



REPORT OF THE BOARD OF DIRECTORS FOR THE TWELFTH ANNUAL GENERAL MEETING OF NEPAL SBI BANK LTD.

Dear Shareholders,

I have the pleasure to welcome you all at the Twelfth Annual General Meeting of Nepal SBI Bank Ltd. On behalf of the Board of Directors, I would like to present before you their report together with the Balance Sheet and Statement of Profit and Loss for the year ended 31st Ashadh 2062 (15th July 2005).

Economic & Banking Environment

The overall GDP growth slowed down to 2% in the FY 2061/62 compared to 3.3% in the previous year. There was a slow down in the agriculture sector, sharp downturn in the tourist traffic and a continued weak performance in the industrial sector.

On the front of foreign trade, total exports increased by 8 % in 2061/62, at the same rate as in the previous year, whereas the total imports declined by 3 % during the year as against the growth of 9.6 % in the previous year. Exports to India increased significantly by 28.2 % while export to the third countries declined by 18.8 %, owing chiefly to the large decline in the export of readymade garments, after the expiry of Multi-Fiber Arrangement (MFA) quotas. On the import front, imports from India increased by 9 % while imports from the third countries declined by 19.4 %. The share of trade with India in Nepal's total trade increased to 65.8% from 57.6% in the previous year.

The gross foreign exchange reserves as at the end of the fiscal year stood at Rs.12,990 crore sufficient to finance imports of 11.8 months.

As measured by the National Urban Consumer Price Index (Base year 1995-96), the annual average inflation rate registered an increase of 4.5% in 2061/62 compared to an increase of 4% in 2060/61, mainly on account of upward revision of the price of petroleum products, increase of the VAT rate and escalation in the prices of food grains, cash crops and fertilizers. The average rate of 91 days treasury bills, which had declined to as low as 0.62% in the first month of the fiscal year 2061/62 reached 3.94 % at the year-end. Similarly, the inter-bank call money rate climbed up to 4.71% at the end of the year.

Impact of National & International Events on the Banking Business

As the political instability, uncertainty and the state of insecurity continued for a major part of the year, the trade, industry and service sectors of the economy were adversely impacted. Hardly any new projects came up in the manufacturing sector, construction activities of both the government and private sector slowed down and the tourist inflow declined significantly. Similarly, with the abolition of the Multi-Fiber Arrangement (MFA) quota system from 1st January 2005, there was a precipitous fall in the export of readymade garments to third countries. Significant fall in the tourist traffic adversely affected Bank's recoveries from the hotel and the related industry. The liquidity position of the Banks also remained somewhat tight for a major part of the year reflecting a slower growth of remittances. Some international banks continued to categorize Nepal under high risk category on account of the difficult situation in the country.

Intense competition was witnessed during the year in the banking sector and the business sentiment in the country remained subdued. In comparison, the interest rates continued to rule low and in fact, registered a decline. There was virtually a state of interest rate war among banks to woo good quality customers and the margins / spreads shrunk further.

Since avenues to supplement non interest income are extremely restricted in Nepal, the present low interest rate climate would put further pressure on the profitability of most of the Banks in the coming days. Interest rates on deposits are likely to show an upward trend in view of the current rate of inflation and consequently, cost of funds may go up. On the other hand, on account of fierce competition, it may be difficult to increase interest rates on advances thereby putting further pressure on spreads.

Performance Highlights

The major performance indicators of the Bank for the FY 2061/62 are summarized as under:

Rs. in '000

Particulars	FY 2060/61	FY 2061/62	% Growth
Paid-up Capital	42,68,76	43,18,66	1.17
Reserves	19,97,61	25,71,47	28.73
Deposits	719,83,27	865,47,74	20.23
Loans & Advances including Bills Purchased	553,18,34	673,93,47	21.83
Investment	190,75,21	260,76,80	36.71
Loans to Priority Sector	103,33,39	83,12,65	(19.56)
Loans to Deprived Sector	21,24,45	21,24,73	0.01
Interest Income	49,35,98	57,83,72	17.17
Interest Expenses	25,59,19	25,84,30	0.98
Operating Profit	19,19,21	27,93,75	45.57
Profit after Tax	6,08,52	5,73,87	(5.69)

Like the previous year, the Bank was able to register significant improvement in its operating profit during the FY 2061/62. The operating profit of the Bank went up to Rs. 27.94 crore compared to 19.19 crore in the previous year recording an impressive increase of 45.57%. The Bank has been able to increase its operating profit despite decline in the interest rates on advances and lack of sound investment opportunities due to present difficult situation. Despite 20% growth in deposits, the interest cost has gone up marginally by 0.98% only and the cost of funds has come down from 4.18% in 2060/61 to 3.43% in 2061/62. The Bank focused mainly on short term trade loans to corporates, increasing coverage of retail segment advances, mobilizing low cost deposits and laying emphasis on recovery of unrealized interest. The marginal reduction in net profit was on account of loan loss provision the Bank had to make in case of companies belonging to a large group, whose one group company was blacklisted.

The total advances of the Bank increased to Rs. 673.93 crore as at the end of the year from Rs. 553.18 crore in the previous year registering a growth of 21.83%. The aggregate deposits of the Bank, which stood at Rs. 719.83 crore as at the end of the previous year, increased by 20.23% reaching a level of Rs. 865.48 crore in FY 2061/62. Similarly, Bank's investments also registered an impressive growth of 36.71% during the year. Bank's exposure in the priority and deprived sectors of the economy were in line with the benchmarks laid down by Nepal Rastra Bank in this regard. A robust increase in the interest income and a modest increase in interest expenses in comparison to the growth in deposits reflect the improved operating efficiency of the Bank.

Appropriation of Profit & Loss

After making necessary loan loss provisions and meeting the mandatory requirements of payment of staff bonus and income tax, the Bank posted a net profit of Rs. 5,73,86,634 in the FY 2061/62. Out of the net profit for the year (including the retained profit of the last year), the Bank's Board, keeping in view the regulatory requirement, decided to transfer Rs. 1,14,77,326 to General Reserve, Rs. 3,25,811 to Exchange Fluctuation Reserve and Rs. 4,31,86,560 to Capital Adjustment Fund and retain the balance profit of Rs. 52,83,520 in the Profit & Loss Account.

Share Capital

The paid-up capital of the Bank increased slightly on account of allotment of the 49,897 right shares that remained unsubscribed in the last Rights Issue to the staff of the Bank as decided by the Board of Directors in terms of the provision made in the Company Act and Prospectus. During the year, the Bank came out with the issue of rights shares at the ratio of 2:1 as approved in the last Annual General Meeting of the Bank. Allotment of these shares was, however, made only in the beginning of the current year. This is a part of the Bank's capital augmentation plan to reach a level of Rs. 100 crore by Ashadh 2066.

Bank's Activities & Future Plans

i. Branch Expansion

With a view to expanding its branch network, the Bank opened a branch in Butwal which is networked with its Bhairahawa Branch, thus enabling customers of both the Butwal and Bhairahawa branches to avail services at any branch. Preparations are afoot to open a new branch at Teku in Kathmandu.

ii. Credit Management

The Bank has been able to further consolidate its advances portfolio by bringing more corporate clients to its fold. As a result, Bank's advances portfolio registered a satisfactory growth of 21.83% during the year. Functioning of the Credit Department was further strengthened with greater emphasis on loan administration and management of NPAs.

As a part of its endeavours to diversify credit risk, the Bank continued to focus on retail loans with emphasis on housing and mortgage loans. Bank's advances to retail segment moved up to Rs. 107.45 crore as at the end of FY 2061/62 from Rs. 78.90 crore in the previous year, registering a growth of 36.16%. Bank's Housing Loan and the Mortgage Plus schemes targeted at high-net worth-individuals received encouraging response in the market.

iii. Technology Up-gradation and Automation

Five Branches / Extension Counters of our Bank, viz, Birtamode, Rampur, Bhairahawa, PPO Pokhara and Sishuwa which were using a locally developed banking application software called PBS, migrated to Bancs 2000 of Infosys. Presently, all our 15 branches / Extension Counters and the Corporate Office are using Bancs 2000 and are ready for up-gradation to the higher version called Finacle which will help the bank to network its branches, provide e-banking services and enable it to handle large volumes of business, expedite collections / remittances and introduce a variety of products for its customers beside strengthening the MIS of the Bank.

iv. International Banking Relationships

The Bank has entered into a sub-agency arrangement with M/s Western Union Money Transfer, which helped the Bank to augment its foreign inward remittances and fee based income. The Bank is in the process of tying up with a few more international money transfer companies in the Gulf countries and money transfer agents in Nepal to augment foreign inward remittances. In addition, correspondent relationship with a few more banks in the Gulf and South East Asian countries is also planned for international banking business.

v. Introduction of New Services

In our continued bid to make a diverse range of products available to our customers, the Bank has introduced a new loan product called "Convenient Loan" to provide hassle free working capital finance backed by collaterals to the small and medium size enterprises. The Bank has reduced the minimum balance required for opening new accounts, and has also started opening accounts with zero balance for the beneficiaries of inward remittances. In addition, Bank is planning to introduce value added deposit schemes for individuals.

Another ATM was installed during the year at our Durbar Marg Branch and "Anywhere Banking" facility was introduced for the customers between i) Dharan, PPO Dharan and Biratnagar Branches ii) Birgunj and Rampur Branches iii) Bhairahawa and Butwal Branches iv) Pokhara, PPO Pokhara and Sishuwa Branches. The bank has recently got the associate membership of "VISA" International, which will enable us to issue internationally branded debit and credit cards encashable in networked ATMs of other Banks and merchant establishments in Nepal and India.

vi. Human Resources & Industrial Relations

We consider our human resources as our most valuable assets. The Bank revised the salary and allowances of all categories of its staff keeping in view the industry trend and the cost of living.

As a part of our conscious efforts to upgrade the skills of our staff, a number of officers were deputed for training in Credit Appraisal and Industrial Finance to the State Bank Academy, Gurgaon, India. Around 20% of our staff was



deputed in the year to various trainings organized by Nepal Rastra Bank and other institutions. In addition, in-house training was also imparted to the staff on 'Money Transfer' and 'Detection of Fake Foreign Currency Notes' organized in collaboration with Western Union Money Transfer and Thomas Cook (India) Ltd., respectively. In order to cope with the increased business of the Bank, its staff strength was augmented by recruiting 21 new employees in different cadres.

Industrial relations remained harmonious and cordial in the Bank, which is reflected by increased staff productivity and growth of business.

vii. Corporate Governance

I am pleased to inform that your Bank is fully complying with the Central Bank's guidelines on maintaining good corporate governance in the Bank. All the members of the Board as well as the employees of the Bank are in full compliance of the code of ethics prescribed by NRB. The Audit Committee of the Bank monitors the overall functioning and ensures compliance of NRB directives and adequacy of Bank's systems and procedures.

Progress in the Current Year

During the first quarter of the current financial year 2062/63, the Bank has registered a growth of Rs. 77.92 crore (11.56%) in advances compared to the increase of Rs. 53.17 crore in the corresponding period last year. Deposits have, however, declined slightly by Rs. 7.01 crore (0.81%) in the same period on account of withdrawals due to festival season. This would be made good in the subsequent period. Operating profit in the first quarter has increased by 9.34% as against 15.33% in the corresponding period last year due to change in NRB guidelines relating to recognition of interest income.

Internal Control Systems

Adequate internal control systems have been put in place by the Bank in the different areas of Bank's operations such as loans and advances, treasury & foreign exchange, deposits, collections, remittances, investments and share transactions, etc. The Bank has already prepared and put in place policies and manuals pertaining to different operational areas. In order to ensure growth of business on planned lines, Budgetary and Performance Review Systems in certain key areas such as advances, deposits, income, expenses, profitability, etc. have been laid down. Appropriate follow up is initiated to strengthen systems and procedures on the basis of feedback received from the Internal Audit reports and day to day operations.

There is a separate Internal Audit Department in the Bank headed by Internal Auditor, who directly reports to the Audit Committee and also monitors compliance of various NRB directives.

