	25,277,933.83	1,134,827,000.00
2	USD	(55,706.27)	77.90	(4,339,518.43)	4,339,518.43	143,483,000.00
3	GBP	(34,088.65)	127.94	(4,361,301.88)	4,361,301.88	1,556,000.00
4	EURO	(327,223.63)	109.35	(35,781,903.94)	35,781,903.94	24,720,400.00
5	JPY	(313,898.35)	0.83	(260,535.63)	260,535.63	1,909,680.00
6	AUD	(61,294.90)	62.46	(3,828,479.45)	3,828,479.45	39,070.00
7	SGD	(100.00)	53.60	(5,360.00)	5,360.00	-
8	CAD	(600.00)	68.68	(41,208.00)	41,208.00	-
Total Open Position (a)					73,896,241.16	1,306,535,150.00
Fixed Percentage (b)					5%	5%
Capital Charge for Market Risk [c=(a×b)]					3,694,812.06	65,326,757.50
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10.00	10.00
Equivalent Risk Weight Exposure [e=(c×d)]					36,948,120.60	653,267,575.00

PRINCIPAL INDICATORS
(For 5 years)

Particulars	Indicators	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2061/2062	2062/2063	2063/2064	2064/2065	2065/2066
1. Percent of Net Profit/Gross Income	%	7.98	14.63	26.95	22.67	19.14
2. Earnings Per Share	Rs.	13.29	18.27	39.35	28.33	36.18
3. Market Value per Share	Rs.	335.00	612.00	1,176.00	1,511.00	1900.00
4. Price Earning Ratio	%	25.21	33.49	29.89	53.34	52.52
5. Dividend (including bonus) on share capital	%	-	5.00	47.59	-	42.11
6. Cash Dividend on Share Capital	%	-	5.00	12.59	-	2.11
7. Interest Income/Loans & Advances	%	7.72	7.38	7.01	6.75	7.56
8. Staff Expenses/Total Operating Expenses	%	9.72	10.43	9.09	10.98	10.42
9. Interest Expenses /Total Deposit and Borrowings	%	2.83	2.88	3.36	2.93	2.86
10. Exchange Gain/Total Income	%	4.50	5.38	5.23	4.76	3.71
11. Staff (Statutory) Bonus/ Total Staff Expenses	%	27.01	28.33	39.30	31.73	26.64
12. Net Profit/Loans & Advances	%	0.87	1.53	2.69	2.05	2.03
13. Net Profit/ Total Assets	%	0.55	0.90	1.83	1.44	1.02
14. Total Credit/Deposit	%	77.87	69.32	82.66	88.32	55.84
15. Total Operating Expenses/Total Assets	%	3.74	3.72	4.21	3.97	3.79
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	8.68	10.53	10.53	9.97	10.03
b. Supplementary Capital	%	0.79	3.04	2.76	2.35	1.89
c. Total Capital Fund	%	9.47	13.57	13.29	12.32	11.92
17. Liquidity (CRR)	%	5.26	5.83	5.60	5.72	6.67
18. Non Performing Credit/Total Credit	Ratio	6.54	6.13	4.56	3.83	2.02
19. Weighted Average Interest Rate Spread	%	3.68	3.33	3.01	3.11	2.84
20. Book Net worth	Rs.	689,013,061	971,729,028	1,153,313,329	1,404,264,131	1,702,571,354
21. Total Shares	No.	4,318,656	6,402,361	6,477,984	8,745,278	8,745,278
22. Total Staff	No.	164	174	189	249	323
23. Return on Shareholder's Equity	%	8.33	12.04	22.10	17.64	18.58
24. Book Value Per Share	Rs.	159.54	151.78	178.04	160.57	194.68
25. Return on Net Fixed Assets	%	86.36	175.38	262.20	206.09	124.76
26. Total Interest Earning to External Assets	%	6.56	6.31	6.86	6.38	5.14

Nepal SBI Bank Limited
Hattisar, Kathmandu
PRINCIPAL ACCOUNTING POLICIES
FOR THE YEAR ENDED 31st ASHADH 2066 (15th JULY 2009)

i) General information

Nepal SBI Bank Limited ("the Bank") is a public quoted company domiciled in Nepal. The registered office of the Bank is situated at Hattisar, Kathmandu, Nepal.

Nepal SBI Bank Limited has become a foreign subsidiary of State Bank of India with effect from 14.06.2009. The principal activities of the Bank consist of the business of commercial banking and other financial services in Nepal.

