

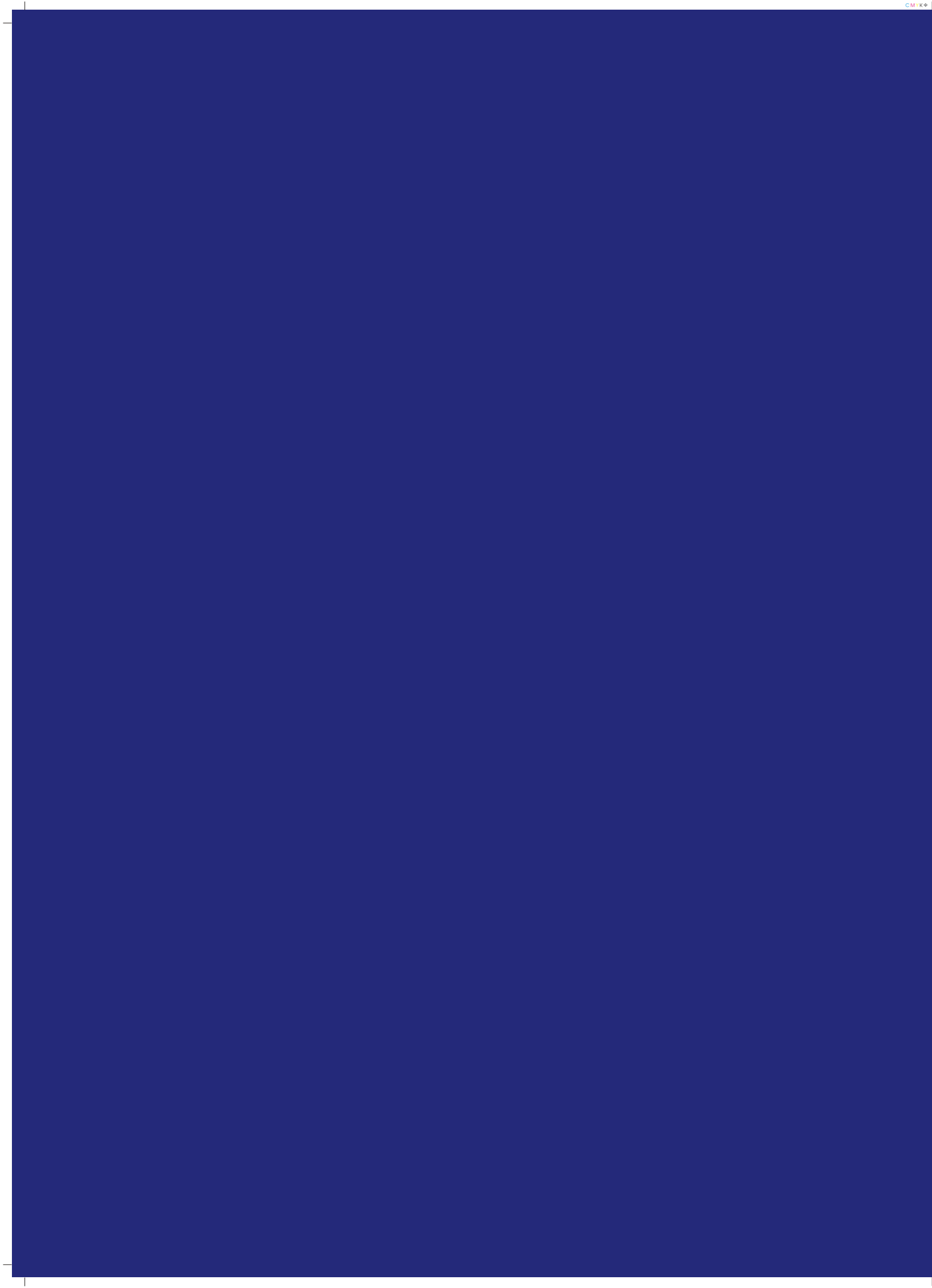
11<sup>th</sup> Annual Report

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05



Kamal Pokhari 4414541 Thamel 4430640 New Road 4231556 Nepalgunj 523185 Butwal 541692 Hetauda 521331 Dhangadhi 523386 Pokhara 539150 Biratnagar 536904 Birgunj 534026

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Respected Shareholders

On behalf of the Board of Directors, I welcome you all to this 11<sup>th</sup> general meeting of Bank of Kathmandu. It gives me immense pleasure to mention that the bank has been able to achieve consistent progress through your guidance. Your bank has expanded both in terms of access and sectors of business activities due to the adoption of modern technology and significant efforts of the management. The bank has taken a lead role in increasing financial transactions and improving its image despite the competitive environment in the market. We believe that the credit for this goes to the kind gesture and affection of our respected shareholders.

We acknowledge and express our sincere gratitude for the continuous support and assistance to the bank in the process of reaching the present state from various quarters. We would especially like to thank the shareholders, customers, His Majesty's Government, Nepal Rastra Bank, various organisations, bank employees, auditors and consultants. We expect your kind cooperation in future as well.

In this important meeting, we are presenting a report of the country's economy and the banking environment related to FY 2004/05 along with the bank's financial statements and working policies that have been implemented and pursued by the bank for the forthcoming period. They will gain authenticity after receiving your endorsement. Therefore, I seek your permission to present the Financial Reports including the Balance Sheet, Profit and Loss Account and the Directors' Report for the approval of the entire shareholders.

### 1. THE ECONOMY

In spite of a number of programmes undertaken by His Majesty's Government for financial reforms in the country, the growth in Gross Domestic Product has reduced to 2.0% in the FY 2004/05 in comparison to 3.5% in the FY 2003/04. This trend indicates some setbacks in the advancement of the economy. The trend confirms persisting slackness in the economy since the past four years. The economy is not growing as anticipated and there is intense competition based on which we can expect more challenging days ahead.

In spite of slight improvement in the peace and security situation, particularly during the later stages of FY 2004/05, the overall economic indicators do not portray a positive trend mainly due to the unfavourable weather condition, slackness in international trade and unexpected negative impacts on tourism and construction sectors. Furthermore, excess liquidity prevailed in the economy during the year mainly due to limited investment opportunities.

### 2. ACHIEVEMENTS AND RESULTS

It gives us great pleasure to convey that in spite of the unfavourable economic condition during the year, your bank has been successful in registering growths in Operating Profit and Net Profit at the rate of 17.65 percent and 9.38 percent respectively. In order to achieve this, the management has diversified the credit portfolio and expanded its base on high yielding consumer credits. Recoveries from the non-performing loans have also improved. Returns on Total Assets have increased by 5.97 percent during this year in comparison to the preceding year. Based on these data, we would like to assure you once again that the management of your bank has been continuously gaining strength.

Despite the adverse business environment, the bank has once again become successful in providing funds to Capital Equalization Fund of 10 percent of paid-up capital from the net profit after provisions during the year. This is in compliance to the directives of Nepal Rastra Bank. The balance in the fund, including this year's contribution, has reached 30 percent of the paid up capital. After attaining a level of sufficiency, the fund will be used for distribution in the form of additional shares to you. We believe that this will enhance the value of shareholders wealth (shares). Similarly, with a view of meeting your expectation, we believe that the proposed plan of allowing cash dividend of 15 percent of paid up capital from the year's profit will receive the approval of this general meeting. In overall terms, the bank has been able to provide a return of 25 percent on the investments of the shareholders during the year, which is worth mentioning in the given context.

### 3. BUSINESS AND SERVICES

We would like to report to you that during this year the bank has witnessed a growth of 15.51 percent, 2.90 percent, and 4.88 percent in Deposits, Credits and Investments respectively. Furthermore, the credit, deposit and investment ratios have been maintained at optimum levels. In order to expand the core deposit base, several steps have been taken during the year to diversify the portfolio. As a result, the deposits have increased by 15.51 percent and interest expense has reduced by 16.76 percent. This has been feasible due to efficient management of liabilities. The loans disbursed during this year have once again been secured and maintained at minimal risk. Return on Total Assets increased by 5.97 percent during this year in comparison to the preceding year. This has been possible mainly due to minimization of risk on incremental volumes.

As a result of your bank's efforts on providing high quality customer service and raising the standards, it has been able to achieve the following:

- Establish an additional branch in Biratnagar (eastern region of the country) during the period covered by this report. It gives us pride to convey to you that the bank has now been established in all five development regions of the country.
- Launch festivity loans for the purpose of fulfilling social and family functions/rituals such as marriage, bratabandha, etc. This has been launched to diversify the credit portfolio and to meet the need of the common people.
- Achieve success in increasing the volume of remittance by 30% during the year against the preceding year by forming global alliances with international banks and several agencies.
- Establish a process of paying bills for mobile phones through the bank by exploiting the bank's primary software

"FINACLE" and a working alliance with Nepal Telecom, the largest telecom networking company. This will not only enhance the services of the bank but also increase the deposit base.

#### 4. FUTURE PLANS

Targeting operational efficiency and long term sustainability, the following plans have been envisaged for the future:

- Mobilization of the funds and assets at optimum levels, close monitoring of transactions and minimization of risk that are inherent in credit and investments.
- Enhance systems and technology and exploit it to the maximum, expand relationship with international and domestic banks and financial institutions and strengthen the overall management.
- Adaptation of long term plans to access general customers, wide expansion of business networks, augment corporate image, enhance competitiveness by devising tailor-made products and services and initiate market oriented practices for globalization.
- Build infrastructures to operate and implement plans/policies as per the directives issued for regulating banks and financial institutions.

#### 5. BOARD OF DIRECTORS

There have been no changes in the directors elected by you during the year. This has helped the management to provide continuity for the implementation of scheduled plans. Furthermore, the cordial relationship between the Board of Directors and the management has been instrumental for the bank to forge ahead.

Finally, in today's scenario, the banking industry has also been impacted by the sluggish economic growth. In order to minimize the threat posed by investing in high risk bearing assets, we have focused on strengthening and managing existing assets and investment portfolios, innovating products and services, expediting technical know how and software up-gradation, extending correspondent relationships with international banks, augmenting customer service standards and overall internal and external growth of the institution. Adopting this strategy, the bank has propelled higher earnings on assets and investment and ensured long term sustainability.

Thanking You

  
AJIT SINGH  
Chairman

## director's report



Respected Shareholders,

It gives us immense pleasure to inform you that Bank of Kathmandu stands as a prominent name in Nepalese Banking sector at present. Despite the present status of the economy, our focus on enhancing the interest of the stakeholders has given us a competitive edge and established us as a professional, strong and capable institution. Addressing issues on operational activities, achievements and future plans and strategies, we anticipate your support and co-operation in leading the bank to new heights of achievement.

### MISSION AND OBJECTIVE

Your bank has today become a landmark in the Nepalese banking sector by being one of the few commercial banks which is entirely managed by Nepalese professionals and owned by the general public. We would like to reiterate our vision, mission statement and objectives to our shareholders.

**Vision:** To become a significant contributor to the economic development of Nepal by distinguishing ourselves as efficient, competitive and top quality financial institution.

Dear Shareholders, the bank has completed 11 years of operation and witnessed lots of ups and downs during this period. Despite various challenges and with a view to move ahead efficiently in future with determination, the bank has fixed the following mission and objectives:

**Mission:** To become the "Bank of Choice" by dedicating ourselves to the progress and growth of our institution for our community, customers, employees, and stockholders by:

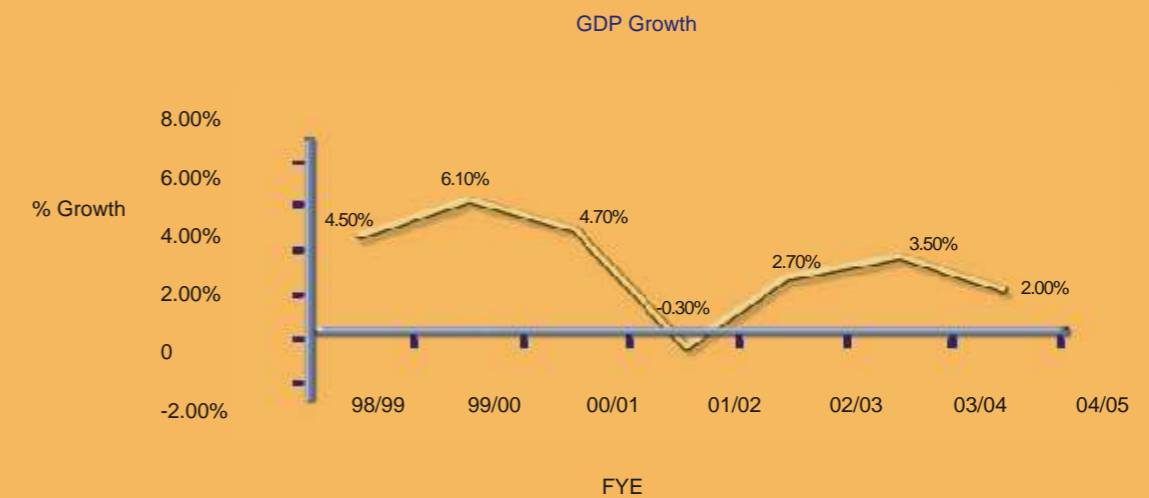
- Promoting economic growth and becoming a caring corporate citizen
- Providing excellent customer services by offering personalized quality products and services
- Enhancing shareholders value
- Providing challenging career and learning opportunities for employees

**Objectives:** BOK was established with the objective of stimulating the Nepalese economy and taking it to newer heights. We further aim to facilitate the nation's economy and become more competitive globally. To achieve these, BOK has been focusing on its set objectives right from the beginning which are the following:

- To contribute to the sustainable development of the nation by mobilizing domestic savings and channelling them to productive area
- To use the latest banking technology to provide better, reliable and efficient services at a reasonable cost
- To facilitate trade by making financial transaction easier, faster and more reliable through relationship with foreign banks and money transfer agencies
- To contribute to the overall social development of Nepal

### NATIONAL ECONOMIC AND BANKING ENVIRONMENT

In spite of various programmes undertaken by HMG for financial reforms, the growth rate of Gross Domestic Product (GDP) in FY 2004/05 has declined to 2.0% in comparison to 3.5% in FY 2003/04, indicating slow growth in nation's economy.



