



GEARED UP FOR GROWTH



2011 | **Annual Report**
वार्षिक प्रतिवेदन ०६७/०६८

This page is intentionally left blank

SIDDHARTHA BANK CORPORATE OFFICE



Club
Join And Enjoy More Benefits
Dial: 4442920
Atk: 066-2664 2664 for more details



Siddhartha
Siddhartha Bank
Siddhartha Bank
Siddhartha Bank

WESTERN UNION
All services

Siddhartha Bank
ATM
VISA

ATM

Siddhartha Bank

Siddhartha Bank



GEARED UP FOR GROWTH

Siddhartha Bank came into operation about 9 years back in 2002. Initial few years were focused on creating that strong foundation to support the growth the Bank would register in the later years. In the last few years, the Bank's focus was on four dimensions - Business growth, creating infrastructure, development of human resource and expansion in the Bank's outreach. The Bank, as envisaged in its strategy, was able to accomplish the objectives. The portfolio of the Bank also registered encouraging growth in the last few years with deposit and credit portfolios crossing the Rs. 20 billion and Rs. 17 billion mark respectively. The

profitability of the Bank too shot up to cross the Rs. 450 million mark. In its quest to gear itself up for better results and growth, the Bank invested heavily on its infrastructure; both physical and technological infrastructures have been upgraded in line with the Bank's long-term goals. The corporate office of the Bank was shifted to a 20,000 square feet modern premises designed to enhance the overall ambience of the Bank and to ensure pleasant banking experience to its customers. Similarly, the Bank upgraded its technology by installing a high-end core banking software -



FLEXCUBE where all the branches are integrated to the main office on a real time basis. In addition to above, a dedicated Payment Solutions Department has been set up to oversee all the alternative delivery channels that include Internet Banking, Mobile Banking, SMS Alert System, Utility Bill Payment facility and Branchless Banking. Going ahead, the Bank plans to roll out Visa Credit Card and mobile banking in the immediate near future. With over 1,500 payment outlets spread across the nation, the Bank boasts of a robust online remittance service - SiddharthaRemit, facilitating remittance services from United Kingdom, United States, Australia, Middle-East, South Korea and Malaysia. On the human resource front, the last couple of years saw a marked growth in the number of employees; more than 200 young and vibrant graduates joined to further boost the Bank's dynamic and experienced human resource.

The Bank firmly believes that it can only be as good as its employees are and accordingly, to ensure that our employees are amongst the best in the industry, the Bank carries out rigorous training and development programs.

Expansion of its network has also been one of the primary focuses of the Bank. It now has strong presence in all the major cities and towns of Nepal with a network of 41 branches and 42 ATM outlets. The thrust to expand its outreach will continue to be an integral part of our future strategy. This expansion has helped the Bank to enhance its portfolio and expand its customer base through various market segments.

With the new software in place, wide network of branches and wide range of products and services, physical infrastructure, quality human resource and alternate delivery channels, the Bank is fully geared to take off in its growth trajectory.



NEW PRODUCTS

MAN POWER

NETWORK

INFORMATION TECHNOLOGY

ANCILLIARY SERVICES



CONTENTS

Geared up for Growth

Overview of Siddhartha Bank	1
Vision & Mission	5
Chairman's Words	8
The Chief Executive Officer on 'Geared up for Growth'	20
Director's Report	21
Independent Auditor's Report	25
Schedules	26

OVERVIEW OF SIDDHARTHA BANK

Since its establishment in 2002, the Bank has come a long way. The portfolio size of the Bank has been consistently growing each year. At the end of FY 2067-68 (2010-11), deposit portfolio stood at Rs. 21.57 billion while the loan portfolio reached Rs. 18.64 billion. The net profit of the Bank stood at Rs. 311.4 million. This growth trajectory is expected to further go up with the infrastructure the Bank has been building up over the recent years. The Bank has instilled a new state-of-the-art software FLEXCUBE, an Oracle Financial Services and Software (OFSS) product which is highly regarded worldwide and has been used by number of international banks. This technological platform supports the ever-widening branch and ATM networks that currently

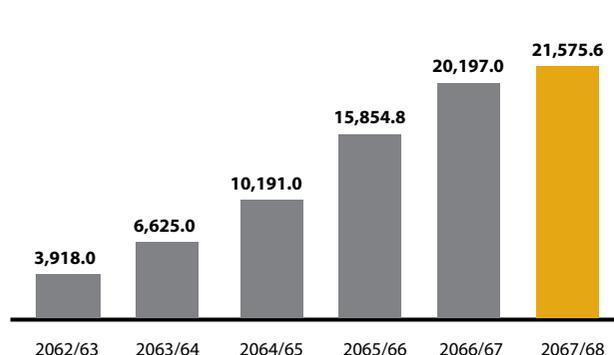
stand at 41 and 42 respectively. The branches have been strategically expanded to meet our existing customer value chain requirements and to penetrate into new customer segments.

Similarly, the Bank has established a dedicated payment solutions department to look into alternative delivery channels such as Card Services, Internet Banking, ATMs and Mobile Banking. With this set-up, the Bank has been able to delivery technologically driven products and services to its Customers.

Key Performance Indicators

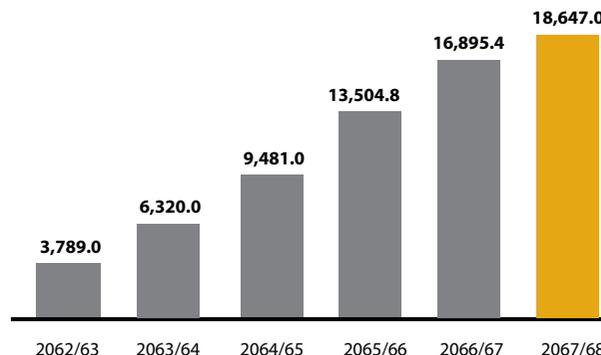
DEPOSITS

NPR In Million



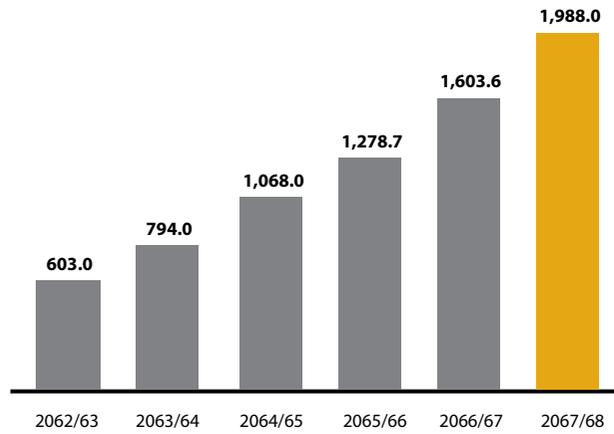
LOANS & ADVANCES

NPR In Million

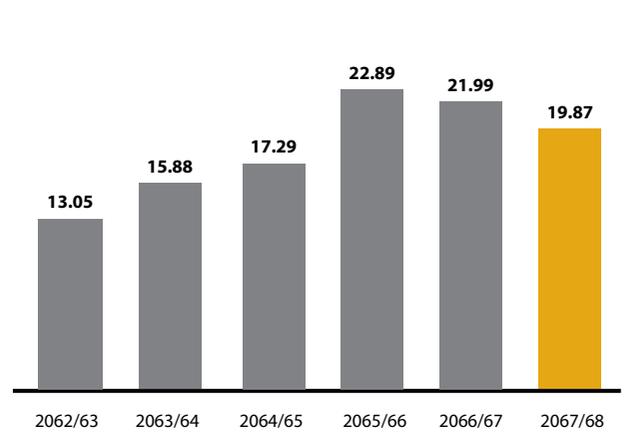


NET WORTH

NPR In Million

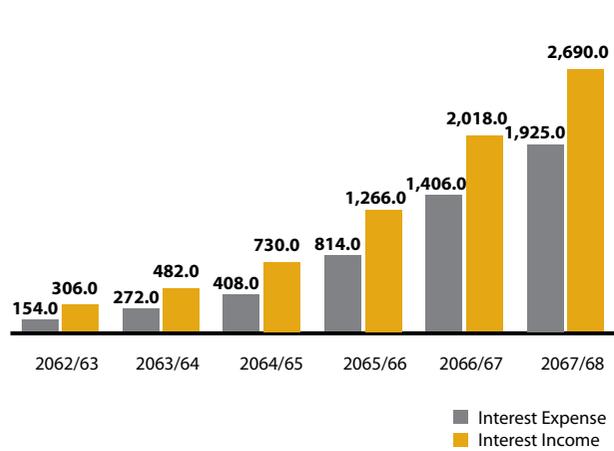


EARNING PER SHARE (EPS)



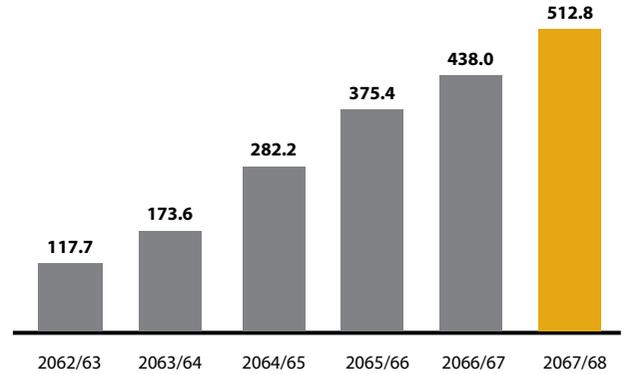
INTEREST INCOME & EXPENSES

NPR In Million

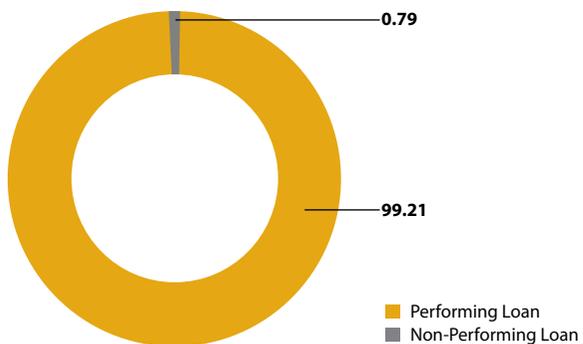


OPERATING PROFIT BEFORE LLP

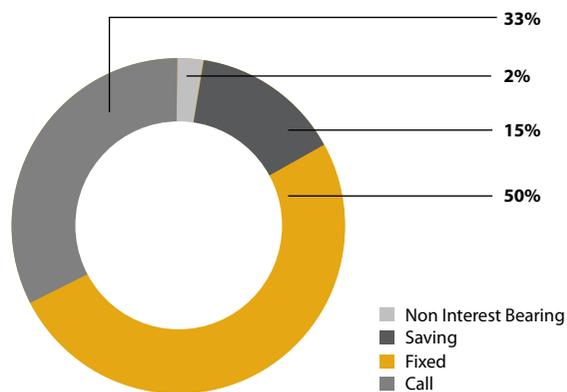
NPR In Million



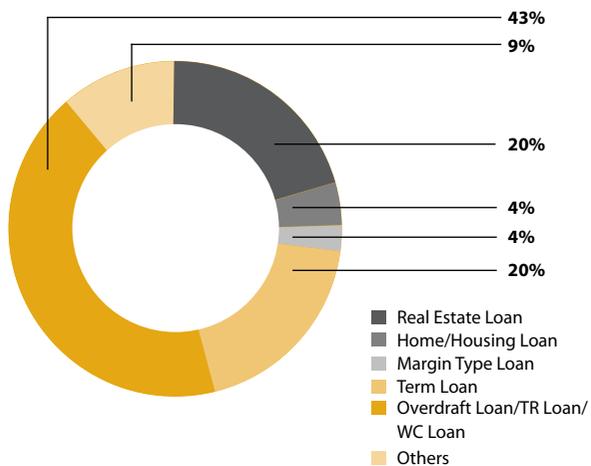
QUALITY OF ASSEST



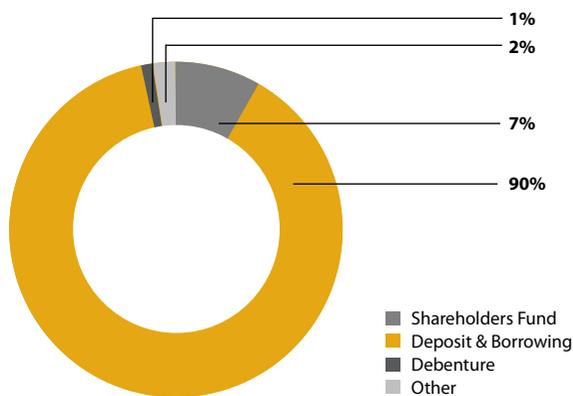
DEPOSIT MIX



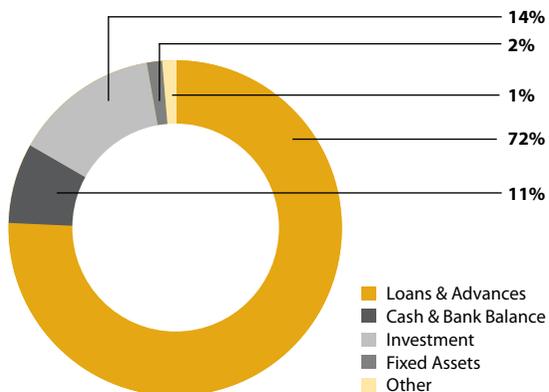
LOAN MIX



SOURCES OF FUND



APPLICATION OF FUND



EXCHANGE RATE AS ON YEAR END 2010/11: 1 USD = 71.50 NPR





VISION & MISSION

Vision

Siddhartha Bank runs with a vision to be financially sound, operationally efficient and keep abreast with technological developments.

Mission

The Bank desires to be one of the leading banks of the industry by fulfilling the interest of the stakeholders and also aims to provide total customer satisfaction by way of offering innovative products and by developing and retaining highly motivated and committed staff. It directs all its efforts to move ahead with increased profits. The following mission statement is a guide to meet the Vision of the Bank:

- Be one of the leading banks of the industry in terms of profitability, productivity and innovation
- Aim at total customer satisfaction by rendering efficient and diversified financial services through improved technology.
- Build a highly motivated and committed team of staff by nurturing a good work culture to achieve superior individual performance aiming to enhance organizational effectiveness.
- Be the place of pride to all its stakeholders.

Core Values of the Bank

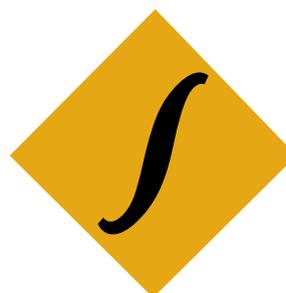


Our Customers

The Bank has a rich clientele with a very good mix of individuals and institutions. Individual Customers, belonging to different economic strata come from diverse background. Quite a majority of the individual customers are self-employed while others include doctors, engineers, lawyers, teachers, civil servants, employees working in NGOs, INGOs and agrarians. Similarly, the Bank has institutional customers coming from different sectors. Majority of the big government institutions have been enjoying various banking services through us. In addition, hospitals, schools, colleges, universities, manufacturing industries, corporate houses, NGOs, INGOs, travel agencies and SMEs form the core of our loyal customer base.

Our Brand Identity:

Since its launch, the new Siddhartha Bank logo and brand Siddhartha Bank has been successful in positioning itself as preferred bank of the customers. The new logo has been a catalyst in further enabling the customers to identify with the Bank. The colour 'Yellow' instils optimism and energy and sparks creative thought which is precisely the work culture of the Bank. It is the energy and optimism of our human resource that provides us the impetus to innovate and tailor-make our services to suit individual customer requirements.



NEW LOOK, NEW PROMISES...

The quadrilateral box enclosing the letter 'S' is a Rhombus. Rhombus is also referred to as diamond; and like the diamond, the Bank believes in adding decor to people and institutions associated with it, primarily the Customers. The four vertices of the Rhombus carry four beliefs of Siddhartha Bank:

- Security
- Returns
- Work ethics & Professionalism
- Corporate Social Responsibility

BOARD OF DIRECTORS



From Left to Right

Mr. Mahesh Prasad Pokharel
Director

Mr. Subodh Todi
Director

Mr. Ratan Lal Kedia
Director

Mr. Manoj Kumar Kedia
Director

Mr. Chiranjilal Agrawal
Chairman

Mr. Poonam Chand Agrawal
Director

Mr. Bishwa Nath Shah
Director

Mr. Tara Chand Kedia
Alternate Director

Mr. Hemant Gyawali
Director

Mr. Bhagat Bista
Director

BRANCH MANAGERS

S.N. Branches

1. Corporate
2. New Road
3. Tripureshwor
4. Patan
5. Old Baneshwor
6. Thamel
7. Tinkune
8. Gongabu
9. Kalanki
10. Gatthaghar
11. Kumaripati
12. Satdobato
13. Bouddha
14. Sankhamul
15. Saraswotnagar
16. Swoyambhu
17. Maharajgunj
18. B&B Ext. Counter
19. Birgunj
20. Biratnagar
21. Pokhara
22. Damak
23. Narayangarh
24. Tikapur
25. Mahendranagar
26. Dhangadhi
27. Bhairahawa
28. Butwal
29. Tulsipur
30. Ghorahi
31. Nepalgunj
32. Janakpur
33. Bardibas
34. Sindhuli
35. Chandragadhi
36. Hetauda
37. Dharan
38. Krishnanagar
39. Bagar
40. Namche Bazar
41. Dailekh

Branch Manager Namelist

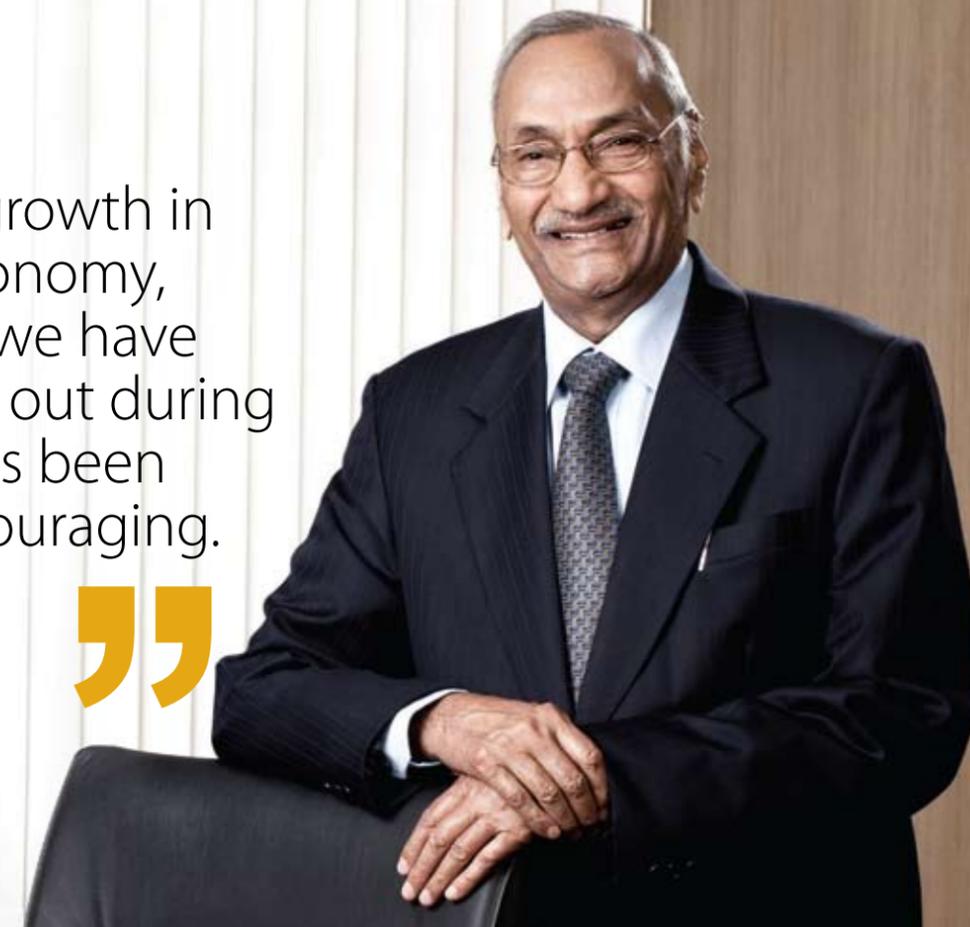
- Rajesh Pokharel
Surya Bahadur Tamang
Pankaj Pant
Ananta Shrestha
Ajay Singh Bhandari
Samartha Upreti
Binu Bhandary
Prajwal Kumar Subedi
Bidur Puri
Surya Prasad Sharma
Yogesh Lal Joshi
Arjun Pokharel
Saroja Regmi
Rupesh K.C.
Jyotsna Kunwar
Pravin Amatya
Neema Nepal
Usha Acharya
Dilli Raj Lekhak
Kamal Basnet
Hari Prasad Timalsena
Subash Shrestha
Dharma Bista
Mahendra Rawal
Narayan Mudhbari
Tej Raj Timilsina
Chandra Dev Poudyal
Sushil Nepal
Abhishek Thapa
Ranjan Koirala
Pawan Chandra Adhikari
Prashant Jha
Madhusudan Pokharel
Kapil Kafle
Milan Koirala
Madhavi Bose
Binjal Shrestha
Utsab Parajuli
Shikha Gurung
Subash Shrestha
Narayan Acharya

“

With not much growth in the country's economy, the growth that we have managed to pull out during this fiscal year has been indeed very encouraging.