The Financial Statements for the year ended on 15th July 2009 (Ashadh 31, 2066) were authorised for issue by the Board of Directors on 29.10-2009.

ii) Statement of Compliance

The Financial Statements have been prepared in accordance with Nepal Accounting Standards ("NAS") issued by the Nepal Accounting Standard Board except otherwise stated, Bank & Financial Institutions Act 2063, presentation requirement of Nepal Rastra Bank directives and in conformity with the Companies Act 2063. These policies have been consistently applied to all the years presented except otherwise stated.

iii) Basis of Preparation

The Financial Statements are prepared on the historical cost basis except for foreign currency items and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements. They are presented in Nepalese Rupees and have been rounded to the nearest Rupee.

iv) Use of Estimates, Assumptions & Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 a cash basis as per the Nepal Rastra Bank Directive, which is not in line with NAS 7 (Revenue Accounting), which prescribes that interest income should be recognised on an accrual basis.

Interest income from Investments is recognised on an accrual basis.

vi) Commission and Fee Income

Commission and fee income mainly comprises fees receivable from customers for guarantees, letter of credit and other services provided by the bank. Such income is recognised as revenue on a cash basis at the time the services are provided.

vii) Dividend Income

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

viii) Foreign Exchange Transactions

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

Income arising from the difference between buying and selling rates of Foreign Exchange transactions are recorded on a daily basis and shown as "Trading Gain on foreign exchange".

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

ix) **Interest Expense**

Interest payable on deposit liabilities and borrowings are accounted for on accrual basis.

x) **Loans and Advances including Bills Purchased**

Loans and advances including bills purchased are stated in the Balance Sheet net of provisions for loan losses. These loans and advances including bills purchased are classified as per the Nepal Rastra Bank’s Directives.

xi) **Staff Loans**

Loans and advances granted to staff in accordance with the staff loan scheme of the Bank are shown under Other Assets. Total amount of staff loan as on the balance sheet date is Rs. 87,540,471.

xii) **Loan Loss Provision**

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

xiii) **Investments**

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

Investments in shares are accounted for as per Nepal Rastra Bank’s Directives.

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

xiv) **Fixed Assets and Depreciation**

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

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

xv) **Intangible Assets**

a. **Basis of Recognition**

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

b. **Measurement**

Software: Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. These intangible

assets are carried at its cost, less accumulated amortisation and any impairment losses. These assets are included under the account head “Computers and Accessories” and amortized accordingly.

xvi) Non-Banking Assets (NBAs)

Non-Banking Assets represent properties that are acquired in full or partial satisfaction of debts. The Bank has adopted a policy of acquiring properties that are placed as collateral in full or partial satisfaction of debts as per prevailing laws and guidelines. The value of such properties shall be the lower of the market value or gross receivable from the customer due up to the day before such acquisition date. Non-Banking Assets are stated net of provision for losses in the Balance Sheet.

xvii) Retirement Benefits

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

xviii) Leave Encashment Facility

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

b. Change in Accounting policy

Previously, Bank used to account for leave encashment on cash basis. However, from the FY 2008/09 (2065/66), Bank has started accounting for leave encashment on accrual basis with prospective effect. Due to change in the accounting policy Bank has made provision of Rs. 239 lacs for leave encashment liability resulting into reduction in operating profit by the same amount.

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 taxation is provided for by using the assets and liabilities method. 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 Circular No 39/065/66, and in compliance with NRB Circular, deferred tax surplus amount is not apportioned towards declaring dividend/bonus shares.

An amount equal to total of deferred tax surplus is transferred to Deferred Tax Reserve.

xxii) Cash & Cash Equivalents

Cash & cash equivalents comprise cash balances only.

Nepal SBI Bank Limited
Hattisar, Kathmandu
NOTES TO ACCOUNTS
For the year ended 31st Ashadh, 2066 (15th July, 2009)

1. Provision for Staff Bonus

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

2. Staff Housing Fund

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

3. General Reserve

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

4. Exchange Fluctuation Reserve

No amount has been transferred to Exchange Fluctuation Reserve by debiting Profit & Loss Appropriation Account as the Bank made an exchange revaluation loss in the FY 2065/66. The exchange revaluation loss of Rs. 1,225,376 has been charged to Profit & Loss Account.

5. Capital Adjustment Reserve

The Opening Capital Adjustment Reserve of Rs. 23.00 crores is transferred to Profit & Loss Appropriation Account for the purpose of issuing 4 bonus shares for every 10 shares held. Rs. 6.50 crores has been transferred to Capital Adjustment Reserve from the Profit and Loss Appropriation Account this year.

6. Provision for Gratuity

During the year, the Bank has provided Rs. 6,907,150 on account of gratuity. A sum of Rs. 47,000 was paid as gratuity during the year out of the accumulated provision.

