



सिद्धार्थ बैंक लिमिटेड
SIDHARTH BANK LIMITED



CHANGE

FOR GROWTH

ANNUAL REPORT 2007/08

New Look, New Promises....

Just before this annual report for fiscal year 2007-08 goes into print, Siddhartha Bank embraces a new corporate logo that embodies the Bank's core values. The Bank unveiled its new

corporate logo on April 8, 2009; therefore we thought it would be appropriate to carry our new corporate logo with this annual report of FY 2007-08.



Change for growth

The change of corporate logo ushers the Bank for fresh challenges and growth. This re-branding establishes the platform for the bank's future strategies and is closely aligned with the Bank's commitment for a sustainable growth. The corporate logo heralds a new vision for Siddhartha Bank that today stands as a dynamic player in the banking industry of the country. The Bank believes that the change of logo is an important milestone for all its stakeholders; it believes the new logo reflects the Bank's new commitment and new promises to its Customers. This change in corporate logo is also a reflection of the evolution the Bank is undergoing.

In its ceaseless quest for perfect customer satisfaction and extensive service delivery, the Bank has always endeavoured into providing wide range of products and services to its clientele and this, on the most efficient manner. The Bank believes that an effective and efficient technological platform provides a strategic differentiation to its overall ability in responding to the

changing needs of the Customers thereby offering them new and innovative products and services from a consistent multi-channel environment. The Bank therefore felt a need of world class banking software. Upon detailed evaluations of the various available options, the Bank decided to get Oracle FLEXCUBE Universal Banking developed by Oracle Financial Services Software Limited.

Oracle FLEXCUBE Universal Banking is a single, comprehensive solution that covers all retail, corporate, and investment banking needs across multiple delivery channels and regions. It easily integrates with business intelligence and external systems keeping track of regulatory compliance at all times. Oracle FLEXCUBE Universal Banking provides robust functionality and superior, next-generation technology. We strongly believe that, through this new banking software, the Bank will be able to bolster its product and service delivery capabilities unparalleled in the industry.

“

THEY SAY THAT

TIME

CHANGES

THINGS,

BUT YOU ACTUALLY HAVE TO

CHANGE

THEM

YOURSELF

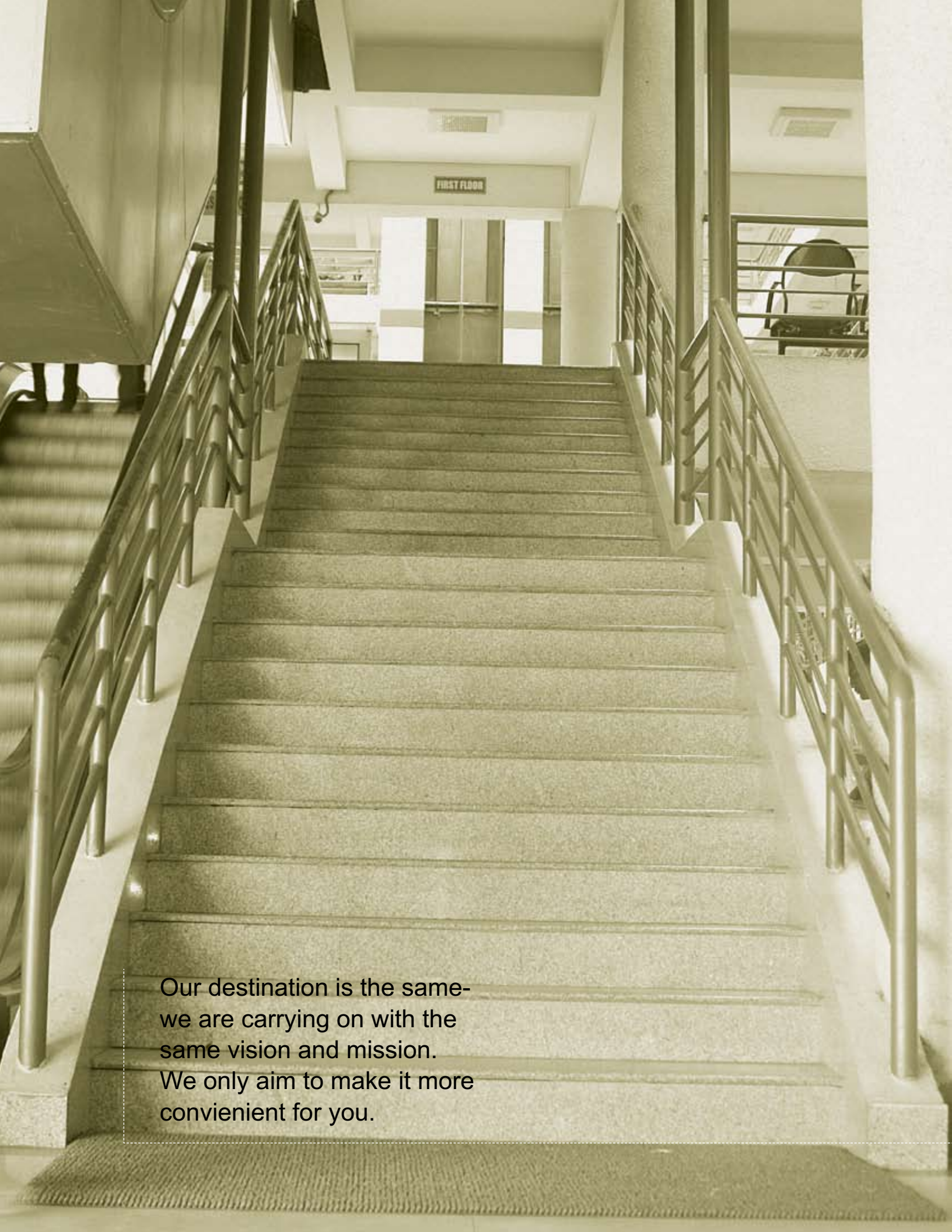
-ANDY WARHOL

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Our destination is the same-
we are carrying on with the
same vision and mission.
We only aim to make it more
convenient for you.



...and with a modernized approach, we aim to enhance our efficiency.





PROFILE

Siddhartha Bank Limited (SBL), promoted by prominent personalities of the business community of Nepal, today stands as one of the premier banks in the country. While the promoters come from a wide range of sectors, they possess immense business acumen and share their valuable experiences towards the betterment of the Bank. Siddhartha Bank now boasts of strong retail banking and trade operations complementing its longstanding corporate finance expertise.

Within a short span of time, Siddhartha Bank has been able to establish itself as a healthy and strong institution, with profitability, capital adequacy and portfolio quality of the highest order. Since the inception, the Bank has come up with a range of products and services that best suit its clientele. Siddhartha Bank continued to grow even during tough economic and political times that Nepal had to go through in the past. This is the testimony of the quality of the SBL management. The Board of Directors and the management were able to ride through those tough times and yet sustain healthy portfolio growth rate.

Siddhartha Bank is highly committed to get and give the best in the business when it comes to employees. The management of the Bank has been highly professional and has been running the bank to the best interest of the customers and all other stakeholders.

SBL has been able to gain significant trust of the customers and all other stakeholders to become one of the fastest growing commercial banks in the country in less than 6 years of its operation. Siddhartha Bank is fully committed towards customer satisfaction. All banking operations are conducted with the Customer at the centre. The range and scope of modern banking products and services in our Bank is an example of our commitment towards customer satisfaction. It is this commitment that has helped us grow in leaps and bounds every year in terms of our offering, profitability and shareholder value. And the Bank is confident and hopeful that it will be able to retain this trust and move even further towards our mission of becoming a leading bank amongst the banks of its age.

To Our SHARE- HOLDERS

It gives me immense pleasure to once again report to you yet another year of outstanding growth. Despite a relative slowdown in the economy, we have continuously adapted measures to make our overall operation profitable which is a testament to our sound planning and good business decisions. On behalf of all the Board of Directors, I would like to express my special gratitude to the senior management that has constantly guided and driven the entire workforce towards a direction which I believe, will further us to greater heights in the days ahead. The growth attained in the last few years has been amongst the highest in the entire industry and now places our Bank amongst the major players in the banking industry. While the Bank's overall growth has been encouraging, we shall continue to put our efforts to ensure that we become the most preferred Bank to all the stakeholders. We not only envisage financial growth but also thrive to better our fiscal discipline, governance,

transparency and compliance to regulatory and statutory norms.

On the Bank's performance in FY 2007-08, the profitability of the Bank rose from Rs. 95 million to Rs. 143 million registering a growth of 50% vis-à-vis last fiscal year. This increase in profitability came as a result of subsequent increases in deposits and loans and advances. Deposits increased by Rs. 3.5 billion, an increase of 54% while the loan portfolio of the Bank increased from Rs. 6.2 billion to Rs. 9.33 billion putting up a growth rate of 50% compared to last fiscal year. Similarly, the earnings in the form of fees and commission increased from Rs. 53 million to Rs. 80 million. The Bank shall continue its efforts to further raise its income portion from fees and commissions. I am quite certain, given the launch of Siddhartha Remit in the foregoing fiscal year; commissions will increase in the days



ahead. Further, in order to give boost to our foreign exchange income, plans are afloat to enhance our foreign deposit base. By the current fiscal year end, the Bank would have migrated to a high end international banking software. Currently, the Bank is in final stages of selection of the software. Migration to the new software will enable the Bank to introduce a number of products and service delivery channels which, we believe, will help us, inter alia, solicit foreign currency deposits from various international agencies. Our Bank's performance in the stock market too has been encouraging; the total market capitalization of the Bank as of fiscal year end, stands at approximately Rs 9 billion.

The Bank has embarked to reposition itself in the market and all necessary homework are being exercised to give us a new thrust as we move ahead. The new corporate logo which is being worked out, we believe, will represent and reiterate our promise to all, of a positive future. We firmly believe that an organization can be as good only as its people are and accordingly, the Bank would be investing on human resources and will restructure the organization to further enhance efficiency, control mechanism by way of instilling clearer reporting lines and ensuring checks and balances at all ends. Similarly, the Bank is planning to add a number of outlets in the upcoming fiscal year. These outlets will mainly come in the form of branches to be located in various centers across Nepal. The initial branching out would be in the western region of the country and this shall be followed by branches inside Kathmandu valley and the eastern part of Nepal. These Branches would

not only help increase our deposit base but also assist us in providing that much required impetus for our remittance business. Like in the foregoing fiscal year, the Bank would also focus on introducing new products and services in the upcoming fiscal year. On the same lines, a separate line of business would be initiated through establishment of a dedicated card division; this division would work into getting membership from VISA international. Therefore, apart from deposit and loan products, the Bank would also have debit and credit cards added to its product range.

In order to fuel growth, the Bank would continue to enhance its capital base through issuance of bonus and right shares. Similarly, on the credit side, recovery would further be strengthened to contain non-performing asset to well below 1%. The portfolio of the Bank has been prudently managed to ensure a healthy mix of deposits and loans. Besides, the Bank has been fully compliant to all regulatory and statutory regulations like the previous years.

The outlook for the fiscal year 2008-09 remains positive. We expect healthy growth rates on all business fronts. And I am confident that the Management will deliver the expectations of the shareholders.

On behalf of the Board of Directors, I would like to thank all the shareholders, customers and regulatory bodies for their continued trust and support and hope to continue to receive the same in the upcoming years as well. Thank you.

Chiranjilal Agrawal
- Chairman



From The Desk Of The

CEO

Banking has undergone a phenomenal change in the last few years. With these changes have come new challenges that require new skills and more dynamism to cater to the growing needs of the Customers. The corporate culture of the Bank has been shaped to encourage creativity, commitment and dedication. Going ahead, financial inclusion will be key to how banks will shape up in the future. Realizing the importance of financial inclusion, we have already envisaged on widening our reach through network of branches, ATMs and other delivery modules. For us, developing and marketing new products and services to meet diverse customer needs begins with a keen understanding of what the customer requires. We extensively act on understanding customers' needs, preferences and characteristics and

accordingly establish related organization, technology and product development systems to ensure that those needs are invariably met. We are of firm belief that human resource and technology will be the cutting edge to achieving our vision of being the most preferred financial institution. Our team of vibrant bankers provides us the cutting edge to meet the future aspirations of the Bank. Leveraging of technology will be critical in the days ahead, hence we have embarked upon upgrading our banking software infrastructure to a world class standard.

To reflect the changes that the Bank has planned for the future, we are in pursuance of giving a new identity and reposition ourselves as a Bank that is modern and a Bank that carries promises for a positive future.

Surender Bhandari
- Chief Executive Officer

Directors'

REPORT

Review of Financial Position and Results of Operations

A snapshot of Nepal's Economy in FY 2007-08

The improved security conditions in the wake of the new government formation post-constituent assembly elections led to a more stable environment for Nepal's economic growth. Nepal's economy expanded by 5.6% in FY 2007-08, up from 2.6% in FY 2006-07.

This was mainly possible because of the weather-induced recovery in agriculture that grew from 1.0% in FY 2006-07 to 5.7% in FY 2007-08. Besides, a reasonable growth in the services sector that expanded by 6.9% in FY 2007-08 compared to 4.2% in FY 2006-07 also helped in offsetting the lackluster performance of the industrial sector. The industrial growth decelerated from 3.9% to 1.8%; this deceleration was primarily a result of power and fuel shortages. The Manufacturing Production Index (MPI), an indicator of manufacturing activity, declined by 1.4% in FY 2007-08, compared to the previous year increase of 2.6%, again a result of long hour power cuts.

The country went through major power and fuel shortages during the fiscal year greatly

hampering the economy. These shortages coupled with price developments in India led to a rapid rise in domestic prices, with year-on-year inflation climbing to 12.1% in mid-July 2008. It is noteworthy that inflation rose more sharply in the second half of FY 2007-08 when fuel prices sky rocketed. The CPI inflation shot up from 6.4% in FY 2006-07 to 7.7% in FY 2007-08. There were monetary initiatives taken by the government, particularly the central bank in order to contain inflation. The central bank raised bank rate and cash reserve ratio (CRR). The central bank increased bank rate from 6.25% to 6.5%. Similarly, the CRR was also increased from 5% to 5.5%. These steps were helpful in containing ever rising real estate prices that was an outcome of easy credit. This was more applicable in urban areas such as Kathmandu and Pokhara. Although the impact of these policy instruments were observed in some indicators such as commercial banks' investment in construction-related activities, the overall impact remains uncertain in the backdrop of close link between Nepal and India's price levels and the persistently rising food prices.

