

Siddhartha Bank Limited

ANNUAL REPORT 2007



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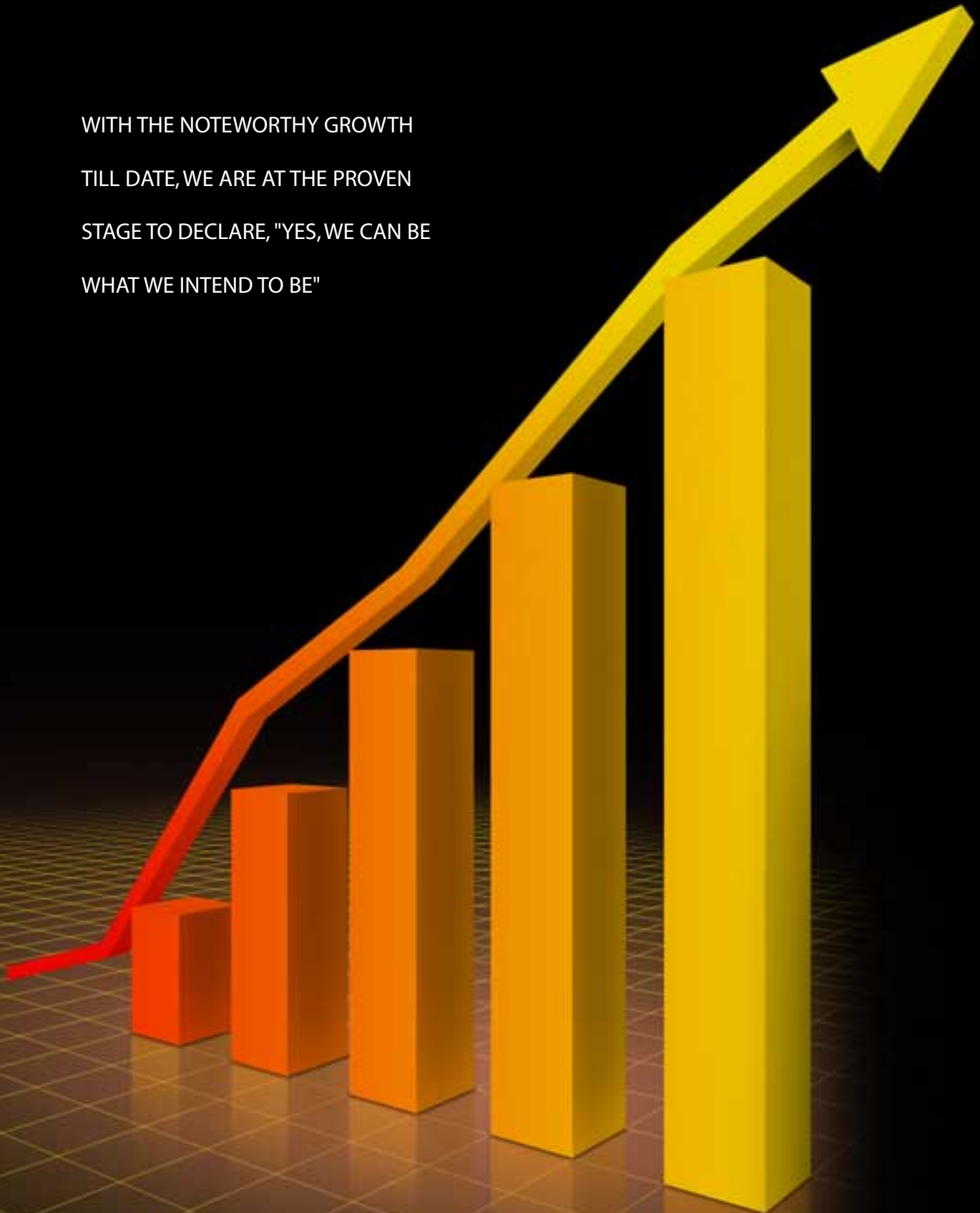
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WITH THE NOTEWORTHY GROWTH
TILL DATE, WE ARE AT THE PROVEN
STAGE TO DECLARE, "YES, WE CAN BE
WHAT WE INTEND TO BE"



Our Vision

To be financially sound, operationally efficient and abreast with technological developments. The Bank firmly believes in customer focus as its core value, shareholder prosperity is the prime priority, employee growth is a commitment and economic welfare is a sincere concern.

Our Mission

To be a leader among the banks of its age in Nepal by fulfilling the interest of our stakeholders and providing total customer satisfaction by offering innovative products and developing and retaining highly motivated and committed staff. The Bank directs all its efforts to move ahead with increased profits. The following mission statements are guide to meet the Vision of the Bank:

- As a first step, SBL will strive to be in a leading position amongst the banks of its age in terms of profitability, productivity and innovation.
- SBL aims at total customer satisfaction by rendering efficient and diversified financial services through improved technology.
- SBL will build a highly motivated and committed team of staff by nurturing a good work culture to achieve superior individual performance aiming to enhance organizational effectiveness.
- SBL will be the place of pride for all its stakeholders.

Our Values

- Customer focus
- Innovation
- Performance Driven
- Cohesiveness
- Professionalism



"WE ARE COMMITTED IN
SUSTAINING OUR
CUSTOMERS FINANCIAL
NEEDS THROUGH OUR
DISTINCT AND
PROFESSIONAL BANKING
SERVICES"

An Overview

Siddhartha Bank started its operation in the year 2002, led by a group of distinguished business personalities and respected Nepali citizens with the objective of providing excellence and professional banking services. The promoters and public are holding 70% and 30% stake of the Bank respectively.

Within 5 years of its operations, the Bank has established its 7 point of sales in major business cities and 4 more branches are expected to start their operation by end of this fiscal year. All branches provide full banking services on a real time basis.

Directors of the Bank are eminent personalities from various fields and they bring a wide gamut of experience and skills. The directors have contributed their professional knowledge, experience and expertise in their respective areas of specialization for the development of the Bank. They are fully committed to the corporate governance model adopted by the Bank, which among others, encompasses the principles of full disclosure and transparency, social responsibility and accountability.

The Bank has set its vision to be financially sound, operationally efficient and keeping abreast with technological developments. The Bank firmly believes in customer focus as its core value; shareholder prosperity is the prime priority; employee growth is a commitment and economic welfare is a sincere concern.

Our mission is to fulfill the commitments we have made to each of our stakeholders:

- Support our **customers** to achieve their financial needs
- Generate total returns for our **shareholders**
- Create working environment where all **employees** can excel and feel proud about their work with the Bank, and
- Make a difference in our **communities**

Our objective is consistent sustainable performance over the long-term period. We aspire to be the primary bank for our customers, catering all of their banking requirements. Our success depends on building strong relationship with our customers and our ability in supporting them to achieve their financial needs.

Accomplishments in 2006/07

Siddhartha Bank made a solid growth in 2006/07 towards the Bank's objective of achieving consistent and sustainable performance over the long run.

Financial Performance

- The global business of the Bank grew by 66% and now stands at Rs 13 billion.
- Deposits increased by 69% and stand at Rs 6.63 billion
- Loans and advances grew by 63% and has reached Rs 6.3 billion
- Operating profit increased by 52% and stands at Rs.153 million
- Net profit increased by 46% to Rs.95 million
- Earning per share is Rs 15.88 against Rs 13.05 last year
- Return on equity is 12% against 10.82% last year
- Improved risk asset portfolio by reducing NPA level from 0.87% to 0.34%

Customer satisfaction

- Opened two new branches in 2006/07 and one more branch in 2007/08
- Launched enhanced internet banking with the brand name **Siddhartha iconnect**
- Installed two ATMs in prominent locations
- Launched high return deposit product under the brand name **Siddhartha USD Saving** for FCY account holders
- Developed required infrastructures for launching remittance product with the brand name **Siddhartharemit**

Employee Work environment

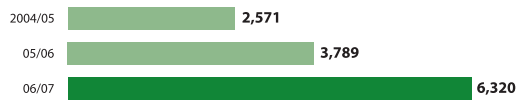
- Participated 64 staff in various training programme, both within and outside the country
- Revised salary structure up to Senior Officer level and made our salary structure compatible with industry average
- Introduced medical expenses reimbursement system
- Introduced Housing Loan facility to our staffs
- Introduced group endowment insurance and accidental insurance policy for our staffs
- Introduced gratuity scheme as retirement benefit
- Revised holiday and evening counter allowances and introduced teller allowance for the staff working in cash counter
- Introduced enhanced security system in all branches
- Introduced on-the-job training programme to our staffs to enhance their job skill

Community Support

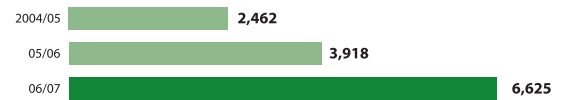
- Contributed to support the flood victims of Terai region.
- Supported HIV/AIDS awareness program.
- Sponsored fund raising program to provide scholarship to needy children.
- Supported fund raising programs to help downtrodden community in the health, education and logistic support programs.
- Promoted sporting events.

Financial Highlights

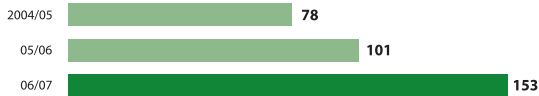
Loans and Advances Rs. in Million



Deposits Rs. in Million



Operating Profit Rs. in Million



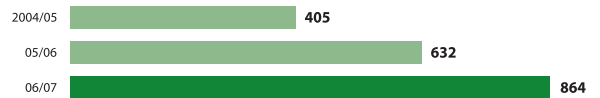
Net Profit Rs. in Million



Earning per share(EPS)



Capital Fund Rs. in Million



Return on equity (ROE) %



Efficiency Ratio %





Message From The Chairman

On behalf of the Board of Directors of Siddhartha Bank, it gives me immense pleasure and pride to extend a warm welcome to you all at 6th Annual General Meeting of the Bank. Despite the challenging situation, stiff competition, sluggish economic growth and vulnerable security situation fueled by unstable political scenario, I am pleased to report that your Bank has attained a remarkable performance this fiscal year with buoyant growth across most business sectors.

Bank's Performance

I want to turn to your Bank's performance in FY 2006-07. The year was quite eventful for the Bank. We surged ahead in business performance achieving satisfactory business growth: significantly improving asset quality and reducing NPA levels and firmly placing the Bank on the high technology platform. I feel exceedingly gratified to state that the growth we have achieved is one of the best amongst new generation private sectors banks. Credit goes to the visionary approach of the Board Of Directors, sheer hard work and dedication of our employees and invaluable support and trust of our shareholders and customers.

Steady Expansion

We believe that the new branches using advanced technology will result in a delightful customer experience and satisfaction. In a bid to enhance customer reach, we have successfully extended our banking network in major cities of Nepal and have further plans of opening up new branches in Lalitpur, Narayangarh and other potential locations. These branches will provide significant contribution to the growth of the bank, not only in terms of business but also in terms of profitability.

Risk Management

The opportunity of rapid growth makes it essential for us to focus on building and implementing robust risk management processes across our Bank. Your Bank has set up an integrated risk management system for identifying, measuring and evolving strategies for controlling and managing risk. The Bank has put in place an appropriate Risk Management Architecture to manage various financial and non-financial risks, Credit Risk, Market Risk and Operational Risk. The Bank is well equipped to implement Basel II guidelines, for which a Road Map has already been drawn. As a consequence of which, I am extremely pleased to inform, despite remarkable growth in loans and advances, the gross non-

performing assets remained at mere 0.34% which portrays that your Bank has not only been able to accomplish splendid business growth but also uphold superior asset quality.

New Product and Technology

Your bank keeps itself abreast of all commercially viable opportunities and technologies. In the pursuit of successfully tapping such business opportunity, the Bank is making preparations to launch Siddhartharemit, a web based money transfer system to provide remittance from Middle East, Malaysia, South Korea and other parts of the world. Our continuous endeavor to cutting-edge initiatives and adoption of suitable technology has been instrumental in building a strong and high quality customer focused financial institution.

Corporate Governance

Your Bank is committed to follow the approaches of good corporate governance. Right from its inception, the Bank has been practicing good governance by maintaining the highest standards of Corporate Governance and implementing globally benchmarked practices. It is our endeavor to institutionalize world-class and transparent systems, processes and practices. We are committed to pursue highest levels of professional integrity, ethical standards, compliance and the most stringent corporate governance norms.

Future Prospects

After the signing off of the historic peace accord and the formation of eight party alliance, our country has moved towards attaining a peaceful and stable political environment. This has opened up better investment opportunities in private as

well as public sector. The government has already unveiled three-year interim development plan with its major focus on reconstruction, infrastructure and hydropower, targeting a growth of 5%. After the Constituent Assembly election and formation of the elected government, we firmly believe that banking environment will be complimented by a more secured and business friendly environment. Future definitely looks bright and your Bank will strive to capitalize on every single possibility. As I visualize the year 2007-08 and beyond, I sincerely believe that the best, most glorious year of Siddhartha Bank is definitely ahead of us.

Shareholders Value

In congruence with the revised statutory requirements as stipulated by Nepal Rastra Bank, the Board has proposed to increase the paid up capital by issuing 15% bonus share and 20% right share. Bank's Earning Per Share (EPS) improved from Rs. 13.05 in FY 2005-06 to Rs. 15.88 in FY 2006-07. I take this opportunity to reaffirm our constant endeavor to create higher value for shareholders in the days to come.

Board of Directors:

During the current year, Mr. Suresh Chandra Agrawal, Mr. Tara Chand Kedia and I have been reappointed in the Board. Our General Manager, Mr. Sambhu Nath Gautam has been appointed as officiating CEO as Mr. D.C. Khanna has taken retirement upon completion of his glorious tenure as the first CEO of the Bank. I would like to welcome reappointed directors and would like to extend my sincere thanks to Mr. D.C. Khanna for his valuable contribution made for the establishment and growth of the Bank.

Acknowledgement:

Our customers, patrons and well-wishers have stood by us through the thick and thin. They have been very supportive on our quest to become a customer-centric bank and in providing excellent banking services. We are grateful for their continued patronage and encouragement. I would like to express my sincere gratitude to Government of Nepal, Nepal Rastra Bank and Nepal Stock Exchange for their support and valuable guidance. Last but not the

least, I wish to express my sincere acknowledgement to highly committed, dedicated and competent management team and all the employees for their tireless dedication and perseverance to excellence. They were instrumental in ensuring the outstanding performance of the Bank. I also wish to thank the external auditor for their timely completion of audit and valuable professional suggestions.

Thanking you.



Chiranjilal Agrawal
Chairman
13 November 2007

FROM LEFT TO RIGHT...

Mr. Tara Chand Kedia (Director), **Mr. Hemanta Gyawali** (Director), **Mr. Suresh Chandra Agrawal** (Director),
Mr. Bishwa Nath Shah (Director), **Mr. Chiranjilal Agrawal** (Chairman), **Mr. Ratan Lal Kedia** (Director),
Mr. Manoj Kumar Kedia (Alternate Director), **Mr. Mahesh Prasad Pokharel** (Director)



Directors' Report

The Board of Directors of Siddhartha Bank would like to extend you a warm welcome at this 6th Annual General Meeting of the Bank and take this opportunity to present their report, together with the Balance Sheet as on 16 July 2007 and Profit and Loss Account for the year ended on 16 July 2007.

First of all, please allow us to review briefly the macro economic performance indicators of the financial year 2006/07.

Macro Economic Development

The global economy performed well in the year 2006 taking the global GDP growth to 5.4%. IMF has projected growth of 2.3% in Eurozone, 10.7% in China and 7.5% in emerging and developing economies and expected the global GDP growth to come down to 4.9% in 2007. The slowing down of the US economy dragged down the world GDP growth in 2007.