7. Provision for Leave Encashment

During the FY, the Bank has provided Rs. 23,919,568.38 for accrued leave encashment.

8. Tax Settlement Outstanding

Bank has settled the corporate tax liability up to FY 2061-062 and has also received advance payment certificate from LTPO for excess tax payment made up to the end of the FY 2061-062. For the FYs 2062-063, 2063-064 and 2064-065, self assessments have been submitted to Large Tax Payer Office for which final assessment is yet to be done.

9. Income Tax and Deferred Tax

Provision for income tax has been made as per the Income Tax Laws.

Deferred Tax has been calculated as the "Nepal Accounting Standard 9- Income Taxes" The movement in deferred tax assets/ liabilities is as follows:

Particulars / Items	Carrying Amount	Tax Base	Deductible Temp Diff	Taxable Tem. Diff.	Deferred Tax Asset	Deferred Tax Liability
Fixed Assets	253,580,695	265,481,924	11,901,229		3,570,369	
Provision for Gratuity & Leave	52,771,218	-	52,771,218		15,831,365	
Provision for NBA	-	-	-			
Deferred Revenue Expenditure	8,657,629	7,269,000	-	1,388,629		416,589
Total	315,009,542	272,750,924	64,672,447	1,388,629	19,401,734	416,589
Opening Balances					10,404,885	468,046
Differences					8,996,849	-51,457

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

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

Particulars	Debit	Credit
Deferred Tax Assets	8,996,849	-
Deferred Tax Income (Credited to Income Statement)	-	9,048,306
Deferred Tax Liabilities	51,457	-
Total	9,048,306	9,048,306

The Deferred Tax Income is further segregated as follows:

Deferred tax income relating to the origination and reversal of temporary differences	9,521,488.81
Deferred tax income resulting from reduction in tax rate (From 31.5 % during the previous year to 30 % during the Current year)	(473,182.81)
Net Deferred Tax Income	9,048,306.00

Closing Deferred Tax Assets and Liabilities

Particulars	Debit	Credit
Deferred Tax Assets	19,401,734	
Deferred Tax Liabilities		416,589
Deferred Tax Income		9,048,306
Accumulated P&L A/C		9,936,839
Total	19,401,734	19,401,734

10. Fraudulent Draft Case

The Bank had filed a case with the Kathmandu District Court for recovery of Rs. 32,000,000 on account of loss incurred by the Bank due to the negligence of collecting Banks. Since the decision of the District Court and Appellate Court was not in favor of the Bank, we have filed a leave petition with the Supreme Court. Hearing on the Bank's leave petition is under process.

The Bank has already made 100 percent provision against possible loss on this account.

11. Reconciliation Status of Agency Accounts Outstanding as on 15.07.2009

Rs. in '000

Reconciliation Status	Total Amount	≤ 3 Months	> 3 ≤ 9 Months	>9 Months
Agency Accounts	700,222	495,974	86,948	117,301

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

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

Rs. in '000

Particulars	Amount
Balance as on 15/07/2008	12,746,216
Loans Disbursed	15,039,231
Loans Recovered	12,008,496
Loans Written Off	164,901
Interest Suspense Written Off	247,223
Balance as on 15/07/2009	15,612,050

13. Summary of Changes in deposit & liabilities

Rs. in '000

Particulars	Current Year	Previous Year	Changes
Call Deposits	1,645,265	828,795	816,470
Current Deposits	2,864,733	1,738,101	1,126,632
Fixed Deposits	17,438,405	6,854,885	10,583,520
Inter-bank Deposit	-	-	-
Margin Deposits	186,524	122,438	64,086
Saving Deposits	5,822,294	4,171,176	1,651,118

14. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of Return from Credit and Investments	6.86
Average Cost on Deposits	4.02
Net Spread	2.84

15. Particulars of Expenses yet to be Expensed-off

Rs. in '000

1.	Pre operating expenses	NIL
2.	Share Issue expenses	345
3.	Membership fee of Visa card	168
4.	Premium paid on Development Bond	7480
5.	License fee to NTA	1000
6.	User Fee VSAT	400

16. Summary of Concentration Exposure

Rs. in '000

Particulars	Loans, Advances & Bills	Deposits & Borrowing	Contingent
Total amount as on 15/07/2009	15,612,050	28,684,687	5,327,658
Highest exposure to a single unit	288,414	9,927,861	330,635
Percentage of exposure to single unit/total	1.85%	34.61%	6.21%

