



NIC BANK | 12TH ANNUAL REPORT 2008/09





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THE FIRST BANK

Complete Financial Solutions



Nepal Industrial & Commercial Bank Limited (NIC Bank) commenced its operation from 21st July 1998. Promoted by several prominent business houses of Nepal, it is the first commercial bank in the country to be capitalized at NPR 500 million. It is one of the most widely held companies in Nepal with close to 35 thousand shareholders. The present shareholding constitutes 51% of promoters' stake and 49% general public. The shares of the Bank are actively traded in Nepal Stock Exchange with market capitalization of about NPR 12.8 billion as at the fiscal year ended 15th July 2009.

The Bank has been in profitable operation from its inception and has recorded a robust growth in its overall business and profitability during the recent years. The Bank expanded its branch network to 20 different locations throughout the country stretching from the far west to the eastern region, as at the fiscal ended 15th July 2009. The Bank has been consistently embarking on sustainable network expansion and has successfully added several new branches every year in strategic new locations. The Bank plans to continue to grow its presence in newer locations this year as well and has already added 2 new branches during the first quarter this year. All its branches are inter-connected through V-Sat and/ or optical-fibre network and are capable of providing on-line real time transactions.

NIC Bank has played a pioneering role in the Nepalese banking sector introducing innovative and customized products and services to its customers. The Bank has managed to achieve many "Firsts" to its credit, besides also receiving several internationally coveted recognitions, some of which are listed below:

- The **First** Bank in Nepal to be awarded an ISO 9001: 2000 Certification for Quality Management System.
- The **First** Bank in Nepal to be sanctioned a credit line by International Finance Corporation, World Bank Group, under Global Trade Finance Program.
- The **First** Bank in the country to introduce Savings Account scheme bundled with life insurance.
- The **First** Bank in Nepal to offer lowest-priced Home Loan schemes.
- The **First** Bank to offer bullion trading in the country by directly importing from internationally recognized mints.
- The **First** Bank to introduce high-interest-earning Fixed Deposit scheme with the ease of a Savings Account

Besides the above, NIC Bank is also one of the few banks to receive a line of credit from Asian Development Bank under its Trade Finance Facilitation Programme.

The Bank was also awarded "Bank of the Year 2007" by The Banker Magazine, Financial Times, London.

NIC Bank believes that the achievements and recognitions above are testimony to its success, robust growth, transparency and professionalism it has consistently displayed.

VISION

TO BECOME ONE OF THE MOST RESPECTABLE BANKS IN
NEPAL BASED ON HONORABLE CONDUCT AND
LONG-TERM FINANCIAL PERFORMANCE.



MISSION

TO BECOME A LEADING BANK IN NEPAL BY PROVIDING COMPLETE FINANCIAL SOLUTIONS TO OUR CUSTOMERS, SUPERIOR VALUE TO OUR SHAREHOLDERS AND PROMISING GROWTH OPPORTUNITIES TO OUR EMPLOYEES.



THE FIRST BANK IN NEPAL TO BE AWARDED
AN ISO 9001: 2000 CERTIFICATION FOR
QUALITY MANAGEMENT SYSTEM.

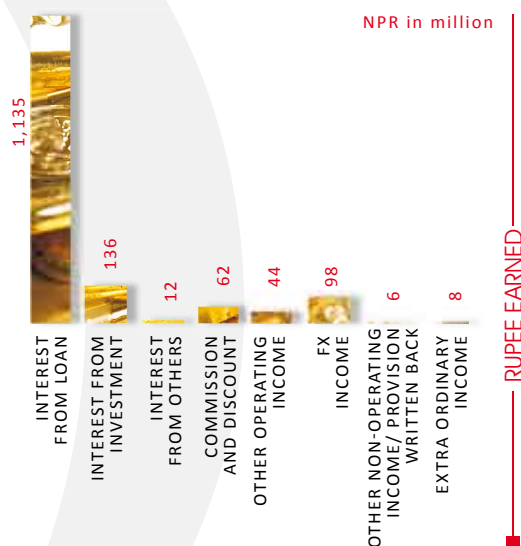


ISO 9001:2000

The Bank is the first commercial bank in Nepal to be ISO 9001:2000 certified for its Quality Management System by United Registrar System (URS) Ltd, UK. This certification attests the ability of the Bank to consistently provide quality products and services that meet customers' requirements and enhance their satisfaction level through effective application of the systems and processes.

