

S. K KANSAKAR & CO.
Chartered Accountants
Ramshahpath, Kathmandu

K. K. SINGH & CO
Chartered Accountants
Battisputali, Kathmandu

AUDITORS' REPORT
TO THE SHAREHOLDERS OF NEPAL BANK LIMITED

1. We have audited the accompanying Balance Sheet of Nepal Bank Limited as on 32st Ashad 2064 (16th July 2007) and the related Profit and Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conduct our audit in accordance with the generally accepted auditing standards and the directives issued by the Nepal Rastra Bank. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. On examination of the financial statement as aforesaid, we report that:
 - a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) Proper books of account as required by law have been kept by the Bank, in so far as appears from our examination of those books of account and the financial statements dealt with by this report are in agreement with the books of accounts.
 - c) Statements received from respective branches are adequate for the audit purpose.
 - d) In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of

accounts of the Bank, with the exception of persons on whom actions have been taken for causing loss to the bank, we have not come across the cases where the Management Committee or any member thereof or any employee of the Bank has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the Bank or committed any misappropriation or violated any directive of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank and its depositors.

- e) With the exception of substantial shortfall in maintenance of capital adequacy, other directives of NRB have been complied with. Adequate provisions for loan and other losses have been made; the business of the Bank has been conducted within its authority.
- f) During the year the bank has not written off loans as required by the NBL Loan Write Off Bye-Rules.
- g) In our opinion, the financial statements give a true and fair view of the financial position of the Nepal Bank Limited, Kathmandu as of 32nd Asadh 2064 and of the results of its operations and its cash flows for the year then ended in accordance with Nepal accounting standards or relevant practices and comply with the provisions of the company act 2063 and the directives of NRB 2062.

S. K. Kansakar, FCA
For: S. K. Kansakar & Co.
Chartered Accountants

K. K. Singh, FCA
For: K. K. Singh & Co.
Chartered Accountants

Kathmandu,
22 Poush, 2064



Nepal Bank Limited
Balance Sheet
As on end of Ashadh 2064 (Mid July 2007)

Capital and Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1. Share Capital	1	380,382,600	380,382,600
2. Reserve and Fund	2	(6,627,898,343)	(6,681,838,285)
3. Debentures and Bonds	3	-	-
4. Borrowings	4	1,604,868,196	1,717,442,160
5. Deposits	5	39,014,204,359	35,829,765,050
6. Bills Payables	6	60,726,059	100,984,226
7. Proposed and Dividend Payable		2,083,097	1,115,686
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	4,824,427,537	4,571,053,671
Total Liabilities		39,258,793,505	35,918,905,108

Assets	Schedule	Current Year Rs.	Previous Year Rs.
1. Cash Balance	8	1,086,066,645	1,110,953,183
2. Balance with NRB	9	5,224,859,643	5,353,964,032
3. Balance with Banks/Financial Institution	10	806,366,796	709,140,353
4. Money at Call and Short Notice	11	200,000,000	-
5. Investment	12	16,072,179,882	14,490,247,108
6. Loan Advances and Bills Purchase	13	11,058,477,657	9,756,162,747
7. Fixed Assets	14	205,768,262	191,705,831
8. non-Banking Assets	15	-	-
9. Other Assets	16	4,605,074,620	4,306,731,854
Total Assets		39,258,793,505	35,918,905,108

Contingent Liabilities	Schedule 17
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Schedules 1 to 17 form integral parts of the Balance Sheet

Date: 4 January 2008

Kathmandu



Nepal Bank Limited

PROFIT AND LOSS ACCOUNT

For the period from 1st Shrawan 2063 to 32nd Ashad 2064 (17th July, 2006 to 16th July, 2007)

Particulars	Schedule	Current Year Rs.	Previous Year Rs.
1 Interest Income	18	1,848,611,557	2,049,029,774
2 Interest Expenses	19	772,644,038	774,324,523
Net Interest Income		1,075,967,519	1,274,705,251
3 Commission and Discount	20	181,019,733	177,784,264
4 Other Operating Income	21	287,647,712	140,842,495
5 Exchange Fluctuation Income	22	-	121,337,360
Total Operating Income		1,544,634,964	1,714,669,370
6 Staff Expenses	23	1,125,224,496	1,067,634,221
7 Other Overhead Expenses	24	329,490,763	548,108,525
8 Exchange Fluctuation Loss	22	46,279,340	-
Operating Profit Before Provision For possible Loss		43,540,365	98,926,624
9 Provision For Possible Losses	25	80,376,445	607,482,837
Operating Profit		(36,836,080)	(508,56,13)
10 Non-Operating Income / Loss	26	50,389,326	22,905,189
11 Loan Loss Provision Written Back	27	-	1,813,642,370
Profit from Regular Operations		13,553,246	1,327,991,346
12 Profit / Loss from Extra-Ordinary Activities	28	236,094,956	-
Net Profit after considering all activities		249,648,202	1,327,991,346
13 Staff Bonus Provision		22,695,291	120,726,486
14 Tax Provision			
Net Profit / Loss		226,952,911	1,207,264,860

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



Nepal Bank Limited

PROFIT AND LOSS APPROPRIATION ACCOUNT

For the period from 1st Shrawan 2063 to 32nd Ashad 2064 (17th July, 2006 to 16th July, 2007)

Particulars	Schedule	Current Year Rs.	Previous Year Rs.
Income			
1 Accumulated Profit up to last year		-	-
2 Current Year's Profit		226,952,911	1,207,264,860
3 Exchange Equalization Fund		-	-
Total		226,952,911	1,207,264,860
Expenses			
1 Accumulated Loss Up to Last Year		8,122,002,960	9,024,042,134
2 Current Year's loss		-	-
3 General Reserve		45,390,582	241,452,972
4 Contingent Reserve		-	-
5 Institutional Development Fund		-	-
6 Dividend Equalization Fund		-	-
7 Staff Related Reserve Fund		-	-
8 Proposed Dividend		-	-
9 Proposed Issue of Bonus Shares		-	-
10 Special Reserve Fund		-	-
11 Exchange Equalization Fund		-	25,734,454
12 Capital Redemption Reserve		-	-
13 Capital Adjustment Fund		38,038,260	38,038,260
14 Staff Bonus FY 2061-62		173,012,970	-
Total		8,378,444,772	9,329,267,820
14 Accumulated Profit / (Loss)		(8,151,491,861)	(8,122,002,960)



Nepal Bank Limited
Statement of Changes in Equity
F. Y. 2063/64

Figures in Rs.

Particulars	Share Capital	Accumulative Profit (Loss)	General Reserve	Capital Reserve Fund	Share Premium	Exchange Equalization Fund	Other Reserve Fund	Total
Opening Balance	380,382,600	(8,122,002,960)	1,286,766,566	-	-	25,734,454	127,663,655	(6,301,455,685)
Adjustment:	-	-	-	-	-	-	-	-
a. This year profit	-	143,524,069	-	-	-	-	-	143,524,069
b. Transfer from this year profit	-	-	45,390,582	-	-	-	38,038,260	83,428,842
c. Transfer from revaluation profit	-	-	-	-	-	-	-	-
d. Adjustment in Staff Bonus	-	(173,012,970)	-	-	-	-	-	(173,012,970)
Closing Balance	380,382,600	(8,151,491,861)	1,332,157,148	-	-	25,734,454	165,701,915	(6,247,515,744)



Nepal Bank Limited

Cash Flow Statement

For the period from 1st Shrawan 2063 to 32nd Ashad 2064 (17th July, 2006 to 16th July, 2007)

Previous Year Rs	Particulars	This Year Rs
	A. CASH FLOW FROM OPERATING ACTIVITIES	
4,218,259,258	1 Cash Receipts	2,613,817,989
2,049,029,774	1.1 Interest Income	1,848,611,557
177,784,264	1.2 Commission and Discount Income	81,019,733
18,399,543	1.3 Income from Foreign Exchange transaction	22,062,973
-	1.4 Recovery of Loan written - off	236,094,956
1,973,045,677	1.5 Other Income	326,028,770
(2,480,028,050)	2 Cash Payments	(2,029,386,326)
(774,324,523)	2.1 Interest Expenses	(772,644,038)
(1,067,634,221)	2.2 Staff Expenses	(723,120,826)
(513,262,359)	2.3 Office Overhead expenses	(292,982,456)
-	2.4 Income Tax paid	-
(124,806,947)	2.5 Other Expenses	(240,639,006)
1,738,231,208	Cash Flow before Changes in Working Capital	584,431,663
(1,496,465,043)	<u>Increase / (Decrease) of Current Assets</u>	(3,781,390,858)
550,000,000	1 (Increase)/Decrease in Money at Call and Short Notice	(200,000,000)
(291,030,684)	2 (Increase)/ Decrease in Short -term Investments	(1,581,932,773)
(1,537,253,138)	3 (Increase)/Decrease in Loans and Bills purchased	(1,315,065,319)
(218,181,221)	4 (Increase)/Decrease in Other Assets	(684,392,766)
234,762,319	<u>Increase / (Decrease) of Current Liabilities</u>	3,359,773,458
(104,398,595)	1 Increase /(Decrease) in Deposits	3,184,439,309
-	2 Increase / (Decrease) in Certificate of Deposits	-
-	3 Increase / (Decrease) in Short- term Borrowings	-
339,160,914	4 Increase/ (Decrease) in Other Liabilities	175,334,149
(35,123,002)	B. CASH FLOW FROM INVESTING ACTIVITY	(38,662,470)
-	1 Increase /(Decrease) in Long-term Investments	-
(39,467,379)	2 Increase /(Decrease) in Fixed Assets	(49,308,268)
-	3 Income Interest from Long-term Investments	-
4,344,377	4 Dividend Income	10,645,798
-	5 Others	-
470,376,786	C. CASH FLOW FROM FINANCING ACTIVITIES	(112,573,964)
470,376,786	1 Increase / (Decrease) in Long-term Borrowings(Bond, Debentures etc.)	(112,573,964)
-	2 Increase / (Decrease) in Share Capital	-
-	3 Increase / (Decrease) in Other Liabilities	-
-	4 Increase/(Decrease) in Refinance/ facilities received from NRB	-
102,937,817	D. Income/(Loss) from change in exchange rate in Cash and Bank Balance	(68,342,313)
1,014,720,085	E. Current Year's Cash Flow from All Activities	(56,764,484)
6,159,337,483	F. Opening Balance of Cash and Bank Balances	7,174,057,568
7,174,057,568	G. Closing Balance of Cash and Bank Balances	7,117,293,084