MR. CHIRANJILAL AGRAWAL
CHAIRMAN

”



CHAIRMAN'S WORDS

Dear Shareholders,

It gives me immense pleasure to once again report to you yet another successful year of growth and consolidation. Despite the slowdown in the country's economy, the growth managed by your Bank during this fiscal year has indeed been very encouraging. I attribute this success to the stellar efforts of our employees in delivering impeccable banking service to our customers. On behalf of all the shareholders, I would like to express my sincere gratitude to all the employees and the Senior Management that has constantly guided and drove the entire workforce towards a direction which I believe, will soon take us to a different league all together. The growth we have attained in the last few years have been one to reckon with in the entire industry putting us amongst the strong and consistently growing banks in the country. We shall continue to put our effort to further grow this organization to become a leading player in the market, not only in size but also in other areas such as fiscal discipline, transparency, control mechanism, governance, compliance and so forth.

Just to go back to our performance in FY 2010-11 briefly, the profitability of the Bank went up from Rs. 438 million to Rs. 513 million registering a growth of 17% vis-à-vis last fiscal year. This increase in profitability came as a result of subsequent increases in deposits and loans and advances of the Bank. Deposits increased by Rs. 1.38 billion, an increase of 7% while the loan portfolio of the Bank increased by Rs. 1.75 billion putting up a growth rate of 10% compared to last fiscal year. Similarly, the earnings in the form of fees and commission increased from Rs. 106 million to Rs. 169 million, a growth of 60%. The Bank shall continue its efforts to further raise its income portion from fees and commissions. I am quite certain, with the Bank being successful in rolling out alternative delivery channels such as debit card, SMS alert and mobile banking, fee based income of the Bank will increase in the days ahead. In the upcoming fiscal year, special efforts shall also be put to enhance foreign currency deposit portfolio. With the necessary infrastructure in place, high standard service delivery and wide product range, the Bank is certain to enhance its outreach to newer markets and new set of customers.

Over the last year, the Bank rigorously engaged itself in its business process re-engineering exercise, which has helped us to enhance our service standards. The Bank has also re-defined its organogram to further enhance its control mechanism by instilling clearer reporting lines and responsibilities with checks and balances at all ends. During the review period, the Bank successfully launched its branchless 'Sajilo' banking services from Dailekh. The first project under branchless banking was launched to facilitate 'Cash for Work' program of UNWFP whereby beneficiaries of the program would receive cash through Siddhartha Bank's 'Sajilo' banking service. Going ahead, the Bank plans to expand its branchless banking service to other rural parts of the country. We remain focused and committed to partner in Nepal's economic growth and on the same lines, we are expanding the Bank's branch network in a bid to promote financial inclusion in the country. Similarly, the Bank has added a number of branch outlets across the country during the review period. These Branches would not only help increase our deposit base but also assist us in providing that much required impetus for our remittance business.

On the asset side, the Bank would continue to strengthen its risk evaluation process to contain non-performing assets to below 1%. The Bank follows a sound portfolio management practice to ensure a healthy match of its assets and liabilities. The Bank is also fully compliant to all regulatory and statutory regulations. Human Resource,

being critical to our business strategy, we will continue to focus on the overall development of our employees.

Banking operations have become very customer centric in Nepal. With phenomenal rise in the country's young population and increased demand for banking services, speed, service quality and customer satisfaction have become key parameters for success. The presence of joint venture and new-generation private banks in Nepal, and the shift in management style of state-owned banks in the country have stressed the strategic importance of satisfaction, quality and loyalty for winning consumer preferences and maintaining sustainable competitive advantages. Our Bank is fully geared up to match the competition and meet the challenges of the market.

With the required infrastructure in place, we expect a healthy growth rate on all business fronts in FY 2011-12. And I am confident that the Management and the employees will deliver the expectations of the shareholders.

On behalf of all the shareholders, I would like to thank all the stakeholders, particularly, our customers for their continued support and trust and the central bank for their valuable guidance and look forward to the same in the days ahead.

MR. CHIRANJILAL AGRAWAL, CHAIRMAN

Financial Solutions we offer

- **Loans and Advances**
 - Retail Loans
 - Corporate Loans
 - SME Loans
 - Loan Syndication
- **Deposit Products**
 - Retail Products
 - Structured Products
- **Alternative Delivery Channels**
 - Internet Banking
 - Card Services
 - Utility Payment Solutions
 - International Travel Card
 - SMS Alert
 - Mobile banking
 - Branchless Banking
- **Remittance Products**
 - Siddhartha Remit
 - Global Payment Services (Draft, SWIFT, etc.)
 - Local Payment Services (ABBS)
- **Wealth Management Services**
 - Bancassurance
 - Safe Deposit Lockers

Customer Proximity

We believe in reaching out to the Customers rather than expecting Customers coming to us. In our quest to provide modern banking services to as many customers as possible, we have expanded our branch network to 41 different locations including some in far fetched areas such as Dailekh in the far west and remote areas like Namche, close to the base of Mt. Everest. All the branches are full fledged in that they are fully equipped with the required capacity to execute any type, size and form of banking. In that, each of our branch, we believe, is as good as a whole bank in its own right.

The Bank has also launched its branchless banking services. The first project under branchless banking commenced in partnership with United Nations Capital Development Fund (UNCDF) and United Nations World Food Program (UNWFP) in Dailekh, far west of Nepal. The program primarily envisages serving the rural population with all the benefits of modern banking. This program was also supported by Winrock International and CEPREAD. The Bank expects to expand this service to 50 plus other rural locations across the country. The poor and deprived population of Nepal is expected to benefit from this financial inclusion program carried out by the Bank.



Mobile Banking



Visa Debit Card



Internet Banking

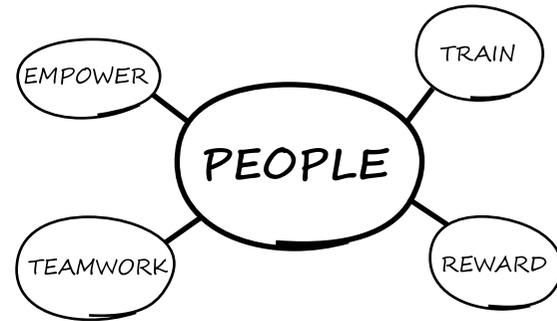


ATM Service

Thriving on Human Resource

Siddhartha Bank believes in attracting and retaining the best human resources in the industry. The growth of the Bank can primarily be attributed to its high quality human resource. The Bank is a pool of the best people in the industry. It is the collective effort of our employees, we believe, that has made it possible for us to stand today as one of the consistently growing commercial banks in the country. Our human resource management policy is uncompromising in that it ensures performance based growth and compensation. The Bank's work culture is very much conducive for people seeking knowledge, experience and growth. The Bank carries out regular training and

development programs for all its employees ranging from sub-ordinate to executive levels. The employees practice high level of ethics, integrity and transparency, which is paramount to our business philosophy.

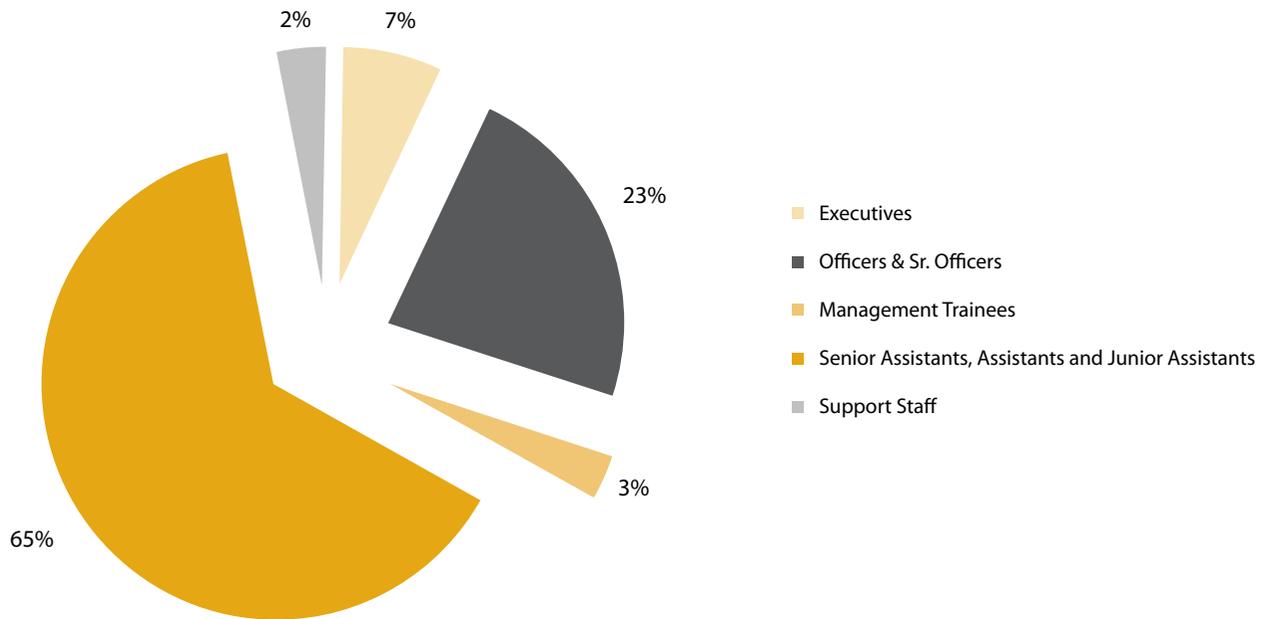


HR TRAINING SESSION. ORGANIZED REGULARLY



DEDICATED PROFESSIONALS AT BRAINSTROMING SESSION

Composition of Employees



Information Technology

On the information technology front, the Bank migrated from conventional banking software to a high-end core banking software FLEXCUBE - product of Oracle Financial Services Software. The software is expected to enhance efficiency whilst also supporting in extracting comprehensive MIS, vital for control and new product development. The software will also support the Bank's expanding network of branches. Similarly, another development has been a setup of a dedicated alternative delivery channels department - Payment Solutions. The Bank has already rolled out a number of products and services making use of the new technology. Some of the products thus far rolled out are Visa Debit Card, Branchless Banking Services, Utility Bill Payment Facility, Internet Banking Facility, SMS Alert System and International Travel Card.

Risk Orientation-Setting Standards Across the Industry

Sound risk management is the essence of banking and we, at Siddhartha Bank, understand that the Bank's success and sustenance largely depends on its risk management philosophy and structure. We shy away from taking unnecessary risk through an organizational setup that helps us to identify, monitor and manage key risks involved in the business.

Credit Risk

Considering the weights in the asset and liability sides of the balance sheet that come in the form of loans/advances and deposits respectively, credit risk management is of paramount importance to us. Our business primarily is to manage funds of the depositors and be custodians to their deposits. Therefore, we have placed greatest level of emphasis on management of credit risks to ensure that the assets we create are of the highest quality. The Bank executes lending based on the comprehensive credit policy guidelines and credit manual documents approved by the Board of Directors. Whilst the credit manual defines the

processes and procedures associated with credit creation, the credit policy guidelines clearly define the credit policies of the Bank in terms of credit concentration, obligor limits, credit analysis, approving authorities, etc. And all of this ensures prudent lending practices across the Bank.

For necessary checks and balances, the Bank has segregated the jobs of business generation and credit administration. While businesses are generated by one unit of the branch, the administration side that includes documentations, compliance, disbursement, monitoring and control of credit exposures is looked after by a separate division. In order to ensure robustness of the loan approval process, a system is in place whereby all loan applications require review of at least two approving authorities before final approval. Lending limits are granted only to those staff possessing vast credit analytical skills, knowledge and experience. The loan approving authorities have been segregated at three levels- management level, credit committee level and BOD level. Decisions on credit applications are made at different levels depending the limit size. Approved limits are put into the system by the Credit Administration division only after ensuring that documentations are fully complied with and that drawing power of the borrower is reviewed. A separate recovery unit has been established to look into recovery of loans- both corporate and retail loans. We have instilled a red flag system whereby each credit account is pro-actively monitored; doubtful payments are identified and immediate actions are taken to make sure that such accounts are exited well before the loan gets bad. Credit accounts are regularly reviewed and monitored through the comprehensive MIS system. The entire credit portfolio is reviewed on a regular basis by the BOD; this ensures a healthy mix of exposures thereby reducing credit concentration risk. For this, a regular review of various sectors is done from time to time. Repayment of interest and principal are closely monitored on a daily basis and any delinquency/ deficiency is immediately reported to the management for necessary actions on those particular accounts.

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

It is because of the aforementioned systems in place that the Bank has been able to consistently contain its non-performing assets (NPA) well below 1%. Given the size of the loan portfolio, we believe our NPA level is one of the lowest in the industry. Similarly, our loan loss provisioning to loans/advances ratio is consistently maintained at a level that only reflects conservativeness in our approach to safeguard the interest of the stakeholders. The Bank has a sound investment policy, Assets-Liabilities Management Policy and treasury Operational Manual to maintain the healthy investment portfolio of the Bank.

Market Risk

Microscopic at Turbulent Times

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

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

At Siddhartha Bank, the market risk of the Bank is always kept at a minimum. The Bank has an effective Asset and Liability Committee (ALCO) that works as per the ALCO charter. Interest rate risk is managed through funding gap and earnings sensitivity analysis. The Bank carefully monitors the interest rate movements in the market and takes up proactive measures wherever necessary. Similarly, the Bank has equally well managed foreign exchange risk management system in place. All foreign exchange transactions are monitored by the Treasury Division. The investment portfolio of the Bank is valued at market rate or book value whichever is lower.

Operational Risk

Necessary Checks and Balances at All Ends

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

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

Liquidity Risk

Matching Assets and Liabilities

Liquidity risk is the undue risk to Bank's earnings and capital resulting from Bank's inability to meet its obligations when they are due. We have a well-structured ALM Policy that governs the management of liquidity risk. Liquidity risk is looked after by the Asset Liability Committee (ALCO) of the Bank. Liquidity is managed using a total balance sheet perspective analyzing both funding capacity available via increase of liabilities and through liquidation of assets- all this is looked into vis-à-vis projected demands for liquidity. Our primary sources of liquidity are core deposits, asset liquidation, including securities sold under repurchase agreements, and wholesale funding, which includes funds raised from sources such as inter bank borrowing. The Treasury Division is responsible for the operating management of liquidity that is carried out through funding and investment functions. ALCO also periodically reviews the liquidity position of the Bank and plans for necessary contingencies for suitable actions to be taken to ensure adequate liquidity should an event disrupting or adversely affecting the Bank's normal funding activities occur.

Strict adherence to AML norms

The Bank has instilled a separate well-manned Compliance department to ensure compliance of all regulatory and legal requirements and focuses primarily in preventing money laundering. With the help of Compliance department, the

Bank complies with internationally recognized standards. In order to maintain the greatest possible transparency in business relationships and financial transactions, the Bank puts up with the "know your customer" principle. This covers not only verifying and documenting the identity of the client, but also obtaining a risk-based clarification of the source of the assets and liabilities of the Customers.

Basel II Compliant

In Tune with International Standards

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

Corporate Governance

For Siddhartha Bank, growth is equally matched by uncompromising compliance to legal, statutory and regulatory requirements. Proper work ethics, transparency and operations full of integrity are the essence of doing business. The entire business operations- back office or front office, have been designed to meet the highest level of corporate governance. Siddhartha Bank has instilled proper policies, guidelines and operating manuals to ensure smooth and compliant operations. Our team of independent internal auditors reports directly to the Board of Directors. The Bank has a robust control mechanism to contain operational risks events and our team of

independent auditors ensures full compliance to policies and operating manuals. On work ethics, our employees very well understand that the reputation of the Bank depends on the integrity of their system and their own standard of ethical behavior. With a view to protect all our stakeholders, we pursue transparent business management. The periodic publication of financials ensures proper dissemination of the Bank's financial health to all its stakeholders. We have carefully designed the Bank's structure to ensure that all the objectives are met and that all company affairs are well overseen by the respective authorities. A strong and sound internal control mechanism has been instilled to ensure that Bank obligations are correctly and completely identified and discharged accordingly. We have built up systems to ensure effective management of various types of risks facing the bank. Compliance to these very systems and mechanisms guarantee identification, monitoring and controlling of various types of risks the Bank has to deal with. Besides the internal audit department, the Bank has also appointed reputed external auditor that is independent of any financial interests in the company. Various committees are in place to carry out the strategic plans of the Bank. These committees have been constituted

at various levels depending on the nature and sensitivity of the tasks. All these efforts reflect the Bank's understanding and emphasis of sound corporate governance.

Action Based Community Involvement

Siddhartha Bank, established with its sole objective of providing modern banking products and services to its customers, makes every effort to ensure that it is not here only for profits but also as an institution that equally cares for the society; in the process, the Bank has contributed both in cash and kind towards the social welfare of the country by organizing and sponsoring various social events. The Bank has particularly focused in areas such as education, environment and health. The Bank has recently installed billboards across the highways with social messages to create social awareness on child labor, domestic violence, anti-smoking and anti-drug addiction. Besides, the Bank goes all out to help people in times of natural calamities. Similarly, every year, the Bank organizes blood donation camps within the Bank premises in coordination with Nepal's major blood bank.

MANAGEMENT TEAM



Sitting (Left to Right)

Mr. Surender Bhandari
Chief Executive Officer

Mr. Sundar Prasad Kandel
Deputy General Manager

Mr. Rameshwar Prasad Bashyal
Assistant General Manager

Standing (Left to Right)

Mr. Arjun Bhadra Khanal
Manager
Business Support

Mr. Anindra Acharya
Manager
Control & Compliance

Mr. Pankaj Pant
Branch Manager
Tripureshwor

Ms. Ira Pradhan
Relationship Manager
Credit

Mr. Bhol Nath Dhungana
Company Secretary &
Manager – Legal

Mr. Ram Chandra Khanal
Manager
Finance & Account

Mr. Laxman Subba
Head
SME & Consumer Banking
Division

Mr. Amit Shrestha
Relationship Manager
Credit

Mr. Rudra Nath Dhungana
Relationship Manager
SME & Consumer Banking



Sitting (Left to Right)

Mr. Sher Bahadur Budhathoki
Assistant General Manager

Mr. Shambhu Nath Gautam
General Manager

Standing (Left to Right)

Mr. Ashok Upadhayay
Manager
Branch Operations

Mr. Pradeep Pant
Relationship Manager
Marketing

Ms. Biplavi Singh
Relationship Manager
Credit

Ms. Shailaja Gyawali
Manager
Marketing

Mr. Prabin Dhungel
Manager
Credit Admin & Control

Mr. Surya Bahadur Tamang
Branch Manager
New Road

Mr. Srijan Krishna Malla
Head
IT

Mr. Chandan Karki
Manager
Treasury

Mr. Santosh Pandey
Relationship Manager
Marketing

“

The corporate culture of the Bank has been shaped to encourage creativity, commitment and dedication.