The economy's expenditure side in FY 2007-08 did not see much change vis-a-vis FY 2006-07. Total consumption as a share of GDP dropped to 88.5% in FY 2007-08 from 90.3% in FY 2006-07. As a result of this, there was an increase in the share of savings; the gross domestic savings increased from 9.7% in FY 2006-07 to 11.5% in FY 2007-08 of GDP. Some of the indicators reflect a positive change in the country's investment climate. The ratio of total investment to GDP increased from 28% in FY 2006-07 to 32% in FY 2007-08. On the same lines, the gross fixed capital formation also increased from 20.4% to 21.0% of GDP.

The world economy has been experiencing an unprecedented global financial crisis. Although data for the first quarter of FY 2008-09 suggest that the impact of the global financial crisis on the economy has been negligible, experts are expecting the crisis to adversely impact the growth of remittance in the country. Tourism, trade and foreign direct investment (FDI) remained largely robust during FY 2007-08. However, with further deepening of the financial crisis and its impact on developed economies, some weakening in tourist arrivals, export and FDI inflow can not be ruled out in the months ahead. Data reveal that revenue collection during FY 2008-09 was sturdy and registered a growth rate of 22.6%.

Should the environment be conducive with the help of favorable weather conditions, consistency in government policies and improved fuel supply, the economy is expected to post a gross domestic product (GDP) growth rate of about 5.0-5.5% in FY 2008-09. Agriculture and services are likely to remain the main sources of

growth. Like in the past, the country's structural shortcomings such as inadequate infrastructure base and weak institutional capacity may continue to weigh on growth in the upcoming fiscal year as well. Inflation in FY 2008-09 is expected to hover around 10%. This can however moderate out in due course should the harvest be good and fuel prices fall. (Quarterly economic update, Asian Development Bank, December 2008).

Overview of The Bank

The overall business of the Bank grew by 52% percent and stood at Rs 20 billion as on 15 July 2008 against Rs 13 billion compared to corresponding period last year. Deposits increased by Rs.3,566 million or 54 % totaling at Rs.10,191million. We have added 6,213 accounts and increased the customer base significantly during this fiscal year. The Bank's gross loans and advances grew by 50% from Rs. 6,320 million as on 16 July 2007 to Rs.9,481 million as on 15 July 2008.

Assets Quality

The Bank's Non Performing Assets (NPA) in FY 2007-08 was restricted to 0.69%. This reflects the prudence maintained in the Bank's lending. On the same lines, the Bank maintained sufficient cushion towards provision requirement to cover up unexpected defaults. The provision coverage for NPA is 223% as on 15 July 2008.

Bank's Profits goes up

Living up to the expectations of the investors, the Bank maintained its healthy growth rate in profitability come FY 2007-08. The Bank registered total profit of Rs 143 million, an increase of 50% compared with Rs 65 million in FY 2006-07.



Mr. Mahesh Prasad Pokharel
Director

Mr. Bishwa Nath Shah
Director

Mr. Chiranjilal Agrawal
Chairman

Mr. Suresh Chandra Agrawal
(Director)

BOARD OF



Mr. Tara Chand Kedia
Director

Mr. Hemanta Gyawali
Director

Mr. Ratan Lal Kedia
Director

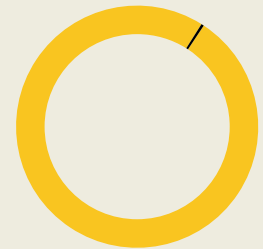
Mr. Manoj Kumar Kedia
Alternate Director

DIRECTORS

Five Year Financial Overview of The Bank

Fig in Rs. Million

PARTICULARS	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	GROWTH %
Paid Up Capital	350	350	500	600	828	38
Reserve and Surplus	(32)	38	103	194	240	24
Debenture and Bond	-	-	-	-	-	
Borrowings	220	190	181	430	205	(52)
Deposits	1,291	2,462	3,918	6,625	10,191	54
Other Liabilities	29	59	55	106	204	92
Total Capital and Liabilities	1,858	3,099	4,757	7,955	11,669	47
Cash and Bank Balance	72	131	116	517	437	(15)
Money at Call and Short Notice	175	22	100	229	585	155
Investments	42	287	651	865	1,150	33
Loans and Advances	1,484	2,571	3,789	6,223	9,336	50
Fixed Assets	28	30	40	47	72	54
Other Assets	57	58	61	73	89	21
Total Assets	1,858	3,099	4,757	7,955	11,669	47
Profit and Loss Account						
Interest Income	114	198	306	482	730	52
Interest Expenses	46	92	154	272	408	50
A. Net Interest Income	68	106	152	210	322	53
Fees, Commission and Discount	7	8	14	20	21	6
Other Operating Income	7	8	10	19	36	95
Foreign Exchange Gain/Loss (Net)	2	7	12	14	27	93
B. Total Operating Income	84	129	187	263	407	55
Staff Expenses	16	20	26	34	48	44
Other Operating Expenses	22	31	44	56	71	28
C. Operating Profit Before Provision	46	78	117	174	287	65
Provision for Possible Losses (Net)	77	(19)	16	21	48	134
D. Operating Profit	(31)	97	101	153	239	56
Provision for Staff Bonus	-	10	9	14	22	56
Provision for Taxes	-	17	26	44	74	69
G. Net Profit/Loss (F.- 3.12-3.13)	(31)	70	65	95	143	50



■ Non Performing Assets 0.69%
 ■ Performing Assets 99.31%

Key Indicators of Our Operations Performance

PARTICULARS	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	GROWTH %
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Provision for Taxes	-	17	26	44	74	69
Net Profit/Loss	(31)	70	65	95	143	50

Common Share Information

PARTICULARS	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08
EPS(Rs.)	(8.89)	20.08	13.05	15.88	17.29
Return on equity(%)	(9.79)	18.12	10.82	12.00	13.40
No of Shares Outstanding (thousands)	3,500	3,500	5,000	6,000	8,280
Market Capitalization (Rs. million)	-	-	1,800	4,668	9,025

Total Income

The total income of the Bank increased by 52% to Rs.815 million in FY 2007-08 from Rs.535 million in 2006/07.

Interest Income

Similar to profit and income, the Bank’s interest income increased substantially from Rs.482 million in FY 2006-07 to Rs.730 million in 2007-08, registering a growth of 52 %.

Non Interest Income

The Bank’s total non-interest income increased from Rs.53 million in 2006-07 to Rs.85 million in 2007-08.

Net Interest Income (NII)

The Bank’s primary source of revenue is net interest income- 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 interest rates paid on liabilities.

The NII for the FY 2007-08 grew by 53 % and stood at Rs.322 million against Rs.210 million in FY 2006-07.

Operating Profit Before LLP

The operating profit of the Bank rose to Rs.287 million during 2007-08 registering a growth of 65%. This considerable growth has been achieved despite continuous pressure for reduction of lending rates and non-conducive business environment.

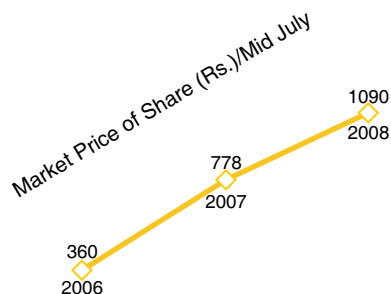
Shareholders’ Equity

The Bank raised additional capital of Rs.228 million in the form of 10% Bonus shares and then after 20% Rights Issue for strengthening its capital adequacy ratio to match growth expectations of the Bank. As a result, the paid- up capital of the Bank has reached Rs.828 million as on 15 July 2008. The Reserves and Surplus, mainly contributed by the retained earnings, grew by 24 percent. The net worth of the Bank increased from Rs.794 million last year to Rs.1,068 million this fiscal year end.

During the fiscal year, the EPS of the Bank improved from Rs.15.88 to Rs.17.31.

Market Price of Shares

Like any other indicator, the prices of Bank’s shares, listed in the Nepal Stock Exchange Limited since FY 2005-06, have been consistently growing every year.



Differentiated Financial SERVICES

At Siddhartha Bank, we think differently about the Customer

In a short period of six years, Siddhartha Bank has been able to establish itself as a 'one stop shop' to its Customers. Customers can enjoy a host of modern banking products and services under one roof. In addition to basic banking products in the form of loans, deposits and trade finance, Customers can enjoy ancillary services such as remittance, cards, draft issuance, travelers' cheques and internet banking. The Bank offers a wide range of deposit and lending products. The Bank has an extensive clientele. Deposit products have been designed based on customer requirements. Customers eager to save can open up one of many savings accounts ranging from normal savings account, *Bal Bachat* (Children Account) to *Jestha Nagarik Bachat* (Senior Citizens' Account). Similarly, Customers having stable surplus of funds can go in for high yielding fixed deposits. Most of the Bank's savings accounts are bundled up with other benefits such as debit cards, internet banking and

locker facilities. The variety can similarly be enjoyed on the credit side. SBL has a multitude of products. The loan products inter alia, include corporate loans, retail loans (home loan, auto loan, mortgage loan, etc) and SME loan. The Bank's credit portfolio has a healthy mix of big and small loans. The Bank has a special package for small and medium sized enterprises; this package has been designed to suit the smaller businesses that SBL believes are the ones that need growth for the overall growth of the country's economy. Similarly, the Bank has always explored best ways of promoting the deprived sector. On the corporate side, right since its inception, the Bank has been offering credit facility to big and small corporate houses of the country. Besides, SBL has also been involved in a number of consortium financing, especially financing huge projects requiring large commitments. The large projects thus financed are inter alia, in sectors such as hydro power generation, tourism and cement factories.

OFFERINGS

Deposit Products

- Current Deposit
- Call Deposit
- Siddhartha Bachat (Siddhartha Normal Savings)
- Siddhartha Mega Savings
- Siddhartha Bal Bachat (Children Account)
- Siddhartha Jestha Nagarik Bachat (Senior Citizen Account)
- Siddhartha Nari Bachat (Female Account)
- Siddhartha Bishesh Bachat (Siddhartha Special Savings)
- Siddhartha Remit Savings
- Siddhartha USD Savings
- Fixed Deposits of various tenures
- Siddhartha Sunaulo Nicheyp Yojana (Fixed deposit scheme for individuals)

Personal and Retail Banking

- Siddhartha Home Loan
- Siddhartha Auto Loan
- Siddhartha Education Loan
- Siddhartha Personal/Mortgage Loan
- Loans against Shares/Margin credit

Other Services

- Debit/ATM cards
- Safe Deposit Locker
- Internet Banking
- Evening Counter
- 365 days Banking
- Any Branch Banking Service

Business Loan

- Overdraft
- Import Loans
- Project Financing
- Term Loan
- Short term Loan

Remittance

- Demand Draft
- SWIFT Transfer
- Travelers Cheques
- Siddhartha Remit

Trade Finance

- Advance Payment
- Documentary Collection
- Import Letters of Credit
- Export Letters of Credit
- Bid Bond
- Performance Bond
- Advance Payment Guarantee
- Shipping Indemnity

Treasury Operations

- Spot Rates/Exchange Rates
- Derivatives
- Forward Contracts
- SWAP



Other Services

Trade Finance

Remittance

Deposit
Products

Business
Loan

Personal and
Retail Banking

Treasury
Operations



PRODUCTS

and Services

Deposit Products

The Bank has a multitude of options when it comes to deposits. The products range from a current account that caters to the needs of the business community to a number of savings accounts meant for different customer categories. The Bank also boasts of fixed deposits with varying tenures meant for both individuals and institutions. All these accounts come with a bundle of other banking services such as internet banking, any branch banking services, etc. The deposit products of the Bank like other products are developed keenly considering the needs and requirements of the Customers. Accordingly, the Bank has different savings accounts for women, elderly people and children.

Trade Finance

In order to facilitate business houses, particularly traders of the country, the Bank has been providing trade finance related loans and advances. These come in the form of letter of credit, advance payment, bank guarantee, bid bond, etc.

Business Loan

Business is the cornerstone of any economy. Bank financing is one of the most important ways of funding the businesses. From the very beginning, Siddhartha Bank has been committed to play a significant part in the entire intermediation process between lenders and borrowers. On the same lines, a number of credit facilities such as overdraft facilities, project financing, term loans and short term loans are offered by the Bank. Our credit facilities range from a small SME loan for small and medium sized enterprises to big project financing in sectors such as hydro power, infrastructure development, airlines, etc.

Personal and Retail Banking

The size of the middle class populace in the country has been increasing every year. This growth in size of the middle class has been fueled primarily because of the growth in the economy, albeit at a lower rate and increase in inward remittances. While it is necessary that we continue fueling the growth of the business sector, it also becomes necessary that we look into banking requirements of



consumers. This not only provides the Bank the opportunity to serve the general mass but also helps a great deal in diversification of the loan portfolio. To achieve these goals, the Bank has been providing various types of credit facilities to consumers. Some of these facilities include home loan, auto loan, education loan and mortgage loan.

Remittance

Only recently, the Bank introduced its remittance services. The Bank boasts of an exclusive remittance payment portal named SiddharthaRemit. This service has been introduced by the Bank primarily to serve the Nepalese workforce residing in foreign countries. The Bank has deputed representative officers in the middle-east and Malaysia for this purpose. The Bank has also appointed more than 250 payment agents across Nepal. Remittance service of the Bank is expected to further expand in the days ahead.

Treasury Operations

One of the key areas providing healthy profits for the Bank is the treasury operations. Although there are only a limited number of products in spot deals, forward contract deals and swap deals, the revenues generated from these areas are significant. Besides, treasury operations have greatly assisted our trade operations.

Other services

In addition to the aforementioned broadly defined products, the Bank provides a number of ancillary services such as ATM cards, safe deposit locker facilities, internet banking and travelers' cheques. These services have been introduced in quest of providing modern banking services to the Customers. The Bank is planning to further enhance its payment solutions by bringing in additional ATM outlets, mobile banking, utility bill payment solutions, etc.