17. Classification of Assets and Liabilities based on Maturity

Rs. in lacs

Assets	1 - 90 Days	91 - 180 Days	181 - 270 Days	271 - 365 Days	Above One Year	Total Amount
Cash Balance	6,590					6,590
Bank Balance	12,519					12,519
Investment in Foreign Banks	167	16,167	43,247	39,885		99,466
NG Bonds	8,770	8,617	2,838	9,114		29,339
NRB Bonds					3,727	3,727
Inter Bank Loans						-
Loans and Advances/ Bills Purchase	75,418	615	3,865	23,305	52,918	156,121
Total Assets	103,464	25,399	49,950	72,304	56,645	307,762
Liabilities						
Borrowings	7,275					7,275
Call Deposit						-
Current & Margin Deposits	21,513				9,000	30,513
Savings Deposits					58,223	58,223
Fixed & Call Deposits	35,163	25,774	69,358	51,862	8,679	190,836
Debentures					2,000	2,000
Total Liabilities	63,951	25,774	69,358	51,862	77,902	288,847
Net Financial Assets	39,513	(375)	(19,408)	20,442	(21,257)	18,915
Cumulative Net Financial Assets	39,513	39,138	19,730	40,172	18,915	

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

DISCLOSURE UNDER BASEL II AT THE END OF ASHADH 2066

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)	(in lacs)
A. Paid up Equity Share Capital	8,745.28
B. Proposed Bonus Equity Shares	3,498.11
B. Statutory General Reserves	3,045.20
C. Retained Earnings	38.49
D. Unaudited Current Year Cumulative Profit	-
E. Capital Adjustment Reserve	650.00
F. Other Free Reserve	857.14
G. Less: Fictitious Assets	(3.45)
H. Less: Investments arising out of underwriting commitments	(96.91)
Total Core Capital (Tier I)	16,733.86
ii. Supplementary Capital (Tier II)	(in lacs)
A. Subordinated Term Debt	1,600.00
B. General loan loss provision	1,494.67
C. Exchange Equalization Reserve	102.00
Total Supplementary Capital (Tier II)	3,196.67
iii. Capital Fund (Tier I + Tier II)	(in lacs)
Total Core Capital (Tier I)	16,733.86
Total Supplementary Capital (Tier II)	3,196.67
Total Capital Fund (Tier I + Tier II)	19,930.53
iv. Information about Subordinate Term Debt	(in lacs)
6% Nepal SBI Debentures 2070 of Rs. 1,000/- each issued on 16.07.2006 and maturing on 15.07.2013	
Outstanding Amount	2,000.00
· Fixed Maturity Period of 7 years from 16.7.2006	
· Interest payment half yearly	
· At the time of liquidation, right of claims will be only after depositors	
· Redeemable and non convertible	
Outstanding balance of Redemption Reserve	857.14
Amount Raised during the year	Nil
Amount eligible to be reckoned as capital fund	1,600.00
v. Deductions from Capital	(in lacs)
A. Fictitious Assets	3.45
B. Investments arising out of underwriting commitments	96.91
Total	100.36

v. Total Qualifying Capital (in lacs)	19,930.53
vi. Capital Adequacy Ratio	11.92%

viii Summary of Bank's Internal Approach to assess the adequacy of its capital to support current and future activities

- Regular monitoring by Internal Audit Department
- Periodic Supervision by Top Management

ix. Features of Subordinate Term Debt

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

2. RISK EXPOSURES

i. Risk Weighted Exposures	(in lacs)
A. Risk Weighted Exposure for Credit Risk	159,047.78
B. Risk Weighted Exposure for Operational Risk	9,309.92
C. Risk Weighted Exposure for Market Risk	369.48
Total Risk Weighted Exposures (a+b+c)	168,727.18

ii. Risk Weighted Exposures under each 11 categories of Credit Risk	(in lacs)
Particulars	
a. Claims on Government & Central Bank	-
b. Claims on other Official entities	1,715.66
c. Claims on banks	2,252.73
d. Claims on corporate & securities firms	87,379.74
e. Claims on regulatory retail portfolio	15,505.51
f. Claims secured by residential properties	15,446.78
g. Claims secured by commercial real estate	1,356.37
h. Past due claims	931.80
i. High risk claims	12,622.09
j. Other Assets	5,754.08
k. Off Balance Sheet Items	16,083.03
Total	159,047.77

iii. Amount of NPAs			(in lacs)
Category	Gross	Provision	Net
Restructured	2,149.26	390.71	1,758.55
Substandard	132.36	27.41	104.95
Doubtful	113.39	36.85	76.54
Loss	2,913.80	2,853.38	60.42
Total	5,308.81	3,308.35	2,000.46

iv. NPA Ratios	
• Gross NPA to Gross Advances :	2.02%
• Net NPA to Net Advances :	0.16%

v. Movement of Non Performing Assets			(In lacs)
Particulars	Opening Balance (Ashadh End 2065)	Closing Balance (Ashadh End 2066)	Movement
Non Performing Loan	4,884.11	3,159.55	(1,724.56)
1. Substandard	38.75	132.36	93.61
2. Doubtful	216.27	113.39	(102.88)
3. Loss	4,629.09	2,913.80	(1,715.29)

vi. Write Off of Loans and Interest Suspense :