MR. SURENDER BHANDARI
CEO

”



THE CHIEF EXECUTIVE OFFICER ON 'GEARED UP FOR GROWTH'

The Nepalese banking industry has undergone a phenomenal change in the last few years. With these changes have come new challenges and opportunities demanding for new skills and additional vigor to cater to the growing needs of the Customers. The corporate culture of the Bank has been shaped to encourage creativity, commitment and dedication. Going ahead, financial inclusion will be key to how banks will shape up in the future. Realizing the importance of financial inclusion, we have already envisaged on widening our reach through network of 41 branches, 42 ATMs and branchless banking services. We extensively act on understanding customers' needs, preferences and characteristics and accordingly establish related organization, technology and product development systems to ensure that those needs are invariably met. We are of firm belief that human resource and technology will be the cutting edge to achieving our vision

of being the most preferred financial institution. Our team of vibrant bankers provides us that much required cutting edge to meet the Bank's future aspirations. Leveraging of technology will be critical in the days ahead; hence we have upgraded our banking software infrastructure to meet universal banking requirements.

With the kind of geographical reach across Nepal that we have today, the technology we have instilled and the dedication and commitment of our quality human resource, I believe we are much geared up for further growth-going ahead.

MR. SURENDER BHANDARI, CEO

DIRECTOR'S REPORT

Economic Review

The year 2010-11 brought out a definite improvement in global confidence and stability, though the economic recovery remained uneven between emerging markets and developing countries. The Nepalese economy however had to be satisfied with modest growth rates. The country's GDP grew at a modest 3.47%, a fall of 0.5% compared to GDP growth rate of 3.97% the previous year.

New Initiatives

During the year under review, the Bank took forward its end-to-end Business and IT Strategy Project covering in entirety its domestic operations. The Bank's 41 branches that include 10 branches opened during the review period are now running of the Oracle Financial Services Solutions banking product - FLEXCUBE.

The Bank rolled out the upgraded version of its Internet Banking Services- i-connect and other services such as mobile banking and SMS alert during the review period. The Bank took many initiatives during the year to provide its corporate customers the facility of salary payouts. Similarly, the ATM network of the Branch expanded to reach 42 during the period. Besides, the Bank launched its branchless banking services in Dailekh to facilitate beneficiaries of UNWFP 'cash for work' scheme.

In order to add value to customers, the Bank launched a scheme bundling its various services together under 'Club Siddhartha'. These club members are expected to be loyal customers of the Bank going ahead. For ease of the customers, the Bank launched Siddhartha Bancassurance whereby customers can buy both life and non-life insurance policies through the Bank and at the same time ease their premium payments through standing debit instructions of their accounts. This is expected to enhance the fee-based income of the Bank.

The Bank further expanded the reach of its online remittance service 'SiddharthaRemit' through appointment of additional payment outlets. During the review period, the total number of payment outlets had crossed 1,500. At present, the Bank has been providing remittance facility through Saudi Arabia, Qatar, United Kingdom, Yemen and Australia and it plans to commence remittance services from Bahrain and Russia in the upcoming fiscal year.

The Bank plans to launch Siddhartha Mutual Fund in the upcoming fiscal year. Necessary approval has already been obtained from the regulatory bodies. The Bank shall carry out this service through its already established subsidiary company, Siddhartha Capital Limited.

In line with its plans, the Bank is almost done with the construction of its own building in Birgunj. The Bank plans to shift its Birgunj Branch office to this new premise soon. This is expected to further enhance the ambience of the office premises.

Business and Financial Achievements:

Consistent with its past track record, the Bank delivered superior profitability and best asset quality performance during the year 2010-11 by further gaining market share from both the assets and liabilities sides.

Cashing in on its strong capital and size of the portfolio and healthy credit culture, the Bank has managed to gain market share consistently during the past years amidst maintaining high profitability and asset quality standards. The Bank's total deposits registered a growth of 7% to reach Rs. 21.57 billion while its loans and advances grew by 10% to stand at Rs. 18.64 billion at the end of the fiscal year 2010/11.

Assets Quality

Even as it has grown its balance sheet at faster pace than the industry average, it has sustained the excellent asset quality standards containing its non-performing asset at 0.79%. This reflects the prudence maintained in the Bank's lending. The Bank's consistently high Provision Coverage Ratio that stands at 270% excellently cushions its earnings against any downside economic risks in future.

Comparative Analysis of the Financial Highlights of Siddhartha Bank

(Rs. in Million)

Fiscal Year	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Total Deposit	2,461.92	3,918.08	6,625.08	10,191.44	15,854.80	20,197.03	21,575.65
Total Loans and Advances	2,570.78	3,789.12	6,222.59	9,335.60	13,328.62	16,653.85	18,384.03
Total Assets	3,091.10	4,756.94	7,954.66	11,668.36	17,881.75	22,802.43	24,405.87
Total Capital Fund	3,155.26	4,837.08	8,051.80	11,813.55	18,057.92	23,043.93	24,406.96
Paid Up Capital	350.00	500.00	600.00	828.00	952.20	1,310.44	1,571.13
Operating Profit							
(Before Loan Loss Provisions)	77.70	117.17	173.55	282.19	375.35	438.01	512.76
Operating Profit							
(After Loan Loss Provisions)	77.70	100.69	153.01	234.14	335.50	372.68	470.13
Net Profit	70.28	65.25	95.31	143.17	217.92	240.85	311.41
Non-Performing Asset	2.58	0.87	0.34	0.69	0.45	0.53	0.79
Capital Adequacy Ratio	13.64%	14.16%	11.84%	11.24%	10.69%	10.04%	10.78%
Earning per Share	20.08	13.05	15.88	17.29	22.89	21.99	19.82

Profitability of the Bank

Living up to the expectations of the investors, the Bank maintained its healthy growth rate in profitability come FY 2010-11. The Bank registered total operating profit of Rs. 513 million, an increase of 17% compared with Rs. 438 million in FY 2009-10.

Total Income

The total income of the Bank increased to Rs. 934 million in FY 2010-11 from Rs. 717 million in 2009-10.

Interest Income

Similar to profit and income, the Bank's interest income increased substantially from Rs. 2.01 billion in FY 2009-10 to Rs. 2.69 billion in FY 2010-11.

Net Interest Income (NII)

The Bank's primary source of revenue is net interest income—difference between interest derived from earning assets and interest paid on liabilities obtained to fund those assets. Our net interest income is affected by changes in the yields

earned on assets and interest rates paid on liabilities. The Bank's net interest income increased from Rs. 611.8 million in 2009-10 to Rs. 765 million in FY 2010-11.

Shareholders Equity

The net worth of the Bank stood at Rs. 1.99 billion as of FY 2010-11, a growth of 24% compared to the previous year.

Going Ahead



Siddhartha Bank, over the last few years, focused on three aspects-Growth, Infrastructure Development and Human Resource Development and the Bank rightly achieved all objectives in line with its plans. The portfolio of the Bank has registered encouraging growth in the last few years with its deposit portfolio crossing the Rs. 21 billion mark while its loan portfolio well over Rs. 17 billion. The profitability of the Bank too shot up to cross the Rs. 450 million mark in FY 2010/11. In its quest to gear itself up for better results and growth, the Bank invested hugely on its infrastructure; both physical and technological infrastructures have been upgraded to suit the mid to long term goals of the Bank. The corporate office of the Bank was shifted to a brand new building with an office space of more than 20,000 square feet. The interiors of the corporate office have been designed to enhance the overall ambience of the Bank to ensure pleasant experiences for its customers.

Similarly, the Bank has constructed its own building for Birgunj Branch; the interiors have been designed to suit the market. On the information technology front, the Bank migrated from conventional banking software to a high end core banking software FLEXCUBE-a premium product of Oracle Financial Services group. The software is expected to enhance efficiency whilst also supporting in extracting comprehensive MIS, vital for new product development. The software is also expected to support the Bank's expanding network of branches. Similarly, another development has been a setup of a dedicated alternative delivery channels department-Payment Solutions. The Bank has already rolled out a number of products and services making use of the new technology. Some of the products thus far rolled out are Visa debit card, branchless banking services, utility bill payment facility, internet banking facility, SMS alert system and international travel card. Going ahead, the Bank plans to roll out Visa Credit Card and mobile banking. On the human resource front, the Bank added more than 200 qualified staff members in the last two years alone. The Bank is only as good as its employees and the rigorous training and development programs happening in-house have only one objective- to develop employees for the challenges of today and tomorrow. Geographical expansion has been one of the areas that the Bank has been focusing on in the recent days. It has now penetrated well in all the major cities and towns of Nepal with its network of 41. This strategy will continue to be part of the Bank's overall strategy in the days to come. This expansion has helped the Bank in enhancing its portfolio on the one hand and on the other, in diversifying its customer base. And in its quest to explore new markets, the Bank is going to explore opening of new outlets in different parts of the country.

With the new software in place, wide network of branches and wide range of products and services, physical infrastructure, quality human resource and dedicated payment solutions setup, the Bank is fully geared up to take off in its growth trajectory.

OUR BRANCHES

S.N.	Branches	Telephone No.	Fax. No.
1.	Corporate, Hattisar	01-4442919/4442920	01-4442921
2.	New Road	01-4224616/4239535	01-4239590
3.	Tripureshwor	01-4232504/4232509	01-4232521
4.	Patan	01-5005531/5005533	01-5005532
5.	Old Baneshwor	01-4484996	01-4484997
6.	Thamel	01-4701340/4701341	01-4701342
7.	Tinkune	01-4111941/4111881	01-4111754
8.	Gongabu	01-4389227/4389226	01-4389203
9.	Kalanki	01-4272570	01-4276122
10.	Gatthaghar	01-5639435/6630302	01-5639788
11.	Kumaripati	01-5008648/5008650	01-5552648
12.	Satdobato	01-5553027/5553028	01-5553029
13.	Bouddha	01-4490797	01-4486516
14.	Sankhamul	01-4781516/4781396	01-4781616
15.	Saraswotinagar	01-4822730/4822728	01-4822729
16.	Swoyambhu	01-4033606/4033607	01-4033608
17.	Maharajgunj	01-4374909/4374974	01-4375413
18.	B&B Ext. Counter	01-5007621	
19.	Birgunj	051-531011/531022	051-531055
20.	Biratnagar	021-532901/532902	021-532904
21.	Pokhara	061-551338/551405	061-551339
22.	Damak	023-585127/585206	023-585128
23.	Narayangarh	056-571127/571128	056-571129
24.	Tikapur	091-561163/561164	091-561165
25.	Mahendranagar	099-520163/520164	099-520165
26.	Dhangadhi	091-527463/527464	091-527465
27.	Bhairahawa	071-523645/523646	071-523733
28.	Butwal	071-551540/551541	071-551539
29.	Tulsipur	082-521707/521708	082-521709
30.	Ghorahi	082-563174/563175	082-563176
31.	Nepalgunj	081-527933/527934	081-527932
32.	Janakpur	041-528081/528082	041-528083
33.	Bardibas	044-550640/550641	044-550642
34.	Sindhuli	047-520747/520748	047-520647
35.	Chandragadhi	023-456939/456998	023-456940
36.	Hetauda	057-526767/526768	057-526769
37.	Dharan	025-534022/534023	025-534024
38.	Krishnanagar	076-520655/520656	076-520660
39.	Bagar	061-527747/527748	061-527749
40.	Namche Bazar	038-540451/540452	038-540453
41.	Dailekh	089-420560	089-420561



BAKER TILLY
DEV ASSOCIATES
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
Siddhartha Bank Ltd.

46, New Plaza Road
Putalisadak, Kathmandu
Nepal
Tel: +977-1-4440935/4442044
Fax- +977-1-4440928
contact@bakertillynepal.com

We have audited the attached financial statements of **Siddhartha Bank Ltd.** of F.Y.2067/68 comprising of Balance sheet as at 32nd Ashad 2068 (corresponding to 16th July 2011), the Profit & Loss Account and Cash Flow Statement for the year ended on that date and Statement of Changes in Equity for the period.

Responsibility of Management

These financial statements are the responsibility of the bank's management.

Our Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

Audit Scope

We conducted our audit in accordance with Nepal Standards on Auditing or relevant practices. Those Standards or relevant 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As per the requirement of Institute of Chartered Accountants of Nepal, our audit included the audit of branches whose deposit or loan exceeded 2% of total deposit or gross loan and advances of the bank. In case of other branches, though the branches were not independently audited, the details received from branches were satisfactory for us to form an audit opinion.

Opinion on Financial Statements & Other Matters

With regards to the prevailing Company's Act & Bank & Financial Institution Act, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts have been kept by the bank so far as appears from the examination of those books.
3. The Balance Sheet, Profit & Loss Account, Cash Flow Statement & Statement of Change in Equity dealt with by this reports are in agreement with the books of account.
5. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Bank deliberately and have not violated Directives issued by the Nepal Rastra Bank or acted in a manner that would jeopardized the interest and security of the bank and its depositors.
6. The core capital and capital fund of the bank are as required by Nepal Rastra Bank.
7. In our opinion and to the best of our information and according to the explanation given to us, the business of the Bank appears to have been conducted satisfactorily.
8. Except for the impact of accounting of provision for leave encashment accrued till Ashad 32nd 2067 as Leave encashment expenses of F.Y.2067/68, as detailed out in Para 17 of Notes to Accounts (Schedule 4.33), in our opinion, the financial statements give a true and fair view of the financial position of the bank as of Ashad 32, 2068, and of the results of its operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards or relevant practices, so far as applicable in compliance with prevailing laws.

Mukunda Dev Adhikari, FCA
For Dev Associates
Chartered Accountants.

Date: November 4, 2011
Place: Kathmandu

BALANCE SHEET

as at 32 Ashad, 2068 (16 July, 2011)

CAPITAL AND LIABILITIES	Schedule	This Year (Rs.)	Previous Year (Rs.)
1. Share Capital	4.1	1,618,263,900	1,310,436,445
2. Reserves and Surplus	4.2	370,140,936	293,105,663
3. Debenture and Bonds	4.3	227,770,000	227,770,000
4. Borrowings	4.4	45,000,000	345,000,000
5. Deposit Liabilities	4.5	21,575,653,982	20,197,029,402
6. Bills Payables	4.6	2,685,783	35,703,895
7. Proposed Dividend & Dividend Payables		200,939,258	131,456,632
8. Income Tax Liabilities		15,659,099	7,439,133
9. Other Liabilities	4.7	349,759,091	254,488,130
Total Capital & Liabilities		24,405,872,049	22,802,429,300
ASSETS	Schedule	This Year (Rs.)	Previous Year (Rs.)
1. Cash Balance	4.8	491,249,342	326,868,203
2. Balance with Nepal Rastra Bank	4.9	1,222,411,894	1,027,465,065
3. Balance with Banks & Financial Institutions	4.10	192,023,742	1,052,276,937
4. Money at Call & Short Notice	4.11	882,781,384	699,042,011
5. Investment	4.12	2,537,909,426	2,452,475,662
6. Loans, Advances & Bills Purchased	4.13	18,384,033,093	16,653,851,922
7. Fixed Assets	4.14	368,173,634	360,425,762
8. Non- Banking Assets	4.15	-	-
9. Other Assets	4.16	327,289,533	230,023,738
Total Assets		24,405,872,049	22,802,429,300

Contingent Liabilities	Schedule 4.17	Principal Indicators	Schedule 4.31
Declaration of Directors	Schedule 4.29	Significant Accounting Policies	Schedule 4.32
Capital Adequacy Table	Schedule 4.30	Notes to Accounts	Schedule 4.33
Details of Risk Weighted Exposre Table	Schedule 4.30 (A)		

Schedule 4.1 to 4.17 form integral part of the Balance Sheet.

Ram Chandra Khanal
Manager Finance**Sundar Prasad Kadel**
Deputy General Manager**Shambhu Nath Gautam**
General Manager**Surender Bhandari**
Chief Executive Officer

As Per our report of even date

Poonam Chand Agrawal
Manoj Kumar Kedia
Bishwa Nath Shah
Subodh Todi
Mahesh P. Pokharel
Directors**Hemant Gyawali**
Ratan Lal Kedia
Bhagat Bista
Directors**Chiranjilal Agrawal**
Chairman**Mukunda Dev Adhikari, FCA**
For Dev Associates
Chartered AccountantsDate: 03 November, 2011
Place: Kathmandu, Nepal

PROFIT & LOSS ACCOUNTS

For the period from 01 Shrawan 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Particulars	Schedule	This Year (Rs.)	Previous Year (Rs.)
1. Interest Income	4.18	2,690,294,141	2,018,291,813
2. Interest Expenses	4.19	1,925,243,099	1,406,489,572
Net Interest Income		765,051,042	611,802,241
3. Commission & Discount	4.20	68,049,045	42,758,283
4. Other Operating Income	4.21	62,252,282	50,694,422
5. Exchange Fluctuation Gain	4.22	38,689,741	12,167,702
Total Operating Income		934,042,110	717,422,648
6. Employees Expenses	4.23	155,803,411	103,680,178
7. Other Operating Expenses	4.24	265,477,124	175,735,300
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit Before Provision for Possible Loan Loss		512,761,575	438,007,170
9. Provisions for Possible Losses	4.25	42,628,156	65,322,221
Operating Profit		470,133,418	372,684,949
10. Non- Operating Income/(Expenses)	4.26	1,432,733	10,858,577
11. Possible Loss Provision Written Back	4.27	20,871,446	-
Profit from Regular Activities		492,437,598	383,543,526
12. Income/Expenses from Extraordinary Activities	4.28	-	-
Net Profit after including all Activities		492,437,598	383,543,526
13. Provision for Staff Bonus		44,767,054	34,867,593
14. Provision for Income Tax (a+b-c)		136,255,252	107,828,164
a. This year Provision		136,139,826	104,917,398
b. Provision upto Last Year		2,040,129	1,363,819
c. Deferred Tax Income/(Expenses)		1,924,703	(1,546,947)
Net Profit/ (Loss)		311,415,291	240,847,768

Schedule 4.18 to 4.28 form integral part of this Profit & Loss Account

Ram Chandra Khanal
Manager Finance

Sundar Prasad Kadel
Deputy General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

As Per our report of even date

Poonam Chand Agrawal
Manoj Kumar Kedia
Bishwa Nath Shah
Subodh Todi
Mahesh P. Pokharel
Directors

Hemant Gyawali
Ratan Lal Kedia
Bhagat Bista
Directors

Chiranjilal Agrawal
Chairman

Mukunda Dev Adhikari, FCA
For Dev Associates
Chartered Accountants

Date: 03 November, 2011
Place: Kathmandu, Nepal

PROFIT & LOSS APPROPRIATION ACCOUNTS

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Particulars	Schedule	This Year (Rs.)	Previous Year (Rs.)
Income			
1. Accumulated Profit upto Previous Year		44,929,958	18,167,218
2. This Year's Profit		311,415,291	240,847,768
3. Exchange Equalisation Fund		-	-
4. Transfer from Capital Adjustment Fund		7,949,360	-
5. Share Premium		13,693,140	-
Total		377,987,750	259,014,986
Expenditures			
1. Accumulated loss upto Previous Year		-	-
2. Current year's Loss		-	-
3. General Reserve		62,283,058	48,169,554
4. Contingent Reserves		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Employees Related Reserve Fund		-	-
8. Proposed Dividend		200,939,258	131,456,632
9. Proposed Bonus Share		47,133,900	-
10. Specific Reserve Fund		-	-
11. Exchange Fluctuation Fund		665,036	-
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14. Investment Adjustment Reserve		-	300,000
15. Deferred Tax Reserve		1,924,703	1,620,271
16. Others		-	-
a. Debenture Redemption Reserve		32,538,571	32,538,571
Total		345,484,526	214,085,028
17. Accumulated Profit/ (Loss)		32,503,223	44,929,958