ORGANIZATIONAL STRUCTURE

NIC Bank's organizational structure is designed to support its business goals. However, it is flexible in seeking enough to ensure effective control & supervision and consistency in standards across all businesses at the same time. NIC Bank has successfully embarked on a multi-pronged strategy of consolidation, administrative streamlining, human resource up-skilling, strategic cost management, focused non-performing assets management, balance sheet & treasury management and controlled asset growth in tandem with strengthening the credit culture as well as strategic marketing & sales. The Corporate Center comprises all shared services and corporate functions including finance, company affairs, risk management, legal, human resources, branding and corporate communications.



FINANCIAL HIGHLIGHTS

Particulars	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
Operating Performance					
Operating Profit (NPR millions)	202	212	291	393	526
Net Profit (NPR millions)	114	97	159	243	317
Financial Position					
Total Assets (NPR millions)	7,508	10,384	11,679	15,239	18,751
Loans and Advances (NPR millions)	4,909	6,902	9,129	11,465	13,916
Deposits and Borrowings (NPR millions)	6,692	9,224	10,420	13,420	16,240
Paid-up Capital (NPR millions)	500	600	660	944	1,141
Shareholders' Fund (NPR millions)	684	767	919	1,303	1,660
Core Capital (NPR millions)	680	761	912	1,294	1,649
Key Indicators					
Earning Per Share (NPR)	22.75	16.1	24.01	25.75	27.83
Return on Equity after Tax (%)	17.44	14.12	20.68	22.57	24.23
Return on Assets after Tax (%)	1.69	1.08	1.36	1.6	1.69
Cost to Income Ratio (%)	30.98	32.67	29.09	28.06	26.99
Capital Adequacy Ratio (%)	13.29	13.54	12.2	13.11	12.42
Non-performing Assets (%)	3.78	2.6	1.11	0.86	0.93
Dividend Payout Ratio (%)	30	10.53	21.05	21.05	15.79
Share Information					
Share Price: year end (NPR)	366	496	950	1,284	1,126
Market Capitalization (NPR Million)	1,830	2,976	6,270	12,119	12,842
Price to Earning Ratio (%)	16.09	30.81	39.56	49.86	40.46
Others					
Employees	157	166	189	232	265
Branch offices	8	8	10	16	20



BOARD OF DIRECTORS

NIC Bank is run by professionals and it believes in the highest standards of corporate governance. The composition of Board of Directors of the Bank is as per the Company Act 2063 and Bank & Financial Institution Act 2063. The Directors of NIC Bank are eminent personalities from various fields and they bring to the Board a wide range of professional experience and skills. They have signed a declaration to abide by the code of ethics as laid down by Nepal Rastra Bank (the central bank) and they are independent of management and free from any business or other relationship with the Bank. The directors retire every 4 years and if eligible, qualify for re-appointment. The Board's mandate is to oversee the Bank's strategic Direction, review corporate performance, authorize and monitor strategic investments, ensure regulatory compliance and corporate governance and safeguard interests of all stakeholders.

Chairman: Mr. Jagdish Prasad Agrawal

Directors: Mr. Tuls Ram Agrawal
 Mr. Lokmanya Golchha
 Mr. Nirmal Kumar Agrawal
 Mr. Rajendra Aryal (Public)
 Mr. Birendra Kumar Sanghai (Public)
 Mr. Ganesh Man Shrestha (Professional)

DIRECTORS' REPORT

The Directors of NIC Bank are pleased to present their report together with the Balance Sheet and statement of Profit and Loss for the year ended 15th July 2009. The report is in conformity with the provisions of the Companies Act 2063 and the provisions of the Bank & Financial Institution Act 2063 including the directives issued by the central bank from time to time.

FINANCIAL HIGHLIGHTS

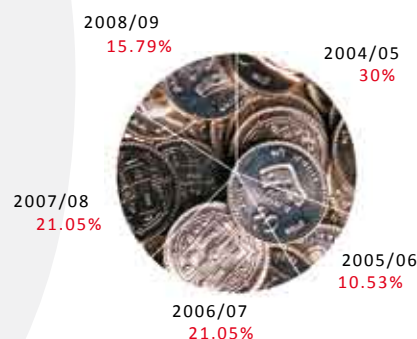
The financial performance of NIC Bank for FY 2008/2009 is summarized below:

Particulars	NPR in million		
	Year ended 15-Jul-09	Year ended 15-Jul-08	% Change
Paid-up Capital	1,141	944	21
Deposits & Borrowings	16,240	13,420	21
Risk Assets	13,916	11,465	21
Investments	3,026	2,311	31
Total Assets	18,751	15,239	23
Net Worth	1,660	1,303	27
Operating Profit before provisions	526	393	34
Net Profit	317	243	31

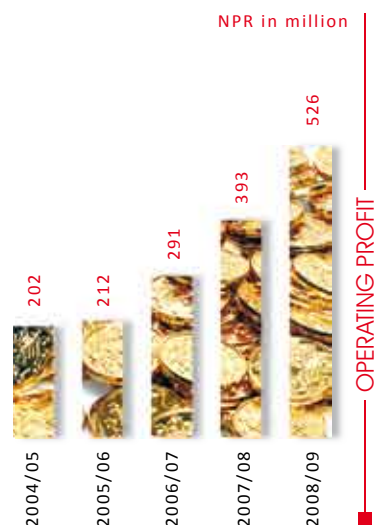
The Bank posted total income and net profit of Rs. 526 million and Rs. 317 million respectively for the financial year 2008-09 as against Rs. 393 million and Rs. 243 million respectively in the previous year.

APPROPRIATIONS

Out of the net profit after tax of NPR 317 million for FY 2008/09, NPR 63.49 million (previous year NPR 48.61 million), NPR 1.84 million (previous year NPR 2.94 million), NPR 40 million (previous year 2.19 million) and NPR 3.1 million have been transferred to General Reserve Fund, Exchange Fluctuation Reserve, NIC Bond Redemption Reserve and Deferred Tax Reserve respectively, as per statutory requirements. The total distributable profit, taking into account of NPR 16.27 million retained earnings of the previous year, is NPR 210.63 million. We have a track record of moderate but steady dividend declaration with a healthy dividend payout ratio which is guided by dual objective, first to provide appropriate reward to the shareholders and second to maintain healthy capital adequacy ratio to support our business growth every year. In line with this objective, the Board of Directors has recommended a Stock Dividend of 15% (NPR 171 million), which attracts dividend tax but will be tax-free at the hand of shareholders because the Board of Directors has also recommended a Cash Dividend of 0.789% (NPR 9 million) to meet the tax expenses on Stock Dividend, whilst the balance NPR 30.55 million has been retained for distribution in future.



—●— DIVIDEND PAYOUT PER SHARE —●—



CAPITAL ADEQUACIES

The Bank's capital position has always been satisfactory with a healthy Capital Adequacy Ratio which even surpasses the Bank's Capital Adequacy as required by Basel II framework. As of 15th July 2009 the Bank's Capital Adequacy Ratio stood at 12.42%, which is well above the regulatory minimum of 10%.

POST BALANCE SHEET EVENT

No material events have occurred subsequent to 15th July 2009 and at the end of the closure of the books to the time of the signing of this report that could impact the financial health of the Bank.

PERFORMANCE UPDATE

The financial highlights of the Bank as at the end of the 1st Quarter end of the current fiscal year as compared to the same period last year are as under:

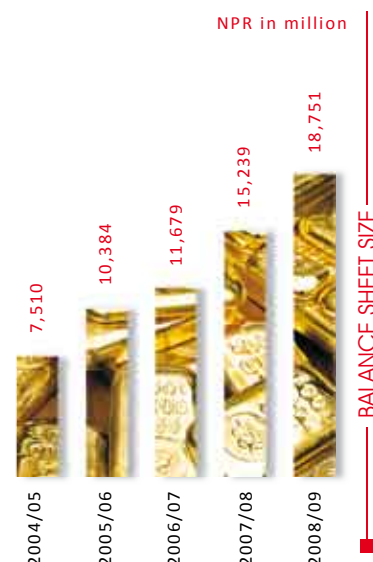
Particulars	NPR in million		
	First 3 months ended 17-Oct-09 FY 2009/10	First 3 months ended 16-Oct-08 FY 2008/09	Growth (%)
Operating Profit before Provision	169	153	11
Net Profit	107	96	11
Total Deposits	15,471	12,854	20
Loans and Advances	13,942	11,799	18

The performance of the Bank in the current financial year is very encouraging. However, with increasing competition, unstable economy and due to the political environment of the country, there are lots of challenges in the future. The Bank will open new doors and strive to face these challenges. We are reasonably confident of delivering even better results in the current year.