During the FY, the bank has written off Rs. 164,900,828.49 loan (principal) and Rs.247,223,324.75 interest suspense as per NRB Directive on Loan (Book) Write Off.

vii. Movement of Loan Loss Provision and Interest Suspense			
Loan Loss Provision			(In lacs)
Particulars	Opening Balance (Ashadh End 2065)	Closing Balance (Ashadh End 2066)	Movement
1. Pass	1,179.23	1,494.67	315.44
2. Restructured	477.64	390.71	(86.93)
3. Substandard	5.66	27.41	21.75
4. Doubtful	98.69	36.85	(61.84)
5. Loss	4,563.96	2,853.38	(1,710.58)
Total Loan Loss Provision	6,325.18	4,803.02	(1,522.16)

Interest Suspense			(In lacs)
Particulars	Opening Balance (Ashadh End 2065)	Closing Balance (Ashadh End 2066)	Movement
Interest Suspense	5,094.97	2,978.86	(2,116.11)

viii. Details of Additional Loan Loss Provision			(In lacs)
Particulars	During the FY 2064/65	During the FY 2065/66	Movement
Total Loan Loss Provision	566.78	403.45	(163.33)

ix. Segregation of the Bank's Investment portfolio

All the investments are classified as held to maturity category.

3. RISK MANAGEMENT FUNCTION

i. Strategies and Policies

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

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

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

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

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

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

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

v. Eligible CRM	
Particulars	Eligible CRM
Deposits with Bank	4,390.43
Deposits with other banks/FI	798.72
Govt. & NRB Securities	1,597.15
G'tee of domestic banks	690.76
Total	7,477.06

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)	4,811,400	55.02%	N/A	Nil	Nil	
2	Employees Provident Fund (EPF)	1,312,200	15.00%	N/A	Nil	Nil	

Schedule 35

Rs. in '000

Nepal SBI Bank Ltd. Corporate Office, Hattisar, Kathmandu Unaudited Financial Results (Quarterly) As at end of the 4th Quarter (31/03/2066) of the Fiscal Year 2065/66				
S. N.	Particulars	This Quarter Ending as on 31.03.2066 (15.07.2009)	Previous Quarter Ending as on 31.12.2065 (13.04.2009)	Corresponding Previous Year Quarter Ending as on 31.03.2065 (15.07.2008) Audited
1	Total Capital and Liabilities (1.1 to 1.7)	30,932,861	30,450,153	17,187,446
1.1	Paid Up Capital	874,528	874,528	874,528
1.2	Reserve and surplus	874,467	765,299	540,117
1.3	Debenture and Bond	200,000	200,000	200,000
1.4	Borrowings	727,466	1,956,333	1,627,480
1.5	Deposits (a+b)	27,957,221	26,329,442	13,715,395
	a. Domestic Currency	17,687,754	15,124,547	13,537,322
	b. Foreign Currency	10,269,467	11,204,894	178,073
1.6	Income Tax Liability	-	86,565	-
1.7	Other Liabilities	299,179	237,985	229,926
2	Total Assets (2.1 to 2.7)	30,932,861	30,450,153	17,187,446
2.1	Cash and Bank Balance	1,910,919	3,244,249	1,342,960
2.2	Money at Call and Short Notice	-	-	304,013
2.3	Investments	13,286,182	12,918,638	3,088,887
2.4	Loans and Advances (Net)	15,131,748	13,738,040	12,113,698
2.5	Fixed Assets (Net)	255,317	241,185	120,222
2.6	Non Banking Assets (Net)	-	3,771	-
2.7	Other Assets	348,695	304,271	217,665
3	Profit and Loss Account	Up to this Quarter Ending as on 31.03.2066 (15.07.2009)	Up to the Previous Quarter Ending as on 31.12.2065 (13.04.2009)	Up to the Corresponding Previous Year Quarter Ending as on 31.03.2065 (15.07.2008) : Audited
3.1	Interest Income	1,460,446	963,645	970,513
3.2	Interest Expenses	824,700	540,154	454,918
	A Net Interest Income (3.1-3.2)	635,745	423,491	515,595
3.3	Fees, Commission and Discount	78,803	50,040	50,918
3.4	Other Operating Income	52,537	29,106	19,557
3.5	Foreign Exchange Gain/Loss (Net)	61,294	41,415	51,989
	B. Total Operating Income (A.+3.3+3.4+3.5)	828,380	544,052	638,059
3.6	Staff Expenses	98,065	71,583	74,890
3.7	Other Operating Expenses	223,634	141,824	152,380