Our neighboring countries India and China achieved growth rates of 9.2% and 10.7% respectively in 2006, and they are expecting to perform well in 2007 as well. Despite having this impressive international performance scenario, the Nepali economy has not shown much improvement in last 5 years. The GDP growth rate was at 2.8% in 2005/06, which plummeted to 2.5% in 2006/07, with agricultural sector contributing 0.7% and non-agricultural sector contributing 3.6%. Their respective growths were 1.1% and 4.6% in 2005/06. The unfavorable weather and high dependency on monsoon is the main cause of declining agricultural production. Political issues also shadowed the economic development. Law and order problems are yet to be tackled fully. There have been many incidents of industrial unrest in the past and the industrial climate as well as entrepreneurs' confidence level needs a proper boost.

Foreign Trade and the Balance of Payment

Total exports increased marginally by 0.9% in 2006/07, compared to a growth of 2.6% in the previous year. Security situation in the country, power shortages, frequent *bandhs* and continuous appreciation of Nepalese Rupees against US Dollar hampered export growth.

Total imports rose by 10.3% in 2006/07 compared to 16.3% in the previous year. Imports from India and third countries increased by 9.9% and 11% respectively, compared to 20.8% and 9.6% respectively in the preceding year.

Because of the higher rate of growth of imports in relation to exports, the trade deficit widened by 15.3% in 2006/07. The trade deficit had widened by 25.1% in 2005/06. The portion of trade deficit to GDP remained 17.6% last year, which has marginally come down to 17.5% this year.

The remittance sector recorded handsome progress, with an estimated increase from Rs. 98 billion last year to Rs. 102 billion this year. However, the growth rate of remittance inflow in 2006/07 was only 2.5% compared to a significant upsurge of 49% in the previous year. The current account surplus of Rs. 3.5 billion and the capital and financial account surplus of Rs. 2.38 billion summed the overall Balance Of Payments recorded a surplus of Rs. 5.88 billion in 2006/07. As a result, total foreign exchange reserve reached Rs. 165 billion which is sufficient to finance 11 months of imports of goods and 9 months of imports of goods and services combined.

Exchange Rate

The Nepalese currency vis-à-vis the US dollar appreciated by 14.3% during the year under review. It had depreciated by 5.1% in the previous year.

Interest Rate

Short-term interests remained stable in the review period. The weighted average 91 days Treasury Bill rate ranged from 1.85% to 3% in the review period, compared to a range of 2% to 3.7% last year. Similarly, call money rate, which is also a indicator for short term interest rate, fluctuated in the range of 1.4% to 3.35% during the period under review. As a result of the excess liquidity and limited scope for investment opportunities, interest rates on advances remained in a declining trend.

Monetary Situation

Broad money (M2) registered a growth of 14% in 2006/07 compared to a growth of 15.6% in 2005/06. Similarly, narrow money (M1) increased by 14.2% compared to 12.1% in the previous year.

Time deposits increased by 14.9% in 2006/07 compared to 16.4% last year. A lower rate of growth of remittances and low interest rate offered by the banks caused a slowdown in the growth of time deposits in the review period.

Domestic credit increased by 16.7% in 2006/07 compared to 11.7% in 2005/06. Out of total domestic credit, credit to private sector grew by 18.9% in the review period, compared to a growth of 14.4% in the previous year. Despite slow economic activities throughout the review period, banks and financial institutions expanded credit to sectors such as retail business, service, trade and industry and construction.

Inflation

The average year-on-year inflation rate remained to 5.1% in 2006/07, from the level of 8.3% in 2005/06. Wholesale price inflation remained stable at 9.0% in last two years. The higher level of annual average wholesale price inflation was mainly due to the increase in the prices of agriculture commodities as well as in the domestic manufactured commodities. The price hike of petroleum products in March 2006 was largely accountable for the moderation of y-o-y wholesale price inflation. The appreciation of the Nepali currency against the US dollar contributed to dampen the prices of imported goods that helped to moderate the overall price level in 2006/07.

Government Fiscal Situation

The total revenue of the Government Of Nepal (GON) grew by 20.9% in 2006/07 compared to a very low growth of 3.1% in the previous year. Amongst the components of revenue, the Value Added Tax collection, which contributes 30.4% to total revenue, increased by 21.1%, the revenue generation from customs increased by 9.0% and the income tax revenue increased by 44.4%. Reforms in revenue administration and special attention of the government to mobilize revenue helped to increase in revenue at a higher rate.

The total expenditure of the GON increased by 23.4% in 2006/07, compared to a rise of 12.5% in 2005/06. The general expenditure of GON rose by 14.8% and capital expenditure increased by 58.3% during the period under review. A significant amount released to local authorities at the end of the fiscal year and large amount of loan to Nepal Oil Corporation pushed up the capital expenditure in the review period.

Securities Market

The stock market witnessed a major expansion in the 2006/07. NEPSE index that was 386.83 points a year ago increased by 76.81% to 683.95 points and its bullish trend remained throughout the year. Total market capitalization increased by 92.5% to Rs. 186.3 billion in mid July 2007. Low interest rate in deposits due to excess liquidity in the economy and limited scope for bankable credit has contributed to the upsurge in stock exchange market.

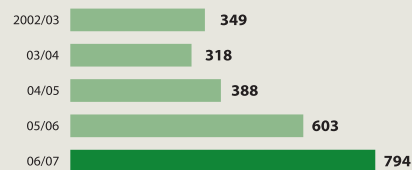
Global Business

The global business of the Bank grew by 66% percent and stood at Rs13 billion as of 17 July 2007 against Rs. 8 billion compared to corresponding period last year. Deposits increased by Rs.2,707 million or 69% reaching the total of Rs.6,625 million. We have increased the customer base significantly during this year. The Bank's gross loans and advances grew by 63% from Rs.3,869 million as of 16 July 2006 to the level of Rs.6,320 million as of 16 July 2007.

Shareholders Equity

The Bank raised additional capital of Rs.100 million in the form of Rights Shares for

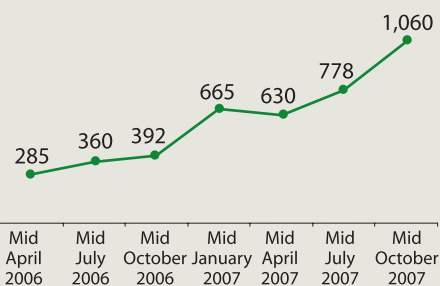
Networth Rs. in Million



Meeting Your Expectations

FIVE YEAR FINANCIAL OVERVIEW OF THE BANK

	Rs. In million					Growth %
	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	
Paid Up Capital	350	350	350	500	600	20
Reserve and Surplus	(1)	(32)	38	103	194	88
Borrowings	110	220	190	181	430	138
Deposits	392	1,291	2,462	3,918	6,625	69
Other Liabilities	13	29	59	55	106	93
Total Capital and Liabilities	864	1,858	3,099	4,757	7,955	67
Cash and Bank Balance	65	72	131	116	517	346
Money at Call and Short Notice	102	175	22	100	229	129
Investments	4	42	287	651	865	33
Loans and Advances(Net)	623	1,484	2,571	3,789	6,223	64
Fixed Assets	22	28	30	40	47	18
Other Assets	48	56	58	61	74	21
Total Assets	864	1,858	3,099	4,757	7,955	67

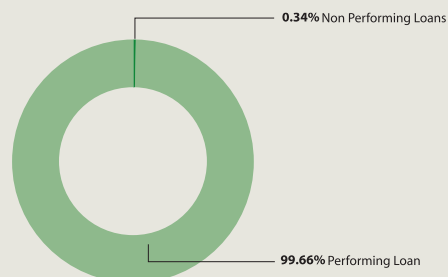


MARKET PRICE OF SHARES (RS.)

strengthening its capital adequacy ratio to cope with our growing business volumes. As a result, the paid-up capital of the Bank reached at Rs. 600 million as of 17 July 2007. The Reserves and Surplus grew by 88%, mainly contributed by the retained earnings. The net worth of the Bank increased to Rs.794 million as on year-end 2006/07 from Rs. 603 million compared to last year.

Market Price of Shares

Market price of the Bank's share is rising continuously since the last two years. We like to extend our gratitude to our respected investors who have shown their faith in us and chosen the Bank as a reliable institution to trust their investment with.



ASSET QUALITY

Asset Quality

The gross Non Performing Assets in 2006/07 came down to 0.34% from 0.87% of last year. The Bank maintained sufficient cushion towards provision requirement to cover up the unexpected defaults. The provision coverage for NPA is 451% as on 17 July 2007.

Total Income

The total income of the Bank increased by 56% to Rs.535 million from Rs.342 million in 2005/06.

Interest Income

Interest income increased substantially from Rs.306 Million in 2005/06 to Rs.482 million in 2006/07 registering a growth of 58%.

KEY INDICATORS OF OUR PERFORMANCE FOR OPERATIONS

Rs. In million

Particulars	FY	FY	FY	FY	FY	Growth %
	02/03	03/04	04/05	05/06	06/07	
Interest Income	24	114	198	306	482	58
Interest Expenses	6	46	92	154	272	77
Net Interest Income	18	68	106	152	210	38
Fees, Commission and Discount	2	7	8	14	20	43
Other Operating Income	3	7	8	10	19	90
Foreign Exchange Gain/Loss (Net)	-	2	7	12	14	17
Total Operating Income	23	84	129	187	263	41
Staff Expenses	8	16	20	26	34	31
Other Operating Expenses	10	22	31	44	56	27
Operating Profit Before Provision	5	46	78	117	174	49
Provision for Possible Losses (Net)	6	77	(19)	16	21	31
Operating Profit	(1)	(31)	97	101	153	51
Provision for Staff Bonus	-	-	10	9	14	56
Provision for Taxes	-	-	17	26	44	69
Net Profit/Loss	(1)	(31)	70	65	95	46

Non Interest Income

Total non-interest income increased to Rs. 53 million in 2006/07 as compared with Rs. 36 million in 2005/06.

Net Interest Income (NII)

Our primary source of revenue is net interest income, which is the difference between interest derived from earning assets and interest paid on liabilities obtained to fund those assets. Our net interest income is affected by changes in the yields earned on assets and rates paid on liabilities.

The NII for the current year grew by 38% and stood at Rs. 210 Million against Rs. 152 million for the year 2005/06.

Operating Profit

The operating profit (profit before loan loss provisioning) of the Bank rose to Rs.174 million during 2006/07, registering a growth of 49%. This considerable growth is achieved despite continuous pressure in reduction in lending interest rates and non-conducive business environment.

Earning per share (EPS)

EPS improved from Rs.13.05 to Rs. 15.88 as on 17 July 2007 compared to last year.

Branch expansion

The Bank opened two new branches during the year 2006/07 and one more branch at Damak in year 2007/08, which is one of the upcoming areas for business. Plans are underway to open

branches at Narayanghat, Lalitpur and other prominent locations.

Business Environment and outlook for the year 2007/08

The process of strengthening democratic process in the country is continuing. As per the data released by NRB, there was hardly 8-9% growth in domestic credits in the first 9 months of the fiscal year 2006/07, which reflects that the confidence level of business community has not improved as expected. And, this situation is likely to be continued till the formation of stable government.

The government expenditure for administrative jobs is expected to increase significantly in the coming year 2007/08 due to election for constitution assembly and other activities related to conflict management limiting development activities in second half of the fiscal year 2007/08. However, government may require significant amount of funds for financing oil imports and to meet its general expenditures, which may not be possible to fund from revenue collection only. NEA is expected to come up with high yield power bonds and NTC is coming out with a large amount of IPO for their capital-intensive project. As a result, there could be pressure on interest rate in later part of the fiscal year 2007/08.

Within last 6 months, 2 commercial banks and some other financial institutions have started their operations and new commercial banks, development banks and finance companies are expected to commence their operations in coming fiscal year 2007/08. Therefore, the banking business environment is expected to be very competitive and challenging.

Where We Stand in FY 2007/08

In view of the developing political activities and its impact on economic conditions, the Bank business registered a substantial growth during the 1st quarter of 2007/08.

WHERE WE STAND

Rs. In million

	1 st Quarter 2006/07	1 st Quarter 2007/08	Growth (%)
Net Worth	618	827	34
Deposits	5,140	7,490	46
Loans and Advances	4,329	7,216	67
Investments (Including Money at Call)	1,521	1,208	(21)
Operating Profit	23	61	168
Operating Profit (after Loan Loss Provision)	24	54	124

CEO Message

Respected stakeholders,

We are completing 5th year of our operations in December 2007. These five years have proved to be a very interesting phase for the growth of our Bank. We went through many ups and downs, and learned valuable insights that, we believe, are the cornerstone for our growth and success in the days ahead.

As we all know, economy of our country did not perform well for the last five years because of political instability, poor security situation and industrial unrest. Now, after last April's historical peoples' movement, we are in the verge of creating "New Nepal" in terms of economic development, social integration and social inclusion in development process through constituent assembly. However, the roads are full of obstacles. The situation warrants us to be more vigilant, constructive and united to meet the vision that we set during April uprising.

Despite the stagnant macroeconomic environment and intense competition for getting the share in limited bankable business, we have continued to make significant progress in building upon our vision. In 2006/07, we worked headstrong towards our objective of delivering consistent and sustainable performance. We were able to record a profit of Rs 95 million and register growth of 46%. With that, we were able to distribute stock dividend of 15% for first time in the history of the Bank. The Return on equity was 12%, which is impressive considering the age of our Bank.

Over the past year, we have been laying the foundation to move our Bank forward. We have identified four key priorities to work around it:

- Maintaining business strength
- Improving productivity
- Building our balance sheet strength
- Expanding our reach



In 2006/07, we made headstrong progress in these areas:

Business strength

Our credit business continued to perform well overall in 2006/07. Total loans and advances was Rs.6,320 million, up by 63% from 2005/06. Deposits are most important raw materials and significant contributor to generate revenue and profit. The total deposits were Rs.6,625 million grew by 69% from 2005/06. Our customer centric approach has enabled us to register an applaudable growth the past year. Our customer base has increased substantially by expanding our reach in terms of products and solutions.

Productivity

Our growth objective is accompanied by continuous focus on quality of assets. Our non-performing loans are just 0.34% of total loans and we have made 451 percent provisioning against the non-performing loans, which reflect the quality of our risk asset portfolio. The deposit cost has come down to 4.56% from 4.73% last year. Our productivity ratio improved as revenue growth exceeded expense growth. It improved by 3.49% point to 33.98% from 37.47% of 2005/06.

Balance Sheet Strength and Capital

We continue to register growth, particularly in areas where we have scale and expertise. We have increased the paid up capital to Rs.600 million by issuing Right shares of Rs. 100 million in 2006/07. The Board of Directors' have proposed to distribute the stock dividend by 15% and issue another right shares of Rs.138 million for further strengthening our capital base and support growing business needs. Our balance sheet is robust; our business healthy, successful and poised for higher growth. With earning per share growth of 22%, a return on equity of 12% in 2006/07, shareholders value is mounting.

The Total Capital Adequacy Ratio was 11.84%, which is above the regulatory requirement of 11%. In parallel with the development of the risk management models and systems necessary to calculate regulatory capital as stipulated in BASEL II, we are reviewing our process for assessing overall capital adequacy in relation to our risk profile.

Expansion of our reach

In five years of operations, we have seven full service branches. As part of improving service to our customers, we are planning to open new branches in economically viable places throughout the country. Enhanced online internet banking and any branch banking features have made banking with Siddhartha Bank more convenient. Our debit cardholder customers can access to the largest network of ATMs and payment terminals throughout the country. We are committed in delivering new products and services to meet the evolving needs of our customers and changing market conditions in the days to come.