BRANCH NETWORK

In line with the Bank's strategy to expand reach and network, the Bank added four new branches in the review year - one at Dhangadi, Gaighat, Kirtipur and Samakhushi. The Bank plans to establish six new branches during the current year.

In line with the Bank's policy to gradually serve customers from our own premises, we have purchased our own building at Biratnagar and will provide service from it within the current year. Similarly, construction of Corporate Building on the land purchased at Kamaladi in Kathmandu is planned to start soon.



PRODUCTS AND BRANDING

The Bank takes pride that it has been able to consistently upgrade its services to its customers. Some of the key new products & services that the Bank has launched during the review period include:

- Mero Bachat Savings Account
- Corporate Super Account
- NIC Savings Plus Account

NIC Savings Plus is an interest bearing account which is designed for individuals who want their money to grow. Still many individuals are out of reach of banking, NIC Savings Plus encourages such individuals to maintain accounts by offering interest on daily balance. Furthermore, the Bank also introduced a unique product "NIC Corporate Super Account", a call deposit with a high yield interest on daily balance with unlimited deposit and withdrawal facility for Institutions. In same line, the Bank introduced another savings deposit product as "Mero Bachat" to enhance the Bank's customer base.

More & more of our branches have started offering extra-banking services including 365 days banking services. The bullion service that the Bank has launched as the first in the industry has been a tremendous success. It provides an opportunity for our customers to source pure gold & silver with relative ease due to its availability in small quantities. Beside these, it also contributes to the Government revenue that have been paid on these imports. After the encouraging response that we got from the market in gold and silver, once again for the first time in the local bullion industry, the Bank has commenced sale of small denomination medallions targeting small buyers who wish to invest in gold but may not be able to purchase pure gold in bulk.

The Bank has continuously enriched its brand building to increase value to its business. The Bank believes that branding is a valuable intangible asset which has already been proven by the fact that NIC is the first commercial bank in the country to be awarded ISO 9001:2000 certification for Quality Management System and to get a line of credit from International Finance Corporation (IFC), an arm of World Bank Group, under its Global Trade Finance Program. In the same line NIC Bank has also been provided a line of credit by Asian Development Bank (ADB) under its "Trade Finance Facilitation Program".

TECHNOLOGY DEVELOPMENT / INFORMATION MANAGEMENT SYSTEM

The Bank has been successful in keeping pace with technology and has been able to network all of its branches, which have helped to process transaction on a real-time-on line basis which not only have saved time but also have removed data redundancy and also helped to minimize operational risk. In line with the Bank's technology policy we are planning to centralize data processing and other back-office functions in order to enhance processing efficiencies and to establish a reliable disaster recovery mechanism. NIC Bank places high priority in managing and protecting its information resources and system for which the Bank has a comprehensive IT policy which cover data centre operation, hardware, network security and computer system related issues under strict supervision of the Bank's Internal Audit and Compliance Department.

HUMAN RESOURCE MANAGEMENT

The Bank's staffing need continued to increase during the year due to significant increase in the business and expansion projects. The Bank has always viewed its human resource as an asset for its competitive advantage. Consequently, the development and management of human capital is an essential element of our strategy and a key management activity. The Bank continues to focus on the development of its employees through both on-the-job and external training on continuous basis. The Bank has always believed that continuous enhancement of knowledge and skills in this fast moving environment will not only keep employees up to date but also help to bring new ideas, innovation and creativity which will help the organization to perform better and meet the customer expectations.

DIRECTORS

Mr. Lokmanya Golchha and Mr. Ganesh Man Shrestha have been appointed as Directors of the Bank effective from 15th February 2009 and 1st November 2009 representing promoter shareholders and independent professional respectively.

AUDITORS

The Statutory Auditor Mr. Gopal P. Rajbahak, FCA will retire at the conclusion of the forthcoming Annual General Meeting and is eligible for re-appointment. Based on the recommendation of the Bank's Audit Committee, the Board of Directors has proposed re-appointment of Mr. Gopal P. Rajbahak, FCA, Chartered Accountant for fiscal year 2009/2010.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of the Companies Act 2063 and provision of Nepal Rastra Bank and based on the information provided by the management, the Directors state that:

- During the preparation of the annual accounts, the applicable accounting standards have been followed;
- Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the Bank as at 15th July 2009 and of the profit of the Bank for the year ending on that date;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Company Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities;
- The annual accounts of the Bank have been prepared on a going concern basis.
- There is no amount receivable by the Bank from Directors, Chief Executive Officer, substantial shareholders and their close relatives as well as associated firms, companies that have a potential conflict of interest with the Bank at large.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report, which also includes reports, required by Company Act 2063 forms a part of this report.