Nepal Bank Limited
Share Capital & Ownership
32nd Ashad, 2064 (16th July, 2007)

Annexure 1

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) 1,00,00,000 Equity share of Rs.100/- each	1,000,000,000
	b) Non-redeemable Preference Shares of Rs.each.	
	c) Redeemable Preference Shares of Rs.each.	
500,000,000	1.2 Issued Capital	500,000,000
500,000,000	a) 50,00,000 Equity share of Rs.100/- each	500,000,000
	b) Non-redeemable Preference Shares of Rs.each.	
	c) Redeemable Preference Shares of Rs.each.	
380,382,600	1.3 Paid-up Capital	380,382,600
380,382,600	a) 38,03,826 Equity share of Rs.100/- each (Including Bonus share 14,21,745)	380,382,600
	b) Non-redeemable Preference Shares of Rs.each.	
	c) Redeemable Preference Shares of Rs.each.	

Share Ownership

Share Capital	%	Particulars	%	Share Capital
380,382,600		1 Local Ownership		380,382,600
154,032,500	40.49	1.1 Nepal Government	40.49	154,032,500
-		1.2 Foreign Institutions		-
18,709,300	4.92	1.3 "A" Class Licensed Institutions	4.92	18,709,300
13,030,200	3.43	1.4 Other Licensed Institutions	3.43	13,030,200
1,981,500	0.52	1.5 Other Entities	0.52	1,981,500
189,941,300	49.93	1.6 Individual	49.93	189,941,300
2,687,800	0.71	1.7 Others	0.71	2,687,800
-		2 General Public		-
380,382,600	100	Total	100	380,382,600

Details of Shareholders (General Public) Holding 0.5% or More of Total Share:

Name of Shareholder	%	Share Capital
1. Hulas Chandra Golchha	0.51	1,925,000
2. Hitesh Golchha	0.88	3,355,200
3. Chandra Kumar Golchha	0.52	1,995,500
4. Lokmanya Golchha	0.76	2,909,300
5. Rewadevi Dikshit	0.51	1,935,000
6. Sundarmani Dikshit	0.52	1,974,300
7. Kamal Mani Dikshit	0.63	2,390,000
8. Sridhar S. J. B. Rana	0.79	3,000,000
9. Ganga Amatya	1.06	4,019,500
10. Jharendra S. J. B. Rana	1.33	5,062,500
11. Mohangopal Khetan	2.39	9,076,800
12. Rajendra Kumar Khetan	4.54	17,272,500
Total	14.44	54,915,600



Nepal Bank Limited
Reserve & Funds

32nd Ashad, 2064 (16th July, 2007)

Annexure 2

Previous Year Rs.	Particulars	This Year Rs.
1,286,766,566	1 General Reserve Fund	1,332,157,149
-	2 Proposed Issue of Bonus Shares	-
-	3 Capital Reserve Fund	-
-	4 Capital Redemption Reserve	-
114,114,780	5 Capital Adjustment Fund	152,153,040
13,548,875	6 Other Reserve and Fund	13,548,875
2,763,349	a) Contingency Reserve	2,763,349
3,300,000	b) Institution Development Fund	3,300,000
7,485,526	c) Dividend Equalization Fund	7,485,526
-	e) Special Reserve Fund	-
-	f) Assets Revaluation Fund	-
-	g) Other Free Reserves	-
-	h) Other Reserves	-
(8,122,002,960)	5 Accumulated Profit / Loss	(8,151,491,861)
25,734,454	6 Exchange Fluctuation Fund	25,734,454
(6,681,838,285)	Total	(6,627,898,343)



Nepal Bank Limited
Debentures and Bonds

32nd Ashad, 2064 (16th July, 2007)

Annexure 3

Previous Year RS.	Particulars	Current Year Rs.
	1% Bond / Debentures of Rs. Each Issued onand matured on Outstanding Balance of Redemption Reserve Rs.....	
	2% Bond / Debentures of Rs. Each Issued onand matured on Outstanding Balance of Redemption Reserve Rs.....	
	3	
-	Total (1+2+3)	-



Nepal Bank Limited
Borrowings

32nd Ashad, 2064 (16th July, 2007)

Annexure 4

Previous Year Rs.	Particulars		This Year Rs.
	A) Local		
1,717,442,160	1. Nepal Government 2. Nepal Rastra Bank 3. Repo Obligation 4. Inter Bank and Financial Institutions 5. Other Financial Institutions 6. Others		1,604,868,196
1,717,442,160		Total	1,604,868,196
	B) Foreign		
	1. Banks 2. Others		
-		Total	-
1,717,442,160		Grand Total(A+B)	1,604,868,196



Nepal Bank Limited

Deposits

32nd Ashad, 2064 (16th July, 2007)

Annexure 5

Previous Year Rs.	Particulars		This Year Rs.
	1	Non Interest Bearing Accounts	
6,037,290,438	a)	Current Account	6,766,342,052
5,880,370,020	1	Local Currency	6,610,541,076
446,573,321	1.1	Nepal Government	189,211,336
246,887,796	1.2	"A" Class Licensed Institutions	306,793,290
886,107,690	1.3	Other Licensed Institutions	656,042,988
2,911,226,712	1.4	Other Organized Institutions	3,153,089,479
1,015,784,157	1.5	Individuals	1,806,585,439
373,790,344	1.6	Others	498,818,544
156,920,418	2	Foreign Currency	155,800,976
-	2.1	Nepal Government	-
60,096,066	2.2	"A" Class Licensed Institutions	-
4,888,746	2.3	Other Licensed Institutions	-
3,854,956	2.4	Other Organized Institutions	1,267,588
1,519,768	2.5	Individuals	154,473,768
86,560,882	2.6	Others	59,620
70,430,641	b)	Margin Deposits	129,433,796
315,025	1	Staff guarantee	626,602
25,308,794	2	Guarantee Margin	24,527,254
44,806,822	3	Letters of credit Margin	104,279,940
371,513,105	c)	Other	297,784,484
371,513,105	1	Local Currency	297,784,484
-	1.1	Financial Institutions	-
1,481,724	1.2	Other Organized Institutions	19,384,755
370,031,381	1.3	Individual	278,399,729
-	2	Foreign Currency	-
-	2.1	Financial Institutions	-
-	2.2	Other Organized Institutions	-
-	2.3	Individuals	-
6,479,234,184	Total of Non Interest Bearing Accounts		7,193,560,332



Nepal Bank Limited

Deposits

32nd Ashad, 2064 (16th July, 2007)

Annexure 5

Previous Year Rs.	Particulars	This Year Rs.
	2 Interest Bearing Accounts :	
24,122,923,718	a) Saving Deposits	26,427,197,899
24,113,875,264	1 Local Currency	26,414,701,248
1,277,152,391	1.1 Organized Institutions	2,707,051,364
21,133,315,869	1.2 Individuals	22,579,274,393
1,703,407,004	1.3 Others	1,128,375,491
9,048,454	2 Foreign Currency	12,496,651
1,255,797	2.1 Organized Institutions	4,818,285
7,083,316	2.2 Individuals	7,678,366
709,341	2.3 Others	-
5,222,448,080	b) Fixed deposit	5,393,446,128
5,216,038,430	1 Local Currency	5,387,804,178
1,670,655,610	1.1 Organized Institutions	1,621,015,925
3,388,209,496	1.2 Individuals	3,668,366,570
157,173,324	1.3 Others	98,421,683
6,409,650	2 Foreign Currency	5,641,950
3,851,298	2.1 Organized Institutions	5,519,000
2,558,352	2.2 Individuals	122,950
-	2.3 Others	-
5,159,068	c) Call Deposit	
5,159,068	1 Local Currency	-
-	1.1 "A" Class Licensed Institutions	-
-	1.2 Other Licensed institutions	-
-	1.3 Other Organized Institutions	-
1,874,348	1.4 Individuals	-
3,284,720	1.5 Others	-
-	2 Foreign Currency	-
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed institutions	-
-	2.3 Other Organized Institutions	-
-	2.4 Individuals	-
-	2.5 Others	-
-	d) Certificate of Deposits	-
-	1 Organized Institutions	-
-	2 Individuals	-
-	3 Others	-
29,350,530,866	Interest bearing deposits Total	31,820,644,027
35,829,765,050	Total Deposit(1+2)	39,014,204,359