	C. Operating Profit Before Provision (B.-3.6-3.7)	506,681	330,645	410,789
3.8	Provision for Possible Losses	40,345	12,954	57,464
	D. Operating Profit (C.-3.8)	466,336	317,691	353,325
3.9	Non Operating Income/Expenses (Net)	2,516	778	(271)
3.10	Write Back of Provision for Possible Loss	198,673	136,196	29,783
	E. Profit From Regular Activities (D + 3.9+3.10)	667,525	454,664	382,837
3.11	Extraordinary Income/Expenses (Net)	(156,221)	(111,742)	
	F. Profit before Bonus and Taxes (E + 3.11)	511,304	342,922	382,837
3.12	Provision for Staff Bonus	46,482	31,175	34,803
3.13	Provision for Tax	130,472	86,565	100,263
	G. Net Profit/Loss (F-3.12-3.13)	334,350	225,182	247,771
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)**	12.18%	11.67%	12.32%
4.2	Non Performing Loan (NPL) to Total Loan	2.02%	2.59%	3.83%
4.3	Total Loan Loss Provision to Total NPL	152.02%	137.67%	129.51%

** The Capital Fund to RWA for Current Quarter & Previous Quarter has been calculated as per Basel II & as per Basel I for the Corresponding Previous Year Quarter

***During this FY, the bank has written off Rs. 16,49,00,828.49 loan as per NRB Directive on Loan (Book) Write Off. It has been shown under “Extraordinary Income / Expenses”. The amount of “Writeback of Provision for Possible Loss” disclosed above includes Rs. 16,49,00,828.49 resulting from loan write off.

*** Provision for Tax includes Deferred Tax Income Rs. 18,19,839 and Write Off of Prepaid Income Tax (related to earlier years) Rs. 25,82,900.00

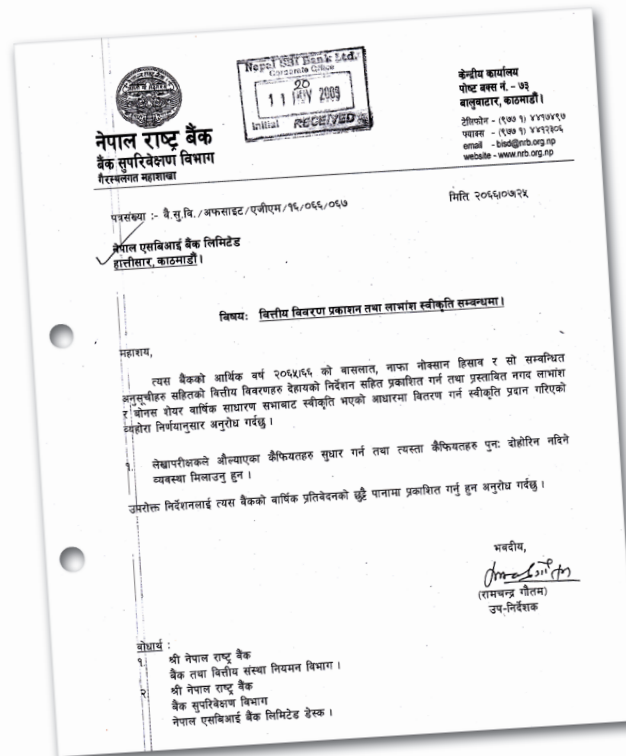
Note: The figure are subject to change as per directions, if any, resulting from Nepal Rastra Bank’s Inspection and/ or Statutory Audit.