Factors Affecting Bank's Business

- i. The present political climate is not conducive to induce fresh investments in the different sectors. The business sentiment among entrepreneurs is likely to remain low and credit risk is likely to become more pronounced. Maintaining quality of the existing assets would continue to be a greater challenge for the bank.
- ii. Measures such as black listing norms of NRB and the strengthened Credit Information Bureau (CIB) having been converted into an independent corporate body with provisions to publish the name of black listed defaulting borrowers in the newspapers, prohibiting them from holding any responsible public positions, disallowing them to register any new industry, firm or company and to cease transfer of any types of assets owned by them are expected to help banks step up their recovery and bring financial discipline among borrowers.
- iii. The limited number of good quality corporates and race among banks to woo them by quoting low interest rates will put further pressure on the Bank's spread.
- iv. Recent promulgation of Companies Ordinance, Securities Ordinance, Secured Transactions Ordinance and Insolvency Ordinance are expected to help, among others, banks to ensure good corporate governance.

Changes in the Board of Directors

There has been a change in the SBI representation to the Board after the last Annual General Meeting of the Bank. After retirement of Mr. B. D. Sumitra, the Chairman of the Board, from the service of State Bank of India, Mr. A. G. Kalmankar, Deputy Managing Director & Group Executive (IBG), SBI, has been nominated to the Board of this Bank. On behalf of the



Board of Directors, I would like to place on record our appreciation of the contribution made by Mr. Sumitra in guiding the affairs of the Bank during his tenure and welcome Mr. Kalmankar as a new member to the Board.

Other Information

In addition to the above, public limited companies, are now, as per provision made in Section 109(4) of the Companies Ordinance 2062, required to include in their Directors' Report information relating to a few other areas. This information is embodied in the Annexure to the Director's Report which is placed before you.

Acknowledgement

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

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

For and on behalf of the Board of Directors

January 6, 2006
Kathmandu

B. K. Shrestha
Chairman

Annexure

The undernoted additional information required to be furnished as per Companies Ordinance, 2062 forms a part of the Directors' Report:

- (i) No shares have been forfeited by the Bank during the year.
- (ii) Main transactions carried out by the Bank during the financial year 2061/62, and any important change in the business of the Bank during the period:

Bank carried out transactions as per objectives / functions detailed in the Memorandum of Association and Articles of Association of the Bank and the highlights of the business have been detailed in the Directors' report. There was no significant change in the nature of the business performed by the Bank during the year.

- (iii) Information furnished to the Bank by its Basic Shareholders during the previous financial year:

Not applicable as there was no such provision in the Company Act 1997.

- (iv) Particulars of the ownership of shares taken up by the Directors and office-bearers of the Bank during the previous financial year, and information received by the Bank from them about their involvement, if any, in the transactions of the shares of the Bank:

In compliance of the extant instructions stipulating directors of the Bank not to buy shares of the Bank during their tenure, no shares were acquired by its directors during the FY 2061/62.

None of the key office bearers of the Bank were found engaged in the transactions of shares of the Bank except the Chief Manager (Credit) who had sold 448 shares allotted by the Bank to him alongwith other staff members for which information was received by the Bank.

- (v) No information was received from any Director or any of his close relatives about his personal interest in any agreement connected with the Bank signed during the financial year 2061/62.
- (vi) The Bank has not so far purchased any of its own shares.
- (vii) Particulars of the Total Management expenses of the financial year:

	Particulars	Amount (Rs.)
(i)	Staff Expenses	3,75,82,219
(ii)	Other Operating Expenses	9,06,28,615

- (viii) Audit Committee:

The Bank has an Audit Committee comprising the following members :

- i) Chairperson - Director representing EPF
- ii) Member- Alternate Director representing SBI
- iii) Convener- Deputy Manager (Internal Audit)

No. of meetings held during 2061/62 - Two (2)

Allowances paid to the members

Director representing EPF - Rs. 4,000/- (for two meetings)

Director representing SBI - NIL

Matters discussed in the Audit Committee

- Review and Approval of Bank's Financial Statements for the FY 2060/61.
 - Review of Internal Audit Reports of different branches / departments.
 - Reviewing the adequacy of bank's systems and procedures in the different areas of Bank's operations.
 - Finalizing the audit program for the year.
 - Review of the status of dealing with the Internal Audit Reports.
 - Review of the status of Nostro Accounts and Inter Branch Reconciliation.
- (ix) **No Payment is due to the Bank from any Director, Managing Director, Executive Chief or the Basic Shareholder of the Bank or any of their close relatives, or from any firm, company or corporate body in which he is involved.**
- (x) **The undernoted amounts were paid as remunerations, allowances and facilities to the Directors, the Managing Director and other office bearers.**

1. Allowances / facilities to the Members of the Board:

A total of Rs. 2,06,500 was paid to the Board members as the board meeting fee for the different meetings during 2061/62 (@ Rs. 2,500 per meeting for the Chairman and @ Rs. 2,000 for other Directors.)

2. Managing Director & Other Office Bearers:

a) No remuneration was paid to the Managing Director & other India based officers during the year (Management team seconded by SBI) except the payment of Rs. 14,86,025.22 towards the rent of their residential accommodation and medical expenses, etc. Their salary and allowances are paid by SBI.

b) Other Office Bearers:

(In Rs.)

Name of the Officers	Annual Gross Salary	Dashain Allowances	Bonus/ Welfare	PF Contribution	Medical	Total*
Chief Manager (Credit)	9,12,000.00	65,000.00	4,39,375.26	66,000.00	36,000.00	15,18,375.26
Company Secretary	3,54,200.00	28,900.00	1,84,327.22	27,020.00	3,748.31	5,98,195.53
Internal Auditor	1,55,672.41	-	-	-	-	1,55,672.41
Law Officer	1,38,000.00	-	-	-	-	1,38,000.00

*Other facilities as per Staff Service Rules.

(xi) **Dividends yet to be collected by the shareholders**

Dividends pertaining to the following financial years are yet to be collected by the shareholders as on 31st Ashadh 2062 :

Financial Year	Amount (Rs.)
1995/96	3,25,800
1996/97	3,31,200
1997/98	4,02,000
1998/99, 1999/2000	6,80,250
2002/03	21,38,982

January 6, 2006
Kathmandu

B. K. Shrestha
Chairman



**AUDITOR'S REPORT TO
THE SHAREHOLDERS OF NEPAL SBI BANK LTD.
FY 2061/62 (2004/2005)**

We have audited the accompanying Balance Sheet of **Nepal SBI Bank Limited**, as of 15 July 2005 (Corresponding to 31 Ashad, 2062), 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 2053 and Bank and Financial Institution Ordinance 2061 we also report that:

- a) we have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) in our opinion, the 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 the format prescribed by Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank;
- e) in our opinion, so far as appeared from our examination of the books, there was a shortfall of Rs. 120,781, 325 in the minimum capital funds required to be maintained in accordance with Nepal Rastra Bank Directive No. 1 as on the balance sheet date. The Bank has maintained adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank. In our opinion, so far as appeared from our examination of the books, the business of the Bank has been conducted satisfactorily;
- f) to the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank. Except for the shortfall in minimum Capital Funds required by Nepal Rastra Bank Directive No. 1 as stated in point (e) above, the Bank has not violated any directives of Nepal Rastra Bank or acted in a manner to jeopardise the interest and security of the Bank, its depositors and investors.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 15 July 2005 (Corresponding to 31 Ashad 2062), the results of operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards, generally accepted accounting standards and comply with the provisions of the Companies Act 2053 and Bank and Financial Institution Ordinance 2061.

We draw attention to the closure of operation of a borrower, after the balance sheet date (w.e.f. 1 September 2005), where the exposure of the Bank as at 15 July 2005 was Rs. 34,000,000. The Bank has assured that additional provision, if required, will be made as per NRB Directives subsequently.

Kathmandu
Date : 17 .11. 2005

Shashi Satyal, FCA
Shashi Satyal & Co.
Chartered Accountants



NEPAL SBI BANK LIMITED
BALANCE SHEET
as at 15 July 2005 (31 Ashad 2062)

Previous Year Rs.	Capital & Liabilities	Schedule	This Year Rs.	Previous Year Rs.	Assets	Schedule	This Year Rs.
426,875,900	1. Share Capital	1	431,865,600	161,222,496	1. Cash Balance	7	143,749,918
199,760,826	2. Reserve and Funds	2	257,147,460	703,204,306	2. Balance with Banks	8	579,995,382
117,177,914	3. Loans & Borrowings	3	469,628,863	-	3. Money at call and Short Notice	9	123,112,500
7,198,327,428	4. Deposit Accounts	4	8,654,774,214	1,907,520,790	4. Investments	10	2,607,680,003
-	5. Bills Payable	5	31,123,670	5,143,662,078	5. Loan Advances and Bills Purchased	11	6,213,878,776
498,263,740	6. Other Liabilities	6	500,833,563	62,350,191	6. Fixed Assets	12	66,451,924
				462,445,947	7. Other Assets	13	610,504,867
8,440,405,808	Total Liabilities		10,345,373,370	8,440,405,808	Total Assets		10,345,373,370

Contingent Liabilities	Schedule 14
Directors Declaration	Schedule 23
Capital Adequacy	Schedule 24
Principal Indicators	Schedule 25
Cash Flow Statement	Schedule 26
Significant Accounting Policies	Schedule 27
Notes to Accounts	Schedule 28

Schedules 1 to 14, 27 & 28 form integral part of this Balance Sheet.

Date : 17.11.2005

Place : Kathmandu

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
Managing Director

(M. K. Agrawal)
Director

(I. K. Dangol)
Director

(B. Rao)
Director

(A.G. Kalmankar)
Director

(B. K. Shrestha)
Chairman

(Shashi Satyal, FCA)
Shashi Satyal & Co.
Chartered Accountants



NEPAL SBI BANK LIMITED PROFIT AND LOSS ACCOUNT

for the period 16 July 2004 to 15 July 2005 (1 Shrawan 2061 to 31 Ashad 2062)

Previous Year Rs.	Expenses	Sche- dule	This Year Rs.	Previous Year Rs.	Income	Sche- dule	This Year Rs.
255,919,216	1. Interest Expenses	15	258,430,003	493,598,313	1. Interest Income	18	578,372,070
32,510,008	2. Employees Expenses	16	37,582,219	30,666,943	2. Commission and Discount	19	42,568,260
82,180,035	3. Office Operating Expenses	17	90,628,615	30,615,953	3. Currency Exchange Gain	20	32,357,149
-	4. Currency Exchange Loss	20	-	-	4. Non-Operating Income	21	1,442,831
570,628	5. Non Operating Expenses	21	-	56,725,305	5. Other Income	22	64,247,842
-	6. Bad Loans & Advances Written Off		-	-	6. Net Loss (Carried Down)		-
109,559,724	7. Provision for Loan Loss		190,269,412				
9,165,047	8. Provision for Non Banking Assets		2,974,225				
12,170,186	9. Provision for Staff Bonus		13,910,368				
48,679,997	10. Provision for Income Tax		67,806,676				
60,851,673	11. Net Profit (Carried Down)		57,386,634				
611,606,514	Total		718,988,152	611,606,514	Total		718,988,152

Schedules 15 to 22, 27 & 28 form integral part of this Profit and Loss Account

Date : 17.11.2005

Place : Kathmandu

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
Managing Director

(M. K. Agrawal)
Director

(I. K. Dangol)
Director

(B. Rao)
Director

(A.G. Kalmankar)
Director

(B. K. Shrestha)
Chairman

(Shashi Satyal, FCA)
Shashi Satyal & Co.
Chartered Accountants



NEPAL SBI BANK LIMITED
PROFIT AND LOSS APPROPRIATION ACCOUNT
for the period 16 July 2004 to 15 July 2005 (1 Shrawan 2061 to 31 Ashad 2062)

Previous Year Rs.	Particulars	This Year Rs.	Previous Year Rs.	Particulars	This Year Rs.
-	1. Accumulated loss upto last Year	-	3,412,800	1. Accumulated Profit upto last year	2,886,583
-	2. This Year's Loss	-	60,851,673	2. This year's Profit	57,386,634
12,170,335	3. General Reserve Fund	11,477,326	-	3. Accumulated Loss	-
-	4. Contingent Reserve	-			
-	5. Bank Development Fund	-			
-	6. Dividend Equilisation Fund	-			
-	7. Employees Related Funds	-			
-	8. Proposed Dividend	-			
-	9. Issue of Bonus Share	-			
42,687,590	10. Transfer to Capital Adjustment Fund	43,186,560			
-	11. Special Reserve Fund	-			
734,237	12. Exchange Fluctuation Reserve	325,811			
5,785,728	13. Income Tax relating to Prior Periods	-			
2,886,583	14. Accumulated Profit	5,283,520			
64,264,473	Total	60,273,217	64,264,473	Total	60,273,217

Schedules 15 to 22, 27 & 28 form integral part of this Profit and Loss Appropriation Account.