Ram Chandra Khanal
Manager Finance

Sundar Prasad Kadel
Deputy General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

As Per our report of even date

Poonam Chand Agrawal
Manoj Kumar Kedia
Bishwa Nath Shah
Subodh Todi
Mahesh P. Pokharel
Directors

Hemant Gyawali
Ratan Lal Kedia
Bhagat Bista
Directors

Chiranjilal Agrawal
Chairman

Mukunda Dev Adhikari, FCA
For Dev Associates
Chartered Accountants

Date: 03 November, 2011
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY
as at 32 Asadh, 2068 (16 July, 2011)

Particulars	(Amounts in Rs.)										
	Share Capital	Accumulated Profit & Loss	General Reserve	Capital Adjustment Fund	Share Premium	Exchange Fluctuation Fund	Proposed Bonus Shares	Deferred Tax Reserve	Debt Redemption Reserve	Investment Adjustment Reserve	Total Amount
Balance at 16 July, 2010	1,310,436,445	44,929,958	166,554,900	7,949,360	-	6,674,031	-	1,620,271	65,077,143	300,000	1,603,542,108
Deffered Tax	-	-	-	-	-	-	-	-	-	-	-
Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	1,310,436,445	44,929,958	166,554,900	7,949,360	-	6,674,031	-	1,620,271	65,077,143	300,000	1,603,542,108
Transfer from Share Premium	-	13,693,140	-	-	-	-	-	-	-	-	13,693,140
Transfer from Capital Adjustment Reserve	-	7,949,360	-	(7,949,360)	(13,693,140)	-	-	-	-	-	(13,693,140)
Currency Translation Difference	-	-	-	-	-	-	-	-	-	-	-
Net Gains & Losses Not Recognised in the Income Statement	-	-	-	-	-	-	-	-	-	-	-
Net Profit for the Period	-	311,415,291	-	-	-	-	-	-	-	-	311,415,291
Transfer to General Reserve	-	(62,283,058)	62,283,058	-	-	-	-	-	-	-	-
Proposed Dividend	-	(200,939,258)	-	-	-	-	-	-	-	-	(200,939,258)
Proposed Bonus Share	-	(47,133,900)	-	-	-	-	47,133,900	-	-	-	-
Issue of Share Capital	260,693,555	-	-	-	13,693,140	-	-	-	-	-	274,386,695
Deficit on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
Surplus on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	(665,036)	-	-	-	665,036	-	-	-	-	-
Capital Adjustment Fund	-	-	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-	-	-
Tax Related Movement	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	(1,924,703)	-	-	-	-	-	1,924,703	-	-	-
Debt Redemption Reserve	-	(32,538,571)	-	-	-	-	-	-	32,538,571	-	-
Balance at 16 July, 2011	1,571,130,000	32,503,223	228,837,958	-	-	7,339,067	47,133,900	3,544,974	97,615,714	300,000	1,988,404,836

CASH FLOW STATEMENT

as at 32 Asadh, 2068 (16 July, 2011)

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. Cash Flows From Operating Activities	(562,670,036)	963,699,358
1. Cash Receipts	2,849,610,786	2,123,912,220
1.1 Interest Income	2,680,619,718	2,018,291,813
1.2 Commission & Discount Income	68,049,045	42,758,283
1.3 Exchange Fluctuation Gain	38,689,741	12,167,702
1.4 Recovery of Loans Written Off	-	-
1.5 Other Income	62,252,282	50,694,422
2. Cash Payments	2,418,793,252	1,769,003,531
2.1 Interest Expenses	1,910,297,401	1,386,818,348
2.2 Staff Expenses	190,671,004	134,180,467
2.3 Office Operating Expenses	189,789,561	142,769,756
2.4 Income Tax Paid	129,959,990	103,688,012
2.5 Other Expenses	(1,924,703)	1,546,947
Cash Flows before Changes in Working Capital	430,817,534	354,908,689
Increase/(Decrease) in Current Assets	(2,109,519,839)	(3,836,519,916)
1. (Increase)/Decrease in Money at Call and Shortnotice	(183,739,373)	(214,202,011)
2. (Increase)/Decrease in Short-Term Investments	(86,251,213)	(174,010,133)
3. (Increase)/Decrease in Loan and Bills Purchased	(1,751,847,215)	(3,390,552,628)
4. (Increase)/Decrease in Other Assets	(87,682,039)	(57,755,144)
Increase/(Decrease) in Current Liabilities	1,116,032,269	4,445,310,585
1. Increase/(Decrease) in Deposits	1,378,624,580	4,342,230,999
2. Increase/(Decrease) in Certificate of Deposits	-	-
3. Increase/(Decrease) in Short-Term Borrowings	(300,000,000)	17,400,000
4. Increase/(Decrease) in Other Liabilities	37,407,690	85,679,586
B. Cash Flows From Investing Activities	(81,185,253)	(312,662,330)
1. (Increase)/Decrease in Long-Term Investments	817,449	(102,287,732)
2. (Increase)/Decrease in Fixed Assets	(83,435,435)	(221,233,175)
3. Interest Income from Long-Term Investments	-	-
4. Dividend Income	1,050,000	750,000
5. Others	382,733	10,108,577
C. Cash Flows from Financing Activities	142,930,063	207,889,077
1. Increase/(Decrease) in Long-Term Borrowings (Bond, Debentures etc.)	-	-
2. Increase/(Decrease) in Share Capital	274,386,695	215,406,445
3. Increase/(Decrease) in Other Liabilities	-	-
4. Increase/(Decrease) in Refinance/Facilities received from NRB	-	-
5. Increase/(Decrease) in Proposed Dividends and Dividend Payables	(131,456,632)	(7,517,368)
D. Income/Expenses from changes in Exchange Rate on Cash and Bank Balances	-	-
E. Net Cash Flow For The Year from all activities (A+B+C+D)	(500,925,226)	858,926,104
F. Opening Cash and Bank Balance	2,406,610,204	1,547,684,101
G. Closing Cash and Bank Balance	1,905,684,978	2,406,610,205

Ram Chandra Khanal
Manager Finance

Sundar Prasad Kadel
Deputy General Manager

Shambhu Nath Gautam
General Manager

Surender Bhandari
Chief Executive Officer

As Per our report of even date

Poonam Chand Agrawal
Manoj Kumar Kedia
Bishwa Nath Shah
Subodh Todi
Mahesh P. Pokharel
Directors

Hemant Gyawali
Ratan Lal Kedia
Bhagat Bista
Directors

Chiranjilal Agrawal
Chairman

Mukunda Dev Adhikari, FCA
For Dev Associates
Chartered Accountants

Date: 03 November, 2011
Place: Kathmandu, Nepal

SHARE CAPITAL & OWNERSHIP

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.1

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Share Capital	-	-
1.1 Authorized Capital	3,000,000,000	3,000,000,000
a. 30,000,000 Ordinary Shares of Rs. 100 each	3,000,000,000	3,000,000,000
b. Non-Redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.2 Issued Capital	1,571,130,000	1,571,130,000
a. 15,711,300 Ordinary Shares of Rs.100 each share	1,571,130,000	1,571,130,000
b. Non-Redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.3 Paid up Capital	1,571,130,000	1,095,030,000
a. 15,711,300 Ordinary Shares of Rs.100 each	1,571,130,000	1,095,030,000
b. Non-Redeemable Preference Shares of Rs.....each	-	-
c. Redeemable Preference Shares of Rs.....each	-	-
1.4 Proposed Bonus Share	47,133,900	-
1.5 Calls in Advance	-	215,406,445
1.6 Total Amount (1.3+1.4+1.5)	1,618,263,900	1,310,436,445

Share Ownership Details	This Year (Rs.)		Previous Year (Rs.)	
	%	Share Capital	Share Capital	%
1. Domestic Ownership	100	1,571,130,000	1,095,030,000	100
1.1 Government of Nepal	-			-
1.2 "A" Class Licensed Institutions	-			-
1.3 Other Licensed Institutions	-			-
1.4 Other Entities	-			-
1.5 General Public	49	769,853,700	536,564,700	49
1.6 Others (Promoter)	51	801,276,300	558,465,300	51
2. Foreign Ownership	-	-	-	-
Total	100	1,571,130,000	1,095,030,000	100

LIST OF SHAREHOLDERS' HOLDING MORE THAN 0.5 % SHARE CAPITAL

Schedule - 4.1.1

S. N.	Name	No. of shares	Paid Amount (Rs.)	%	Previous Year-No. of Share	%
1	Narendra Kumar Agrawal	769,854	76,985,400	4.90%	536,565	4.90%
2	Prudential Investment Co. Pvt. Ltd.	629,764	62,976,400	4.01%	629,764	5.75%
3	Chiranjilal Agrawal	628,450	62,845,000	4.00%	438,011	4.00%
4	Hiralal Kedia	521,616	52,161,600	3.32%	363,550	3.32%
5	Ratanlal Kedia	518,471	51,847,100	3.30%	361,359	3.30%
6	Mahavir Investment Pvt. Ltd	471,339	47,133,900	3.00%	328,509	3.00%
7	Pawan Kumar Agrawal	471,339	47,133,900	3.00%	328,509	3.00%
8	Subodh Todi	395,923	39,592,300	2.52%	275,946	2.52%
9	Gomati Devi Kedia	345,648	34,564,800	2.20%	240,906	2.20%
10	Dinanath Kedia	339,364	33,936,400	2.16%	236,526	2.16%
11	Narpal Singh Jain	319,913	31,991,300	2.04%	319,913	2.92%
12	Ashok Kumar Baheti	314,226	31,422,600	2.00%	219,006	2.00%
13	Ramautar Kedia	289,087	28,908,700	1.84%	201,485	1.84%
14	Madanlal Kedia	289,087	28,908,700	1.84%	201,485	1.84%
15	Savita Kedia	283,335	28,333,500	1.80%	-	-
16	Poonam Chanda Agrawal	253,210	25,321,000	1.61%	240,906	2.20%
17	Pushpanjali International Pvt. Ltd.	244,397	24,439,700	1.56%	328,509	3.00%
18	Suresh Kumar Rungta	235,670	23,567,000	1.50%	164,255	1.50%
19	Santosh Rathi	235,670	23,567,000	1.50%	164,255	1.50%
20	Suresh Chanda Agrawal	219,957	21,995,700	1.40%	153,303	1.40%
21	Krishna Murari Agrawal	188,536	18,853,600	1.20%	131,404	1.20%
22	Binod Kumar Agrawal	184,404	18,440,400	1.17%	153,304	1.40%
23	Bishwonath Shah	157,113	15,711,300	1.00%	109,503	1.00%
24	Raj Kumar Tibrewala	157,113	15,711,300	1.00%	109,503	1.00%
25	Rajendra Agrawal	157,113	15,711,300	1.00%	109,503	1.00%
26	Jaskaran Sharda	157,113	15,711,300	1.00%	109,503	1.00%
27	Rabindranath Sharma	152,912	15,291,200	0.97%	167,532	1.53%
28	Saroj Sharma	150,056	15,005,600	0.96%	62,596	0.57%
29	Nikita Kumari Bhimsaria	142,830	14,283,000	0.91%	-	-
30	Manish Jain	139,093	13,909,300	0.89%	-	-
31	Satis Gautam/Damodar Prasad Gautam	125,901	12,590,100	0.80%	98,552	0.90%
32	Binay Kumar Shah Marwari	122,426	12,242,600	0.78%	109,503	1.00%
33	Shyam Sunder Agrawal	122,275	12,227,500	0.78%	85,222	0.78%
34	Kabindra Bahadur Shrestha	120,031	12,003,100	0.76%	83,658	0.76%
35	Birendra Kumar Shah	109,503	10,950,300	0.70%	109,503	1.00%
36	Jagadish Kumar Agrawal	109,980	10,998,000	0.70%	76,653	0.70%
37	Nirmal Pradhan	109,769	10,976,900	0.70%	72,922	0.67%
38	Anil Kumar Shrestha	84,841	8,484,100	0.54%	59,132	0.54%
39	Sarbendra Nath Sukla	82,268	8,226,800	0.52%	65,702	0.60%
40	Shambhu Kumar Kandoi	82,297	8,229,700	0.52%	-	-
41	Om Prakash Rungata	78,557	7,855,700	0.50%	54,752	0.50%
42	Surendra Sharda	78,557	7,855,700	0.50%	54,752	0.50%
43	Sanjay Kumar Sharda	78,557	7,855,700	0.50%	54,752	0.50%

RESERVES AND SURPLUS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.2

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. General Reserve Fund	228,837,958	166,554,900
2. Capital Reserve Fund	-	-
3. Capital Redemption Reserve	-	-
4. Capital Adjustment Fund	-	7,949,360
5. Other Reserves and Fund	101,460,688	66,997,414
5.1. Contingent Reserve	-	-
5.2. Institution Development Fund	-	-
5.3. Dividend Equalization Fund	-	-
5.4. Specific Reserve Fund	-	-
5.5. Assets Revaluation Reserve	-	-
5.6. Investment Adjustment Reserve	300,000	300,000
5.7. Deferred Tax Reserve	3,544,974	1,620,271
5.8. Other Free Reserves	-	-
5.9. Other Reserve Funds	-	-
5.10. Debenture Redemption Reserve	97,615,714	65,077,143
5.11. Share Premium	-	-
6. Accumulated Profit/Loss	32,503,223	44,929,958
7. Exchange Fluctuation Fund	7,339,067	6,674,031
Total	370,140,936	293,105,663

DEBENTURES AND BONDS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.3

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. 8.5% of SBL Debentures 2072 of Rs. 1,000 each Issued on 2065.07.29 and to be redeemed on 2072.07.28 outstanding balance of Redemption Reserve Rs. 97,615,714	227,770,000	227,770,000
2.% of Bond/Debentures of Rs..... each Issued on.....and to be redemeed on (Outstanding balance of Redemption Reserve Rs.....)	-	-
3.	-	-
Total (1+2+3)	227,770,000	227,770,000

BORROWINGS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.4

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. Local		
1. Government of Nepal	-	-
2. Nepal Rastra Bank	-	-
3. Repo-Liabilities	-	-
4. Inter Bank & Financial Institution	45,000,000	345,000,000
5. Other Organized Institutions	-	-
6. Others	-	-
Total	45,000,000	345,000,000
B. Foreign		
1. Banks	-	-
2. Others	-	-
Total	-	-
Total (A + B)	45,000,000	345,000,000

DEPOSITS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.5

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Non-Interest Bearing Deposit Accounts		
A. Current Deposits	512,333,461	353,738,342
1. Local Currency	411,844,885	342,125,958
1.1 Government of Nepal	72,231,586	26,608,880
1.2 "A" Class Licensed Institutions	10,483,839	-
1.3 Other Licensed Financial Institutions	29,571,864	20,741,903
1.4 Other Organized Institutions	269,201,759	257,010,038
1.5 Individuals	24,291,359	36,651,413
1.6 Others	6,064,478	1,113,723
2. Foreign Currency	100,488,576	11,612,384
2.1 Government of Nepal	-	-
2.2 "A" Class Licensed Institutions	-	-
2.3 Other Licensed Financial Institutions	-	-
2.4 Other Organized Institutions	100,488,576	11,604,927
2.5 Individuals	-	-
2.6 Others	-	7,456
B. Margin Deposits	155,662,066	121,439,148
1. Employees Guarantee	3,153,737	2,083,988
2. Guarantees Margin	75,382,007	63,541,316
3. Letters of Credit Margin	77,126,322	55,813,844
C. Others	-	-
1. Local Currency	-	-
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	-	-
1.3 Individuals	-	-
2. Foreign Currency	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individuals	-	-
Total of Non-Interest Bearing Accounts	667,995,527	475,177,490

...CONTD. (DEPOSITS)

Particulars	This Year (Rs.)	Previous Year (Rs.)
2. Interest Bearing Accounts		
A. Savings Deposits	3,169,661,590	2,961,258,059
1. Local Currency	3,142,144,680	2,938,942,458
1.1 Organized Institutions	-	-
1.2 Individuals	3,065,010,488	2,857,875,867
1.3 Others	77,134,192	81,066,590
2. Foreign Currency	27,516,910	22,315,601
2.1 Organized Institutions	-	-
2.2 Individuals	27,516,910	22,315,601
2.3 Others	-	-
B. Fixed Deposits	11,458,271,928	10,195,733,566
1. Local Currency	10,710,911,128	9,186,821,526
1.1 Organized Institutions	6,844,929,995	6,307,364,184
1.2 Individuals	3,753,348,972	2,817,522,003
1.3 Others	112,632,161	61,935,340
2. Foreign Currency	747,360,800	1,008,912,040
2.1 Organized Institutions	747,360,800	1,008,912,040
2.2 Individuals	-	-
2.3 Others	-	-
C. Call Deposit	6,279,724,937	6,564,860,287
1. Local Currency	6,208,565,454	6,504,842,819
1.1 "A" Class Licensed Institutions	-	573,187,864
1.2 Other Licensed Financial Institutions	2,188,248,285	2,156,554,197
1.3 Other Organized Institutions	2,547,697,183	2,449,890,972
1.4 Individuals	1,364,069,594	1,184,352,041
1.5 Others	108,550,392	140,857,745
2. Foreign Currency	71,159,484	60,017,468
2.1 "A" Class Licensed Institutions	-	-
2.2 Other Licensed Financial Institutions	-	-
2.3 Other Organizations	71,159,484	60,017,468
2.4 Individuals	-	-
2.5 Others	-	-
D. Certificate of Deposit	-	-
1. Organized Institutions	-	-
2. Individuals	-	-
3. Others	-	-
Total of Interest Bearing Accounts	20,907,658,455	19,721,851,912
(1 + 2) Total Deposit	21,575,653,982	20,197,029,402

BILLS PAYABLE

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.6

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Local Currency	2,685,783	32,321,439
2. Foreign Currency	-	3,382,456
Total	2,685,783	35,703,895

OTHER LIABILITIES

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.7

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Pension/Gratuity Fund	5,129,719	2,551,329
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	44,767,054	34,867,593
5. Interest Payable on Deposits	85,949,088	69,973,007
6. Interest Payable on Borrowings	-	181,096
7. Unearned Discount & Commission	2,452,989	215,651
8. Sundry Creditors	142,535,765	119,785,138
9. Branch Adjustment Account	-	-
10. Deferred Tax Liability	-	-
11. Dividend Payable	14,105,145	-
12. Others	54,819,332	26,914,316
a. Provision for Audit expenses	565,000	500,000
b. Provision for Leave Encashment	18,696,892	6,383,415
c. Interest Payable on Debentures	10,570,085	11,419,371
d. Provision for Teller Allowance	595,207	330,623
e. Others	24,392,149	8,280,907
Total	349,759,091	254,488,130

CASH BALANCE

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.8

Particulars	This Year Rs.	Previous Year Rs.
1. Local Currency (Including Coins)	479,785,277	320,910,607
2. Foreign Currency	11,464,065	5,957,596
Total	491,249,342	326,868,203

BALANCE WITH NEPAL RASTRA BANK

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.9

Particulars	Local Currency (Rs.)	Foreign Currency in (Rs.)			Total (Rs.)	Previous Year (Rs.)
		INR	Convertible Foreign Currency	Total		
1. Nepal Rastra Bank						
a. Current Account	1,219,762,681		2,649,213	2,649,213	1,222,411,894	1,027,465,065
b. Other Accounts	-			-	-	-
Total					1,222,411,894	1,027,465,065