MANAGEMENT

From Left

Mr. Sundar Prasad Kandel
Assistant General Manager

Mr. Surender Bhandari
Chief Executive Officer

Mr. Rameshwar Prasad Bashyal
Head – Marketing Division >>

>> **Mr. Shambhu Nath Gautam**
General Manager

Mr. Jeevan Bhattarai
Manager Operation, Treasury, Company Secretary



TEAM

From Left

Mr. Arjun Bhadra Khanal
Manager - Business Support

Mr. Ashis Kumar Sharma
Head - Payment Solutions

Mrs. Biplavi Singh
Relationship Manager - Credit >>

>> **Mr. Srijan Krishna Malla**
Head - IT

Mrs. Shailaja Gyawali
Manager - Marketing /Branch Manager-Patan

Mr. Santosh Pandey
Relationship Manager - Marketing

From Left

Mr. Prabesh Shakya
Manager - IT

Mr. Sher Bahadur Budhathoki
Senior Manager - Credit

Mr. Pankaj Pant
Manager - Customer Service >>

>> **Mrs. Ira Pradhan**
Relationship Manager - Credit

Mr. Surya Tamang
Branch Manager - New Road





BRANCH MANAGERS

Mr. Surya Tamang
New Road

Mrs. Priti Singh
Tripureshwar

Mrs. Shailaja Gyawali
Manager -Marketing/Branch Manager-Patan

Mr. Ajay Kumar Singh
Old Baneshwar

Mr. Kamal Basnet
Birgunj

Mr. Laxman Subba
Biratnagar

Mr. Amit Shrestha
Pokhara

Mr. Hari Prasad Timalsena
Damak

Mr. Sudesh Devkota
Narayangarh

Mr. Narayan Mudbhari
Tikapur

Mr. Dharam Bista
Mahendranagar

Mr. Tej Raj Timilsina
Dhangadhi

Mr. Pradeep Pant
Bhairahawa

Mr. Achyut Gyawali
Butwal

MANAGEMENT

Siddhartha Bank today stands as one of the fastest growing banks in the country; this has been possible through constant, persistent and dedicated efforts of the high quality management team of the Bank. The top management team is led by the Chief Executive Officer, Mr. Surender Bhandari who has extensive banking experience in key positions at various financial institutions. Other members of Bank's senior management team

possess more than 15 years of extensive and wide-ranging banking experience. The management team of the Bank comprises of young and talented members that draw together diverse skill sets and experiences in diverse areas within the country's banking industry. In them, we have the best of both the worlds- the experience and knowledge and the youth and energy to take the Bank to its pinnacle in the foreseeable future.



THRIVING

on Human Resource

Siddhartha Bank believes in attracting and retaining the best human resources in the industry. The growth of the Bank would certainly not have been possible without this high quality human resource the Bank possesses. The Bank is a pool of the best people in the industry. It is the collective effort of our employees, we believe, that has made it possible for us to stand today as one of the fastest growing commercial banks of the country. Our human resource management policy is uncompromising in that it ensures performance based growth and compensation. The bank's work culture is very much conducive for people seeking knowledge, experience and growth. The Bank carries out regular training and development programs for all employees ranging between sub-ordinate and executive levels. Staff members are also sent to various other

training institutions inside and outside the country on a regular basis. In FY 2007-08 alone, staff participated in 67 different training and development programs that included 3 in-house and 64 external training and development programs. In all, there were 213 participants with 145 participants working below Officer levels and 68 staff working at Officer or above levels. This data reflects the Bank's focus on development of staff right from grass roots levels. Further, the Bank encourages its employees to participate in various social and sporting activities reflecting the fact that Siddhartha Bank is not only about work, it is also about fun at work. The employees practice the highest level of ethics and honesty during delivery of responsibilities entrusted to them; we believe this is quintessential of a constantly growing bank.



Our NETWORK

Widening Presence

Local Footprints

At present, the Bank has ten Branches spread across the country. The branches are located in the following places:

Inside Kathmandu valley:

- Kamaladi
- New Road
- Tripureshwar
- Baneshwar
- Patan
- B&B Hospital Extension Counter (FY 2008-09)

Outside Kathmandu valley:

- Birgunj
- Biratnagar
- Pokhara
- Damak
- Narayangarh

The Bank plans to further increase number of branches in the days ahead. In the near future, the Bank is coming up with Branches in Bhairahawa, Butwal, Nepalgunj, Ghorahi, Dhangadi, Tikapur and Mahendra Nagar.

Remittance Payment Outlets

With a view to help and enable Nepalese nationals living and working abroad to remit

funds to their near and dear ones in Nepal, Siddhartha Bank has recently launched a highly secured and fast online payment system- SiddharthaRemit. We have entered into agreements with exchange houses in the Middle-East countries, Malaysia and South Korea to carry out remittance services from these countries. Further, considering the population of Nepalese working in Qatar, we have deployed a representative officer in Qatar. In order to facilitate our remittance customers and their respective beneficiaries, we have appointed a number of payment agents across the country. We have a total of 250 plus payment agents spread across 14 zones and in more than 60 districts.

Global Footprints

A number of international banks have been supporting in executing our trade finance, treasury and remittance related banking operations. Some of the major correspondent partners include Standard Chartered Bank, Mashreq Bank, Commerz Bank and ICICI Bank.

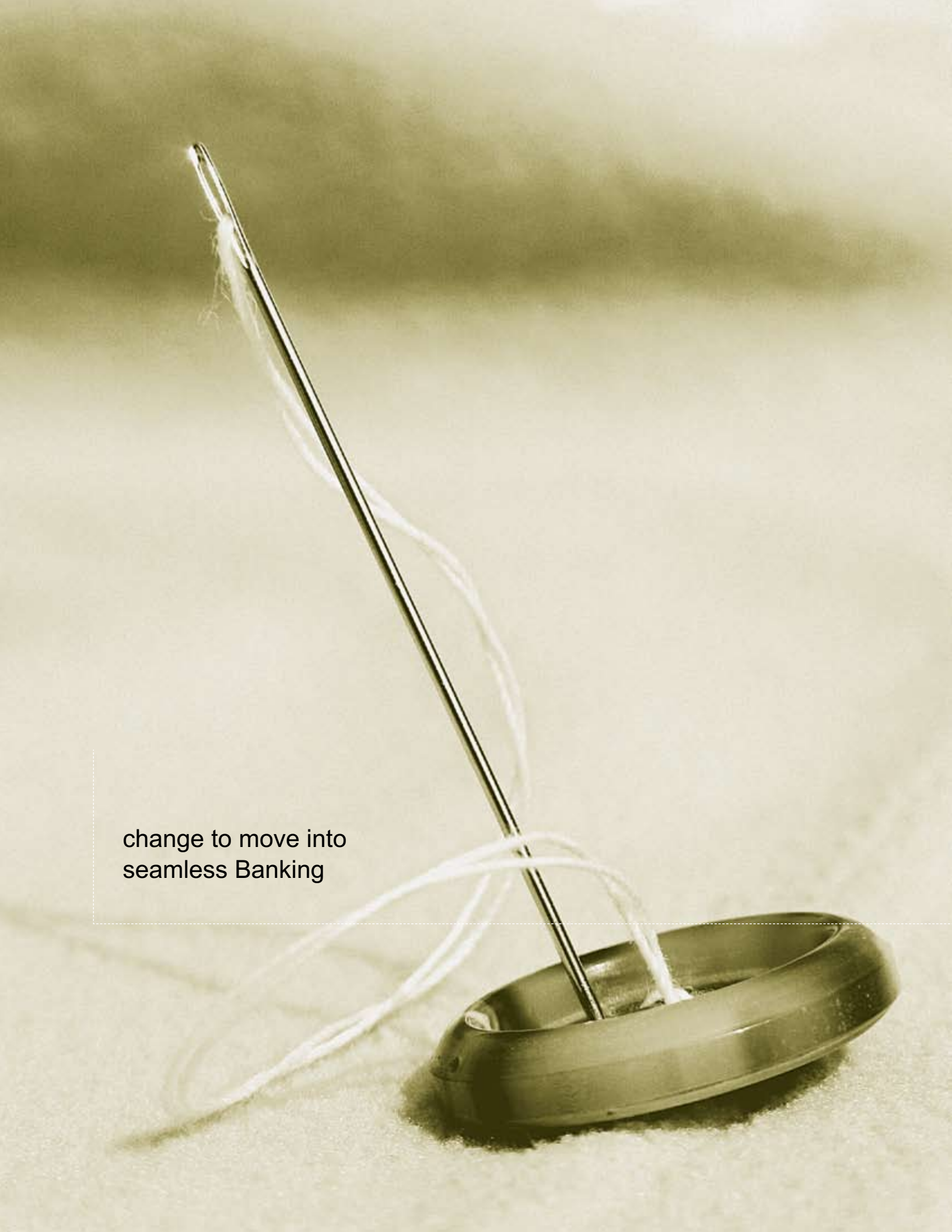
Uncompromising

CORPORATE GOVERNANCE

SBL believes in growth that is equally matched by uncompromising compliance to legal, statutory and regulatory requirements. Proper work ethics, transparency and operations full of integrity is paramount to our business philosophy. The entire business operations- be it back office or front office, have been designed to meet the highest level of corporate governance. Siddhartha Bank has instilled proper policies, guidelines and operating manuals to ensure smooth operations. Our team of independent internal auditors reports directly to the Board of Directors. We have a robust internal control mechanism within the Bank to keep the number of operational risk incidents at the minimum and our team of independent auditors ensures compliance to policies and operating manuals. On work ethics, our employees very well understand that the reputation of the Bank depends on the integrity of their system and their own standard of ethical behavior. With a view to protect all our stakeholders, we pursue transparent business management. The periodic publication of financials ensures proper dissemination of the Bank's financial

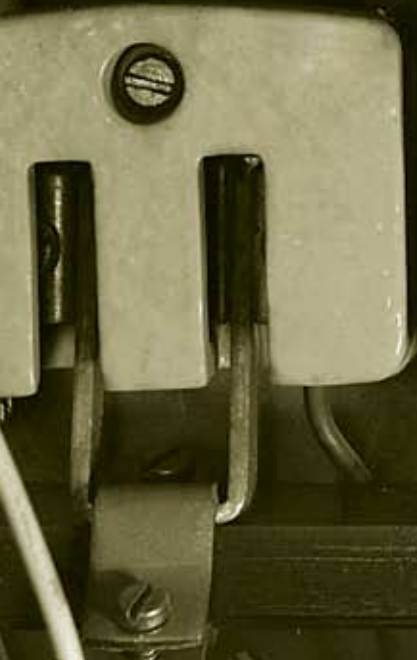
health to all its stakeholders. We have carefully designed the Bank's structure to ensure that all the objectives are met and that all company affairs are well overseen by the respective authorities. A strong and sound internal control mechanism has been instilled to ensure that Bank obligations are correctly and completely identified and discharged accordingly. We have instilled systems to ensure effective management of various types of risks facing the Bank. Compliance to these very systems and mechanisms guarantee identification, monitoring and controlling of various types of risks the Bank has to deal with. Besides the internal audit department, the Bank has also appointed reputed external auditor that is independent of any financial interests in the company. Various committees are in place to execute strategic plans of the Bank. These committees have been constituted at various levels depending on the nature and sensitivity of the tasks.

All these efforts reflect the Bank's understanding and emphasis of sound corporate governance.

A close-up photograph of a sewing needle with white thread inserted into a metal thimble. The needle is positioned diagonally, with the thread looping around the thimble. The background is a soft, textured surface, possibly fabric or paper, with a warm, golden-brown color palette. The lighting is soft and directional, creating subtle shadows and highlights on the needle and thimble.

change to move into
seamless Banking







...risk management has
always been our priority.
Keeping your investments
safe is of paramount
importance to us.



Action Based Community

INVOLVEMENT

Siddhartha Bank, established with its sole objective of providing modern banking products and services to as many nationals as possible, makes every effort to ensure that it is not here only for profits but also as an institution that equally cares for the society; in the process, the Bank has contributed both in cash and kind towards the social welfare of the country by organizing and sponsoring various social events. The Bank has particularly focused in areas such as education, health, sports and culture. Besides, the Bank goes all out to help people in times of natural calamities. Just recently, Siddhartha Bank was one of the first Banks to commit a large sum of money to assist the flood victims in the Eastern Nepal. Similarly, almost every year, the Bank organizes blood

donation camps within the Bank premises in coordination with Nepal's major Blood Bank. Similarly, with a view to promote sports awareness, Siddhartha Bank supports various sporting events such as Cricket tournaments on a regular basis. In addition to this, the Bank has also been vigorously involved in various events that promote and preserve our ethnicity; the most recent one being the Bank's involvement in 'The *Yala Mahotsav*' aimed at promoting the *Jyapu* trends and traditions. Further, the Bank plans to set up a scholarship scheme to help students in outlying areas of Nepal with their education; this is expected to particularly help students who are intelligent yet are otherwise not able to afford for their education.



CONTRIBUTION

to the Nation's Economy

Siddhartha Bank has been contributing towards the economic development of Nepal in ways more than one. The beneficiaries of the Bank's products and services range from individuals to small businesses to big industrial projects. The Bank has been making valuable contributions towards the country's economy through its credit operations. In addition to contributing towards the country's economy through credit extension to big projects in wide sectors that include hydropower, the Bank also believes in supporting and promoting small businesses. The Bank fulfills financing requirements of small and medium share enterprises through its SME loan package designed specifically to suit SME requirements- both in terms of loan covenants and pricing. SME sector is the corner stone of our country's economy given that most of the employment opportunities, leaving aside agriculture, are generated in this particular sector. Our SME loan package, we therefore believe has helped fuel the country's economic growth. Besides, the Bank has been participating in big hydro-projects and various

other infrastructure development projects through participation in various consortium lending activities. We consider it a pride to be able to be part of such project building activities that help revamp our economy. Through our Branch network that is spread across the country, we have been able to make two major contributions- create awareness of modern banking benefits amongst the rural populace and bring in people, who at present are outside the banking periphery, into banking thus freeing them up from the pains of the informal sector. SBL has consistently exceeded the deprived sector lending benchmark set by the central bank; this is a testimony to the Bank's commitment towards the impoverished section of the society. Through our continuous effort and associated growth, Siddhartha Bank has emerged as one of the largest tax paying corporate houses in the country. The Bank has also contributed well towards the government's kitty through indirect taxes coming in various forms such as the TDS.



RISK

Management

Setting Standards Across the Industry

We believe that sound risk management is critical to the success of any Bank. To ensure that the Bank does not unnecessarily take risks, we have instilled a sound system that helps us to identify, monitor and control key risks involved in the business.

Credit Risk

Optimized Risk/Reward

We understand that management of credit risk is critical to us given the fact that major weights in the asset and liability sides of the balance sheets come in the form of loans/advances and deposits respectively. Essentially, our business is to manage depositors funds and be custodians to their deposits. Therefore, we have placed greatest level of emphasis on management of credit risks. In order to ensure prudent lending, the Bank executes lending based on the comprehensive credit policy guidelines and credit manual documents approved by the Board of Directors. Whilst the credit manual defines the processes and procedures associated with credit creation, the credit policy guidelines clearly define the credit

policies of the bank in terms of credit concentration, obligor limits, credit analysis, approving authorities, etc.