With a steady increase in Nepali people residing aboard and a corresponding increase in remittances, we have started remittance service. "Siddhartharemit", as we have branded it, will provide a reliable and prompt money transfer services. To broaden our coverage, both in national and international grounds, the Bank has made necessary arrangement with financial institutions, both here and in the overseas.

2007/08 and beyond

Our performance has improved significantly in 2006/07. Our goal is to build on this progress and focus on growth opportunities in our core businesses, while emphasizing productivity and efficiency in all our banking activities in 2007/08. To achieve our goals and priorities, we will continue to upgrade our technology according to market needs.

Small Business Enterprises are vital to Nepal's long-term economic prosperity and we are committed to support in the success of small business owners. To do so, we are opening new branches in semi-urban areas to provide the modern banking services in their doorsteps.

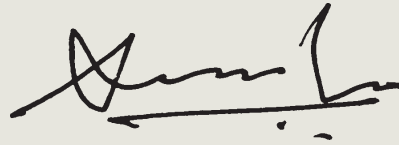
Our Employees

We firmly believe in creating a supportive work environment for our staff. It helps to build employee commitment, which, in turn, supports bank's overall performance. I want to thank all our colleagues' for their hard work and dedication they put through in 2006/07. Their

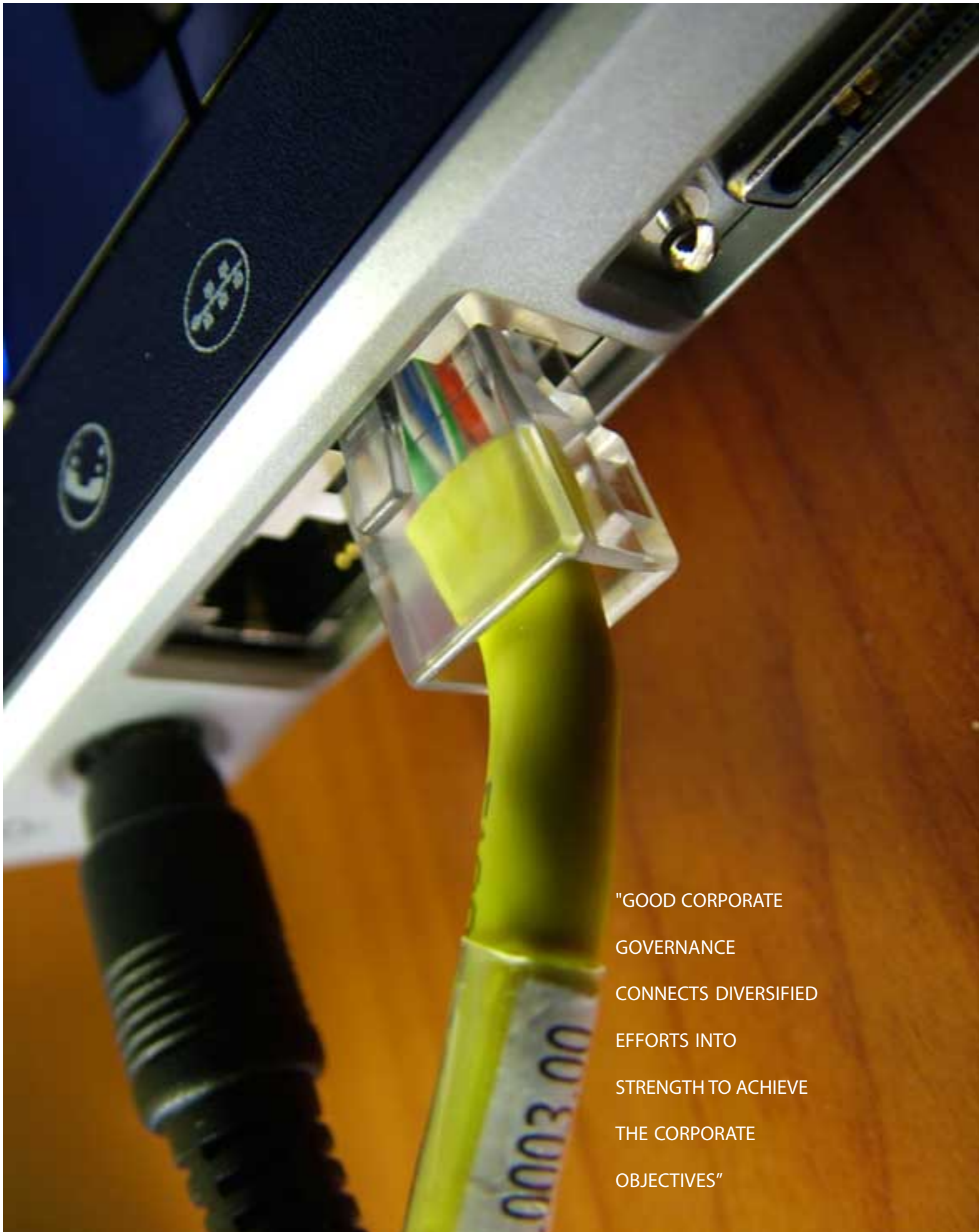
commitment to take Siddhartha Bank into new heights is clearly reflected in our progress. Our team's dedication and shareholders belief in us give me confidence about our future.

I would like to thank all the stakeholders for their valuable support and reiterate our commitment towards customer focus - our work culture, shareholder prosperity - our prime priority, employee growth - our commitment and economic welfare - our sincere concern.

We look forward to our further growth in 2007/08.



Shambhu Nath Gautam
Officiating Chief Executive Officer



"GOOD CORPORATE
GOVERNANCE
CONNECTS DIVERSIFIED
EFFORTS INTO
STRENGTH TO ACHIEVE
THE CORPORATE
OBJECTIVES"

Corporate Governance

We firmly believe that corporate governance is a key to success of any organization in the long run. The Bank has an effective and transparent system of corporate governance driven by a professional Board. The Bank strives to adopt the best business practices that can enable the institution to retain its competitive edge through innovation of customer focused banking products and services. The Bank maintains high ethical standards in accounting and good governance in operations. As in the past, the Bank has been proactive in conforming to statutory requirements and regulatory compliances.

Internal Control System

In view of the complex banking environment we have been strengthening our internal control system to minimize the risks. We have a set organizational structure where required functional demarcations have been made to have proper check and balance system in the job process.

The Bank has internal audit department in place for controlling, supervising and securing operations by auditing them. The department evaluates the performance and efficiency of operations, the sufficiency of internal control and supervision, expediency of risk management and compliance with legislation, authority orders and internal guidelines.

Internal audit is accountable to the Audit Committee headed by Director of the Board. The Audit committee meets at regular intervals and gives directions and suggestions to the Management after reviewing the internal and external audit reports.



PREVENTING UNCERTAINTIES IS
THE SIGNIFICANCE OF FIRST RATE
RISK MANAGEMENT SYSTEM AND
"WE HAVE IT"

Risk Management

Risks in banking business are defined by the adverse impact on profitability of several distinct sources of uncertainty. Deregulation, financial innovation, securitization, globalization and advances in technology are quickly changing the nature of commercial banking. A bank's profitability generally varies directly with the riskiness of its portfolio and operations. In the course of business, banks are exposed to a number of risks. In the process of managing those risks, banks identify, assess, monitor and control risks associated with its activities. However, with the continuous increasing in the scale of complexity of the banking business because of financial liberalization, globalization of business and ever-growing sophistication of financial engineering, risk management has become most crucial job for the bank management.

We believe that an effective risk management system can control and monitor various types of risk which our Bank is exposed to. We, therefore, are continuously focusing on strengthening our risk management capabilities and promoting pro-active risk management strategies in the Bank. Our internal audit and bank management regularly examines the adequacy and effectiveness of monitoring the major risk areas and ensure compliance with the Bank's policies and manuals.

Credit Risk

Credit risk is the risk of incurring losses due to the default by the borrowers and counterparties. The credit risk is paramount in terms of the importance of potential losses. Bank's main business is to provide various types of financial needs for corporate houses and individuals, through which a bank is exposed to credit risks.

We are committed to maintain the best quality assets in our book, for which we are fully equipped with required infrastructures for managing those risks. We have a well-documented, comprehensive Credit Policy Guide (CPG), which covers all risks elements and procedures to be followed by all business centers to have uniformity and risk aware culture throughout the Bank. Our each branch has a credit division to critically analyze credit proposal from different perspective in line with statutory, regulatory and internal guidelines. Upon thorough analysis of risk elements,

all limit applications are recommended by the signatories preparing the limit application and approved by at least two independent lending authorities. Credit applications involving large amount are presented for approval to the credit committee consisting of members from the Board and the Management.

In order to have proper check and balance system in place, we have separate divisions for business generation and credit administration. The former generates the business and credit administration division is made responsible for disbursement, compliance, regular monitoring and control of the credit exposures. This division regularly inspects and tracks the performance of the borrowers. We have a system of identifying early warning signals of high probability of default accounts and take necessary steps to exit from those accounts. The approved credit limits are put in the system by the credit administration division only after reviewing the security documents and the drawing power of the borrower.

The Bank reviews and monitors the performance of the loan accounts through various MIS reports and deficiency, if any, is reported to the management on a daily basis. Counterparty limit are set for various banks and other financial institutions based on the set parameters, and it is reviewed in a regular interval.

Because of effective implementation of above set risks mitigation tools, the Bank carries only 0.34% of total advances as NPA, which we believe, is one of the lowest in the industry. We have loan loss provision of about 450% of non-performing loans, which indicates the credit quality of the Bank as well as the sufficiency of

provisioning against NPA to absorb the unexpected shock.

Market Risk

Market risk is the risk of adverse deviations of the mark-to-market value of the various portfolio during the period required to liquidate the transactions. It is the current and potential risk to earnings from adverse movements in market rates or prices. The three areas of market risk are interest rate or reinvestment rate risk, equity or security price/ commodity price risk and foreign exchange risk.

Interest rate risk is the risk of declines of earnings due to the movements of interest rates. Most of the balance sheet items of banks generate revenues and costs, which are indexes to interest rates. Interest rate risk analyzes and compares the sensitivity of interest income to change in asset yields with the sensitivity of interest expense to change in the interest costs of liabilities.

Equity and security price risk examines how changes in market prices, interest rates and foreign exchange rates affect the market values of any equities, fixed income securities, foreign currency holdings, and associated derivative and other off balance sheet contracts.

Foreign exchange risk arises from changes in foreign exchange rates that affect the values of assets, liabilities and off balance sheet activities denominated in currencies different from domestic currency.

The assessment of market risk is based on the instability of the above-mentioned market parameters: interest rates, stock exchange

indexes and exchange rates, and the instability is measured by market volatilities. Managing market risk means that the variations of the value of a given portfolio should be kept within a set boundary values.

All these three types of market risks are managed by Asset and Liability Management Committee (ALCO) as per the procedures laid down in Asset Liability Management Charter of the Bank. Interest rate risk is managed using funding gap and earnings sensitivity analysis. All foreign exchange positions are managed by the treasury. Code of conduct and dealers limit for treasury dealers is in place. All foreign currency positions are valued at mark-to-market.

We have a separate department for back office function of treasury operations, which is independent from dealing room. Deals are executed as per the limits set for the dealer and the counter party and back office executes all payments.

Liquidity Risk

Liquidity risk is the current and potential risk, which indicates bank's inability to meet payment or clearing obligations in a timely and cost effective manner. The liquidity risk is greatest when a bank cannot anticipate new loan demand or deposit withdrawals, and does not have access to new sources of cash. Liquidity risk relates to the ability of the bank to maintain sufficient liquid assets at a reasonable cost to meet its financial obligations as and when they fall due. Such ability is the outcome of two types of factors: the market liquidity that varies over time and the liquidity of the bank. Both interact to determine the conditions of funding. The cost of liquidity can increase due to transitory liquidity

shortages in the market and it has direct impact on the cost of funds and profitability of the bank.

The ALCO reviews the current and future funding requirements through reviewing credit deposit ratio and maturity profile of assets and liabilities of the Bank. In addition to cash reserve requirement, adequate liquid assets are maintained to provide further source of funds to meet liquidity needs. We utilize the funds available in call money market for funding of short-term assets and thereby additional income to the Bank.

Operational Risk

Operations risks refers to the possibility of loss that may arise from a breakdown in a Bank's systems and procedures, internal controls that are resulted by human error, fraud, delay to perform, or to compromise the Bank's interests by employees.

Though operation risks cannot be estimated, we have implemented various effective control parameters to mitigate it. Our bank has well defined organization structure in place. We have a system of delegation of authority and responsibility among the line management, thereby maintaining chain of command. The Bank has operational manuals of all the departments and staffs are well-acquainted with the procedures laid down in the manuals.

There is an audit committee headed by the Director of the Board and a comprehensive Internal Audit manual is in place for effective functioning of internal auditing. The committee reviews the reports submitted by internal auditor, statutory auditor, off site inspection report of Nepal Rastra Bank and provide

necessary instructions to the management. The role of the head office operations is to ensure the quality of services and compliance of NRB directives and internal policies in day-to-day operations.

As directed by IT policy, we have implemented disaster recovery plan in all branches. We have back up server in the branches and communication set up is arranged accordingly. Our Bank has maintenance contracts with the vendors for periodical servicing of equipments. We have adequate insurance coverage for bank's assets and the risk associated in day-to-day operations. Our financial administrations rules clearly spell out the procurement procedures and expense authority among the line managers so that Bank's interests are protected.

Solvency Risk

Solvency risk is the risk of being unable to cover losses generated by all types of risks with the available capital; therefore, it is the risk of default

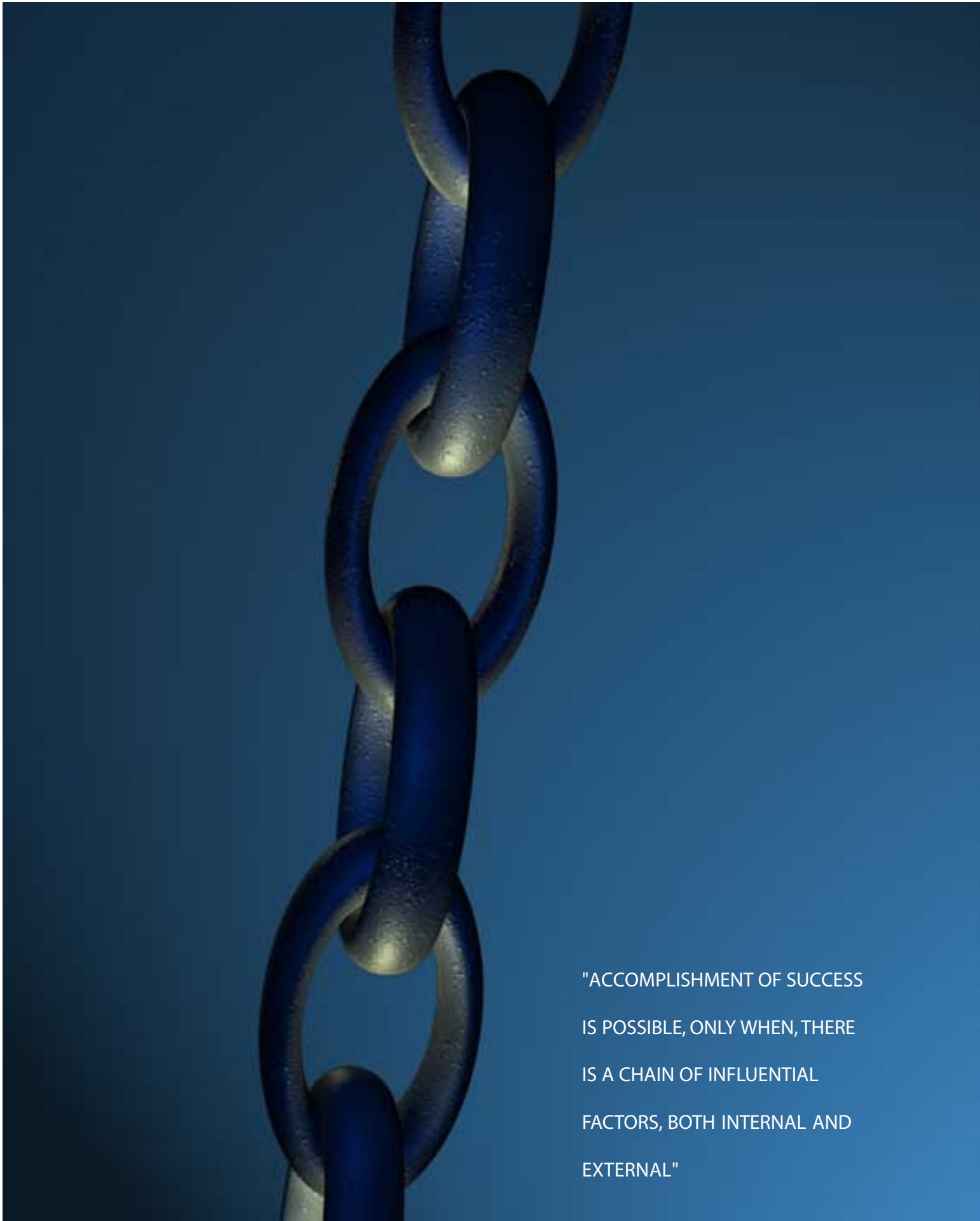
of the bank. Solvency is the result of available capital and of all risks taken: credit, interest rate, liquidity, market or operational risks. There should be adequate capital with the bank to sustain an acceptable solvency level.