Balance as per balance confirmation certificates is Rs. 1,238,362,983

BALANCE WITH BANK & FINANCIAL INSTITUTIONS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.10

Particulars	Local Currency (Rs.)	Foreign Currency in (Rs.)			Total (Rs.)	Previous Year (Rs.)
		INR	Convertible Foreign Currency	Total		
1. Local Licensed Institutions	30,035,129	-	142,539,038	142,539,038	172,574,167	995,976,882
a. Current Account	30,035,129	-	142,539,038	142,539,038	172,574,167	995,976,882
b. Other Accounts	-	-	-	-	-	-
2. Foreign Banks	-	-	19,449,575	19,449,575	19,449,575	56,300,055
a. Current Account	-	-	19,449,575	19,449,575	19,449,575	56,300,055
b. Other Accounts	-	-	-	-	-	-
Total	30,035,129	-	161,988,613	161,988,613	192,023,742	1,052,276,937

Balance as per balance confirmation certificates is Rs. 202,843,814

MONEY AT CALL & SHORT NOTICE
as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.11

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Local Currency	658,500,000	340,000,000
2. Foreign Currency	224,281,384	359,042,011
Total	882,781,384	699,042,011

INVESTMENTS
as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.12

Particulars	Purpose		This Year (Rs.)	Previous Year (Rs.)
	Trading	Others		
1. Govt. of Nepal Treasury Bills	-	1,487,991,343	1,487,991,343	1,092,797,929
2. Govt. of Nepal Saving Bonds	-	-	-	-
3. Govt. of Nepal Other Securities	-	307,369,683	307,369,683	308,562,732
4. Nepal Rastra Bank Bonds	-	-	-	-
5. Foreign Securities	-	-	-	-
6. Local Licensed Institutions	-	-	-	-
7. Foreign Banks	-	327,280,800	327,280,800	379,483,000
8. Corporate's Shares	-	20,307,600	20,307,600	19,932,000
9. Corporate's Bonds and Debentures	-	-	-	-
10. Other Investment	-	394,960,000	394,960,000	651,700,000
Total Investment	-	2,537,909,426	2,537,909,426	2,452,475,662
Provision	-	-	-	-
Net Investment	-	2,537,909,426	2,537,909,426	2,452,475,662

INVESTMENT IN SHARES, DEBENTURES & BONDS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.12 (a)

Particulars	Cost Price (Rs.)	Market Price (Rs.)	Provision Amount (Rs.)	This Year (Rs.)	Previous Year (Rs.)
1. Investment in Shares					
1.1 Credit Information Center Limited 29,100 Ordinary Share (including Bonus Shares) of Rs.100 Paid up	1,607,600	Not listed	-		1,232,000
1.2 Siddhartha Insurance Limited 150,000 Ordinary Share of Rs. 100 Paid up	15,000,000	15,750,000	-		15,000,000
1.3 Nepal Clearing House Limited 25,000 Ordinary Shares of Rs.100 Paid up	2,500,000	Not listed	-		2,500,000
1.4 National Banking Training Institute 12,000 Ordinary Shares of Rs.100 Paid up	1,200,000	Not listed	-		1,200,000
2. Investment in Debentures and Bonds	-				-
2.1 Company (Pvt. Ltd./Ltd.)Percent Debenture /Bond of Rs.....each	-				-
2.2	-				-
2.3	-				-
Total Investment	20,307,600	15,750,000			19,932,000
3. Provision for Loss					
3.1 Up to Previous year	-				-
3.2 Additions/Deductions of this year	-				-
Total Provision	-	-	-		-
Net Investment	20,307,600	15,750,000	-		19,932,000

HELD FOR TRADING

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.12-1

Particulars	Cost Price	Previous Market Price (a)	Current Market Price (b)	This Year Gain/ (Loss) (Rs.) (b-a)	Previous Year Gain/ (Loss) (Rs.)	Remarks
1. Govt. of Nepal Treasury Bills	-	-	-	-	-	
2. Govt. of Nepal Saving Bonds	-	-	-	-	-	
3. Govt. of Nepal Other Bonds	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Bonds	-	-	-	-	-	
6. Local Licensed Institutions Shares	-	-	-	-	-	
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-	-	
8. Local Corporate's Shares, Debenture & Bonds	-	-	-	-	-	
9. Investment (Placement) in Foreign Banks	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investment	-	-	-	-	-	
Total Investment	-	-	-	-	-	

HELD TO MATURITY

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.12-2

Particulars	Cost Price (a)	Loss upto current Year (b)	This Year Loss (c)	This Year Gain/ (Loss) (a-b-c)	Previous Year Gain/ (Loss) (Rs.)	Remarks
1. Govt. of Nepal Treasury Bills	1,487,991,343	-	-	-	-	
2. Govt. of Nepal Saving Bonds	-	-	-	-	-	
3. Govt. of Nepal Other Bonds	307,369,683	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Bonds	-	-	-	-	-	
6. Local Licensed Institutions Shares	-	-	-	-	-	
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-	-	
8. Local Corporate's Shares, Debenture & Bonds	-	-	-	-	-	
9. Investment (Placement) in Foreign Banks	327,280,800	-	-	-	-	
10. Other Investment	394,960,000	-	-	-	-	
Total Investment	2,517,601,826	-	-	-	-	

AVAILABLE FOR SALE
as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.12-3

Particulars	Cost Price	Previous Market Price (a)	Current Market Price (b)	This Year Fund Adjustment Amount (b-a)	Previous Year Gain/ (Loss) (Rs.)	Remarks
1. Govt. of Nepal Treasury Bills	-	-	-	-	-	
2. Govt. of Nepal Saving Bonds	-	-	-	-	-	
3. Govt. of Nepal Other Bonds	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Bonds	-	-	-	-	-	
6. Local Licensed Institutions Shares	-	-	-	-	-	
7. Local Licensed Institutions Debenture & Bonds	-	-	-	-	-	
8. Local Corporate's Shares, Debenture & Bonds	20,307,600	-	-	-	-	
9. Investment (Placement) in Foreign Banks	-	-	-	-	-	
10. Other Investment	-	-	-	-	-	
Total Investment	20,307,600	-	-	-	-	

CLASSIFICATION OF LOANS AND BILLS PURCHASED AND PROVISIONING

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.13

Particulars	Loan & Advances (Rs.)				Bills Purchased and Discounted (Rs.)			This Year (Rs.)	Previous Year (Rs.)
	Domestic		Foreign	Total	Domestic	Foreign	Total		
	Insured	Deprived Sector Uninsured							
1. Performing Loans	-	540,107,754	17,709,755,447	-	18,249,863,201	97,890,041	151,701,237	249,591,278	16,767,761,749
1.1 Pass Loan	-	540,107,754	17,709,755,447	-	18,249,863,201	97,890,041	151,701,237	249,591,278	16,767,761,749
2. Non Performing Loan	-	132,480	147,608,585	-	147,741,065	-	-	-	127,586,580
2.1 Rescheduled/Restructured Loan	-	-	25,971,594	-	25,971,594	-	-	-	38,331,006
2.2 Sub standard	-	-	38,083,567	-	38,083,567	-	-	-	20,589,779
2.3 Doubtful	-	-	36,570,678	-	36,570,678	-	-	-	9,571,652
2.4 Loss	-	132,480	46,982,746	-	47,115,226	-	-	-	59,094,143
(A) Total Loans (1+2)	-	540,240,233	17,857,364,032	-	18,397,604,265	97,890,041	151,701,237	249,591,278	16,895,348,329
3. Loan Loss Provision	-	-	177,097,554	-	182,498,632	978,900	1,517,012	2,495,913	167,677,617
3.1 Pass Loan	-	5,401,078	3,246,449	-	8,647,527	-	-	-	4,791,376
3.2 Rescheduled/Restructured Loan	-	-	9,520,892	-	9,520,892	-	-	-	5,147,445
3.3 Sub standard	-	-	18,285,339	-	18,285,339	-	-	-	4,785,826
3.4 Doubtful	-	132,480	46,982,746	-	47,115,226	-	-	-	59,094,143
3.5 Loss	-	-	255,132,981	-	260,666,538	978,900	1,517,012	2,495,913	241,496,407
(B) Total Loan Loss Provision	-	5,533,557	255,132,981	-	260,666,538	978,900	1,517,012	2,495,913	241,496,407
4. Provision upto Previous Year	-	-	161,528,016	-	166,710,117	967,500	-	967,500	133,941,072
4.1 Pass	-	5,182,102	4,404	-	9,664,506	25,875	-	25,875	6,298,268
4.2 Rescheduled/Restructured Loan	-	-	3,471,538	-	3,471,538	-	-	-	3,507,714
4.3 Sub standard	-	-	1,549,982	-	1,549,982	-	-	-	13,844,370
4.4 Doubtful	-	132,480	47,763,064	-	47,895,544	-	-	-	18,582,761
4.5 Loss	-	-	214,317,005	-	219,631,586	993,375	-	993,375	176,174,186
(C) Total Provision upto Previous Year	-	5,314,581	214,317,005	-	219,631,586	993,375	-	993,375	176,174,186
(D) Written Back from Previous Year's Provision	-	-	(20,871,446)	-	(20,871,446)	-	-	(20,871,446)	-
(E) Additional Provision of This Year	-	218,976	19,944,530	-	20,163,506	(14,475)	1,517,012	1,502,538	65,322,221
Net Additions/Deductions of This Year	-	5,533,557	255,132,981	-	260,666,538	978,900	1,517,012	2,495,913	241,496,407
Net Loan (A-B)	-	534,706,676	17,602,231,052	-	18,136,937,728	96,911,141	150,184,225	247,095,365	16,653,851,922

SECURITYWISE LOANS, ADVANCES & BILLS PURCHASED

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.13 (A)

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. Secured	19,379,865,597	17,626,548,626
1. Collateral of Movable/Immovable Assets	16,916,965,709	15,199,493,391
2. Guarantee of Local Licensed institutions	-	-
3. Government Guarantee	135,050,000	135,050,000
4. Internationally Rated Bank Guarantee	-	-
5. Collateral of Export Documents	-	-
6. Fixed Deposit Receipts	732,670,053	731,200,297
(a) Own FDR	732,415,936	502,311,372
(b) FDR of Other Licensed Institutions	254,117	228,888,925
7. Government Bonds	-	-
8. Counter Guarantee	-	-
9. Personal Guarantee	-	-
10. Other Securities	862,509,782	829,604,641
B. Unsecured	-	-
Total (A+B)	18,647,195,543	16,895,348,329

FIXED ASSETS
as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.14

Particulars	Assets (Rs.)					This Year (Rs.)	Previous Year (Rs.)
	Building	Vehicles	Machinery	Office Equipments	Others		
1. At Cost							
(a) Previous Year's Balance	-	61,149,643	-	139,648,463	-	200,798,107	125,245,523
(b) Addition This Year	-	10,021,400	-	74,088,431	-	84,109,831	85,224,093
(c) Revaluation/Re-Written of This Year	-	-	-	-	-	-	-
(d) This Year's Sold	-	(718,960)	-	-	-	(718,960)	(9,643,819)
(e) This Year's Written Off	-	-	-	-	-	-	-
Total Cost (a+b+c+d+e)	-	70,452,083	-	213,736,894	-	284,188,977	200,825,797
2. Depreciation							
(a) Upto Previous Year	-	22,307,602	-	43,883,395	-	66,190,997	48,165,090
(b) For This Year	-	8,835,261	-	32,880,343	-	41,715,604	25,064,405
(c) Depreciation on Revaluation/Re-written	-	-	-	-	-	-	-
(d) Depreciation Adjustment/Written Back	-	(591,693)	-	-	-	(591,693)	(7,038,498)
Total Depreciation (a+b+c+d)	-	30,551,169	-	76,763,738	-	107,314,908	66,190,997
3. Book Value (WDV*) (1-2)	-	39,900,914	-	136,973,155	-	176,874,070	134,634,800
4. Land	-	-	-	-	41,955,600	41,955,600	41,955,600
5. Capital Construction (Pending Capitalization)	-	-	-	-	31,046,246	31,046,246	76,087,011
6. Leashold Assets	-	-	-	-	118,297,719	118,297,719	107,748,351
Total (3+4+5+6)	-	39,900,914	-	136,973,155	191,299,565	368,173,634	360,425,762

* Written Down Value

NON-BANKING ASSETS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.15

Name & Address of Borrower/Party	Date of assuming of Non-Banking Assets	Total Non-Banking Assets (Rs.)	Loss Provision		Net Non-Banking Assets (Rs.)	Previous Year (Rs.)
			Percent	Amount (Rs.)		
		-	-	-	-	-
		-	-	-	-	-
Total		-		-	-	-

OTHER ASSETS

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.16

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Stock of Stationery	1,769,136	-
2. Income Receivable on Investments	45,147,842	35,473,419
3. Accrued Interest on Loan	71,420,623	19,046,692
Less: Interest Suspense Amount	(52,373,930)	(36,621,208)
4. Commission Receivable	-	-
5. Sundry Debtors	15,279,076	20,998,057
6. Staff Loans and Advances	194,480,272	156,097,071
7. Advance/Prepayments	7,589,411	5,879,205
8. Cash in Transit	-	-
9. Other Transit Items (Including Cheques)	227,054	3,170,863
10. Draft Paid Without Notice	-	-
11. Expenses Not Written-Off	40,075,719	6,647,507
12. Branch Adjustment Account	-	118,777
13. Deferred Tax	3,544,974	1,620,271
14 Others	129,357	18,569
Total	327,289,533	230,023,738

OTHER ASSETS (ADDITIONAL STATEMENTS)

as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.16 (A)

Particular	This Year (Rs.)				Previous Year (Rs.)
	Upto 1 Year	1 to 3 Years	Above 3 Years	Total	
1. Accrued Interest on Loans	57,818,258	13,602,365	-	71,420,623	36,621,207
2. Drafts Paid without Notice	-	-	-	-	-
3. Branch Adjustment Account	-	-	-	-	118,777
4. Domestic/Foreign Agency Balance					
Total	57,818,258	13,602,365	-	71,420,623	36,739,984

CONTINGENT LIABILITIES
as at 32 Asadh, 2068 (16 July, 2011)

Schedule - 4.17

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Claims on Bank but not Accepted by the Bank	-	-
2. Letters of Credit (Full Amount)	2,012,825,022	1,168,146,536
(a) Less than 6 Months Maturity	2,012,825,022	1,168,146,536
(b) More than 6 Months Maturity	-	-
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,116,127,377	818,019,515
(a) Bid Bonds	72,635,673	188,463,151
(b) Performance Bonds	1,043,491,705	629,556,364
(c) Other Guarantees/ Bonds	-	-
5. Unpaid Shares in Investment	-	-
6. Forward Exchange Contract Liabilities	-	-
7. Bills Under Collection	33,894,641	13,694,590
8. Acceptance & Endorsements	360,220,397	120,286,341
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	1,320,822,528	1,639,359,443
11. Counter Guarantees against the Guarantees of Internationally Rated Bank	-	-
12. Advance Payment Guarantee	77,414,300	41,064,854
13. Financial Guarantee	-	-
14. Contingent Liabilities on Income Tax	5,828,720	4,169,241
15. Others	44,504,044	-
a. Capital Commitments	-	-
b. Repurchase Agreements	44,504,044	-
Total	4,971,637,029	3,804,740,520

INTEREST INCOME

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.18

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. On Loan, Advances and Overdraft	2,425,394,868	1,834,668,949
1) Loan and Advances	1,469,366,274	1,125,283,479
2) Overdraft	956,028,595	709,385,470
B. On Investment	184,620,831	134,094,636
1. Government of Nepal Securities	136,209,339	99,045,662
a) Treasury Bills	110,132,080	81,658,830
b) Development Bonds	26,077,259	17,386,833
c) National Saving Bonds	-	-
2. Foreign Securities	-	-
a)		
b)		
3. Nepal Rastra Bank Bonds	-	-
4. Debenture and Bonds	-	-
5. Interest on Inter Bank Lendings	48,411,493	35,048,973
a) Banks/Financial Institutions	48,411,493	35,048,973
b) Other Institutions	-	-
C. On Agency Balances	14,906,234	9,108,302
1. Local Banks/Financial Institution	14,668,153	8,698,378
2. Foreign Banks	238,082	409,924
D. On Money at Call and Short Notice	61,554,687	39,015,058
1. Local Banks/Financial Institutions	59,719,729	14,953,688
2. Foreign Banks	1,834,958	24,061,370
E. On Others	3,817,520	1,404,869
1. Certificate of Deposits	-	-
2. Inter Bank/Financial Institution Loan	-	-
3. Others	3,817,520	1,404,869
Total	2,690,294,141	2,018,291,813

INTEREST EXPENSES

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.19

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. On Deposit Liabilities	1,817,364,731	1,284,669,612
1. Fixed Deposits	1,153,624,553	758,848,624
1.1 Local Currency	1,129,977,857	746,211,584
1.2 Foreign Currency	23,646,696	12,637,040
2. Saving Deposits	176,706,548	192,123,526
2.1 Local Currency	176,277,351	191,922,085
2.2 Foreign Currency	429,197	201,442
3. Call Deposits	487,033,630	333,697,461
3.1 Local Currency	486,498,145	332,563,572
3.2 Foreign Currency	535,485	1,133,890
4. Certificate of Deposits	-	-
B. On Borrowings	107,878,368	121,819,959
1. Debenture & Bonds	19,360,450	19,413,493
2. Loan from NRB	46,131,701	51,091,732
3. Inter Bank/Financial Institutions Loan	42,386,218	51,314,735
4. Other Corporate Body	-	-
5. Other Loans	-	-
C. On Others	-	-
1.	-	-
2.	-	-
Total	1,925,243,099	1,406,489,572

COMMISSION & DISCOUNT

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.20

Particulars	This Year (Rs.)	Previous Year (Rs.)
A. Bills Purchased & Discounted	490,790	548,531
1. Local	490,790	548,531
2. Foreign	-	-
B. Commission	66,439,857	41,897,413
1. Letters of Credit	13,592,717	13,017,341
2. Guarantees	13,868,985	9,063,763
3. Collection Fee	9,806,622	1,453,420
4. Remittance Fee	23,224,300	15,089,628
5. Credit Cards	-	-
6. Share Underwriting/Issues	-	-
7. Government Transactions	-	-
8. Agency Commission	5,893,683	3,029,713
9. Exchange Fee	53,551	243,548
C. Others	1,118,398	312,338
Total	68,049,045	42,758,283

OTHER OPERATING INCOME

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.21

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Rental Charges of Safe Deposit Vault	346,465	46,750
2. Issue and Renewal of Credit Cards	-	-
3. Issue and Renewal of ATM Cards	5,997,656	12,400
4. Telex/T.T.	3,793,147	3,611,407
5. Services Charges	49,276,973	43,742,141
6. Renewal Fees	-	-
7. Others	2,838,041	3,281,724
a. Rent Income	480,769	447,227
b. Postage & Courier	324,895	295,415
c. Miscellaneous Income	2,032,377	2,539,083
Total	62,252,282	50,694,422

EXCHANGE FLUCTUATION GAIN/LOSS

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.22

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Revaluation Gain/(Loss)	2,660,143	(23,125,885)
2. Trading Gain (Except Exchange Fee)	36,029,598	35,293,587
Total Gain/(Loss)	38,689,741	12,167,702

STAFF EXPENSES

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.23

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Salary	68,771,370	52,173,094
2. Allowance	50,369,202	35,561,219
3. Contribution to Provident Fund	6,208,518	4,619,891
4. Training Expenses	958,881	674,082
5. Uniform	739,892	1,390,954
6. Medical	5,427,187	1,467,775
7. Insurance	2,423,658	1,671,299
8. Pension and Gratuity Provision	5,471,960	2,689,397
9. Others	15,432,743	3,432,468
a. Leave Encashment Expenses	15,432,743	3,432,468
Total	155,803,411	103,680,178

OTHER OPERATING EXPENSES

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.24

Particulars	This Year (Rs.)	Previous Year (Rs.)
1 House Rent	42,757,235	34,643,785
2 Electricity and Water	7,690,080	5,586,641
3 Repairs and Maintenance	6,634,681	1,561,844
a. Building	98,315	55,258
b. Vehicles	1,135,870	1,022,952
c. Others	5,400,496	483,634
c.1 Software	5,011,998	323,594
c.2 Other	388,497	160,040
4 Insurance	2,644,820	3,120,500
5 Postage, Telex, Telephone, Fax, SWIFT	13,026,645	11,721,258
a. Postage & Courier Expenses	509,798	864,288
b. Internet & Connectivity	3,949,468	-
c. Telephone & Fax Expenses	6,333,793	8,172,233
d. SWIFT Expenses	2,233,587	2,684,737
6 Repair & Maintenance of Office Equipment, Furniture & Fixtures	3,405,775	1,810,616
7 Traveling Allowances and Expenses	3,447,178	4,079,339
8 Stationery and Printing	5,641,247	10,261,908
9 Periodicals and Books	286,555	176,913
10 Advertisements	5,837,774	5,017,468
11 Legal Expenses	524,666	481,011
12 Donations	109,390	70,513
13 Expenses relating to Board of Directors	4,634,354	3,951,812
a. Meeting Fees	1,156,000	1,109,732
b. Other Board related Expenses	3,478,354	2,842,080
b.1 Travelling Expenses	572,389	1,055,583
b.2 Communication & Newspaper	540,000	440,000
b.3 Other Committee Fees & Expenses	1,436,000	989,900
b.4 Other Expenses	929,965	356,597
14 Annual General Meeting Expenses	454,775	266,845
15 Expenses relating to Audit	612,105	865,130
a. Audit Fees	565,000	500,000
b. Other Expenses	47,105	365,130
16 Commission & Promotional Expenses on Remittances	16,370,351	6,712,516
a. Remittance Business Commission Expenses	7,128,811	-
b. Remittance Business Promotion Expenses	9,241,539	-

Schedule - 4.24 Contd...