Nepal Bank Limited

Bills Payable

32nd Ashad, 2064 (16th July, 2007)

Annexure 6

Previous Year Rs.	Particulars	This Year Rs.
86,358,436	1 Local Currency	52,943,572
14,625,790	2 Foreign Currency	7,782,487
100,984,226	Total	60,726,059

Nepal Bank Limited

Other liabilities

32nd Ashad, 2064 (16th July, 2007)

Annexure 7

Previous Year Rs.	Particulars	This Year Rs.
-	1 Pension and Gratuity Fund	-
-	2 Employees Provident Fund	-
507,859	3 Employees Welfare Fund	543,041
199,658,863	4 Provision for Staff Bonus	48,517,997
50,038,958	5 Interest Payable on Deposits	46,066,394
5,120,110	6 Interest Payable on Borrowings	4,999,897
1,218,833	7 Unearned Discount & Commission	315,168
828,304,551	8 Sundry Creditors	733,640,117
2,966,577,882	9 Branch Reconciliation	3,571,502,065
519,626,615	10 Others	418,842,858
62,380,998	Deferred Income	43,271,896.00
24,849,874	Staff Medical Fund	29,401,703.00
94,440,024	Provision for Leave Encashment	96,398,084.00
262,000,000	Provision for other Losses	147,480,912.00
75,955,719	RBB	102,290,263.00
4,571,053,671	Total	4,824,427,537

Nepal Bank Limited

Cash Balance

32nd Ashad, 2064 (16th July, 2007)

Annexure 8

Previous Year Rs.	Particulars	This Year Rs.
1,041,016,248	1 Local Currency (Including Coins)	1,012,937,329
69,936,935	2 Foreign Currency	73,129,316
1,110,953,183	Total	1,086,066,645



Nepal Bank Limited
Balance with Nepal Rastra Bank
32nd Ashad, 2064 (16th July, 2007)

Annexure 9

Previous Year Rs.	Particulars	Local Currency	Foreign Currency in Rs.			Total Rs.
			I.C.	F.C.(Convertible)	Total	
5,353,964,032	1 Nepal Rastra Bank	5,237,937,510	-	(13,077,867)	(13,077,867)	5,224,859,643
2,209,208,809	a) Current Account	3,519,040,213	-	(13,077,867)	(13,077,867)	3,505,962,346
3,144,755,223	b) Other Account	1,718,897,297	-	-	-	1,718,897,297

Nepal Bank Limited
Balance With Banks / Financial Institutions
32nd Ashad, 2064 (16th July, 2007)

Annexure 10

Previous Year Rs.	Particulars	Local Currency	Foreign Currency in Rs.			Total Rs.
			I.C.	F.C.(Convertible)	Total	
291,750,931	1 Local Licensed Institutions	320,493,269	-	7,556,347	7,556,347	328,049,616
291,750,931	a) Current Account	320,493,269	-	7,556,347	7,556,347	328,049,616
-	b) Other Account	-	-	-	-	-
417,389,422	2 Foreign Banks	-	221,810,873	256,506,307	478,317,180	478,317,180
417,389,422	a) Current Account	-	221,810,873	256,506,307	478,317,180	478,317,180
-	b) Other Account	-	-	-	-	-
709,140,353	Total :	320,493,269	221,810,873	264,062,654	485,873,527	806,366,796

Total Balance for which the confirmations are received from respective licensed institutions Rs.

Nepal Bank Limited
Money at call and short notice
32nd Ashad, 2064 (16th July, 2007)

Annexure 11

Previous Year Rs.	Particulars	This Year Rs.
-	1 Local Currency	200,000,000
-	2 Foreign Currency	-
-	Total	200,000,000



Nepal Bank Limited Investments

32nd Ashad, 2064 (16th July, 2007)

Annexure 12

Previous Year Rs.	Particulars		Purpose		This Year Rs.
			Trading	Other	
10,238,513,331	1	Nepal Government Treasury bill		13,226,330,236	13,226,330,236
1,538,387,000	2	Nepal Government National Saving Bond		-	-
-	3	Nepal Government Other Securities		-	-
-	4	Nepal Rastra Bank Bonds		-	-
1,827,965,000	5	Foreign Securities		1,634,982,000	1,634,982,000
-	6	Local licensed Institutions		-	-
769,236,591	7	Foreign Bank		410,522,460	410,522,460
47,288,686	8	Other Organized Institutions Shares		61,488,686	61,488,686
-	9	Other Organized Institutions Bonds and Debentures		-	-
80,000,000	10	Other Investments		750,000,000	750,000,000
14,501,390,608	Total Investment		-	16,083,323,382	16,083,323,382
11,143,500	Provision			11,143,500	11,143,500
14,490,247,108	Net investment		-	16,072,179,882	16,072,179,882



Nepal Bank Limited
Investment on Shares, Debentures & Bonds
32nd Ashad, 2064 (16th July, 2007)

Annexure 12 A

Previous Year Rs.	Particulars	Cost Rs.	Market Rate	Market Value	Provision
	1 Investment in Shares				
707,186	1.1 Rastriya Beema Sansthan 6,000 Ordinary Shares (218,628 Bonus Shares) of Rs. 100/- each	707,186	2150	443,846,000	-
2,000,000	1.2 Deposit Insurance & Credit Guarantee Corporation Pvt. Ltd. 22,990 Ordinary Share (2990 Bonus Shars) of Rs. 100/- each	2,000,000			2,000,000
150,000	1.3 Nepal Oil Corporation Ltd. * 1,500 Ordinary Shares (750 Bonus Shares) of Rs. 100/- each	150,000			150,000
300,000	1.4 Nepal Industrial Development Corporation * 3,000 Ordinary Shares of Rs. 100/- each	300,000	120	360,000	
500,000	1.5 National Productivity and Economic Development Centre Ltd. 5,000 Ordinary Shares of Rs. 100 each.	500,000	100	500,000	
3,000,000	1.6 Far Western Rural Dev. Bank * 30,000 Ordinary Shares of Rs. 100 each.	3,000,000			
3,000,000	1.7 Eastern Rural Development Bank * 30,000 Ordinary Shares of Rs. 100 each.	3,000,000			
3,000,000	1.8 Western Rural Development Bank 30,000 Ordinary Shares of Rs. 100 each.	3,000,000			
3,000,000	1.9 Mid Western Rural Development Bank * 30,000 Ordinary Shares of Rs. 100 each.	3,000,000			
3,000,000	1.10 Middle Rural Development Bank * 30,000 Ordinary Shares of Rs. 100 each.	3,000,000			
2,133,000	1.11 Citizen Investment Trust 35,550 Ordinary Shares of Rs. 100 each. (Rs. 60 Paid) each. (Converted into the paid up amount Rs.100/- issuing Bonus Rs.40/- per each share upto F.Y.058/59 B.S.).	2,133,000	352	12,513,600	
7,485,000	1.12 Rural Micro Finance Development Centre 216,850 Ordinary Shares of Rs. 100 each.	21,685,000			
1,500,000	1.13 Deprosc Development Bank Limited 22,500 Ordinary Shares of Rs. 100 each.	1,500,000	156	2,340,000	
12,000,000	1.14 Gorakhkali Rubber Udhog Ltd. * 160000 Ordinary Shares of Rs. 100 each (Rs. 75 paid up)	12,000,000	39	6,240,000	8,640,000
5,000,000	1.15 Sana Kisan Bikas Bank Limited * 50000 Ordinary Shares of Rs. 100 each.	5,000,000			
500	1.16 Sajha Sawasthya Sewa Sahakari Sanstha Limited 5 Ordinary Shares of Rs.100 each (6 Bonus Shares)	500			500
160,000	1.17 Nepal Insurance Company Limited 1600 Ordinary Shares (521094 Bonus Shares) of Rs. 100 each.	160,000	357	186,601,758	
353,000	1.18 Credit Information Centre 3530 Ordinary Shares of Rs. 100 each.	353,000			353,000
-	2 Investment in Debenture and Bonds				
47,288,686	Total	61,488,686			11,143,500
	3 Provision for Losses				
20,540,500	3.1 Up to previous year	11,143,500			
(9,397,000)	3.2 Addition (Write Back During the year)	-			
11,143,500	Total	11,143,500			

* Not declared and distributed dividend for more than three years.