In order to ensure checks and balances, the Bank has segregated the jobs of business generation and credit administration. While businesses are generated by one unit of the branch, the administration of the credit case that includes documentations, compliance, disbursement, monitoring and control of credit exposures are done by a separate division. In order to ensure robustness of the loan approval process, a system is in place whereby all loan applications require review of at least two approving authorities before loans get approved. Besides, approving limits are granted only to those staff possessing vast credit knowledge and experience. The loan approving authorities have been segregated at three levels- management level, credit committee level and BOD level. Decisions on credit applications are made at different levels according to requested loan amount. Approved limits are put into the system by the Credit Administration Division only after ensuring that documentations are fully complied with and that drawing power

of the borrower is reviewed. A separate recovery unit has been established to look into recovery of loans- both corporate and retail loans. We have instilled a red flag system whereby each credit account is pro-actively monitored; doubtful payments are identified and immediate actions are taken to make sure that such accounts are exited from well before the borrower go bust. Credit accounts are regularly reviewed and monitored through the comprehensive MIS system that has been instilled. The entire credit portfolio is reviewed on a regular basis by the BOD; this ensures a healthy mix of exposures thereby reducing credit concentration risk. For this, a regular review of various sectors is done from time to time. Repayment of interest and principal are closely monitored on a daily basis and any delinquency/deficiency is immediately reported to the management for necessary actions on those particular accounts.

On similar lines, the Bank also closely monitors the credit worthiness of various financial institutions (FIs) that share nostro/vostro relationship with the Bank. Credit limits are sanctioned and set only after detailed financial analysis of the FIs. Limit reviews are done on a regular basis.

It is because of the aforementioned systems in place that the Bank has been able to consistently contain its non-performing assets (NPA) well below 1%. As of FY end 2064-65(2007/08), the NPA of the Bank stood at 0.69%. Given the size of the loan

portfolio , we believe our NPA level is one of the lowest in the industry. Similarly, our loan loss provisioning to loans/advances ratio is consistently maintained that only reflects that we are conservative in our approach to safeguard the interest of the stakeholders. The Bank has a sound Investment Policy, Assets – Liabilities Management Policy and Treasury Operational Manual to maintain the healthy investment portfolio of the Bank.

Market Risk

Microscopic at Turbulent Times

Market risk primarily emanates from adverse fluctuations in market rates or prices that ultimately affect earnings from various asset and liability holdings of the Bank. The Bank gets exposed to market risks mainly in three of its components; interest rate, foreign exchange and securities. Changes in interest rate environment, especially when not expected, impact the earnings of the Bank. The primary source of income for Siddhartha Bank comes in the form of differential or 'spread' between the interest earned on loans, securities and other interest earning assets, and interest paid on deposits, borrowings and other interest bearing liabilities. With the change in interest rates, interest spreads therefore get affected due mainly to the difference between the maturities and repricing characteristics of interest earning assets and interest bearing liabilities. Similarly, change in interest rates also impact loan volume and yields; a sharp increase in

interest rate result in lower loan originations thus affecting earnings. Further, sharp rises in interest rates also sometimes affect the repayment capacity of borrowers. Similarly, the Bank is exposed to changes in foreign exchange rates that are subject to market movements. Adverse changes in foreign exchange rates impact values of various assets, liabilities and overall off balance sheet activities denominated in currencies different from domestic currency. Further, changes in market prices, interest rates and foreign exchange rates impact values of various securities instruments held by the Bank. The market prices, interest rates and foreign exchange rates may primarily affect mark-to-market values of fixed income securities, derivatives and off balance sheet assets held by the Bank.

In order to ensure proper management of market risks, the Bank has specified dealers' limit and limits on overnight position. Besides, the foreign currency positions are revalued on mark-to-market on daily basis. Similarly, counter party limits are also set based on the credit worthiness of the parties. Treasury Division that primarily manages the market risks is segregated in two parts- front office and back office.

At Siddhartha Bank, the market risk of the Bank is always kept at a minimum. The Bank has an effective Asset and Liability Committee (ALCO) that works as per the ALCO charter.

Interest rate risk is managed through funding gap and earnings sensitivity analysis. The Bank carefully monitors the interest rate movements in the market and takes up proactive measures wherever necessary. Similarly, the Bank has equally well managed foreign exchange risk management regime in place. All foreign exchange transactions are monitored by the Treasury Division. The investment portfolio of the Bank is valued at market rate or book value whichever is lower.

Operational Risk

Necessary Checks and Balances at all Ends

One of the most important risk categories the Bank focuses on is operational risk. This risk essentially takes place due to human error, frauds, technological breakdowns, etc. Due to its inherent nature, this risk category, when not managed properly, can incur big losses for the Bank. Siddhartha Bank is fully aware of this and has built in a robust system to avert operational risk events. For this, the Bank has a strong internal control mechanism with clear lines of authorities and reporting. All operational procedures are well defined through operating manuals. The Bank undertakes periodic internal audits to ensure that all activities are undertaken in compliant with internal, regulatory and statutory requirements. Similarly, in order to avoid any operational error, staff undergo through regular training and development programs. Further, front and back office

operations are properly segregated for check and control purposes. The Bank believes in checker and maker mechanism that also helps in strengthening the internal control. The Bank has developed and enforced required operational manuals for smooth functioning of the banking operations. The role of the internal audit has been given to a professional group who has in-depth know-how in identifying the risks and the Audit Committee reviews the audit reports on a regular basis. Further, the Bank has set up a separate unit to monitor the overall bank operations from compliance prospective.

Liquidity Risk

Matching Assets and Liabilities

Liquidity risk is the undue risk to Bank's earnings and capital resulting from Bank's inability to meet its obligations when they are due. We have a well-structured ALM Policy that governs the management of liquidity risk. Liquidity risk is looked after by the Asset Liability Committee (ALCO) of the Bank. Liquidity is managed using a total balance sheet perspective analyzing both funding capacity available via increase of liabilities and through liquidation of assets- all this is looked into vis-à-vis projected demands for liquidity. Our primary sources of liquidity are core deposits, asset liquidation, including securities sold under repurchase agreements, and wholesale funding, which includes funds raised from sources such as inter

bank borrowing. The Treasury Division is responsible for the operating management of liquidity that is carried out through funding and investment functions. ALCO also periodically reviews the liquidity position of the Bank and plans for necessary contingencies for suitable actions to be taken to ensure adequate liquidity should an event disrupting or adversely affecting the Bank's normal funding activities occur.

Basel II Compliant

In tune with international standards, we are fully complied with the regulatory capital adequacy framework. The central bank requires us to follow the Basel II framework from the upcoming FY 2008/09 under which commercial banks are supposed to maintain their capital to risk weighted asset ratio (Capital Adequacy Ratio-CAR) at 10%. We have been well over the minimum regulatory capital requirement throughout the year and at the end of FY 2007-08, our Bank's CAR stood at 11.14%. We have rigorously prepared ourselves to go for simplified standardized model of capital adequacy framework under Basel II as regulated by central bank and we are now well placed to execute the same. We have developed various MIS system to monitor the risk elements. We have also completed the product documentations required and also trained our staff for smooth implementation of Basel II framework.

T.R. Upadhyaya & Co.

Chartered Accountants

104 Tanka Prasad Marg
Baneshwor Height
Post Box 4414
Kathmandu, Nepal

Telephone: 977 (1) 4495000, 4472658
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E-mail: trunco@ntc.net.np

THE SHAREHOLDERS OF SIDDAHRTHA BANK LIMITED

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Balance Sheet of Sidhartha Bank Limited, as of 15 July 2008 (Corresponding to 31 Ashad 2065), the related Profit and Loss Account and the Cash Flow Statement for the year then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we 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.

As per the requirement of the Company Act 2063, and Bank and Financial Institution Act 2063 we also report that:

- a) We have obtained information and explanations, which, to best our knowledge and belief, were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of such books;
- c) In our opinion, the returns received from branches of the Bank were adequate for the purpose of the audit;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in format prescribed by Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank;
- e) In our opinion, as so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of asset in accordance with the directives of Nepal Rastra bank;
- f) In our opinion, so far as appeared from our examination of the books, the business of the Bank has been conducted satisfactorily;
- g) To the best our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 15 July 2008 (Corresponding to 31 Ashad 2065), the result of operations and its cash flows for the year then ended in accordance with Nepal Accounting Principles Standards except for the certain matters stated in Notes to Account, Generally Accepted Accounting Principles and comply with the provisions of the Company Act, 2063 and Bank and Financial Institution Act, 2063.

Date: 28 November 2008 (13 Mangsir 2065)
Place: Kathmandu, Nepal


Shashi Satyal
Partner



T.R. Upadhyaya & Co., Chartered Accountants is a Correspondent firm of KPMG International, a Swiss Association

For and on behalf of
T R Upadhyaya & Co.
Chartered Accountants

Balance Sheet as at 15 July 2008

CAPITAL AND LIABILITIES	SCHEDULE	THIS YEAR RS.	PREVIOUS YEAR RS.
1. Share Capital	4.1	828,000,000	600,000,000
2. Reserves and Surplus	4.2	240,346,086	193,709,939
3. Debenture and Bonds	4.3	-	-
4. Borrowings	4.4	205,132,877	430,000,000
5. Deposit Liabilities	4.5	10,191,440,970	6,625,078,506
6. Bills Payables	4.6	15,884,195	14,239,758
7. Proposed Dividend & Dividend Payables		6,536,842	4,736,842
8. Income Tax Liabilities		11,155,193	5,203,446
9. Other Liabilities	4.7	169,859,787	81,695,984
Total Liabilities		11,668,355,950	7,954,664,475

ASSETS	SCHEDULE	THIS YEAR RS.	PREVIOUS YEAR RS.
1. Cash Balance	4.8	149,006,950	130,442,580
2. Balance with Nepal Rastra Bank	4.9	270,219,328	380,563,747
3. Balance with Banks & Financial Institutions	4.10	18,198,991	6,220,027
4. Money at Call & Short Notice	4.11	584,735,884	229,446,305
5. Investment	4.12	1,150,095,800	865,188,561
6. Loans, Advances & Bills Purchased	4.13	9,335,597,738	6,222,586,813
7. Fixed Assets	4.14	72,398,043	46,667,101
8. Non- Banking Assets	4.15	-	10,173,349
9. Other Assets	4.16	88,103,216	63,375,992
Total Assets		11,668,355,950	7,954,664,475

Contingent Liabilities	Schedule 4.17	Statement of Risk Weighted Assets	Schedule 4.30 (A)
Declaration of Directors	Schedule 4.29	Principal Indicators	Schedule 4.31
Statement of Capital Fund	Schedule 4.30	Significant Accounting Policies	Schedule 4.32
		Notes to Accounts	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
Assistant General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

Suresh Chandra Agrawal

Chiranjilal Agrawal
Chairman

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

As Per our report of even date

Shashi Satyal
Partner
T.R. Upadhyaya & Co
Chartered Accountants

Date: 28 November 2008
Place: Kathmandu, Nepal

Profit & Loss Accounts

For the period from 17 July 2007 to 15 July 2008

PARTICULAR	SCHEDULE	THIS YEAR RS.	PREVIOUS YEAR RS.
1. Interest Income	4.18	729,872,484	481,523,807
2. Interest Expenses	4.19	408,188,955	271,710,950
Net Interest Income		321,683,529	209,812,857
3. Commission & Discount	4.20	21,454,424	20,177,802
4. Other Operating Income	4.21	31,294,159	18,659,095
5. Exchange Fluctuation Gain	4.22	27,487,389	14,245,653
Total Operating Income		401,919,501	262,895,407
6. Employees Expenses	4.23	48,247,208	33,620,506
7. Other Operating Expenses	4.24	71,480,863	55,721,156
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loan Loss		282,191,430	173,553,745
9. Provisions for possible losses	4.25	48,048,820	20,544,230
Operating Profit		234,142,610	153,009,514
10. Non- Operating Income/(Loss)	4.26	506,222	35,535
11. Possible Loss Provision Written Back	4.27	4,031,246	-
Profit from Regular Activities		238,680,078	153,045,049
12. Profit/Loss from Extraordinary Activities	4.28	-	-
Net Profit after Extraordinary Items		238,680,078	153,045,049
13. Provision for Staff Bonus		21,698,189	13,913,186
14. Provision for Income Tax		71,721,066	43,826,537
a. This year provision		71,721,066	43,826,537
b. Provision upto last year	-	-	-
c. Deferred Taxes		2,087,834	-
Net Profit/ (Loss)		143,172,989	95,305,326

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

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Assistant General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

Suresh Chandra Agrawal

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As Per our report of even date

Tara Chand Kedia

Shashi Satyal
Partner
T.R. Upadhyaya & Co
Chartered Accountants

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Date: 28 November 2008
Place: Kathmandu, Nepal

Hemant Gyawali

Directors

Profit & Loss Appropriation Accounts

For the period from 17 July 2007 to 15 July 2008

PARTICULAR	SCHEDULE	THIS YEAR RS.	PREVIOUS YEAR RS.
Income			
1. Accumulated Profit upto Previous Year		-	-
2. This Year's Profit		143,172,989	95,305,326
3. Exchange Equalisation Fund		-	-
4. Transfer from Capital Adjustment Fund		56,190,572	74,871,788
Total		199,363,561	170,177,114
Expenditure			
1. Accumulated loss upto Previous Year		-	-
2. Current year's loss		-	-
3. General Reserve		28,634,598	19,061,065
4. Contingent Reserves		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Employees Related Reserve Fund		-	-
8. Proposed Dividend		6,536,842	4,736,842
9. Proposed Bonus Share		124,200,000	90,000,000
10. Specific Reserve Fund		-	-
11. Exchange Fluctuation Fund		2,314,680	188,635
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		36,555,158	56,190,572
14. Others		-	-
Total		198,241,278	170,177,114
15. Accumulated Profit/ (Loss)		1,122,283	-

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Assistant General Manager

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General Manager

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Chief Executive Officer

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Chiranjilal Agrawal
Chairman