Date : 17.11.2005

Place : Kathmandu

(A. Saxena)
Chief Manager
(Accounts)

(V. P. Dani)
Managing Director

(M. K. Agrawal)
Director

(I. K. Dangol)
Director

(B. Rao)
Director

(A.G. Kalmankar)
Director

(B. K. Shrestha)
Chairman

(Shashi Satyal, FCA)
Shashi Satyal & Co.
Chartered Accountants

NEPAL SBI BANK LIMITED

STATEMENT OF CHANGE IN EQUITY

For the period 16 July 2004 to 15 July 2005 (1 Shrawan 2061 to 31 Ashad 2062)

Particulars	Share Capital	Accumulated Profit / (Loss)	General Reserve	Capital Reserve	Share Premium	Exchange Fluctuation Reserve	Other Reserves	Total
Opening Balance (as at 16 July, 2004)	426,875,900	2,886,583	105,831,520	85,203,320	-	5,839,403		626,636,726
Changes in accounting Policy								
Restated Balance	426,875,900	2,886,583	105,831,520	85,203,320	-	5,839,403	-	626,636,726
Surplus on Revaluation of Properties								
Deficit on Revaluation of Investment								
Currency translation differences								
Net Gains & Losses Not recognised in the income statement								-
Net profit for the period		57,386,634						57,386,634
Transfer to General Reserve		(11,477,326)	11,477,326					-
Declaration of Dividend								-
Issue of Share Capital	4,989,700							4,989,700
Deficit on revaluation of properties								-
Surplus on Revaluation of Investment								-
Foreign Currency Differences		(325,811)				325,811		-
Capital Adjustment Fund		(43,186,560)		43,186,560	-		-	-
Closing Balance (as at 15 July, 2005)	431,865,600	5,283,520	117,308,846	128,389,880	-	6,165,214		689,013,060



Schedule 1

SHARE CAPITAL AND OWNERSHIP

Previous Year Rs.	Particulars	This Year Rs.
	1. Share Capital	
1,000,000,000	1.1 Authorised Capital	1,000,000,000
1,000,000,000	a) 10,000,000 Ordinary Shares of Rs.100 each	1,000,000,000
650,000,000	1.2 Issued Capital	650,000,000
650,000,000	a) 6,500,000 Ordinary Shares of Rs.100 each	650,000,000
426,875,900	1.3 Paid up Capital	431,865,600
426,875,900	a) 4,318,656 Ordinary Shares of Rs.100 each fully paid up	431,865,600

Of the above paid up capital :

- i) Rs. 23,999,200 have been issued as bonus share.
ii) Rs. 287,870,400 have been issued as right shares at the ratio of two shares for every share held including 67,083 unsubscribed right shares allotted to staff.

SHARE OWNERSHIP

Share Capital Previous Year Rs.	%	Particulars	%	Share Capital This Year Rs.
210,875,900	49.40%	1. Local Ownership	50%	215,685,600
-	-	1.1 His Majesty's Government	-	-
-	-	1.2 Commercial Banks	-	-
21,600,000	5.06%	1.3 Financial Institutions	5%	21,600,000
64,800,000	15.18%	1.4 Organised Institutions	15%	64,800,000
124,475,900	29.16%	1.5 General Public	30%	129,465,600
-	-	1.6 Others	-	-
216,000,000	50.60%	2. Foreign Ownership (State Bank of India)	50%	216,000,000
426,875,900	100%	Total	100%	431,865,600

Note : None of the General Public Shareholders hold more than 0.25% of the shares of the Bank individually.

Schedule 2

RESERVE AND FUNDS

Previous Year Rs.	Particulars	This Year Rs.
105,831,520	1. General Reserve Fund	117,308,846
-	2. Capital Reserve Fund	-
-	3. Share Premium	-
91,042,723	4. Other Reserve and Fund	134,555,094
-	a. Contingent Reserve	-
-	b. Bank Development Fund	-
-	c. Dividend Equalization Fund	-
5,839,403	d. Exchange Fluctuation Reserve	6,165,214
-	e. Special Reserve Fund	-
-	f. Assets Revaluation Reserve	-
-	g. Other Free Reserves	-
85,203,320	h. Capital Adjustment Fund	128,389,880
2,886,583	5. Accumulated Profit/(Loss)	5,283,520
199,760,826	Total	257,147,460

Schedule 3

LOANS AND BORROWINGS

Previous Year Rs.	Particulars	This Year Rs.
-	A. Local	-
-	1. His Majesty's Government	-
27,700,000	2. Nepal Rastra Bank	67,300,000
-	2.1 Loan	-
27,700,000	2.2 Refinance	67,300,000
-	3. Interbank	15,000,000
-	3.1 Overdraft	-
-	3.2 Loan	15,000,000
-	4. Other Financial Institutions	-
-	5. Others	-
27,700,000	Total (1+2+3+4+5)	82,300,000
-	B. Foreign	-
89,477,914	1. Banks	387,328,863
-	1.1 Overdraft	-
89,477,914	1.2 Nostro & Agency Balances	387,328,863
89,477,914	Total	387,328,863
117,177,914	Total (A+B)	469,628,863

Schedule 4

DEPOSIT ACCOUNTS

Previous Year Rs.	Particulars	This Year Rs.
	1. Non Interest bearing Accounts	
	A. Current Deposits	
1,672,675,772	1. Local Currency	1,773,544,418
1,626,301,879	1.1 His Majesty's Government	1,723,668,593
3,160,724	1.2 Commercial Banks	10,606,856
143,838	1.3 Financial Institutions	55,905
111,686,304	1.4 Other Organized Institutions	271,163,433
1,459,683,744	1.5 Individuals	1,338,667,329
16,926,166	1.6 Others	16,641,524
34,701,103	2. Foreign Currency	49,875,825
46,373,893	2.1 His Majesty's Government	-
-	2.2 Commercial Banks	-
-	2.3 Financial Institutions	1,893,558
7,189,430	2.4 Other Organised Institutions	47,982,267
39,184,463	2.5 Individuals	-
-	2.6 Others	-
119,153,414	B. Margin deposits	100,594,018
-	1. Employee Guarantee	-
7,788,847	2. Guarantee Margin	11,813,768
111,364,567	3. Letters of Credit Margin	88,780,250
11,152,000	C. Others	9,579,500
11,152,000	1. Local Currency	9,579,500
-	1.1 Financial Institutions	-
-	1.2 Other Organised Institutions	675,000
11,152,000	1.3 Individuals	8,904,500
-	2. Foreign Currency	-
1,802,981,186	Total of Non-Interest Bearing Accounts	1,883,717,936
	2. Interest Bearing Accounts	
	A. Saving Deposits	
2,043,021,700	1. Local Currency	2,458,800,259
1,964,608,008	1.1 Organised Institutions	2,375,115,939
111,366,763	1.2 Individuals	122,960,222
1,853,144,146	1.3 Others	2,219,261,816
97,099	2. Foreign Currency	32,893,901
78,413,692	2.1 Organised Institutions	83,684,320
919,035	2.2 Individuals	1,399,167
77,494,657	2.3 Others	82,285,153
-	B. Fixed Deposits	-
3,352,270,221	1. Local Currency	4,086,358,553
3,352,270,221	1.1 Organised Institutions	4,086,358,553
2,820,149,845	1.2 Individuals	3,501,254,021
525,399,376	1.3 Others	578,444,532
6,721,000	2. Foreign Currency	666,000
-	2.1 Organised Institutions	-
-	2.2 Individuals	-
-	2.3 Others	-
54,321	C. Call Deposits	225,897,466
54,321	1. Local Currency	225,897,466
-	1.1 Commercial Banks	-
11,497	1.2 Financial Institutions	11,497
42,824	1.3 Other Organised Institutions	225,885,969
-	1.4 Individuals	-
-	1.5 Others	-
-	2. Foreign Currency	-
-	D. Certificate of Deposit	-
5,395,346,242	Total of Interest Bearing Accounts	6,771,056,278
7,198,327,428	Total Deposits (1+2)	8,654,774,214



Schedule 5

BILLS PAYABLE

Previous Year Rs.	Particulars	This Year Rs.
-	1. Local Currency	12,975,519
-	2. Foreign Currency	18,148,151
-	Total	31,123,670

Schedule 6

OTHER LIABILITIES

Previous Year Rs.	Particulars	This Year Rs.
5,469,900	1. Gratuity Fund (Provision)	7,385,900
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
12,170,186	4. Provision for Staff Bonus	13,910,368
7,740,118	5. Unpaid Dividend	3,878,232
(2,041,924)	6. Provision for Income Tax and Special Fees (Less Advance Tax Paid)	(28,872,696)
-	7. Interest Payable on Deposits	-
94,438	8. Interest Payable on Borrowings	377,236
-	9. Unearned Discount and Commission	-
-	10. Proposed Dividend	-
351,848,525	11. Interest Suspense	411,224,815
3,766,207	12. Sundry Creditors	33,620,274
48,448,331	13. Branch Adjustment Account	31,265,484
70,767,959	14. Others	28,043,950
498,263,740	Total	500,833,563



Schedule 7

CASH BALANCE

Previous Year Rs.	Particulars	This Year Rs.
140,122,752	1. Local Currency (including coins)	125,318,118
21,099,744	2. Foreign Currency	18,431,800
161,222,496	Total	143,749,918

Schedule 8

BALANCE WITH BANKS

Previous Year Rs.	Particulars	Local Currency Rs.	Foreign Currency Rs.			Grand Total Rs.
			IRS	FCY	Total	
580,452,845	1. Nepal Rastra Bank	387,573,999	-	2,451,829	2,451,829	390,025,828
578,910,359	a. Current Account	384,195,702	-	2,451,829	2,451,829	386,647,531
1,542,486	b. Other Account	3,378,297	-	-	-	3,378,297
7,269,530	2. Other Local Banks	8,059,118	-	543,673	543,673	8,602,791
7,269,530	a. Current Account	8,059,118	-	543,673	543,673	8,602,791
-	b. Other Account	-	-	-	-	-
115,481,931	3. Foreign Banks	-	112,143,881	69,222,882	181,366,763	181,366,763
115,481,931	a. Current Account	-	112,143,881	69,222,882	181,366,763	181,366,763
-	b. Other Account	-	-	-	-	-
703,204,306	Total	395,633,117	112,143,881	72,218,384	184,362,265	579,995,382

Note: Total Balance as per the confirmations received from respective banks is Rs. 1,162,485,070.31 and the difference amounts are under reconciliation.