Contd... Schedule - 4.24

Particulars	This Year (Rs.)	Previous Year (Rs.)
17 Depreciation on Fixed Assets	42,516,395	25,064,405
18 Amortization of Deferred Expenses	-	-
19 Share Issue Expenses	1,273,298	2,721,841
a. Share & Debenture Annual/Listing/Registration Fee	449,514	1,852,200
b. Other share related expenses	823,784	869,641
20 Technical Services Reimbursement	-	-
21 Entertainment, Business Promotion and Development Expenses	3,688,201	8,850,228
a. Business Entertainment Expenses	1,219,235	2,293,352
b. Business Promotion & Development Expenses	2,468,966	6,556,875
22 Expenses Write Off	33,171,169	7,901,139
23 Security Expenses	21,498,064	12,777,228
24 Credit Guarantee Premium	-	-
25 Commission and Discount	1,009,559	762,744
26 Other Expenses	48,242,808	27,329,613
26.1 Professional Fees-Internal Audit	1,222,400	1,919,685
26.2 Professional Fees-Other	1,351,104	-
26.3 Fuel (Petrol/Diesel) & Gas	11,464,751	8,482,860
26.4 Rates & Taxes	1,426,354	914,508
26.5 SCT Expenses	412,504	849,904
26.6 Other Card Related Expenses	7,854,936	-
26.7 Janitorial Expenses/Wages/Cleaning/Gardening etc.	5,272,168	7,279,233
26.8 Subscriptions & Membership Fees	1,651,095	850,261
26.9 Non Capitalized Items	999,631	547,942
26.10 Error, Fines & Losses	278,292	-
26.11 Recruitment Expenses	262,884	742,179
26.12 Vehicle Rental Exepnses	7,474,971	1,490,613
26.13 Inaguration Expenses	527,368	809,335
26.14 Outsourcing Expenses (Driver & Messenger)	4,402,964	1,181,490
26.15 Other Office Expenses (Tea Expenses)	1,961,319	1,205,430
26.16 Miscellaneous	1,680,069	1,056,175
Total	265,477,124	175,735,300

PROVISION FOR POSSIBLE LOSSES

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.25

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Loans and Advances	42,537,490	65,322,221
2. Investments	-	-
3. Non-Banking Assets	-	-
4. Other Assets	90,667	-
Total	42,628,156	65,322,221

NON-OPERATING INCOME/(LOSS)

For the period from 01 Shrawan, 2067 to 32 Ashad, 2068 (17 July, 2010 to 16 July, 2011)

Schedule - 4.26

Particulars	This Year (Rs.)	Previous Year (Rs.)
1. Profit (Loss) on Sale of Investment	-	-
2. Profit (Loss) on Sale of Assets	382,733	10,108,577
3. Dividend	1,050,000	750,000
4. Subsidies Received from Nepal Rastra Bank	-	-
a. Reimbursement of Losses of Specified Branches	-	-
b. Interest Subsidy	-	-
c. Exchange Counter	-	-
5. Others	-	-
a. Gain on Sale of NBA	-	-
Total Non-Operating Income/(Loss)	1,432,733	10,858,577

**STATEMENT OF LOANS AND ADVANCES EXTENDED TO DIRECTORS/
CHIEF EXECUTIVE/ PROMOTER/ EMPLOYEES AND SHAREHOLDERS**
as at 32 Asadh, 2068 (16 July, 2011)

The Statement of loans under total amount of Bills Purchased and Discounted, Loans, Advances and Overdraft, provided to the Directors, Chief Executive, Promoters, Employees, Shareholders and to the individual members of "their undivided family" OR against the guarantee of such persons OR to the organizations or companies in which such individuals are managing agent, are as follows:

Schedule - 4.29

Name of Promoter/ Director/ Chief Executive	Previous Year's Balance		This Year's Recovery		This Year Additions	Balance as of Ashad End	
	Principal	Interest	Principal	Interest		Principal	Interest
(A) Directors							
1							
2							
(B) Chief Executive							
1							
2							
(C) Promoters							
1							
2							
(D) Employees							
1							
2							
(E) Shareholders							
1							
2							
Total	-	-	-	-	-	-	-

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

CAPITAL ADEQUACY TABLE

As on Asadh End 2068

Schedule - 4.30 (A1)
(Rs. in "000")

1.1 Risk Weighted Exposures	2068 Asadh End	Previous FY 2067 Asadh End
A. Risk Weighted Exposure for Credit Risk	20,404,695	18,260,386
B. Risk Weighted Exposure for Operational Risk	852,440	622,293
C. Risk Weighted Exposure for Market Risk	28,468	71,626
Total RWE Before Adjustment Under Pillar II	21,285,603	18,954,305
<i>Adjustments Under Pillar II</i>		
Add: 1% of the net interest income to the RWE for market risk due to not having satisfactory Assets Liability Management Policies (6.4 a 5)	-	6,118
Add:% of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-	-
Add: 2% of the total RWE due to inadequate risk management policies and procedures of the Bank (6.4 a 9)	425,712	383,689
Add: 1% of the total RWE due to non compliance of Disclosure Requirement (6.4 a 10)	-	191,845
Total RWE (After Banks' Adjustments of Pillar II)	21,711,315	19,535,956
1.2 Capital	Current Period	Previous Period
Core Capital (Tier I)	1,965,766	1,581,568
A. Paid Up Equity Share Capital	1,571,130	1,310,436
B. Irredeemable Non-Cumulative Preference Shares	-	-
C. Share Premium	-	-
D. Proposed Bonus Equity Shares	47,134	-
E. Statutory General Reserves	228,838	166,555
F. Retained Earnings	32,503	44,930
G. Current year Cumulative Profit/(Loss)	-	-
H. Capital Redemption Reserve	-	-
I. Capital Adjustment Reserve	-	7,949
J. Dividend Equalisation Reserves	-	-
K. Debenture Redemption Reserves	97,616	65,077
L. Other Free Reserves (Deferred Tax Reserve)	3,545	1,620
Less:		
A. Goodwill	-	-
B. Not Written Off Miscellaneous Assets	-	-
C. Investment in Equity in Licensed Financial Institutions	-	-
D. Investment in Equity of Institutions with Financial Interest	15,000	15,000
E. Investment in Equity of Institutions in Excess of Limits	-	-
F. Investments Arising Out of Underwriting Commitments	-	-
G. Reciprocal Crossholdings	-	-
H. Other Deductions	-	-
Supplementary Capital (Tier II)	374,850	402,422
A. Cumulative and/or Redeemable Preference Share	-	-
B. Subordinated Term Debt	182,216	227,770
C. Hybrid Capital Instruments	-	-
D. General Loan Loss Provision	184,995	167,678
E. Exchange Equalisation Reserve	7,339	6,674
F. Investment Adjustment Reserve	300	300
G. Asset Revaluation Reserve	-	-
H. Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	2,340,615	1,983,990
1.3 Capital Adequacy Ratio	Current Period	Previous Period
Core Capital to Total Risk Weighted Assets (Tier I)	9.05	8.10
Capital Fund to Total Risk Weighted Assets (Tier I & Tier II)	10.78	10.16

CREDIT RISK

As on Asadh End 2068

Schedule - 4.30 (B)
(Amount in "000")

Assets	As of Asadh end 2068						Previous Fiscal Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Amount	Risk Weighted Amount
On Balance Sheet Exposures	a	b	c	d=a-b-c	e	f=d*e		
Cash Balance	491,249			491,249	0%	-	326,868	-
Balance With Nepal Rastra Bank	1,222,412			1,222,412	0%	-	1,027,465	-
Gold	-			-	0%	-	-	-
Investment in Nepalese Government Securities	1,795,361			1,795,361	0%	-	1,401,361	-
All claims on Government of Nepal	172,282			172,282	0%	-	152,471	-
Investment in Nepal Rastra Bank securities	-			-	0%	-	0	-
All other claims on Nepal Rastra Bank	-			-	0%	-	0	-
Investment in Foreign Government Securities and Central Bank (ECA rating 0-1)				-	0%	-	0	-
Investment in Foreign Government Securities and Central Bank (ECA rating 2)				-	20%	-	0	-
Investment in Foreign Government Securities and Central Bank (ECA rating 3)				-	50%	-	0	-
Investment in Foreign Government Securities and Central Bank (ECA rating 4-6)				-	100%	-	0	-
Investment in Foreign Government Securities and Central Bank (ECA rating 7)				-	150%	-	0	-
Claims on BIS, IMF, ECB, EC and Multilateral Development Bank Recognised by the Framework				-	0%	-	0	-
Claims on other Multilateral Development Banks				-	100%	-	0	-
Claims on Public Sector Entity (ECA 0-1)				-	20%	-	0	-
Claims on Public Sector Entity (ECA 2)				-	50%	-	0	-
Claims on Public Sector Entity (ECA 3-6)				-	100%	-	0	-
Claims on Public Sector Entity (ECA 7)				-	150%	-	0	-
Claims on Domestic Banks that Meet Capital Adequacy Requirements	1,319,552	-	-	1,319,552	20%	263,910	1,970,060	394,012
Claims on Domestic Banks that do not Meet Capital Adequacy Requirements	27,524			27,524	100%	27,524	17,617	17,617
Claims on Foreign Bank (ECA Rating 0-1)	218,489			218,489	20%	43,698	519,633	103,927
Claims on Foreign Bank (ECA Rating 2)				-	50%	-	-	-
Claims on Foreign Bank (ECA Rating 3-6)	224,600			224,600	100%	224,600	261,235	261,235
Claims on Foreign Bank (ECA Rating 7)				-	150%	-	-	-
Claims on Foreign Bank Incorporated in SAARC Region Operating with a Buffer of 1% Above their Respective Regulatory Capital Requirement	6,881			6,881	20%	1,376	42,883	8,577
Claims on Domestic Corporates	10,126,658	-	579,881	9,546,777	100%	9,546,777	8,951,387	8,951,387
Claim on Foreign Corporates (ECA 0-1)				-	20%	-	-	-
Claim on Foreign Corporates (ECA 2)				-	50%	-	-	-
Claim on Foreign Corporates (ECA 3-6)				-	100%	-	-	-
Claim on Foreign Corporates (ECA 7)				-	150%	-	-	-
Regulatory Retail Portfolio (Not Overdue)	3,737,839	-	-	3,737,839	75%	2,803,379	1,924,993	1,443,744
Claims Fulfilling all Criterion of Regulatory Retail Except Granularity				-	100%	-	-	-
Claims Secured by Residential Properties		-	-	-	60%	-	1,181,481	708,888
Claims not Fully Secured by Residential Properties				-	150%	-	-	-
Claims Secured by Residential Properties (Overdue)		-	-	-	100%	-	-	-
Claims secured by Commercial Real Estate	3,527,895			3,527,895	100%	3,527,895	3,186,064	3,186,064
Past Due Claims (Except for Claim Secured by Residential Properties)	139,264	73,378	-	65,886	150%	98,829	53,768	80,652
High Risk Claims	980,489	3,778	-	976,711	150%	1,465,066	929,661	1,394,492
Investments in Equity of Institutions Listed in the Stock Exchange & Other Investment in Capital Instruments	-			-	100%	-	-	-
Investments in Equity of Institutions not Listed in the Stock Exchange & Other Investment in Capital Instruments	5,308			5,308	150%	7,961	4,932	7,398
Other Assets	916,873	202,363		714,510	100%	714,510	590,450	590,450
Total	24,912,676	279,519	579,881	24,053,276		18,725,527	22,542,326	17,148,441

CREDIT RISK
As on Asadh End 2068

Schedule - 4.30 (B)
(Amount in "000")

Assets	As of Asadh end 2068						Previous Fiscal Year	
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures	Net Amount	Risk Weighted Amount
	a	b	c	d=a-b-c	e	f=d*e		
Off Balance Sheet Exposures								
Revocable Commitments				-	0%	-	-	-
Bills Collection	33,895			33,895	0%	-	13,695	-
Forward Exchange Contract Liabilities	-			-	10%	-	-	-
LC Commitments With Original Maturity Up to 6 months								
Domestic Counterparty	2,012,825		58,634	1,954,191	20%	390,838	1,117,605	223,521
ECA Rating 0-1			-	-	20%	-	-	-
ECA Rating 2			-	-	50%	-	-	-
ECA Rating 3-6			-	-	100%	-	-	-
ECA Rating 7			-	-	150%	-	-	-
LC Commitments With Original Maturity Over 6 months								
Domestic Counterparty	-		-	-	50%	-	-	-
ECA Rating 0-1			-	-	20%	-	-	-
ECA Rating 2			-	-	50%	-	-	-
ECA Rating 3-6			-	-	100%	-	-	-
ECA Rating 7			-	-	150%	-	-	-
Bid Bond and Performance Bond and Counter Guarantee								
Domestic Counterparty	1,114,737		41,907	1,072,830	50%	536,415	781,001	390,501
ECA Rating 0-1			-	-	20%	-	-	-
ECA Rating 2			-	-	50%	-	-	-
ECA Rating 3-6			-	-	100%	-	-	-
ECA Rating 7			-	-	150%	-	-	-
Underwriting Commitments			-	-	50%	-	-	-
Lending of Bank's Securities or Posting of Securities as Collateral			-	-	100%	-	-	-
Repurchase Agreements, Assets Sale with Recourse (Including Repo, Reverse Repo)	44,504		-	44,504	100%	44,504	-	-
Advance Payment Guarantee	77,414		2,802	74,612	100%	74,612	38,987	38,987
Financial Guarantee			-	-	100%	-	-	-
Acceptances and Endorsements	360,220		-	360,220	100%	360,220	120,286	120,286
Unpaid Portion of Partly Paid Shares & Securities				-	100%	-	-	-
Irrevocable Credit Commitments (Short Term)	1,320,823		-	1,320,823	20%	264,165	1,639,359	327,872
Irrevocable Credit Commitments (Long Term)				-	50%	-	-	-
Other Contingent Liabilities	5,829		-	5,829	100%	5,829	4,169	4,169
Claim Lodge on Guarantee	1,390		98	1,293	200%	2,585	3,304	6,608
Total	4,971,637	-	103,441	4,868,196		1,679,168	3,718,407	1,111,945
Total Credit Risk	29,884,313	279,519	683,322	28,921,472		20,404,695	26,260,734	18,260,386
<i>Adjustment Under Pillar II</i>								
Add: 10% of the Loan and Facilities in Excess of Single Obligar Limits (6.4 a 3)	-	-	-	-	-	-	-	-
Add: 1% of the Contract (Sale) Value in Case of the Sale of Credit with Resource (6.4 a 4)	-	-	-	-	-	-	-	-
Total Credit Risk after Adjustment Under Pillar II	29,884,313	279,519	683,322	28,921,472		20,404,695	26,260,734	18,260,386

OPERATIONAL RISK

As on Asadh End 2068

Schedule - 4.30 (D)

(Rs. in "000")

Particulars	Preceding Year of Current Fiscal Year			As of Asadh End 2067
	Year 1	Year 2	Year 3	
Net Interest Income	611,802	451,963	321,684	611,802
Commission & Discount Income	42,758	32,548	21,454	42,758
Other Operating Income	50,694	46,354	31,294	50,694
Exchange Fluctuation Income	12,168	38,682	27,487	12,168
Additional Interest Suspense During the Period	16,848	(3,970)	3,113	16,848
Gross Income (a)	734,271	565,577	405,032	734,271
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a*b)] (c)	110,141	84,837	60,755	84,837
Capital Requirement for Operational Risk (d) (Average of c)			85,244	62,229
Risk Weight (Reciprocal of Capital Requirement of 10%) in times (e)			10	10
Equivalent Risk Weight Exposure for Operational Risk [f=(d*e)]			852,440	622,293
PILLAR-II ADJUSTMENTS				
If Gross Income for all the Last Three Years is Negative (6.4 a 8)				
Total Credit and Investment (Net of Specific Provision)				
Capital Requirement for Operational Risk (5%)				
Risk Weight (Reciprocal of Capital Requirement of 10%) in Times				
Equivalent Risk Weight Exposure (g)				
Equivalent Risk Weight Exposure (h=f+g)				

Notes:

Year 1 = FY 2066/67

Year 2 = FY 2065/66

Year 3 = FY 2064/65

MARKET RISK

As on Asadh End 2068

Schedule - 4.30 (E)

(Rs. in "000")

S.N.	Particulars	2068 Asadh End			Relevant Net Open Position as of Asadh End 2067 (NPR)
		Net Open Position (FCY)	Net Open Position (NPR)	Relevant Net Open Position (NPR)	
1	Indian Currency	6,895.66	11,038.24	11,038.24	46,037.92
2	United States Dollor	529.68	37,713.57	37,713.57	94,764.94
3	EURO	31.73	3,192.54	3,192.54	662.02
4	Pound Sterling (GBP)	8.88	1,018.89	1,018.89	465.54
5	Japanese Yen	557.01	496.58	496.58	402.22
6	Australian Dollor	28.79	2,187.02	2,187.02	846.62
7	Quatari Riyal	21.87	425.77	425.77	1.53
8	Singapore Dollor	1.01	58.67	58.67	36.57
9	Chinese Yuan	0.76	8.21	8.21	34.01
10	Saudi Arab Riyal	18.25	344.87	344.87	
11	Malasian Ringete	9.36	220.80	220.80	
12	United Arab Emirate Dinar	11.74	226.58	226.58	
13	Canadian Dollar	0.05	3.69	3.69	
14				
	Total Open Position (a)			56,935	143,251
	Fixed Percentage (b)			5%	5%
	Capital Requirement for Market Risk [c=(a*b)]			2,847	7,163
	Risk Weight (Reciprocal of Capital Requirement of 10%) in Times (d)			10	10
	Equivalent Risk Weight Exposure for Market Risk [e=(c*d)]			28,468	71,626