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

As Per our report of even date

Shashi Satyal
Partner
T.R. Upadhy & Co
Chartered Accountants

Date: 28 November 2008
Place: Kathmandu, Nepal

Cash Flow Statement

For the period from 17 July 2007 to 15 July 2008

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Cash Flows From Operating Activities	
	1. Cash Receipts	
481,268,995	1.1 Interest Income	729,872,484
20,177,802	1.2 Commission & Discount Income	21,454,424
14,245,653	1.3 Exchange Fluctuation Gain	27,487,389
-	1.4 Recovery of Loans Written Off	-
18,694,630	1.5 Other Income	31,800,381
-	2. Cash Payments	-
(271,710,950)	2.1 Interest Expenses	408,188,955
(33,620,506)	2.2 Staff Expenses	48,247,208
(38,466,054)	2.3 Office Operating Expenses	71,480,863
(40,033,194)	2.4 Income Tax Paid	65,769,319
-	2.5 Other Expenses	-
	2.6 Deferred tax expenses	2,087,834
150,556,376	Cash Flows before Changes in Working Capital	214,840,499
	Increase/(Decrease) in Current Assets	
(129,446,305)	1. (Increase)/Decrease in Money at Call and Shortnotice	(355,289,579)
(199,210,391)	2. (Increase)/Decrease in Short-term Investments	(284,027,237)
(2,450,457,205)	3. (Increase)/Decrease in Loan and Bills Purchased	(3,161,059,745)
(26,310,833)	4. (Increase)/Decrease in Other Assets	(24,727,224)
	5. (Increase)/Decrease in Non - Banking Assets	14,204,595
	Increase/(Decrease) in Current Liabilities	
2,707,002,289	1. Increase/(Decrease) in Deposits	3,566,362,464
-	2. Increase/(Decrease) in Certificate of Deposits	-
248,850,000	3. Increase/(Decrease) in Short-term Borrowings	(224,867,123)
36,393,868	4. Increase/(Decrease) in Other Liabilities	66,465,613
	5. Increase/(Decrease) in Bills Payable	1,644,437
337,377,799	Cash Flow from Operating Activities	(186,453,300)
	B. Cash Flows From Investing Activities	
(14,999,000)	1. (Increase)/Decrease in Long-term Investments	(880,000)
(21,353,563)	2. (Increase)/Decrease in Fixed Assets	(25,730,942)
254,812	3. Interest Income from Long term Investments	-
	4. Dividend Income	-
(36,097,751)		(26,610,942)
	C. Cash Flows from Financing Activities	
-	1. Increase/(Decrease) in Long-term Borrowings	-
100,000,000	2. Increase/(Decrease) in Share Capital	138,000,000
-	3. Increase/(Decrease) in Other Liabilities	-
	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
	5. Increase/(Decrease) in Proposed dividends and Dividend Payables	(4,736,842)
100,000,000		133,263,158
-	D. Effects of exchange rate changes on Cash and Bank Balances	-
401,280,048	E. Net Cash Flow For The Year (A+B+C)	(79,801,085)
115,946,306	F. Opening Cash and Bank Balance	517,226,354
517,226,354	G. Closing Cash and Bank Balance	437,425,269

Jeevan Bhattarai
Manager Operations

Sundar P. Kadel
Assistant General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

Suresh Chandra Agrawal

Chiranjilal Agrawal
Chairman

As Per our report of even date

Shashi Satyal
Partner
T.R. Upadhya & Co
Chartered Accountants

Tara Chand Kedia

Ratan Lal Kedia

Bishwa Nath Shah

Mahesh P. Pokharel

Hemant Gyawali

Directors

Date: 28 November 2008

Place: Kathmandu, Nepal

Statement of Changes in Equity

as at 15 July 2008

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 17 July 2007	600,000,000	-	46,167,586	56,190,572	-	1,351,781	-	90,000,000	793,709,939
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-
Restated Balance	-	-	-	-	-	-	-	-	-
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	-	143,172,989	-	-	-	-	-	-	143,172,989
Transfer to General Reserve	-	(28,634,598)	28,634,598	-	-	-	-	-	-
Declaration of Bonus Share/	-	-	-	-	-	-	-	-	-
Dividend(Proposed)	-	(74,546,270)	-	(56,190,572)	-	-	-	124,200,000	(6,536,842)
Bonus share issued	90,000,000	-	-	-	-	-	-	(90,000,000)	-
Issue of Share Capital	138,000,000	-	-	-	-	-	-	-	138,000,000
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investments	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	(2,314,680)	-	-	-	2,314,680	-	-	-
Capital Adjustment Fund	-	(36,555,158)	-	36,555,158	-	-	-	-	-
Tax Related Movement	-	-	-	-	-	-	-	-	-
Balance at 15 July 2008	828,000,000	1,122,283	74,802,184	36,555,158	-	3,666,461	-	124,200,000	1,068,346,086

Share Capital & Ownership as at 15 July 2008

Schedule - 4.1

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Share Capital	-
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a. 10,000,000 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	-
800,000,000	1.2 Issued Capital	828,000,000
800,000,000	a. 8,280,000 Ordinary shares of Rs.100 each share	828,000,000
-	b. Non-redeemable Preference Shares of Rs.....each	-
-	c. Redeemable Preference Shares of Rs.....each	-
600,000,000	1.3 Paid up Capital	828,000,000
600,000,000	a. 8,280,000 Ordinary shares of Rs.100 each	828,000,000
-	b. Non-redeemable Preference Shares of Rs.....each	-
-	c. Redeemable Preference Shares of Rs.....each	-

Share Ownership

SHARE CAPITAL RS.	%		SHARE CAPITAL RS.	%
420,000,000	70	1. Promoters	579,600,000	70
-	-	1.1 Government of Nepal	-	-
-	-	1.2 Foreign Institution	-	-
-	-	1.3 "A" Class Licensed Institutions	-	-
-	-	1.4 Other Licensed Institutions	-	-
70,506,600	11.75	1.5 Other Entities	97,299,200	11.75
349,493,400	58.25	1.6 Individuals	482,300,800	58.25
-	-	1.7 Others	-	-
180,000,000	30	2. General Public	248,400,000	30
600,000,000	100	Total	828,000,000	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.	476,192	47,619,200	5.75
2	Narendra Kumar Agrawal	405,720	40,572,000	4.90
3	Chiranji Lal Agrawal	331,199	33,119,900	4.00
4	Hira Lal Kedia	274,896	27,489,600	3.32
5	Ratan Lal Kedia	273,239	27,323,900	3.30
6	Pawan Kumar Agrawal	248,400	24,840,000	3.00
7	Mahabir Investment Pvt. Ltd.	248,400	24,840,000	3.00
8	Puspanjali International Pvt. Ltd.	248,400	24,840,000	3.00
9	Narpat Singh Jain	248,400	24,840,000	3.00
10	Subodh Todi	208,655	20,865,500	2.52
11	Poonam Chand Agrawal	182,160	18,216,000	2.20
12	Gomati Devi Kedia	182,160	18,216,000	2.20
13	Dina Nath Kedia	178,848	17,884,800	2.16
14	Rabindra Nath Sharma	173,872	17,387,200	2.10
15	Ashok Kumar Baheti	165,600	16,560,000	2.00
16	Ram Awatar Kedia	152,352	15,235,200	1.84
17	Madan Lal Kedia	152,352	15,235,200	1.84
18	Suresh Kumar Roongata	124,200	12,420,000	1.50
19	Santosh Rathi	124,200	12,420,000	1.50
20	Suresh Chandra Agrawal	115,919	11,591,900	1.40
21	Binod Kumar Agrawal	115,920	11,592,000	1.40
22	Nirmal Pradhan	81,792	8,179,200	0.99
23	Krishna Murari Agrawal	99,360	9,936,000	1.20
24	Binay Kumar Shah Madwari	82,800	8,280,000	1.00
25	Raj Kumar Tibrewala	82,800	8,280,000	1.00
26	Rajendra Agrawal	82,800	8,280,000	1.00
27	Kabindra Bahadur Shrestha	82,800	8,280,000	1.00
28	Bishwa Nath Shah	82,800	8,280,000	1.00
29	Birendra Kumar Shah	82,800	8,280,000	1.00
30	Jaskaran Sharada	82,800	8,280,000	1.00
31	Damodar P Gautam/Satish Gautam	74,520	7,452,000	0.90
32	Shyam Sunder Agrawal	66,240	6,624,000	0.80
33	Jagadish Kumar Agrawal	57,960	5,796,000	0.70
34	Sarbendra Nath Sukla	49,680	4,968,000	0.60
35	Anil Kumar Shrestha	44,712	4,471,200	0.54
36	Om Prakash Roongata	41,400	4,140,000	0.50
37	Surendra Sharada	41,400	4,140,000	0.50
38	Sanjaya Kumar Sharada	41,400	4,140,000	0.50

Reserves and Surplus as at 15 July 2008

Schedule - 4.2

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
46,167,587	1. General Reserve Fund	74,802,184
90,000,000	2. Proposed Bonus Shares	124,200,000
-	3. Capital Reserve Fund	-
-	4. Capital Redemption Reserve	-
56,190,572	5. Capital Adjustment Fund	36,555,158
	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	1,122,283
1,351,781	8. Exchange Fluctuation Fund	3,666,461
193,709,939	Total	240,346,086

Debenture & Bonds as at 15 July 2008

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 redeemed on (Outstanding balance of Redemption Reserve Rs.....)	-
-	3.	-
-	Total (1+2+3)	-

Borrowings as at 15 July 2008

Schedule - 4.4

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Local	
-	1. Government of Nepal	-
-	2. Nepal Rastra Bank	-
-	3. Repo - Liabilities	-
430,000,000	4. Inter Bank & Financial Institution	205,132,877
-	5. Other Organized Institutions	-
-	6. Others	-
430,000,000	Total	205,132,877
	B. Foreign	
-	1. Banks	-
-	2. Others	-
-	Total	-
430,000,000	Total (A + B)	205,132,877

Deposits as at 15 July 2008

Schedule - 4.5

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	1. Non-Interest Bearing Deposit Accounts	
150,818,580	A. Current Deposits	203,038,624
137,474,383	1. Local Currency	197,185,861
10,350,781	1.1 Government of Nepal	8,246,617
-	1.2 "A" Class Licensed Institutions	-
13,657,989	1.3 Other Licensed Financial Institutions	23,227,070
79,745,648	1.4 Other Organized Institutions	111,175,581
32,666,677	1.5 Individuals	54,263,247
1,053,289	1.6 Others	273,346
13,344,197	2. Foreign Currency	5,852,763
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Financial Institutions	-
13,344,197	2.4 Other Organized Institutions	5,852,763
-	2.5 Individuals	-
-	2.6 Others	-
76,390,495	B. Margin Deposits	81,037,599
-	1. Employees Guarantee	-
22,512,502	2. Guarantees Margin	24,276,657
53,877,993	3. Letters of Credit Margin	56,760,942
392,797	C. Others	813,406
392,797	1. Local Currency	813,406
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
392,797	1.3 Individuals	813,406
	2. Foreign Currency	
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
227,601,871	Total of Non-Interest Bearing Accounts	284,889,629

Deposits (Cont'd.....) as at 15 July 2008

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
	2. Interest bearing accounts	
1,881,663,667	A. Savings Deposits	2,622,242,762
1,872,307,431	1. Local Currency	2,600,114,305
65,201,857	1.1 Organized Institutions	81,637,312
1,804,720,041	1.2 Individuals	2,498,457,051
2,385,532	1.3 Others	20,019,942
9,356,236	2. Foreign Currency	22,128,457
807,695	2.1 Organized Institutions	-
8,548,541	2.2 Individuals	22,128,457
-	2.3 Others	-
3,022,555,568	B. Fixed Deposits	4,562,723,943
3,009,585,568	1. Local Currency	4,429,333,543
2,743,529,353	1.1 Organized Institutions	3,998,350,228
263,556,215	1.2 Individuals	427,358,315
2,500,000	1.3 Others	3,625,000
12,970,000	2. Foreign Currency	133,390,400
12,970,000	2.1 Organized Institutions	133,390,400
-	2.2 Individuals	-
-	2.3 Others	-
1,493,257,400	C. Call Deposit	2,721,584,636
1,232,981,505	1. Local Currency	2,644,050,175
-	1.1 "A" Class Licensed Institutions	-
725,237,730	1.2 Other Licensed Financial Institutions	1,585,041,622
256,892,182	1.3 Other Organized Institutions	512,152,543
250,295,353	1.4 Individuals	545,170,226
556,240	1.5 Others	1,685,784
260,275,895	2. Foreign Currency	77,534,461
-	2.1 "A" Class Licensed Institutions	-
4,559,188	2.2 Other Licensed Financial Institutions	-
255,716,708	2.3 Other Organizations	77,534,461
-	2.4 Individuals	-
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institutions	-
-	2. Individuals	-
	3. Others	
6,397,476,635	Total of Interest Bearing Accounts	9,906,551,341
6,625,078,506	(1 + 2) Total Deposit	10,191,440,970

Bills Payable as at 15 July 2008

Schedule - 4.6

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
14,239,758	1. Local currency	2,836,367
-	2. Foreign currency	13,047,828
-		
14,239,758	Total	15,884,195

Other Liabilities as at 15 July 2008

Schedule - 4.7

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
-	1. Gratuity\Pension Fund	3,371,282
-	2. Employees Provident Fund	-
92,762	3. Employees Welfare Fund	85,570
13,913,186	4. Provision for Staff Bonus	21,698,189
-	5. Interest Payable on Deposits	31,381,555
299,452	6. Interest Payable on Borrowings	46,675
291,409	7. Unearned Discount & Commission	269,439
36,085,851	8. Sundry Creditors	69,828,571
-	9. Branch Adjustment Account	-
31,013,324	10. Others	43,178,506
	a) Provision for Audit expenses	400,000
10,910,068	b) Nostro Credit	-
20,103,256	c) Others	40,690,672
-	d. Deferred Tax Liability	2,087,834
81,695,985	Total	169,859,787

Cash Balance as at 15 July 2008

Schedule - 4.8

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
126,445,868	1. Local Currency (Including Coins)	145,657,267
3,996,712	2. Foreign Currency	3,349,683
130,442,580	Total	149,006,950

Balance with Nepal Rastra Bank as at 15 July 2008

Schedule - 4.9

PREVIOUS YEAR RS.	PARTICULAR	LOCAL CURRENCY RS.	FOREIGN CURRENCY RS.			TOTAL
			INR	CONVERTIBLE FOREIGN CURRENCY	TOTAL	
	1. Nepal Rastra Bank					
380,704,068	a. Current Account	267,660,767		2,151,537	2,151,537	269,812,304
(140,321)	b. Other Accounts	407,024			-	407,024
380,563,747	Total	268,067,791		2,151,537	2,151,537	270,219,328

Balance as per balance confirmation certificates is Rs.250,100,859

Balance with Banks & Financial Institutions as at 15 July 2008

Schedule - 4.10

PREVIOUS YEAR RS.	PARTICULAR	LOCAL CURRENCY RS.	FOREIGN CURRENCY RS.			TOTAL
			INR	CONVERTIBLE FOREIGN CURRENCY	TOTAL	
-	1. Local Licensed Institutions					
2,977,590	a. Current Account	5,310,506	-	-	-	5,310,506
-	b. Other Accounts	-	-	-	-	-
	2. Foreign Banks					
3,242,437	a. Current Account	-	747,089	12,141,396	12,888,485	12,888,485
-	b. Other Accounts	-	-	-	-	-
6,220,027	Total	5,310,506	747,089	12,141,396	12,888,485	18,198,991

Balance as per balance confirmation certificates is Rs.56,171,514.