Schedule 9

MONEY AT CALL AND SHORT NOTICE

Previous Year Rs.	Particulars	This Year Rs.
-	1. Local Currency	-
-	2. Foreign Currency	123,112,500
-	Total	123,112,500

Schedule 10

INVESTMENTS

Previous Year Rs.	Particulars	Purpose		This Year Rs.
		Trading	Others	
1,889,634,790	1. HMG Securities	-	2,588,141,003	2,588,141,003
1,871,459,790	a. Treasury bills	-	2,469,966,003	2,469,966,003
18,175,000	b. Development Bonds	-	118,175,000	118,175,000
-	c. National Saving Bond	-	-	-
-	2. Foreign Govt. Securities	-	-	-
-	3. Nepal Rastra Bank Bonds	-	-	-
17,886,000	4. Shares, Debentures and Bonds	-	19,539,000	19,539,000
-	5. Other Investments	-	-	-
-	a. Certificate of Deposits	-	-	-
-	b. Mutual Fund	-	-	-
-	c. Local Banks	-	-	-
-	d. Foreign Banks	-	-	-
-	e. Others	-	-	-
1,907,520,790	Total Investment	-	2,607,680,003	2,607,680,003
-	Provision	-	-	-
1,907,520,790	Net Investment	-	2,607,680,003	2,607,680,003

Schedule 10(A)

INVESTMENT IN SHARES, DEBENTURES AND BONDS

Previous Year Rs.	Particulars	Purchase Price Rs.	Market Price Rs.
17,886,000	1. Investment in Shares	19,539,000	19,613,800
5,195,000	1.1 Rural Micro-finance Development Centre Ltd. (RMDC)		
-	51,950 Ordinary Shares of Rs. 100 paid up	5,195,000	5,195,000
-	13,000 Right Shares of Rs. 100 paid up	1,300,000	1,300,000
3,000,000	1.2 Madhya Paschimanchal Grameen Bikash Bank Ltd.		
-	30,000 Ordinary Shares of Rs. 100 paid up	3,000,000	3,000,000
748,000	1.3 Alliance Insurance Co. Ltd.		
-	7,480 Ordinary Shares of Rs. 100 paid up	748,000	822,800
8,943,000	1.4 Himalayan Distillery Ltd.		
-	89,430 Ordinary Shares of Rs. 100 paid up	8,943,000	8,943,000
-	1.5 Credit Information Center Ltd.		
-	3,530 Ordinary Shares of Rs. 100 paid up	353,000	353,000
-	2. Investments in Debentures and Bonds	-	-
17,886,000	Total Investment	19,539,000	19,613,800
-	3. Provision for Loss	-	-
-	Total Provision	-	-

Note: (1) Alliance Insurance Co. Ltd. has not declared any dividend of in FY 2061/62 and has been listed with Nepal Stock Exchange Ltd.
(2) Himalayan Distillery has not declared any dividend till date and has been listed with Nepal Stock Exchange Ltd.
(3) Rural Micro Finance Development Centre Ltd. has declared and distributed dividend of 1% for 2060/61.
(4) Madhya Pashchimanchal Gramin Bikash Bank Ltd. has not been listed with Nepal Stock Exchange Ltd. and not declared and distributed dividend for more than 3 years.

Schedule 11

CLASSIFICATION OF LOANS, ADVANCES AND BILLS PURCHASED AND PROVISIONING

Previous Year Rs.	Particulars	Advances					Bills Purchased / Discounted					This Year Rs.
		Domestic			Foreign Rs.	Total Rs.	Domestic			Foreign Rs.	Total Rs.	
		Priority		Others Rs.			Priority		Others Rs.			
		Insured Rs.	Uninsured Rs.		Insured Rs.	Uninsured Rs.						
5,186,012,280	1. Performing Loan	489,209,100	312,317,730	5,346,019,646	-	6,147,546,477	-	-	29,477,430	121,306,300	150,783,730	6,298,330,207
4,762,590,360	(a) Pass	467,784,610	312,317,730	4,955,905,076	-	5,736,007,416	-	-	29,477,430	121,306,300	150,783,730	5,886,791,147
423,421,920	(b) Restructured	21,424,490	-	390,114,570	-	411,539,060	-	-	-	-	-	411,539,060
345,821,458	2. Non-Performing Loan	19,824,940	1,717,840	419,474,230	-	441,017,011	-	-	-	-	-	441,017,011
1,116,600	2.1 Substandard	2,578,120	-	9,334,050	-	11,912,170	-	-	-	-	-	11,912,170
69,303,360	2.2 Doubtful	5,965,490	-	550,000	-	6,515,490	-	-	-	-	-	6,515,490
275,401,498	2.3 Loss	11,281,330	1,717,840	409,590,180	-	422,589,350	-	-	-	-	-	422,589,350
5,531,833,738	A. Total Loan (1+2)	509,034,040	314,035,570	5,765,493,877	-	6,588,563,487	-	-	29,477,430	121,306,300	150,783,730	6,739,347,218
	3. Loan Loss Provision											
	3.1 Pass & Restructured											
44,776,860	(a) Pass	1,158,101	3,815,121	49,382,271	-	54,355,493	-	-	294,771	1,213,062	1,507,833	55,863,325
45,790,830	(b) Restructured	645,100	-	51,316,331	-	51,961,431	-	-	-	-	-	51,961,431
149,480	3.2 Substandard	161,131	-	2,333,511	-	2,494,642	-	-	-	-	-	2,494,642
33,535,080	3.3 Doubtful	745,691	-	275,000	-	1,020,691	-	-	-	-	-	1,020,691
263,919,410	3.4 Loss	2,820,331	1,717,841	409,590,180	-	414,128,352	-	-	-	-	-	414,128,352
388,171,660	B.Total Provisioning	5,530,354	5,532,962	512,897,293	-	523,960,608	-	-	294,771	1,213,062	1,507,833	525,468,441
	4. Provisioning up to Previous Year											
89,198,850	4.1 Pass & Restructured	2,092,160	3,021,820	84,593,460	-	89,707,440	-	-	240,790	619,460	860,250	90,567,690
27,225,697	4.2 Substandard	43,230	-	106,250	-	149,480	-	-	-	-	-	149,480
87,053,184	4.3 Doubtful	372,200	-	33,162,880	-	33,535,080	-	-	-	-	-	33,535,080
123,639,748	4.4 Loss	5,698,140	-	258,221,270	-	263,919,410	-	-	-	-	-	263,919,410
327,117,479	C. Total Previous Year Provision	8,205,730	3,021,820	376,083,860	-	387,311,410	-	-	240,790	619,460	860,250	388,171,660
61,054,181	D. Additional Provision this Year	(2,675,376)	2,511,142	136,813,433	-	136,649,198	-	-	53,981	593,602	647,583	137,296,781
5,143,662,078	Net Loan (A-B)	503,503,687	308,502,608	5,252,596,583	-	6,064,602,879	-	-	29,182,659	120,093,238	149,275,898	6,213,878,776

Schedule 12

FIXED ASSETS

Previous Year Rs.	Particulars	Assets					This Year Rs.
		Freehold Land & Building Rs.	Vehicles Rs.	Machinery** Rs.	Office Equipment Rs.	Civil construction on leasehold property Rs.	
	1. At Cost						
110,604,119	a. Previous Year Balance	-	6,145,663	61,691,213	34,969,753	14,023,826	116,830,455
6,598,701	b. Addition this Year	-	6,745,976	3,996,287	5,747,827	3,747,306	20,237,396
-	c. Revaluation/Written back this Year	-	-	-	-	-	-
-	d. This Year Sold	-	2,199,566	-	-	-	2,199,566
372,365	e. This year Written off	-	9,016	80,900	1,775,195	118,440	1,983,551
116,830,455	Total Cost (a+b+c-d-e)	-	10,683,057	65,606,600	38,942,385	17,652,692	132,884,734
	2. Depreciation						
39,570,148	a. Up to Previous Year	-	4,442,526	30,586,099	13,446,135	6,005,504	54,480,264
15,030,722	b. For this year	-	1,229,593	8,876,140	3,675,421	1,621,899	15,403,053
-	c. Depreciation on Revaluation/Written back	-	-	-	-	-	-
120,606	d. Depreciation on Assets Sold/Written off	-	2,190,165	62,046	1,148,231	50,065	3,450,507
54,480,264	Total Depreciation	-	3,481,954	39,400,193	15,973,325	7,577,338	66,432,810
62,350,191	3. Book Value (WDV)* (1-2)	-	7,201,103	26,206,407	22,969,060	10,075,354	66,451,924
-	4. Civil Construction (pending capitalization)	-	-	-	-	-	-
-	5. Lease Hold Property	-	-	-	-	-	-
62,350,191	Total (3+4)	-	7,201,103	26,206,407	22,969,060	10,075,354	66,451,924

* Written Down Value

** Machinery comprises computer, printers and accessories

Schedule 12 (A)

SECURITIES AGAINST LOANS, ADVANCES AND BILLS PURCHASED

Previous Year Rs.	Particulars	This Year Rs.
5,531,833,738	(A) Secured :	6,739,347,218
4,954,881,277	1. Collateral of Movable/Immovable Assets	5,952,768,120
269,160,938	2. Local Banks and Financial Institutions Guarantee	269,278,074
-	3. HMG Guarantee	-
-	4. Foreign Banks Guarantee	46,997,000
148,583,434	5. Export Documents	257,583,429
32,670,000	6. Fixed Deposit Receipts	175,307,000
32,038,000	(a) Own FDR	84,665,000
632,000	(b) FDR of Other Banks	90,642,000
12,843,000	7. Government Bonds	7,122,000
-	8. Counter Guarantee	-
13,151,429	9. Personal Guarantee	8,300,283
100,543,660	10. Other Securities	21,991,312
-	(B) Unsecured :	-
5,531,833,738	Total	6,739,347,218

Schedule 13

OTHER ASSETS

Previous Year Rs.	Particulars	This Year Rs.
1,040,720	1. Stock of Stationery	688,649
5,192,443	2. Income Receivable on Investments	18,538,184
415,210,155	3. Accrued interest on Loan	475,455,107
-	4. Commission Receivable	-
3,487,917	5. Sundry Debtors	32,484,717
20,779,745	6. Staff Loan and Advances	39,608,038
1,911,112	7. Prepayments	2,055,191
-	8. Cash in Transit	-
-	9. Other Transit Items (including cheques)	-
-	10. Drafts Paid without Notice	32,000,000
-	11. Expenses not Written off	2,411,057
14,820,086	12. Non-Banking Assets	7,254,994
-	Less : Provision for Non-Banking Assets	<u>12,139,272</u>
3,769	13. Branch Adjustment Account	-
-	14. Others	8,930
462,445,947	Total	610,504,867

Schedule 13(A)

OTHER ASSETS (ADDITIONAL STATEMENT)

Previous Year Rs.	Particulars	This Year Rs.			
		Up to 1 Year	1 to 3 Years	Above 3 Years	Total
415,210,155	1. Accrued interest on loan	159,187,335	190,240,636	126,027,136	475,455,107
-	2. Drafts Paid without Notice	-	-	32,000,000	32,000,000
-	3. Branch Adjustment Account	-	-	-	-
415,210,155	Total	159,187,335	190,240,636	158,027,136	507,455,107

Schedule 14

CONTINGENT LIABILITIES

Previous Year Rs.	Particulars	This Year Rs.
-	1. Claims on Bank but not acknowledged as liabilities by the Bank	-
596,761,088	2. Letters of credit (full amount)	959,874,998
596,761,088	(a) Less than 6 months maturity	959,874,998
-	(b) More than 6 months maturity	-
-	3. Rediscounted Bills	-
78,303,498	4. Unmatured Guarantees/ Bonds	164,452,544
1,594,500	(a) Bid bonds	1,504,350
76,708,998	(b) Performance Bonds	162,948,194
-	5. Uncalled amount on Investment in Shares	-
-	6. Forward Exchange Contract Liabilities	-
2,621,464	7. Bills for Collection	3,337,855
128,706,770	8. Acceptance and Endorsements	80,433,212
-	9. Underwriting Commitments	-
-	10. Irrevocable Loan Commitments	-
118,119,868	11. Counter Guarantee of Internationally Rated Banks	444,025,413
10,486,286	12. Advance Payment Guarantee	22,443,817
39,475,000	13. Financial Guarantee	1,875,000
17,083,805	14. Contingent Liabilities on Income Tax	31,395,790
-	15. Others	7,467,352
991,557,779	Total	1,715,305,981