NET LIQUID ASSETS TO TOTAL DEPOSIT RATIO

As on Asadh End 2068

Particulars	Amount
Total Deposit & Borrowing (A)	21,620,653,982
Total Deposit (as per NRB Ni.Fa.9.1)	21,575,653,982
Total Borrowing (as per NRB Ni.Fa.9.1)	45,000,000
Liquid Assets (B)	5,249,187,389
Cash (9.1)	491,249,342
Bank Balance (9.1)	1,414,435,636
Money at Call and Short Notice (9.1)	882,781,384
Investment in Government Securities (9.1)	1,795,361,026
Placement Upto 90 days	665,360,000
Borrowings Payable Upto 90 days (C)	-
Net Liquid Assets (D)=(B-C)	5,249,187,389
Net Liquid Assets to Total Deposit	24.33%
Shortfall in Ratio	0.00%
Amount to be Added to Risk Weighted Exposures	-

PRINCIPAL INDICATORS

From the Beginning Year of the Bank

S.N.	Particulars	Indicators	Schedule - 4.31									
			FY 2003/2004	FY 2004/2005	FY 2005/2006	FY 2006/2007	FY 2007/2008	FY 2008/2009	FY 2009/2010	FY 2010/2011		
1	Percent of Net Profit/Gross Income	Percent	-19.34%	29.25%	19.13%	17.83%	17.67%	15.75%	11.34%	10.89%		
2	Earning Per Share	Rs	(8.89)	20.08	13.05	15.88	17.29	22.89	21.99	19.82		
3	Market Value Per Share	Rs.	-	-	360.00	778.00	1,090.00	1,000.00	444.00	270.00		
4	Price Earning Ratio	Ratio	-	-	27.59	48.98	63.04	43.70	20.19	13.62		
5	Dividend on Share Capital (Including Bonus)	Percent	-	-	-	15.79%	15.79%	15.79%	10.03%	15.79%		
6	Cash Dividend on Share Capital	Percent	-	-	-	0.79%	0.79%	0.79%	10.03%	12.79%		
7	Interest Income/Loan and Advances	Percent	7.30%	7.49%	7.37%	6.37%	6.96%	8.41%	10.86%	13.01%		
8	Staff Expenses/Total Operating Expenses	Percent	19.68%	14.18%	11.65%	9.31%	9.14%	7.88%	6.15%	6.64%		
9	Interest Expenses/Total Deposit & Borrowing	Percent	4.60%	3.47%	3.75%	3.85%	3.93%	6.12%	7.66%	9.13%		
10	Exchange Gain/Total Income	Percent	1.72%	2.98%	3.53%	2.66%	3.39%	2.80%	0.57%	1.35%		
11	Staff Bonus/Total Staff Expenses	Percent	-	47.49%	35.09%	41.38%	44.97%	38.42%	33.63%	28.73%		
12	Net Profit/Loan and Advances	Percent	-2.10%	2.73%	1.72%	1.53%	1.53%	1.63%	1.43%	1.67%		
13	Net Profit/Total Assets	Percent	-1.67%	2.27%	1.37%	1.20%	1.23%	1.22%	1.06%	1.28%		
14	Total Credit/Deposit	Percent	114.95%	104.42%	98.75%	95.39%	93.03%	85.18%	83.65%	86.43%		
15	Total Operating Expenses/Total Assets	Percent	4.50%	4.62%	4.71%	4.54%	4.52%	5.64%	7.39%	9.61%		
16	Adequacy of Capital Fund on Risk Weighted Assets											
	a) Core Capital	Percent	16.04%	12.77%	13.29%	10.78%	10.27%	8.26%	8.00%	9.05%		
	b) Supplementary Capital	Percent	0.72%	0.87%	0.87%	1.05%	0.97%	2.42%	2.04%	1.73%		
	c) Total Capital Fund	Percent	16.76%	13.64%	14.16%	11.84%	11.24%	10.69%	10.04%	10.78%		
17	Liquidity (CRR)	Percent	6%	5.21%	5.03%	5.07%	5.11%	6.36%	5.66%	5.61%		
18	Non-Performing Credit/Total Credit	Percent	4.85%	2.58%	0.87%	0.34%	0.69%	0.45%	0.53%	0.79%		
19	Weighted Average Interest Rate Spread	Percent	5.53%	4.46%	4.07%	3.57%	3.71%	3.45%	3.94%	3.94%		
20	Book Net-Worth	Rs.	317,609,000	387,889,000	603,141,455	793,709,939	1,068,346,086	1,278,744,526	1,603,542,108	1,988,404,836		
21	Total Shares	Nos.	3,500,000	3,500,000	5,000,000	6,000,000	8,280,000	9,522,000	10,950,300	15,711,300		
22	Total Staff	Nos.	47	56	72	79	116	168	329	375		
23	Other											

Principal Accounting Policies

1. General information

Siddhartha Bank Limited (“the Bank”) is a limited liability company domiciled in Nepal with its registered office in Hattisar, Kathmandu, Nepal. The Bank is listed and actively traded on the Nepal Stock Exchange Limited.

The Bank is licensed by Nepal Rastra Bank, (Central Bank of Nepal) to carry out commercial banking activities in Nepal as Class “A” licensed financial institution under the Bank & Financial Institution Act, 2063. The Financial Statements were authorized for issue by the Board of Directors.

2. Summary of Significant Accounting Policies

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

2.1 Statement of Compliance

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

2.2 Basis of Preparation

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

2.3 Interest Income

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

Interest income on Investments and money market placements are accounted for on accrual basis.

2.4 Fees and Commission Income

Guarantee commission incomes in excess of Rs. 100,000 and having a maturity in the next fiscal year is accounted for on accrual basis. All other fees and commission income is recognized at the time of the transaction.

2.5 Dividend Income

Dividend income is recognized with net of withholding tax when the right to receive dividend is established. When bonus shares are received, only numbers of shares are increased without changing the cost price of shares.

2.6 Interest Expense

Interest expenses on deposit liabilities, debenture/bonds and borrowings from other banks are accounted for on accrual basis.

2.7 Foreign Exchange Transactions

- a) Assets and liabilities denominated in foreign currencies are converted into Nepalese Rupees at mid rates as on Balance Sheet date.
- b) Profit or loss arising from difference between buying and selling rates of foreign currencies is accounted as trading gain or loss on foreign exchange.
- c) Profit or Loss arising due to change in the value of FCY assets or liabilities and owing to fluctuation in exchange rate is accounted as revaluation gain or loss. Twenty five percent of such revaluation gain is transferred to Exchange Fluctuation Fund charging Profit & Loss Appropriation Account as per the Nepal Rastra Bank Directive.

2.8 Loans, Advances, Overdrafts and Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to customers. These include overdrafts, term loans, consumer loans, working capital and loans given to priority and deprived sectors. All credit exposures are classified as per Nepal Rastra Bank's Directives into performing and non-performing loans. Performing loans are further classified as pass loan and non-performing loans are classified as re-structured/rescheduled loans, substandard, doubtful and loss based on the criteria stipulated by NRB directives. Loans and advances, overdrafts and bills purchased are shown net of provisions for loan losses.

2.9 Staff Loans

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

2.10 Provision for Possible Losses

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

2.11 Loan & Advance Write Off

Whenever it is felt that the loan accounts graded 'Loss' according to the Nepal Rastra Bank Directives, is unrecoverable, are written off in the books as per criteria/policy approved by the Board, without prejudice to Bank's right to recovery.

Amounts recovered against loans written off in earlier years are recognized as income in the year of recovery.

2.12 Investments

The Bank has categorized its investment portfolio into the following three categories:

- a) **Held for Trading:** An investment that is made for the purpose of generating a profit from short term fluctuations in price should be classified under this category. These investments are marked to market on a daily basis and differences reflected in the profit and loss account.
- b) **Held to Maturity:** The investment made with positive intent and ability of the bank to hold till maturity is classified under this category. These investments are valued at amortized cost i.e. the cost price less any impairments are included in the profit and loss accounts for the period.
- c) **Available for Sale:** All other investments that are neither "Held for Trading" nor "Held to Maturity" are classified under this category. These investments are marked to market on a regular basis and the differences have been adjusted through reserves.

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

2.13 Fixed Assets and Depreciation

- a) Fixed Assets are stated at cost less accumulated depreciation.
- b) Fixed assets are depreciated on diminishing balance method over the useful life of the assets based on the management's estimates. Land is not depreciated. The depreciation rates applied for various categories of assets are as follows:

Assets	Rate of Depreciation
Building	5%
Office Equipments	25%
Computers and Accessories	25%
Furniture & Fixtures	25%
Vehicles	20%
Other Assets	15%

- c) Fixed assets under construction, advances paid towards acquisition of fixed assets and costs of assets not ready for use before year-end are shown as capital work in progress (Pending capitalization).

2.14 Non Capitalized Assets

Non-Consumable item normally having life less than 1 year and/or costing less than Rs. 5,000 is expensed off during the year of purchase.

2.15 Software Expenses

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

2.16 Amortization

Amortization is charged to Profit and Loss Account on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are recognized from the date they are available for use.

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

2.17 Non Banking Assets

Non-Banking assets are valued at receivable amount (Principal and Interest) due from borrower or prevailing market price of the asset whichever is lower. Provision for non-banking assets is provided as per the directives of Nepal Rastra Bank.

2.18 Retirement Benefits

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

a) Provident fund

Provident fund expense is recognized at the time of contribution to the fund.

b) Gratuity

Gratuity liability towards staff accrues only after completion of a fixed period of full time employment with the Bank in accordance with the personnel policies of the Bank. Bank has created 100% provisions required to meet its gratuity liabilities as at 16 July, 2011.

c) Accumulated leave

The Bank has practice of making full provision for accumulated leave on accrual basis and if accumulated leave exceeds 60 days as on mid April is encashed each year.

2.19 Stationery Stock

Stationery purchased for consumption are valued at cost or net realizable value whichever is lower this practice is in accordance with NAS04, is expensed at the time of consumption

2.20 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date.

2.21 Lease

Assets held under finance leases are initially recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.22 Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognized in the period in which the change occurs.

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

3 Previous Year's Figures, Rounding Off & Comparative Figures

The Financial Statements are presented in Nepalese Rupees, rounded off to the nearest rupee. Previous year's figures are grouped or regrouped wherever necessary in order to facilitate comparison.

Schedule - 4.33

NOTES TO ACCOUNTS

1. Interest Suspense

Interest receivable on loans and advances outstanding as of year end after deduction of interest collected up to 24 Shrawan, 2068 amounting to Rs. 52,373,930 is transferred to interest suspense account as per NRB Directives.

2. Provision for Staff Bonus

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

3. Staff Housing Fund

As the Bank's personnel policies have a provision for extending housing loans to the eligible staff, a separate housing fund is not necessary as required under the Labour Act, 2048.

4. Paid up Share Capital

Paid up share capital of the Bank from beginning of its operation has moved as follows:

Fiscal Year	Cumulative Paid up Capital (Rs.)	Remarks
2059/60 (2002/03)	350,000,000	
2060/61 (2003/04)	350,000,000	
2061/62 (2004/05)	350,000,000	
2062/63 (2005/06)	500,000,000	Public Issue of 150 Million.
2063/64 (2006/07)	600,000,000	20% Bonus Share of Rs. 100 Million
2064/65 (2007/08)	828,000,000	15% Bonus Share and then 20% Right Share
2065/66 (2008/09)	952,200,000	15% Bonus Share
2066/67 (2009/10)	1,095,030,000	15% Bonus Share
2067/68 (2010/11)	1,571,130,000	50% Right Share on FY 2065/66 Paid Up Capital

5. Right Share

The bank has issued right shares during the year to its existing shareholder in the ratio of 1 share for every 2 shares held (50% right share on FY 2065/66 closing capital).

6. Share Premium

Unsubscribed right share of 100,825 has auctioned during the fiscal year and excess of par value has been recognized as share premium (Rs. 13,693,140).

7. General Reserve

20 percent of the profit is transferred to General Reserves as per the requirement of Banks and Financial Institutions Act 2063.

8. Exchange Fluctuation Fund

25% of the revaluation gain on foreign exchange has been transferred to exchange fluctuation fund.

9. Investment Adjustment Reserve

During the year no any investment reserve has been created in addition to last fiscal year.

10. Gratuity Fund

Employee gratuity has been calculated and provided as per the Bank's policy on accrual liability basis. Amount equal to the liability has been deposited in the Bank's approved retirement fund Account.

11. Borrowing against its own assets.

None of the Bank's borrowings are against the collateral of its own assets except collateral of T-Bills.

12. Tax Assessment

The Large Taxpayer's Office (LTO) has raised the additional demand of Rs. 0.96 million for FY 2061/62 and Rs. 3.21 million for FY 2062/63; the Bank has disputed the demand and filed the case in the Revenue Tribunal. Pending final assessment, no provision for additional demand has been made but disclosed as contingent liabilities.

Similarly the Large Taxpayer's Office (LTO) has raised additional demand of Rs. 1.66 million for FY 2063/64 on the balance sheet date, the Bank has disputed the demand and filed the case for Administrative Review in Inland Revenue Department, which is shown as contingent liabilities as a subsequent event and no provision for additional demand has been made.

Annual income tax returns filed by the Bank under self-assessment procedure for the years 2064/65, 2065/66 and 2066/67 are pending final assessment by tax authorities.

13. Investment in Share Capital of other Corporate

Bank has made an investment of Rs. 15,000,000 (150,000 ordinary shares of Rs. 100 each fully paid up) in Siddhartha Insurance Limited. This investment is valued at cost, which is lower than the market price.

Investment made in Credit Information Centre Limited amounting Rs. 1,607,600 (29,100 shares including bonus shares), Nepal Clearing House Limited of Rs. 2,500,000 (25,000 shares), National Banking Training Institute of Rs. 1,200,000 (12,000 shares) has been valued at cost as the company is not listed in the stock exchange.

Investment in Credit Information Centre Limited, Nepal Clearing House Limited and National Banking Training Institute do not require Investment Adjustment Reserve.

14. Debenture Redemption Reserve Fund

Debenture Redemption Fund has been created as per directive of NRB and Rs. 32,538,571 has been set aside for the fund from this year's profit. Total debenture redemption reserve after this year's addition is Rs. 97,615,714 for a debenture of Rs. 227,770,000 due on 2072.07.28.

15. Unpaid Dividend

In line with the approval from the 9th Annual General Meeting (AGM) Bank has declared and distributed 8.42% (Rs. 131,456,632) cash dividend during the year. Uncollected dividend of Rs. 14, 105,145 as on balance sheet date has been shown in schedule 4.7.

16. Cash dividend & Bonus Share

The Bank has proposed 12.79 % cash dividend (including corporate dividend tax on cash dividend and bonus share) from retained earning including current year profit. In addition to cash dividend Bank has proposed 3 % bonus share from share premium amount, capital adjustment fund and remaining proportion from the current year's profit.

17. Provision for accumulated leave liability

In order to fully provide for the liabilities against staff accumulated leave, the Bank has in the current year made a provision of Rs. 12.31 million. This includes provision of Rs. 7.42 million relating to accumulated leave liabilities accrued till FY 2066/67.

18. Lease*Finance Lease*

The Bank has not entered into any finance lease and does not have any obligation in respect of finance lease.

Operating Lease

The Bank has entered into a lease arrangement for office premises and ATM space outside of the branch for different periods, which can be terminated by either party giving prior notice as stipulated in the contract/ agreement. The future minimum lease payment under non-cancellable operating leases, where the Bank is lessee is NIL. There is no rental expense under non-cancellable operating leases.

19. Deferred Taxes

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

(Amount in Rs.)			
Particulars	Carrying Amount as on 16 July, 2011	Tax Base as on 16 July, 2011	Difference
Fixed Assets	335,247,508	323,237,477	(12,010,030)
Provision for Staff Gratuity	5,129,719	-	5,129,719
Provisions for Leave Liability	18,696,892	-	18,696,892
Total			11,816,580.09
Applicable Tax Rate			30 %
Deferred Tax Assets as on 16 July 2011			3,544,974.03
Deferred Tax Assets as on 16 July 2010			1,620,271.00
Deferred Tax Recognized in the Income Statement			1,924,703.03

20. Reconciliation Status

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

(Rs. in "000")				
Reconciliation Status	Total Amount Rs.	< 3 months	>3<9 months	>9 months
Branch Reconciliation	-	-	-	-
Agency Accounts	26,969	27,049	595	(675)

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

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

(Rs. in "000")	
Particulars	Amount
Loans Disbursed	11,479,992
Loans Recovered	9,728,145
Loans Written Off	-
Interest Written Off	-

22. Summary Status of the of Deposit Liabilities

(Rs. in Million)			
Particulars	Current Year	Previous Year	Change %
Current/Margin Deposit	658	475	38
Local Currency	557	464	20
Foreign Currency	100	12	765
Saving Deposits	3,170	2,961	7
Local Currency	3,142	2,939	7
Foreign Currency	28	22	23
Call Deposits	6,290	6,565	(4)
Local Currency	6,219	6,505	(4)
Foreign Currency	71	60	19
Fixed Deposits	11,458	10,196	12
Local Currency	10,711	9,187	17
Foreign Currency	747	1,009	(26)
Total	21,576	20,197	7

23. Weighted Average Interest Rate Spread

Particulars	Rate (%)
Average Rate of Return from Loans and Advances & Investments	12.90
Average Rate of Interest on Deposits & Borrowings	9.06
Net Spread	3.84

24. Particulars of Expenses yet to be Expensed-Off

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

Particulars.	Original Value Rs.	Written Off (Rs.)	Book Value (Rs.)
Software	46,305,078	6,229,359	40,075,719
Leasehold Improvement	160,972,029	42,674,311	118,297,719

25. Summary of Concentration of Exposure

(Rs. in "000")

Particulars	Loans and Advances and Bills Purchased	Deposits and Borrowings	Contingents
Total Amount as on 16 July, 2011	18,647,196	21,575,654	4,971,637
Highest Exposure to a Single Unit	377,015	1,762,448	620,153
Percentage of Exposure to/from Single Unit (%)	2.02	8.17	12.47

26. Classification of Assets and Liabilities based on Maturity

(Rs. in Million)

a) Assets	1-90 days	91-180days	181-270 days	271-365days	Over 1 Year	Total
Cash Balance	491.25					491.25
Balance with Banks	1,414.44					1,414.44
Investment in Foreign Banks	-					-
GON Securities	782.42	232.97	105.16	367.44	307.37	1,795.36
Investment in Shares					20.31	20.31
Nepal Rastra Bank Bonds						-
Inter Bank Lending	1,548.14	-	6.88	-	50.00	1,605.02
Loans & Advances	3,050.79	1,429.98	603.32	962.84	12,600.27	18,647.19
Other Assets	327.29				368.17	695.46
Total Assets	7,614.33	1,662.95	715.36	1,330.28	13,346.12	24,669.03

b) Liabilities	1-90 days	91-180days	181-270 days	271-365days	Over 1 Year	Total
Borrowings	-	-	45.00	-	-	45.00
Current Deposits & Margins	460.31				197.28	657.59
Savings Deposit & Call Deposits	3,466.95				5,992.84	9,459.79
Fixed Deposits	2,644.96	1,702.15	622.48	1,013.43	5,475.26	11,458.27
Debentures					227.77	227.77
Other Liabilities	630.57					630.57
Capital & Reserves					2,190.04	2,190.04
Total Liabilities	7,202.80	1,702.15	667.48	1,013.43	14,083.18	24,669.03
Net Financial Assets	411.53	(39.21)	47.88	316.86	(737.07)	
Cumulative Net Financial Assets	411.53	372.33	420.21	737.07	-	

27. Related Parties

- The Bank has invested in the 150,000 equity shares of Siddhartha Insurance Limited where one of the directors has financial interests. Cash Dividend of Rs. 1.05 million was received from Siddhartha Insurance Limited during FY 2067/68. The bank has also insured some of its fixed assets with Siddhartha Insurance Limited.
- The Bank has made expenses of Rs. 485,250 on behalf of Siddhartha Mutual Fund and the same is shown in 4.16- Other Assets in Financial Statement as advance.
- The Bank has paid Insurance Premium to Siddhartha Insurance Company Limited.
- The Bank has established a retirement fund named Siddhartha Bank Limited approved retirement fund which is separate legal entity registered with Inland Revenue department. The fund is managed by the staff level committee of the bank all all staff provident funds and gratuity related liabilities have been deposited in the fund.
- Total of key management personnel compensation:

Details of Key Management Personnel	Total Compensation (NPR)	Remarks
Short-Term Employee Benefits	40,460,730	Salary, PF and Allowances of Management Level Staff (Management Level Staff Comprises of all Staff of Assistant Manager Level and Above)
Post Employee Benefits	Nil	
Terminal Benefits	22,60,146	Gratuity Benefits of Eligible Management Staff
Share Based Payments	Nil	
Other Long Term Benefits	Nil	

- Bank also provides meeting fee and other benefits to directors as approved by Annual General Meeting.