Nepal SBI Bank Ltd.
Corporate Office, Hattisar, Kathmandu
Comparison of Unaudited and Audited Financial Statement as of FY 2065/66

S. N.	Particulars	As per Unaudited Financial Statement as on 15.07.2009	As per Audited Financial Statement as on 15.07.2009	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)	30,932,861	30,916,682			
1.1	Paid Up Capital	874,528	874,528	-	0.00%	
1.2	Reserve and surplus	874,467	838,079	(36,388)	-4.16%	Due to decrease in Net Profit and Proposed Dividend.
1.3	Debenture and Bond	200,000	200,000	-	0.00%	
1.4	Borrowings	727,466	727,466	-	0.00%	
1.5	Deposits (a+b)	27,957,221	27,957,221	-	0.00%	
	a. Domestic Currency	17,687,754	17,687,754	-	0.00%	
	b. Foreign Currency	10,269,467	10,269,467	-	0.00%	
1.6	Income Tax Liability	-	-	-	0.00%	
1.7	Other Liabilities	299,179	319,388	20,209	6.75%	Due to increase in provision for leave encashment, net off of accounts payables with accounts receivable, decrease in provision for staff bonus , increase in deferred tax liabilities and proposed dividend.
2	Total Assets (2.1 to 2.7)	30,932,861	30,916,682			
2.1	Cash and Bank Balance	1,910,919	1,903,906	(7,013)	-0.37%	Due to adjustment of ATM cash on account of withdrawals from cards other than NSBL cards.
2.2	Money at Call and Short Notice	-	-	-	0.00%	
2.3	Investments	13,286,182	13,286,182	-	0.00%	
2.4	Loans and Advances (Net)	15,131,748	15,131,748	-	0.00%	
2.5	Fixed Assets (Net)	255,317	253,581	(1,736)	-0.68%	Due to transfer of items (User Fee NTA and Licence fee for VSAT for 5 years) earlier shown under Fixed Assets to Deferred Revenue Expenditure for better adherence to Accounting Standards
2.6	Non Banking Assets (Net)	-	-	-	0.00%	
2.7	Other Assets	348,695	341,265	(7,430)	-2.13%	Mainly due to set off of accounts payable with accounts receivable to the tune of Rs. 191 lacs. Otherwise it should have been increased due to increase in Deferred Revenue Expenditure, Deferred tax Assets and receivable from withdrawal by non NSBL Cards less decrease in Advance Tax
3	Profit and Loss Account					
3.1	Interest Income	1,460,446	1,460,446	-	0.00%	
3.2	Interest Expenses	824,700	824,700	-	0.00%	

	A Net Interest Income (3.1-3.2)	635,745	635,745			
3.3	Fees, Commission and Discount	78,803	78,837	34	0.04%	Earlier due to non availability of TDS certificates, remittance commission was booked net of TDS and now TDS certificates obtained and remittance commission booked properly on gross basis.
3.4	Other Operating Income	52,537	52,790	253	0.48%	
3.5	Foreign Exchange Gain/Loss (Net)	61,294	61,294	-	0.00%	
	B. Total Operating Income (A.+3.3+3.4+3.5)	828,380	828,666			
3.6	Staff Expenses	98,065	121,989	23,924	24.40%	Due to provision for leave encashment for better adherence to accounting standards.
3.7	Other Operating Expenses	223,634	223,966	332	0.15%	Due to transfer of items (User Fee NTA and Liscence fee for VSAT for 5 years) earlier shown under Fixed Assets to Deferred Revenue Expenditure for better adherence to Accounting Standards. The write off expenses of resulting Deferred Revenue Expenditure is higher than the depreciation on Fixed Assets resulting into increase in Other Operating Expenses.
	C. Operating Profit Before Provision (B.-3.6-3.7)	506,681	482,712			
3.8	Provision for Possible Losses	40,345	40,345	-	0.00%	
	D. Operating Profit (C.-3.8)	466,336	442,366			
3.9	Non Operating Income/Expenses (Net)	2,516	2,516	-	0.00%	
3.10	Write Back of Provision for Possible Loss	198,673	198,673	-	0.00%	
	E. Profit From Regular Activities (D + 3.9+3.10)	667,525	643,556	(23,969)	-3.59%	Due to combined effects of aforesaid changes.
3.11	Extraordinary Income/Expenses (Net)	(156,221)	(156,221)	-	0.00%	
	F. Profit before Bonus and Taxes (E + 3.11)	511,304	487,335	(23,969)	-4.69%	Due to combined effects of aforesaid changes.
3.12	Provision for Staff Bonus	46,482	44,303	(2,179)	-4.69%	Due to combined effects of aforesaid changes.
3.13	Provision for Tax	130,472	126,658	(3,814)	-2.92%	Due to combined effects of aforesaid changes.
	G. Net Profit/Loss (F-3.12-3.13)	334,350	316,373	(17,977)	-5.38%	Due to combined effects of aforesaid changes.