Schedule 15

INTEREST EXPENSES

Previous Year Rs.	Particulars	This Year Rs.
255,071,202	A. On Deposit Liabilities	256,231,417
193,846,827	1. Fixed Deposits	190,590,870
193,844,570	1.1 Local Currency	190,590,870
2,257	1.2 Foreign Currency	-
61,077,259	2. Saving Deposits	61,122,744
60,689,807	2.1 Local Currency	60,762,471
387,452	2.2 Foreign Currency	360,273
147,116	3. Call Deposits	4,517,803
147,116	3.1 Local Currency	4,517,803
-	3.2 Foreign Currency	-
-	4. Certificate of Deposits	-
848,014	B. On Borrowings	2,198,586
-	1. Overdraft	-
-	2. Loan from Nepal Rastra Bank	-
26,704	3. Inter Bank Borrowing	1,573,211
821,310	4. NRB Refinances	625,375
-	C. On Others	-
255,919,216	Total	258,430,003

Schedule 16

EMPLOYEES EXPENSES

Previous Year Rs.	Particulars	This Year Rs.
14,408,628	1. Salary	16,208,792
11,159,136	2. Allowances	12,768,407
1,374,705	3. Contribution to Provident fund	1,517,750
119,778	4. Training Expenses	462,441
66,400	5. Uniform	104,949
1,349,309	6. Medical	1,464,096
83,461	7. Insurance	122,986
1,677,460	8. Provision for Gratuity	2,320,200
2,271,131	9. Others	2,612,598
32,510,008	Total	37,582,219

Schedule 17

OFFICE OPERATING EXPENSES

Previous Year Rs.	Particulars	This Year Rs.
11,392,858	1. House Rent	12,093,877
2,753,251	2. Electricity and Water	3,090,079
2,191,233	3. Repair and Maintenance	2,013,949
645,745	(a) Building	644,701
367,474	(b) Vehicles	211,817
1,178,014	(c) Others	1,157,431
1,989,959	4. Insurance	2,007,933
5,255,179	5. Postage, Telex, Telephone, Fax	8,168,496
508,583	6. Repair on Office Equipment and Furniture	567,329
3,794,337	7. Traveling Allowances and Expenses	3,951,294
3,303,511	8. Stationery and Printing	3,933,879
301,343	9. Periodicals and Books	320,883
857,639	10. Advertisements	1,226,670
1,068,610	11. Legal Expenses	544,247
364,378	12. Donations	14,000
297,666	13. Expenses Relating to Board of Directors	483,209
142,000	(a) Meeting Fees	206,500
155,666	(b) Other Expenses	276,709
2,475,247	14. Annual General Meeting Expenses	2,630,302
271,141	15. Expenses Relating to Audit	269,861
70,000	(a) Audit Fees	70,000
201,141	(b) Other Expenses	199,861
-	16. Commission on Remittances	-
15,030,721	17. Depreciation on Fixed Assets	15,403,053
-	18. Amortization of Preliminary Expenses	-
-	19. Share Issue Expenses	142,459
11,010,625	20. Technical Service Fee	10,770,000
114,070	21. Entertainment	177,240
-	22. Written off Expenses	967,005
3,413,795	23. Security Expenses	4,375,273
5,792,452	24. Credit Guarantee Premium	6,020,851
-	25. Commission and Discount	-
6,993,209	26. Others	8,210,483
68,556	27. Office Equipment & Furniture (Non capitalised items)	103,183
2,931,672	28. Information Technology Support Cost	3,143,059
82,180,035	Total	90,628,615

Schedule 18

INTEREST INCOME

Previous Year Rs.	Particulars	This Year Rs.
448,283,082	A. On Loan, Advances and Overdraft	520,430,171
426,409,240	1. Loan and Advances	491,570,271
21,873,842	2. Overdraft	28,859,900
38,688,238	B. On Investment	50,029,424
38,688,238	1. HMG Securities	50,029,424
38,688,238	a. Treasury Bills	48,621,015
-	b. Development Bonds	1,408,409
-	c. National Savings Certificates	-
-	2. Foreign Securities	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debenture and Bonds	-
-	a. Financial Institutions	-
-	b. Other Institutions	-
582,165	C. On Agency Balances	1,640,919
-	1. Local Banks	-
582,165	2. Foreign Banks	1,640,919
2,724,925	D. On Money at Call and Short Notice	2,366,579
2,724,925	1. Local Banks	2,366,579
-	2. Foreign Banks	-
3,319,903	E. On Others	3,904,977
-	1. Certificate of Deposits	-
-	2. Inter-Bank Loan	-
3,319,903	3. Others	3,904,977
493,598,313	Total	578,372,070

Schedule 19

COMMISSION AND DISCOUNT

Previous Year Rs.	Particulars	This Year Rs.
2,459,863	A. Bills Purchased and Discounted	4,167,310
-	1. Local	-
2,459,863	2. Foreign	4,167,310
27,436,873	B. Commission	36,172,523
7,430,862	1. Letter of Credit	7,957,240
3,198,447	2. Guarantees	10,360,171
1,527,877	3. Collection Fees	1,638,060
15,144,295	4. Remittance Fees	16,080,887
-	5. Credit Cards	-
6,355	6. Share Underwriting/Issues	12,715
-	7. Government Transactions	-
129,037	8. Agency Commission	123,450
-	9. Exchange Fee*	-
770,207	C. Others	2,228,427
30,666,943	Total	42,568,260

* Income from exchange fee is not segregated by the Bank, accordingly it is included in Trading Gains (Schedule 20).



Schedule 20

CURRENCY EXCHANGE GAIN / LOSS

Previous Year Rs.	Particulars	This Year Rs.
2,936,951	A. Revaluation Gain	1,303,242
27,679,002	B. Trading Gain (including Exchange Fees)	31,053,907
30,615,953	Total Income	32,357,149

Schedule 21

NON-OPERATING INCOME / LOSS

Previous Year Rs.	Particulars	This Year Rs.
-	1. Profit (Loss) on Sale of Investment	-
1,779,636	2. Profit (Loss) on Sale of Assets	1,393,479
120,802	3. Dividend	49,352
-	a. Commercial Banks	-
-	b. Grameen Banks	49,352
120,802	c. Financial Institutions	-
-	d. Other Organized Institutions	-
-	1. Subsidiary Companies	-
-	2. Others	-
-	4. Subsidies Received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
(2,471,066)	5. Others (1.5% Special Fees)	-
(570,628)	Total Non-Operating Income (Loss)	1,442,831

Note :- (-) indicates debit balance

Schedule 22

OTHER INCOME

Previous Year Rs.	Particulars	This Year Rs.
-	1. Rental on Safe Deposit Lockers	19,600
-	2. Issue and Renewal of Credit Cards	-
24,400	3. Issue and Renewal of ATM Cards	115,390
2,686,424	4. Telex/T.T.	3,741,161
5,508,938	5. Service Charges	7,399,060
-	6. Renewal Fees	-
48,505,543	7. Loan Loss Provision Written Back	52,972,631
-	8. Others	-
56,725,305	Total	64,247,842

Schedule 23

**STATEMENT OF LOANS & ADVANCES EXTENDED TO
DIRECTORS / CHIEF EXECUTIVE / PROMOTERS / EMPLOYEES AND SHAREHOLDERS
HOLDING MORE THAN 1 PERCENT SHARES**
as at 15 July 2005 (31 Ashad 2062)

Name of Promoter / Director / Chief Executive	Last Year's Balance		This Year's Recovery		This Year Addition Rs.	Balance as of Ashad end	
	Principal Rs.	Interest Rs.	Principal Rs.	Interest Rs.		Principal Rs.	Interest Rs.
A) Directors	-	-	-	-	-	-	-
B) Chief Executive	-	-	-	-	-	-	-
C) Promoters 1. Agriculture Development Bank	162,000,000	1,729,918	-	-	-	162,000,000	701,959
D) Employees	-	-	-	-	-	-	-
E) Shareholders holding more than 1%	-	-	-	-	-	-	-
Total	162,000,000	1,729,918	-	-	-	162,000,000	701,959

Note: 1) Loans extended to Agriculture Development Bank qualify for 'Loans under Priority & Deprived Sector Lending' as per Nepal Rastra Bank Directives.

2) As per clause 6.3 of Nepal Rastra Bank Directive -6, loans given to employees are as per the Bank's Staff Service Rules, and hence not disclosed above.

Schedule 24

CAPITAL ADEQUACY
As at 15 July 2005 (31 Ashad 2062)

Particulars	This Year Rs.	Previous Year Rs.
(A) Core Capital	682,847,846	620,797,323
1) Paid Up Capital	431,865,600	426,875,900
2) Share Premium	-	-
3) Non-Redeemable Preference Share	-	-
4) General Reserve Fund	117,308,846	105,831,520
5) Cumulative Profit/Loss (up to previous FY)	2,886,583	3,412,800
6) Capital Adjustment Fund	128,389,880	85,203,320
7) Current Year's Profit & Loss (as per Balance Sheet)	2,396,937	(526,217)
(B) Supplementary Capital	62,028,539	96,407,093
1) Loan Loss Provision	55,863,325	90,567,690
2) Exchange Equalization Reserve	6,165,214	5,839,403
3) Assets Revaluation Reserve	-	-
4) Hybrid Capital Instruments	-	-
5) Unsecured Subordinated Term Debt	-	-
6) Interest Rate Fluctuation Fund	-	-
7) Other Free Reserves	-	-
(C) Total Capital Fund (A+B)	744,876,386	717,204,416
(D) Minimum Capital Fund Required to be maintained on the basis of Risk Weighted Assets		
Core Capital (@ 5.5%)	432,828,856	360,358,158
Capital Fund (@ 11%)	865,657,711	720,716,315
Total Capital Adequacy*	9.47%	10.95%
Capital Fund (Excess/Short) (i.e. 1.53% short)*	(120,781,325)	(3,511,899)
Core Capital (Excess/Short) (i.e. 3.18% excess)	250,018,991	260,439,165

*Bank had come out with a Rights Issue of Shares in the ratio of 2:1 and had received a subscription of Rs. 208,370,500 during the year ended 31st Ashad 2062. However, the same is not included as a part of the capital during the year as the process of allotment and listing was completed after the close of the year.

Schedule 24

TABLE OF RISK WEIGHTED ASSETS STATEMENT

Particulars	Weightage	Current Year		Previous Year	
		Amount Rs.	Risk Weighted Assets Rs.	Amount Rs.	Risk Weighted Assets Rs.
A) On Balance Sheet Assets					
Cash Balance	0%	143,749,917	-	161,222,496	-
Gold (Tradeable)	0%	-	-	-	-
Balance with NRB	0%	390,025,828	-	580,452,845	-
Investment in Govt. Securities	0%	2,588,141,003	-	1,871,459,790	-
Investment in NRB Bonds	0%	-	-	18,175,000	-
Fully Secured loan Against own Fixed Deposit Receipt	0%	84,665,000	-	32,038,000	-
Fully Secured Loan Against Govt. Securities	0%	7,122,000	-	12,843,000	-
Balance with Domestic Banks and Fin. Institutions	20%	8,602,791	1,720,558	7,269,530	1,453,906
Fully Secured FDR loan against FDR of Others Banks	20%	90,642,000	18,128,400	632,000	126,400
Balance with Foreign Banks	20%	181,366,763	36,273,353	115,481,931	23,096,386
Money at call	20%	123,112,500	24,622,500	-	-
Loan against the guarantee of internationally rated banks	20%	46,997,000	9,399,400	-	-
Other Investments with internationally rated banks	20%	-	-	-	-
Investments in Shares, Debentures and Bonds	100%	19,539,000	19,539,000	17,886,000	17,886,000
Other Investments	100%	-	-	-	-
Loan, Advances and Bills Purchased/Discounted	100%	6,509,921,218	6,509,921,218	5,552,247,607	5,552,247,607
Fixed Assets	100%	132,884,734	132,884,734	116,830,455	116,830,455
All other assets	100%	610,504,867	610,504,867	462,445,947	462,445,947
Total (A)		10,937,274,621	7,362,994,030	8,948,984,600	6,174,086,701
B) Off Balance Sheet Items					
Bills Collection	0%	3,337,855	-	2,621,464	-
Forward Foreign Exchange Contract	10%	-	-	-	-
Letters of Credit with Maturity of Less than 6 months (full value)	20%	959,874,998	191,975,000	596,761,088	119,352,218
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	444,025,413	88,805,083	118,119,868	23,623,973
Letter of Credit with maturity of more than 6 months (full value)	50%	-	-	-	-
Bid Bond	50%	1,504,350	752,175	1,594,500	797,250
Performance Bond	50%	162,948,194	81,474,097	76,708,998	38,354,499
Advance Payment Guarantee	100%	22,443,817	22,443,817	10,486,286	10,486,286
Financial Guarantee	100%	1,875,000	1,875,000	39,475,000	39,475,000
Other Guarantee	100%	7,467,352	7,467,352	-	-
Irrevocable Loan Commitments	100%	-	-	-	-
Contingent liability in respect of Income Tax	100%	31,395,790	31,395,790	17,083,805	17,083,805
All other contingent liabilities	100%	80,433,212	80,433,212	128,706,770	128,706,770
Total (B)		1,715,305,980	506,621,525	991,557,780	377,879,801
Total Risk Weighted Assets (A+B)		12,652,580,601	7,869,615,555	9,940,542,380	6,551,966,502