Although slight improvement was observed in FY 2004/05, the overall economic indicators showed a less progressive situation particularly during the second half of the year as compared to earlier years. The economy witnessed a situation of excess liquidity resulting in poor investment opportunities due to slack international trade, unexpected negative impact in the tourism sector and inadequate allocation of the development expenditure by the government.

Financial institutions like other business entities are affected by the growth in nation's economy. In 2004, the economic growth rates of the developing countries in Asia remained at 8.2 percent, led by two neighbouring giants India and China. Other Asian countries were also able to achieve favorable economic growth rates. The prevailing internal conflict, lack of use of modern technology in agriculture sector coupled with unfavorable climatic condition resulted in the undermined growth of Nepal. Even in this situation, your bank was successful in achieving success.

## PRINCIPAL FACTORS AFFECTING BUSINESS OF THE BANK

- Threats due to intense competition as a result of increase in the number of financial institutions
- The inherent risk associated with long-term loans, mid-term loans, working capital loans as well as the non-fund based services such as letters of credit/guarantees provided by the bank
- Probable risks arising from amendments in the directives of Nepal Rastra Bank relating to and changes in the interest rates.
- Probable risks arising from changes in commercial banking policies implemented by His Majesty's Government or Nepal Rastra Bank.
- Probable risks arising from unprecedented changes in the regulations issued by Nepal Rastra Bank, including the changes in national monetary and fiscal policies.
- Risks inherent in foreign exchange transactions arising due to volatility in foreign exchange rates.
- Interest rate risk associated with deposit, lending and investments.
- Financial Risk arising from non recovery of loans in time.
- Risks emanating from decrease in spread from credit and investment.
- Economic risks inherent with slackness in international market and its impact in Nepalese market.
- Risks associated with fluctuations in the capital market.
- Risks associated with the volatility in the country's economic condition.

The bank has set aside provisions relating to loan loss, investments and exchange fluctuation to be secure from eminent threats arising from loans and advances, investments and fluctuations in exchange rate,. Furthermore, focus has been given to retain and develop existing human resources and timely recruitment from the market. The banks proactive policy adopted by the management has enabled the bank to secure itself from eminent threats arising from operational risk.

## AUDIT COMMITTEE

The Board of Directors has constituted a three-member Audit Committee with the objective of strengthening the control systems of the bank. The Committee provides recommendations and suggestions in resolving issues that arise and also conducts regular monitoring of the activities of the bank after scrutinizing and reviewing the audit reports submitted by the Internal Audit Department. The director representing the general shareholders are; Mr. Sita Ram Thapalia who is the Coordinator of the Committee and Mr. Sanjay Bahadur Shah and Mrs. Rita Malla. The Coordinator/members are paid a sitting allowance of Rs. 3,000 per meeting. The Committee met 10 times during the fiscal year covered by this report.

The committee has made recommendations to the management on identifying and building safeguards against potential risks in the bank's operation as well as in taking reformative steps after detailed deliberations regarding assessment of financial position, internal control systems, audit plans, and issues raised by internal and statutory auditors. This has also been brought to the notice of the Board of Directors.

## INFORMATION RELATING TO THE BOARD OF DIRECTORS

There have not been any changes in the Board of Directors during the period covered by the report. The four-year tenure of the present directors is coming to an end and the election of a new set of directors will be held in this general meeting.

## THE BOARD OF DIRECTORS



Alok Singh  
Chairman



Radhesh Pant  
Managing Director



Sanjaya B. Shah  
Director



Rita Malla  
Director



Sita Ram Thapalia  
Director



Bal Ram Neupane  
Director



Deepak N. Shrestha  
Director

## REMUNERATION, ALLOWANCES AND FACILITIES OF DIRECTORS AND MANAGING DIRECTOR

The Managing Director is paid remuneration, allowances and facilities as approved by the General Meeting. Similarly, allowances and facilities to the directors are paid as per the resolution approved by the earlier General Meeting which is the following:

Position	Remuneration	Allowance	Facilities
Chairman		Rs. 3,500 per meeting	Mobile telephone charges, vehicle expenses, periodicals and magazine, and business promotional expenses of Rs. 15,000 per month; a driver and security guard.
Managing Director	Rs. 2,25,000 per month	Rs. 100,000 per month	Facilities available for employees, utilities; cook, maid, gardener, security guard under housing facility; a suitable vehicle, chauffer, fuel and maintenance expenses.
Directors		Rs. 3,000 per meeting	Mobile telephone charges, vehicle expenses, periodicals and magazine, and business promotional expenses of Rs. 15,000 per month; a driver and security guard.
Further, the Chairman, Managing Director and Directors are reimbursed for hotel expenses, daily allowance and other expenses as per the approved rates during their travelling within Nepal and abroad.			
Company Secretary	Rs. 20,791.43 per month	Rs. 20,791.43 per month	Rs. 1,500 per meeting, mobile charges and other facilities available to employees.

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## BANK AND FINANCIAL INSTITUTIONS REGULATION

We would like to inform you that your bank has been carrying out business in compliance to the Banks and Financial Institutions Ordinance promulgated by His Majesty's Government during FY 2060/61. The Ordinance carries an objective of regulating entire banks and financial institutions under a common Act. It also provides timelines to complete certain procedures and the bank is carrying out preparatory works on them. Similarly, we would also like to inform you that the bank has been preparing for the implementation of the international standards of risk minimization and capital adequacy as per the Basel II Accord.

## COMPLIANCE OF REGULATIONS AND STATUTES

The bank has been complying with all regulations, directives and statutes issued by the regulating agencies such as His Majesty's Government, Nepal Rastra Bank and other agencies. In this respect, we would also like to state here that none of your directors and officials of the bank have acted contrary to the provisions of any regulations/directives.

## REPORT AND FINANCIAL HIGHLIGHTS OF CURRENT PERIOD

### Major Achievements/Results

Particulars	2001/02	2002/03	2003/04	2004/05	Compared to last year	Nov 15, 2005
Operating Income	286	359	440	514	16.82%	182
Operating Expenses	129	141	134	154	14.93%	50
Operating Profit	159	218	306	360	17.65%	132
Profit after Tax	9	82	128	140	9.38%	58
a. To Capital Eq. Fund	-	46	46	46	-	-
b. Proposed Dividend	46	23	46	70	50.00%	-
c. Return to Shareholders (a + b)%	10%	15%	20%	25%	25.00%	-

### Principal Business

Particulars	2001/02	2002/03	2003/04	2004/05	Compared to last year	Nov 15, 2005
Deposit	5,723	6,171	7,742	8,943	15.51%	9,641
Loan	4,890	4,856	6,008	6,182	2.90%	6,894
Investments	678	1,816	2,477	2,598	4.88%	2,950

### Principal Indicators

Particulars	2001/02	2002/03	2003/04	2004/05	Compared to last year	Nov 15, 2005
Net Profit/ Operating Income	3.25%	22.84%	29.09%	27.24%	-6.36%	31.87%
Op Expenses/ Op Income	45.10%	39.28%	30.45%	29.24%	-1.61%	27.47%
Return on Capital	1.80%	14.20%	19.60%	19.40%	-1.02%	10.16%
Return on Total Assets	0.15%	1.10%	1.34%	1.42%	5.97%	0.51%
Permanent Staffs	152	141	124	125	0.81%	122
Branches	7	7	8	9	12.50%	10

At a time when economic growth of the country has been slow, the bank has been able to increase its total operating income and operating profit. Deposits have increased by 15.51 percent compared to the last year, whereas interest expenses on deposits have reduced by 16.76 percent. These are the results of efficient management of funds.

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Promoting economic growth and becoming a caring corporate citizen



## CORPORATE CITIZEN

In addition to its banking responsibility, BOK as a true corporate citizen has contributed towards the betterment of the society in every possible manner.



*Providing scholarship to meritorious students from Buddhanilkhantha Maadhayamic Vidhayala*

As part of its commitment to be socially responsible, BOK has joined hands with Village School College Students (VICOSS) program, which provides scholarship to meritorious students from rural areas and public schools for five years. This year we awarded scholarships to 15 students and 1 teacher of Buddhanilkhantha Maadhayamic Vidhayala through this programme. With an intention of contributing towards healthy environment, your bank has placed waste paper baskets at various locations and introduced a policy of paper recycling and less consumption of electricity in house. Similarly, BOK has

also contributed in constructing drinking water facility to senior citizens living in Pashupati Vridhaashram (old people's home) with a view of providing assistance to elderly citizens of the society.

A supporter of social causes, your bank sponsored a photo exhibition focusing on the remoteness, the rigid social structure of feudal relationship, the heavy work burden of women and poverty in Thalara, western Nepal. The proceeds of the exhibition were later donated to Mahila Uthan Samaz Kendra (a rural women group of western Nepal) on the recommendation of an NGO called TEWA, innovative Nepal Women's Fund.



*The proceeds of a photo exhibition were donated to Mahila Uthan Samaz Kendra*

From the current fiscal year, an agreement has been signed



*An agreement has been signed between the bank and the Embassy of Thailand in Nepal*

between the bank and the Embassy of Thailand in Nepal for collection of visa fee. The bank issues a manager's cheque against the collection of visa amount which is submitted to the Embassy. This helps customers to save their time and enjoy a hassle free quick visa processing service. Similarly, your bank, on a macro level has taken an initiative to enter into the area of SMEs and Micro financing and thus contribute to the development of the SMEs and the marginalised groups.

Thus, it will be fair to say BOK aims at doing the most in diverse avenues. We constantly endeavour to reach out to those that need the most support be it organising scholarship program for children, keeping environment clean, or providing drinking water facility to the elderly citizens.

Providing excellent customer services by offering personalised quality products and services.



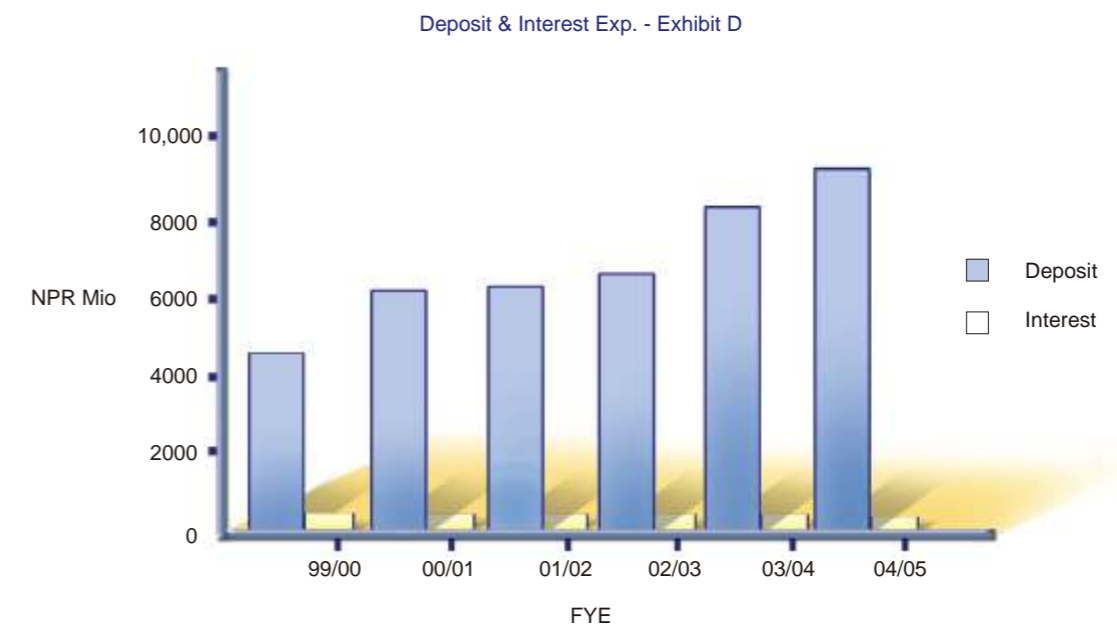
## CONSUMER LOAN

With a view to give focused services, your bank has ventured into the field of consumer credits by offering hire purchase loans, home loans, educational loans, professional loans and personal loans. In a collaborated effort with His Majesty's Government, the bank has possibly become the first financial institution to be involved in preparing a working policy and extending foreign employment loans. Furthermore, considering the requirements of the common people, the bank has launched festivity loan product for meeting their financial needs with regard to social and family rituals and functions such as marriage, bratabandha, etc. Similarly, in order to extend services in the rural areas, your bank is evaluating Asian Development Bank's Micro-finance programme. This is likely to expand the credit base in a sustainable manner as well as enlarge the source of income of the bank and contribute towards the economic development of the country.

