

BANK OF KATHMANDU LTD.
BALANCE SHEET
AS AT JULY 16, 2007

Amt. in NPR

CAPITAL AND LIABILITIES	SCH	Current Year	Previous Year
1. Share Capital	1	603,141,300	463,580,900
2. Reserves and Funds	2	378,837,432	376,152,981
3. Debentures & Bonds	3	200,000,000	200,000,000
4. Borrowings	4	730,000,000	553,180,000
5. Deposits	5	12,388,927,294	10,485,359,239
6. Bills Payable	6	25,776,722	11,621,657
7. Proposed and Dividend Payable		135,575,231	98,711,520
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	107,840,825	89,723,005
T O T A L CAPITAL AND LIABILITIES		14,570,098,804	12,278,329,302

ASSETS	SCH	Current Year Rs.	Previous Year Rs.
1. Cash Balance	8	219,042,572	184,019,718
2. Balance with Nepal Rastra Bank	9	883,495,841	349,295,702
3. Balance with Banks/Financial Institutions	10	213,365,528	195,381,672
4. Money at Call and Short Notice	11	259,278,628	594,047,379
5. Investments	12	2,992,433,866	3,374,711,966
6. Loans, Advances and Bills Purchase	13	9,399,327,617	7,259,082,579
7. Fixed Assets	14	320,846,395	110,745,198
8. Non Banking Assets	15	3,625,715	7,356,136
9. Other Assets	16	278,682,642	203,688,954
T O T A L ASSETS		14,570,098,804	12,278,329,302

Contingent Liabilities	Schedule 17
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Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

The above schedules are integral part of this Balance Sheet .

Date: 14th October, 2007

Place: Kathmandu

.....
Manish Kumar Singh
Head - Finance

.....
Radhesh Pant
Managing Director

.....
Sudarshan Raj Poudel
Director

.....
Bishnu Prasad Banjade
Director

.....
Bal Ram Neupane
Director

.....
Rita Malla
Director

.....
Sita Ram Thapaliya
Director

.....
Sanjay B. Shah
Chairman

As per our attached report of even date

.....
Soyambu K Kansakar, FCA
S.K. Kansakar & Co.

BANK OF KATHMANDU LTD.
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD JULY 17, 2006 TO JULY 16, 2007

Amt. in NPR

Particulars	SCH	Current Year	Previous Year
1. Interest Income	18	819,003,947	718,121,378
2. Interest Expenses	19	339,181,011	308,155,647
Net Interest Income		479,822,936	409,965,730
3. Commission and Discount	20	97,431,129	70,776,158
4. Other Operating Income	21	19,002,897	16,967,545
5. Exchange Fluctuation Income	22	80,826,013	78,955,495
Total Operating Income.		677,082,975	576,664,929
6. Staff Expenses	23	69,740,384	59,119,564
7. Other Overhead Expenses	24	138,429,941	117,591,235
8. Exchange Fluctuation Loss	22	-	-
Operating Profit before provision for possible losses		468,912,650	399,954,129
9. Provision for Possible Losses	25	81,894,981	78,381,056
Operating Profit		387,017,669	321,573,073
10. Non Operating Income /Loss	26	(2,779,849)	1,090,139
11. Provision Written Back	27	37,103,885	103,871,477
Profit from Regular Operations		421,341,705	426,534,689
12. Profit/Loss from extra-ordinary Activities	28	411,150	(95,205,482)
Net profit after considering all activities		421,752,855	331,329,207
13. Provision for Staff Bonus		38,341,169	30,120,837
14. Provision for Income Tax		121,024,706	98,767,743
* Current Year's		115,424,706	93,235,553
* Previous Year's		5,600,000	5,532,190
Net Profit/Loss		262,386,980	202,440,627

The above schedules are integral part of this Profit & Loss Account

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Head - Finance

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Managing Director

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Chartered Accountants

BANK OF KATHMANDU LTD.
PROFIT AND LOSS APPROPRIATION ACCOUNT
FISCAL YEAR 2006/2007

Amt. in NPR

Particulars	Current Year	Previous Year
INCOME		
1. Accumulated Profit up to Last Year	8,312,349	988,740
2. Current Year's Profit	262,386,980	202,440,627
3. Exchange Equalization Fund	-	-
4. Transferred from Capital Adjustment Reserve	-	139,074,270
Total	270,699,329	342,503,637
EXPENSES		
1. Accumulated Loss up to Last Year	-	-
2. Current Year's Loss	-	-
3. General Reserve	52,477,396	40,488,125
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserve Fund	-	-
8. Proposed Dividend	120,628,260	83,444,562
9. Proposed issue of Bonus Shares	-	139,074,270
10. Special Reserve Fund	-	-
11. Exchange Equalization Fund	2,012,960	2,517,043
12. Capital Redemption Reserve Fund	-	-
13. Capital Adjustment Fund	60,314,130	46,358,090
14. BOK Bond - 2069 Redemption Reserve	28,571,429	22,309,198
Total	264,004,175	334,191,288
15. Accumulated Profit/(Loss)	6,695,154	8,312,349

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BANK OF KATHMANDU LTD.
CASH FLOW STATEMENT
FROM JULY 17, 2006 TO JULY 16, 2007

Amt. in NPR

Previous Year	Particulars	Current Year
	(A) CASH FLOW FROM OPERATION	
839,758,005	1. Cash Receipt	957,003,987
682,260,740	1.1 Interest Income	771,065,694
70,776,158	1.2 Commission and Discount Income	97,431,129
68,887,323	1.3 Foreign Exchange Income	72,774,174
-	1.4 Recovery of written off Loan	-
866,239	1.5 Non-Operating Income	(3,269,907)
16,967,545	1.6 Other Income	19,002,897
570,866,447	2. Cash Payment	664,951,336
308,155,647	2.1 Interest Expenses	339,181,011
59,119,564	2.2 Employee Expenses	69,740,384
117,591,235	2.3 Office Overhead Expenses	138,429,941
-	2.4 Exchange Loss	-
86,000,000	2.5 Income Tax Payment	117,600,000
-	2.6 Non-Operating Expenses	-
-	2.7 Other Expenses	-
268,891,558	CASH FLOW BEFORE WORKING CAPITAL ACTIVITIES	292,052,651
(1,772,590,684)	CHANGES IN CURRENT ASSETS	(920,919,694)
(265,173,522)	1. Changes in Money at Call and Short Notice	334,768,750
(248,943,941)	2. Changes in other short term Investments	838,219,860
(1,346,503,107)	3. Changes in Loans, Advances and Bills Purchased	(2,140,245,038)
88,029,886	4. Changes in Other Assets	46,336,734
1,858,466,958	CHANGES IN CURRENT LIABILITIES	1,825,150,571
1,509,578,372	1. Changes in Deposits	1,903,568,055
-	2. Changes in certificate of deposits	-
547,180,000	3. Changes in short term borrowings	176,819,999
(198,291,414)	4. Changes in Other Liabilities	(255,237,483)
(506,944,334)	(B) CASH FLOW FROM INVESTING ACTIVITIES	(617,614,646)
(527,514,615)	1. Changes in long term investment	(455,941,759)
(15,514,256)	2. Changes in fixed assets	(210,101,197)
35,860,637	3. Interest income from long term investments	47,938,252
223,900	4. Dividend income	490,058
-	5. Others	-
130,284,939	(C) CASH FLOW FROM FINANCING ACTIVITIES	486,130
200,000,000	1. Changes in long term debt (bonds ,debentures etc)	-
-	2. Changes in share capital	139,560,400
(69,715,061)	3. Changes in other liabilities	(139,074,270)
-	4. Changes in subsidies /refinance from NRB	-
10,068,172	(D) INCOME /EXPENSES FROM CHANGES IN EXCHANGE RATE	8,051,839
(11,823,392)	(E) CURRENT YEAR'S CASH FLOW FROM ALL ACTIVITIES	587,206,851
740,520,482	(F) OPENING CASH & BANK BALANCE	728,697,090
728,697,090	(G) CLOSING CASH & BANK BALANCE	1,315,903,941

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BANK OF KATHMANDU LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JULY 17, 2006 TO JULY 16, 2007