We have been maintaining adequate capital adequacy as required by the regulator. Our internal audit division regularly monitors the risk-weighted assets of the Bank and advice the management and we manage our balance sheet accordingly. We have increased additional capital of Rs.100 million by way of rights issue to meet our future business requirement.

As Nepal Rastra Bank has directed BASEL II accords from 2008/09, a team of experts have been formed to study the impact of the provisions made in BASEL II to our capital adequacy level and suggest suitable course of actions. The Bank has formulated required strategies related to balance sheet management for effective implementation of BASEL II from next fiscal year.

Additional Information as required by section 109 of the Companies Act 2006.

1. Board of Directors' Reaction on Audit Report
Board of Directors discussed on Audit reports and the management has been instructed to follow the Auditor's observations. There are no adverse remarks made in the auditors' report.
2. Audit Committee
 - (a) The 63rd meeting of the Board of Directors' held on 12 April 2006 reconstituted the Audit Committee. Following three members are in the Audit committee:
 1. Mr. Suresh Chandra Agrawal - Convener
 2. Mr. Tara Chand Kedia -Member
 3. Mr. Mahesh Prasad Pokhrel -Member
 - (b) During the review period, Audit Committee met 4 times to discuss the following major issues:
 - Audit plan and programme for the fiscal year 2006/07
 - Financial Statements of the F.Y. 2005/06
 - Recommendation of Statutory Auditor for the F.Y. 2006/07
 - Audit report on Credit and Operations of Corporate Office and branches
 - Audit report on Letters of Credit transactions of all branches
 - Audit report on Investments.
 - (c) Reviewed and Discuss on the inspection report of Nepal Rastra Bank
 - (c) Discuss and reviewed the preliminary Audit report with management response.
 - (c) During the review period the Directors in the Audit Committee have been paid Rs. 4,000 each per sitting as meeting fee.
3. Amount paid to Board of Directors and Chief Executive Officer during the F.Y. 2006/07
 - a. Directors have been paid Rs. 1,048,859 as meeting fee and traveling allowance.
 - b. Chief Executive Officer has been paid Rs. 7,531,820 as remuneration and other benefits.
4. Dividend
Bank has not distributed any cash dividend till F.Y. 2005/06. However, during the FY 2006/07 the Board of Directors has proposed stock dividend and cash dividend.
5. Bank has not forfeited any share during the F.Y. 2006/07.
6. There are no dues to the Bank from Directors, Chief Executive Officer, Promoter shareholders or their related Firms, Company or Institutions.



"ACCOMPLISHMENT OF SUCCESS
IS POSSIBLE, ONLY WHEN, THERE
IS A CHAIN OF INFLUENTIAL
FACTORS, BOTH INTERNAL AND
EXTERNAL"

Corporate Social Responsibilities

As one of Nepal's growing banks, SBL has a responsibility to a diverse group of stakeholders. We are committed to succeed as a business, thereby creating wealth for our shareholders, employees and society. At the same time, we believe that the quality of our lives is improved and our business best served when economic performance is integrated with respect for our people and communities.

SBL, being a strong community partner, committed to support those organizations that help to make our communities better place to live and work. We provide supports to our community in several ways. We make direct corporate contributions to worthy causes, and during 2006 /07 we supported over 10 various organizations.

Highlighting the year 2006/07, SBL has made contributions to support the flood victims of the Terai region, HIV / AIDs awareness program and also sponsored fund raising program to provide scholarship to needy children. We promoted sporting events and shown our presence in several aid events conducted by the corporate and social organizations.

Our Employees

To ensure we have the right people to execute our strategies, we have a performance-driven culture. All of our employees are focused on our strategic priorities and put their best performance to achieve our business objectives. On an ongoing basis, we promote continuous learning to ensure that our employees have the skills, knowledge and tools they need to provide exceptional customer service and fulfill their own career aspirations. At the same time, we provide respectful, equitable and inclusive workplace environment that promotes diversity, well-being and excellence.

Developing Our Leaders

We have introduced a consistent, disciplined and department-wide program to assess promising individuals and integrated leadership development in our succession planning process. By investing our resources in recruiting, identifying and developing current and future leaders, we do much to ensure SBL's continued success.

A Culture of Learning

The HR department plays an essential role in the development of our future leaders and in the creation of a culture of learning by conducting several in-house trainings and encouraging the staffs to participate in domestic and foreign training and seminars.





"WE KNOW WHOM WE SERVE"

Know your customer (KYC)

KYC is a convenient term to describe the process of obtaining, retaining and using information about a customer so that his/her identity and residential address is verified, the source of funds and wealth is understood, his/her financial circumstances are understood, and the nature of the transactions he/she undertakes are understood to ensure that customer's transactions are consistent in context to his/ her business activity. KYC is due diligence and bank regulation that financial institutions and other regulated companies must perform to identify their clients and ascertain relevant information pertinent to doing business with them. KYC policies are becoming increasingly important to prevent theft, fraudulent transactions, money laundering and terrorist financing.

The objective of KYC regulation is to prevent banks and financial institutions from being intentionally or unintentionally used by criminal elements for money laundering activities. KYC guidelines also enables banks to know/understand their customers and their financial dealings better which will in turn help to manage their risk prudently.

During the review period, Nepal Rastra Bank has issued guidelines on KYC basically to prevent penetration of illicit proceeds into legitimate financial system. In this pretext, Siddhartha Bank has designed KYC policy and periodically conducts in-house training to staff to acquaint them with the KYC policy and enhance their knowledge on documentation aspect. At SBL, we are firmly committed at maintaining highest standard of KYC guideline laid down by Central Bank. We take all prudent measures and ask for all relevant documents from potential customer at the time of opening new accounts. Due care is taken to ensure that new accounts are introduced by existing customers. Personal Accounts are opened only after obtaining proper identification certificate, residential address, correspondence address, contact telephone number and photograph of account opener. Partnership account is opened only upon submission of partnership deed, renewed registration certificate, delegation letter and adequate identification documents of account operator. Company accounts are opened once complete documents like Board resolution, Certificate of incorporation, Memorandum and Articles of Association are duly presented along with adequate identification of Account operator. Similarly account of Club, Cooperatives, Trust, schools, NGO, INGO are opened only upon receipt of complete documentation as specified by Central Bank's KYC guideline. All relevant documents and information are obtained and studied thoroughly and accuracy is verified to ensure no business is conducted with intention of money laundering and safeguard the bank from any possibilities of penetration illicit proceeds into our legitimate financial systems.

Further, ongoing due diligence on the business relationship and scrutiny of transactions are undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile. Documentation aspect is strictly adhered to the guideline laid down in KYC policy and Bank's Internal Audit and compliance department conducts periodical KYC auditing.



"MINUTE SCRUTINY PREVENTS
PENETRATION OF ILLICIT PROCEEDS
INTO LEGITIMATE FINANCIAL SYSTEM"

Anti Money Laundering

Money laundering is the process of converting cash, or other property, which is derived from criminal activity, so as to give it the appearance of having been obtained from a legitimate source. Money Laundering is defined as the act of facilitating, by any means, the process by which the true origin and ownership of the proceeds of criminal activity are concealed. The act of assisting by helping to invest, conceal or convert the direct or indirect proceed stemmed form a crime or an offence is also an act of laundering. Money laundering commonly involves illicit activities such as money derived from drugs, terrorism, theft, fraud and forgery. With the increase in criminal activities, particularly drug and fraud related, the amount of money involved in Money laundering have now become enormous. There is a need to stop this money to pass through global financial systems through effective Anti Money Laundering policy so as to:

- Curb illicit activities and apprehend the individuals involved in it
- Prevent re-use of illicit funds to finance further criminal activities
- Prevent penetration of illicit proceeds into legitimate financial system.

AML policy has been prepared to ensure that the Bank has effective anti money laundering controls and procedures to reduce the risk of Bank being used in money laundering transactions. It is the policy of the Bank to prevent to use of its facilities for the laundering of money derived from criminal activities, whether robbery, corruption, terrorism, fraud or drug money. All employees must be alert to the possibility of Bank being unknowingly involved in the activities of third parties who may seek to use Banks facilities to hide the source of beneficial ownership of money or other financial property.

In this context Siddhartha Bank has adopted all prudential measures for the purpose of controlling money-laundering activities. The bank is periodically imparting training programs on KYC and AML to staff members with the view to create awareness and, at the same time, enhance their skill to identify suspicious banking transactions. Customized formats and mechanism for reporting suspicious transactions have been executed and self-declaration of source of fund for any deposits above Rs.1 million has been made mandatory. In addition, the bank has also designed and adopted additional measurers to curb illicit transactions and to prevent the use of its services, products, system and network for money laundering activities.



Products & Services

Siddhartha Bank is continuously striving to fulfill its motto, "Our Business is to Understand your Business". Siddhartha Bank provides one stop and reliable financial solutions to its patrons by addressing their different financial needs. We are well aware and prepared for new business paradigms in a globalised world and we have opted latest technology and customer focused service.

The sun may shine today, but it's better to save for a rainy day. We offer unbelievable interest rates in our savings deposits to garner and foster a sense of savings in among our patrons. We have been offering three types of savings account to help it happen. Our savings account, namely Siddhartha Bachat, Siddhartha Bishesh Bachat and Siddhartha Mega Savings features Safety, Flexibility, Liquidity and Returns as its highlights.

Siddhartha Bachat

Siddhartha Bachat is a normal savings account with prevailing interest rate of 5% p.a. on a monthly minimum balance. Anyone can easily open this account with minimum balance of Rs 1,000. Facilities in this account includes free SCT card, issuance of TC and Draft in competitive rates, preference for Locker facilities, free inward remittance among others.

Siddhartha Bishesh Bachat

Siddhartha Bishesh Bachat is a special savings account with prevailing interest rate of 4.25% p.a. interest on a daily balance. Apart from this, it also provides accidental death insurance coverage up to Rs 500,000. Other facilities in this account includes free SCT card, issuance of TC and Draft at competitive rates, special discount in Home Loan processing fee, preference for Locker facility etc.

Siddhartha Super Salary Account

Siddhartha Super Salary Account is a premium saving account targeted towards salaried employees and their employers. For the employer, the Bank offers a comprehensive payroll management system, while the employee can enjoy multiple benefits under the scheme. Prevailing interest rate in this account is 5 % p.a. on a monthly minimum balance.

Siddhartha Mega Savings

Bank has introduced SIDDHARTHA MEGA SAVINGS account with the slogan, "Higher the deposits, Higher the interest rate". The interest rate ranges from 4.25% p.a. to 6% p.a., depending on the volume of deposits. This account enables the patron to earn attractive interest rate on a daily balance, while keeping the fund liquid.

Siddhartha i Connect

To facilitate banking on finger tips, we have launched "*Siddhartha i connect*", an internet based banking solutions. It allows customers to conduct financial transactions 24 hours a day from any part of the globe on the Bank's website. Internet banking offers world class banking facilities like anytime, anywhere access to account, transfer of funds, complete details of transactions, statement of account, online information of deposit and withdrawals, cheque requisition, stop payments, demand draft request among others.

Siddhartharemit

We are in the process of launching web-based remittance service "Siddhartharemit" to provide fast and hassle-free remittance services. We ensure the money remitted is received by the patrons' near and dear ones in Nepal at their doorstep, in no time. In addition to this, we also provide remittance services of Western Union, Money Gram, X press Money, Krishi Peruma and are in process to tie up with other remittance agencies as well.

Locker

Safe Deposit locker at New Road branch is available in different sizes to safeguard the valuables of our customer.

ATM cards

To promote plastic money and to create cashless transactions, we have been offering Debit (SCT) card. This enables the card holders to buy goods and services using point of sale (POS) and to withdraw cash any time from more than 50 ATMs, where the SCT logo is displayed. The Bank

has also installed its own ATMs at New Road Branch and Old Baneshwor and is in process to install more ATMs at other viable locations.

Any Branch Banking Services (ABBS)

Keeping up with the changing times and to provide our customer more efficient and fast service, all our branches are connected online through our banking software. Customer can deposits and withdraw funds from any branch within the banking hours, which reduces the risk factor, cost and time for money transfer services.

Holiday and Evening Counters

With the aim to serve our customer beyond normal banking hours, the Bank has been providing holiday and evening counters facility from its major branches. This facility has further helped our customer to have easy deposits and withdrawals of fund even during off hours.

Working Capital Loan

The Bank offers this facility for meeting working capital requirement of trading, manufacturing and service units against hypothecation of stocks



and assignment of bills and account receivables. In order to accommodate wide range of requirements to go well with the nature of business, we grant this facility to our customers in the form of Overdraft, Demand Loan or Time Loan. Our customers communicate their needs to us and our credit analysts/relationship managers advises and structures the most suitable types of facility to suit their specific business requirement and the trade cycle. This loan is short term in nature.

Term Loans

The Bank extends Term Loan for the purchase of capital goods and creation of fixed assets in the form of purchase of land and construction of factory buildings, office complexes, warehouses or buying of plant and machineries, equipments or creation of any other types of fixed assets that facilitate in generation of cash flow. The repayment installments are flexibly set to match the cash flow of the business. The duration of the loan is therefore assessed by analysis of cash flow statement and balance sheet.

Trade Finance

SBL has adequate infrastructures in the form of national and international networking of correspondent banking relationship that facilitate domestic and international trade transactions. Trade transactions are financed either through import or export loans. Import finance is granted to facilitate international trade transactions through Letters of Credit, Trust Receipt Loan and Customer Acceptances. Trust Receipt Loan is granted to facilitate retirement of import bills. The Bank assists in extending export finance by way of pre shipment and or post shipment loans. These facilities are provided to facilitate necessary arrangement for export of the goods.

Siddhartha Auto Loan

This facility enables the dream of owning a four-wheeler a reality in an easy and hassle free manner. The tenure and installments are fixed according to cash flow of the applicant.