## DEPOSIT MANAGEMENT

Total deposits during the year have increased by 15.51 percent vis-à-vis the preceding year. However, interest expenses have reduced by 16.76 percent. It has been possible mainly due to efficient management of funds. In the present context, when the liquidity in the financial market remains high due to expanding reach of banking services in all major commercial and industrial territories and the fragile security situation in the country, the bank has been able to mobilize deposits efficiently. This has been the primary reason of reduction in interest expenses. During the review period, your bank has introduced recurring saving schemes such as "Kopila Bachat" and "Mero Bachat" to fulfill the requirements of the common people and diversify the portfolio as well. These are relatively less expensive deposits. Further initiations on diversifying the deposit base by offering mobile and telephone bill payment systems have also contributed towards the growth in deposits.

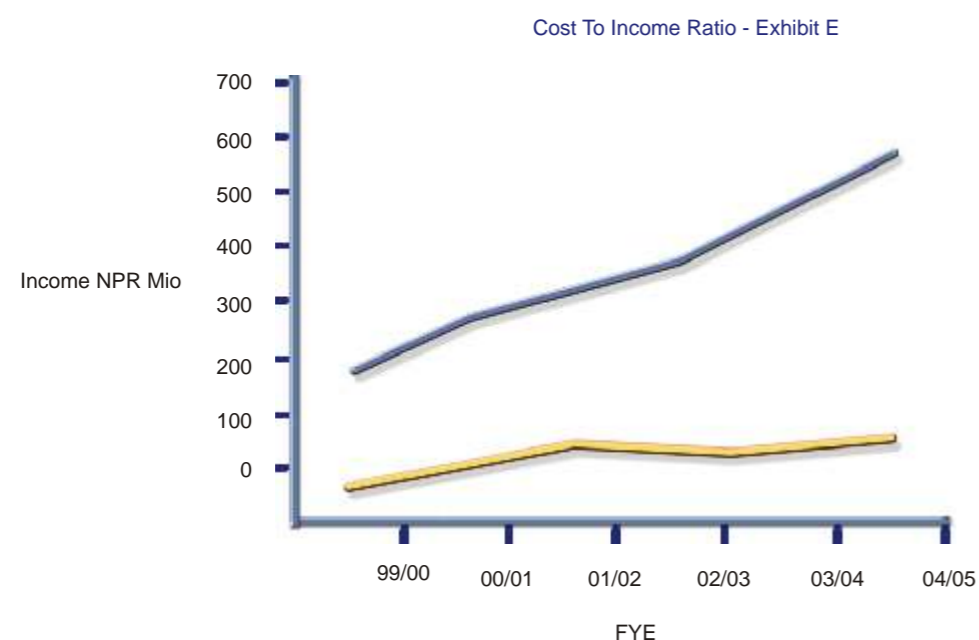
The timely introduction of savings schemes such as "Sajilo Bachat", which is also intended to diversify the deposit



portfolio, has reduced the reliance on expensive, inflexible and volatile deposits. During the year, the bank has also been successful in increasing foreign currency deposits by 61.43 percent without compromising on interest cost.

#### INTERNAL COMMUNICATION, EXPENSE MANAGEMENT AND CONTROL SYSTEMS

There has been tremendous improvement in the communication system within the bank. The investment made for the system has begun paying back satisfactorily. The centralization of the information has facilitated operational activities of the bank, minimized the risks and provided flexibility. Owing to the available flexibility in the system, benefits in the form of attainment of economic objectives have accrued through better assets management, fund mobilization, and other decision making matters. For the purpose of attaining economic objective of the bank, the intensified competition has required the bank to study every issue, including monitoring and operational matters, in greater detail. Accordingly, centralized accounting system has been established with a view to provide better expense management. Jobs that are of regular nature are performed on contractual basis. This has facilitated better expense management. Similarly, with regards to credit control, separate central control departments such as credit control unit, credit recovery unit are operational. There are separate controllers who monitor the branches. Further, the Internal Audit Department carries inspection of all the functions. For the purpose of minimization of operational risks, more emphasis is provided on devising and implementation of policies, including the Basel report. Hence, we would like to inform you that the bank's operational risk is at the minimum level.



#### EXTENSION OF SERVICES

##### BRANCHES

With a view to expand its network in the competitive market, your bank has opened a branch in Biratnagar in this fiscal year. And with this new branch, we are proud to announce that your bank has its presence in all five development regions. The main thrust of setting this branch was to have small but efficient branches in as many locations as possible. And this has been made possible with our centralized processing system. In addition, your bank aims to locate appropriate locations and open Satellite Branches in future. As per the objective of expanding Satellite Branches, this fiscal year we have also opened a branch in one of the leading commercial city of our country - Birgunj, which is also a major transit point. Thus, we would like to reiterate here that your bank has established itself in all five development regions and in all major business centres of the country as part of its efforts to be more accessible to its customers.

##### TECHNOLOGY

In the field of technology, this fiscal year, your bank has switched from BANCS2000 software to internationally acclaimed banking software Finacle developed by Infosys India. The migration has been a success. Under the system, all satellite branches are connected online through VSAT Communication Mode. As a result, we have noticed a marked improvement in the services provided by the branches. Furthermore, this software will facilitate in up gradation and introduction of new products and services as per the requirement of the market. Currently, the bank has been providing telephone and mobile bill payment services to its customer.

##### A.T.M. SERVICES

Your bank is a member of SCT network; this is one of the principal ATM Network service providers in the country. The bank provides DEBIT CARD facility to all customers maintaining savings account with the bank. This card can be used in all the ATM machines under SCT network. The card may also be used, through the POS (Point Of Sale) for purchase of merchandises from many commercial establishments in Kathmandu.



Enhancing shareholders value



## RETURN TO SHAREHOLDERS

Dear Shareholders,

Despite the downfall in the economic condition, the bank has been able to increase its operating profit and net profit by 17.65 percent and 9.38 percent respectively. This increase in profit is primarily due to diversification of credit to high yielding consumer loans, recovery of non-performing loans and efficient management. As compared to the previous year, the return on total assets this year has increased by 5.97 percent. This is the result of the strengthening of internal management of the bank. Further, the bank has been able to appropriate 10 percent towards Capital Adjustment Fund which has taken the total balance in the Fund up to 30 percent despite the unfavourable situation. Upon adequacy of the Fund, the same will be distributed to the shareholders in the form of Bonus share. It is believed that this will also enhance the value of shares held by the shareholders. Similarly, keeping in view the shareholders' anticipation, 15 percent cash dividend is also proposed from this year's profit. In summary, this year, the bank has been able to provide 25 percent return on shareholders investment, which is quite significant given the prevalent business situation.

## PARTICULARS OF SHARE OWNERSHIP

Out of the total number of 4,635,809 shares of the bank, promoters hold 1,947,866 shares and the general public hold 2,687,943 shares, as presented in the chart below:



■ 42% Promoters    ■ 58% General Public.

During the year the bank has not forfeited nor has bought back any shares

## OVERVIEW OF PREVIOUS YEAR'S BUSINESS

### CREDIT MANAGEMENT

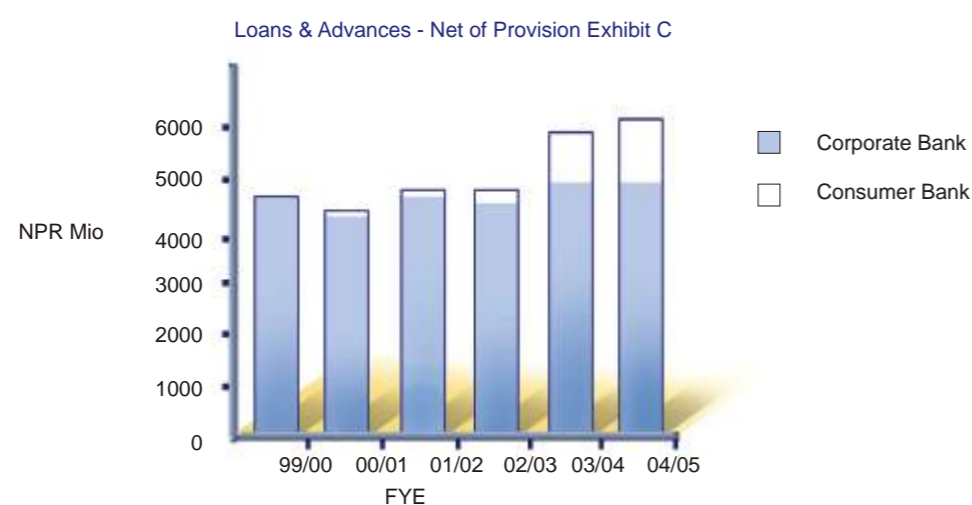
#### Consumer Loan

Relatively low margins owing to increase in competition in the corporate banking business and other supportive environmental factors have been forcing financial institutions to be aggressive on building consumer loan portfolio. Because of the attractive margins, your bank has also ventured into the field of consumer credits by offering hire purchase loans, home loans, educational loans, professional loans, foreign employment loans, festivity loan and personal loans. As a result of the above strategies, 18.45 percent of the bank's total credit portfolio has been occupied by the consumer loans as of the financial year 2060/61. In the coming days, the bank will continue to diversify the portfolio, introduce new products and also put efforts on minimising risks.

#### Corporate Loan

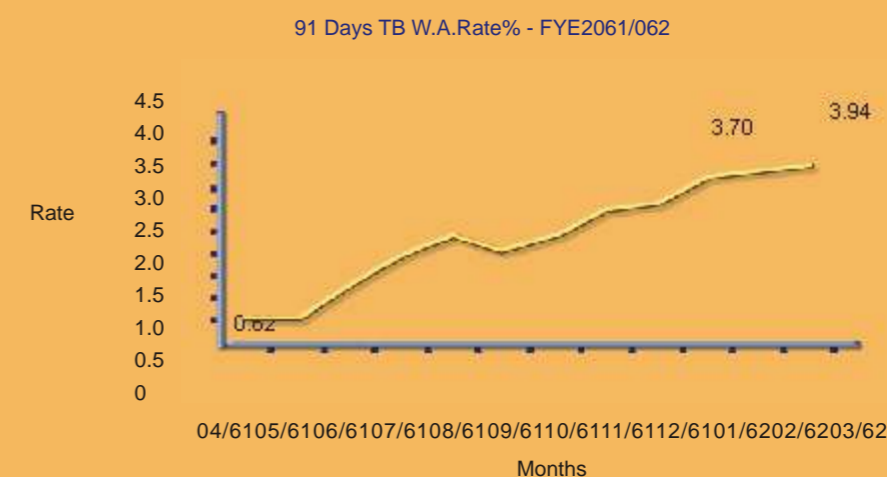
Owing to the small market, there is an intense competition among the bank and financial institutions. The country's economic and business condition has remained abnormal and unpredictable, thus resulting in the decrease of investments in new projects. The cautious move or rather hesitant approach on banks policy towards long term lending is the result of the same. The bank has remained concerned with minimization of risk in extension of credit, evaluation of prospective income generation and maintaining the margin for net profits. This year the bank has played a successful role to encourage consortium lending. The lead role taken in consortium finances has increased fixed yield portfolio penetrating in the industries such as hydropower, hospitals, healthcare, educational institutions and others.

The total growth in the Banks credit portfolio for the year has been noted as 2.90 percent. In light of the situation where the country's economy has not been able to achieve an encouraging pace, the bank has diverted the exposure towards high yield consumer products rather than bigger projects with low yields. The consumer lending has grown by 23.14 percent than that of the previous year. With the change in current situation of the country and sense of stability, the bank shall seek every opportunity to tap the long run projects. The growth statistics is presented below:



### TREASURY MANAGEMENT

Your bank has been investing only on the sectors that are secure and promise smart returns. Treasury Bills and Government Bonds constitute a major portion of the investment portfolio. The volume of investments in Treasury Bills has reduced during the year. However, there has been significant increase in the investments in government bonds viz. Development Bonds bought through government initiated auction process. It has enlarged the total investments in bonds. These investments promise attractive returns in the coming years. During the year, interest rate of US Dollar strengthened and Nepalese currency remained strong against the same currency. As a result of these, investments in foreign currencies, mainly US Dollars were predominantly made for shorter periods. A small investment has been made in prime overseas bonds towards the end of the year. The diversification in foreign currency investments has also contributed towards minimising the interest rate risks.



### FOREIGN EXCHANGE MANAGEMENT

The foreign currency remittances received through your bank has been showing an increasing trend. In order to manage the foreign exchange, the surplus amount of foreign currency received by your bank is either sold in the inter-bank market or to Nepal Rastra Bank. During the review period, Nepalese Rupee has remained strong vis-à-vis US Dollar. Even in these circumstances, your bank has been successful in attaining exchange income of Rs. 72.1 million, which is 12.60 percent higher than that of the preceding year.