Amt. in NPR

Particulars	Share Capital	Accumulated Profit/(Loss)	General Reserve	Capital Reserve	Share Premium	Exchange Fluctuation Fund	Other Reserves	Total
Opening Balance (as at July 17, 2006)	463,580,900	8,312,349	145,305,023	164,075	-	14,629,976	207,741,558	839,733,881
Changes in accounting policy	-	-	-	-	-	-	-	-
Restated Balance	463,580,900	8,312,349	145,305,023	164,075	-	14,629,976	207,741,558	839,733,881
Surplus on Revaluation of properties	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-
Exchange fluctuation fund	-	-	-	-	-	-	-	-
Net Gains & Losses not recognized in the income statement	-	-	-	-	-	-	-	-
Net profit for the period	-	262,386,980	-	-	-	-	-	262,386,980
Transfer to General Reserve	-	(52,477,396)	52,477,396	-	-	-	-	-
Proposed Dividend/Bonus	-	(120,628,260)	-	-	-	-	-	(120,628,260)
Issue of Share Capital	139,560,400	-	-	-	-	-	(139,074,270)	486,130
Deficit on revaluation of properties	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investment	-	-	-	-	-	-	-	-
Exchange fluctuation fund	-	(2,012,960)	-	-	-	2,012,960	-	-
Capital Adjustment Fund	-	(60,314,130)	-	-	-	-	60,314,130	-
Transfer from Capital Adjustment Fund	-	-	-	-	-	-	-	-
BOK Bond Redemption Reserve	-	(28,571,429)	-	-	-	-	28,571,429	-
Closing Balance (As at July 16, 2007)	603,141,300	6,695,154	197,782,419	164,075	-	16,642,936	157,552,847	981,978,731

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** Note: Amount received from shareholders for rounding off of the shares.

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SHARE CAPITAL AND OWNERSHIP
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
	1.Share Capital	
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	A) 10,000,000 Ordinary Shares of Rs. 100 each	1,000,000,000
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-
500,000,000	1.2 Issued Capital	606,173,300
500,000,000	A) 6,061,733 Ordinary Shares of Rs. 100 each	606,173,300
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-
463,580,900	1.3 Paid Up Capital	603,141,300
463,580,900	A) 6,031,413 Ordinary Shares of Rs. 100 each	603,141,300
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-

SHARE OWNERSHIP

Shares Capital	%	Particulars	%	Shares Capital
193,976,600	42%	1. Promoter	42%	252,170,000
-	0%	1.1 Government of Nepal	0%	-
-	0%	1.2 Foreign Institutions	0%	-
-	0%	1.3 "A" class Licensed Institutions	0%	-
-	0%	1.4 Other Licensed Institutions	0%	-
9,831,500	2%	1.5 Other Institutions	2%	12,781,000
184,145,100	40%	1.6 Individuals	40%	239,389,000
-	0%	1.7 Others	0%	-
269,604,300	58%	2. General Public	58%	350,971,300
463,580,900	100%	Total	100%	603,141,300

List of Shareholders holding more than 0.5% shares

S.N	Name of Shareholders	Paid-up Amount	%	Type
1	SHARDA SINGH	23,737,800	3.94%	Promoter
2	DAMBER BAHADUR MALLA	21,942,700	3.64%	Promoter
3	RAN BAHADUR SHAH	19,310,200	3.20%	Promoter
4	YADAV PRASAD PANT	17,798,300	2.95%	Promoter
5	RITA MALLA	15,533,500	2.58%	Promoter
6	NEPAL MENTHA PRODUCTS Ltd.	12,781,000	2.12%	Promoter
7	PREM BAHADUR SHRESTHA	11,744,200	1.95%	Promoter
8	BHUBNESHWORI SHRESTHA	11,273,100	1.87%	Promoter
9	BIJAY KRISHNA SHRESTHA	10,985,000	1.82%	Promoter
10	ALOK SINGH	10,341,300	1.71%	Promoter
11	ANJAY BAHADUR SHAH	9,022,000	1.50%	Promoter
12	AMBIKA SHAH	8,112,000	1.34%	Promoter
13	NAMRATA SHARMA	7,826,000	1.30%	Promoter
14	SANTBAR SINGH THAPA	5,846,100	0.97%	Promoter
15	PARATAPBAR SINGH THAPA	4,972,000	0.82%	Promoter
16	SATYA NARAYAN MANANDHAR	4,664,400	0.77%	Promoter
17	GANESH KUMAR AGRAWAL	4,550,000	0.75%	Promoter
18	NIRMAL KUMAR AGRAWAL	4,550,000	0.75%	Promoter
19	GAURI SHRESTHA	4,175,000	0.69%	Promoter
20	PARMESHWOR Pd. RAUNIYAR	3,890,400	0.65%	Promoter
21	BHUPENDRA KARKI	3,650,400	0.61%	Promoter
22	DEEPAK KUMAR MALAHOTRA	3,650,400	0.61%	Promoter
23	SHREE BHANDARI	3,250,000	0.54%	Promoter
24	RAMESH NATH DHUNGEL	3,042,000	0.50%	Promoter
25	SHUBHAM ENTERPRISES	11,971,400	1.98%	Public
26	SARANA SHRESTHA	7,966,400	1.32%	Public
27	DREAMS INVESTMENT	7,281,500	1.21%	Public
28	NEPAL MENTHA PRODUCTS Ltd.	6,614,100	1.10%	Public
29	GAURI SHRESTHA	6,052,900	1.00%	Public
30	HARATI INVESTMENT	5,174,000	0.86%	Public
31	CHOPNARAYAN SHRESTHA	4,120,900	0.68%	Public
32	DAMBAR BAHADUR MALLA	3,380,000	0.56%	Public
33	RITA MALLA	3,380,000	0.56%	Public
34	ANJANA KUMAR AGRAWAL	3,380,000	0.56%	Public
35	AKASH KUMAR AGRAWAL	3,352,700	0.56%	Public
36	LALIT KUMAR AGRAWAL	3,203,200	0.53%	Public

[Forfeited but not issued number of shares 4,505]

RESERVES AND FUNDS

A S AT JULY 16 , 2007

Amt.in NPR

Previous Year	Particulars	Current Year
145,305,023	1. General Reserve Fund	197,782,419
139,074,270	2. Proposed Bonus Share	-
164,075	3. Capital Reserve Fund	164,075
-	4. Capital Redemption Reserve	-
46,358,090	5. Capital Adjustment Reserves	106,672,220
22,309,198	6. Other Reserve Fund	50,880,627
-	a) Contingent Reserve	-
-	b) Bank Development Fund	-
-	c) Dividend Equalization Fund	-
-	d) Special Reserve Fund	-
-	e) Assets Revaluation Reserve	-
-	f) Other Free Reserves	-
22,309,198	g) Bond Redemption Reserve	50,880,627
8,312,349	7. Accumulated Profit/Loss	6,695,154
14,629,976	8. Exchange Equalization Fund	16,642,936
376,152,981	Total	378,837,432

DEBENTURES AND BONDS

A S AT JULY 16 , 2007

Amt. in NPR

Previous Year	Particulars	Current Year
200,000,000	1 6% Bond/Debentures of Rs 1000 each Issued on 5th October 2005 and maturity at 4th October 2012 A.D. (Outstanding balance of Redemption Reserve Rs 50,880,626)	200,000,000
-	2% Bond/Debentures of Rs.....each Issued on and matured on (Outstanding balance of Redemption Reserve Rs.....)	-
-	3% Bond/Debentures of Rs.....each Issued on and matured on (Outstanding balance of Redemption Reserve Rs.....)	-
200,000,000	Total (1+2+3)	200,000,000

Note: Securities have not been pledged while issuing BOK Bond

BORROWINGS

A S AT JULY 16 , 2007

Amt. in NPR

Previous Year	Particulars	Current Year
550,000,000	A. Local	730,000,000
-	1. Government OF Nepal	-
-	2. Nepal Rastra Bank (Under Standing Liquidity Facility)	360,000,000
-	3. Repo Obligations	-
550,000,000	4. Inter Bank and Financial institutions	370,000,000
-	5. Other Financial Institutions	-
-	6. Others	-
3,180,000	B. Foreign	-
3,180,000	1. Banks	-
	2. Other	
553,180,000	Total (A+B)	730,000,000