Nepal Bank Limited
Classification of Loans, Advances & Bills Purchased and Provisioning
32nd Ashad, 2064 (16th July, 2007)

Annexure 13

Previous Year	Particulars	Loans and Advances					Bills Purchased and Discounted			This Year
		Domestic			Foreign	Total	Domestic	Foreign	Total	
		Priority Sector		Other						
		Insured	Uninsured							
10,179,370,990	1. Performing Loan	14,800,534	44,165,737	11,833,876,416	-	11,892,842,687	6,117,808	1,610,201	7,728,009	11,900,570,696
9,547,007,189	1.1 PassLoan	14,800,534	44,165,737	11,113,744,396		11,172,710,667	6,117,808	1,610,201	7,728,009	11,180,438,676
632,363,801	1.2 Restructured	-	-	720,132,020		720,132,020	-	-	-	720,132,020
2,262,183,368	2. Non Performing Loan	492,663,969	107,836,405	1,250,286,391	-	1,850,786,765	88,231	5,173,985	5,262,216	1,856,048,981
46,763,110	2.1 Substandard	1,502,534	80,284	15,663,301		17,246,119	-	-	-	17,246,119
87,941,778	2.2 Doubtful	506,232	26,901	29,314,657		29,847,790	-	-	-	29,847,790
2,127,478,480	2.3 Loss	490,655,203	107,729,220	1,205,308,433		1,803,692,856	88,231	5,173,985	5,262,216	1,808,955,072
12,441,554,358	(A) Total Loan	507,464,503	152,002,142	13,084,162,807	-	13,743,629,452	6,206,039	6,784,186	12,990,225	13,756,619,677
	3. Loan Loss Provision									
202,617,053	3.1 Pass	14,800,534	44,165,737	111,117,759	-	170,084,030	61,178	16,102	77,280	170,161,310
281,066,280	3.2 Restructured	-	-	698,414,520	-	698,414,520	-	-	-	698,414,520
13,150,066	3.3 Substandard	1,502,534	80,284	3,915,822	-	5,498,640	-	-	-	5,498,640
61,079,732	3.4 Doubtful	506,232	26,901	14,579,345	-	15,112,478	-	-	-	15,112,478
2,127,478,480	3.5 Loss	490,655,203	107,729,220	1,205,308,433	-	1,803,692,856	88,231	5,173,985	5,262,216	1,808,955,072
2,685,391,611	(B) Total Provision	507,464,503	152,002,142	2,033,335,879	-	2,692,802,524	149,409	5,190,087	5,339,496	2,698,142,020
	4. Provision Up to Last Year									
292,745,517	4.1 Pass	27,165,370	81,063,195	94,277,814	-	202,506,379	-	110,674	110,674	202,617,053
88,691,473	4.2 Restructured	-	-	281,066,280	-	281,066,280	-	-	-	281,066,280
47,606,398	4.3 Substandard	522,257	692,294	11,935,515	-	13,150,066	-	-	-	13,150,066
40,676,761	4.4 Doubtful	29,502,052	4,330,576	27,247,104	-	61,079,732	-	-	-	61,079,732
8,177,915,849	4.5 Bad	394,921,219	196,278,211	1,529,010,479	-	2,120,209,909	506,859	6,761,712	7,268,571	2,127,478,480
8,647,635,998	(C) Provision up to Last Year	452,110,898	282,364,276	1,943,537,192	-	2,678,012,366	506,859	6,872,386	7,379,245	2,685,391,611
(5,962,244,387)	(D) Previous Years' Provision Written Back	-	(130,362,134)	-	-	-	(357,450)	(1,682,299)	(2,039,749)	-
	(E) This Years' Additional Provision	55,353,605	-	89,798,687	-	14,790,158	-	-	-	12,750,409
(5,962,244,387)	Net Adjustment for the year	(55,353,605)	(130,362,134)	(89,798,687)	-	(14,790,158)	(357,450)	(1,682,299)	(2,039,749)	(12,750,409)
9,756,162,747	Net Loan(A-B)	-	-	11,050,826,928	-	11,050,826,928	6,056,630	1,594,099	7,650,729	11,058,477,657



Nepal Bank Limited

Loan, Advances and Bills Purchased - Security Wise

32nd Ashad, 2064 (16th July, 2007)

Annexure 13A

Previous Year Rs.	Particulars		This Year Rs.
12,441,554,358	(A)	Secured	13,756,619,677
10,355,404,236	1	Movable / Immovable Assets	11,671,893,839
406,209,830	2	Guarantee of Local Licensed Institutions	-
-	3	Government Guarantee	18,260,864
4,902,385	4	Internationally Rated Bank Guarantee	-
28,257,457	5	Export Documents	10,177,534
192,564,520	6	Fixed Deposit Receipts	349,986,292
110,089,520		(a) Own FDR	92,811,292
82,475,000		(b) FDR of Other Licensed Institutions	257,175,000
512,119,000	7	Government Bonds	551,327,000
5,262,108	8	Counter Guarantee	-
-	9	Personal Guarantee	-
936,834,822	10	Other Securities	1,154,974,148
-	(B)	Unsecured	-
12,441,554,358	Total:		13,756,619,677



Nepal Bank Limited

Fixed Assets

32nd Ashad, 2064 (16th July, 2007)

Annexure 14

Previous Year Rs.	Particulars	Assets					This Year Rs.
		Building	Vehicles	Machinery	Office equipment	Others	
	1 At Cost:						
373,580,490	a) Up to previous Year	74,756,514	71,661,428	276,497	262,804,377	1,818,750	411,317,566
42,182,546	b) Addition During The Year	252,151	12,545,759	-	18,731,013	3,791	31,532,714
-	c) Revaluation/Written Back This Year	-	-	-	-	-	-
(4,445,470)	d) This Year Sold	-	(963,398)	-	(1,495,928)	-	(2,459,326)
-	e) This Year Written Off	-	-	-	-	-	-
411,317,566	Total (a+b+c+d+e) at cost :	75,008,665	83,243,789	276,497	280,039,462	1,822,541	440,390,954
	2 Depreciation :						
221,785,269	a) Up to Previous Year	36,845,037	44,291,029	264,598	174,108,501	574,071	256,083,236
34,846,166	b) For This Year	2,036,759	7,148,462	1,785	27,126,158	295,143	36,608,307
-	c) Depreciation on revaluation/written back	-	-	-	-	-	-
(548,199)	d) Depreciation - Adjusted / Written Back	-	(783,197)	-	(990,546)	-	(1,773,743)
256,083,236	Total Deprecation	38,881,796	50,656,294	266,383	200,244,113	869,214	290,917,800
155,234,330	3 Book value (WDV)* (1-2)	36,126,869	32,587,495	10,114	79,795,349	953,327	149,473,154
34,166,193	4 Land	35,387,441	-	-	-	-	35,387,441
2,305,308	5 Capital Construction (Pending Capitalization)	20,907,667	-	-	-	-	20,907,667
-	6 Lease hold assets	-	-	-	-	-	-
191,705,831	Total (3+4+5+6)	92,421,977	32,587,495	10,114	79,795,349	953,327	205,768,262

Written Down Value*



Nepal Bank Limited
Other Assets

32nd Ashad, 2064 (16th July, 2007)

Annexure 16

Previous Year Rs.	Particulars		This Year Rs.
16,038,620	1 Stationary Stock		17,328,310
120,746,006	2 Interest Receivable on Investment		142,606,977
5,226,977,149	3 Accrued Interest on Loan	5,087,263,598	-
(5,226,977,149)	Less : Interest Suspense Amount	(5,087,263,598)	
-	4 Commission Receivable		-
193,696,331	5 Sundry Debtors	172,577,435	166,452,408
(16,595,889)	Less : Provision	(6,125,027)	
1,314,142,976	6 Staff Loan and Advance		1,311,187,486
2,231,521	7 Prepayments		1,640,925
159,742,178	8 Cash in Transits		-
-	9 Other Transit Items (Including Cheques)		70,771,251
1,486,174,948	10 Draft Paid Without Advise		1,789,350,238
113,815,917	11 Expenses Not Written Off		85,967,651
-	12 Branch Adjustment Account		-
916,739,246	13 Others		1,019,769,374
587,349,505	Reimbursement - Pension Receivable	597,084,807	
32,120,902	Government Securities - Principal & Interest	44,601,293	
297,268,839	Other Assets	378,083,274	
4,306,731,854	Total		4,605,074,620



Nepal Bank Limited
Other Assets (Additional Statement)

32nd Ashad, 2064 (16th July, 2007)

Annexure 16A

Previous Year Rs.	Particulars	This Year Rs.			
		Upto 1 year	1 to 3 years	Above 3 years	Total
5,226,977,149	1 Accrued Interest on Loan	574,840,834	205,750,676	4,306,672,088	5,087,263,598
1,486,174,948	2 Drafts Paid without advise	1,664,511,003	119,190,061	5,649,174	1,789,350,238
-	3 Branch Adjustment Account	-	-	-	-
-	4 Local and Foreign Agency Accounts	-	-	-	-