Siddhartha Home Loan

The Bank provides home loan at competitive rate on equated monthly installments for buying land and constructing a house, buying of new house or renovation of a residential house. The tenure of the loan is structured up to 20 years to match with the cash flow and repayment capacity of the borrower.

Siddhartha Personal Loan

This product is designed and extended to individuals to accommodate their personal, social or business requirements. To meet their specific requirement, the facility is granted in the form of Term Loan or Overdraft against the mortgage charge over the fixed properties to the person who have adequate and fixed source of income to meet repayment installments and interest. The period of loan is assessed on the purpose for which funds are required and the repayment capacity of the borrower.

Siddhartha Education Loan

The Bank offers this loan to the students undergoing for higher studies in Nepal or abroad. This type of loan can be extended to students or parents / guardians to the extent of maximum 80% of the cost of the tuition fee, hostel charges and travel expense against the mortgage charge over the fixed properties (land/building). The loan tenure and repayment options are fixed as per the cash flow of the applicant or parents.

Management Team

Mr. Shambhu Nath Gautam

Officiating Chief Executive Officer

Mr. Sundar Prasad Kadel

Sr. Manager Operations

Mr. Rameshwar Prasad Bashyal

Head- Marketing

Mr. Sher Bahadur Budhathoki

Manager- Credit

Mr. Jeevan BhattaraiManager- Operations,
Treasury & Company Secretary**Mr. Jeewan Babu Shrestha**

Manager- Retail Credit

Ms. Shailaja Gyawali

Manager- Marketing

Ms. Ira Pradhan

Relationship Manager

Prabesh Shakya

Manager- IT

Pankaj Pant

Manager- Customer Service

Rajnish Dahal

Internal Auditor

Laxman Subba

Branch Manager- Biratnagar

Kamal Basnet

Branch Manager-Birgunj

Amit Shrestha

Branch Manager- Pokhara

Priti Singh

Branch Manager- Tripureswor

Ashok Upadhya

Operations Incharge-New Road

Pradeep Pant

Branch Manager-Damak

From Left to Right

Mr. Jeevan Babu Shrestha
Mr. Pankaj Pant
Mr. Prabin Dhungel
Mr. Amit Shrestha
Mr. Sher Bahadur Budhathoki



Ms. Priti Singh
Mr. Ashok Upadhyaya
Mr. Rameshwar Prasad Bashyal
Mr. Shambhu Nath Gautam,
Ms. Biplavi Singh



Mr. Jeevan Bhattarai
Ms. Ira Pradhan
Mr. Sudesh Devkota
Mr. Rajnish Dahal
Mr. Atul Koirala
Ms. Shailaja Gyawali
Mr. Prabesh Shakya
Mr. Sundar Prasad Kadel





Our Employees

CSC & Co

an associated firm of PricewaterhouseCoopers

CSC & Co

Chartered Accountants

1955, Tanka Prasad Ghumti Sadak,

Babar Mahal

PO Box: 4861, Kathmandu, Nepal

Tel : +977-1-4259414, 4268798, 4251518

Fax : +977-1-4244255

E-mail: csc@cscnepal.com

Auditor's Report

The Shareholders of Siddhartha Bank Limited

We have audited the accompanying Balance Sheet of Siddhartha Bank Ltd. as on 16th July 2007 and the related Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, the financial statements referred to above, read together with the notes attached thereon give a true and fair view of the financial position of the Bank as on July 16, 2007, and of the results of its operations and its cash flows for the year then ended in accordance with the auditing standards generally accepted in Nepal and such financial statements conform to Nepal Rastra Bank directives, Banks and Financial Institutions Act, 2006 and the Company Act.

Date: October 1, 2007
Place: Kathmandu, Nepal


L D Mahat
Partner
CSC & Co.,
Chartered Accountants



Siddhartha Bank Limited
as at 16 July 2007
Balance Sheet

CAPITAL AND LIABILITIES	SCHEDULE	THIS YEAR Rs.	PREVIOUS YEAR Rs.
1. Share Capital	4.1	600,000,000	500,000,000
2. Reserves and Surplus	4.2	193,709,939	103,141,455
3. Debenture and Bonds	4.3	-	-
4. Borrowings	4.4	430,000,000	181,150,000
5. Deposit Liabilities	4.5	6,625,078,506	3,918,076,217
6. Bills Payables	4.6	-	-
7. Proposed Dividend & Dividend Payables		4,736,842	-
8. Income Tax Liabilities		5,203,446	1,112,820
9. Other Liabilities	4.7	95,935,742	53,454,956
Total Liabilities		7,954,664,475	4,756,935,448

ASSETS	SCHEDULE	THIS YEAR Rs.	PREVIOUS YEAR Rs.
1. Cash Balance	4.8	130,442,580	64,977,328
2. Balance with Nepal Rastra Bank	4.9	380,563,747	48,831,305
3. Balance with Banks & Financial Institutions	4.10	6,220,027	2,137,673
4. Money at Call & Short Notice	4.11	229,446,305	100,000,000
5. Investment	4.12	865,188,561	650,979,170
6. Loans, Advances & Bills Purchased	4.13	6,222,586,813	3,789,122,692
7. Fixed Assets	4.14	46,667,101	39,692,489
8. Non-Banking Assets	4.15	10,173,349	480,097
9. Other Assets	4.16	63,375,992	60,714,694
Total Assets		7,954,664,475	4,756,935,448

Contingent Liabilities
Declaration of Directors
Statement of Capital Fund

Schedule 4.17
Schedule 4.29
Schedule 4.30

Statement of Risk Weighted Assets
Principal Indicators
Significant Accounting Policies
Notes to Accounts

Schedule 4.30 (A)
Schedule 4.31
Schedule 4.32
Schedule 4.33

Schedule 4.1 to 4.17 and 4.32,4.33 form integral part of the Balance Sheet.

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Sr. Manager Operations

Shambhu Nath Gautam
General Manager

D.C. Khanna
Chief Executive Officer

As Per our report of even date

Suresh Chandra Agrawal

Chiranjilal Agrawal
Chairman

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

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

Date: 1 October 2007,
Place: Kathmandu, Nepal

Siddhartha Bank Limited

For the period from 17 July 2006 to 16 July 2007

Profit & Loss Accounts

PARTICULAR	SCHEDULE	THIS YEAR RS.	PREVIOUS YEAR RS.
1. Interest Income	4.18	481,523,807	305,560,896
2. Interest Expenses	4.19	271,710,950	153,708,962
Net Interest Income		209,812,857	151,851,934
3. Commission & Discount	4.20	20,177,802	13,774,645
4. Other Operating Income	4.21	18,659,095	9,701,472
5. Exchange Fluctuation Gain	4.22	14,245,653	12,050,770
Total Operating Income		262,895,407	187,378,821
6. Employees Expenses	4.23	33,620,506	26,087,462
7. Other Operating Expenses	4.24	55,721,156	44,124,593
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loan Loss		173,553,745	117,166,766
9. Provisions for possible losses	4.25	20,544,230	16,472,805
Operating Profit		153,009,514	100,693,961
10. Non- Operating Income/(Loss)	4.26	35,535	3,195
11. Possible Loss Provision Written Back	4.27	-	-
Profit from Regular Activities		153,045,049	100,697,156
12. Profit/Loss from Extraordinary Activities	4.28	-	-
Net Profit after Extraordinary Items		153,045,049	100,697,156
13. Provision for Staff Bonus		13,913,186	9,154,287
14. Provision for Income Tax		43,826,537	26,290,057
a. This year provision		43,826,537	26,290,057
b. Provision upto last year		-	-
Net Profit/ (Loss)		95,305,326	65,252,812

Schedule 4.18 to 4.28 form integral part of this profit & loss account

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Sr. Manager Operations

Shambhu Nath Gautam
General Manager

D.C. Khanna
Chief Executive Officer

As Per our report of even date

Suresh Chandra Agrawal

Chiranjilal Agrawal
Chairman

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

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

Date: 1 October 2007,
Place: Kathmandu, Nepal

Siddhartha Bank Limited

For the period from 17 July 2006 to 16 July 2007

Profit & Loss Appropriation Accounts

PARTICULAR	SCHEDULE	THIS YEAR RS.	REVIIOUS YEAR RS.
Income			
1. Accumulated Profit upto Previous Year		-	-
2. This Year's Profit		95,305,326	65,252,813
3. Exchange Equalisation Fund		-	-
4. Transfer from Capital Adjustment Fund		74,871,788	-
Total		170,177,114	65,252,813
Expenditures			
1. Accumulated loss upto Previous Year		-	-
2. Current year's loss		-	-
3. General Reserve		19,061,065	13,050,563
4. Contingent Reserves		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Employees Related Reserve Fund		-	-
8. Proposed Dividend		4,736,842	-
9. Proposed Bonus Share		90,000,000	-
10. Specific Reserve Fund		-	-
11. Exchange Fluctuation Fund		188,635	890,368
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		56,190,572	51,311,882
14. Others		-	-
15. Accumulated Profit/ (Loss)		-	-
Total		170,177,114	65,252,813

Jeevan Bhattarai
Manager OperationsSundar P. Kadel
Sr. Manager OperationsShambhu Nath Gautam
General ManagerD.C. Khanna
Chief Executive Officer

As Per our report of even date

Suresh Chandra Agrawal

Chiranjilal Agrawal
ChairmanL. D. Mahat, FCA
Partner
CSC & Co.
Chartered Accountants

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali
DirectorsDate: 1 October 2007,
Place: Kathmandu, Nepal

Siddhartha Bank Limited

as at 16 July 2007

Statement of Changes in Equity

PARTICULARS	SHARE CAPITAL	ACC. P & L A/C	GENERAL RESERVE	CAPITAL ADJUSTMENT FUND	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVES	PROPOSED BONUS/DIVIDEND	TOTAL AMOUNT
Balance at 16 July 2006	500,000,000	-	27,106,521	74,871,788	-	1,163,146	-	-	603,141,455
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-
Restated Balance	500,000,000	-	27,106,521	74,871,788	-	1,163,146	-	-	603,141,455
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Currency Translation Difference	-	-	-	-	-	-	-	-	-
Net Gains & Losses Not Recognised in the Income Statement	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	95,305,326	-	-	-	-	-	-	95,305,326
Transfer to General Reserve	-	(19,061,065)	19,061,065	-	-	-	-	-	-
Declaration of Bonus Share/Dividend (Proposed)	-	(19,865,054)	-	(74,871,788)	-	-	-	90,000,000	(4,736,842)
Issue of Share Capital	100,000,000	-	-	-	-	-	-	-	100,000,000
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	(188,635)	-	-	-	188,635	-	-	-
Capital Adjustment Fund	-	(56,190,572)	-	56,190,572	-	-	-	-	-
Tax Related Movement	-	-	-	-	-	-	-	-	-
Balance at 16 July 2007	600,000,000	-	46,167,586	56,190,572	-	1,351,781	-	90,000,000	793,709,939

Siddhartha Bank Limited

For the period from 17 July 2006 to 16 July 2007

Cash Flow Statement

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Cash Flows From Operating Activities	
	1. Cash Receipts	
292,231,934	1.1 Interest Income	481,268,995
13,774,645	1.2 Commission & Discount Income	20,177,802
12,050,770	1.3 Exchange Fluctuation Gain	14,245,653
-	1.4 Recovery of Loans Written Off	-
9,704,667	1.5 Other Income	18,694,630
-	2. Cash Payments	-
(148,956,870)	2.1 Interest Expenses	(271,710,950)
(26,087,462)	2.2 Staff Expenses	(33,620,506)
(55,427,849)	2.3 Office Operating Expenses	(38,466,054)
(20,162,725)	2.4 Income Tax Paid	(40,033,194)
77,127,110	Cash Flows before Changes in Working Capital	150,556,376
	Increase/(Decrease) in Current Assets)	
(77,528,998)	1. (Increase)/Decrease in Money at Call and Shortnotice	(129,446,305)
(364,355,737)	2. (Increase)/Decrease in Short-term Investments	(199,210,391)
(1,234,339,384)	3. (Increase)/Decrease in Loan and Bills Purchased	(2,450,457,205)
(5,019,075)	4. (Increase)/Decrease in Other Assets	(26,310,833)
	Increase/(Decrease) in Current Liabilities	
1,456,153,696	1. Increase/(Decrease) in Deposits	2,707,002,289
-	2. Increase/(Decrease) in Certificate of Deposits	-
(8,850,000)	3. Increase/(Decrease) in Short-term Borrowings	248,850,000
1,678,564	4. Increase/(Decrease) in Other Liabilities	36,393,868
(155,133,823)	Cash flow from Operating Activities	337,377,799
	B. Cash Flows From Investing Activities	
-	1. (Increase)/Decrease in Long-term Investments	(14,999,000)
(9,475,336)	2. (Increase)/Decrease in Fixed Assets	(21,353,563)
255,511	3. Interest Income from Long term Investments	254,812
-	4. Divedend Income	-
-	5. Others	-
(9,219,825)		(36,097,751)
	C. Cash Flows from Financing Activities	
-	1. Increase/(Decrease) in Long-term Borrowings	-
150,000,000	2. Increase/(Decrease) in Share Capital	100,000,000
(429,211)	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
149,570,789		100,000,000
	D. Effects of exchange rate changes on Cash and Bank Balances	
(14,782,859)		
130,729,165	E. Net Cash Flow For The Year (A+B+C+D)	401,280,048
115,946,306	F. Opening Cash and Bank Balance	115,946,306
	G. Closing Cash and Bank Balance	517,226,354

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Sr. Manager Operations

Shambhu Nath Gautam
General Manager

D.C. Khanna
Chief Executive Officer

Suresh Chandra Agrawal

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

Chiranjilal Agrawal
Chairman

As Per our report of even date

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

Date: 1 October 2007,
Place: Kathmandu, Nepal

Siddhartha Bank Limited

as at 16 July 2007

Share Capital & Ownership

Schedule - 4.1

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
500,000,000	1. Share Capital	600,000,000
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a. 10000000 Ordinary shares of Rs. 100 each share	1,000,000,000
-	b. Non-redeemable Preference Shares of Rs.....each	-
-	c. Redeemable Preference Shares of Rs.....each	-
500,000,000	1.2 Issued Capital	800,000,000
500,000,000	a. 8000000 Ordinary shares of Rs.100 each share	800,000,000
-	b. Non-redeemable Preference Shares of Rs.....each	-
-	c. Redeemable Preference Shares of Rs.....each	-
500,000,000	1.3 Paid up Capital	600,000,000
500,000,000	a. 6000000 Ordinary shares of Rs.100 each	600,000,000
-	b. Non-redeemable Preference Shares of Rs.....each	-
-	c. Redeemable Preference Shares of Rs.....each	-

Share Ownership

SHARE CAPITAL RS.	%		SHARE CAPITAL RS.	%
350,000,000	70	1. Promoters	420,000,000	70
-	-	1.1 Government of Nepal	-	-
-	-	1.2 Foreign Institution	-	-
-	-	1.3 "A" Class Licensed Institutions	-	-
-	-	1.4 Other Licensed Institution	-	-
58,755,500	11.75	1.5 Other Entities	70,506,600	11.75
291,244,500	58.25	1.6 Individuals	349,493,400	58.25
-	-	1.7 Others	-	-
150,000,000	30	2. General Public	180,000,000	30
500,000,000	100	Total	600,000,000	100