DEPOSITS
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
	1. Non Interest-bearing accounts	
1,409,104,116	A. Current Deposits	1,661,775,129
1,218,750,825	1. Local Currency	1,490,705,139
321,916,521	1.1 Government of Nepal	296,835,704
15,210,294	1.2 "A" Class Licensed Institutions	61,549,481
190,366,196	1.3 Other Licensed Institutions	47,620,316
594,388,278	1.4 Other Organized Institutions	932,285,788
90,193,775	1.5 Individuals	129,911,870
6,675,762	1.6 Others	22,501,980
190,353,291	2. Foreign Currency	171,069,990
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Institutions	-
179,439,736	2.4 Other Organized Institutions	160,944,003
10,913,554	2.5 Individuals	10,125,987
-	2.6 Others	-
98,102,518	B. Margin	169,040,753
-	1. Employees Guarantee	-
53,084,012	2. Guarantee Margin	55,793,097
45,018,506	3. Letter of Credit Margin	113,247,656
67,875,666	C. Other	27,171,742
67,875,666	1. Local Currency	27,171,742
11,550,001	1.1 Financial Institutions	-
56,325,665	1.2 Other Organized Institutions	27,171,742
-	1.3 Individuals	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
1,575,082,299	Total of Non-interest bearing accounts	1,857,987,624

continued

Amt. in NPR

Previous Year	Particulars	Current Year
	2. Interest-bearing accounts	
4,581,964,433	A. Saving Deposits	5,527,292,363
4,297,277,457	1. Local Currency	5,298,797,635
263,345,827	1.1 Organized Institutions	292,485,330
3,986,001,379	1.2 Individuals	4,958,487,079
47,930,252	1.3 Others	47,825,226
284,686,977	2. Foreign Currency	228,494,728
145,740,487	2.1 Organized Institutions	107,122,244
138,946,489	2.2 Individuals	121,372,484
-	2.3 Others	0
2,709,753,765	B. Fixed Deposits	3,037,170,561
1,940,077,065	1. Local Currency	2,216,461,386
1,462,066,545	1.1 Organized Institutions	1,632,090,579
478,010,520	1.2 Individuals	404,070,807
-	1.3 Others	180,300,000
769,676,700	2. Foreign Currency	820,709,175
459,420,000	2.1 Organized Institutions	682,838,075
310,256,700	2.2 Individuals	137,871,100
-	2.3 Others	-
1,618,558,742	C. Call Deposits	1,966,476,746
1,589,835,206	1. Local Currency	1,927,398,657
-	1.1 "A" Class Licensed Institutions	3,557,313
629,236,166	1.2 Other Licensed Institutions	125,101,007
905,110,357	1.3 Other Organized Institutions	1,763,210,676
52,280,065	1.4 Individuals	35,528,661
3,208,619	1.5 Others	1,000
28,723,536	2. Foreign Currency	39,078,089
-	2.1 "A" Class Licensed Institutions	1,365,607
-	2.2 Other Licensed Institutions	36,179,822
28,723,536	2.3 Other Organized Institutions	1,532,660
-	2.4 Individuals	-
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institutions	-
-	2. Individual	-
-	3. Others	-
8,910,276,940	Total of Interest bearing accounts	10,530,939,670
10,485,359,239	TOTAL DEPOSITS	12,388,927,294

BILLS PAYABLE
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
10,968,817	1. Local Currency	17,694,536
652,840	2. Foreign Currency	8,082,186
11,621,657	Total	25,776,722

OTHER LIABILITIES
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
-	1. Pension/Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
30,120,837	4. Provision for Staff Bonus	38,341,169
34,340,775	5. Interest Payable on Deposits	34,094,645
295,221	6. Interest Payable on Borrowings	281,573
6,036,908	7. Interest Payable on Debenture	6,005,830
1,450,015	8. Unearned Discount and Commission	3,637,485
3,956,181	9. Sundry Creditors	7,826,039
-	10. Branch Adjustment Account	-
13,523,067	11. Others	17,654,084
500,000	a. Audit fee	615,000
13,023,067	c. Others	17,039,084
89,723,005	Total	107,840,825

CASH BALANCE
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
171,213,165	1. Local Currency (including coin)	197,994,476
12,806,553	2. Foreign Currency	21,048,096
184,019,718	Total	219,042,572

BALANCE WITH NEPAL RASTRA BANK
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Local Currency	Foreign Currency			Current Year
			INR	Convertible	Total	
349,295,702	1. Nepal Rastra Bank	877,085,365	-	6,410,476	6,410,476	883,495,841
405,431,004	a. Current Account	884,171,443	-	6,410,476	6,410,476	890,581,919
(56,135,303)	b. Other Account	(7,086,078)	-	-	-	(7,086,078)
349,295,702	Total	877,085,365	-	6,410,476	6,410,476	883,495,841

BALANCE WITH BANKS/FINANCIAL INSTITUTIONS
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Local Currency	Foreign Currency (In NPR)			Current Year
			INR	Convertible FCY	Total	
24,844,902	1. Local Licensed Institution	47,342,034	-	1,101,294	1,101,294	48,443,328
24,844,902	a. Current Account	47,342,034	-	1,101,294	1,101,294	48,443,328
-	b. Other Account	-	-	-	-	-
170,536,770	2. Foreign Banks	-	45,877,827	119,044,373	164,922,201	164,922,200
170,536,770	a. Current Account	-	45,877,827	119,044,373	164,922,201	164,922,200
-	b. Other Account	-	-	-	-	-
195,381,672	Total	47,342,034	45,877,827	120,145,667	166,023,494	213,365,528

Note: As per the statements of the related banks, the balance amount is NPR 1,466,185,341

Differences are near to the year-end transactions, which have been identified & being reconciled.

MONEY AT CALL AND SHORT NOTICE
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year
-	1. Local Currency	-
594,047,379	2. Foreign Currency	259,278,628
594,047,379	Total	259,278,628

INVESTMENTS
A S AT JULY 16 , 2007

Amt. in NPR

Previous Year	Particulars	Purpose		Current Year
		Trading	Others	
2,072,383,445	1. GON Treasury Bills	-	1,387,388,880	1,387,388,880
-	2. GON Saving Bonds	-	-	-
585,985,612	3. GON Other securities	-	944,652,371	944,652,371
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
-	6. Local Licensed Institutions	-	-	-
622,891,216	7. Foreign Banks	-	572,982,175	572,982,175
23,162,000	8. Corporate Shares	-	25,562,000	25,562,000
73,705,892	9. Corporate Bonds and Debentures	-	64,606,896	64,606,896
-	10. Other Investments	-	-	-
3,378,128,166	Total Investment	-	2,995,192,322	2,995,192,322
3,416,200	Provision	-	2,758,456	2,758,456
3,374,711,966	Net Investment	-	2,992,433,866	2,992,433,866

Schedule 12 (a)

INVESTMENTS IN SHARES, DEBENTURES AND BONDS

A S AT JULY 16 , 2007

Amt. in NPR

Previous Year	Particulars	Cost Price	Market Price	Provision
23,162,000	1. Investment in Shares	25,562,000	22,796,700	1,341,400
3,000,000	1.1 Central Region Rural Development Bank 30,000 Ord. Shares of Rs.100/- paid up	3,000,000	NA	-
5,195,000	1.2 Rural Micro Finance Development Centre Ltd. 51,950 Ord. Shares of Rs.100/- paid up	5,195,000	NA	-
1,200,000	1.3 Chhimek Bikash Bank 36,000 Ord. Shares of Rs. 100/- paid up	3,600,000	8,712,000	-
353,000	1.4 Credit Information Bureau 3,530 Ord. Shares @ Rs. 100/- paid up	353,000	NA	-
13,414,000	1.5 Himalayan Distillery Ltd. 134,140 Ord. Shares @ Rs. 100/- paid up	13,414,000	14,084,700	1,341,400
-				
73,705,892	2. Investment in Debentures and Bond	64,606,896	63,189,840	1,417,056
73,705,892	2.1 4.75% USD Bond of State Bank of India, Face value USD1,000,000 at the price of 99.30 , maturing on 08, december 2009	64,606,896	63,189,840	1,417,056
96,867,892	Total Investment	90,168,896	85,986,540	2,758,456
	3. Provision for Loss			
351,750	3.1 Up to previous year	3,416,200	-	3,416,200
3,064,450	3.2 Addition/Deduction this year	(657,744)	-	(657,744)
3,416,200	Total Provision	2,758,456	-	2,758,456
93,451,692	Net Investment	87,410,440	85,986,540	-

Note : Organizations not declaring Dividend since last 3 years.