KEY INDICATORS

Particulars	Indicators	FY 2000/01	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05
1. Percent of Net Profit/Gross Income	Percent	2.47	8.03	8.61	9.95	7.98
2. Earning Per Share	Rs.	8.69	9.61	11.47	14.26	13.29
3. Market Value Per Share	Rs.	1,500.00	401.00	255.00	307.00	335.00
4. Price Earning Ratio	Percent	172.61	41.72	22.24	21.54	25.21
5. Dividend (Including Bonus) on Share Capital	Percent	20.00	-	8.00	-	-
6. Cash Dividend on Share Capital	Percent	-	-	8.00	-	-
7. Interest Income / Loans & Advances	Percent	10.84	8.84	9.90	8.92	8.58
8. Staff Expenses / Total Operating Expenses	Percent	7.01	7.09	8.26	8.77	9.72
9. Interest Expenses on Total Deposits & Borrowings	Percent	4.03	4.71	4.43	3.50	2.83
10. Exchange Gain / Total Income	Percent	5.60	8.37	3.27	5.01	4.50
11. Staff (Statutory) Bonus / Total Staff Expenses	Percent	18.30	19.17	18.53	27.24	27.01
12. Net profit / Loan & Advances	Percent	0.30	0.90	1.03	1.12	0.87
13. Net Profit / Total Assets	Percent	0.17	0.58	0.64	0.72	0.55
14. Total Credit / Deposit	Percent	63.34	82.27	73.52	76.85	77.87
15. Total Operating Expenses / Total Assets	Percent	5.04	5.35	5.40	4.46	3.74
16. Adequacy of Capital Fund on Risk Weighted Assets						
a. Core Capital	Percent	4.43	10.83	10.16	9.47	8.68
b. Supplementary Capital	Percent	4.77	2.03	2.19	1.47	0.79
c. Total Capital Fund	Percent	9.20	12.86	12.34	10.95	9.47
17. Liquidity (CRR)	Percent	13.11	12.60	18.19	7.74	5.26
18. Non Performing Credit / Total Credit	Ratio	11.54	6.32	8.90	6.25	6.54
19. Weighted Average Interest Rate Spread	Percent	4.88	3.84	3.23	3.55	3.68
20. Book Net-Worth	Rs.	238,544,695	560,346,564	569,852,181	626,636,726	689,013,061
21. Total Shares	No.	1,439,352	4,248,933	4,251,573	4,268,759	4,318,656
22. Total Staff	No.	135	141	148	151	164
23. Return on Shareholders' Equity	Percent	5.24	7.29	8.55	9.71	8.33
24. Book Value Per Share	Rs.	165.73	131.88	134.03	146.80	159.54
25. Return on Net Fixed Assets	Percent	18.29	62.27	68.63	97.60	86.36
26. Total Interest Earnings to External Assets	Percent	9.44	8.16	8.28	7.00	6.56
27. Total Cost to Net Interest Income & Other Income	Percent	38.33	49.02	52.12	41.48	34.87



Schedule 26

CASH FLOW STATEMENT
16 July 2004 to 15 July 2005 (1 Shrawan 2061 to 31 Asadh 2062)

Particulars	Previous Year Rs.	This Year Rs.
(A) CASH FLOW FROM OPERATIONS	206,951,805	294,777,737
1. Cash Receipts	563,100,971	666,015,521
1.1 Interest Income	493,598,313	578,372,070
1.2 Commission and Discount Income	30,666,943	42,568,260
1.3 Exchange Gain	30,615,953	32,357,149
1.4 Non-Operating Income	-	1,442,831
1.5 Other Income	8,219,762	11,275,210
2. Cash Payments	356,149,166	371,237,783
2.1 Interest Expenses	255,919,216	258,430,003
2.2 Staff Expenses	32,510,008	37,582,219
2.3 Office Operating Expenses	67,149,314	75,225,561
2.4 Exchange Loss	-	-
2.5 Non-Operating Expenses	570,628	-
2.6 Other Expenses	-	-
(B) CASH FLOW FROM INVESTMENT ACTIVITY	(997,546,021)	(1,937,843,193)
1. Changes in Balance with Banks	360,670,900	123,208,924
2. Changes in Money at Call and Short Notice	-	(123,112,500)
3. Changes in Investments	(700,245,490)	(700,159,212)
4. Changes in Loans, Advances and Bills Purchased	(674,942,330)	(1,070,216,699)
5. Changes in Fixed Assets	(6,346,941)	(19,504,786)
6. Changes in Other Assets	23,317,840	(148,058,920)
(C) CASH FLOW FROM FINANCING ACTIVITIES	682,158,062	1,625,592,877
1. Changes in Borrowings	51,351,742	352,450,948
2. Changes in Deposits	675,510,797	1,456,446,786
3. Changes in Bills Payable	-	31,123,670
4. Changes in Other Liabilities	(44,704,477)	(214,428,527)
(D) NET CASH FLOW OF THE YEAR	(108,436,154)	(17,472,578)
(E) OPENING CASH BALANCE	269,658,649	161,222,496
(F) CLOSING CASH BALANCE	161,222,496	143,749,918



Schedule 27

SIGNIFICANT ACCOUNTING POLICIES
For the Year Ended 31 Asadh 2062 (15 July 2005)**i) General information**

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

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

ii) 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.

iii) Statement of Compliance

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

iv) Basis of Preparation

The financial statements are presented in Nepalese Rupees, 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 judgement in process of applying the Bank's accounting policies.

v) Interest Income

Interest income on loans and advances are recognised on cash basis as per the Nepal Rastra Bank Directive. It also includes the interest accrued as at the year ended (July 15, 2005) which has been collected within 1 month of the Balance Sheet date, as permitted by NRB, although it is not as per Nepal Accounting Standards.

Interest income on Investments is accounted for on accrual basis.

vi) Commission Income

Income from export bills purchased/discounted and on usance bills is recognised as income on the date of the transaction.

Commission earned on guarantee is accounted for on cash basis and is recognised as income on the date of the transaction.

vii) Dividend Income

Dividend on equity shares are recognised when the right to receive dividend is established.

viii) Foreign Exchange Transactions

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

Income realised from the difference between buying and selling rates of foreign currency is accounted for as Trading Gain on foreign exchange.

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

ix) Interest Expense

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

x) Loans and Advances including Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to customers. These include overdrafts, term loans, retail finance and loans given to priority and deprived sectors. All loans and advances are subject to regular scrutiny and classified as per the Nepal Rastra Bank's Directives. Loans and advances, overdrafts and bills purchased are shown net of provisions.

xi) Staff Loans

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

xii) Loan Loss Provision

Provision for possible losses have been made to cover doubtful loans and advances, overdraft, bills purchased. The level of loan loss provision is determined from 1% to 100% on the basis of classification of loans and advances, overdraft, bills purchased in accordance with the Nepal Rastra Bank Directives.

xiii) 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.

xiv) Investments

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

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

xv) Fixed Assets and Depreciation

- a. Fixed assets are stated at cost less accumulated depreciation.
- b. Assets with a value less than Rs. 2,000 are charged off as a revenue expense irrespective of its useful life in the year of purchase.

- c. Fixed assets and cost on improvements and renovation of leasehold properties are depreciated at rates based upon expected useful lives of the assets, using the straight-line method. The useful lives of the assets are as follows:

Nature of Assets	Useful Life (years)
Furniture	10
Equipments	4 -10
Vehicles	5
Computers	7
Leasehold premises	10

xvi) Non-Banking Assets

Non-Banking Assets are valued at lower of loan amount (Principal & Interest) or fair market value of the assets acquired. Provisions for NBA are made in accordance with the Nepal Rastra Bank Directives.

xvii) Software Expenses

Software applications purchased by the Bank are included in the Computers and Accessories and depreciated accordingly.

xviii) Retirement Benefits

The Bank offers retirement benefits to its confirmed employees mainly provident fund and gratuity payable at the time of separation from services.

a. Provident fund

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

b. Gratuity

Provision for gratuity is made on accrual basis in terms of the personnel policies laid down in the Staff Service Rules of the Bank.

xix) Stationery Stock

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

xx) Provision for Taxation

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

xxi) Cash & Cash Equivalents

Cash & cash equivalents comprise cash balances.

xxii) Previous Year's Figures

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



Schedule 28

NOTES TO ACCOUNTS

For the year ended 31 Asadh 2062 (15 July 2005)

1. Interest Income and Interest Suspense

Interest amounting to Rs. 64,230,291.79 collected within 1 month of the Balance Sheet date as allowed by the NRB Directives has been included in the interest income in the current year.

2. Provision for Staff Bonus

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

3. Staff Housing Fund

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

4. General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current year's profit amounting to Rs 11,477,326.00 has been transferred to General Reserves.

5. Exchange Fluctuation Reserve

Revaluation gain as at the year-end amounted to Rs. 1,303,242, out of which 25% has been transferred to Exchange Fluctuation Reserve by debiting Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

6. Provision for Gratuity

During the year, the Bank has provided Rs. 2,320,200 (previous year Rs. 1,677,460) on account of gratuity. A sum of Rs. 404,200 (previous year Rs. 256,700) paid as gratuity during the year is out of the provisions there against.

7. Tax Settlement Outstanding

Inland Revenue Office has completed the assessments of returns for the year 2052/53, 2053/54 & 2055/56 filed by the Bank under the self-assessment. The tax authorities have raised additional demand aggregating to Rs. 31,395,790. The Bank has disputed the claims made by the tax authorities and has challenged the said order by filing appeals with the Revenue Tribunal. Pending final decision the additional demand has not been provided for in the books during the year.

8. Fraudulent Draft Case

The Bank had filed a case with the District Court for the recovery of Rs. 32,000,000 on account of losses incurred by the Bank due to payment negligently made by collecting banks on fraudulent drafts. The decision of the District Court, which was issued subsequent to the Balance Sheet date, rejecting Bank's claim on the ground that the right to initiate appropriate investigative action (police case already filed) against fraudulent activities is still open to the Bank. Since the decision was not in favour of the Bank, the Bank is in the process of filing its appeal with Appellate Court, Patan. The Bank has already made 100 percent provision against the possible losses on account of the fraudulent draft issued.

9. Reconciliation Status (Outstanding as on 15.07.2005)

Figures in Rs.

Reconciliation Status	Total Amount	< 3 months	> 3 < 9 months	> 9 months
Branch Reconciliation	12,996,485	5,397,943	7,445,014	153,528
Agency Accounts	90,181,803	32,596,695	12,234,987	45,350,121

The debits and credit differences have been cumulated irrespective of their signs. Differences stated in the above table are identified, and will be adjusted in due course of business.