Money at Call & Short Notice as at 15 July 2008

Schedule - 4.11

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
40,000,000	1. Local Currency	575,000,000
189,446,305	2. Foreign Currency	9,735,884
229,446,305	Total	584,735,884

Investments as at 15 July 2008

Schedule - 4.12

PREVIOUS YEAR RS.	PARTICULARS	TRADING	OTHERS	THIS YEAR RS.
621,973,040	1. Govt. of Nepal Treasury Bills	-	846,309,470	846,309,470
-	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	-	-	-
195,000,000	6. Local Licensed Institutions	-	50,000,000	50,000,000
29,088,521	7. Foreign Banks	-	233,779,330	233,779,330
15,352,000	8. Corporate's Shares	-	16,232,000	16,232,000
-	9. Corporate's Bonds and Debentures	-	-	-
-	10. Other Investment	-	-	-
865,188,561	Total Investment	-	1,150,095,800	1,150,095,800
-	Provision	-	-	-
865,188,561	Net Investment	-	1,150,095,800	1,150,095,800

Investment in Shares, Debentures & Bonds as at 15 July 2008

Schedule - 4.12 a

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.		PROVISION AMOUNT RS.
		COST PRICE	MARKET PRICE	
	1. Investment in Sharesa			
352,000	1.1 Credit Information Center Limited 14,080 Ordinary Share(including bonus shares) of Rs.100 paid up	1,232,000	Not listed	
15,000,000	1.2 Siddhartha Insurance Limited 150,000 Ordinary Share of Rs. 100 paid up	15,000,000	37,950,000	
-	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	-		
15,352,000	Total Investment	16,232,000	37,950,000	
	3. Provision for Loss			
	3.1 Up to Previous Year			
	3.2 Additions/Deductions of this year			
-	Total Provision	-	-	-
15,352,000	Net Investment	16,232,000	-	-

Classification of Loans and Bills Purchased and Provisioning as at 15 July 2008

Schedule - 4.13

PREVIOUS YEAR RS.	PARTICULAR	ADVANCES		BILLS PURCHASED AND DISCOUNTED			THIS YEAR RS.		
		DOMESTIC		TOTAL	DOMESTIC	FOREIGN		TOTAL	
		DEPRIVED SECTOR	OTHERS						
		INSURED	UNINSURED						
6,298,185,615	1. Performing Loans	293,449,174	9,012,981,080	-	9,306,430,254	68,594,179	40,584,000	109,178,179	9,415,608,432
6,251,046,683	1.1 Pass Loan	-	293,449,174	8,973,817,531	9,267,266,705	68,594,179	40,584,000	109,178,179	9,376,444,883
47,138,932	1.2 Restructured loan	-	39,163,549	-	39,163,549	-	-	-	39,163,549
21,541,583	2. Non Performing Loan	-	65,178,511	-	65,178,511	-	-	-	65,178,511
14,716	2.1 Sub standard	-	23,783,328	-	23,783,328	-	-	-	23,783,328
-	2.2 Doubtful	-	15,777,722	-	15,777,722	-	-	-	15,777,722
21,526,867	2.3 Loss	-	25,617,461	-	25,617,461	-	-	-	25,617,461
6,319,727,198	(A) Total Loans (1+2)	-	293,449,174	9,078,159,591	9,371,608,765	68,594,179	40,584,000	109,178,179	9,480,786,943
	3. Loan Loss Provision								
62,510,467	3.1 Pass Loan	-	2,934,492	89,738,175	92,672,667	685,942	405,840	1,091,782	93,764,449
13,099,371	3.2 Restructured loan	-	-	11,972,602	11,972,602	-	-	-	11,972,602
3,679	3.3 Sub standard	-	-	5,945,832	5,945,832	-	-	-	5,945,832
-	3.4 Doubtful	-	-	7,888,861	7,888,861	-	-	-	7,888,861
21,526,867	3.5 Loss	-	-	25,617,461	25,617,461	-	-	-	25,617,461
97,140,385	(B) Total Loan Loss Provision	-	2,934,492	141,162,931	144,097,423	685,942	405,840	1,091,782	145,189,205
	4. Provision upto Previous Year								
37,872,039	4.1 Pass	-	4,087,395	57,653,555	61,740,950	285,206	484,311	769,517	62,510,467
13,396,106	4.2 Restructured	-	591,013	12,508,358	13,099,371	-	-	-	13,099,371
1,115,231	4.3 Sub standard	-	3,679	-	3,679	-	-	-	3,679
1,347,713	4.4 Doubtful	-	-	-	-	-	-	-	-
26,416,212	4.5 Loss	-	4,226,637	17,300,230	21,526,867	-	-	-	21,526,867
80,147,301	(C) Total Previous Year Provision	-	8,908,724	87,462,144	96,370,868	285,206	484,311	769,517	97,140,385
	(D) Written Back from Previous Year's Provision								
16,993,084	(E) Additional Provision of This Year	-	(5,974,232)	53,700,788	47,726,555	400,736	(78,471)	322,265	48,048,820
16,993,084	Net Additions/Deductions of This Year	-	(5,974,232)	53,700,788	47,726,555	400,736	(78,471)	322,265	48,048,820
6,222,586,813	Net Loan (A-B)	-	290,514,682	8,936,996,660	9,227,511,342	67,908,237	40,178,160	108,086,397	9,335,597,738

Securitywise Loans, Advances & Bills Purchased

as at 15 July 2008

Schedule - 4.13 (a)

PREVIOUS YEAR RS.	PARTICULAR	THIS YEAR RS.
	A. Secured	
5,520,594,553	1. Collateral of Movable/Immovable Assets	8,461,349,959
439,469,028	2. Guarantee of Local Licensed institutions	25,000,000
-	3. Govt. Guarantee	-
-	4. Internationally Rated Bank Guarantee	-
76,951,701	5. Collateral of Export Documents	109,178,179
-	6. Fixed Deposit Receipts	-
49,646,221	(a) Own FDR	102,772,390
24,276,453	(b) FDR of Other Licensed Institutions	61,577,728
-	7. Government Bonds	-
-	8. Counter Guarantee	-
-	9. Personal Guarantee	-
208,789,242	10. Other Securities	720,908,687
-	B. Unsecured	-
6,319,727,198	Total	9,480,786,943

Fixed Assets

as at 15 July 2008

Schedule - 4.14

PREVIOUS YEAR RS.	PARTICULAR	ASSETS RS.				THIS YEAR RS.	
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENTS	OTHERS	RS.
	1. At Cost						
53,835,111	(a) Previous Year's Balance	-	21,579,139		37,859,015	10,539,299	69,977,453
16,249,842	(b) Addition This Year	5,635,705	5,755,171		8,958,054	904,000	21,252,930
-	(c) Revaluation/Re-Written of This Year	-	-	-	-	-	-
107,500	(d) This Year's Sold	-	-	-	73,480	-	73,480
-	(e) This Year's written off	-	-	-	-	-	-
69,977,453	Total Cost (a+b+c-d-e)	5,635,705	27,334,310	-	46,743,589	11,443,299	91,156,903
	2. Depreciation						
21,931,501	(a) Upto Previous Year	-	6,883,443		18,681,674	6,787,310	32,352,427
10,476,461	(b) For This Year	-	3,280,615		6,460,434	1,847,910	11,588,959
-	(c) Depreciation on Revaluation/ Re-written	-	-	-	-	-	-
55,535	(d) Depreciation Adjustment/Written Back				72,458	-	72,458
32,352,427	Total Depreciation (a+b-c-d)	-	10,164,058	-	25,069,650	8,635,220	43,868,928
37,625,026	3. Book Value (WDV*) (1-2)	5,635,705	17,170,252	-	21,673,939	2,808,079	47,287,975
	4. Land	-	-	-	-	12,564,295	12,564,295
	5. Capital Construction (Pending Capitalization)	-	-	-	-	-	-
9,042,075	6. Leashold Assets	-	-	-	-	12,545,773	12,545,773
46,667,101	Total (3+4+5+6)	5,635,705	17,170,252	-	21,673,939	27,918,147	72,398,043

Non-Banking Assets as at 15 July 2008

Schedule - 4.15

PREVIOUS YEAR	NAME & ADDRESS OF BORROWER/PARTY	DATE OF ASSUMING OF NBA	TOTAL NBA RS.	LOSS PROVISION		NET NBA RS
				PERCENT	AMOUNT RS.	
240,049	Auto Hut	14.07.2005	-	-	-	-
9,933,300	Nisha Thapa Chetri	22.08.2006	-	-	-	-
10,173,349	Total		-		-	-

Other Assets as at 15 July 2008

Schedule - 4.16

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Stock of Stationery	-
1,882,879	2. Income Receivable on investments	5,825,250
-	3. Accrued Interest on Loan	23,743,640
-	Less: Interest Suspense amount	23,743,640
-	4. Commission Receivable	-
3,250,102	5. Sundry Debtors	9,957,650
-	6. Staff Loans and Advances	43,972,249
1,915,822	7. Prepayments	6,908,846
-	8. Cash in Transit	-
37,108,938	9. Other Transit Items (including cheques)	19,426,863
-	10. Draft Paid Without Notice	-
5,499,357	11. Expenses Not Written-off	-
2,256,247	12. Branch adjustment Account	1,308,420
11,462,647	13 Others	703,938
63,375,992	Total	88,103,216

Other Assets (Additional Statements) as at 15 July 2008

Schedule - 4.16 a

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.			TOTAL
		UPTO 1 YEAR	1 TO 3 YEARS	ABOVE 3 YEARS	
1 20,631,111	1. Accrued Interest on Loans	16,997,218	6,746,422	-	23,743,640
-	2. Drafts Paid without notice	-	-	-	-
2,256,247	3. Branch Adjustment Account	1,308,420	-	-	1,308,420
22,887,358	Total	18,305,638	6,746,422	-	25,052,060

Contingent Liabilities as at 15 July 2008

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)	-
589,401,784	(a) Less than 6 months maturity	746,528,899
920,862	(b) More than 6 months maturity	766,200
-	3. Rediscounted bills	-
-	4. Unmatured Guarantees/Bonds	-
15,445,625	(a) Bid Bonds	16,324,516
620,800,159	(b) Performance Bonds	616,074,734
-	(c) Other Guarantees/ Bonds	-
-	5. Unpaid Shares in Investment	-
17,669,563	6. Forward Exchange Contract Liabilities	-
43,049,988	7. Bills Under Collection	33,082,433
182,453,911	8. Acceptance & Endorsements	92,891,629
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
-	11. Counter guarantees against the guarantees of Internationally Rated Bank	-
29,393,585	12. Advance Payment Guarantee	21,930,660
-	13. Financial Guarantee	-
-	14. Contingent Liabilities on Income Tax	-
-	15. Others	-
1,499,135,477	Total	1,527,599,072

Interest Income

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.18

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
402,755,840	A. On Loan, Advances and Overdraft	660,170,864
304,599,775	1. Loan and Advances	465,472,517
98,156,065	2. Overdraft	194,698,347
68,007,425	B. On Investment	59,982,799
13,773,138	1. Govt. Securities	22,490,947
13,518,326	a) Treasury Bills	22,236,833
254,812	b) Development Bonds	254,114
-	c) National Saving Bonds	-
-	2. Foreign Securities	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture and Bonds	-
54,234,287	5. Interest on Inter Bank Lendings	37,446,739
54,234,287	a) Banks/ Financial Institutions	37,491,852
-	b) Other Institutions	-
99,801	C. On Agency Balances	570,151
-	1. Local Banks/ Financial Institution	-
99,801	2. Foreign Banks	570,151
10,373,467	D. On Money at Call and Short Notice	9,144,862
1,777,639	1. Local Banks/ Financial Institutions	2,657,460
8,595,828	2. Foreign Banks	6,487,402
287,274	E. On Others	3,808
-	1. Certificate of Deposits	-
287,274	2. Inter Bank/ Financial Institution Loan	-
-	3. Others	3,808
481,523,807	Total	729,872,484

Interest Expenses

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.19

PREVIOUS YEAR RS.	PARTICULAR S	THIS YEAR RS.
263,196,622	A. On Deposit Liabilities	391,661,329
118,807,595	1. Fixed Deposits	214,299,329
118,068,476	1.1 Local Currency	212,161,951
739,119	1.2 Foreign Currency	2,137,378
62,968,530	2. Saving Deposits	99,463,485
62,670,074	2.1 Local Currency	98,987,123
298,456	2.2 Foreign currency	476,362
81,420,497	3. Call Deposits	77,898,515
77,706,864	3.1 Local Currency	72,632,917
3,713,633	3.2 Foreign Currency	5,265,598
-	4. Certificate of Deposits	-
8,514,328	B. On Borrowings	16,527,626
-	1. Debenture & Bonds	-
475,471	2. Loan from NRB	1,800,431
8,038,857	3. Inter Bank/Financial Institutions Loan	14,727,195
-	4. Other Corporate Body	-
-	5. Other Loans	-
-	C. On Others	-
271,710,950	Total	408,188,955

Commission & Discount

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.20

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
3,110,838	A. Bills Purchased & Discounted	1,957,509
3,110,838	1. Local	1,957,509
-	2. Foreign	-
15,816,942	B. Commission	18,062,844
7,293,761	1. Letters of Credit	8,200,961
5,512,743	2. Guarantees	6,125,533
1,372,446	3. Collection Fee	1,534,577
1,344,829	4. Remittance Fee	2,122,342
-	5. Credit Cards	-
-	6. Share Underwriting/Issues	-
-	7. Government Transactions	-
293,163	8. Agency Commission	79,431
-	9. Exchange Fee	-
1,250,022	C. Others	1,434,071
20,177,802	Total	21,454,424