Nepal Bank Limited

Contingent Liabilities

32nd Ashad, 2064 (16th July, 2007)

Annexure 17

Previous Year Rs.	Particulars	This Year Rs.
73,435,757	1 Claims on Bank but not accepted by the Bank	62,895,450
373,166,601	2 Letters of credit (full amount)	550,155,482
253,386,743	a) Less than 6 months maturity	459,620,923
119,779,858	b) More than 6 months maturity	90,534,559
-	3 Rediscounted Bills	-
288,127,758	4 Unmatured Guarantees/Bonds	279,375,020
32,883,166	a) Bid Bonds	62,730,510
135,634,194	b) Performance Bonds	113,938,427
119,610,398	c) Other Guarantee / Bonds	102,706,083
-	5 Unpaid Shares in Investment	-
-	6 Forward Exchange Contract Liabilities	-
257,934,407	7 Bills under Collection	234,073,077
31,615,176	8 Acceptance and Endorsements	68,172,887
-	9 Underwriting Commitments	-
-	10 Irrevocable Loan Commitments	-
-	11 Counter Guarantee of Internationally Rated Banks	-
16,103,000	12 Advance Payment Guarantee	20,242,122
74,150,000	13 Financial Guarantee	450,000
305,709,694	14 Contingent Liabilities on Income Tax	-
-	15 Others	-
1,420,242,393	Total	1,215,364,038



Nepal Bank Limited

Interest Income

Fiscal Year 2063/064 (2006/07)

Annexure 18

Previous Year Rs.	Particulars	This Year Rs.
1,419,906,879	a) <u>On Loan, Advance and Overdraft</u>	1,260,886,403
1,313,631,842	1 Loans and Advances	1,209,110,536
106,275,037	2 Overdraft	51,775,867
617,412,010	b) <u>On Investment</u>	572,518,906
492,611,044	1 <u>N.G. Securities</u>	469,277,978
411,889,665	a) Treasury Bill	379,523,381
80,721,379	b) Development Bond	89,754,597
-	c) National Saving Certificates	-
124,800,966	2 <u>Foreign Securities</u>	103,240,928
39,724,296	a) Investment on Foreign Bank	19,692,960
85,076,670	b) Investment on Commercial Paper	83,547,968
-	3 <u>Nepal Rastra Bank Bonds</u>	-
-	4 <u>Debentures and Bonds</u>	-
-	a) Bank/Financial institutions	-
-	b) Other institutions	-
-	5 <u>Interest on Inter Bank Lending</u>	-
3,985,010	c) <u>On Agency Balances</u>	6,028,822
-	1 Local Bank/ Financial institutions	-
3,985,010	2 Foreign Banks	6,028,822
3,139,883	d) <u>On Money at call and Short Notice</u>	1,526,645
3,139,883	1 Local Bank/Financial institutions	1,526,645
-	2 Foreign Banks	-
4,585,992	e) <u>On Others</u>	7,650,781
-	1 Certificate of Deposits	-
4,302,740	2 Inter bank/ Financial institutions Loan	7,643,281
283,252	3 Others	7,500
2,049,029,774	Total	1,848,611,557



Nepal Bank Limited

Interest Expenses

Fiscal Year 2063/064 (2006/07)

Annexure 19

Previous Year Rs.	Particulars	This Year Rs.
761,912,109	A) <u>On Deposit Liabilities</u>	758,316,515
245,611,536	1 Fixed Deposits	197,586,524
245,550,282	1.1 Local Currency	197,486,897
61,254	1.2 Foreign Currency	99,627
514,799,545	2 Saving Deposits	560,553,416
514,721,938	2.1 Local Currency	560,192,774
77,607	2.2 Foreign Currency	360,642
1,501,028	3 Call Deposits	176,575
1,501,028	3.1 Local Currency	176,575
-	3.2 Foreign Currency	-
-	4 Certificate of Deposits	-
11,469,426	B) <u>On Borrowings</u>	12,753,695
	1 Debentures and Bonds	-
11,469,426	2 Loan from Nepal Rastra Bank	12,753,695
-	3 Inter Bank / Financial Institutions Borrowing	-
-	4 Other Corporate Body	-
-	5 Other Loans(Foreign Currency)	-
942,988	C) <u>On Others</u>	1,573,828
940,291	1 Staff Medical Fund	1,229,475
2,697	2 Other interest expenses	344,353
774,324,523	Total	772,644,038



Nepal Bank Limited

Commission & Discount

Fiscal Year 2063/064 (2006/07)

Annexure 20

Previous Year Rs.	Particulars	This Year Rs.
209,410	a) Bills Purchased & Discount	182,228
56,207	1 Local	3,200
153,203	2 Foreign	179,028
170,569,216	b) Commission	176,430,638
3,142,492	1 Letter of Credits	4,187,402
5,309,405	2 Guarantees	6,666,967
3,985,135	3 Collection Fee	4,052,575
43,872,229	4 Remittance Fee	44,498,792
-	5 Credit Cards	-
-	6 Share Underwriting/ Issues	-
114,259,955	7 Government Transactions	117,024,902
-	8 Agency Commission	-
-	9 Exchange Fee	-
7,005,638	c) Others	4,406,867
177,784,264	Total	181,019,733



Nepal Bank Limited
Other Operating Income
Fiscal Year 2063/064 (2006/07)

Annexure 21

Previous Year Rs.	Particulars	This Year Rs.
9,541,847	1 Rental of Safe Deposits	10,323,422
-	2 Issue and Renewal of Credit Cards	-
-	3 Issue and Renewal of ATM Cards	-
3,417,862	4 Telex / T.T	3,940,705
67,466,039	5 Service Charges	62,816,579
1,630,197	6 Renewal Fees	2,009,654
58,786,550	7 Others	208,557,352
140,842,495	Total	287,647,712



Nepal Bank Limited
Exchange Fluctuation Gain/ (Loss)
Fiscal Year 2063/064 (2006/07)

Annexure 22

Previous Year Rs.		This Year Rs.
102,937,817	a) Revaluation Gain	(68,342,313)
18,399,543	b) Trading Gain (except exchange fee)	22,062,973
121,337,360	Total Income/ (Loss)	(46,279,340)



Nepal Bank Limited
Expenses Relating to Employees
Fiscal Year 2063/064 (2006/07)

Annexure 23

Previous Year Rs.	Particulars	This Year Rs.
275,943,895	1 Salary	281,832,247
187,905,121	2 Allowances	228,683,335
65,372,049	3 Contribution on Provident fund	27,590,048
3,107,305	4 Training Expenses	4,680,207
24,883,033	5 Uniform	24,409,000
20,746,532	6 Medical	34,231,445
2,949,544	7 Insurance	3,387,269
458,698,301	8 Pension and Gratuity Provision/ Paid	458,967,409
28,028,441	9 Others	61,443,536
1,067,634,221	Total	1,125,224,496



Nepal Bank Limited
Office Overhead Expenses
32nd Ashad, 2064 (16th July, 2007)

Annexure 24

Previous Year Rs.	Particulars	This Year Rs.
15,663,719	1 House Rent	13,592,110
13,327,656	2 Electricity & Water	14,360,490
-	3 <u>Repair and Maintenance</u>	11,557,872
3,148,953	a) Building	-
5,506,749	b) Vehicles	-
3,087,735	c) Others	-
37,131,186	4 Insurance	35,352,906
22,062,074	5 Postage, Telex, Telephone, Fax	22,812,692
1,390,965	6 Office Equipment, Furniture Repair	1,321,260
14,611,181	7 Traveling Allowance and Expenses	13,690,229
19,337,913	8 Stationery and Printing	12,304,755
946,264	9 Periodicals and Books	1,157,924
2,649,544	10 Advertisements	3,314,275
2,966,758	11 Legal Expenses	4,005,598
-	12 Donations	-
-	13 <u>Expenses Relating to Board of Directors</u>	979,193
203,800	a) Meeting Fees	-
107,763	b) Other Expenses	-
-	14 Annual General Meeting Expenses	-
-	15 <u>Expenses Relating to Audit</u>	1,539,784
800,000	a) Audit Fee	-
402,410	b) Other Expenses	-
2,440,859	16 Commission on Remittances	2,758,923
34,846,166	17 Depreciation on Fixed Assets	36,608,307
-	18 Amortization of Preliminary Expenses	-
-	19 Share Issue Expenses	-
-	20 Technical Service Fee	-
1,993,379	21 Entertainment	1,756,592
24,321,354	22 Written off Expenses	25,857,941
31,105,344	23 Security Expenses	32,945,308
1,437,320	24 Credit Guarantee Premium	741,793
8,360,511	25 Commission & Discount	4,820,824
300,258,922	26 Others	88,111,987
548,108,525	Total	329,590,763



Nepal Bank Limited
Provision For Possible Loss
Fiscal Year 2063/064 (2006/07)

Annexure 25

Previous Year Rs.	Particulars	This Year Rs.
-	1 Increase in Loan Loss Provision	12,750,409
-	2 Increase in Provision for Loss on Investment	-
605,372,978	3 Provision against Non-banking Assets	42,123,036
2,109,859	4 Provision against Other Assets	25,503,000
607,482,837	Total	80,376,445