(a) Himalayan Distillery Ltd

(b) Central Region Rural Development Bank

CLASSIFICATION OF LOANS & BILLS PURCHASED AND PROVISIONING
A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Loans & Advances					Bill Purchased/Discounted			Current Year
		Domestic			Foreign	Total	Domestic	Foreign	Total	
		Priority Sector		Other						
		Insured	Uninsured							
7,285,076,453	1. Performing Loan									9,450,805,704
7,123,200,804	1.1 Pass Loan	40,597,563	549,560,250	8,725,597,802	-	9,315,755,615	10,096,436	20,955,158	31,051,594	9,346,807,209
161,875,649	1.2 Restructured Loan	-	20,232,409	83,766,086	-	103,998,495	-	-	-	103,998,495
203,624,470	2. Non-Performing Loan	8,666,357	24,791,906	209,837,987	-	243,296,250	-	-	-	243,296,250
71,610,921	2.1 Substandard	-	-	39,863,342	-	39,863,342	-	-	-	39,863,342
8,804,237	2.2 Doubtful	-	20,569,085	16,006,998	-	36,576,083	-	-	-	36,576,083
123,209,312	2.3 Loss	8,666,357	4,222,821	153,967,647	-	166,856,825	-	-	-	166,856,825
7,488,700,923	(A) Total Loan	49,263,920	594,584,565	9,019,201,875	-	9,663,050,360	10,096,436	20,955,158	31,051,594	9,694,101,954
	3. Loan Loss Provision									
70,834,087	3.1 Pass	101,494	5,495,602	87,255,978	-	92,853,074	100,964	209,552	310,516	93,163,590
20,234,456	3.2 Restructured	-	2,529,051	10,470,761	-	12,999,812	-	-	-	12,999,812
17,902,730	3.3 Substandard	-	-	9,965,836	-	9,965,836	-	-	-	9,965,836
4,402,118	3.4 Doubtful	-	10,284,543	8,003,499	-	18,288,042	-	-	-	18,288,042
116,244,952	3.5 Loss	2,166,589	4,222,821	153,967,647	-	160,357,057	-	-	-	160,357,057
229,618,344	(B) Total Provisioning	2,268,083	22,532,017	269,663,721	-	294,463,821	100,964	209,552	310,516	294,774,337
	4. Provision up to earlier year									
56,712,104	4.1 Pass	132,640	4,188,968	66,223,902	86,697	70,632,207	164,605	37,275	201,880	70,834,087
18,695,892	4.2 Restructured	-	-	20,234,456	-	20,234,456	-	-	-	20,234,456
22,086,406	4.3 Substandard	-	-	17,902,730	-	17,902,730	-	-	-	17,902,730
42,119,735	4.4 Doubtful	-	-	4,402,118	-	4,402,118	-	-	-	4,402,118
129,851,409	4.5 Loss	2,321,453	-	113,923,499	-	116,244,952	-	-	-	116,244,952
269,465,548	(C) Total Provision Upto Last Year	2,454,093	4,188,968	222,686,705	86,697	229,416,463	164,605	37,275	201,880	229,618,343
(100,880,844)	(D) Previous Year's Provision Written back	-	-	(13,008,566)	-	(13,008,566)	-	-	-	(13,008,566)
61,033,640	(E) This year's additional provision	(186,010)	18,343,049	59,985,582	(86,697)	78,055,924	(63,641)	172,277	108,636	78,164,560
(39,847,204)	(F) Net adjustment this year	(186,010)	18,343,049	46,977,016	(86,697)	65,047,358	(63,641)	172,277	108,636	65,155,994
7,259,082,579	Net Loan (A-B)	46,995,837	572,052,548	8,749,538,154	-	9,368,586,539	9,995,472	20,745,606	30,741,078	9,399,327,617

**SECURITY WISE
LOAN, ADVANCES AND BILLS PURCHASED
A S AT J U L Y 1 6 , 2 0 0 7**

Amt. in NPR

Previous Year	Particulars	Current Year
7,488,700,923	(A) Secured	9,694,101,954
5,693,743,083	1. Collateral of Movable/Immovable Assets	7,857,621,068
-	2. Guarantee of Local Licensed Institutions	-
1,850,176	3. Government Guarantee	6,781,247
58,394,852	4. Internationally Rated Bank Guarantee	32,425,000
77,481,951	5. Export Documents	97,270,556
1,186,592,360	6. Fixed Deposit Receipts	1,183,467,586
409,907,606	a. Own F.D.R.	294,652,690
776,684,755	b. F.D.R. of Other Licensed Institutions	888,814,896
147,103,246	7. Government Bonds	155,836,326
-	8. Counter Guarantee	-
-	9. Personal Guarantee	-
323,535,255	10. Other Securities	360,700,171
-	(B) Unsecured	-
7,488,700,923	TOTAL	9,694,101,954

FIXED ASSETS

A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Assets					Current Year
		Building	Vehicle	Machinery	Office Equipment	Others	
	1. <u>At Cost</u>						
156,768,615	a. Previous Year Balance	-	49,679,079	-	126,029,244	13,841,451	189,549,774
34,976,274	b. Addition during the Year	60,832,864	18,511,265	-	17,896,108	3,036,891	100,277,128
-	c. Revaluation/Written back during the year	-	-	-	-	-	-
(2,195,115)	d. Sale during the Year	-	(12,079,800)	-	-	-	(12,079,800)
-	e. Written off during the Year	-	(1,544,686)	-	(5,892,662)	(90,592)	(7,527,940)
189,549,774	Total Cost (a+b+c+d+e)	60,832,864	54,565,858	-	138,032,690	16,787,750	270,219,162
	2. <u>Depreciation</u>						
88,207,638	a. Up to Previous Year	-	21,893,935	-	78,275,714	8,076,341	108,245,990
21,827,885	b. For this Year	3,029,629	7,387,355	-	14,791,968	1,809,437	27,018,389
(1,789,532)	c. Depreciation adjusted on sold assets	-	(7,591,464)	-	-	-	(7,591,464)
-	d. Depreciation on revaluation/written back	-	(910,778)	-	(4,837,866)	(61,947)	(5,810,591)
108,245,990	Total Depreciation	3,029,629	20,779,049	-	88,229,816	9,823,831	121,862,324
81,303,784	3. <u>Written Down Value (1-2)</u>	57,803,235	33,786,809	-	49,802,874	6,963,919	148,356,837
-	4. <u>Land</u>	145,953,732	-	-	-	-	145,953,732
-	5. <u>C-W-I-P (Pending Capitalization)</u>	-	-	-	-	-	-
29,441,414	6. <u>Leasehold Assets</u>	-	-	-	-	26,535,826	26,535,826
26,669,965	a. Previous Year Balance	-	-	-	-	29,441,414	29,441,414
6,650,949	b. Addition during the Year	-	-	-	-	12,903,937	12,903,937
-	c. Sale (Transfer to building) during the Year	-	-	-	-	(13,121,064)	(13,121,064)
(3,879,500)	d. Amortization	-	-	-	-	(2,688,461)	(2,688,461)
-	e. Depreciation on revaluation/written back	-	-	-	-	-	-
110,745,198	TOTAL (3+4+5)	203,756,967	33,786,809	-	49,802,874	33,499,745	320,846,395

NON BANKING ASSETS

A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Name & Address of Borrower or Party	Taken over date	Total Amount of Non Banking Assets	Loss Provision		Current Year (Net)
				In %	In Amount	
478,000	Ayusha Garment	14-Jul-03	-	0%	-	-
569,000	Ayusha Garment	14-Jul-03	-	0%	-	-
324,000	Ayusha Garment	14-Jul-03	-	0%	-	-
19,800,925	Biswas Readymade Garment	13-Jul-03	-	0%	-	-
324,618	Shree Manjushree Chimni Itta Bhatta	3-Jul-03	324,618	100%	324,618	-
140,400	Anu crafts	18-Apr-04	140,400	100%	140,400	-
2,274,000	Unnat Industries Pvt. Ltd.	9-Jul-03	2,274,000	100%	2,274,000	-
190,650	K C Company Pvt. Ltd.	3-Jul-03	-	0%	-	-
7,700,000	The Gorkha Engineering & Service Int'l Pvt. L	25-Aug-00	5,625,000	100%	5,625,000	-
278,425	Biswas Readymade Garment	22-Apr-04	278,425	100%	278,425	-
722,859	Durga Oil Mill (Hetauda Branch)	14-Jul-05	722,859	75%	542,144	180,715
12,635,000	Jay Balaji/Jay Shiva Shakti	10-Jul-05	12,635,000	75%	9,476,250	3,158,750
1,145,000	Jay Balaji/Jay Shiva Shakti	10-Jul-05	1,145,000	75%	858,750	286,250
(39,226,741)	Less : Provision					
7,356,136	Grand Total		23,145,302		19,519,587	3,625,715