Other Operating Income

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.21

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
83,250	1. Rental Charges of Safe Deposit Vault	119,975
-	2. Issue and Renewal of Credit Cards	-
-	2. Issue and Renewal of ATM Cards	-
2,512,638	4. Telex / T.T.	3,048,910
15,044,091	5. Services Charges	26,284,970
-	6. Renewal Fees	-
1,019,116	7. Others	1,840,304
416,025	a. Rent Income	435,526
603,091	b. Other Income	1,087,006
	c. Postage & Courier	317,772
18,659,095	Total	31,294,159

Exchange Fluctuation Gain/Loss

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.22

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
754,541	1. Revaluation Gain / (Loss)	9,258,721
13,491,112	2. Trading Gain (Except Discount Fee)	18,228,668
14,245,653	Total Gain/(Loss)	27,487,389

Staff Expenses

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.23

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
20,911,587	1. Salary	21,572,702
9,328,574	2. Allowances	14,978,140
1,443,374	3. Contribution to Provident Fund	1,978,893
358,627	4. Training Expenses	967,563
-	5. Uniform	-
727,366	6. Medical	964,252
82,852	7. Insurance	486,348
-	8. Pension and Gratuity Provision	3,371,282
768,126	9. Others	3,928,027
768,126	a. Leave Encashment Expenses	3,928,027
33,620,506	Total	48,247,208

Other Operating Expenses

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.24

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
9,273,997	1 House Rent	11,209,919
1,992,781	2 Electricity and Water	2,331,748
	3 Repairs and Maintenance	
209,881	a) Building	76,901
274,327	b) Vehicles	515,995
481,056	c) Software	498,330
63,852	d) Others	37,119
1,930,767	4 Insurance	1,527,405
5,945,426	5 Postage, Telex, Telephone, Fax, SWIFT	7,317,262
502,884	6 Repair & Maintenance of Office Equipment, Furniture & Fixtures	758,227
823,917	7 Traveling Allowances and Expenses	1,933,495
1,840,185	8 Stationery and Printing	3,071,516
82,314	9 Periodicals and Books	127,495
2,402,663	10 Advertisements	2,950,483
458,782	11 Legal Expenses	315,701
88,176	12 Donations	268,281
	13 Expenses relating to Board of Directors	
590,859	a) Meeting Fees	689,000
876,046	b) Other Expenses	1,524,797
170,252	14 Annual General Meeting Expenses	335,032
	15 Expenses relating to Audit	
184,500	a) Audit Fees	235,000
274,130	b) Other Expenses	354,439
-	16 Commission on Remittances	72,885
8,593,656	17 Depreciation on Fixed Assets	9,781,361
8,661,446	18 Amortization of Deferred Expenses	10,684,252
183,394	19 Share Issue Expenses	292,153
-	20 Technical Services Reimbursement	-
802,731	21 Entertainment, Business Promotion and Development Expenses	1,294,581
-	22 Expenses Write off	-
2,663,830	23 Security Expenses	3,616,050
-	24 Credit Guarantee Premium	-
234,922	25 Commission and Discount	421,746
	26 Other Expenses	
381,950	26.1 Professional fees	649,753
1,524,707	26.2 Fuel (Petrol/Diesel) & Gas	2,421,350
213,796	26.3 Rates & Taxes	322,773
795,800	26.4 SCT Expenses	786,150
1,488,701	26.5 Janitorial Expenses/Wages	2,086,193
533,800	26.6 Subscriptions & Membership Fees	540,950
478,728	26.7 Non Capitalized Items	542,232
-	26.8 Error, fines & losses	664,558
63,750	26.9 Credit Information expenses	153,300
226,162	26.10 Recruitment Expenses	381,544
406,988	26.11 Miscellaneous	690,887
55,721,156	Total	71,480,863

Provision For Possible Losses

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.25

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
16,993,084	1. Increase in loss provision loan	48,048,820
-	2. Increase in provision for loss on investments	-
3,551,147	3. Provision against Non- Banking Assets	-
-	4. Provision against other Assets	-
20,544,230	Total	48,048,820

Non-operating Income/Loss

For the period from 17 July 2007 to 15 July 2008

Schedule - 4.26

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Profit (Loss) on sale of Investment	-
35,535	2. Profit (Loss) on sale of assets	7,731
-	3. Dividend	-
	4. Subsidies Received from Nepal Rastra Bank	
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	5. Others	-
-	a. Gain on Sale of NBA	498,491
35,535	Total Non-Operating Income/(Loss)	506,222

Loss Provision Written Back Fiscal Year 2007/08

Schedule - 4.27

PREVIOUS YEAR RS.	PARTICULARS	THIS YEAR RS.
-	1. Loan Loss Provision Written Back	-
-	2. Provision against Non- Banking Assets' Written Back	4,031,246
-	3. Provision on Investment Written Back	-
-	4. Provision against Other Assets Written Back	-
-	Total	4,031,246

Statement of Loans and Advances Extended to Directors/ Chief Executive/ Promoter/ Employees and Shareholders

as on 15 July 2008

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 BALANCE		THIS YEAR RECOVERY		THIS YEAR ADDITIONS		BALANCE AS OF ASHAD END
	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	-	-	-	-	-	-	-

Note: Loan given to employees as per Employees' Service Rules not presented above

Table of Capital Fund as on 15 July 2008

Schedule - 4.30

PARTICULARS	PREVIOUS YEAR RS.	THIS YEAR RS.
A. Core Capital	786,859	1,049,679
1. Paid Up Capital	600,000	828,000
2. Share Premium	-	-
3. Non-Redeemable Preference Share	-	-
4. General Reserve Fund	46,168	74,802
5. Accumulated Profit /Loss	-	1,122
6. Capital Redemption Reserve Fund	-	-
7. Capital Adjustment Fund/Proposed Bonus Share	146,191	160,755
8. Other Free Reserve Funds	-	-
Less:		
- Goodwill	-	-
- Investment In Excess of Prescribed limit	-	-
- Fictitious Assets	5,499	-
- Investments In Securities of Companies with Financial Interest	-	15,000
B. Supplementary Capital	76,961	98,055
1. Loan Loss Provision on Pass Loan	75,610	94,389
2. Assets Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured subordinated term debt	-	-
5. Exchange Fluctuation Fund	1,352	3,666
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Fund	-	-
8. Provision for loss on Investment	-	-
C. Total Capital Fund (A+B)	863,820	1,147,734
D. Risk Weighted Assets	7,297,687	10,299,852
E. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 11 percent)	802,746	1,132,984
Core Capital (@ 5.5 percent)	401,373	566,492
Capital Fund (11.14%) (Excess by 0.14%)	61,075	14,751
Core Capital (10.19%) (Excess by 4.69%)	385,486	483,187

Cont'd.....

Statement Of Risk Weighted Assets(RWA) as on 15 July 2008

Schedule - 4.30a

S.N. PARTICULARS	WEIGHTAGE	PREVIOUS YEAR RS.		THIS YEAR RS.	
		AMOUNT	RWA	AMOUNT	RWA
On- Balance Sheet Assets					
1 Cash Balance	0%	130,442,580	-	149,006,950	-
2 Gold (Tradable)	0%	-	-	-	-
3 Balance with Nepal Rastra Bank	0%	380,563,747	-	270,219,328	-
4 Investment in Government Securities	0%	621,973,040	-	846,309,470	-
5 Investment in NRB Bonds	0%	-	-	-	-
6 Fully Secured loan against own Fixed Deposit Receipt	0%	49,646,221	-	102,772,390	-
7 Fully Secured loan against Government Securities	0%	-	-	-	-
8 Accrued Interest Receivables on Government Securities	0%	-	-	3,687,086	-
9 Balance with Domestic banks and financial institutions	20%	2,977,590	595,518	5,310,506	1,062,101
10 Fully secured FDR loan against FDR of other licenced Banks and Financial Institutions	20%	24,276,453	4,855,291	61,577,728	12,315,546
11 Balance with foreign banks	20%	3,242,437	648,487	12,888,485	2,577,697
12 Money at call	20%	229,446,305	45,889,261	584,735,884	116,947,177
13 Loan against the Guarantee of Internationally rated Banks	20%	-	-	-	-
14 Other Investments with Internationally Rated Banks	20%	29,088,521	5,817,704	233,779,330	46,755,866
15 Investment in Shares, Debenture and Bonds	100%	15,352,000	15,352,000	16,232,000	16,232,000
16 Other Investments	100%	195,000,000	195,000,000	50,000,000	50,000,000
17 Loans ,Advances and Bills Purchased/Discounted	100%	6,245,804,524	6,245,804,524	9,316,436,825	9,316,436,825
18 Fixed Assets	100%	46,667,101	46,667,101	72,398,043	72,398,043
19 All Other Assets(Except Advance Tax Paid)	100%	86,978,614	86,978,613	84,416,130	84,416,130
20 Net Interest Receivables(Gross Interest Receivable-Interest on Govt. Bond-Interest Suspense)	100%	-	-	-	-
Total (A)		8,061,459,133	6,647,608,499	11,809,770,155	9,719,141,384
Off- Balance Sheet Items					
1 Bills Collection	0%	43,049,988	-	33,082,433	-
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%	589,401,784	117,880,357	746,528,899	149,305,780
4 Guarantees provided against counter guarantee of internationally rated foreign banks	20%	-	-	-	119
5 Letters of Credit with Maturity of more than 6 months (Full value)	50%	920,862	460,431	766,200	383,100
6 Bid Bond	50%	15,445,625	7,722,813	16,324,516	8,162,258
7 Performance Bond	50%	620,800,159	310,400,080	616,074,734	308,037,367
8 Advance Payment Guarantee	100%	29,393,585	29,393,585	21,930,660	21,930,660
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%	182,453,911	182,453,911	92,891,629	92,891,629
Total (B)		1,499,135,477	650,078,132	1,527,599,072	580,710,913
Total Risk Weighted Assets		9,560,594,610	7,297,686,631	13,337,369,227	10,299,852,297

Principal Indicators

From the Beginning Year of the Bank

Schedule - 4.31

S.N.	PARTICULARS	INDICATORS	F.Y	F.Y	F.Y	F.Y	F.Y	F.Y
			2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
1	Percent of Net Profit/Gross Income	Percent	-4.26%	-19.34%	29.25%	19.13%	17.83%	17.67%
2	Earning Per Share	Rs	(0.37)	(8.89)	20.08	13.05	15.88	17.29
3	Market Value Per Share	Rs.	-	-	-	360.00	778.00	1,090.00
4	Price Earning Ratio	Ratio	-	-	-	27.59	48.98	63.04
5	Dividend on Share Capital (Including Bonus)	Percent	-	-	-	-	15.79%	15.79%
6	Cash Dividend on Share Capital	Percent	-	-	-	-	0.79%	0.79%
7	Interest Income/Loan and Advances	Percent	1.81%	7.30%	7.49%	7.37%	6.37%	6.96%
8	Staff Expenses/Total Operating Expenses	Percent	44.17%	19.68%	14.18%	11.65%	9.31%	9.14%
9	Interest Expenses/Total Deposit & Borrowing	Percent	1.43%	4.60%	3.47%	3.75%	3.85%	4.68%
10	Exchange Gain/Total Income	Percent	-	1.72%	2.98%	3.53%	2.66%	3.39%
11	Staff Bonus/ Total Staff Expenses	Percent	-	-	47.49%	35.09%	41.38%	44.97%
12	Net Profit/ Loan and Advances	Percent	-	-2.10%	2.73%	1.72%	1.53%	1.53%
13	Net Profit/ Total Assets	Percent	-	-1.67%	2.27%	1.37%	1.20%	1.23%
14	Total Credit/ Deposit	Percent	158.99%	114.95%	104.42%	98.75%	95.39%	93.03%
15	Total Operating Expenses/Total Assets	Percent	1.18%	4.50%	4.62%	4.71%	4.54%	4.52%
16	Adequacy of Capital Fund on Risk Weighted Assets							
	a) Core Capital	Percent	41.30%	16.04%	12.77%	13.29%	10.78%	10.19%
	b) Supplementary Capital	Percent	0.74%	0.72%	0.87%	0.87%	1.05%	0.95%
	c) Total Capital Fund	Percent	42.04%	16.76%	13.64%	14.16%	11.84%	11.14%
17	Liquidity (CRR)	Percent	6%	6%	5.21%	5.03%	5.07%	5.11%
18	Non-performing Credit/Total Credit	Percent	-	4.85%	2.58%	0.87%	0.34%	0.69%
19	Weighted Average Interest Rate Spread	Percent	5.15%	5.53%	4.46%	4.07%	3.57%	3.71%
20	Book Net - worth	Rs.	348,716,000	317,609,000	387,889,000	603,141,455	793,709,939	1,068,346,086
21	Total Shares	Nos.	3,500,000	3,500,000	3,500,000	5,000,000	6,000,000	8,280,000
22	Total Staff	Nos.	43	47	56	72	79	116

Principal Accounting Policies

Schedule - 4.32

1. General information

Siddhartha Bank Limited ("the Bank") is a limited liability company domiciled in Nepal. The address of its registered office is in Kathmandu, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

The Bank is running a commercial banking business in Nepal. The financial statements were authorised for issue by the Board of Directors.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards ("NAS") issued by the Nepal Accounting Standard Board except otherwise stated, Generally Accepted Accounting Principles ("GAAP"), Banks & Financial Institutions Act, 2063, presentation requirement of NRB Directives and in conformity with the Company Act 2063

4. Basis of Preparation

The financial statements are presented in NPR, rounded to the nearest Rupees. They are prepared on the historical cost basis. The preparation of financial statements in conformity with NAS and GAAP requires the use of certain critical accounting estimates. It also requires management to exercise judgment in process of applying the Bank's accounting policies.

5. 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.

6. Interest Income

Interest income on loans and advances are recognised on cash basis as per the Nepal Rastra Bank although this practice is not in accordance with the Nepal Accounting Standard, NAS 7 (Revenue Accounting), which prescribes that the revenue should be recognised on accrual basis. The practice followed by the Bank (as per NRB Directives) is more conservative.

Interest income on Investments is accounted for on accrual basis.

7. Fees and Commission Income

Guarantee commission incomes in excess of Rs 150,000 and having a maturity period of more than one year is accounted for on accrual basis. All other fees and commission income is recognized at the time of the transaction.