CORPORATE GOVERNANCE

NIC Bank with an objective of establishing a tradition of best practices in corporate governance has a policy directed not only towards the regulatory and legal requirements but also towards the framework of best business practices, transparency and disclosure to the stakeholders. The corporate governance framework in NIC Bank comprises of an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of Board Committees, comprising of independent Directors to oversee critical areas.

NIC Bank has a Board of Directors, constituted as per the compliance of Banking and Financial Institution Act, Companies Act and other agreements with stock exchanges to meet the criteria of best practices in

corporate governance. The Board functions as a full Board and in form of various Committees constituted to address specific areas. During fiscal year 2008/09, there were three Committees constituted by the Board – Board Credit/Management Committee, Audit Committee and CAPEX Committee.

NIC Bank, within its relationships with its borrowers, depositors, agents, shareholders and other stakeholders has always maintained its fundamental principles of corporate governance – that of integrity, transparency and fairness. For NIC Bank, corporate governance is a continuous journey, seeking to provide an enabling environment to harmonize the goals of maximising shareholder value and maintaining a customer centric focus. NIC Bank corporate governance encompasses its business practices, its values and personal beliefs, reflected in the actions of each of its employees.

The Board of Directors fully support and are committed to the corporate governance model adopted by the Bank, which among others, encompasses the principles of full disclosure and transparency, social responsibility and accountability, zero tolerance compliance culture, business and customer confidentiality, intolerance of conflict of interests and independent management.

In line with Nepal Rastra Bank directive, the Bank has formed a Corporate Governance Unit comprising of Head Audit and Compliance (Coordinator), Manager Operations, Legal Officer and Manager Human Resources (members). The unit meets once in a month to review the corporate governance status of the Bank. Further the Unit also carries out corporate governance test of the Bank on quarterly basis and discusses the outcome in the meeting and makes appropriate recommendation to the management, if necessary.

COMPOSITION OF BOARD OF DIRECTORS

The composition of Board of Directors of the Bank is as per the Company Act 2063 and Bank and Financial Institution Act 2063. Directors of the Bank have signed a declaration as to observe the regulations relating to the code of ethics issued by Nepal Rastra Bank. The Directors are independent of management and free from any business or other relationship with the Bank, which could materially interfere with the exercise of their judgment.

The Directors of the Bank are renowned personalities from various sectors and bring a wide range of experience, skills and ideas to the Bank. The Directors retire every 4 years and if eligible, qualify for re-appointment.

The Board of Directors represents the interests of the Bank's shareholders in optimizing long-term value by providing the management with guidance and strategic direction on behalf of the shareholders without any interference on day to day business and outside the scope. The Board's mandate is to oversee the Bank's strategic direction, review corporate performance, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interests of shareholders.

BOARD MEETINGS

As required by the prevailing Acts, meetings of the Board of Directors are generally scheduled well in advance and notice of each board meeting is given in writing to each Director along with the agenda and other pertinent information. If any board members feel the need to bring any agenda in board meetings then they are free to do so. Board members have complete access to all information of the Bank. Senior Management is also invited to attend the Board meetings, as and when required, so as to provide additional inputs to the items being discussed by the Board.

During this review period, a total of 13 Board meetings were held. The attendance of each Director at the Board meetings and the last Annual General Meeting along with sitting fees paid is enlisted below:

Board of Directors	Board Meeting		Annual General Meeting Attendance
	Number of Meetings Attended	Sitting Fees Paid NPR	
Mr. Jagdish Prasad Agrawal	13	80,000	Yes
Mr. Tulsi Ram Agrawal	13	70,000	Yes
Mr. Birendra Kumar Sanghai	10	49,000	Yes
Mr. Nirmal Kumar Agrawal	10	49,000	Yes
Mr. Rajendra Aryal	13	70,000	Yes
Mr. Lokmanya Golcha	3	21,000	No*
Mr. Niraj Shrestha , Company Secretary	13	0	Yes
Mr. Sashin Joshi, Chief Executive Officer	13	0	Yes