OTHER ASSETS

A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars		Current Year
2,815,883	1. Stationery Stock		5,114,380
57,258,975	2. Income Receivable on Investments		39,464,325
30,615,858	3. Accrued Interest on Loan	17,490,004	959,411
(17,834,201)	Less: Interest Suspense Account	(16,530,593)	
-	4. Commission Receivable		-
11,479,229	5. Sundry Debtors	9,195,329	8,056,811
(1,138,518)	Less: Provision for loss	(1,138,518)	
26,834,799	6. Staff Loan and Advances		29,902,081
8,916,208	7. Prepayments		8,705,553
-	8. Cash in Transit		-
60,997,851	9. Other Transit items (including cheques)		68,479,490
-	10. Drafts paid without Notice		-
10,453,190	11. Expenses Not Written Off (Deferred Revenue Exp)		8,918,348
-	12. Branch Adjustment Account		-
13,289,681	13. Others		109,082,243
10,473,466	(a) Advance tax		32,535,860
2,816,214	(b) Others		76,546,383
203,688,954	TOTAL		278,682,642

OTHER ASSETS (Additional Statement)

A S AT J U L Y 1 6 , 2 0 0 7

Amt. in NPR

Previous Year	Particulars	Current Year			
		Up to 1 Year	1 to 3 Years	Above 3 Years	Total
30,615,858	1. Accrued Interest on Loan	2,048,058	7,157,649	8,284,297	17,490,004
-	2. Drafts paid without Notice	-	-	-	-
-	3. Branch Adjustment Account	-	-	-	-
30,615,858	Total	2,048,058	7,157,649	8,284,297	17,490,004

CONTINGENT LIABILITIES**A S AT JULY 16 , 2007***Amt. in NPR*

Previous Year	Particulars	Current Year
21,676,575	1. Claims but not accepted by Bank	21,676,575
745,325,706	2. Letter of Credit (Full amount)	1,257,032,793
706,452,077	a. Below 6 months	1,230,485,430
38,873,629	b. Above 6 months	26,547,363
-	3. Rediscounted Bills	-
312,752,813	4. Unmatured Guarantees/Bonds	373,354,420
24,517,292	a. Bid Bond	43,102,080
288,235,521	b. Performance Bond	330,252,340
-	c. Other Guarantee/Bonds	-
-	5. Unpaid Shares in Investment	-
-	6. Forward Exchange Contract Liabilities	14,136,136
7,865,890	7. Bills Under Collection	25,568,983
33,446,182	8. Acceptance and Endorsement	65,785,423
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
39,681,546	11. Guarantee issued against Counter Guarantee of Internationally rated Banks	23,060,644
17,120,242	12. Advance Payment Guarantee	115,940,453
240,038,611	13. Financial Guarantee	246,324,074
7,559,958	14. Contingent Liabilities on Income Tax	-
-	15. Others	-
1,425,467,522	TOTAL	2,142,879,501

INTEREST INCOME

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
550,144,112	A. ON LOAN, ADVANCES AND OVERDRAFT	645,651,315
426,788,586	1. Loan and Advances	474,147,475
123,355,527	2. Overdraft	171,503,840
118,580,128	B. ON INVESTMENT	112,363,921
114,319,709	1. Government Securities	108,590,200
82,236,827	a. Treasury Bills	65,444,876
32,082,882	b. Development Bonds	43,145,324
-	c. National Saving Certificates	-
-	d.	-
3,777,755	2. Foreign Securities	3,195,681
3,777,755	a. State Bank of India USD Bond	3,195,681
-	b.	-
-	3. Nepal Rastra Bank Bond	-
-	4. Debenture and Bonds	-
-	a. Financial Institutions	-
-	b. Other Organizations	-
482,664	5. Interest on Inter Bank Lending	578,040
-	C. ON AGENCY BALANCE	-
-	1. Local Banks	-
-	2. Foreign Banks	-
44,457,310	D. ON MONEY AT CALL AND SHORT NOTICE	31,827,941
979,210	1. Local Banks	7,308,031
43,478,101	2. Foreign Banks	24,519,910
4,939,827	E. ON OTHERS	29,160,770
4,939,827	1. Certificate of Deposits	29,160,770
-	2. Inter-Bank Loan	-
-	3. Others	-
718,121,378	Total	819,003,947

INTEREST EXPENSES

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
294,513,775	A. ON DEPOSIT LIABILITIES	320,002,705
133,974,509	1. Fixed Deposits	129,167,788
102,836,292	1.1 Local Currency	96,704,438
31,138,217	1.2 Foreign Currency	32,463,350
92,222,809	2. Saving Deposits	121,063,171
88,702,331	2.1 Local Currency	116,792,470
3,520,478	2.2 Foreign Currency	4,270,701
68,316,458	3. Call Deposits	69,771,746
68,151,936	3.1 Local Currency	69,018,537
164,522	3.2 Foreign Currency	753,209
-	4. Certificate of Deposits	-
13,641,872	B. ON BORROWINGS	19,178,306
9,433,333	1. Debentures and Bonds	12,000,000
105,992	2. Loan from Nepal Rastra Bank	1,333,554
4,102,546	3. Inter Bank/Financial Institutions Borrowing	5,844,752
-	4. Other Corporate Body	-
-	5. Other Loans	-
-	C. ON OTHERS	-
-	1.	-
308,155,647	Total	339,181,011

COMMISSION AND DISCOUNT

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
2,421,980	A. BILLS PURCHASED AND DISCOUNTED	1,767,851
814,778	1. Local Currency	614,886
1,607,202	2. Foreign Currency	1,152,965
45,677,661	B. COMMISSION	58,229,863
14,951,787	1. Letter of Credit	15,561,515
7,901,530	2. Guarantee	8,471,899
1,456,345	3. Collection Fee	1,527,866
16,783,976	4. Remittance Fee	24,289,363
-	5. Credit Cards	-
-	6. Share Underwriting/Issues	-
-	7. Government Transaction	-
41,783	8. E.Pra. Commission	52,465
4,542,241	9. Exchange Fee (INR only)	8,326,755
22,676,517	C. OTHERS	37,433,415
70,776,158	Total	97,431,129

OTHER OPERATING INCOME

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
459,450	1. Rental on Safe Deposit Lockers	547,500
-	2. Issue and Renewals of Credit Cards	-
1,307,586	3. Issue and Renewals of ATM Cards	1,798,089
-	4. Telex/T.T.	-
6,232,864	5. Service Charges	11,471,345
-	6. Renewal Fees	-
8,967,644	7. Others	5,185,963
16,967,545	Total	19,002,897

EXCHANGE GAIN/LOSS

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
10,068,172	A. Revaluation Gain	8,051,839
68,887,323	B. Trading Gain (Except Exchange Fee)	72,774,174
78,955,495	Total Income/(Loss)	80,826,013

EXPENSES RELATING TO EMPLOYEES

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
33,231,860	1. Salary	39,615,807
14,226,130	2. Allowances	14,694,093
2,286,729	3. Contribution to Provident Fund	2,280,719
797,256	4. Training Expenses	764,525
-	5. Uniform	-
1,870,722	6. Medical	1,920,822
198,884	7. Insurance	226,512
3,581,788	8. Pension and Gratuity Provision	6,713,702
2,926,196	9. Others	3,524,204
59,119,564	TOTAL	69,740,384