List of Shareholders' holding more than 0.5 % Share Capital

Schedule - 4.1.1

S. N.	NAME	NO. OF SHARES	PAID AMOUNT RS.	%
1	Prudential Investment Co. Pvt. Ltd.	345,066	34,506,600	5.75%
2	Narendra Kumar Agrawal	294,000	29,400,000	4.90%
3	Chiranji Lal Agrawal	240,000	24,000,000	4.00%
4	Hira Lal Kedia	199,200	19,920,000	3.32%
5	Ratan Lal Kedia	198,000	19,800,000	3.30%
6	Pawan Kumar Agrawal	180,000	18,000,000	3.00%
7	Mahabir Investment Pvt. Ltd.	180,000	18,000,000	3.00%
8	Puspanjali International Pvt. Ltd.	180,000	18,000,000	3.00%
9	Narpat Singh Jain	180,000	18,000,000	3.00%
10	Subodh Todi	151,199	15,119,900	2.52%
11	Poonam Chand Agrawal	132,000	13,200,000	2.20%
12	Gomati Devi Kedia	132,000	13,200,000	2.20%
13	Dina Nath Kedia	129,600	12,960,000	2.16%
14	Rabindra Nath Sharma	125,994	12,599,400	2.10%
15	Ashok Kumar Baheti	120,000	12,000,000	2.00%
16	Ram Awatar Kedia	110,400	11,040,000	1.84%
17	Madan Lal Kedia	110,400	11,040,000	1.84%
18	Suresh Kumar Roongata	90,000	9,000,000	1.50%
19	Santosh Rathi	90,000	9,000,000	1.50%
20	Suresh Chandra Agrawal	84,000	8,400,000	1.40%
21	Binod Kumar Agrawal	84,000	8,400,000	1.40%
22	Nirmal Pradhan	73,840	7,384,000	1.23%
23	Krishna Murari Agrawal	72,000	7,200,000	1.20%
24	Binay Kumar Shah Madwari	60,000	6,000,000	1.00%
25	Raj Kumar Tibrewala	60,000	6,000,000	1.00%
26	Rajendra Agrawal	60,000	6,000,000	1.00%
27	Kabindra Bahadur Shrestha	60,000	6,000,000	1.00%
28	Bishwa Nath Shah	60,000	6,000,000	1.00%
29	Birendra Kumar Shah	60,000	6,000,000	1.00%
30	Jaskaran Sharada	60,000	6,000,000	1.00%
31	Damodar P Gautam/Satish Gautam	54,000	5,400,000	0.90%
32	Shyam Sunder Agrawal	48,000	4,800,000	0.80%
33	Jagadish Kumar Agrawal	42,000	4,200,000	0.70%
34	Sarbendra Nath Sukla	36,000	3,600,000	0.60%
35	Anil Kumar Shrestha	32,400	3,240,000	0.54%
36	Om Prakash Roongata	30,000	3,000,000	0.50%
37	Surendra Sharada	30,000	3,000,000	0.50%
38	Sanjaya Kumar Sharada	30,000	3,000,000	0.50%

Siddhartha Bank Limited

as at 16 July 2007

Reserves and Surplus

Schedule - 4.2

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
27,106,521	1. General Reserve Fund	46,167,587
-	2 Proposed Bonus Shares	90,000,000
-	3 Capital Reserve Fund	-
-	4. Capital Redemption Reserve	-
74,871,788	5. Capital Adjustment Fund	56,190,572
-	6. Other Reserves and Fund	-
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Specific reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserve Funds	-
-	7. Accumulated Profit/ Loss	-
1,163,146	8. Exchange Fluctuation Fund	1,351,781
103,141,455	Total	193,709,939

Siddhartha Bank Limited

as at 16 July 2007

Debenture & Bonds

Schedule -4.3

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1.% of Bond/Debentures of Rs.....each Issued on.....and to be redeemed on..... (outstanding balance of Redemption Reserve Rs.....)	-
-	2.% of Bond/Debentures of Rs.....each Issued on.....and to be redemeed on (Outstanding balance of Redemption Reserve Rs.....)	-
-	3.	-
-	Total (1+2+3)	-

Siddhartha Bank Limited

as at 16 July 2007

Borrowings

Schedule - 4.4

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Local	
-	1. Government of Nepal	-
-	2. Nepal Rastra Bank	-
70,000,000	3. Repo - Liabilities	-
111,150,000	4. Inter Bank & Financial Institution	430,000,000
-	5. Other Organized Institutions	-
-	6. Others	-
181,150,000	Total	430,000,000
	B. Foreign	
-	1. Banks	-
-	2. Others	-
-	Total	-
181,150,000	Total (A + B)	430,000,000

Siddhartha Bank Limited

as at 16 July 2007

Deposits

Schedule - 4.5

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
82,291,144	1. Non-Interest Bearing Deposit Accounts	150,818,580
79,103,758	A. Current Deposits	137,474,383
13,863,845	1. Local Currency	10,350,781
-	1.1 Government of Nepal	-
7,919,521	1.2 "A" Class Licensed Institutions	-
42,701,745	1.3 Other Licensed Financial Institutions	13,657,989
14,582,429	1.4 Other Organized Institutions	79,745,648
36,219	1.5 Individuals	32,666,677
3,187,386	1.6 Others	1,053,289
-	2. Foreign Currency	13,344,197
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Financial Institutions	-
3,187,386	2.4 Other Organized Institutions	13,344,197
-	2.5 Individuals	-
-	2.6 Others	-
45,565,465	B. Margin Deposits	76,390,495
-	1. Employees Guarantee	-
18,475,465	2. Guarantees Margin	22,512,502
27,090,000	3. Letters of Credit Margin	53,877,993
112,644	C. Others	392,797
112,644	1. Local Currency	392,797
-	1.1 Financial Institutions	-
34,000	1.2 Other Organized Institutions	-
78,644	1.3 Individuals	392,797
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
127,969,254	Total of Non-Interest Bearing Accounts	227,601,871

Siddhartha Bank Limited

as at 16 July 2007

Deposits (Cont'd.....)

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
1,128,464,088	2. Interest bearing accounts	1,881,663,667
1,120,455,314	A. Savings Deposits	1,872,307,431
272,043,803	1. Local Currency	65,201,857
847,909,779	1.1 Organized Institutions	1,804,720,041
501,733	1.2 Individuals	2,385,532
8,008,774	1.3 Others	9,356,236
-	2. Foreign Currency	807,695
8,008,774	2.1 Organized Institutions	8,548,541
-	2.2 Individuals	-
1,632,091,068	2.3 Others	-
1,617,271,068	B. Fixed Deposits	3,022,555,568
1,445,029,353	1. Local Currency	3,009,585,568
172,241,715	1.1 Organized Institutions	2,743,529,353
-	1.2 Individuals	263,556,215
14,820,000	1.3 Others	2,500,000
14,820,000	2. Foreign Currency	12,970,000
-	2.1 Organized Institutions	12,970,000
-	2.2 Individuals	-
-	2.3 Others	-
1,029,551,808	C. Call Deposit	1,493,257,400
1,029,425,353	1. Local Currency	1,232,981,505
-	1.1 "A" Class Licensed Institutions	-
566,780,013	1.2 Other Licensed Financial Institutions	725,237,730
272,863,871	1.3 Other Organized Institutions	256,892,182
189,781,469	1.4 Individuals	250,295,353
126,455	1.5 Others	556,240
-	2. Foreign Currency	260,275,895
-	2.1 "A" Class Licensed Institutions	-
126,455	2.2 Other Licensed Financial Institutions	-
-	2.3 Other Organizations	4,559,188
-	2.4 Individuals	255,716,708
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institutions	-
-	2. Individuals	-
-	3. Others	-
3,790,106,964	Total of Interest Bearing Accounts	6,397,476,635
3,918,076,217	(1 + 2) Total Deposit	6,625,078,506

Siddhartha Bank Limited

as at 16 July 2007

Bills Payable

Schedule - 4.6

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
-	1. Local currency	-
-	2. Foreign currency	-
-	Total	-

Siddhartha Bank Limited

as at 16 July 2007

Other Liabilities

Schedule - 4.7

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
-	1. Pension/ Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
9,154,287	4. Provision for Staff Bonus	13,913,186
-	5. Interest Payable on Deposits	-
2,690,756	6. Interest Payable on Borrowings	299,452
34,500	7. Unearned Discount & Commission	291,409
-	8. Sundry Creditors	-
1,520,346	9. Branch Adjustment Account	-
40,055,068	10. Others	81,431,695
-	a) Nostro Credit	10,910,068
-	b) Others	70,521,627
53,454,956	Total	95,935,743

Note: Nostro Credit includes the balance of customer remittance in-transit as on the Balance sheet date with a corresponding balance in the Balance with NRB

Siddhartha Bank Limited

as at 16 July 2007

Cash Balance

Schedule - 4.8

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
62,326,443	1. Local Currency (Including Coins)	126,445,868
2,650,885	2. Foreign Currency	3,996,712
64,977,328	Total	130,442,580

Siddhartha Bank Limited

as at 16 July 2007

Balance with Nepal Rastra Bank

Schedule - 4.9

PREVIOUS YEAR RS.	PARTICULAR	LOCAL CURRENCY		FOREIGN CURRENCY IN NRS.		TOTAL
		INR	CONVERTIBLE FOREIGN CURRENCY	INR	CONVERTIBLE FOREIGN CURRENCY	
	1. Nepal Rastra Bank					
46,821,386	a. Current Account	-	1,617,900	-	,617,900	380,704,068
2,009,919	b. Other Accounts	-	-	-	-	(140,321)
48,831,305	Total					380,563,747

Siddhartha Bank Limited

as at 16 July 2007

Balance with Banks & Financial Institutions

Schedule - 4.10

PREVIOUS YEAR RS.	PARTICULAR	LOCAL CURRENCY		FOREIGN CURRENCY IN NRS.		TOTAL
		INR	CONVERTIBLE FOREIGN CURRENCY	INR	CONVERTIBLE FOREIGN CURRENCY	
	1. Local Licensed Institutions					
5,227,750	a. Current Account	-	2,977,590	-	-	2,977,590
-	b. Other Accounts	-	-	-	-	-
	2. Foreign Banks					
(3,090,077)	a. Current Account	982,404	-	2,260,033	3,242,437	3,242,437
-	b. Other Accounts	-	-	-	-	-
2,137,673	Total	982,404	2,977,590	2,260,033	3,242,437	6,220,027

Balance as per Balance certificates of related Banks Rs. 39,890,004.94 and the balance has been reconciled.

Siddhartha Bank Limited

as at 16 July 2007

Money at Call & Short Notice

Schedule - 4.11

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
100,000,000	1. Local Currency	40,000,000
-	2. Foreign Currency	189,446,305
100,000,000	Total	229,446,305

Siddhartha Bank Limited

as at 16 July 2007

Investments

Schedule - 4.12

PREVIOUS YEAR RS.	PARTICULARS	PURPOSE		THIS YEAR RS.
		TRADING	OTHERS	
394,589,670	1. Govt. of Nepal Treasury Bills	-	621,973,040	621,973,040
-	2. Govt. of Nepal Saving Bonds	-	-	-
3,775,000	3. Govt. of Nepal Other Securities	-	3,775,000	3,775,000
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
140,000,000	6. Local Licensed Institutions	-	195,000,000	195,000,000
112,261,500	7. Foreign Banks	-	29,088,521	29,088,521
353,000	8. Corporate's Shares	-	15,352,000	15,352,000
-	9. Corporate's Bonds and Debentures	-	-	-
-	10. Other Investment	-	-	-
650,979,170	Total Investment	-	865,188,561	865,188,561
-	Provision	-	-	-
650,979,170	Net Investment	-	-	865,188,561

Siddhartha Bank Limited

as at 16 July 2007

Investment in Shares, Debentures & Bonds

Schedule - 4.12 a

PREVIOUS YEARS.	PARTICULAR	THIS YEAR RS.		PROVISION AMOUNT RS.
		COST PRICE	MARKET PRICE	
353,000	1. Investment in Shares			
	1.1 Credit Information Center Limited	352,000		
	3,520 Ordinary Share of Rs.100 paid up			
-	1.2 Siddhartha Insurance Limited	15,000,000		
	150000 Ordinary Share of Rs. 100 paid up			
-	1.3 Company (Pvt. Ltd./Ltd.)	-		
 PercentPreference Shares of Rs.paid up			
-	2. Investment in Debentures and Bonds			
-	2.1 Company (Pvt. Ltd./ Ltd.)	-		
Percent Debenture /Bond of Rs.....each			
-	2.2	-		
-	2.3	-		
353,000	Total Investment	15,352,000		
	3. Provision for Loss			
	3.1 Up to Previous Year			
	3.2 Additions/Deductions of this year			
-	Total Provision	-	-	-
353,000	Net Investment	15,352,000	-	-

Siddhartha Bank Limited

as at 16 July 2007

Classification of Loans and Bills Purchased and Provisioning

Schedule - 4.13

PREVIOUS YEAR RS.	PARTICULAR	ADVANCES						BILLS PURCHASED AND DISCOUNTED			THIS YEAR RS.
		PRIORITY SECTOR		OTHERS	FOREIGN	TOTAL	DOMESTIC	FOREIGN	TOTAL		
		INSURED	UNINSURED								
				INSURED	UNINSURED						
3,835,697,433	1. Performing Loans		413,467,592	5,807,766,322	-	6,221,233,914	28,520,633	48,431,068	76,951,701	6,298,185,615	
3,787,203,953	1.1 Pass Loan	-	408,739,485	5,765,355,497	-	6,174,094,982	28,520,633	48,431,068	76,951,701	6,251,046,683	
48,493,479	1.2 Restructured loan	-	4,728,107	42,410,825	-	47,138,932	-	-	-	47,138,932	
33,572,560	2. Non Performing Loan		4,241,353	17,300,230	-	21,541,583	-	-	-	21,541,583	
4,460,923	2.1 Substandard	-	14,716	-	-	14,716	-	-	-	14,716	
2,695,426	2.2 Doubtful	-	-	-	-	-	-	-	-	-	
26,416,211	2.3 Loss	-	4,226,637	17,300,230	-	21,526,867	-	-	-	21,526,867	
3,869,269,993	(A) Total Loans (1+2)		417,708,945	5,825,066,552	-	6,242,775,497	28,520,633	48,431,068	76,951,701	6,319,727,198	
	3. Loan Loss Provision										
37,872,039	3.1 Pass Loan	-	4,087,395	57,653,555	-	61,740,950	285,206	484,311	769,517	62,510,467	
13,396,106	3.2 Restructured loan	-	591,013	12,508,358	-	13,099,371	-	-	-	13,099,371	
1,115,231	3.3 Substandard	-	3,679	-	-	3,679	-	-	-	3,679	
1,347,713	3.4 Doubtful	-	-	-	-	-	-	-	-	-	
26,416,212	3.5 Loss	-	4,226,637	17,300,230	-	21,526,867	-	-	-	21,526,867	
80,147,301	(B) Total Loan Loss Provision		8,908,724	87,462,144	-	96,370,868	285,206	484,311	769,517	97,140,385	
	4. Provision upto Previous Year										
26,816,860	4.1 Pass	-	4,079,105	33,448,930	-	37,528,035	56,682	287,322	344,004	37,872,039	
-	4.2 Restructured	-	695,985	12,700,121	-	13,396,106	-	-	-	13,396,106	
7,284,060	4.3 Sub standard	-	474,982	640,249	-	1,115,231	-	-	-	1,115,231	
8,977,045	4.4 Doubtful	-	1,347,713	-	-	1,347,713	-	-	-	1,347,713	
20,836,581	4.5 Loss	-	532,780	25,883,432	-	26,416,212	-	-	-	26,416,212	
63,914,546	(C) Total Previous Year Provision		7,130,565	72,672,732	-	79,803,297	56,682	287,322	344,004	80,147,301	
	(D) Written Back from Previous Year's Provision										
16,232,756	(E) Additional Provision of This Year	-	1,778,159	14,789,412	-	16,567,571	228,524	196,989	425,513	16,993,084	
16,232,756	Net Additions/Deductions of This Year	-	1,778,159	14,789,412	-	16,567,571	228,524	196,989	425,513	16,993,084	
3,789,122,692	Net Loan (A-B)	-	408,800,221	5,737,604,408	-	6,146,404,629	28,235,427	47,946,757	76,182,184	6,222,586,813	