### BUSINESS RELATIONSHIP OF THE BANK

Payment Arrangements with Neighbouring Countries: The bank is able to maintain stable relationships with institutions

in various neighbouring cities of India and China (including Lhasa). This has facilitated export and import businesses and has also helped the bank in building business relationships. International Trade: The bank continues to remain a forerunner in providing international trade services as per the needs of the customers. The service is being provided mainly by virtue of maintaining strong correspondent banking relationship with internationally renowned banks. Remittance Arrangements: Increase in the number of Nepalese going abroad for employment and availability of loans from your bank for the purpose has significantly contributed in increasing the inbound remittance business. A large part of this success is also attributed to maintenance of relationship with correspondent banks spread over all major countries as well as agreements signed with major remitting agencies located at various places (e.g. International Money Express, Money Gram, Krishi Premura, Xpress Money Service, First Remit, Placid Express and Al-Fardan Money Exchange). During the review period, the bank has been able to increase fee income from remittance business by approximately 30 percent.

## REMITTANCE

The increase in the number of Nepalese going abroad for employment coupled with providing loan to them by this bank itself has contributed significantly in increasing the inbound remittance business. The attribution for this success also goes to maintenance of relationship with correspondence banks spread over all major countries as well as agreements signed with major remittance agencies located at various principal places (for instance, International Money Express, Money Gram, Krishi Premura, Xpress Money Service, First Remit, Placid Express and Al-Fardan Money Exchange). During the review period, the bank was able to increase the fee income from remittance business by around 30 percent

## FUTURE PLANNING

In a pursuit to strengthening the bank in the coming days, the following programmes are adopted:

- To mobilize funds up to an optimum level and develop new service products.
- To monitor use of funds and investment, and reinforce Management Information System for obtaining automatic timely information and to minimize risk.
- To continue customer service in all geographical regions and portray as customer's bank.
- To emphasize on the service delivery for the growth of retail deposits as well as lending.
- To increase access in the targeted market through expansion of network.
- To seek investment opportunities in the medium scale business enterprises that promise proportionately higher return. Thus, concentrate further on Retail Credit which involves minimal risk, and getting rid of corporate exposures that provide comparatively lesser return but carries higher risk.
- To remain a good corporate citizen and contribute to the society and nation in every way possible by involving in Corporate Social Responsibility (CSR) activities.
- To continue to take optimum advantage from the new banking software the bank has installed recently by enhancing the delivery of services to the customers as well as facilitating an operation of new products/services.

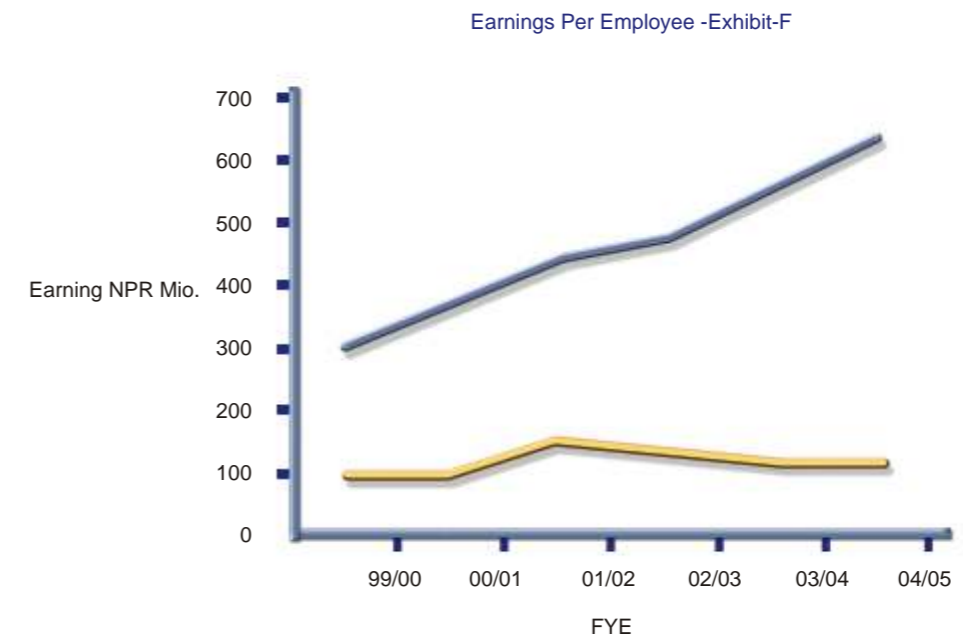
Finally, it has remained our plan and programme to fully comply with the provisions contained in the Bank and Financial Institutions Ordinance and Company Ordinance. We also expect that all shareholders will continue to support the bank for the attainment of the same and continue to give their affection as usual.

Providing challenging career  
and learning opportunities  
for all our employees.



## HUMAN RESOURCES MANAGEMENT

The earning per employee of the bank is increasing each year as portrayed by the enclosed chart. The basic reasons for such an increment include implementation of multiple work-culture system, part time employment and technology guided works at various departments resulting in swiftness in work performance.



In the present context of competitive environment, managerial success basically comes through better management of human resources. It has remained the biggest challenge for the bank to provide job-oriented trainings to skilled and dedicated employees and keep them satisfied for the attainment of the bank objectives. In this perspective, the bank has concentrated more on providing in-house and external training opportunities to the employees as per their dedication, skill and necessity. Work performance evaluation system has also been developed keeping in mind the nature of the work and career development. The bank has been trying to maintain the confidence level of the employees by providing various career development opportunities.

## core team

### MANAGEMENT TEAM

Mr. Radhesh Pant	Managing Director
Mr. Ajay Shrestha	Chief Operating Officer
Mr. Moti Kazi Tuladhar	Chief Marketing Officer
Mr. Mahesh Mishra	Head- Central Operations
Mr. Suresh Man Singh	Head - Central Logistics
Mr. Shiva Gurung	Head - International Trade & Banking
Mr. Kundan Sharma	Head - Corporate Banking
Mr. Chetan B.S. Thapa	Head - Retail Loan
Mr. Kiran Bohara	Head - Credit Control
Mr. Dibya Chandra Shrestha	Head - Internal Audit & Compliance
Mr. Binod Narasinha Shrestha	Head - Corporate Communication & Business Development
Mr. Manish Kumar Singh	Head - Treasury & Corporate Finance
Mr. Ram Pratap Yadav	Head - Institutional Banking
Mr. Anand Pandey	Head - Business Banking

### BRANCH MANAGERS

Ms. Girija Malla	Branch Manager, Kamal Pokhari
Ms Pramoda Pant	Branch Manager, Thamel
Mr. Manoj Khadka	Branch Manager, New Road
Mr. Ek Raj Rawal	Branch Manager, Nepalgunj
Mr. Umesh Aryal	Branch Manager, Butwal
Mr. Dipendra Budhathoki	Branch Manager, Hetauda
Mr. Surendra Shahi	Branch Manager, Dhangadhi
Mr. Jit Bahadur Saru	Branch Manager, Pokhara
Mr. Bikash Khanal	Branch Manager, Biratnagar
Mr. Ganesh Lamshal	Branch Manager, Birgunj

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## AUDITOR'S REPORT TO THE SHARE HOLDERS OF BANK OF KATHMANDU LIMITED

We have audited the accompanying Balance Sheet of the Bank of Kathmandu Limited (hereinafter referred to as 'The Bank') as at 31st Ashad 2062 ( 15th July 2005 ) and the related Profit & Loss Account and Cash Flow Statement for the year then ended. This financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on this financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing and relevant practices. Those standards and practices 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 evaluating the overall financial presentation. We believe that audit provides a reasonable basis for our opinion.

Based on our examination of the financial statements as aforesaid, we report that:

1. We have obtained all information and explanations required for the purpose of our audit.
2. The Balance Sheet and the related Profit & Loss Account and Cash Flow Statement are presented in conformity with the formats prescribed by the Nepal Rastra bank and are in agreement with the accounts maintained by the Bank.
3. The accounts and records of the Bank have been maintained as required by law and practice.
4. Returns received from branch offices of the Bank are adequate for the purpose of our audit.
5. The capital fund and risk bearing fund of the Bank are adequate considering the directives issued by the Nepal Rastra Bank.
6. To the best of our information and according to the explanation given to us and from our examination of the books of account of the bank, we have not come across any case where the Board of Directors or any employee of the Bank have acted contrary to the provisions of law or committed any misappropriation or caused any loss or damage to the Bank or violated Directives issued by the Nepal Rastra Bank or acted in a manner as would jeopardize the interest and security of the Bank and its depositors.
7. The business of the Bank has been conducted satisfactorily and found within authority.
8. In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon (Schedule 27 & 28), give a true and fair view-
  - In the case of Balance Sheet, of the state of affairs of the Bank as at 31st Ashad 2062 (15th July 2005),
  - In the case of Profit & Loss Account, of the profit of the Bank for the year ended on that date, and
  - In the case of Cash Flow Statement, the cash flows of the Bank for the year ended on that date.

Date: 5th Marga 2062 ( 20th Nov. 2005)  
Place: Kathmandu

Soyambu K. Kansakar, FCA  
For S. K. KANSAKAR & CO.  
Chartered Accountants.

BANK OF KATHMANDU LTD.  
BALANCE SHEET  
AS AT ASHADH 31,2062 (JULY 15, 2005)

PREVIOUS YEAR Rs.	CAPITAL AND LIABILITIES	SCH	THIS YEAR Rs.	PREVIOUS YEAR Rs.	PROPERTIES AND ASSETS	SCH	THIS YEAR Rs.
463,580,900	Share Capital	1	463,580,900	139,220,903	Cash Balance	7	161,469,654
187,164,330	Reserve Funds	2	257,156,916	643,662,038	Balance with Banks	8	579,050,828
912,150,000	Borrowings	3	6,000,000	272,321,000	Money at Call and Short Notice Investments	9	328,873,857
7,741,645,424	Deposit Accounts	4	8,942,748,598	2,477,409,627	Loan, Advances & Bills Purchase	10	2,598,253,410
38,709,420	Bills Payable	5	19,873,927	5,646,698,444	Fixed Assets	11	5,912,579,472
153,094,598	Other Liabilities	6	167,770,123	83,625,007	Other Assets	12	95,230,942
				233,407,653		13	181,672,301
9,496,344,672	TOTAL		9,857,130,464	9,496,344,672	TOTAL		9,857,130,464

Contingent Liabilities  
Directors Declaration

Schedule 14  
Schedule 23

Schedule 24  
Schedule 25

Schedule 26  
Schedule 27  
Schedule 28

Date:  
Place:

The above schedules (1-14) are integral parts of this Balance Sheet .

Ajay Shrestha  
Chief Operating Officer

Radhesh Pant  
Managing Director

Deepak N. Shrestha  
Director

Bal Ram Neupane  
Director

As per our attached report of even date

Sita Ram Thapalia  
Director

Rita Malla  
Director

Sanjaya B. Shah  
Director

Alok Singh  
Chairman

Soyambu K Kansakar  
S.K. Kansakar &  
Company

BANK OF KATHMANDU LTD.  
PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD JULY 16, 2004 TO JULY 15,2005

PREVIOUS YEAR Rs.	EXPENSES	SCH	THIS YEAR Rs.	PREVIOUS YEAR Rs.	INCOME	SCH	THIS YEAR Rs.
286,297,050	1. Interest Expenses	15	241,639,164	567,096,226	1. Interest Income	18	607,095,662
47,726,373	2. Employees Expenses	16	53,822,309	77,707,811	2. Commission & Discount	19	72,351,675
85,828,545	3. Office Overhead Expenses	17	99,190,178	64,046,314	3. Exchange Gain	20	72,114,868
-	4. Exchange Fluctuation Loss	20	-	15,459,800	4. Non - Operating Income	21	49,496
-	5. Non Operating Expenses	21	518,267	1,966,448	5. Other Income	22	4,467,286
-	6. Bad Debt Written off		-	-	6. Net Loss Carried Down		
101,263,085	7. Provision for Risk Bearing Fund		133,916,898.10				
20,516,155	8. Provision for Staff Bonus		22,699,217				
57,172,203	9. Provision for Income Tax		64,763,232.81				
127,473,189	10. Net Profit Carried down		139,529,721.20				
726,276,599	TOTAL		756,078,988	726,276,599	TOTAL		756,078,988

The above schedules (15-22) are integral parts of this Profit & Loss Account.