OFFICE OVERHEAD EXPENSES

(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
14,181,677	1. House Rent	13,338,358
5,574,454	2. Electricity and Water	6,140,276
1,343,593	3. <u>Repairs and Maintenance</u>	2,124,452
-	(a) Building	1,113,409
1,343,593	(b) Vehicles	1,011,043
-	(c) Others	-
3,457,275	4. Insurance	4,196,608
11,104,667	5. Postage, Telex, Telephone, Fax, Swift, Internet, V-Sat	12,335,283
3,719,145	6. Office Equipment and Furniture Repairs	4,999,568
4,292,791	7. Traveling Allowances and Expenses	5,622,593
8,074,866	8. Stationery and Printing	9,126,364
672,585	9. Periodicals and Books	489,727
8,693,211	10. Advertisement	13,267,597
2,905,347	11. Legal Expenses	1,597,459
61,872	12. Donations	405,417
1,226,125	13. <u>Expenses Relating to Board of Directors</u>	2,890,969
1,089,000	(a) Meeting Fees	2,645,000
137,125	(b) Entertainment	245,969
1,407,222	14. Annual General Meeting Expenses	1,131,931
460,000	15. Expenses Relating to Audit	615,000
150,000	(a) Audit Fees	165,000
310,000	(b) Tax audit fee & other expenses	450,000
-	16. Commission on Remittances	-
25,707,384	17. Depreciation on Fixed Assets	29,706,850
3,314,079	18. Amortization of Preliminary Expenses	5,127,375
-	19. Share Issue Expenses (Deferred)	-
-	20. Technical Service Fee (Management Service Fee)	-
2,786,980	21. Entertainment	3,582,976
339,048	22. Written off Expenses	101,863
5,662,477	23. Security Expenses	8,748,048
587,198	24. Credit Guarantee Premium	608,672
1,604,128	25. Commission and Discount	1,999,648
10,415,112	26. Others	10,272,907
3,637,477	26.1 Fuel Expenses	4,676,378
3,048,163	26.2 Professional, Association & other consulting Fee etc.	4,367,698
2,311,843	26.3 Premises & Cleaning	1,228,831
1,417,629	26.4 Bond Issue Expenses	-
117,591,235	TOTAL	138,429,941

PROVISION FOR POSSIBLE LOSS
(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
61,033,640	1. Increase in Loan Loss Provision	78,164,560
3,064,450	2. Increase in Provision for Loss on Investment	-
14,282,966	3. Increase in Provision Against Non-Banking Assets	3,730,421
-	4. Increase in Provisions Against Other Assets	-
78,381,056	Total	81,894,981

NON-OPERATING INCOME/LOSS
(Fiscal Year 2006/2007)

Amt. in NPR

Previous Year	Particulars	Current Year
-	1. Profit/(Loss) on Sale of Investment	-
51,239	2. Profit/(Loss) on Sale of Assets	(3,269,907)
223,900	3. Dividend	490,058
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
815,000	5. Others	-
1,090,139	Total Non-Operating Income/(Loss)	(2,779,849)

LOSS PROVISION WRITTEN BACK

Fiscal Year 2006/2007

Amt. in NPR

Previous Year	Particulars	Current Year
100,880,844	1. Loan Loss Provision Written Back	13,008,566
2,990,633	2. Non Banking Assets Provision Written Back	23,437,575
-	3. Investment Provision Written Back	657,744
-	4. Other Assets Provision Written Back	-
103,871,477	Total	37,103,885

PROFIT/LOSS FROM EXTRA ORDINARY ACTIVITIES

Fiscal Year 2006/2007

Amt. in NPR

Previous Year	Particulars	Current Year
-	1. Recovery of Written off Loan	411,150
-	2. Voluntary Retirement Scheme Expenses	-
95,205,482	3. Loans Written-Off [28 (a)]	-
-	4. Other expenses/Income	-
95,205,482	Total	411,150

STATEMENT OF LOANS WRITTEN-OFF

Fiscal Year 2006/2007

Amt. in NPR

S.N	Types of Loan	Written off amount	Type of Security	Basis of valuation	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	-					

CAPITAL ADEQUACY

AS AT JULY 16, 2007

Amt. in NPR

Particulars	Current Year	Previous Year
A) CORE CAPITAL	953,263,195	811,917,204
1. Paid Up Capital	603,141,300	463,580,900
2. Share Premium	-	-
3. Non-Redeemable Preference Shares	-	-
4. General Reserve Fund	197,782,419	145,305,023
5. Cumulative Profit/Loss	6,695,154	8,312,349
6. Capital Redemption Reserve	-	-
7. Capital Adjustment Reserve/Proposed Bonus Share	106,672,220	185,432,360
8. Other Free Reserves	164,075	164,075
9. Bond Redemption Reserve	50,880,627	22,309,198
Less: Goodwill	-	-
Investment in excess of prescribed Limit	-	-
Fictitious Assets	-	(1,114,101)
Investments in securities of companies with financial interest	-	-
Investment arising out of Underwriting Commitment	(12,072,600)	(12,072,600)
B) SUPPLEMENTARY CAPITAL	312,564,982	288,880,263
1. Loan Loss Provision on Pass Loan	93,163,590	70,834,087
2. Asset Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	200,000,000	200,000,000
5. Exchange Fluctuation Reserve	16,642,936	14,629,976
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	-	-
8. Provision for Loss on Investment	2,758,456	3,416,200
C) TOTAL CAPITAL FUND (A+B)	1,265,828,177	1,100,797,467
D) Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 11.00 Percent for this year)	1,124,881,337	834,201,834
Core Capital (@ 5.50 Percent for this year)	562,440,669	417,100,917
Capital Fund Excess by 1.38%	140,946,840	266,595,633
Core Capital Excess by 3.82%	390,822,527	394,816,287

Actual Core Capital	9.32%
Required Capital Fund	5.50%
Capital Fund excess by	3.82%

Statement of Risk Weighted Assets

A S AT JULY 16 , 2007

Amt. in NPR

On Balance Sheet Assets	Previous Year			Current Year		
	R.W. %	Amount	R.W. Assets	R.W. %	Amount	R.W. Assets
Cash in Hand	0	184,019,718	-	0	219,042,572	-
Gold (Tradable)	0	-	-	0	-	-
Balance with Nepal Rastra Bank	0	349,295,702	-	0	883,495,841	-
Investment in Government Bonds	0	2,658,369,058	-	0	2,332,041,251	-
Investment in NRB Bonds	0	-	-	0	-	-
Loan against own F.D. Receipt (secured)	0	409,907,606	-	0	294,652,690	-
Loan against Government Bonds (Secured)	0	147,103,246	-	0	155,836,326	-
Accrued Interest on Government Bonds	0	48,008,863	-	0	32,990,687	-
Balance with domestic Licensed Banks & Fin. Ins.	20	24,844,902	4,968,980	20	48,443,328	9,688,666
Loan against other Banks F.D. receipt (secured)	20	776,684,755	155,336,951	20	888,814,896	177,762,979
Balance with Foreign Banks	20	170,536,770	34,107,354	20	164,922,200	32,984,440
Money at Call	20	594,047,379	118,809,476	20	259,278,628	51,855,726
Loan against Guarantee of Int'l Rated Banks	20	58,394,852	11,678,970	20	32,425,000	6,485,000
Investments on Int'l Rated Banks	20	622,891,216	124,578,243	20	637,589,071	127,517,814
Investments on Share, Debenture & Bonds	100	96,867,892	96,867,892	100	25,562,000	25,562,000
Other Investments	100	-	-	100	-	-
Loan, Advances & Bills Purchase/Discount	100	6,096,610,464	6,096,610,464	100	8,322,373,043	8,322,373,043
Fixed Assets	100	110,745,198	110,745,198	100	320,846,395	320,846,395
Other Assets	100	163,036,226	163,036,226	100	241,884,620	241,884,620
Net Other Interest Receivable (Gross Int. Receivable - Interest receivable on Govt. Bonds - Interest Suspense)	100	22,031,769	22,031,769	100	7,433,050	7,433,050
Sub - Total (A)		12,533,395,614	6,938,771,524		14,867,631,598	9,324,393,732
Off-Balance Sheet Items						
Bills Collection	0	7,865,890	-	0	25,568,983	-
Forward Foreign Exchange Contract	10	-	-	10	14,136,136	1,413,614
L/C (Below 6 months maturity)	20	706,452,077	141,290,415	20	1,230,485,430	246,097,086
Guarantee against G. issued by Int'l Rated Banks	20	39,681,546	7,936,309	20	23,060,644	4,612,129
L/C (Over 6 months maturity)	50	38,873,629	19,436,815	50	26,547,363	13,273,681
Bid Bonds	50	24,517,292	12,258,646	50	43,102,080	21,551,040
Performance Bond	50	288,235,521	144,117,761	50	330,252,340	165,126,170
Advance Payment Guarantee	100	17,120,242	17,120,242	100	115,940,453	115,940,453
Financial Guarantee	100	240,038,611	240,038,611	100	246,324,074	246,324,074
Other Guarantee	100	-	-	100	-	-
Irrevocable Loan Commitment	100	-	-	100	-	-
Contingent Liability for Tax	100	7,559,958	7,559,958	100	-	-
Other Contingent Liability	100	55,122,756	55,122,756	100	87,461,997	87,461,997
Sub - Total (B)		1,425,467,522	644,881,513		2,142,879,500	901,800,244
Total Risk Weighted Assets (A+B)		13,958,863,137	7,583,653,036		17,010,511,098	10,226,193,976