Siddhartha Bank Limited

as at 16 July 2007

Securitywise Loans, Advances & Bills Purchased

Schedule - 4.13 (a)

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Secured	
3,555,503,322	1. Collateral of Movable/Immovable Assets	5,520,594,553
234,486,674	2. Guarantee of Local Licensed institutions	439,469,028
-	3. Govt. Guarantee	-
-	4. Internationally Rated Bank Guarantee	-
34,400,438	5. Collateral of Export Documents	76,951,701
-	6. Fixed Deposit Receipts	-
2,451,953	(a) Own FDR	49,646,221
682,423	(b) FDR of Other Licensed Institutions	24,276,453
-	7. Government Bonds	-
-	8. Counter Guarantee	-
-	9. Personal Guarantee	-
41,745,183	10. Other Securities	208,789,242
-	B. Unsecured	-
3,869,269,993	Total(A+B)	6,319,727,198

Siddhartha Bank Limited

as at 16 July 2007

Non-Banking Assets

Schedule - 4.15

PREVIOUS YEAR RS	NAME & ADDRESS OF BORROWER/PARTY	DATE OF ASSUMING OF NBA	TOTAL NBA RS.	LOSS PROVISION		NEXT NBA
				PERCENT	AMOUNT RS.	
480,097	Auto Hut	14.07.2005	960,195	75%	720,146	240,049
-	Nisha Thapa Chetri	22.08.2006	13,244,400	25%	3,311,100	9,933,300
480,097	Total		14,204,595		4,031,246	10,173,349

Siddhartha Bank Limited

as at 16 July 2007

Other Assets

Schedule - 4.16

PREVIOUS YEAR RS.	PARTICULARS		THIS YEAR RS.
-	1. Stock of Stationery		-
7,586,340	2. Income Receivable on investments		1,882,879
18,599,299	3. Accrued Interest on Loan	20,631,111	-
(9,550,181)	Less: Interest Suspense amount	20,631,111	-
-	4. Commission Receivable		-
-	5. Sundry Debtors		-
-	6. Staff Loans and Advances		-
805,197	7. Prepayments		1,915,822
-	8. Cash in Transit		-
28,268,901	9. Other Transit Items (including cheques)		37,108,938
-	10. Draft Paid Without Notice		-
8,734,619	11. Expenses Not Written-off		5,499,357
-	12. Branch adjustment Account		2,256,247
6,270,520	13. Others		14,712,749
60,714,695	Total		63,375,992

Siddhartha Bank Limited

as at 16 July 2007

Other Assets (Additional Statements)

Schedule - 4.16 a

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.			TOTAL
		UPTO 1 YEAR	1 TO 3 YEARS	ABOVE 3 YEARS	
18,599,299	1. Accrued Interest on Loans	17,527,607	3,103,504	-	20,631,111
-	2. Drafts Paid without notice	-	-	-	-
-	3. Branch Adjustment Account	2,256,247	-	-	2,256,247
18,599,299	Total	19,783,854	3,103,504	-	22,887,358

Siddhartha Bank Limited

as at 16 July 2007

Contingent Liabilities

Schedule - 4.17

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Claims on bank but not accepted by the Bank	-
-	2. Letters of Credit (Full Amount)	-
359,506,981	(a) Less than 6 months maturity	589,401,784
-	(b) More than 6 months maturity	920,862
-	3. Rediscounted bills	-
-	4. Unmatured Guarantees/Bonds	-
6,063,500	(a) Bid Bonds	15,445,625
298,920,062	(b) Performance Bonds	620,800,159
-	(c) Other Guarantees/ Bonds	-
-	5. Unpaid Shares in Investment	-
-	6. Forward Exchange Contract Liabilities	17,669,563
49,454,117	7. Bills Under Collection	43,049,988
71,558,326	8. Acceptance & Endorsements	182,453,911
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
-	11. Counter guarantees against the guarantees of Internationally Rated Bank	-
17,579,400	12. Advance Payment Guarantee	29,393,585
-	13. Financial Guarantee	-
-	14. Contingent Liabilities on Income Tax	-
-	15. Others	-
803,082,386	Total	1,499,135,477

Siddhartha Bank Limited
17 July 2006 to 16 July 2007
Interest Income

Schedule - 4.18

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
285,343,296	A. On Loan, Advances and Overdraft	402,755,840
225,177,526	1) Loan and Advances	304,599,775
60,165,771	2) Overdraft	98,156,065
14,821,239	B. On Investment	68,007,425
14,821,239	1. Govt. Securities	13,773,138
14,565,728	a) Treasury Bills	13,518,326
255,511	b) Development Bonds	254,812
-	c) National Saving Bonds	-
-	2. Foreign Securities	-
-	a)	-
-	b)	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture and Bonds	-
-	5. Interest on Inter Bank Lendings	54,234,287
-	a) Banks/ Financial Institutions	-
-	b) Other Institutions	-
85,728	C. On Agency Balances	99,801
-	1. Local Banks/ Financial Institution	-
85,728	2. Foreign Banks	99,801
5,310,633	D. On Money at Call and Short Notice	10,373,467
2,349,927	1. Local Banks/ Financial Institutions	1,777,639
2,960,706	2. Foreign Banks	8,595,828
-	E. On Others	287,274
-	1. Certificate of Deposits	-
-	2. Inter Bank/ Financial Institution Loan	287,274
-	3. Others	-
305,560,896	Total	481,523,807

Siddhartha Bank Limited
17 July 2006 to 16 July 2007
Interest Expenses

Schedule - 4.19

PREVIOUS YEAR RS.	PARTICULAR S	THIS YEAR RS.
142,871,776	A. On Deposit Liabilities	263,196,622
77,851,352	1. Fixed Deposits	118,807,595
77,113,774	1.1 Local Currency	118,068,476
737,578	1.2 Foreign Currency	739,119
31,496,153	2. Saving Deposits	62,968,530
31,410,905	2.1 Local Currency	62,670,074
85,248	2.2 Foreign currency	298,456
33,524,271	3. Call Deposits	81,420,497
33,506,912	3.1 Local Currency	77,706,864
17,359	3.2 Foreign Currency	3,713,633
-	4. Certificate of Deposits	-
- 10,837,186	B. On Borrowings	8,514,328
-	1. Debenture & Bonds	-
111,589	2. Loan from NRB	475,471
10,725,597	3. Inter Bank/Financial Institutions Loan	8,038,857
-	4. Other Corporate Body	-
-	5. Other Loans	-
-	C. On Others	-
153,708,962	Total	271,710,950

Siddhartha Bank Limited
17 July 2006 to 16 July 2007
Commission & Discount

Schedule - 4.20

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
3,304,988	A. Bills Purchased & Discounted	3,110,838
3,304,988	1. Local	3,110,838
-	2. Foreign	-
10,287,880	B. Commission	15,816,942
5,651,783	1. Letters of Credit	7,293,761
3,244,027	2. Guarantees	5,512,743
580,080	3. Collection Fee	1,372,446
602,179	4. Remittance Fee	1,344,829
-	5. Credit Cards	-
-	6. Share Underwriting/Issues	-
-	7. Government Transactions	-
209,811	8. Agency Commission	293,163
-	9. Exchange Fee	-
181,777	C. Others	1,250,022
13,774,645	Total	20,177,802

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Other Operating Income

Schedule - 4.21

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Rental Charges of Safe Deposit Vault	83,250
-	2. Issue and Renewal of Credit Cards	-
-	3. Issue and Renewal of ATM Cards	-
1,603,650	4. Telex / T.T.	2,512,638
6,902,238	5. Services Charges	15,044,091
-	6. Renewal Fees	-
1,195,584	7. Others	1,019,116
403,932	a. Rent Income	416,025
791,652	b. Other Income	603,091
9,701,472	Total	18,659,095

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Exchange Fluctuation Gain/Loss

Schedule - 4.22

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
3,561,470	1. Revaluation Gain /Loss	754,541
8,489,300	2. Trading Gain (Except Discount)	13,491,112
12,050,770	Total Income/(Loss)	14,245,653

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Staff Expenses

Schedule - 4.23

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
17,412,684	1. Salary	20,911,587
6,814,364	2. Allowances	9,328,574
1,107,356	3. Contribution to Provident Fund	1,443,374
284,361	4. Training Expenses	358,627
-	5. Uniform	-
106,647	6. Medical	727,366
-	7. Insurance	82,852
-	8. Pension and Gratuity Provision	-
362,050	9. Others	768,126
26,087,462	Total	33,620,506

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Other Operating Expenses

Schedule - 4.24

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
6,943,630	1 House Rent	9,273,997
1,445,815	2 Electricity and Water	1,992,781
	3 Repairs and Maintenance	-
40,800	a) Building	209,881
212,465	b) Vehicles	274,327
471,389	c) Others	544,908
1,050,869	4 Insurance	1,930,767
4,533,540	5 Postage, Telex, Telephone, Fax	5,945,426
349,320	6 Repair & Maintenance of Office Equipment, Furniture & Fixtures	502,884
837,881	7 Traveling Allowances and Expenses	823,917
2,248,079	8 Stationery and Printing	1,840,185
77,143	9 Periodicals and Books	82,314
1,117,600	10 Advertisements	2,402,663
153,164	11 Legal Expenses	458,782
46,405	12 Donations	88,176
	13 Expenses relating to Board of Directors	
641,950	a) Meeting Fees	590,859
850,499	b) Other Expenses	876,046
572,696	14 Annual General Meeting Expenses	170,252
	15 Expenses relating to Audit	
150,000	a) Audit Fees	184,500
171,608	b) Other Expenses	274,130
-	16 Commission on Remittances	-
6,113,571	17 Depreciation on Fixed Assets	8,593,656
6,751,009	18 Amortization of Preliminary Expenses	8,661,446
93,794	19 Share Issue Expenses	183,394
-	20 Technical Services Reimbursement	-
745,740	21 Entertainment, Business Promotion and Development Expenses	802,731
-	22 Expenses Write off	-
1,651,354	23 Security Expenses	2,663,830
-	24 Credit Guarantee Premium	-
276,409	25 Commission and Discount	234,922
	26 Other Expenses	
167,817	26.1 Professional fees	381,950
1,072,192	26.2 Fuel (Petrol/Diesel) & Gas	1,524,707
78,447	26.3 Rates & Taxes	213,796
50,000	26.4 Registration Expenses	-
293,850	26.5 SCT Expenses	795,800
1,101,376	26.6 Janitorial Expenses\Wages	1,488,701
1,311,196	26.7 Subscriptions & Membership Fees	533,800
18,223	26.8 Inauguration Expenses	62,523
496,648	26.9 Other Procurement Expenses	478,728
1,988,114	26.10 Miscellaneous	634,377
44,124,593	Total	55,721,156

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Provision For Possible Losses

Schedule - 4.25

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
16,232,756	1. Increase in Loan Loss Provision	16,993,084
-	2. Increase in Provision for loss on Investments	-
240,049	3. Provision against Non- Banking Assets	3,551,147
-	4. Provisions against other Assets	-
16,472,805	Total	20,544,230

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Non-operating Income/Loss

Schedule - 4.26

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Profit (Loss) on sale of Investment	-
3,195	2. Profit (Loss) on sale of assets	35,535
-	3. Dividend	-
-	4. Subsidies Received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5. Others	-
3,195	Total	35,535

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Loss Provision Written Back

Schedule - 4.27

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Loan Loss Provision Written Back	-
-	2. Provision against Non- Banking Assets' Written Back	-
-	3. Provision on Investment Written Back	-
-	4. Provision against Other Assets Written Back	-
-	Total	-

Siddhartha Bank Limited

17 July 2006 to 16 July 2007

Income/Expenses From Extraordinary Activities

Schedule - 4.28

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Recovery of Written off Loan	-
-	2. Volunteering Retirement Scheme Expenses	-
-	3. Irrecoverable Loans Written Off (4.28 a)	-
-	4. Other Expenses/Income	-
-	Total	-

Siddhartha Bank Limited

Statement of Loans written off

Fiscal Year 2006/07

Schedule - 4.28 (a)

S.N.	LOAN CATEGORY	WRITEN OFF AMOUNT	TYPES OF SECURITY	BASIS OF SECURITY VALUATION	LOAN SANCTIONING OFFICIAL/ RANK	EFFORTS MADE FOR RECOVERY	REMARKS
1	Working Capital Loan	-	-	-	-	-	-
2	Project Loan	-	-	-	-	-	-
3	Fixed Capital Loan	-	-	-	-	-	-
4	Personal Loan	-	-	-	-	-	-
5	Other Loans	-	-	-	-	-	-
	Total Loans	-	-	-	-	-	-

Siddhartha Bank Limited
**STATEMENT OF LOANS AND ADVANCES
EXTENDED TO DIRECTORS/ CHIEF EXECUTIVE/
PROMOTER/ EMPLOYEES AND SHAREHOLDERS**

16 July 2007

The Statement of loans under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individual members of "their undivided family" OR against the guarantee of such persons OR to the organizations or companies in which such individuals are managing agent, are as follows:

Schedule - 4.29

NAME OF PROMOTER/ DIRECTOR/ CHIEF EXECUTIVE	PREVIOUS YEAR'S BALANCE		THIS YEAR'S RECOVERY		THIS YEAR ADDITIONS		BALANCE AS OF ASHAD END	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
(A) Directors								
1								
2								
(B) Chief Executive								
1								
2								
(C) Promoters								
1								
2								
(D) Employees								
1								
2								
(E) Shareholders								
1								
2								
Total								

Siddhartha Bank Limited Table of Capital Fund

as at 16 July 2007

Schedule - 4.30

Rs. '000

PARTICULARS	PREVIOUS YEAR RS.	THIS YEAR RS.
A. Core Capital	593,244	786,859
1. Paid Up Capital	500,000	600,000
2. Share Premium	-	-
3. Non-Redeemable Preference Share	-	-
4. General Reserve Fund	27,107	46,168
5. Accumulated Profit /Loss	-	-
6. Capital Redemption Reserve Fund	-	-
7. Capital Adjustment Fund/Proposed Bonus Share	74,872	146,191
8. Other Free Reserve Funds	-	-
Less:		
- Goodwill	-	-
- Investment In Excess of Prescribed limit	-	-
- Fictitious Assets	8,735	5,499
- Investments In Securities of Companies with Financial Interest	-	-
B. Supplementary Capital	39,035	76,962
1. Loan Loss Provision on Pass Loan	37,872	75,610
2. Assets Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured subordinated term debt	-	-
5. Exchange Fluctuation Fund	1,163	1,352
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Fund	-	-
8. Provision for loss on Investment	-	-
C. Total Capital Fund (A+B)	632,279	863,820
D. Risk Weighted Assets	4,465,021	7,297,687
E. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 11 percent)	491,152	802,746
Core Capital (@ 5.5 percent)	245,576	401,373
Capital Fund (Excess/Short) (Excess by 0.84%)	141,127	61,075
Core Capital (Excess/Short) (Excess by 5.28%)	347,668	385,486