DISCLOSURES OF BASEL-II

1. Capital Structure and Capital Adequacy:

- Tier 1 capital and a breakdown of its components:
Provided in Schedule No. 4.30 (A1) of the Financial Statements
- Tier 2 capital and a breakdown of its components:
Provided in Schedule No. 4.30 (A1) of the Financial Statements
- Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:
The Bank had issued Siddhartha Bank Limited Debenture 2072 in FY 2008/09 for Rs. 228 million having face value of NPR 1,000. Main features of Siddhartha Bank Limited Debenture 2072 are as follows:
 - Maturity period: 7 Years.
 - Interest rate: 8.5% per annum.
 - Interest Payment frequency: Half Yearly.
 - Claim in case of liquidation: After depositors.
 - Debenture Redemption Reserve shall be created to redeem the Bond at Maturity.
 - The debenture can be pledged with other banks and financial institution.
 - Listed with Nepal Stock Exchange
- **Deductions from Capital:**
The Bank has investments of Rs. 15 million in the equity shares of Siddhartha Insurance Limited, which has been deducted from the core capital while computing capital adequacy.
- **Total Qualifying Capital:**
Provided in Schedule No. 4.30 (A1) of the Financial Statements
- **Capital Adequacy Ratio:**
Provided in Schedule No. 4.30 (A1) of the Financial Statements
- **Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:**
Siddhartha Bank is committed to comply with the regulatory guidelines in every aspect of its business and operations. Accordingly for the capital adequacy purpose also, the Bank has an approved capital plan in place in order to meet the capital requirement of Rs. 2 billion by the end of FY 2069/70. In line with this, the Bank raised its paid up capital to Rs. 1,571 million through issuance of 50% Right shares of Rs. 476.10 million as declared in previous year's AGM. Further, The Bank follows prudential norms to maintain a healthy capital adequacy to support its current and future business plans. Bank regularly reviews its exposures in different risk areas including Credit Risk, Market Risk and Operational Risk. In accordance with NRB guidelines, the Bank has adopted Simplified Standardized Approach (SSA) to measure credit risk while Basic Indicator Approach and indigenous Net Open Position Approach for measurement of Operational Risk and Market Risk respectively. The Bank continues to apply Basel II with prescribed approaches by NRB with effect from Mid July 2008 (FY 2065/66). Nepal Rastra Bank prescribes Banks to maintain a minimum capital to Risk Weighted Exposure of 10% with regard to credit risk, market risk and operational risk on an ongoing basis. The Bank has followed the

NRB guidelines in force, to arrive at the eligible capital, risk weighted assets and CAR. The sufficient headroom available for the Bank for mobilizing Tier I and Tier II capital shall additionally support capital structure to meet the required CAR against future activities.

Bank's activities are weighed in terms of risk and return in light of capital requirement. Bank has established a culture whereby return on capital is justified in light of risk involved in each investing and operating activity. In order to assess the adequacy of capital, all major risks such as credit, credit concentration, operational, market, liquidity, reputational etc are identified, measured and reported on periodic basis. These are monitored by the Bank's Board, Assets Liability Management Committee and senior management periodically in addition to the monthly review and certification by the Internal Audit and Compliance Department of the Bank.

- **Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.**

For subordinated term debts, described as above.

2. Risk Exposures

- **Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:**

Provided in Schedule No. 4.30 (A1) of the Financial Statements

- **Risk Weighted Exposures Under each of 11 Categories of Credit Risk:**

Provided in Schedule No. 4.30 (B) of the Financial Statements

- **Total Risk Weighted Exposure Calculation Table:**

Provided in Schedule No. 4.30 (A) of the Financial Statements

- **Amount of Non Performing Assets (both Gross and Net)**

(Rs. In "000")			
Particulars	Amount	Loan Loss Provision	Net NPL
Restructured/Rescheduled	25,972	3,246	22,725
Sub-Standard	38,084	9,521	28,563
Doubtfull	36,571	18,285	18,285
Loss	47,115	47,115	-
Total	147,741	78,168	69,573

- **NPA Ratios**

Particulars	in %
Gross NPA to Gross Advances	0.79
Net NPA to Net Advances	0.38

- **Movement in Non Performing Assets**

(Rs. In "000")			
Particulars	This Year	Previous Year	Change (%)
Non-Performing Assets	147,741	127,587	15.80

- **Written Off Loans and Interest Suspense**

		(Rs. in "000")
Particulars		Amount
Loan Written Off		-
Interest Suspense		-

- **Movements in Loan Loss Provision and Interest Suspense:**

				(Rs. in "000")
Particulars	This Year	Previous Year		Change (%)
Loan Loss Provision	263,162	241,496		8.97
Interest Suspense	52,374	36,621		43.02

- **Details of Additional Loan Loss Provisions:**

		(Rs. in "000")
Particulars		This Year
Pass		17,317
Restructured/Rescheduled		(1,545)
Sub-Standard		4,373
Doubtfull		13,500
Loss		(11,979)
Total		21,666

- **Segregation of Investment Portfolio:**

		(Rs. in "000")
Particulars		This Year
Held for Trading		-
Held to Maturity		2,517,602
Available for Sale		20,308
Total Investment		2,537,909

3. Risk Management Function

- Siddhartha Bank has specific internal review mechanism to assess its position regarding each separate risk area including Credit Risk, Market Risk and Operational Risk.

Credit Risk

The Bank has its own Credit Policy Guidelines to handle the Credit Risk Management philosophy that involves a continual measurement of probability of default/loss; identification of possible risks and mitigations.

The provisions of Capital Adequacy Framework -2007 updated July, 2008 are complied in line to line basis to overcome the Credit Risk. In order to manage and minimize the credit risk, the Bank has a practice of

maintaining the best quality assets in its book. The Bank's Credit Policy elaborates detailed procedures for proper risk management. The Bank has delegated credit approval limits to various officials to approve and sanction various amount of credit request based on their individual expertise and risk judgement capability.

As a check and balance mechanism, each credit case requires dual approval. Regular monitoring of the credit portfolio ensures that the Bank does not run the risk of concentration of portfolio in a particular business sector or a single borrower. Similarly the Bank also exercises controlled investment policy with adequately equipped resource looking after the investment decisions.

To cap these all, the Bank has a strong Credit Committee in place comprising of various Directors from the Board of the Bank which reviews all credit proposals beyond a specified amount

Market Risk

As for the monitoring of market and liquidity risk, the Bank has an active Assets and Liability Management Committee (ALCO) in place which meets regularly and takes stock of the Bank's assets and liability position and profile of assets & liabilities, monitors risks arising from changes in exchange rates in foreign currencies. All foreign exchange positions are managed by treasury consisting of front office dealers with specific dealing limits and an independent back office. The back office executes the deals made by the dealers and also monitors the liquidity position of the Bank. For the purpose of proper check and control, the front dealing room of treasury and the back office have different reporting line.

Operational Risk

As a part of monitoring operational risks, the Bank has devised operational manuals for various Banking functions, which are reviewed and modified time to time as per the changing business context.

The Bank has adopted dual control mechanism in its all operational activities where each and every financial and non financial transaction is subject to approval from an authority higher than the transaction initiator. Regular review meetings are conducted to assess the adequacy of risk monitoring mechanism and required changes are made as and when felt necessary. Independent reconciliation unit is established to conduct daily reconciliation of all Nostro/agency accounts, Inter-Branch and Inter-Department account under direct supervision of Head of Finance, Head Office. The Bank has independent internal audit, which reports to the Audit Committee of the Bank. The Audit Committee meets frequently and reviews the business process and financial position of the Bank. The Bank has strong MIS in place to monitor the regular operational activities.

- Types of eligible credit risk mitigants used and the benefits availed under CRM.

	(Rs. in "000")
Particulars	Eligible CRM
Deposit with Bank	579,881
Deposit with Other Bank/FI	-
Total	579,881

**STATEMENTS OF LOANS AVAILED BY PROMOTERS/SHAREHOLDERS CLASSIFIED
UNDER PROMOTER'S GROUP FROM OTHER BANKS AND FINANCIAL INSTITUTIONS BY
PLEDGING SHARES UNDER THEIR OWNERSHIP**

Schedule - 4.34

S.N.	Promoters/Shareholders Classified Under Promot- er Group	Promoter's Share Ownership		Loan Details		Remarks
		Total No. of Shares	% of Total Paid up Capital	Name of the Bank & Financial Institutions	Loan Amount	
1	Narendra Kumar Agrawal	560,894	3.57%	Global Bank Ltd.		245,000
2	Pushpanjali International Pvt. Ltd.	155,230	0.99%	NDEP Dev. Bank Ltd. Himalayan Bank Ltd.		60,000 10,000
3	Ashok Kumar Baheti	228,935	1.46%	Nepal Investment Bank Ltd.		17,349
4	Raj Kumar Tibrewala	114,468	0.73%	Himalayan Bank Ltd.		79,781
5	Shyam Sunder Agrawal	91,575	0.58%	Sanima Bikas Bank Ltd.		91,575
6	Jagadish Kumar Agrawal	80,128	0.51%	Sunrise Bank Ltd.		80,128
7	Anil Kumar Shrestha	61,813	0.39%	KIST Bank Ltd.		39,338
8	Surendra Kumar Sharda	57,235	0.36%	Nepal Investment Bank Ltd.		25,000

COMAPRISION OF UNAUDITED AND AUDITED FINANCIAL STATEMENT

As of Asadh End 2068

Schedule - 4.35
(Rs. in "000")

S.N.	Particulars	As per Unaudited Financial Stament	As per Audited Financial Stament	Variance		Reasons for Variance
				In Amount	In %	
1	Total Capital and Liabilities (1.1 to 1.7)	24,410,615	24,405,872	(4,743)	(0.02)	
1.1	Paid Up Capital	1,571,130	1,618,264	47,134	3.00	Due to Proposed Bonus share
1.2	Reserve and Surplus	611,440	370,141	(241,299)	(39.46)	Due to Increase in Net Profit & Proposed Dividend and Bonus Share
1.3	Debenture and Bond	227,770	227,770	-	-	
1.4	Borrowings	45,000	45,000	-	-	
1.5	Deposits (a+b)	21,575,654	21,575,654	-	-	
	a. Domestic Currency	20,629,128	20,629,128	-	-	
	b. Foreign Currency	946,526	946,526	-	-	
1.6	Income Tax Liability	26,590	15,659	(10,931)	(41.11)	Due to Deferred Tax Adjustment and Depreciation as per Income Tax Act
1.7	Other Liabilities	353,031	553,384	200,353	56.75	
2	Total Assets (2.1 to 2.7)	24,410,615	24,405,872	(4,743)	(0.02)	
2.1	Cash and Bank Balance	1,905,685	1,905,685	-	-	
2.2	Money at Call and Short Notice	1,025,181	882,781	(142,400)	(13.89)	Transfer to Investment
2.3	Investments	2,395,509	2,537,909	142,400	5.94	Transfer from Money at Call and Short Notice
2.4	Loans and Advances	18,392,702	18,384,033	(8,669)	(0.05)	Two of the Account has been Down-graded
2.5	Fixed Assets	406,651	368,174	(38,477)	(9.46)	Due to Transfer of Software to Other Assets; Classification Required by NRB Directive
2.6	Non-Banking Assets	-	-	-	-	
2.7	Other Assets	284,885	327,290	42,404	14.88	Due to Transfer of Software to Other Assets & Other Adjustments
3	Profit and Loss Account					

Schedule - 4.35 Contd...

Contd... Schedule - 4.35

S.N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
3.1	Interest Income	2,690,294	2,690,294	-	-	
3.2	Interest Expenses	1,925,801	1,925,243	(557)	(0.03)	Some of the Accounts Mannual Interest Adjustments
	A. Net Interest Income (3.1 -3.2)	764,494	765,051	557	0.07	
3.3	Fees, Commission and Discount	68,049	68,049	-	-	
3.4	Other Operating Income	62,012	62,252	240	0.39	Rental Income for the 6 Months has been Netting Off with House Rent Expenses Shown in Rent Income
3.5	Foreign Exchange Gain/Loss (Net)	38,690	38,690	-	-	
	B. Total Operating Income (A+3.3+3.4+3.5)	933,244	934,042	798	0.09	
3.6	Staff Expenses	156,393	155,803	(590)	(0.38)	Actual Expenses Exceed the Provision for Expenses
3.7	Other Operating Expenses	266,068	265,477	(591)	(0.22)	Actual Expenses Exceed the Provision for Expenses
	C. Operating Profit Before Provision (B-3.6-3.7)	510,783	512,762	1,979	0.39	
3.8	Provision for Possible Losses	13,087	42,628	29,541	225.72	Due to Separate Adjustment of LLP Written Back & Two of the Account has been Downgraded
	D. Operating Profit (C-3.8)	497,695	470,133	(27,562)	(5.54)	
3.9	Non- Operating Income/Expenses (Net)	1,433	1,433	-	-	
3.10	Write Back of Provision for Possible Loss	-	20,871	20,871	-	Due to Separate Adjustment of LLP Written Back
	E. Profit from Regular Activities (D+3.9+3.10)	499,128	492,438	(6,691)	(1.34)	
3.11	Extraordinary Income/Expenses (Net)	-	-	-	-	
	F. Profit Before Bonus and Taxes (E+3.11)	499,128	492,438	(6,691)	(1.34)	
3.12	Provision for Staff Bonus	45,375	44,767	(608)	(1.34)	Due to Increase in Operating Profit
3.13	Provision for Taxes	149,111	136,255	(12,856)	(8.62)	Due to Adjustment Required by Income Tax Act
	G. Net Profit/Loss (F- 3.12-3.13)	304,642	311,415	6,773	2.22	Due to Various Adjustment as Above

Siddhartha Bank Limited
Hattisar, Kathmandu
UNAUDITED FINANCIAL RESULTS (QUARTERLY)
As at 4th Quarter (16/07/2011) of the Fiscal Year 2067/68

Schedule - 4.4a

(Rs. in "000")

S.N.	Particulars	This Quarter Ending 16.07.2011	Previous Quarter Ending 13.04.2011	Corresponding Previous Year Quarter Ending 16.07.2010 Audited
1	Total Capital and Liabilities (1.1 to 1.7)	24,410,615	25,027,186	22,802,429
1.1	Paid Up Capital*	1,571,130	1,561,048	1,310,436
1.2	Reserve and Surplus	611,440	532,621	293,106
1.3	Debenture and Bond	227,770	227,770	227,770
1.4	Borrowings	45,000	1,505,000	345,000
1.5	Deposits (a+b)	21,575,654	20,471,779	20,197,029
	a. Domestic Currency	20,629,128	19,528,753	19,094,172
	b. Foreign Currency	946,526	943,026	1,102,857
1.6	Income Tax Liability	26,590	24,522	7,439
1.7	Other Liabilities	353,031	704,447	421,649
2	Total Assets (2.1 to 2.7)	24,410,615	25,027,186	22,802,429
2.1	Cash and Bank Balance	1,905,685	1,689,788	2,406,610
2.2	Money at Call and Short Notice	1,025,181	1,860,875	699,042
2.3	Investments	2,395,509	2,655,476	2,452,476
2.4	Loans and Advances (a+b+c+d+e+f)**	18,392,702	17,980,301	16,653,852
	a. Real Estate Loan	3,781,171	3,751,111	4,011,864
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs. 80 Lacs)	81,207	195,851	-
	2. Business Complex & Residential Apartment Construction Loan	1,675,006	1,546,310	-
	3. Income generating Commercial Complex Loan	405,116	350,905	-
	4. Other Real Estate Loan (Including Land purchase & plotting)	1,619,842	1,658,046	-
	b. Personal Home Loan of Rs. 80 Lacs or Less	740,566	645,946	-
	c. Margin Type Loan	454,138	506,593	598,913
	d. Term Loan	3,509,158	3,667,564	3,389,735
	e. Overdraft Loan/ TR Loan/ WC Loan	7,874,347	7,797,232	7,121,791
	f. Others	2,033,322	1,611,855	1,531,548
2.5	Fixed Assets (Net)	406,651	404,302	360,426
2.6	Non- Banking Assets	-	-	-
2.7	Other Assets	284,885	436,444	230,024

Schedule - 4.4a Contd...

Contd... Schedule - 4.4a

S.N.	Particulars	This Quarter Ending 16.07.2011	Previous Quarter Ending 13.04.2011	Corresponding Previous Year Quarter Ending 16.07.2010 Audited
3	Profit and Loss Account	Up to this Quarter	Up to Previous Quarter	Up to correspond- ing Previous Year Quarter
3.1	Interest Income	2,690,294	1,954,402	2,018,292
3.2	Interest Expenses	1,925,801	1,385,617	1,406,490
	A. Net Interest Income (3.1-3.2)	764,494	568,785	611,802
3.3	Fees, Commission and Discount	68,049	41,348	42,758
3.4	Other Operating Income	62,012	47,031	50,694
3.5	Foreign Exchange Gain/Loss (Net)	38,690	19,221	12,168
	B. Total Operating Income (A+3.3+3.4+3.5)	933,244	676,384	717,423
3.6	Staff Expenses	156,394	103,874	103,680
3.7	Other Operating Expenses	266,068	180,669	175,735
	C. Operating Profit Before Provision (B-3.6-3.7)	510,782	391,842	438,007
3.8	Provision for Possible Losses	13,087	16,894	65,322
	D. Operating Profit (C-3.8)	497,694	374,948	372,685
3.9	Non-Operating Income/Expenses (Net)	1,433	1,433	10,859
3.10	Write Back of Provision for Possible Loss	-	-	-
	E. Profit from Regular Activities (D+3.9+3.10)	499,127	376,381	383,544
3.11	Extraordinary Income/Expenses (Net)	-	-	-
	F. Profit Before Bonus and Taxes (E+3.11)	499,127	376,381	383,544
3.12	Provision for Staff Bonus	45,375	34,216	34,868
3.13	Provision for Taxes	149,111	102,649	107,828
	G. Net Profit/Loss (F- 3.12-3.13)	304,641	239,515	240,848
4	Ratios	At the end of This Quarter	At the end of Previous Quarter	At the end of Corresponding Previous Year Quarter
4.1	Capital Fund to RWA	11.75%	11.45%	10.04%
4.2	Non-Performing Loan (NPL) to Total Loan	0.62%	0.78%	0.53%
4.3	Total Loan Loss Provision to Total NPL	221.18%	182.38%	270.57%
4.4	Cost of Funds	9.06%	8.80%	7.49%
4.5	Credit to Depoist Ratio (Calculated as per NRB Directive)	81.82%	84.44%	81.72%
	Additional Information			
a	Average Yield	12.97%	12.52%	10.90%
b	Average Cost	9.47%	9.30%	8.28%
c	Net Interest Spread	3.50%	3.22%	2.62%
d	Return on Equity	13.47%	14.43%	14.42%
e	Return on Assets	1.24%	1.32%	1.10%

This page is intentionally left blank

This page is intentionally left blank



CORPORATE OFFICE

130/23, Teen Dhara Road, Kamaladi, Kathmandu

P.O.Box: 13806

T: 977-1-4442919, 4442920

F: 977-1-4442921

Telex: 2757 SBL NP, SWIFT-SIDDPKA

E: sbl@siddharthabank.com

www.siddharthabank.com