Nepal Bank Limited
Non-Operating Income/ (Loss)
Fiscal Year 2063/064 (2006/07)

Annexure 26

Previous Year Rs.	Particulars	This Year Rs.
10,531,241	1 Profit / (Loss) on sale of Investment	-
7,917,393	2 Profit / (Loss) on sale of Assets	39,626,081
4,344,377	3 Dividend	10,645,798
-	4 Subsidies Received from Nepal Rastra Bank	-
-	a) Reimbursement of losses of specified branches	-
-	b) Interest Subsidy	-
-	c) Exchange counter	-
112,178	5 Others	117,447
22,905,189	Net Non-Operating Income/ (Loss)	50,389,326

Nepal Bank Limited
Loss Provisions Written Back
Fiscal Year 2063/064 (2006/07)

Annexure 27

Previous Year Rs.	Particulars	This Year Rs.
1,804,245,370	1 Loan Loss Provision Written back	-
-	2 Provision against Non-Banking Assets Written Back	-
9,397,000	3 Investment Provision Written Back	-
-	4 Provision against Other Assets Written Back	-
1,813,642,370	Total	-

Nepal Bank limited
Profit / Loss from Extra-ordinary Activities
Fiscal Year 2063/064 (2006/07)

Annexure
28

Previous Year Rs.	Particulars	This Year Rs.
-	1 Recovery of Write off loans	236,094,956
-	2 Voluntary Retirement Scheme Expenses	-
(4,157,999,016)	3 Loan Write off (28A)	-
4,157,999,016	Less : Provision of Written Off Loan	-
	4 Other Expenses / Income (Management Contract Fee)	-
-	Total	236,094,956



Nepal Bank Limited
Statement of Loans Written-Off
32nd Ashad, 2064 (16th July, 2007)

Annexure
28A

S.No.	Types of Loans	Written Off Amount	Type of Security	Basis of Valuation of Collateral	Loan Approved By Name / Designation	Initiations made for Recovery	Remarks
1	Working Capital Loan	-					
2	Project Loan	-					
3	Fixed Capital Loan	-					
4	Personal Loan	-					
5	Other Loan	-					
	Total Loan	-					



Nepal Bank Limited

Statement of Loan and Advances Extended to Directors/ Chief Executive/ Promoter/ Employees and Shareholders Holding More than 1 Percent Shares 32nd Ashad, 2064 (16th July, 2007)

The statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances, Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders holding more than 1 percent shares 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:

Annexure 29

Name of Promoter/ Director/ Chief Executive	Last Year's Balance		This Year's Recovery		This Year Additions	Balance as of Ashad End	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) <u>Directors</u> 1..... 2.....							
(B) <u>Chief Executive</u> 1..... 2.....							
(C) <u>Promoters</u> 1..... 2.....							
(D) <u>Employees</u> 1..... 2.....	9,625,000	13,254,000	705,000	1,807,000	46,000	8,966,000	14,624,000
(E) <u>Shareholders Holding More Than 1%</u> 1..... 2.....							
Total:	9,625,000	13,254,000	705,000	1,807,000	46,000	8,966,000	14,624,000

Nepal Bank Limited
Table of Capital Fund
32nd Ashad, 2064 (16th July, 2007)

Annexure 30

Particulars		Previous Year Rs.	This Year Rs.
(A) Core Capital		(6,374,478,825)	(6,334,738,883)
1	Paid Up Capital	380,382,600	380,382,600
2	Share Premium	-	-
3	Non Reedemabble Preference Share	-	-
4	General Reserve Fund	1,286,766,566	1,332,157,149
5	Cumulative Profit/Loss	(8,122,002,960)	(8,151,491,861)
6	Capital Redemption Reserve	-	-
7	Capital Adjustment Reserve	114,114,780	152,153,040
8	Other Free Reserve	13,548,875	13,548,875
	Less:		
	-Goodwill	-	-
	-Investment in excess of prescribed limit	(47,288,686)	(61,488,686)
	-Fictitious Assets	-	-
	-Investment in securities of companies with financial interest	-	-
(B) Supplementary Capital		520,561,287	905,453,784
1	Loan Loss Provision on Pass Loans	483,683,333	868,575,830
2	Assets Revaluation Reserve	-	-
3	Hybrid Capital Instruments	-	-
4	Unsecured Subordinated Term Debt	-	-
5	Exchange Equalization Reserve	25,734,454	25,734,454
6	Additional Loan Loss Provision	-	-
7	Investment Adjustment Reserve	-	-
8	Provision for Loss on Investment	11,143,500	11,143,500
(C) Total Capital Fund (A+B)		(5,853,917,538)	(5,429,285,099)
(D) Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets			
Core Capital	(11 Percent)	2,006,943,353	2,146,240,050
Supplementary Capital	(5.5 Percent)	1,003,471,676	1,073,120,025
Capital Fund (Excess/Short)	(-38.83 Percent)	(7,860,860,891)	(7,575,525,149)
Core Capital (Excess/Short)	(-37.97 Percent)	(7,377,950,501)	(7,407,858,908)



Nepal Bank Limited

Table of Risk Weighted Assets Statement 32nd Ashad, 2064 (16th July, 2007)

Annexure 30A

On-Balance-sheet Assets	Weightage	Previous Year		Current Year	
		Amount	Risk Weighted Assets	Amount	Risk Weighted Assets
Cash Balance	0%	1,110,953,183	-	1,086,066,645	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	5,353,964,032	-	5,224,859,643	-
Investment in Govt. Securities	0%	11,776,900,331	-	13,226,330,236	-
Investment in NRB Bonds	0%	-	-	-	-
Fully Secured loan against own Fixed Deposit Receipt	0%	156,707,902	-	92,811,292	-
Fully Secured loan against Govt. Securities	0%	553,963,719	-	551,327,000	-
Accrued interest on Government Bonds	0%	86,253,288	-	108,406,631	-
Balance with Domestic Licensed Banks and Financial Institutions	20%	291,750,931	58,350,186	328,049,616	65,609,923
Fully Secured FDR loan against Fixed Deposit Receipt of other licensed Banks and Financial Institutions	20%	146,904,869	29,380,974	257,175,000	51,435,000
Balance with foreign banks	20%	417,389,422	83,477,884	478,317,180	95,663,436
Money at Call	20%	-	-	200,000,000	40,000,000
Loan against the guarantee of internationally rated foreign banks	20%	-	-	-	-
Other Investments with internationally rated foreign banks	20%	1,827,965,000	365,593,000	1,634,982,000	326,996,400
Investments in Shares, Debentures and Bonds	100%	47,288,686	47,288,686	61,488,686	61,488,686
Other Investments	100%	849,236,591	849,236,591	1,160,522,460	1,160,522,460
Loan, Advances and Bills Purchased/Discounted	100%	11,583,977,868	11,583,977,868	12,855,306,385	12,855,306,385
Fixed Assets	100%	191,705,831	191,705,831	205,768,262	205,768,262
All other Assets (except net advance tax deposit)	100%	4,185,985,848	4,185,985,848	4,134,289,805	4,134,289,805
Net other Interest Receivable (Gross interest receivable - Interest receivable on Government Bonds - Interest Suspense)	100%	34,492,718	34,492,718	34,200,346	34,200,346
Total (A)		38,615,440,219	17,429,489,586	41,639,901,187	19,031,280,703
Off Balance Sheet Items					-
Bills Collection	0%	257,934,407	-	234,073,077	-
Forward Foreign Exchange Contract	10%	-	-	-	-
Letters of Credit with maturity of less than 6 month (full value)	20%	253,386,743	50,677,349	459,620,923	91,924,185
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	-	-	-	-
Letters of credit with maturity of more than 6 month (Full value)	50%	119,779,858	59,889,929	90,534,559	45,267,280
Bid Bond, Performance Bonds and Underwriting Commitment	50%	168,517,360	84,258,680	176,668,937	88,334,469
Advance Payment Guarantee	100%	16,103,000	16,103,000	20,242,122	20,242,122
Financial and Other Guarantee	100%	193,760,398	193,760,398	103,156,083	103,156,083
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent liability in respect of Income Tax	100%	305,709,694	305,709,694	-	-
All other contingent liabilities	100%	105,050,933	105,050,933	131,068,337	131,068,337
Total (B)		1,420,242,393	815,449,983	1,215,364,038	479,992,476
Total Risk Weighted Assets		40,035,682,612	18,244,939,569	42,855,265,225	19,511,273,179