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

Rs. in '000

Particulars	Amount
Loans Disbursed	18,820,851
Loans Recovered	17,621,184
Loans Written-off	-
Interest written-off	-

11. Summary of Changes in deposit liabilities

Rs. in '000

Particulars	Current Year	Previous Year	Changes
Call Deposits	225,897	54	225,843
Current Deposits	1,773,544	1,672,676	100,868
Fixed Deposits	4,086,359	3,352,270	734,089
Inter-bank Deposits	-	-	-
Margin Deposits	110,174	130,305	(20,131)
Saving Deposits	2,458,800	2,043,022	415,778

12. Weighted Average Interest Spread

Particulars	Rate %
Average Rate of return from Credit and Investments	7.18
Average Rate on Deposits	3.43
Net Spread	3.75

13. Particulars of Expenses yet to be Expensed-off

Rs. in '000

1.	Pre operating expenses	-
2.	Share Issue expense	1,214
3.	Others (Premium paid on Development Bond)	1,196

14. Summary of Concentration of Exposure

Rs. in ' 000

Particulars	Loans and Advances and Bills	Deposits and Borrowing	Contingent
Total amount as on 15/07/2005	6,739,347	9,124,402	1,715,306
Highest exposure to a single unit	167,594	880,955	238,278
Percentage of exposure to single unit/total	2.50%	9.65%	13.90%

15. Classification of Assets and Liabilities based on Maturity

Rs. in million

Particulars	1-90 Days	91-180 Days	181-270 Days	271-365 Days	Above One Year	Total Amount
Assets						
Cash Balance	143.70	-	-	-	-	143.70
Bank Balance	315.80	-	-	-	-	315.80
Investment in Foreign Banks	-	-	-	-	-	-
HMG Bonds	1,120.30	489.10	192.60	667.90	-	2,469.90
NRB Bonds	-	-	-	-	118.20	118.20
Inter Bank Loans	-	-	-	-	-	-
Loans and Advances/ Bills Purchase	2,106.70	900.30	346.90	1,419.70	1,977.40	6,751.00
Total Assets	3,686.50	1,389.40	539.50	2,087.60	2,095.60	9,798.60
Liabilities						
Borrowings	82.40	-	-	-	-	82.40
Call Account	-	-	-	-	-	-
Current Deposits	1,074.70	-	-	-	800.00	1,874.70
Savings Deposits	-	-	-	-	2,458.80	2,458.80
Fixed Deposits	423.00	272.70	30.40	1,379.00	2,207.20	4,312.30
Debentures	-	-	-	-	-	-
Total Liabilities	1,580.10	272.70	30.40	1,379.00	5,466.00	8,728.20
Net Financial Assets	2,106.40	1,116.70	509.10	708.60	(3,370.40)	
Cumulative Net Financial Assets	2,106.40	3,223.10	3,732.20	4,440.80	1,070.40	

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

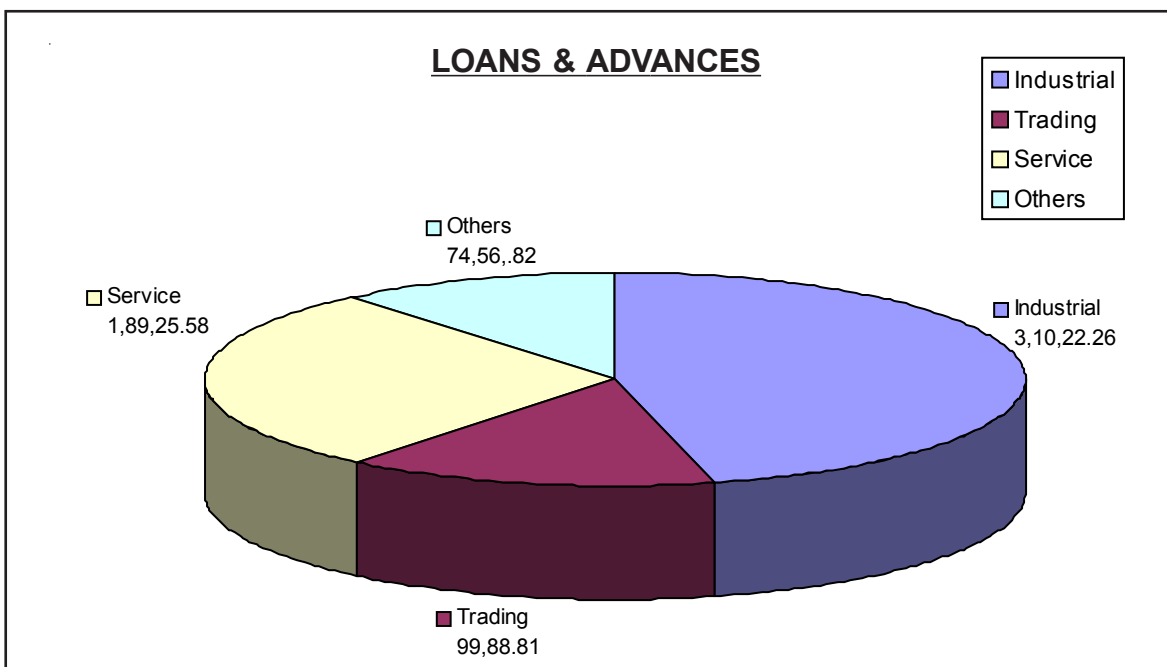
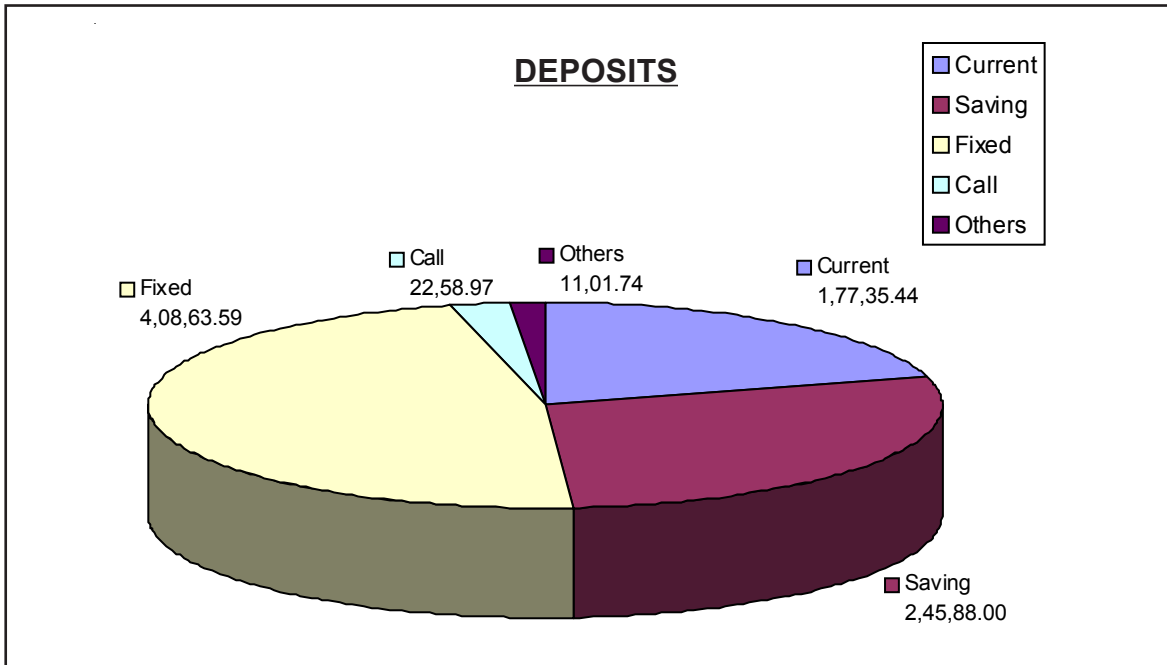
17. During the fiscal year 2061/62, the Bank came out with a Right Issue of Shares in the ratio of 2:1 and received a subscription of Rs. 208,370,500.00. However, as the process of allotment and listing was not completed by the end of the year, they were not included as a part of Paid up Capital as on 31st Ashadh 2062. The Paid up Capital of the Bank as on the date of report stood at Rs. 640,236,100.00



PERFORMANCE HIGHLIGHTS

FY 2061/62 (2004-05)

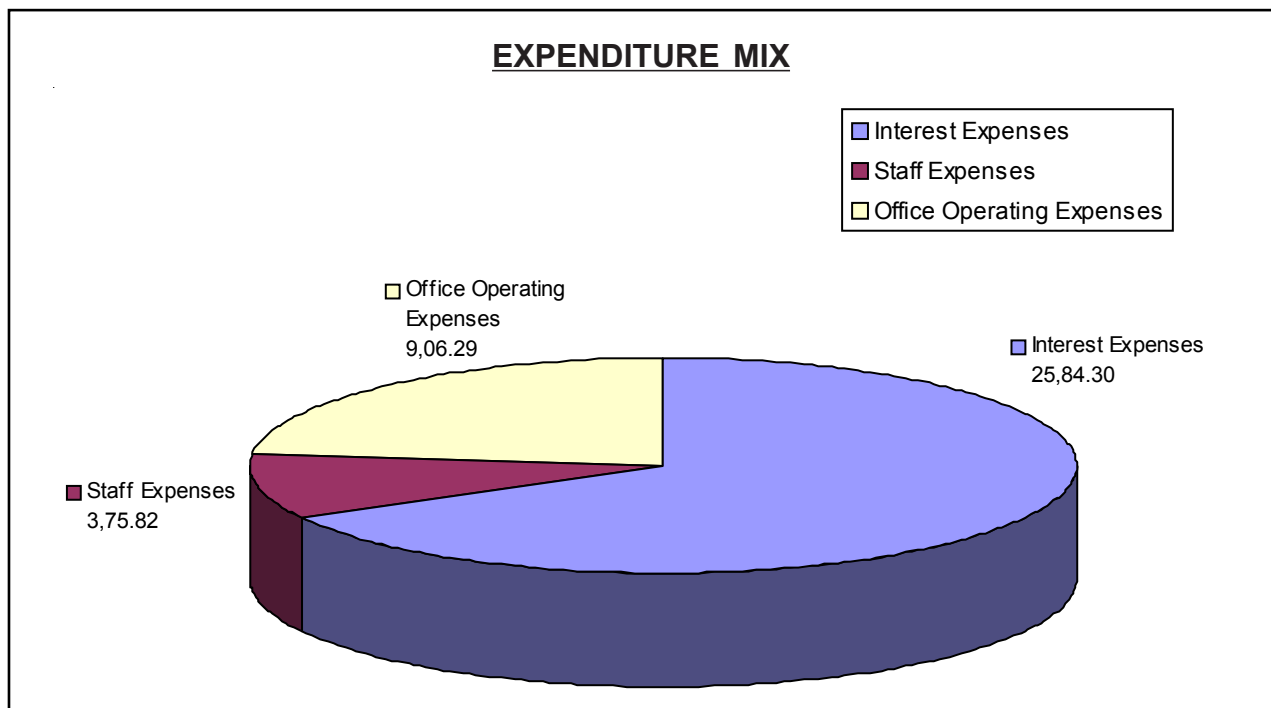
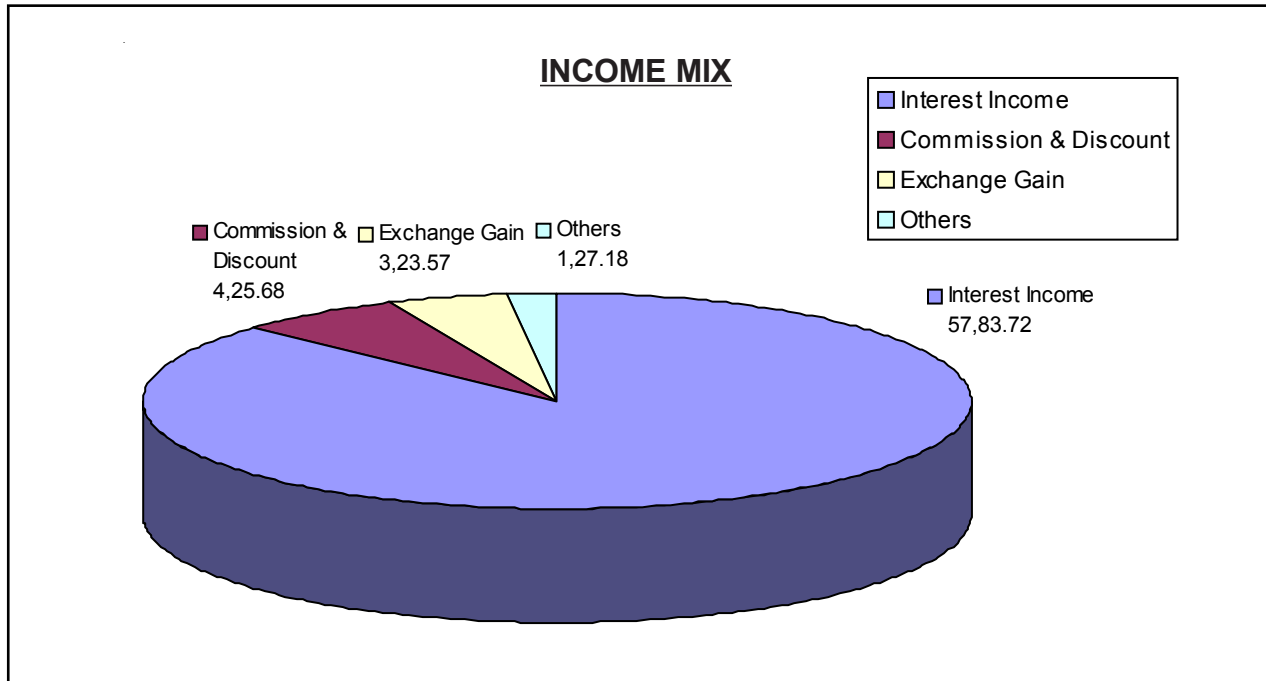
(Rs. in Lakh)