PRINCIPAL INDICATORS

Particulars	Indicators	FY 00/01	FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07
1 Percent of Net Profit/Gross Income	Percent	24.71%	3.25%	22.84%	30.03%	27.13%	35.11%	38.75%
2 Earning Per Share	NPR	27.97	2.00	17.72	27.50	30.10	43.67	43.50
3 Market Value Per Share	NPR	850.00	254.00	198.00	295.00	430.00	850.00	1,375.00
4 Price Earning Ratio	Ratio	30.39	126.96	11.18	7.20	14.29	19.46	31.61
5 Dividend (including bonus) on Share Capital	Percent	0.00%	10.00%	-	-	-	30.00%	0.00%
6 Capital Adjustment Reserve	Percent	-	-	10.00%	10.00%	10.00%	10.00%	10.00%
7 Cash Dividend on Share Capital	Percent	-	10.00%	5.00%	10.00%	15.00%	18.00%	20.00%
8 Interest Income/ Loan and Advances	Percent	11.27%	10.26%	10.94%	10.04%	10.27%	9.89%	8.71%
9 Staff Expenses/ Total Operating Expenses	Percent	6.42%	9.26%	10.33%	9.17%	10.18%	10.50%	11.08%
10 Interest Expenses/ Total Deposit & Borrowing	Percent	5.34%	4.98%	4.15%	3.31%	2.70%	2.74%	2.55%
11 Exchange Gain/ Total Income	Percent	10.97%	8.51%	10.60%	8.82%	9.54%	8.91%	7.98%
12 Staff Bonus/ Total Staff Expenses	Percent	34.38%	5.95%	26.26%	42.99%	42.17%	50.95%	54.98%
13 Net Profit/ Loan and Advances	Percent	1.58%	0.20%	1.81%	2.26%	2.36%	2.79%	2.79%
14 Net Profit/ Total Assets	Ratio	1.05%	0.15%	1.10%	1.34%	1.42%	1.65%	1.80%
15 Total Credit/ Deposit	Percent	75.01%	85.44%	78.69%	77.61%	68.87%	71.42%	78.25%
16 Total Operating Expenses/ Total Assets	Percent	7.11%	8.52%	6.72%	5.48%	5.36%	4.59%	4.32%
17 Adequacy of Capital Fund on Risk Weighted Assets								
(a) Core Capital	Percent	5.64%	10.08%	10.44%	10.14%	10.02%	10.71%	9.32%
(b) Supplementary Capital	Percent	2.96%	4.34%	1.61%	1.02%	1.00%	3.81%	3.06%
(c) Total Capital Fund (a + b)	Percent	8.60%	14.42%	12.05%	11.16%	11.02%	14.52%	12.38%
18 Liquidity (CRR)	Percent	12.07%	9.26%	9.81%	7.19%	7.56%	7.64%	8.02%
19 Non-performing credit/ Total Credit	Ratio	7.59%	8.11%	8.67%	6.66%	4.99%	2.72%	2.51%
20 Weighted Average Interest Rate Spread	Percent	3.17%	3.80%	3.33%	3.41%	3.95%	3.37%	4.04%
21 Book Net-worth per share	NPR	207.72	171.83	192.52	218.38	213.60	230.67	162.81
22 Total Shares	Number	2,340,000	4,635,809	4,635,809	4,635,809	4,635,809	4,635,809	6,031,413
23 Total Staff	Number	158	194	183	167	171	177	179

BANK OF KATHMANDU LTD.

Principle Indicator Definition

Ratios	Units	Definition	
1	Percent of Net Profit/Gross Income	Percent	Net Profit After Tax/Total Operating Income
2	Earning Per Share	NPR	Net Profit After Tax/ Number of Shares
3	Market Value Per Share	NPR	Traded Price at Nepal Stock Exchange Ltd at Year end
4	Price Earning Ratio	Ratio	Market Value Per Share/Earning Per Share
5	Dividend (including bonus) on Share Capital	Percent	Proposed Dividend (Cash + Bonus) /Paid up Share Capital
6	Capital Adjustment Reserve	Percent	Amount Transferred to Capital Adjustment Reserve/Paid Up Share Capital
7	Cash Dividend on Share Capital	Percent	Proposed Cash Dividend/Paid up Share Capital
8	Interest Income/ Loan and Advances	Percent	Total Interest Income/Loan ,Advance & Bills Purchased (Net)
9	Staff Expenses/ Total Operating Expenses	Percent	Total Staff Expenses/ Total Operating Expenses
10	Interest Expenses/ Total Deposit & Borrowing	Percent	Interest Expenses/ Total Deposit & Borrowing
11	Exchange Gain/ Total Income	Percent	Total Exchange Income/ Total Income
12	Staff Bonus/ Total Staff Expenses	Percent	Provision for Staff Bonus/ Total Staff Expenses
13	Net Profit/ Loan and Advances	Percent	Net Profit/ Loan, Advances & Bills Purchased (Net)
14	Net Profit/ Total Assets	Ratio	Net Profit After Tax/ Total Assets
15	Total Credit/ Deposit	Percent	Total Loan, Advances & Bills Purchased/ Total Deposit
16	Total Operating Expenses/ Total Assets	Percent	Total Operating Expenses/ Total Assets
17	Total Capital Fund	Percent	(Core+Supplementary Capital)/ Total Risk Weighted Assets
18	Liquidity (CRR)	Percent	Average Cash at vault & NRB Balance/Average Deposit
19	Non-performing credit/ Total Credit	Ratio	Total Non-performing Loan/ Total Loan Advances & Bills Purchased
20	Weighted Average Interest Rate Spread	Percent	Weighted Average Yield - Weighted Average Cost
21	Book Net-worth per share	NPR	Share Holder's Equity / Number of Shares

Principal Accounting Policies (FY 2006/2007)**1. Basis of Accounting**

The financial statements have been prepared in conformity with Generally Accepted Accounting Principles, Nepalese Accounting Standards, Company Act 2063, Bank & Financial Institutions Act 2063, and Nepal Rastra Bank (*Central Bank of Nepal*) Directives.

2. Fixed Assets and Depreciation

- a. Fixed assets have been shown in accordance with historical cost convention.
 b. Fixed assets have depreciated on diminishing balance method as per Income Tax Act 2058, by applying following rates:

S. No.	Group	Asset detail	Depreciation rate
1.	"A"	Building	5%
2.	"B"	Computer, Furniture, Fixtures & Equipments	25%
3.	"C"	Vehicle	20%

- c. Leasehold improvements are amortized over the period of lease.

3. Provisions for Income Tax

Provision for income tax has been made as per the Income Tax Act 2058 and all inadmissible expenses as per the act have been adjusted.

4. Investments

Investments are valued at cost. If the market price is lower than the cost price, provision is made for the price difference.

5. Foreign Exchange Transaction

- a. Assets and liabilities have been translated at the prevailing buying exchange rate as on 16 July 2007.
 b. Income realized from difference between buying and selling rates of foreign currencies are accounted for and shown as "Exchange Profit or Loss".
 c. Gains and Losses arising due to change in exchange rate of foreign currencies are accounted for and shown as "Revaluation Gains/ (Losses)" and 25% of the Gains are transferred to Exchange Equalization Fund.