Ajay Shrestha  
Chief Operating Officer

Radhesh Pant  
Managing Director

Deepak N. Shrestha  
Director

Bal Ram Neupane  
Director

As per our attached report of even date

Sita Ram Thapalia  
Director

Rita Malla  
Director

Sanjaya B. Shah  
Director

Alok Singh  
Chairman

Soyambu K Kansakar  
S.K. Kansakar &  
Company

BANK OF KATHMANDU LTD.  
PROFIT AND LOSS APPROPRIATION ACCOUNT  
FISCAL YEAR 2061/62

PREVIOUS YEAR	EXPENSES	THIS YEAR	PREVIOUS YEAR	INCOME	THIS YEAR
-	1. Accumulated loss up to last year	-	8,860,095	1. Accumulated profit up to last year	6,491,852
-	2. This year's Loss	-	127,473,189	2. This year's profit	139,529,721
25,494,638	3. General Reserve Fund	27,905,944	-	3. Accumulated Loss	-
-	4. Contingent Reserve	-			
-	5. Bank Development Fund	-			
-	6. Dividend Equalization Fund	-			
-	7. Employees Related Fund	-			
46,358,090	8. Proposed Cash Dividend	69,537,135			
-	9. Issue of Bonus Share	-			
46,358,090	10. Capital Adjustment Reserve	46,358,090			
2,127,509	11. Exchange Equalization Fund	1,231,664			
9,503,106	12. Previous Year's Tax liability	-			
6,491,852	13. Accumulated Profit	988,740			
136,333,284	TOTAL	146,021,573	136,333,284	TOTAL	146,021,573

Ajay Shrestha Chief Operating Officer  
Radhesh Pant Managing Director  
Deepak N. Shrestha Director  
Bal Ram Neupane Director

Sita Ram Thapalia Director  
Rita Malla Director  
Sanjaya B. Shah Director  
Alok Singh Chairman  
Soyambu K Kansakar S.K. Kansakar & Company

As per our attached report of even date

SHARE CAPITAL AND OWNERSHIP  
(End Of Ashad 2062)

Schedule 1

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	1. Share Capital	
1,000,000,000	1.1 Authorized Capital	1,000,000,000
1,000,000,000	A) 1,00,00,000 Ordinary Shares of Rs. 100 each	1,000,000,000
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-
500,000,000	1.2 Issued Capital	500,000,000
500,000,000	A) 50,00,000 Ordinary Shares of Rs. 100 each	500,000,000
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-
463,580,900	1.3 Paid Up Capital	463,580,900
463,580,900	A) 4,635,809 Ordinary Shares of Rs. 100 each	463,580,900
-	B) Non-redeemable Shares	-
-	C) Redeemable Shares	-

SHARE OWNERSHIP

NO. OF SHARES	%	PARTICULARS	%	NO. OF SHARES
4,635,809		1. Local Ownership		4,635,809
-	0.00%	1.1 His Majesty's Government	0.00%	-
-	0.00%	1.2 Commercial Banks	0.00%	-
89,048	1.92%	1.3 Financial Institutions	1.68%	77,817
16,067	0.35%	1.4 Organized Institutions	0.27%	12,563
4,530,694	97.73%	1.5 General Public	98.05%	4,545,429
-	0.00%	1.6 Others	0.00%	-
-		2. Foreign Ownership		-
4,635,809	100%	TOTAL	100%	4,635,809

List of Shareholders holding more than 0.5% shares (as 1.5 above)

S.N	NAME	PAID-UP AMOUNT	%	TYPE
1	Sharda Singh	18,259,800	3.94%	Promotors
2	Damber Bahadur Malla	16,879,000	3.64%	Promotors
3	Ran Bahadur Shah	14,854,000	3.20%	Promotors
4	Yadav Prasad Pant	13,691,000	2.95%	Promotors
5	Rita Malla	11,948,800	2.58%	Promotors
6	Unnati Bohara	9,731,000	2.10%	Promotors
7	Bhubaneshwori Shrestha	8,671,600	1.87%	Promotors
8	Bijay Krishna Shrestha	8,450,000	1.82%	Promotors
9	Alok Singh	7,954,800	1.72%	Promotors
10	Prem Bahadur Shrestha	7,020,000	1.51%	Promotors
11	Anjay Bahadur Shah	6,940,000	1.50%	Promotors
12	Ambika Shah	6,240,000	1.35%	Promotors
13	Deepak Bohara	5,382,000	1.16%	Promotors
14	Namrata Sharma	4,600,000	0.99%	Promotors
15	Santbar Singh Thapa	4,497,000	0.97%	Promotors
16	Paratapbar Singh Thapa	3,824,600	0.83%	Promotors
17	Satya Narayan Manandhar	3,588,000	0.77%	Promotors
18	Ganesh Kumar Agrawal	3,500,000	0.75%	Promotors
19	Nirmal Kumar Agrawal	3,500,000	0.75%	Promotors
20	Parmeshwor Prasad Rauniyar	2,992,600	0.65%	Promotors
21	Deepak Kumar Malhotra	2,808,000	0.61%	Promotors
22	Bhupendra Karki	2,808,000	0.61%	Promotors
23	Shree Bhandari	2,500,000	0.54%	Promotors
24	Ramesh Nath Dhungel	2,340,000	0.50%	Promotors
25	Sarana Shrestha	4,873,400	1.05%	Public
26	Arjun Bandhu Regmi	4,028,400	0.87%	Public
27	Chop Narayan Shrestha	3,169,900	0.68%	Public
28	Anjana Kumari Agrawal	2,600,000	0.56%	Public
29	Dambar Bahadur Malla	2,600,000	0.56%	Public
30	Rita Malla	2,600,000	0.56%	Public
31	Akash Kumar Agrawal	2,579,000	0.56%	Public
32	Lalit Kumar Agrwal	2,464,000	0.53%	Public

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

cont.

RESERVES FUNDS  
(End of Ashad 2062)

Schedule 2

PREVIOUS YEAR	PARTICULARS	THIS YEAR
76,910,953	1.General Reserve Fund	104,816,898
92,716,180	2.Capital Adjustment Reserve	139,074,270
164,075	3.Capital Reserve Fund	164,075
-	4.Share Premium	-
10,881,270	5.Other Reserve Fund	12,112,933
-	a) Contingent Reserve	-
-	b) Bank Development Fund	-
-	c) Dividend Equalization Fund	-
10,881,270	d) Exchange Equalization Reserve	12,112,933
-	e) Special Reserve Fund	-
-	f) Assets Revaluation Reserve	-
-	g) Other Free Reserve	-
6,491,852	6.Accumulated Profit/Loss	988,740
187,164,330	TOTAL	257,156,916

BORROWINGS  
(End of Ashad 2062)

Schedule 3

PREVIOUS YEAR	PARTICULARS	THIS YEAR
838,000,000	A. Local	6,000,000
-	1. His Majesty's Government	-
-	1.1 Earthquake affected sector reconstruction	-
8,000,000	2. Nepal Rastra Bank	6,000,000
8,000,000	2.1 Refinance	6,000,000
-	2.2 Repurchase finance	-
830,000,000	3. Inter Bank	-
-	3.1 Overdraft	-
830,000,000	3.2 Loan	-
-	4. Other Financial Institutions	-
-	5. Others	-
74,150,000	B. Foreign	-
-	1. Banks	-
-	1.1 Overdraft	-
74,150,000	1.1 Loan	-
912,150,000	TOTAL (A+B)	6,000,000

DEPOSITS  
(End of Ashad 2062)

Schedule 4

PREVIOUS YEAR	PARTICULARS	THIS YEAR
997,890,548	1.Non Interest-bearing accounts	1,302,636,216
862,789,600	A. Current Deposits	1,135,769,991
218,703,990	1. Local Currency	1,135,769,991
34,788,274	1.1 His Majesty's Government	66,517,785
119,304,627	1.2 Commercial Banks	27,535,268
381,191,254	1.3 Financial Institutions	155,597,252
107,889,425	1.4 Other Organized Institutions	480,637,875
912,030	1.5 Individuals	72,635,173
135,100,948	1.6 Others	332,846,637
-	2. Foreign Currency	166,866,225
-	2.1 His Majesty's Government	-
-	2.2 Commercial Banks	-
-	2.3 Financial Institutions	-
122,677,982	2.4 Other Organized Institutions	158,037,141
9,327,629	2.5 Individuals	8,609,858
3,095,338	2.6 Others	219,227
139,488,636	B. Margin	123,672,872
-	1. Employees Margin	-
55,303,888	2. Guarantee Margin	48,854,953
84,184,749	3. Letter of Credit Margin	74,817,919
-	C. Other	28,000,000
-	1. Local Currency	28,000,000
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
-	1.3 Individuals	28,000,000
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individuals	-
1,137,379,185	TOTAL of Non-interest bearing accounts	1,454,309,088

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	2. Interest-bearing accounts	
2,873,809,189	A. Saving Deposits	3,447,445,446
2,744,499,201	1. Local Currency	3,244,484,963
193,300,332	1.1 Organized Institutions	309,174,728
2,519,054,460	1.2 Individuals	2,894,762,271
32,144,408	1.3 Others	40,547,963
129,309,988	2. Foreign Currency	202,960,483
111,198,844	2.1 Organized Institutions	93,095,484
18,111,144	2.2 Individuals	109,864,999
-	2.3 Others	-
2,279,713,259	B. Fixed Deposits	2,878,867,709
1,898,211,509	1. Local Currency	2,194,151,159
1,707,635,787	1.1 Organized Institutions	1,628,747,919
189,275,722	1.2 Individuals	556,903,240
1,300,000	1.3 Others	8,500,000
381,501,750	2. Foreign Currency	684,716,550
348,134,250	2.1 Organized Institutions	457,275,000
33,367,500	2.2 Individuals	227,441,550
-	2.3 Others	-
1,450,743,792	C. Call Deposits	1,162,126,355
1,442,771,539	1. Local Currency	1,161,126,745
8,019,855	1.1 Commercial Banks	50,914,453
611,354,124	1.2 Financial Institutions	613,121,185
653,680,303	1.3 Other Organized Institutions	451,775,583
165,882,178	1.4 Individuals	44,473,596
3,835,079	1.5 Others	841,928
7,972,253	2. Foreign Currency	999,610
-	2.1 Commercial Banks	-
-	2.2 Financial Institutions	-
7,972,253	2.3 Other Organized Institutions	999,610
-	2.4 Individuals	-
-	2.5 Others	-
6,604,266,239	Total of Interest bearing accounts	7,488,439,510
7,741,645,424	TOTAL DEPOSITS	8,942,748,598

**BILLS PAYABLE**  
(End of Ashad 2062)

Schedule 5

PREVIOUS YEAR	PARTICULARS	THIS YEAR
38,301,332	1. Local Currency	19,593,327
408,087	2. Foreign Currency	280,600
38,709,420	TOTAL	19,873,927

**OTHER LIABILITIES**  
(End of Ashad 2062)

Schedule 6

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Pension/Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
20,516,155	4. Provision for Staff Bonus	22,699,217
8,577,239	5. Unpaid Dividend (Interim)	11,939,515
(21,524,967)	6. Provision for Income Tax (less advance tax paid)	(31,402,674)
39,271,046	7. Interest Payable on Deposits	31,358,731
587,779	8. Interest Payable on Borrowings	14,548
2,625,400	9. Unearned Discount and Commission	1,642,305
46,358,090	10. Proposed Dividend	69,537,135
17,211,594	11. Interest Suspense	16,868,053
36,825,868	12. Sundry Creditors	34,241,622
-	13. Branch Adjustment Account	-
2,646,394	14. Others	10,871,671
153,094,598	TOTAL	167,770,123

**CASH BALANCE**  
(End of Ashad 2062)

Schedule 7

PREVIOUS YEAR	PARTICULARS	THIS YEAR
111,093,163	1. Local Currency (including coin)	150,615,057
28,127,740	2. Foreign Currency	10,854,597
139,220,903	TOTAL	161,469,654

BALANCE WITH BANKS  
(End of Ashad 2062)

Schedule 8

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY ( IN NPR)			THIS YEAR
			INR	Foreign Curr.	Total	
449,863,861	1.Nepal Rastra Bank	386,676,541	-	31,190,481	31,190,481	417,867,022
484,613,022	a. Current Account	421,506,677	-	31,190,481	31,190,481	452,697,158
(34,749,161)	b. Other Account	(34,830,136)	-	-	-	(34,830,136)
23,634,561	2.Other Local Banks	26,289,068	-	5,043,679	5,043,679	31,332,747
23,634,561	a. Current Account	26,289,068	-	5,043,679	5,043,679	31,332,747
-	b. Other Account	-	-	-	-	-
170,163,616	3.Foreign Banks	-	34,992,353	94,858,706	129,851,059	129,851,059
170,163,616	a. Current Account	-	34,992,353	94,858,706	129,851,059	129,851,059
-	b. Other Account	-	-	-	-	-
643,662,038	TOTAL	412,965,609	34,992,353	131,092,866	166,085,218	579,050,828

Note: As per the statements of the related banks, the balance amount is NPR 710,404,107.99  
Difference are near to the year-end transactions, which have been identified & being reconciled .

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MONEY AT CALL AND SHORT NOTICE  
(End of Ashad 2062)

Schedule 9

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1.Local Currency (including coin)	-
272,321,000	2.Foreign Currency	328,873,857
272,321,000	TOTAL	328,873,857

INVESTMENTS  
(End of Ashad 2062)

Schedule 10

PREVIOUS YEAR	PARTICULARS	PURPOSE		THIS YEAR
		Commercial	Others	
2,371,775,077	1.HMG Securities	-	2,146,619,488	2,146,619,488
2,110,150,077	a. Treasury Bills	-	1,559,514,411	1,559,514,411
261,625,000	b. Development Bonds	-	587,105,077	587,105,077
-	c. National Saving Bond	-	-	-
-	2.Foreign Govt. Securities	-	-	-
-	3.Nepal Rastra Bank Bonds	-	-	-
22,809,000	4.Shares, Debentures and Bonds	-	93,019,550	93,019,550
82,825,550	5.Other Investments	-	358,966,122	358,966,122
-	a. Certificate of Deposits	-	-	-
-	b. Mutual Fund	-	-	-
-	c. Local Banks	-	-	-
82,825,550	d. Foreign Banks	-	358,966,122	358,966,122
-	e. Others	-	-	-
2,477,409,627	Total Investment	-	2,598,605,160	2,598,605,160
-	Provision	-	351,750	351,750
2,477,409,627	Net Investment	-	2,598,253,410	2,598,253,410

INVESTMENTS IN SHARES, DEBENTURES AND BONDS  
(End of Ashad 2062)

Schedule 10 (A)

PREVIOUS YEAR	PARTICULARS	THIS YEAR	MARKET PRICE
22,809,000	1.Investment in Shares	23,162,000	13,414,000
3,000,000	1.1 Central Region Rural Development Bank 30,000 Shares of Rs.100/- paid up	3,000,000	N/A
5,195,000	1.2 Rural Micro Finance Development Centre Ltd. 51,950 Shares of Rs.100/- paid up	5,195,000	N/A
1,200,000	1.3 Chhimek Bikash Bank 12,000 Shares of Rs. 100/- paid up	1,200,000	N/A
-	1.4 Credit Information Bureau 3530 Shares @ Rs. 100/- paid up	353,000	N/A
13,414,000	1.5 Himalayan Distillery Ltd. 134140 Shares @ Rs. 100/- paid up	13,414,000	13,414,000
-	2.Investments in Debentures and Bonds	69,857,550	-
22,809,000	Total Investment (1 + 2)	93,019,550	13,414,000
-	3.Provision for Loss	-	-
-	3.1 Up to previous year	-	-
-	3.2 Addition/Deduction this year	351,750	-
	TOTAL PROVISION	351,750	-

Note : Organisations which are not declaring Dividend since 3 years.