PERFORMANCE HIGHLIGHTS

FY 2061/62 (2004-05)

(Rs. in Lakh)

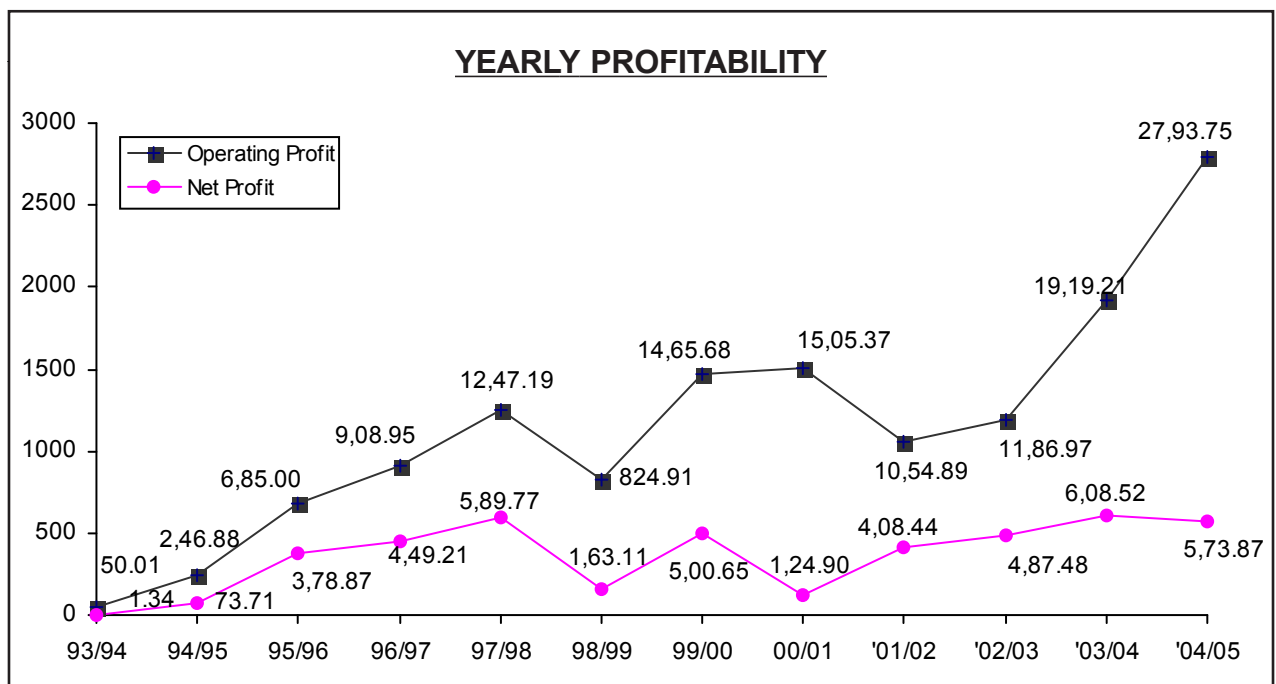
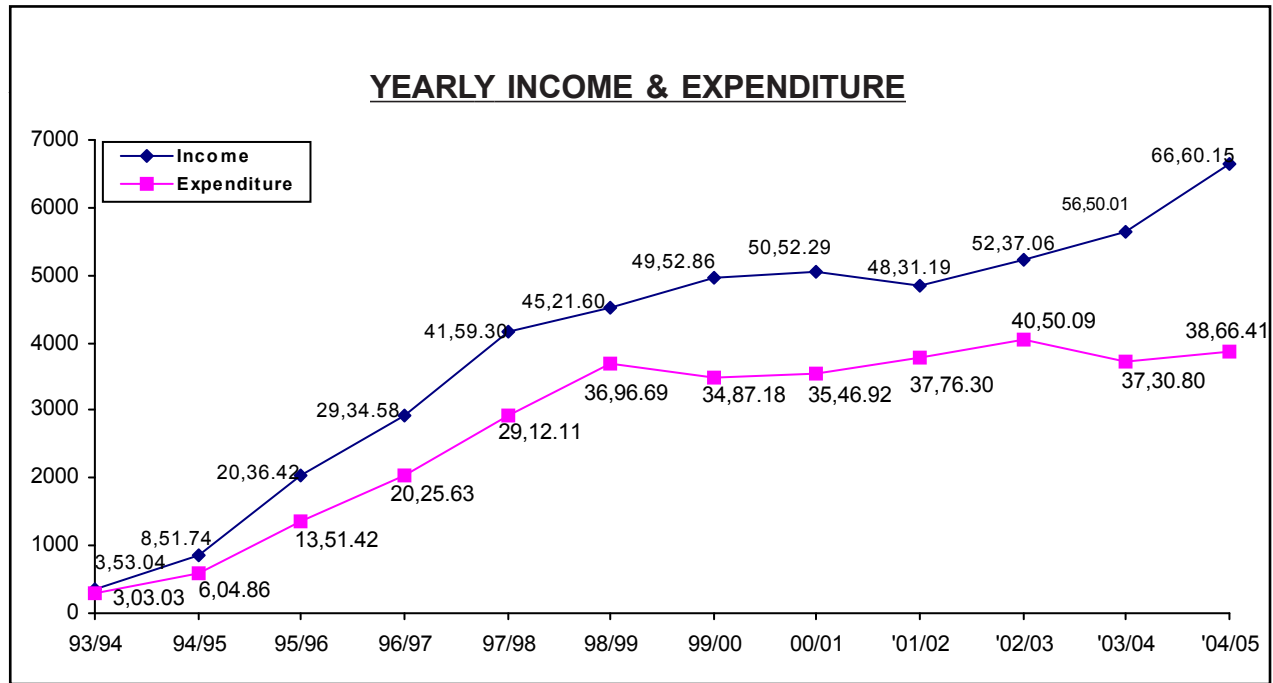




PERFORMANCE HIGHLIGHTS

FY 2061/62 (2004-05)

(Rs. in Lakh)



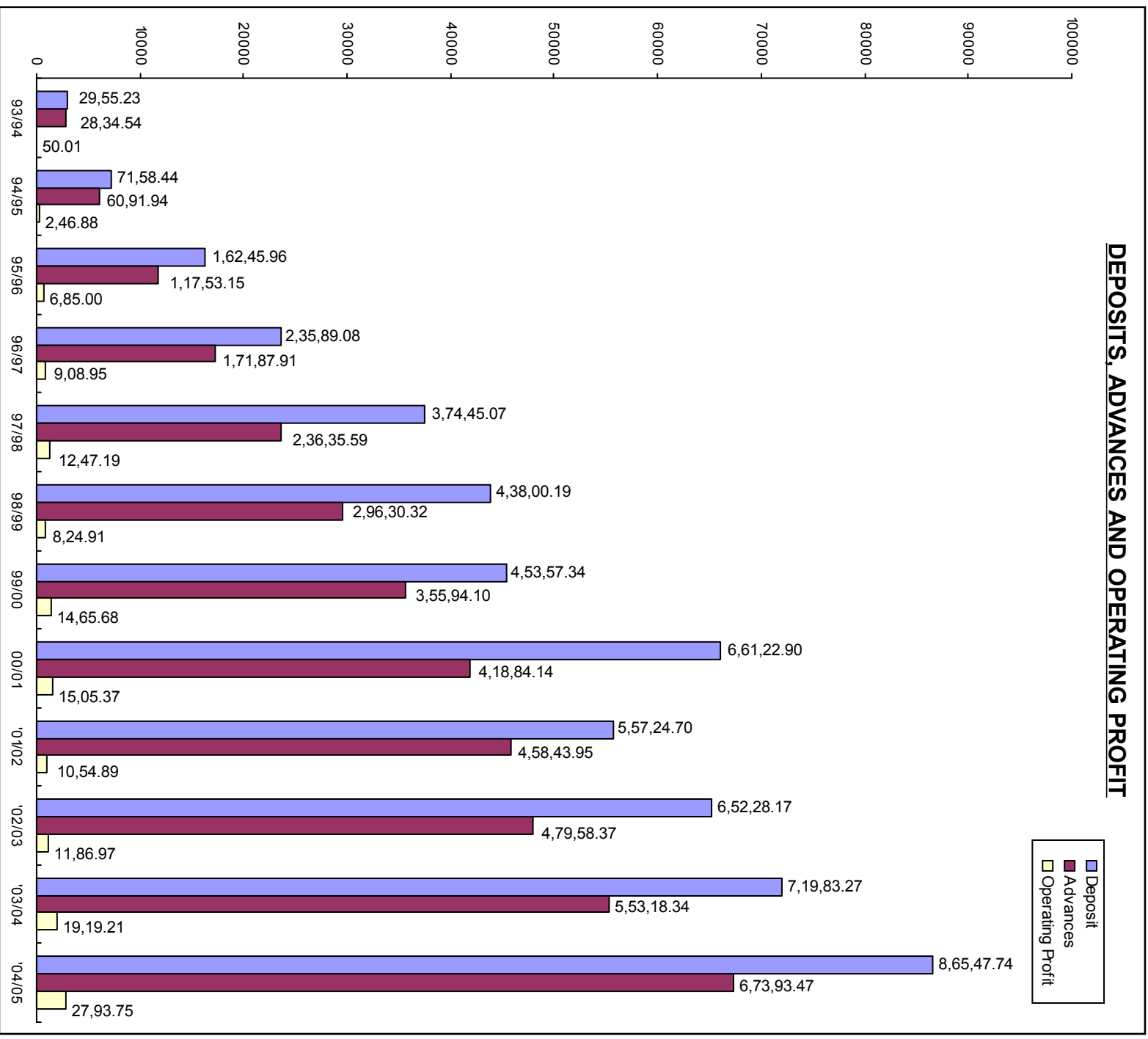


PERFORMANCE HIGHLIGHTS

FY 2061/62 (2004-05)

(Rs. in Lakh)

DEPOSITS, ADVANCES AND OPERATING PROFIT





Instructions Issued by Nepal Rastra Bank in the Process of According Approval for Publication of the Bank's Annual Report

1. To arrange for adequate manpower in the Internal Audit Department in line with the size and type of the Bank's transactions.
 - ☞ Noted to strengthen the Audit Department as per need based requirement.

2. To make additional loan loss provisions of Rs. 110.61 lacs on some loans within the current quarter and to make adjustments in staff bonus and other heads accordingly.
 - ☞ Noted for doing the needful.

3. To rectify the irregularities pointed out by the Statutory Auditor and advise (Nepal Rastra Bank) accordingly.
 - ☞ Most of the irregularities since rectified, remaining being followed up for rectification.

(The above instructions have been published in keeping with the requirement of including the same in this annual report)