Statement Of Risk Weighted Assets(RWA)

as at 16 July 2007

Schedule - 4.30a

S.N. PARTICULARS	WEIGHT -AGE	PREVIOUS YEAR RS.		THIS YEAR RS.	
		AMOUNT	RWA	AMOUNT	RWA
On- Balance Sheet Assets					
1 Cash Balance	0%	64,977,328	-	130,442,580	-
2 Gold (Tradable)	0%	-	-	-	-
3 Balance with Nepal Rastra Bank	0%	48,831,305	-	380,563,747	-
4 Investment in Government Securities	0%	398,364,670	-	621,973,040	-
5 Investment in NRB Bonds	0%	-	-	-	-
6 Fully Secured loan against own Fixed Deposit Receipt	0%	2,451,953	-	49,646,221	-
7 Fully Secured loan against Government Securities	0%	-	-	-	-
8 Balance with Domestic banks and financial institutions	20%	5,227,750	1,045,550	2,977,590	595,518
9 Fully secured FDR loan against FDR of other licenced Banks and Financial Institutions	20%	682,423	136,485	24,276,453	4,855,291
10 Balance with foreign banks	20%	-	-	3,242,437	648,487
11 Money at call	20%	100,000,000	20,000,000	229,446,305	45,889,261
12 Loan against the Guarantee of Internationally rated Banks	20%	112,261,500	22,452,300	29,088,521	5,817,704
13 Other Investments with Internationally Rated Banks	100%	353,000	353,000	15,352,000	15,352,000
14 Investment in Shares, Debenture and Bonds	100%	140,000,000	140,000,000	195,000,000	195,000,000
15 Other Investments	100%	3,866,135,617	3,866,135,617	6,245,804,524	6,245,804,524
16 Loans ,Advances and Bills Purchased/Discounted	100%	39,692,489	39,692,489	46,667,101	46,667,101
17 Fixed Assets	100%	52,889,660	52,889,659	86,978,614	86,978,614
18 All Other Assets(Except Net Advance Tax Paid)	100%	8,785,230	8,785,230	-	-
19 Net Interest Receivables(Gross Interest Receivable-Interest on Govt. Bond-Interest Suspense)	100%	4,840,652,924	4,151,490,330	8,061,459,133	6,647,608,500
Total (A)					
Off- Balance Sheet Items					
1 Bills Collection	0%	49,454,117	-	43,049,988	-
2 Forward Foreign Exchange Contract	10%	-	-	17,669,563	1,766,956
3 Letters of Credit with Maturity of less than 6 months (Full value)	20%	359,506,981	71,901,396	589,401,784	117,880,357
4 Guarantees provided against counter guarantee of internationally rated foreign banks	20%	-	-	-	-
5 Letters of Credit with Maturity of more than 6 months (Full value)	50%	-	-	920,862	460,431
6 Bid Bond	50%	6,063,500	3,031,750	15,445,625	7,722,813
7 Performance Bond	50%	298,920,062	149,460,031	620,800,159	310,400,080
8 Advance Payment Guarantee	100%	17,579,400	17,579,400	29,393,585	29,393,585
9 Financial Guarantee	100%	-	-	-	-
10 Other Guarantees	100%	-	-	-	-
11 Irrevocable Loan Commitment	100%	-	-	-	-
12 Contingent Liability in respect of Income Tax	100%	-	-	-	-
13 All other contingent liabilities (including Acceptance & Endorsements)	100%	-	-	-	-
Total (B)		71,558,326	71,558,326	182,453,911	182,453,911
Total Risk Weighted Assets		803,082,386	313,530,903	1,499,135,477	650,078,132
		5,643,735,310	4,465,021,233	9,560,594,610	7,297,686,632

Siddhartha Bank Limited

Principal Indicators

From the Beginning Year of the Bank

Schedule - 4.31

S.N.	PARTICULARS	INDICATORS	F.Y. 2002/2003	F.Y. 2003/2004	F.Y. 2004/2005	F.Y. 2005/2006	F.Y. 2006/2007
1	Percent of Net Profit/Gross Income	Percent	-4.26%	-19.34%	29.25%	19.13%	17.83%
2	Earning Per Share	Rs	(0.37)	(8.89)	20.08	13.05	15.88
3	Market Value Per Share	Rs.	-	-	-	360.00	778.00
4	Price Earning Ratio	Ratio	-	-	-	27.59	48.98
5	Dividend on Share Capital (Including Bonus)	Percent	-	-	-	-	15.79%
6	Cash Dividend on Share Capital	Percent	-	-	-	-	0.79%
7	Interest Income/Loan and Advances	Percent	1.81%	7.30%	7.49%	7.37%	6.37%
8	Staff Expenses/Total Operating Expenses	Percent	44.17%	19.68%	14.18%	11.65%	9.31%
9	Interest Expenses/Total Deposit & Borrowing	Percent	1.43%	4.60%	3.47%	3.75%	3.85%
10	Exchange Gain/Total Income	Percent	-	1.72%	2.98%	3.53%	2.66%
11	Staff Bonus/ Total Staff Expenses	Percent	-	-	47.49%	35.09%	41.38%
12	Net Profit/ Loan and Advances	Percent	-	-2.10%	2.73%	1.72%	1.53%
13	Net Profit/ Total Assets	Percent	-	-1.67%	2.27%	1.37%	1.20%
14	Total Credit/ Deposit	Percent	158.99%	114.95%	104.42%	98.75%	95.39%
15	Total Operating Expenses/Total Assets	Percent	1.18%	4.50%	4.62%	4.71%	4.54%
16	Adequacy of Capital Fund on Risk Weighted Assets						
	a) Core Capital	Percent	41.30%	16.04%	12.77%	13.29%	10.78%
	b) Supplementary Capital	Percent	0.74%	0.72%	0.87%	0.87%	1.05%
	c) Total Capital Fund	Percent	42.04%	16.76%	13.64%	14.16%	11.84%
17	Liquidity (CRR)	Percent	6%	6%	5.21%	5.03%	5.07%
18	Non-performing Credit/Total Credit	Percent	-	4.85%	2.58%	0.87%	0.34%
19	Weighted Average Interest Rate Spread	Percent	5.15%	5.53%	4.46%	4.07%	3.57%
20	Book Net - worth	Rs.	348,716,000	317,609,000	387,889,000	603,141,455	793,709,939
21	Total Shares	Nos.	3,500,000	3,500,000	3,500,000	5,000,000	6,000,000
22	Total Staff	Nos.	43	47	56	72	79

Principal Accounting Policies

Schedule - 4.32

1. Basis of Preparation of Financial Statements

The financial statements have been prepared in conformity with generally accepted accounting principles, Nepal Accounting Standards, Company Act 2006, Banking & Financial Institution Act 2006, Directives of Nepal Rastra Bank and prevailing practices within the banking industry in Nepal.

The Financial Statements has been prepared as per the format prescribed by Nepal Rastra Bank.

2. Basis of Interest Computation

Interest expenses on interest bearing deposits/ borrowings and interest income on loans and advances/investments are computed on the basis of 365 days a year.

3. Recognition of Interest & Fees and Commission Income

a) Interest income (net of rebate) on loans and advances are accounted on cash basis as per the directives of Nepal Rastra Bank although this practice is inconsistent with NAS 7 (Revenue Accounting), which prescribes that revenue should be recognized on accrual basis.

b) Fees and Commission income is accounted for on cash basis except guarantee commission above Rs.150,000 which is deferred and recognized as commission income over the period of guarantee, if guarantee period is over 1 year.

c) Interest income on investments is recognized on accrual basis.

d) Dividend is accounted on cash basis.

e) All other income are accounted on accrual basis.

4. Interest Expense

Interest expense on interest bearing deposits and borrowings is accounted on accrual basis.

5. Foreign Exchange Transactions

a) Assets and liabilities denominated in foreign currencies are converted into Nepalese Rupees at buying rates as on balance sheet date.

b) Profit or Loss arising from difference between buying and selling rates of foreign currencies is accounted as trading gain or loss on foreign exchange.

c) Profit or Loss arising due to fluctuation in exchange rate of foreign currencies is accounted as revaluation gain or loss. Out of revaluation gain, twenty five percent of such revaluation gain is transferred to Exchange Fluctuation Fund as per the directives of Nepal Rastra Bank.

6. Loans and Advances

Loans and advances are presented at net of provision for loan losses. Loans and advances are classified as per NRB directives, into performing and non-performing loans. Performing loans are further classified as pass and re-structured loans and non-performing loans are classified as substandard, doubtful and loss based on the criteria stipulated by NRB directives.

7. Provision for Possible Losses

Provision for possible losses has been provided on the basis of classification of loans and advances as per directives of Nepal Rastra Bank.

8. Investments

- a) Investment on government securities is recorded at cost.
- b) Investment on shares not listed in stock exchange are valued at cost.
- c) Investment on shares listed in stock exchange has been valued at lower of cost or market value of shares as on the Balance Sheet date.

9. Fixed Assets and Depreciation

- a) Fixed Assets are shown in accordance with historical cost concept at cost less accumulated depreciation.
- b) Fixed assets are depreciated on diminishing balance method at following rates

ASSETS	RATE OF DEPRECIATION
Office Equipments	25%
Computers and Accessories	25%
Furniture & Fixtures	25%
Vehicles	20%
Other Assets	15%

10. Non Capitalized Assets

Non-Consumable item normally having life less than 1 year and/or costing less than Rs.5,000 is expensed off during the year of purchase.

11. Non Banking Assets

Non-Banking assets are valued at principal loan amount due from borrower or prevailing market price of the asset whichever is lower. Provision for non-banking assets is provided as per the directives of Nepal Rastra Bank.

12. Software Expenses

Software application cost is recorded at cost incurred to purchase the software and amortized over a period of 5 years.

13. Leasehold Improvement and Preoperating Expenses

- a) Leasehold improvements are amortized over a period of 5 years or lease period, whichever is earlier.
- b) Preoperating expenses are amortized over a period of 5 years.

14. Leave Encashment and Medical Allowance

Leave encashment and medical allowance paid to employees as per the policy of the Bank are accounted on cash basis.

15. Stationery & Printing items

Stationeries and Printing items purchased for internal consumption are booked as expenses at the time of purchase.

16. Provision for tax

Provision for income tax has been made as per the Income tax Act 2058.

17. Contingent Liability

All known contingent liability is provided in the schedule forming part of the Balance Sheet.

Notes to Accounts

For the period ended on 16 July 2007

Schedule - 4.33

1. Statement of Unreconciled Balance

The position of agency and inter-branch reconciliation accounts are given below:

PARTICULARS	LESS THAN 1 YEAR	MORE THAN 1 YEAR LESS THAN 3 YEARS	MORE THAN 3 YEARS	TOTAL
Inter-branch Adjustment	4,701,212	-	-	4,701,212
Agency Accounts	44,667,380	-	-	44,667,380

2. Statement of Loan disbursed, recovered, written off and outstanding during the year

The loan disbursed, recovered and outstanding during the year is given below:

PREVIOUS YEAR	TOTAL DISBURSED	TOTAL RECOVERED	WRITTEN OFF	CLOSING BALANCE RS.
3,869,269,993	4,150,035,206	1,699,578,000	-	6,319,727,199

3. Summary of Changes in Deposit during the year

The growth of the deposits during the year is given below:

Rs. in Million

PARTICULARS	THIS YEAR	PREVIOUS YEAR	CHANGE%
Current/Margin Deposit	227	128	77
Local Currency	214	125	71
Foreign Currency	13	3	333
Savings Deposit	1,881	1,128	67
Local Currency	1,872	1,120	67
Foreign Currency	9	8	13
Call Deposits	1,493	1,030	45
Local Currency	1,233	1,030	20
Foreign Currency	260	-	-
Fixed Deposits	3,023	1,632	85
Local Currency	3,010	1,617	86
Foreign Currency	13	15	-13
Total	6,625	3,918	69

4. Weighted Average Interest Rate Spread

PARTICULARS	PERCENT
Weighted Average Lending interest rate	8.13
Weighted Average Deposit interest rate	4.56
Net Spread	3.57

5. Summary of Amortizable Expenses yet to be written off

PARTICULARS	ORIGINAL VALUE RS.	WRITTEN OFF RS.	BOOK VALUE RS.
Pre-Operating Expenses	16,581,511	11,082,154	5,499,357
Software	10,539,299	6,787,310	3,751,989
Leasehold Improvement	19,364,731	10,322,656	9,042,075

6. Summary of Concentration of Exposure

Rs. in Million

PARTICULARS	LOANS, ADVANCE AND BILLS PURCHASED	DEPOSIT AND BORROWINGS	CONTINGENT
Total amount as at 16 July 2007	6,320	7,055	1,481
Highest exposure to single unit	135	733	190
Highest % of exposure to single unit	2	10	13

7. Maturity profile of Assets and Liabilities

A) ASSETS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	OVER 1 YEAR	TOTAL
Cash Balance	130.44					130.44
Balance With Banks	386.78					386.78
Investment in Foreign Banks						
GON Securities			373.14	248.82	3.77	625.73
Investment in Shares					15.35	15.35
Nepal Rastra Bank Bonds						0
Inter Bank Lending	426.26			26.3	0.97	453.53
Loans & Advances	244.98	760.04	246.26	433.48	4,634.95	6,319.71
Other Assets	73.54				46.67	120.21
Total Assets	1,262	760.04	619.4	708.6	4,701.71	8,051.75
b) Liabilities						
Borrowings	430					430
Current Deposits & Margins	91.17				136.42	227.59
Savings Deposit & Call Deposits	1,355.62				2,019.29	3,374.91
Fixed Deposits	15.73	66.45	272.69	743.84	1,923.82	3,022.53
Debentures						
Other Liabilities	203.02					203.02
Capital & Reserves					793.7	793.7
Total Liabilities	2,095.54	66.45	272.69	743.84	4,873.23	8,051.75
Net Financial Assets	-833.54	693.59	346.71	-35.24	-171.52	
Cumulative Net Financial Assets	-833.54	-139.95	206.76	171.52	0	

8. Borrowings against collateral of Banks own Security.

Nil

9. Non Banking Assets

PARTICULARS	AMOUNT (RS)
Opening balance of NBA	960,195
Additions during the year	13,244,400
Less: Sale of NBA during the year	-
Less: Provision for NBA up to current year	4,031,246
Net NBA for this year	10,173,349

10. Interest Suspense

Interest income from loans and advances are shown in cash basis, total interest receivable on loans and advances as at 16.07.2007 amounting to Rs. 20,631,111 has been transferred to interest suspense account as per directives of Nepal Rastra Bank

11. Provisions for Bonus

Provision for bonus has been calculated at 10% of net profits after providing for loan loss provision and bonus. For the F/Y 2006/2007, the Bank has provided for Rs. 13,913,186 towards Staff Bonus.

12. Tax Assessment

Tax return filed by the Bank under self- tax assessment procedure for FY 2001/2002, FY 2002/03, FY 2003/2004, 2004/2005 and 2005/06 is pending for final assessment by the Tax Office. Tax Audit is yet to be completed for F/Y 2006/07.

13. General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current year's profit amounting to Rs. 19,061,065 has been transferred to General Reserve.

14. Capital Adjustment Fund

Contrary to previous capital policy, new capital policy of Nepal Rastra Bank (NRB) requires the Bank to increase paid up capital each year to make it minimum Rs.1,600 million by mid July 2013. The Bank has already submitted a capital plan to NRB in this regard and has proposed to issue this year 3 bonus shares for 20 shares held. The Bank has thus started utilizing capital adjustment reserve created in the past to issue bonus shares in line with the previous capital policy of NRB.

15. Provision for Gratuity

Provision for gratuity has not been made during fiscal year 2006/2007.

16. Staff Housing Fund

Provision for Staff Housing Fund has not been made as per the Labour Act, 1992.

17. Balance with Banks

Credit balance (NPR10.91 Million) in nostro accounts, which represented customer remittances in-transit as of 16 July 2007, has been shown under other liabilities.

18. Rounding off/ Previous year figures

Figures are rounded off to the nearest rupee. Previous year figures has been regrouped or rearranged wherever necessary.



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