6. Non-Banking Assets

Non-banking assets have not been acquired in this Financial Year. However, such acquired assets in prior years, have been accounted as per then applicable Directives of Nepal Rastra Bank i.e. total outstanding interest and principal amount due against the security of the assets or market value of the assets whichever is lower. Appropriate provisions over Non-Banking Assets have been applied as per the Nepal Rastra Bank's Directives.

7. Non-capitalized Assets

Assets costing up to Rs. 10,000 have been charged directly into expense account.

8. A Interest Income

Interest income from loans and advances has been recognized on cash basis. Similarly, interest income from investments has been recognized on accrual basis.

B. Commission

Commission income is accounted on cash basis. However, commission from bank guarantee is recognized for its commitment period if, it serves for more than one Fiscal year.

C. Interest Expense

Interest on interest bearing deposits and borrowings has been accounted for on accrual basis.

9. Bond Redemption Reserve

Appropriate reserves have been created on pro-rata basis.

10. Provision for Loan Loss and Write off of Bad Debts

- a. Provision for loan loss has been created on the outstanding amount of loans, advances, and bills as per the overdue period and other criteria laid-down in the Directives of Nepal Rastra Bank.

11. Dividend Income:

Dividend income from share investment has been recognized on cash basis.

12. Contingent Liabilities

All L/C, Bank Guarantee, and Forward Exchange Contract liabilities have been shown in full amount as contingent liabilities in accordance to Nepal Rastra Bank Directives.

13. Provisions for Staff Bonus

Provision for staff bonus has been made as per prevailing Bonus Act and the Directives of Nepal Rastra Bank.

14. Staff Housing Fund

Since the bank has been providing housing loans to the employees under the Bank of Kathmandu Ltd. Employee By-laws, provision for staff housing has not been made as per the Labor Act.

15. Gratuity & Provident Fund

The amount due on account of gratuity to the employee & Provident Fund has been transferred to BOK Employee retirement fund, 2059, an independent entity, in accordance to clause 63 of Income Tax Act 2058. The Gratuity expenses have been accounted on accrual basis.

16. Bank guarantee

Beneficiaries had claimed NPR 21,676,575 against Bank guarantee issued by the Bank, which had already been submitted for the Legal decision. Provision will be made for these claims after the decision received there from.

17. Format of Financial Statements

This financial statement has been prepared as per the formats prescribed by the Directives of Nepal Rastra Bank.

18. The figures have been shown in the nearest rupee.

19. The amounts of previous year have been re-grouped/re-classified, where required.

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NOTES TO ACCOUNTS

Amt. in NPR

1 **Reconciliation Status (Un-reconciled) :**

Transaction	Up to 1 Yr.	1 to 3 Yrs.	Above 3 Yrs.	Total
Branch Account	-	-	-	-
Agency Account (Net)	372,922,060	(3,598,089)		369,323,971

Differences are near to the year-end transactions, which have been identified & being reconciled .

2 **Disbursement, Collection & Discount on Loans & Advances During The Year :**

Opening Balance	Disbursement	Collection	Write off	Closing Balance
7,488,700,923	25,265,064,899	23,059,663,867	-	9,694,101,955

3 **During the financial year no loans have been written off.**4 **Variance of Deposit Liability :**

Particulars	Previous Year	Current Year	Difference
Government of Nepal	321,916,521	296,835,704	(25,080,817)
Commercial Banks	15,210,294	66,472,402	51,262,108
Financial Institutions	831,152,362	208,901,145	(622,251,217)
Other Organizations	4,038,234,765	5,572,509,356	1,534,274,591
Individuals	5,066,602,482	5,797,367,989	730,765,507
Others	57,814,633	250,628,206	192,813,573
Guarantees Margins	53,084,012	55,793,097	2,709,085
L.C. Margins	45,018,506	113,247,656	68,229,150
Total deposit	10,429,033,575	12,361,755,554	1,932,721,979

5 **Weighted Average Interest Rate Spread :**

Deposit And Interest Expense				
Previous year		Current year		
Average deposit	Interest Expense	Type Of Account	Average deposit	Interest Expense
1,170,178,667	-	Current	1,810,136,847	-
3,687,347,665	92,222,809	Saving	5,072,493,670	121,063,171
1,819,057,321	68,316,458	Call	1,996,109,547	69,771,746
2,931,761,333	133,974,509	Fixed	2,694,017,152	129,167,788
9,608,344,986	294,513,775	Total	11,572,757,216	320,002,705
Average Int.Rate	3.07%		Average Int.Rate	2.77%

Loan & Advance and Interest Income				
Previous year		Current year		
Avg.Loan & Investment	Interest Income	Type Of Account	Avg.Loan & Investment	Interest Income
6,965,282,414	550,144,112	Loan & Advance	8,364,590,040	645,651,315
3,676,777,056	163,037,438	Investment	3,665,166,755	173,352,632
10,642,059,470	713,181,550	Total	12,029,756,795	819,003,947
Average Int.Rate	6.70%		Average Int.Rate	6.81%

3.64%	Spread	4.04%
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6 **Deferred Revenue Expenditure :**

Previous Year	Particulars	Current Year
9,339,089	Computer Software	8,918,348
1,114,101	Preliminary Branch & Share Expenses	-
10,453,190	Total	8,918,348

7 **No balance sheet & off balance sheet transactions have been concentrated to a single person, firm, organization or to a particular sector. Details of highest exposure to a single person or organization is as follows:**

Particulars	Total Exposure	Maximum Concentration To Single Customer	Percentage
Loan & Advances	9,694,101,954	250,000,000	2.58%
Deposit	12,388,927,294	1,395,017,930	11.26%
Off Balance Sheet Items	2,142,879,500	239,202,157	11.16%

8 **Non Banking Assets**

Opening Balance	Taken over during the year	Sold During the year	Closing Balance
46,582,877	-	23,437,575	23,145,302

9 **Lease Hold Amortization**

Opening Balance	Amortization during the year	Amortization write back	Closing Balance
19,925,943	2,688,461	(9,470,993)	13,143,411

Note:The Bank has purchased land & building amounting to NPR 206,786,596 in the current fiscal year. Since the said fixed assets were used under lease in the previous years, the leasehold improvements amounting to NPR 13,121,064 (after deducting leasehold amortization of NPR 9,470,993 from leasehold of NPR 22,592,057) has been transferred to fixed assets during the year.

10 **Liquidity Position :**

Particulars	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Above 1 Yr.	Total
Assets						
Cash Balance	219,042,572	-	-	-	-	219,042,572
Bank Balance	1,096,861,369	-	-	-	-	1,096,861,369
Investment In Foreign Banks	326,430,803	162,125,000	-	246,430,000	97,275,000	832,260,803
Government Bonds	378,338,550	338,742,760	116,165,810	662,141,760	836,652,371	2,332,041,251
Placement to Fin. institution	-	-	-	-	-	-
NRB Bonds	-	-	-	-	-	-
Interbank Lending (Loans)	-	-	-	-	-	-
Loans & Advances	4,131,858,120	1,641,168,328	493,780,059	368,769,992	3,058,525,455	9,694,101,954
Total Financial Assets	6,152,531,415	2,142,036,088	609,945,869	1,277,341,752	3,992,452,826	14,174,307,949
Liabilities						
Borrowings	730,000,000	-	-	-	-	730,000,000
Current Deposit	1,034,600,441	-	-	-	627,174,688	1,661,775,129
Saving Deposit	3,877,790,662	-	-	-	1,649,501,701	5,527,292,363
Fixed Deposit	595,650,184	278,746,227	485,189,695	517,315,537	1,160,268,917	3,037,170,560
Call Deposit	1,018,121,780	-	-	-	948,354,966	1,966,476,746
Other Deposit	196,212,495	-	-	-	-	196,212,495
Bonds	-	-	-	-	200,000,000	200,000,000
Total Financial Liabilities	7,452,375,562	278,746,227	485,189,695	517,315,537	4,585,300,272	13,318,927,293
Net Financial Assets	(1,299,844,147)	1,863,289,861	124,756,174	760,026,215	(592,847,446)	855,380,656
Cumulative Net Financial Assets	(1,299,844,147)	563,445,713	688,201,887	1,448,228,102	855,380,656	

11 Bank had provided 10% of loss provision on Investment of Himalayan Distillery Ltd. and remaining 90% has been deducted while calculating Core Capital

12 The bank has not pledged it's assets for any loan or for issuing Bond.

13 4,505 number of shares were forfeited but not issued