8. Dividend Income

Dividend on investment on equity shares are recognised on cash basis.

9. Interest Expense

Interest on deposit liabilities and borrowings from other banks are accounted for on accrual basis.

10. 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. Twenty five percent of such revaluation gain is transferred to Exchange Fluctuation Fund as per the directives of Nepal Rastra Bank.

11. Loans, Advances, Overdrafts and Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to customers. These include overdrafts, term loans, consumer loans, supply finance and loans given to priority and deprived sectors. All credit exposures are classified as per Nepal Rastra Bank's 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. Loans and advances, overdrafts and bills purchased are shown net of provisions for loan losses.

12. Staff Loans

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

13. Provision for Possible Losses

The provision for possible losses from loans and advances and bills purchased are provided at the rates ranging from 1% to 100% according to the classification of such risk assets as per Nepal Rastra Bank Directives.

14. Write Off

Loan accounts graded 'Bad' in compliance with Nepal Rastra Bank Directives are written off in the books as per criteria/policy approved by the Board, without prejudice to Bank's right to recovery.

15. Investments

a) Investment on government securities is recorded at cost.

b) Investment on shares of companies not listed in stock exchange are valued at cost.

c) Investment on shares of companies listed in stock exchange has been valued at lower of cost or market value of shares as on the Balance Sheet date.

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

16. Fixed Assets and Depreciation

a) Fixed Assets are stated at cost less accumulated depreciation.

b) Fixed assets are depreciated on diminishing balance method over the useful lives of the assets based on the management's estimates. Land is not depreciated. The depreciation rates applied for various categories of assets are as follows:

ASSETS	RATE OF DEPRECIATION
Building	5%
Office Equipments	25%
Computers and Accessories	25%
Furniture & Fixtures	25%
Vehicles	20%
Other Assets	15%

17. 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.

18. Software Expenses

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

19. Leasehold Improvement

Leasehold improvements are amortized over a period of 5 years or lease period, whichever is earlier.

20. 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.

21. Retirement Benefits

The Bank offers retirement benefits to its employees mainly provident fund, gratuity & accumulated leave payable at the time of separation from services.

a) Provident fund

Provident fund is recognised at the time of contribution to the fund.

b) Gratuity

Gratuity liability of staff accrues only after completion of a fixed period of full time employment with the Bank in accordance with the personnel policies of the Bank. Bank has created 100% provisions required to meet its gratuity liabilities as at 15 July 2008.

c) Accumulated leave

Staff leave encashment is accounted for on cash basis. As per Personal Policy, the Bank encashed the leave balances in excess of 60 days every year, the staff liability whereof as on 15 July 2008 is Rs 6 million. This practice is not strictly in line with NAS.

22. Stationery Stock

Stationery and printing supplies purchased for internal consumption are charged to profit and loss account at the time of purchase.

23. Income Tax

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

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be

recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date.

24. Contingent Liability

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

25. Previous Year's Figures

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

Notes to Accounts

For the period ended on 15 July 2008

Schedule - 4.33

1. Interest Suspense

Entire interest receivable on loans and advances amounting to Rs 23,743,640 as of year end has been transferred to interest suspense account as per the Directives of NRB.

2. Provision for Staff Bonus

Provision for staff bonus is computed at 10% of net profits before tax.

3. Staff Housing Fund

As the Bank's personnel policies has a provision for extending housing loans to the eligible staff, a separate housing fund has not been created as required under the Labor Act, 2048.

4. General Reserve

20 percent of the profit is transferred to General Reserves as per the requirement of Banking and Financial Institutions Act 2063. The Bank has transferred Rs 28,634,598 to General Reserve in the current year.

5. Borrowing against its own assets.

None of the Bank's borrowings are against the collateral of its own assets.

6. Tax Assessment

Tax return filed by the Bank under self- tax assessment procedure for FY 2058/2059, FY2059/060,

FY 2060/2061, FY2061/2062, FY2062/63 and FY 2063/64 is pending for final assessment by the Tax Office.

7. Investment in Share Capital of other Corporate

Bank has made an investment of Rs 15.00 million (150,000 ordinary shares of Rs 100 each fully paid up) in Siddhartha Insurance Limited, which is valued at cost or market price whichever is lower.

8. Capital Adjustment Fund

The Bank has proposed to issue 3 bonus shares for every 20 shares held in the current financial year by utilization of the capital adjustment reserve to increase the paid up share capital each year so that the total paid up share capital is increased to Rs 2 billion by the financial year 2069/70 as required by Nepal Rastra Bank.

9. Non Banking Assets

PARTICULARS	AMOUNT (RS)
Opening balance of NBA	14,204,595
Additions during the year	-
Less: Sale of NBA during the year	14,204,595
Less: Provision for NBA up to	
current year	-
Net NBA for this year	-

10. Change in accounting policies

10.1 Deferred Tax

Deferred tax assets and liabilities have been computed in accordance with NAS 9, Income Taxes from 17 July 2007 and are attributable to the following:

PARTICULARS	(Figures in Rs)		
	ASSETS	LIABILITIES	NET
Fixed Assets – Depreciation Base	-	(3,149,788)	(3,149,788)
Provision for staff gratuity	1,061,954	-	1,061,954
Net Deferred Tax Assets/ (Liabilities)	1,061,954	(3,149,788)	(2,087,834)

11. Reconciliation Status

Bank has carried-out the reconciliation between branches and other agency accounts regularly. The difference has been identified, reviewed and reconciled and same has been or will be adjustment in due course of business.

RECONCILIATION STATUS	TOTAL AMOUNT RS.	< 3 MONTHS	>3<9 MONTHS	>9 MONTHS
Branch Reconciliation	1,308,420	1,308,420	-	-
Agency Accounts	17,854,054	17,714,352	1,39,702	-

12. Summary of Loans and Advances Disbursed, Recovered and Principal & Interest Written-off:

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

PARTICULARS	AMOUNT
Loans Disbursed	43,788,471
Loans Recovered	40,627,411
Loans Written off	-
Interest written off	-

13. Summary status of the of Deposit Liabilities

PARTICULARS	(Rs in 'Million)		
	THIS YEAR	PREVIOUS YEAR	CHANGE%
Current/Margin Deposit	284	227	25
Local Currency	278	214	30
Foreign Currency	6	13	(54)
Savings Deposit	2,622	1,881	39
Local Currency	2,600	1,872	39
Foreign Currency	22	9	144
Call Deposits	2,722	1,493	82
Local Currency	2,644	1,233	114
Foreign Currency	78	260	(70)
Fixed Deposits	4,562	3,023	51
Local Currency	4,429	3,010	47
Foreign Currency	133	13	923
Total	10,191	6,625	54

14. Weighted Average Interest Rate Spread

PARTICULARS	RATE (%)
Average Rate of return from loans and advances	8.38
Average Rate of interest on deposits & borrowings	4.67
Net Spread	3.71

15. Particulars of Expenses yet to be Expensed-off

The Bank has charged off the Pre-Operating expenses to the Profit and Loss account. There is no deferred revenue expenditure / fictitious assets to be written off.

PARTICULARS.	ORIGINAL VALUE RS.	WRITTEN OFF RS.	BOOK VALUE RS.
Software	11,443,299	8,635,220	2,808,079
Leasehold Improvement	26,205,415	13,659,642	12,545,773

16. Summary of Concentration of Exposure

PARTICULARS	LOANS AND ADVANCES AND BILLS PURCHASED	DEPOSITS AND BORROWINGS	CONTINGENTS
Total Amount as on 15 July 2008	9,480,787	10,191,441	15,27,599
Highest exposure to a single unit	217,609	1,003,940	2,17,902
Percentage of exposure to/from single unit (%)	2.3	9.85	14.26

17. Classification of Assets and Liabilities based on Maturity

(Rs in 'Million)

A) ASSETS	1-90 DAYS	91-180DAYS	181-270 DAYS	271-365DAYS	OVER 1 YEAR	TOTAL
Cash Balance	149.01					149.01
Balance With Banks	288.42					288.42
Investment in Foreign Banks	-					
GON Securities	-			846.31	3.78	850.09
Investment in Shares					16.23	16.23
Nepal Rastra Bank Bonds						-
Inter Bank Lending	818.52				50.00	868.52
Loans & Advances	1,207.43	276.67	379.37	964.25	6,653.07	9,480.79
Other Assets	88.10				72.40	160.50
TOTAL ASSETS	2,551.48	276.67	379.37	1,810.56	6,795.48	11,813.56
B) LIABILITIES						
Borrowings	205.13					205.13
Current Deposits & Margins	94.34				190.55	284.89
Savings Deposit & Call Deposits	2,721.58				2,622.24	5,343.82
Fixed Deposits	247.36	205.45	242.70	869.06	2,998.15	4,562.72
Debentures	-					-
Other Liabilities	342.11					342.11
Capital & Reserves					1,074.89	1,074.89
Total Liabilities	3,610.52	205.45	242.70	869.06	6,885.83	11,813.56
Net Financial Assets	(1,059.04)	71.22	136.67	941.50	(90.35)	
Cumulative Net Financial Assets	(1,059.04)	(987.82)	(851.15)	90.35	-	

18. Disclosures of Basel-II

In order to manage and eliminate the credit risk, the Bank has a practice of maintaining the best quality assets in its book. The Bank has a comprehensive Credit Policy in place which elaborates the procedures for proper risk management. The Bank has delegated credit approval limits to various officials to approve and sanction various amount of credit request. As a check and balance mechanism, each credit case requires dual approval. Regular monitoring of the credit portfolio ensures that the Bank does not run the risk of concentration of portfolio in a particular business sector or a single borrower. Similarly the Bank also exercises controlled investment policy with adequately equipped resource looking after the investment decisions.

As for the monitoring of market and liquidity risk the Bank has an active Assets and Liability Management Committee

(ALCO) in place which meets regularly and takes stock of the Bank's assets and liability position. All foreign exchange positions are managed by treasury consisting of front office dealers with specific dealing limits and an independent back office. The back office executes the deals made by the dealers and also monitors the liquidity position of the Bank.

As a part of monitoring operational risks, the Bank has devised operational manuals for various banking functions which are reviewed and modified time to time as per the changing business context. We have independent internal audit which reports to the Audit Committee of the Bank. The Audit Committee meets frequently and reviews the business process and financial position of the Bank. The Bank has strong MIS in place to monitor the regular operational activities.

Capital Structure and Capital Adequacy

Tier 1 capital and breakdown of its components

		Rs. In "000"
CORE CAPITAL (TIER 1)		1,049,679
a	Paid up Equity Share Capital	828,000
b	Proposed Bonus Equity Share	124,200
c	Statutory General Reserve	74,802
d	Retained Earnings	1,122
e	Capital Redemption Reserve	-
f	Capital Adjustment Reserve	36,555
g	Dividend Equalization Reserves	-
h	Other Reserves	-
I	Less: Investment in equity of institutions with financial interests	15,000

Tier 2 capital and a breakdown of its components

		Rs. In "000"
SUPPLEMENTARY CAPITAL (TIER 2)		98,055
a	Cumulative and/or Redeemable preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General Loan Loss Provision	94,389
e	Investment Adjustment Reserve	-
f	Assets Revaluation Reserve	-
g	Exchange Equilisation Reserve	3,666
h	Other Reserves	-

Subordinated Term Debts: N.A

Deductions from Capital:

The Bank has investments of Rs.15 million in the equity shares of Siddhartha Insurance Limited, which has been deducted from core capital.

Total Qualifying Capital

		Rs. In "000"
PARTICULARS		AMOUNT
Core Capital		1,049,679
Supplementary Capital		98,055
Total Capital Fund		1,147,734

Risk Exposures

S.N.	CATEGORIES	Rs. In "000"
		RISK WEIGHTED EXPOSURE
1	Claims on Government & Central Bank	-
2	Claims on Other Financial Entities	-
3	Claims on Domestic Banks	1,062
4	Claims on Foreign Banks	2,578
5	Claims on Domestic Corporates	4,643,119
6	Claims on Regulatory Retail Portfolio	1,263,398
7	Claims on Secured by Residential Properties	328,430
8	Claims on Secured by Commercial Real Estate	283,664
9	Investment in Equity of Institution not listed in the Stock Exchange	1,848
10	Investment in Equity of Institution listed in the Stock Exchange	15,000
11	High Risk Claim	3,183,270
12	Other Assets	144,960
13	Off Balance Sheet Items	762,349
Total		10,629,677

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

PARTICULARS	Rs. In "000"
	AMOUNT
Risk Weighted Exposure for Credit Risk	10,629,677
Risk Weighted Exposure for Operational Risk	434,021
Risk Weighted Exposure for Market Risk	17,675
Total Risk Weighted Exposures	11,081,373

Total Risk Weighted Exposures calculation table

PARTICULARS	Rs. In "000"
	AMOUNT
Total Risk Weighted Exposures	11,081,373
Total Core Capital Fund	1,049,679
Total Capital Fund	1,147,734
Total Core Capital to Total Risk Weighted Exposures	9.47
Total capital to Total Risk Weighted Exposures	10.36

Amount of Non performing Assets (Both Gross and Net)

PARTICULARS	AMOUNT	LOAN LOSS PROVISION	Rs. In "000"
			NET NPL
Non-Performing Loan (NPL)			
Restructured	39,164	11,973	27,191
Sub-Standard	23,783	5,946	17,837
Doubtfull	15,778	7,889	7,889
Loss	25,617	25,617	-
Total	104,342	51,425	52,917

NPA Ratios

Particulars	Percentage
Gross NPA to Gross Advances	1.10
Net NPA to Net Advances	0.57

Movement in Non Performing Assets

PARTICULARS	THIS YEAR	PREVIOUS YEAR	Rs. In "000"
			CHANGE (%)
Non-Performing Assets	104,342	68,681	0.52

Written Off Loans and Interest Suspense

Particulars	Rs. In "000"
	Percentage
Loan Written Off	-
Interest Suspense	-

Movement in Loan Loss Provision and Interest Suspense

PARTICULARS	THIS YEAR	PREVIOUS YEAR	Rs. In "000"
			CHANGE (%)
Loan Loss Provision	145,189	97,140	0.49
Interest Suspense	23,744	20,631	0.15

19. Related Parties

The Bank has invested in the 150,000 equity shares of Siddhartha Insurance Limited where one of the directors has financial interests.

Key management personnel compensation for the year comprising of short term employee benefits amounted to Rs 6 million.

In addition to the meeting fee, the Bank also provides other benefits to directors as approved by AGM.

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