- (a) Central Region Rural Development Bank  
(b) Chhimek Bikash Bank  
(c) Himalayan Distillery Ltd

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**CLASSIFICATION OF LOAN AND BILLS PURCHASE AND PROVISIONING**  
(End of Ashad 2062)

PREVIOUS YEAR AMOUNT	PARTICULARS	LOAN & ADVANCES						BILL PURCHASED/DISCOUNTED						CURRENT YEAR AMOUNT
		Domestic			Foreign			Domestic			Foreign			
		Insured	Uninsured	Total	Insured	Uninsured	Total	Insured	Uninsured	Total	Insured	Uninsured	Total	
5,608,374,713	1. Performing Loan	70,348,541	579,120,085	4,974,582,568	17,587,493	5,641,638,687	-	-	37,002,703	45,330,455	82,333,158	5,873,538,981		
5,411,596,890	1.1 Pass Loan	-	36,751,869	112,815,266	-	149,567,136	-	-	-	-	-	5,723,971,845		
196,777,824	1.2 Restructured Loan	8,092,711	29,813,135	270,600,193	-	308,506,039	-	-	-	-	-	149,567,136		
399,937,177	2. Non-Performing Loan	103,498	17,572,649	70,747,101	-	88,423,249	-	-	-	-	-	308,506,039		
109,099,868	2.1 Substandard	7,422,650	7,857,046	74,526,763	-	89,806,458	-	-	-	-	-	88,423,249		
68,530,408	2.2 Doubtful	566,562	4,383,440	125,326,329	-	130,276,331	-	-	-	-	-	89,806,458		
222,306,901	2.3 Loss	78,441,251	645,685,090	5,357,998,027	17,587,493	6,099,711,861	-	-	37,002,703	45,330,455	82,333,158	130,276,331		
6,008,311,890	(A) Total Loan	175,871	5,791,201	49,745,826	175,875	55,888,773	-	-	370,027	453,305	823,332	6,182,045,019		
53,169,147	3. Loan Loss Provision	-	4,593,984	14,101,908	-	18,695,892	-	-	-	-	-	56,712,104		
24,597,228	3.1 Pass	6,469	4,393,162	17,686,775	-	22,086,406	-	-	-	-	-	18,695,892		
27,274,967	3.2 Restructured	927,831	3,928,523	37,263,381	-	42,119,735	-	-	-	-	-	22,086,406		
34,265,204	3.3 Substandard	141,641	4,383,440	125,326,329	-	129,851,409	-	-	-	-	-	42,119,735		
6,851,063	3.4 Doubtful	1,251,812	23,090,310	244,124,219	175,875	268,642,216	-	-	370,027	453,305	823,332	129,851,409		
222,306,901	3.5 Loss	315,607	5,562,962	68,723,624	35,592	74,637,786	-	-	11,081	3,117,508	3,128,589	269,465,548		
361,613,447	(B) Total Provisioning	936,204	12,567,168	(103,486,297)	140,283	(89,842,642)	-	-	358,946	(2,664,203)	(2,305,258)	6,182,045,019		
43,091,821	4. Provision up to earlier year	-	-	-	-	-	-	-	-	-	-	-		
43,091,821	4.1 Pass	-	-	-	-	-	-	-	-	-	-	-		
36,087,908	4.2 Substandard	-	-	-	-	-	-	-	-	-	-	-		
227,301,845	4.3 Doubtful	-	-	-	-	-	-	-	-	-	-	-		
313,332,638	4.4 Loss	315,607	10,523,142	347,610,516	35,592	358,484,858	-	-	11,081	3,117,508	3,128,589	222,306,901		
48,280,809	(C) Total pre-year Provision	936,204	12,567,168	(103,486,297)	140,283	(89,842,642)	-	-	358,946	(2,664,203)	(2,305,258)	361,613,447		
48,280,809	(D) Adjustment this year	77,189,440	622,594,780	5,113,873,808	17,411,618	5,831,069,646	-	-	36,632,676	44,877,150	81,509,826	(92,147,899)		
5,646,698,444	NET LOAN (A-B)											5,912,579,472		

**FIXED ASSETS**  
(End of Ashad 2062)

PREVIOUS YEAR AMOUNT	PARTICULARS	ASSETS			THIS YEAR (Rs.)
		ASSETS			
		Building	Vehicles	Office Equipment's	
130,903,558	1. At Cost	-	30,834,677	-	133,325,576
7,808,268	a. Previous Year Balance	-	5,565,100	-	27,026,074
-	b. Addition during the Year	-	-	-	-
(5,386,250)	c. Revaluation/Written back during the year	-	(1,500,000)	(687,510)	(1,500,000)
-	d. Sale during the Year	-	(27,835)	-	(2,083,036)
-	e. Written off during the Year	-	34,871,942	109,267,620	156,768,615
133,325,576	Total Cost (a + b + c + d + e)	-	34,871,942	109,267,620	156,768,615
54,934,993	2. Depreciation	-	14,650,409	-	71,782,732
18,518,777	a. Up to Previous Year	-	4,048,065	12,858,809	18,716,540
(1,671,038)	b. For this Year	-	(822,840)	(189,429)	(2,291,634)
71,782,732	c. Depreciation on revaluation/written back	-	17,875,633	63,879,046	88,207,638
61,542,844	Total Depreciation	-	16,996,309	45,388,574	68,560,977
22,082,163	3. Written Down Value (1-2)	-	-	-	-
17,673,216	4. C-W-I-P (Pending Capitalization)	-	-	-	-
6,690,929	5. Leasehold Assets	-	-	-	-
29,953	a. Previous Year Balance	-	-	-	26,669,965
2,255,356	b. Addition during the Year	-	-	-	22,082,164
3,327	c. Sale during the Year	-	-	-	8,583,299
-	d. Amortisation	-	-	-	-
-	e. Depreciation on revaluation/written back	-	-	-	3,995,498
83,625,007	TOTAL (3+4+5)	-	16,996,309	45,388,574	95,230,942

SECURITIES AGAINST LOAN, ADVANCES AND BILLS PURCHASED  
(End of Ashad 2062)

Schedule 12 (A)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
6,008,311,890	(A) Secured	6,182,045,019
4,532,978,871	1.Collateral of Movable/Immovable Assets	4,735,763,062
-	2.Local Banks and Financial Institutions Guarantee	-
-	3.HMG Guarantee	-
124,637,000	4.Foreign Bank Guarantee	122,985,331
125,595,442	5.Export Documents	155,034,378
432,775,359	6.Fixed Deposit Receipts	598,657,765
47,234,357	a. Own F.D.	78,180,331
385,541,002	b. Others F.D.	520,477,434
547,915,938	7.Government Bonds	267,345,098
-	8.Counter Guarantee	-
-	9.Personal Guarantee	-
244,409,280	10.Other Securities	302,259,385
-	(B) Unsecured	-
6,008,311,890	TOTAL	6,182,045,019

OTHER ASSETS  
(End of Ashad 2062)

Schedule 13

PREVIOUS YEAR	PARTICULARS	THIS YEAR
2,827,047	1.Stationery Stock	3,826,854
31,362,980	2.Income Receivable on Investments	23,516,793
45,097,334	3.Accrued Interest on Loan	43,344,609
-	4.Commission Receivable	-
6,261,141	5.Sundry Debtors	12,280,052
	Less: Provision for loss	1,138,518
21,415,910	6.Staff Loan and Advances	25,970,139
12,311,794	7.Prepayments	7,031,813
-	8.Cash in Transits	-
45,474,712	9.Other Transits items (including cheques)	28,322,903
-	10.Drafts paid without Notice	-
9,677,561	11.Expenses Not Written Off (Deffered Revenue Exp)	9,454,378
25,482,996	12.Net Non-Banking Assets	24,087,543
37,971,593	Total Non-Banking Assets	52,021,952
(12,488,597)	Less: Provision for NBA	(27,934,408)
-	13.Branch Adjustment Account	-
33,496,177	14.Others	3,837,216
233,407,653	TOTAL	181,672,301

OTHER ASSETS (Additional Statement)  
(End of Ashad 2062)

Schedule 13 (A)

PREVIOUS YEAR	PARTICULARS	THIS YEAR			
		Up to 1 Year	1 to 3 Years	Above 3 Years	Total
45,097,334	1. Accrued Interest on Loan	31,056,418	12,288,191	-	43,344,609
-	2. Drafts paid without Notice	-	-	-	-
-	3. Branch Adjustment Account	-	-	-	-
45,097,334	TOTAL	31,056,418	12,288,191	-	43,344,609

CONTINGENT LIABILITIES  
(End of Ashad 2062)

Schedule 14

PREVIOUS YEAR	PARTICULARS	THIS YEAR
34,896,022	1.Claims on bank but not accepted by Bank	21,676,575
828,058,989	2.Letter of Credit (Full amount)	977,003,840
826,041,099	a. Below 6 months	926,500,514
2,017,890	b. Above 6 months	50,503,326
-	3.Rediscounted Bills	-
222,620,760	4.Immatured Guarantees/Bonds	516,350,062
31,243,973	a. Bid Bond	17,910,089
191,376,787	b. Performance Bond	498,439,973
-	5.Unpaid Shares in Investment	-
98,022,183	6.Forward Exchange Contract Liabilities	70,987,698
13,721,590	7.Bills Under Collection	11,853,381
221,491,579	8.Acceptance and Endorsement	296,992,825
-	9.Underwriting Commitment	-
-	10.Irrevocable Loan Commitment	-
-	11.Guarantee issued against Counter Guarantee of Internationally rated Banks	33,114,560
30,796,794	12.Advance Payment Guarantee	4,213,022
9,121,997	13.Financial Guarantee	254,771,790
287,208,859	14.Contingent Liabilities on Income Tax	5,276,237
5,276,237	15.Others	-
-		-
1,751,215,010	TOTAL	2,192,239,990

INTEREST EXPENSES  
(Fiscal Year 2061/62)

Schedule 15

PREVIOUS YEAR	PARTICULARS	THIS YEAR
279,498,012	A. ON DEPOSIT LIABILITIES	232,656,976
128,432,642	1. Fixed Deposits	95,662,584
124,990,760	1.1 Local Currency	85,630,916
3,441,882	1.2 Foreign Currency	10,031,668
90,768,621	2. Saving Deposits	73,646,003
90,247,008	2.1 Local Currency	72,507,800
521,612	2.2 Foreign Currency	1,138,204
60,296,749	3. Call Deposits	63,348,389
60,277,289	3.1 Local Currency	63,298,248
19,460	3.2 Foreign Currency	50,140
-	4. Certificate of Deposits	-
6,799,038	B. ON BORROWINGS	8,982,189
-	1. Overdraft	-
-	2. Loan from Nepal Rastra Bank	-
5,483,129	3. Inter Bank Borrowing	7,056,045
1,315,909	4. Repurchase and Refinances with NRB	1,926,144
-	C. ON OTHERS	-
-	1. ....	-
-	2. ....	-
286,297,050	TOTAL	241,639,164

EXPENSES RELATING TO EMPLOYEES  
(Fiscal Year 2061/62)

Schedule 16

PREVIOUS YEAR	PARTICULARS	THIS YEAR
26,451,631	1. Salary	29,516,119
12,805,105	2. Allowances	12,808,300
2,184,751	3. Contribution to Provident Fund	2,180,568
226,120	4. Training Expenses	933,823
-	5. Uniform	-
1,816,278	6. Medical	1,879,824
166,861	7. Insurance	165,716
1,207,789	8. Pension and Gratuity Provision	3,552,720
2,867,836	9. Others	2,785,240
47,726,373	TOTAL	53,822,309

OFFICE OVERHEAD EXPENSES  
(Fiscal Year 2061/62)