Nepal Bank Limited

Principal Indicators

Annexure 31

Particulars		Indicators	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07
1	Percentage of Net Profit/ Gross Income	Percent	8.07	17.84	41.00	28.00	9.59
2	Earning Per Share	Rs.	66.18	186.76	455.00	317.00	59.66
3	Market Value Per Share	Rs.	225.00	225.00	225.00	225.00	225.00
4	Price Earning Ratio	Ratio	(3.40)	1.20	0.49	0.71	3.77
5	Dividend (including bonus) on Share Capital	Percent	-	-	-	-	-
6	Cash Dividend on Share Capital	Percent	-	-	-	-	-
7	Interest Income/ Loan & Advances	Percent	7.52	10.17	11.78	16.47	13.44
8	Staff Expenses/ Total Operating Expenses	Percent	45.98	57.92	53.56	47.02	52.18
9	Interest Expenses on Total Deposit and Borrowings	Percent	4.58	2.87	2.01	2.06	1.90
10	Exchange Gain/ Total Income	Percent	1.37	1.80	0.03	2.81	(2.00)
11	Staff Bonus/ Total Staff Expenses	Percent	-	0.04	16.26	11.31	2.02
12	Net Profit/ Loan and Advances	Percent	(1.39)	3.96	10.26	9.70	1.65
13	Net Profit/ Total Assets	Ratio	(0.63)	0.18	3.68	3.36	0.58
14	Total Credit/ Deposit	Percent	51.79	50.20	46.94	34.72	35.26
15	Total Operating Expenses/ Total Assets	Percent	8.42	7.23	5.18	6.32	5.49
16	Adequacy of Capital Fund on Risk Weighted Assets		-	-	-	-	-
	a. Core Capital	Percent	(29.75)	(31.70)	(25.06)	(40.44)	(37.97)
	b. Supplementary Capital	Percent	0.61	(4.50)	(4.47)	(2.65)	(0.86)
	c. Total Capital Fund	Percent	(29.14)	(36.20)	(29.53)	(43.09)	(38.83)
17	Liquidity (CRR) *	Percent	13.12	16.40	17.14	19.00	18.24
18	Non-performing Credit/ Total Credit	Ratio	60.47	52.07	49.64	18.18	13.49
19	Weighted Average Interest Rate Spread	Percent	2.94	3.16	4.40	3.16	4.51
20	Book Net-worth (Per Share)	Rs.	(2,585)	(2,370)	1,952	(1,660)	(1,640)
21	Total Shares	No.	3,803,826	3,803,826	3,803,826	3,803,826	3,803,826
22	Total Staffs	No.	5,250	3,818	2,912	2,960	2,937

* Liquidity (CRR) has been calculated on the basis of year end balance of Cash, Bank and Deposit Liabilities



Nepal Bank Limited

Kathmandu

SIGNIFICANT ACCOUNTING POLICIES

(Forming part of the Financial Statements of FY 2006/2007)

Annex 32

The financial statements of the bank are prepared in conformity with generally accepted accounting principles and directives as well as formats issued / prescribed by Nepal Rastra Bank. The significant accounting policies pursued by the Bank are as follows:

1. Income Recognition

The revenues of the bank are recognized on accrual basis except for the following transactions:

- i) Interest income on loans and advances is accounted for on cash basis.
- ii) Dividend income is accounted for on cash basis.
- iii) Commissions, fees and rental income from safe deposit vault are accounted for on cash basis.

2. Expense Recognition

The expenses of the bank are recognized on accrual basis of accounting except insurance premium.

3. Foreign Currency Transaction

- i) All foreign currency transactions during the year have been accounted at the exchange rates prevailing on the date of such transactions. The foreign currency assets and liabilities as at the close of the accounting year have been translated at the buying rate prevailing on that date.
- ii) Foreign currency exchange trading gains or losses are reflected in the Profit and Loss Account.

- iii) With regards to revaluation gain or loss, adjustment has been done as per the prevailing NRB directives. During the year the bank has sustained revaluation loss and thus no adjustment on revaluation reserve has been done.

4. Fixed Assets and Depreciation

- i) The fixed assets of the bank are accounted for on the basis of historical cost concept.
- ii) The depreciation on fixed assets is charged on the basis of Reducing Balance Method and at the rates and method specified in the Income Tax Act, 2058. However, the value of the assets whose written down value has come down to Rs. 2000 or less has been charged to the profit and loss account as terminal depreciation.

5. Non – Capitalized Assets

Capital items costing up to Rs. 2,000 per unit are fully charged as expense in the year of purchase.

6. Investments

Investments in the shares of listed companies are valued at the lower of cost or market value. Requisite provisioning has been made where market value is less than the cost price and netted off against the amount of investment.

Similarly, investments in shares of unlisted companies are valued at cost. As per NRB directives, provision at 100% has been made on such investment and netted off against the amount of investment.

7. Non-Banking Assets

In the case of Non-Banking Assets, where the arbitrate value is more than the principal amount the Non-banking Assets is accounted upto the value of principal amount and entire outstanding interest of that loan is adjusted with interest suspense account. In case arbitrate value is less than the principal of loan then Non-banking Assets is booked upto the amount of arbitrate value and remaining balance of principal and interest would be written off as per loan write off by laws.

8. Provision for Possible Losses

Provision for possible losses are made to cover the loans and advances, bills purchased and non-banking assets outstanding at the year-end. With regards to non-banking assets, the bank has followed the policy to provide 100% provision on the value of non-banking assets.

9. Pension and Gratuity

The management, for the first time in FY 2002/03 assessed the liability for pension and gratuity through actuarial valuation and decided to provide for the accrued liability over a period of 5 years.

The estimated liabilities against pension and gratuity as of 16th July 2007 amounts to Rs. 1,147,184 thousand. However, to give continuity to the management decision taken in the earlier year, an amount of Rs. 386,050 thousand is provided as provision for staff gratuity this year.

10. Income Tax and Provision

Income Tax provision is based on the prevailing Tax Laws.

11. Employees Housing Fund

The bank has been providing housing loan to its employees. Further, considering the practices followed by other identical financial institutions, the bank has not provided for a separate Employees Housing Fund as per Labor Act, 2048.

12. Regrouping and Rounding off to Nearest Rupee

The figures in the financial statements are rounded off and presented in nearest rupee. Further previous year figures have been regrouped and rearranged wherever required.



Nepal Bank Limited

Kathmandu

NOTES TO ACCOUNTS

(Forming part of the Financial Statements of FY 2006/2007)

Annex 33

1. Provision for Bonus

Nepal Rastra Bank vide its letter BSD/Offsite/AGM/32/061 dated 062/2/18, has given instruction for necessary adjustment in accordance with the decision made by HMGN / Finance Ministry to suspend distribution of bonus till the capital fund of NBL becomes positive. Bonus for FY 2060/61 had not been distributed and no provision was made for the Bonus during FY 2061/62. Nepal Rastra Bank vide its letter BFIRD/BR1/NBL/57/062/63 dated 2063/03/20 permitted for the distribution of Bonus as per the letter of Nepal Government, Ministry of Finance dated 2063/03/06 in accordance with the prevailing Bonus Act, 2030. Accordingly, Bonus for the FY 2061/62 was paid from the retained earning during FY 2063/064. Provision for Bonus for the current year has been provided in the financial statements at the rate of 10 % of the net profit (after charging bonus).

2. Reconciliation of Inter branch transactions

The reconciliation of Inter Branch Accounts is complete up to Mid July 2006. The statement of reconciliation outstanding is as follows:

Rs.'000'

Year of Transaction	Head Office Account	
	Debit Pending	Credit Pending
2060/61	1,221,595	1,529,358
2061/62	3,053,692	2,793,141
2062/63	3,405,465	3,458,516
2063/64	13,012,469	17,407,515
Total	20,693,221	25,188,530

3. Draft Paid without Notice

The outstanding amounts in draft paid without notice account pending settlement as on July 16, 2007, which will be adjusted subsequently with inter branch account, is as follows:

Period	Amount (Rs. '000')
Up to 1 Year	1,664,511
1 Year to 3 Years	119,190
More than 3 Years	<u>5,649</u>
Total:	<u>1,789,350</u>

4. **Agency Reconciliation**

Reconciliation of the Agency Accounts is complete up to the end of the fiscal year. The consolidated statement of reconciliation outstanding is as follows:

Transaction Period	Ledger Pending		Statement Pending	
	Credit	Debit	Credit	Debit
Up to 6 months	153,809	120,573	678,894	3,023,332
6 months to 1 year	2,435	4116	3,842	5,352
Above 1 year	73,320	7,588	266,725	339,910
Total	229,564	132,277	949,461	3,368,594

5. **Change in Loans and Advances**

The disbursement and recovery of loans during the fiscal year 2006/07 and the outstanding balance of loan is given below. The amount of staff loan is not included in the outstanding amount.

Rs. '000'	
Particulars	Principal Amount
Outstanding Loan of Mid July 2006	12,441,554
Disbursement during the year	<u>20,002,351</u>
Total	<u>32,443,905</u>
Recovery/Collection during the year	18,687,285
Write Off during the year	
Total Recovery / Written Off	<u>18,687,285</u>
Closing Balance on 2064.03.32 (16.7.2007)	13,756,620

Disbursement and recovery figures are inclusive of renewed facilities. The bank has waived interest (inclusive of simple, compound and Penal) amounting to Rs. 674,350 thousand in course of settlement of non-performing loans.