Letter of Nepal Rastra Bank



Nepal Rastra Bank
Bank Supervision Department,
Off-site Division

Central Bank
PO Box No. 73
Baluwatar, Kathmandu
Telephone-(977 1)4417497
Fax-(977 1)4412306
Email-bisd@nrb.org.np
Website:www.nrb.org.np

Ref. No.: Bai. Su.Bi./Offsite/AGM/16/066/67

Date:11 Nov, 2009

Nepal SBI BANK Ltd.,
Hattisar, Kathmandu

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

Dear Sir,

I hereby inform, as decided, that approval has been accorded to publish the Financial Statements for the financial year 2008-09 including Balance Sheet, Profit and Loss Account and related Schedules along with the following direction and to distribute proposed Cash Dividend and Bonus shares as may be approved by Annual General Meeting of the Bank.

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

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

Yours faithfully,

-Sd-

Ram Chandra Gautam
Dy-Director

CC.

1. Nepal Rastra Bank
Bank and Financial Institution Regulation Department
2. Nepal Rastra Bank
Bank Supervision Department
Nepal SBI Bank Limited Desk

**Three Columns Format (Tin–Mahale) of the
Amendments in the Memorandum of Association of
Nepal SBI Bank Limited
(Proposed to the 16th Annual General Meeting)**

Existing Provision		Proposed Amendment		Reason for the Amendment
Clause		Clause		
5.1 (b)	The issued capital of the bank shall be Rs. 1,311,791,760/- (Rs. One Billion Three Hundred Eleven Million Seven Hundred Ninety-One Thousand Seven Hundred Sixty only).	5.1 (b)	The issued capital of the bank shall be Rs. 1,661,602,896/- (Rs. One Billion Six Hundred Sixty One Million Six Hundred Two Thousand Eight Hundred Ninety Six only).	To augment Bank's capital to meet its business requirements as directed by NRB.
5.1 (c)	The paid-up capital of the bank shall be Rs. 874,527, 840/- (Eight Hundred Seventy Four Million Five Hundred Twenty Seven Thousand Eight Hundred Forty only).	5.1 (c)	The paid-up capital of the bank shall be Rs. 1,224,338, 976/ (One Billion Two Hundred Twenty Four Million Three Hundred Thirty Eight Thousand Nine Hundred Seventy Six only).	To issue Bonus Share

**Schedule– 13
(Related to Sub Rule (1) of Rule 22 of Securities Registration and Issuance Regulation, 2065)
Details to be incorporated in Annual Report**

1. **Report of Board of Directors:** Included in the Annual Report.
2. **Report of Auditors:** Included in the Annual Report.
3. **Audited Financial Details:** Included in the Annual Report.
4. **Details relating to Legal Actions**
 - (a) Law suits filed by/against the bank:
 - 3 leave petitions filed by the Bank with Supreme Court on 16 December, 2008. These petitions pertain to draft fraud case involving negligent payment of fraudulent drafts amounting to Rs. 3,20,00,000/- instituted by the Bank in the year 1998.
 - 48 civil suits filed by the Bank with DRT against different defaulting borrowers/ guarantors for recovery of its dues.
 - 11 different lawsuits /writ petitions filed by/against the Bank with different courts.
 - (b) Law suits filed by/against the promoter/director for violating prevailing regulations or criminal offences: Nil
 - (c) Case filed against any promoter/Director for financial frauds: Nil
5. **Analysis of share transaction and progress of Organized Institution**
 - (d) **Management view on share transactions of the Bank on Nepal Stock Exchange:**
As the Nepal Stock Exchange is operating under supervision of Securities Board of Nepal, management has no comment on the same.

- (e) **Maximum Price, Minimum Price and Closing Price, total number of trading days and total number of transactions during the Year 2065/66:**

Months	Maximum Share Price	Minimum Share Price	Closing Market Price	Total Number of Transactions	Total Number of Trading days
First Quarter (Ashwin 2065 End)	1905	1535	1715	860	60
Second Quarter (Poush 2065 End)	1779	1050	1050	725	56
Third Quarter (Chaitra 2065 End)	1535	1071	1440	516	57
Fourth Quarter (Ashadh 2066 End)	1938	1441	1900	833	66

6. Problems and Challenges

Problems and Challenges Faced:

(c) **Internal:**

- Increased cost of operation.
- Retention of human resource.

(d) **External:**

- Worldwide economic recession.
- Pressure on margin and profitability because of competitive banking market.
- Frequent closures, strikes, power shortage etc. in the nation.
- Political Instability.

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

- Branch expansion drive initiated with a view to target low cost deposits and business growth through larger network.
- Introduction of incentive based staff remuneration scheme.
- Targeting good quality loan customers.

7. Corporate Governance: Covered in the Annual Report

Declaration of Managing Director on truthfulness of financials/information:

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



www.nepalsbi.com.np