Schedule 17

PREVIOUS YEAR	PARTICULARS	THIS YEAR
12,334,414	1. House Rent	12,993,639
3,980,601	2. Electricity and Water	4,701,068
828,398	3. Repair and Maintenance	1,105,729
-	(a) Building	-
828,398	(b) Vehicles	1,105,729
-	(c) Others	-
2,844,518	4. Insurance	2,873,818
7,723,894	5. Postage, Telex, Telephone, Fax, Swift, Internet, V-Sat	9,817,424
1,583,269	6. Office Equipment and Furniture Repair	3,899,261
3,845,064	7. Travelling Allowances and Expenses	4,652,117
3,807,254	8. Stationary and Printing	5,595,570
398,070	9. Periodicals and Books	410,640
2,605,249	10. Advertisements	5,114,629
804,665	11. Legal Expenses	891,192
264,501	12. Donations	107,863
696,810	13. Expenses Relating to Board of Directors	640,829
612,500	(a) Meeting Fees	548,500
84,310	(b) Entertainment	92,329
2,121,378	14. Annual General Meeting Expenses	2,547,040
370,500	15. Expenses Relating to Audit	381,786
55,000	(a) Audit Fees	55,000
315,500	(b) Tax audit fee & other expenses	326,786
-	16. Commission on Remittances	-
20,774,132	17. Depreciation on Fixed Assets	21,767,746
-	18. Amortization of Preliminary Expenses	362,395
1,130,369	19. Share Issue Expenses (Deferred)	1,105,369
-	20. Technical Service Fee (Management Service Fee)	-
2,221,045	21. Entertainment	3,099,227
2,620,937	22. Written off Expenses	3,421,650
3,977,502	23. Security Expenses	4,763,848
303,376	24. Credit Guarantee Premium	-
1,477,805	25. Commission and Discount	1,485,025
9,114,796	26. Others	7,452,315
2,032,125	26.1 Fuel Expenses	2,629,705
2,591,313	26.2 Audit, Association & other consulting Fee etc..	2,929,364
1,632,749	26.3 Premises & Cleaning	1,893,247
2,858,610	26.4 Special Fee	-
85,828,545	TOTAL	99,190,178

INTEREST INCOME  
(Fiscal Year 2061/62)

Schedule 18

PREVIOUS YEAR	PARTICULARS	THIS YEAR
469,505,093	A. ON LOAN, ADVANCES AND OVERDRAFT	502,945,058
307,832,061	1. Loan and Advances	358,832,106
161,673,032	2. Overdraft	144,112,952
90,873,677	B. ON INVESTMENT	88,250,885
90,873,677	1. HMG Securities	88,001,700
78,972,721	a. Treasury Bills	70,880,559
11,900,955	b. Development Bonds	17,121,141
-	c. National Saving Certificates	-
-	d. ....	-
-	2. Foreign Securities	249,185
-	a. SBI Bond	249,185
-	b. ....	-
-	3. Nepal Rastra Bank Bond	-
-	4. Debenture and Bonds	-
-	a. Financial Institutions	-
-	b. Other Organisations	-
-	C. ON AGENCY BALANCE	-
-	1. Local Banks	-
-	2. Foreign Banks	-
2,546,182	D. ON MONEY AT CALL AND SHORT NOTICE	13,481,762
343,327	1. Local Banks	951,003
2,202,855	2. Foreign Banks	12,530,759
4,171,274	E. ON OTHERS	2,417,957
479,782	1. Certificate of Deposits	1,917,244
184,369	2. Inter-Bank Loan	369,704
3,507,124	3. Others	131,010
567,096,226	TOTAL	607,095,662

COMMISSION AND DISCOUNT  
(Fiscal Year 2061/62)

Schedule 19

PREVIOUS YEAR	PARTICULARS	THIS YEAR
3,598,853	A. BILLS PURCHASED AND DISCOUNT	2,691,825
1,803,108	1. Local Currency	1,132,385
1,795,745	2. Foreign Currency	1,559,440
52,761,311	B. COMMISSION	48,977,378
23,917,372	1. Letter of Credit	16,933,658
9,416,538	2. Guarantee	8,527,894
2,019,117	3. Collection Fee	1,575,628
13,694,940	4. Remittance Fee	17,703,997
-	5. Credit Cards	-
-	6. Share Underwriting/Issues	-
-	7. Government Transaction	-
473,340	8. E.Pra. Commission	202,252
3,240,004	9. Exchange Fee (INR only)	4,033,949
21,347,646	C. OTHERS	20,682,472
77,707,811	TOTAL	72,351,675

EXCHANGE GAIN/LOSS  
(Fiscal Year 2061/62)

Schedule 20

PREVIOUS YEAR	PARTICULARS	THIS YEAR
8,510,034	A. Revaluation Gain	4,926,654
55,536,280	B. Trading Gain (except Exchange Fee)	67,188,214
64,046,314	TOTAL INCOME/(LOSS)	72,114,868

NON-OPERATING INCOME/LOSS  
(Fiscal Year 2061/62)

Schedule 21

PREVIOUS YEAR	PARTICULARS	THIS YEAR
5,958,400	1. Profit/(Loss) on Sale of Investment	-
(15,775)	2. Profit/(Loss) on Sale of Assets	(288,475)
1,520,000	3. Dividend	49,496
-	a. Commercial Banks	-
-	b. Grameen Banks	-
1,520,000	c. Financial Institutions	49,496
-	d. Other Organized Institutions	-
-	(1) Subsidiary Companies	-
-	(2) Others	-
-	4. Subsidies Received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	d. ....	-
7,997,175	5. Others	(229,793)
15,459,800	TOTAL NON-OPERATING INCOME/(LOSS)	(468,771)

OTHER INCOME  
(Fiscal Year 2061/62)

Schedule 22

PREVIOUS YEAR	PARTICULARS	THIS YEAR
338,142	1. Rental on Safe Deposit Lockers	398,600
-	2. Issue and Renewals of Credit Cards	-
565,692	3. Issue and Renewals of ATM Cards	1,659,698
-	4. Telex/T.T.	-
-	5. Service Charges	-
-	6. Renewal Fees	-
-	7. Loss Provision Written Back	-
1,062,614	8. Others	2,408,989
1,966,448	TOTAL	4,467,286

**STATEMENT OF LOAN AND ADVANCES EXTENDED TO DIRECTOR/ CHIEF EXECUTIVE/ PROMOTER/ EMPLOYEES AND SHAREHOLDERS HOLDING MORE THAN 1 PERCENT SHARES** Schedule 23

The Statement of amount, included under total amount of Bills Purchased and Discounted, Loans, Advances and 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 organisations or companies in which such individuals are managing agent, are as follows:

Name of Promoter/Director/Chief Executive	Last Year's Balance		This Year Recovery		This Year Addition	Balance as of Ashad end	
	Principal	Interest	Principal	Interest		Principal	Interest
(A)Directors							
1.....							
2.....							
3.....							
(B)Chief Executive							
1.....							
2.....							
3.....							
(C)Promoters							
1.....							
2.....							
3.....							
(D)Employees							
1.....							
2.....							
3.....							
(E)Shareholders holding more than 1%							
1.....							
2.....							
3.....							
<b>TOTAL</b>							

**CAPITAL ADEQUACY**  
As at 15<sup>th</sup> July 2005

Schedule 24

PARTICULARS	PREVIOUS YEAR	THIS YEAR
A) CORE CAPITAL	639,699,885	708,460,808
1)Paid Up Capital	463,580,900	463,580,900
2)Share Premium	-	-
3)Non-Redeemable Preference Share	-	-
4)General Reserve Fund	76,910,953	104,816,898
5)Capital Adjustment Reserve	92,716,180	139,074,270
6)Cumulative Profit/Loss (up to previous FY)	6,491,852	988,740
7)Current Year Profit & Loss (as per Balance Sheet)	-	-
B) SUPPLEMENTARY CAPITAL	64,214,491	68,989,113
1)General Loan Loss Provision	53,169,147	56,712,104
2)Exchange Equalization Reserve	10,881,270	12,112,933
3)Assets Revaluation Reserve	-	-
4)Hybrid Capital Instruments	-	-
5)Unsecured Subordinate Term Debt	-	-
6)Other Free Reserves	164,075	164,075
C) TOTAL CAPITAL FUND (A + B)	703,914,377	777,449,920
D) Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 11.00 Percent for this year)	693,674,698	761,954,144
Core Capital (@ 5.50 Percent for this year)	346,837,349	380,977,072
Capital Fund (Excess/Short)	10,239,679	15,495,776
Core Capital (Excess/Short)	292,862,536	327,483,736

**CALCULATION OF RISK WEIGHTED ASSETS**  
As on 15<sup>th</sup> July 2005 (31<sup>st</sup> Ashadh 2062)

	As at 15.07.2004			As at 15.07.2005		
	R.W. %	Amount	R.W. Assets	R.W. %	Amount	R.W. Assets
On Balance Sheet Assets						
Cash in Hand	0	139,220,903	-	0	161,469,654	-
Gold (Tradable)	0	-	-	0	-	-
Balance at Nepal Rastra Bank	0	449,863,861	-	0	417,867,022	-
Investment on H.M.G. Bonds	0	2,371,775,077	-	0	2,146,619,488	-
Investment on N.R.B. Bonds	0	-	-	0	-	-
Loan against own F.D. Receipt (secured)	0	47,234,357	-	0	78,180,331	-
Loan against H.M.G. Bonds (secured)	0	547,915,938	-	0	267,345,098	-
Balance with Local Banks & Fin. Ins.	20	23,634,561	4,726,912	20	31,332,747	6,266,549
Loan against other Banks F.D. receipt (secured)	20	385,541,002	77,108,200	20	520,477,434	104,095,487
Balance at Foreign Banks	20	170,163,616	34,032,723	20	129,851,059	25,970,212
Money at Call	20	272,321,000	54,464,200	20	328,873,857	65,774,771
Loan against Guarantee of Int'l Rated Banks	20	124,637,000	24,927,400	20	122,985,331	24,597,066
Investments on Int'l Rated Banks	20	82,825,550	16,565,110	20	358,966,122	71,793,224
Investments on Share, Debenture & Bonds	100	22,809,000	22,809,000	100	93,019,550	93,019,550
Other Investments	100	-	-	100	-	-
Loan, Advances & Bills Purchase/Discount	100	4,902,983,593	4,902,983,593	100	5,193,056,825	5,193,056,825
Fixed Assets	100	83,625,007	83,625,007	100	95,230,942	95,230,942
Other Assets	100	233,407,653	233,407,653	100	181,672,301	181,672,301
Sub - Total (A)	-	9,857,958,118	5,454,649,798	-	10,126,947,761	5,861,476,928
Off-Balance Sheet Items						
Bills Collection	-	13,721,590	-	-	11,853,381	-
Forward Foreign Exchange Contract	10	98,022,183	9,802,218	10	70,987,698	7,098,770
L/C (Below 6 months maturity)	20	826,041,099	165,208,220	20	926,500,514	185,300,103
Guarantee against G. issued by Int'l Rated Banks	20	30,796,794	6,159,359	20	33,114,560	6,622,912
L/C (Over 6 months maturity)	50	2,017,890	1,008,945	50	50,503,326	25,251,663
Bid Bonds	50	31,243,973	15,621,986	50	17,910,089	8,955,045
Performance Bond	50	191,376,787	95,688,394	50	498,439,973	249,219,987
Advance Payment Guarantee	100	9,121,997	9,121,997	100	4,213,022	4,213,022
Financial Guarantee	100	287,208,859	287,208,859	100	254,771,790	254,771,790
Other Guarantee	100	-	-	100	-	-
Irrevocable Loan Commitment	100	-	-	100	-	-
Contingent Liability for Tax	100	5,276,237	5,276,237	100	5,276,237	5,276,237
Other Contingent Liability	100	256,387,601	256,387,601	100	318,669,399	318,669,399
Sub - Total (B)	-	1,751,215,010	851,483,816	-	2,192,239,990	1,065,378,927
<b>TOTAL RISK WEIGHTED ASSETS (A + B)</b>		<b>11,609,173,128</b>	<b>6,306,133,614</b>		<b>12,319,187,751</b>	<b>6,926,855,856</b>