6. **Provision for possible Losses**

6.1 **Loan Loss Provision Written Back**

Loan loss provision on outstanding loans and advances, including bills purchase, as at the year-end has been made as per the classification and rates prescribed by Nepal Rastra Bank. Additional provision has also been

considered on the basis of analysis of the quality and classification of loan portfolios by the head office for the loans of more than Rs. 2,000 thousand. Similarly, 100% provision has been made for priority sector lending.

6.2 Non-Banking Assets

Non-banking assets acquired in settlement of outstanding loans awaiting for disposal amounted to Rs. 838,500 thousand as at the year-end. Additional provision of Rs. 42,123 thousand has been made during this year in accordance with bank's policy to provide 100% provision for non-banking assets.

6.3 Liabilities for Accumulative Leave

An amount of Rs. 150,000 thousand was provided in the FY 2002/03 to cover the liabilities for employees' accumulated leave. The balance in this account has come down to Rs. 78,386 thousand after charging the expenses incurred for accumulated leave during earlier years. As the liability on account of accumulated leave as of July 16, 2007 has been estimated at Rs. 96,398 thousand, the short provision of Rs. 18,012 thousand has been provided during this year.

6.4 Provision for Loss on Investment

During FY 2002/03, provision of Rs. 8,640 thousand was made on account of market price being lower than the cost price of the investment in shares of Gorakhkali Rubber Udyog Ltd. As of July 16, 2007, the market price has increased from Rs. 21 to Rs. 39 per share. Accordingly, there is excess provision of Rs. 2,880 thousand, which has not been written back owing to the unstable market conditions.

7. Change in Deposits

Total deposits have increased by Rs. 3,184,439 thousand in the current year as compared to that of the previous year. The statement of changes in the level of deposits is as follows:

<u>Type of Deposit</u>	<u>2063/3/32</u>	<u>Rs. '000'</u>	
		<u>2064/3/32</u>	<u>Change</u>
<u>Non Interest Bearing Accounts</u>			
Current Account	6,037,290	6,766,342	729,052
Margin Deposits	70,431	129,434	59,003
Other	371,513	297,784	-73,729

Interest Bearing Accounts:

Saving Account	24,122,924	26,427,198	2,304,274
Fixed Deposit	5,222,448	5,393,446	170,998
Money at Call	5,159	-	-5,159
Total Deposits:	35,829,765	39,014,204	3,184,439

8. Interest Spread

The interest spread for the fiscal year calculated on the basis of averages of opening and closing balances of deposits and advances are as follows:

Average interest realized on Advances	6.49 percent
Average interest paid on Deposits	1.98 percent
Average interest spread	4.51 percent

9. Borrowings

Under the Financial Sector Reform Project funded by IDA to GoN, the Subsidiary Financing Agreement between Nepal Bank Limited and Nepal Rastra Bank was made on June 29, 2004 (Asadh 15, 2061) and on January 31, 2006 (Magh 18, 2062) for the financial support (loan) to NBL to launch Voluntary Retirement Scheme and Management Contract Fee. The Bank has received total amount of Rs. 1,604,868 thousand till the end of Asadh 2064. Under these agreements, the bank has to pay 0.50% p.a. commitment fee on the amount not drawn as per the agreement and 0.75% p.a. service fee on the amount drawn.

10. Software Expenses Deferred

- i. During FY 2003-04, the cost of core banking software valued Rs. 70,277 thousand received through Nepal Rastra Bank was booked under Deferred Revenue Expenditure to be charged off equally over 5 years effective FY 2004-05 creating capital reserve which was subsequently (during FY 2005/06) transferred to Deferred Revenue (Other Liabilities). During the year Rs. 14,055 thousand has been booked as expense under deferred revenue expenditure and the same amount has also been booked as income under 'Miscellaneous Income' by transfer from Deferred Revenue.
- ii. The Bank has taken the policy of deferring the premium paid or discount amount at the time of purchase of long-term foreign bonds till the maturity period of the bonds and the amount proportionate to the deferred expenditure is written

off every year. Accordingly, Rs. 6,876 thousand has been written off this year.

11. Retirement Benefit

Retirement benefits (pension/gratuity/retirement benefit) disclosed under staff expenses include Rs. 386,050 thousand provision made for the staff pension / gratuity. For the purpose of paying off the pension / gratuity / provident fund, Nepal Bank Employees' Provident Fund Management Trust has been established and the responsibilities lie with that Trust. Hence this Financial Statements do not include the liabilities of the bank towards such pension / gratuity.

12. Income Tax and Provision

In view of the loss of Rs. 1,120,353 thousand as per the tax returns submitted last year, no provision for Income Tax has been made on the profit of this year.

Income Tax assessment of the bank is complete up-to the fiscal year 2059/60 (2002/03) and tax dues up to that period have been settled.

The Bank has submitted the tax returns along with the tax audit reports upto FY 2062/63 (2005/06). In the case of final assessment of tax, if the bank incurs any liability towards income tax, the same will be provided in the year of payment.

13. Prior Period Income and Expenses

Other Expenses under Office Overhead is inclusive of other miscellaneous expenses after adjustment of prior period income of Rs. 6,020 thousand and prior period expenses of Rs. 5,759 thousand.

14. Contigent Liabilities

- Against the deferred payment guarantees issued by the bank, claim amounting to USD 989,700.23, which is equivalent to Rs. 62,895 thousand at the exchange rate as of July 16, 2007, has been received from the beneficiary, which the bank has restrained from honoring due to stay order from the Court. Accordingly, there exists a contingent liability for the same for which no security is available.

15. Table of Liquidity Statement

The liquidity position of the bank as of the close of fiscal year is as follows:

Rs. '000'

Period	Assets	Liabilities	Gap	Cum.Gap
Up to 3 months	15,187,068	5,509,917	9,677,151	9,677,151
3 to 6 months	5,180,361	69,220	5,111,141	14,788,292
6 to 9 months	4,309,488	626	4,308,862	19,097,154
9 to 12 months	4,308,841	4624254	-315,413	18,781,741
Over 1 Year	6,335,308	28,898,609	-22,563,301	-3,781,560

16. **Capital Fund**

The statement of Capital Adequacy is provided in Annex 30 of the financial statement.

17. **Fraction Share**

The bank has issued Bonus Shares in the ratio of 2:3 as per the resolution of its 52nd Annual General Meeting held on 2052/6/27. Total amount of bonus shares has been included in the share capital. But Bonus Shares, 223 in number, could not be distributed due to fraction in numbers. Therefore, if the value of these Shares are settled by adjustment or otherwise paid in cash, the amount of paid up share capital will change accordingly.

18. **Dividend on Preference Shares**

The 8% Cumulative Preference shares of Rs. 228,000 thousand were redeemed on 2055.2.22. The dividend for the period 2054/4/1 to 2055/2/21 amounting to Rs. 16,300 thousand has not been paid. In view of accumulated loss no provision for dividend has been considered in the accounts.

19. **Change in Reserves**

- i) 20% of the net profit of the year has been transferred to General Reserve Fund (statutory requirement). Accordingly, General Reserve Fund has increased by Rs. 45,390 thousand.
- ii) Rs. 38,038 thousand equivalent to 10% of the paid up capital has been transferred to Capital Adjustment Fund from the profit of this year.

20. Subsidiary Financing Agreement

Under the Financial Sector Reform Project funded by IDA to HMG/N, the Subsidiary Financing Agreement between Nepal Bank Limited and Nepal Rastra

Bank was made on June 29, 2004 (Ashadh 15, 2061) for the financial support (loan) to NBL to launch Voluntary Retirement Scheme. The agreed amount for financing is SDR 14,934,625 repayable in 30 years (10 years grace period) starting from 2071 Baisakh end. The bank has to pay 0.50% p.a. commitment fee on the amount not drawn as per the agreement and 0.75% p.a. service fee on the amount drawn down.

Under the Financial Sector Reform Project funded by IDA to HMG/N, the Subsidiary Financing Agreement between Nepal Bank Limited and Nepal Rastra

Bank was made on January 31, 2006 (Magh 18, 2062) for the financial support (loan) to NBL to continue the Management Contract. The agreed amount for financing is SDR 2,085,000 repayable in 30 years (10 years grace period). The bank has to pay 0.50% p.a. commitment fee on the amount not drawn as per the agreement and 0.75% p.a. service fee on the amount drawn down.

21 Take Over of Management by Nepal Rastra Bank

The management of Nepal Bank Limited was taken over by Nepal Rastra Bank on 2058/12/1 (Mid March 2001). It has formed 3 members Management Committee for the operation of the bank. Subsequently, under the Financial Sector Reform Program of HMG/N, it has appointed Bank of Scotland (Ireland) Limited, ICC Consulting for restructuring and operation of the bank effective July 22, 2002 for the initial period of 2 years subject to renewal. On expiry of the contract of ICC Consulting on July 22, 2007, the NRB has appointed 3 member Management Team for operation of the bank.

As per the subsidiary loan agreement with NRB, the cost of management contract for the period from 22nd July 2005 to 21st July 2007 has to be borne by NBL Accordingly; Rs. 71,037 thousand spent during this year is included under Other Expenses.