## PRINCIPAL INDICATORS

PARTICULARS	INDICATORS	FY 055/56	FY 056/57	FY 057/58	FY 058/59	FY 059/60	FY 060/61	FY 061/62
1 Percent of Net Profit/Gross Income	Percent	15.34%	16.00%	11.37%	1.62%	12.91%	17.55%	18.45%
2 Earning Per Share	Rs.	24.70	39.29	27.97	2.00	17.72	27.50	30.10
3 Market Value Per Share	Rs.	285.00	998.00	850.00	254.00	198.00	295.00	430.00
4 Price Earning Ratio	Ratio	11.54	25.40	30.39	126.96	11.18	7.20	14.29
5 Dividend (including bonus) on Share Capital	Percent	0.15	31.58%	0.00%	0.10	0.00%	0.00%	0.00%
6 Dividend transferred to reserve	Percent	-	-	-	-	10.00%	10.00%	10.00%
7 Cash Dividend on Share Capital	Percent	-	-	-	0.10	5.00%	10.00%	15.00%
8 Interest Income/ Loan and Advances	Percent	12.49%	10.69%	11.27%	10.26%	10.94%	10.04%	10.27%
9 Staff Expenses/ Total Operating Expenses	Percent	6.18%	5.97%	7.41%	12.11%	12.48%	11.37%	13.64%
10 Interest Expenses/ Total Deposit & Borrowing	Percent	6.62%	5.67%	5.34%	4.98%	4.15%	3.31%	2.70%
11 Exchange Gain/ Total Income	Percent	7.64%	8.75%	10.97%	8.51%	10.60%	8.82%	9.54%
12 Staff Bonus/ Total Staff Expenses	Percent	0.42	63.57%	34.38%	5.95%	26.26%	42.99%	42.17%
13 Net Profit/ Loan and Advances	Percent	2.39%	2.29%	1.58%	0.20%	1.81%	2.26%	2.36%
14 Net Profit/ Total Assets	Ratio	1.46%	1.49%	1.05%	0.15%	1.10%	1.34%	1.42%
15 Total Credit/ Deposit	Percent	7265.19%	0.74	72.23%	80.61%	73.62%	72.94%	66.12%
16 Total Operating Expenses/ Total Assets	Percent	747.37%	0.06	6.57%	6.52%	5.56%	4.42%	4.00%
17 Adequacy of Capital Fund on Risk Weighted Assets								
(a) Core Capital	Percent	3.71%	6.33%	5.64%	10.08%	10.44%	10.14%	10.23%
(b) Supplementary Capital	Percent	2.92%	2.60%	2.96%	4.34%	1.61%	1.02%	1.00%
(c) Total Capital Fund ( a + b )	Percent	6.63%	8.93%	8.60%	14.42%	12.05%	11.16%	11.22%
18 Liquidity (CRR)	Percent	10.98%	12.44%	12.07%	9.26%	9.81%	7.19%	5.49%
19 Non-performing credit/ Total Credit	Ratio	0.064381417	7.60%	7.59%	8.11%	8.67%	6.66%	4.99%
20 Weighted Average Interest Rate Spread	Percent	4.91%	4.73%	3.17%	3.80%	3.33%	3.41%	3.69%
21 Book Net-worth per share	Rs.	96.33	195.38	207.72	171.83	192.52	218.38	213.60
22 Total Shares	No.	1,800,000	1,800,000	2,340,000	4,635,809	4,635,809	4,635,809	4,635,809
23 Total Staffs	No.	62	119	158	194	183	167	171

CASH FLOW STATEMENT  
From 2061/4/1 To 2062/3/31

Schedule 26

PREVIOUS YEAR	PARTICULARS	THIS YEAR
252,111,038	(A) CASH FLOW FROM OPERATION	296,145,836
726,276,599	1. Cash Receipt	756,078,988
567,096,226	1.1 Interest Income	607,095,662
77,707,811	1.2 Commission and Discount Income	72,351,675
64,046,314	1.3 Exchange Gain	72,114,868
15,459,800	1.4 Non-Operating Income	49,496
1,966,448	1.5 Other Income	4,467,286
474,165,560	2. Cash Payment	459,933,151
286,297,050	2.1 Interest Expenses	241,639,164
47,726,373	2.2 Staff Expenses	53,822,309
82,969,935	2.3 Office Overhead Expenses	99,190,178
-	2.4 Exchange Loss	-
-	2.5 Non-Operating Expenses	518,267
57,172,203	2.6 Other Expenses	64,763,233
(2,170,970,229)	(B) CASH FLOW FROM INVESTING ACTIVITY	(472,453,940)
(108,350,254)	1. Changes in Balance with Banks	64,611,210
(241,970,700)	2. Changes in Money at Call and Short Notice	(56,552,857)
(661,260,769)	3. Changes in Investments	(120,843,783)
(1,205,261,326)	4. Changes in Loans, Advances and Bills Purchased	(399,797,926)
10,016,774	5. Changes in Fixed Assets	(11,605,935)
35,856,046	6. Changes in Other Assets	51,735,352
1,900,679,769	(C) CASH FLOW FROM FINANCING ACTIVITY	198,556,855
413,914,140	1. Changes in Borrowings	(906,150,000)
1,570,933,854	2. Changes in Deposits	1,201,103,174
3,565,305	3. Changes in Bills Payable	(18,835,493)
(87,733,531)	4. Changes in Other Liabilities	(77,560,827)
(18,179,422)	(D) NET CASH FLOW OF THE YEAR	22,248,751
157,400,326	(E) OPENING CASH BALANCE	139,220,903
139,220,903	(F) CLOSING CASH BALANCE	161,469,654

Ajay Shrestha  
Chief Operating OfficerRadhesh Pant  
Managing DirectorDeepak N. Shrestha  
DirectorBal Ram Neupane  
DirectorSita Ram Thapalia  
DirectorRita Malla  
DirectorSanjaya B. Shah  
DirectorAlok Singh  
Chairman

As per our attached report of even date

Soyambu K Kansakar  
S.K. Kansakar &  
Company

SIGNIFICANT ACCOUNTING POLICIES  
(FY 2061/2062)

Schedule 27

1. **Basis of Accounting**  
The financial statements have been prepared in conformity with generally accepted accounting principles, Company Act 2053, Bank & Financial Institution Ordinance and Nepal Rastra Bank 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.	"B"	Computer, Furniture, Fixtures & Equipments	25%
2.	"C"	Vehicle	20%
  - c. Leasehold improvements are amortized over the period of lease.
3. **Provisions for Income Tax:**
  - Provision for income tax & special fee has been made as per the Income Tax Act 2058.
  - The bank has filed petition at Revenue Tribunal against the excess assessment order of Rs.4,111,063.00 for FY 1997/98 & Rs.1,165,174.20 for FY 2000/01 (Total Rs: 5,276,237.20) by Inland Revenue Office.
4. **Investment:**  
Investments are valued at cost or market price whichever is lower.
5. **Foreign Exchange Transaction**
  - a. Assets and liabilities have been translated at the prevailing buying rate of exchange as on 15th July 2005.
  - 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 same have been transferred to Foreign Exchange Equalization Reserve.
6. **Non-Banking Assets**  
Non-banking assets have been accounted as per the 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 directive.
7. **Non-capitalized Assets:**  
Assets costing up to Rs. 10,000 have charged directly into expense account.
8. **A. Interest Income**  
Interest income from loans and advances has been recognized in cash basis as per the directives of Nepal Rastra Bank whereas interest income from investment has been recognized on accrual basis.  
**B. Commission**  
Commission income is accounted on cash basis. However, commission from bank guarantee above Rs. 100,000 (Per guarantee) is accounted for on accrual basis.  
**C. Interest Expense**  
Interests on interest bearing deposits and borrowings have been accounted for on accrual basis.
9. **Provision for Loan Loss and Write off of Bad Debts**
  - a. Provision for loan loss has been made on the outstanding amount of loans, advances and bills as per the overdue period and other provisions laid-down in the directive of Nepal Rastra Bank.
  - b. Bad debts have been written-off from the provision held for loss on the respective loans.
10. **Contingent Liabilities:**  
All the 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.
11. **Provisions for Staff Bonus:**  
Provision for staff bonus has been made @ 10% on profit after possible loss provisions.
12. **Staff Housing Fund:**  
Since the bank has been providing housing loans to the employees under the Bank of Kathmandu Ltd. employee regulation, provision for staff housing has not been made as per the Labor Act.
13. **Gratuity Fund:**  
The amount due on account of gratuity to the employee has been transferred to BOK Employee retirement fund 2059 in accordance to clause 63 of Income Tax Act 2058.
14. **Bank guarantee:**  
Beneficiaries had claimed Rs. 21,676,574.62 against Bank guarantee issued by the Bank. These claims had already been submitted to mediator for decision. Provision will be made for these claims after the decision received from mediator.
15. **Format of Financial Statements:**  
All the formats of this financial statement have been made in accordance to the directives of Nepal Rastra Bank (Central Bank of Nepal).
16. The figures have been shown in nearest rupee.
17. The amounts of previous year have been re-grouped/re-classified, where required.

NOTES TO ACCOUNTS

Schedule 28

RECONCILIATION STATUS (UN-RECONCILED)

TRANSACTION	UP TO 1 YR.	1 TO 3 YRS.	ABOVE 3 YRS.	TOTAL
Branch Account	-	-	-	-
Agency Account	131,009,942	343,339	-	131,353,280

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

DISBURSEMENT, COLLECTION & DISCOUNT ON LOAN & ADVANCES DURING THE YEAR

OPENING BALANCE	DISTRIBUTION	COLLECTION	WRITE OFF	CLOSING BALANCE
5,646,698,444	9,118,020,105	8,643,010,359	209,128,717	5,912,579,472

VARIANCE OF DEPOSIT LIABILITY

PARTICULAR	LAST YEAR	THIS YEAR	DIFFERENCE
H.M.G.	218,703,990	66,517,785	(152,186,205)
Commercial Banks	42,808,129	78,449,722	35,641,593
Financial Institutions	730,658,751	768,718,437	38,059,686
Other Organizations	3,525,791,005	3,579,743,340	53,952,336
Individuals	3,042,908,059	3,942,690,689	899,782,630
Others	41,286,854	382,955,754	341,668,900
Personnel Guarantees	-	-	-
Guarantees Margins	55,303,888	48,854,953	(6,448,935)
L.C. Margins	84,184,749	74,817,919	(9,366,830)
<b>TOTAL DEPOSIT</b>	<b>7,741,645,424</b>	<b>8,942,748,598</b>	<b>1,201,103,174</b>

WEIGHTED AVERAGE INTEREST RATE SPREAD  
DEPOSIT AND INTEREST EXPENSE

LAST YEAR		THIS YEAR	
Average deposit	Interest Expense	Type Of Account	Average deposit
911,349,068	-	Current	1,096,483,051
2,573,834,359	90,768,621	Saving	3,168,636,359
1,335,546,947	60,296,749	Call	1,735,976,281
2,325,568,607	128,432,642	Fixed	2,359,675,224
217,258,116	6,799,038	Borrowing	310,372,452
7,363,557,097	286,297,050	Total	8,671,143,36
Average Int.Rate	3.89%		Average Int.Rate
			2.79%

LOAN & ADVANCE AND INTEREST INCOME

LAST YEAR		THIS YEAR	
Avg.Loan&Investment	Interest Income	Type Of Account	Avg.Loan&Investment
5,455,575,377	469,505,093	Loan & Advance	6,279,730,191
2,180,941,154	97,591,133	Investment	2,701,118,542
240,351,314	2,730,551	Lending	645,351,472
7,876,867,845	569,826,777	Total	9,626,200,206
Average Int.Rate	7.23%		Average Int.Rate
			6.47%

3.35% Spread 3.69%

DEFFERED REVENUE EXPENDITURE

PREVIOUS YEAR	PARTICULARS	THIS YEAR
8,145,067	Computer Software	8,594,951
1,532,494	Preliminary Branch & Share Expenses	859,427
9,677,561	TOTAL	9,454,378

No balance sheet & off balance sheet transactions has been over concentrated to a single person, firm, organisation or to a particular sector. Detail of highest exposure to a single person or organisation is as follows:

PARTICULARS	TOTAL EXPOSURE	*MAXIMUM CONCENTRATION TO SINGLE CUSTOMER*	PERCENTAGE
Loan & Advances	6,182,045,019	161,049,245.00	2.61%
Deposit	8,942,748,598	1,182,590,000.00	13.22%
Off Balance Item	2,192,239,990	232,668,595.00	10.61%

LIQUIDITY POSITION

PARTICULARS	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 365 Days	Above 1 Yr.	TOTAL
<b>ASSETS</b>						
Cash Balance	161,469,654	-	-	-	-	161,469,654
Bank Balance	579,050,828	-	-	-	-	579,050,828
Investment In Foreign Banks	358,966,122	-	-	-	69,857,550	428,823,672
HMG Bonds	192,818,407	368,763,610	77,237,870	920,694,601	587,105,000	2,146,619,488
Placement to Fin.institution	-	-	-	-	-	-
NRB Bonds	-	-	-	-	-	-
Interbank Lendings (Loans)	-	-	-	-	-	-
Loans & Advances	2,251,235,401	1,257,638,956	363,490,024	310,135,568	1,999,545,070	6,182,045,019
Total Financial Assets	3,543,540,413	1,626,402,566	440,727,894	1,230,830,169	2,656,507,620	9,498,008,661
<b>LIABILITIES</b>						
Borrowings	6,000,000	-	-	-	-	6,000,000
Current Deposit	787,993,970	-	-	-	514,642,246	1,302,636,216
Saving Deposit	1,934,589,900	-	-	-	1,512,855,546	3,447,445,446
Fixed Deposit	1,047,129,709	629,958,000	269,130,000	414,930,000	517,720,000	2,878,867,709
Call Deposit	285,219,365	-	-	-	876,906,990	1,162,126,355
Other Deposit	151,672,872	-	-	-	-	151,672,872
Bonds	-	-	-	-	-	-
Total Financial Liabilities	4,212,605,816	629,958,000	269,130,000	414,930,000	3,422,124,782	8,948,748,598
Net Financial Assets	(669,065,404)	996,444,566	171,597,894	815,900,169	(765,617,162)	549,260,063
Cumulative Net Financial Assets	(669,065,404)	327,379,162	498,977,056	1,314,877,225	549,260,063	1,098,520,126

The bank has not pledged it's mortgage for any loan. As per the Schedule-11 , the reconciliation of the Loan Loss Provision is as follows:

Particulars	
Loan Loss Provision-Last year	361,613,447
Loan Loss Provision-This year	(301,276,617)
Principle Written off this Year	209,128,717
Net Loan Loss Provision this year	269,465,548

(As per the Schedule-11)