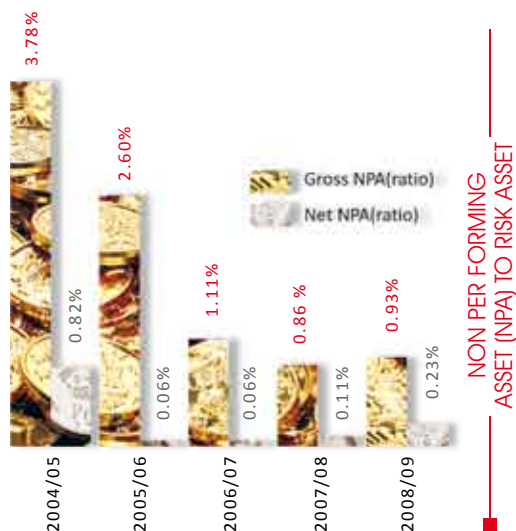
* Appointed post the last Annual General Meeting.

BOARD COMMITTEES

To deal with specific areas of operation and to enable better and more focused attention on the affairs of the Bank, the Board delegates particular matters to committees of the Board. These committees prepare the groundwork for decision-making and report at the subsequent Board meeting.

BOARD CREDIT/MANAGEMENT COMMITTEE

The Board Credit/Management Committee comprises solely of non-executive independent directors in addition to the Chief Executive Officer or his nominee. The terms of reference of the Committee are to provide advice and assistance to the Board in formulation of strategic plans for overall improvement of the Bank. The Committee assists the Board in credit approvals exceeding the



Credit Approval Discretion delegated by the Board to Chief Executive Officer. The Committee also assists the Board in any other assignments/responsibilities assigned to it by the Board from time to time. The committee met eight times during the year under review. The attendance was as under:

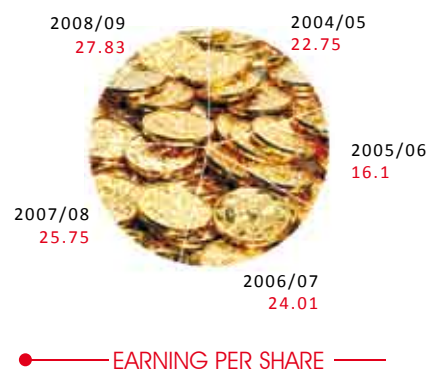
Board Credit/Management Committee	Number of Meetings Attended NPR	Sitting Fees Paid NPR
Mr. Tulsi Ram Agrawal, Chairman	8	56,000.00
Mr. Nirmal Kumar Agrawal, Member	6	42,000.00
Mr. Birendra Kumar Sanghai, Member	7	49,000.00
Mr. Rajendra Aryal, Invitee	4	28,000.00
Mr. Lokmanya Golchha, Invitee	1	7,000.00
Mr. Sashin Joshi, Chief Executive Officer, Member	8	-
Mr. Niraj Shrestha, General Manager Business Banking	8	-

AUDIT COMMITTEE

In accordance with the provisions of the central bank, the Bank has an Internal Audit & Compliance Committee, which is responsible for independently evaluating the adequacy of all internal controls, audit procedures and techniques, oversee financial reporting processes and disclosures of financial information to ensure that the financial statements are correct, sufficient and credible and ensuring operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The Committee also pro-actively recommends improvements in operational processes and service quality.

The Committee is also responsible for objectively reviewing the reports of the internal auditors and statutory auditors and ensuring that the adequate follow-up action is taken by Management on observations and recommendations made by the auditors. In addition, the Committee reviews the performance of the Bank's statutory auditors at the time of appointment to ensure that an objective, professional and cost-effective relationship is being maintained. It is the Audit Committee's prerogative to invite senior executives whom it considers appropriate to be present at the meetings. Senior Management and auditors are invited to participate in the meetings of the Audit Committee, wherever necessary.

The Bank has put in place extensive internal controls including restricted access to the Bank's computer systems, appropriate segregation of front and back office operations and strong audit trails. The Audit & Compliance Committee of the Board also reviews the



performance of the Internal Audit & Compliance Department and reviews the effectiveness of controls and compliance with regulatory guidelines.

The Committee has reviewed the internal audit report and made its suggestions to improve the internal control. The Committee has reviewed annual accounts and statutory audit report issued by statutory auditors and recommended their adoption by the Board of Directors.

The Committee met six times during the year under review. The Audit Committee also met prior to the finalization of the accounts for the year ended on 15th July 2009.

Audit Committee	Number of Meetings Attended	Sitting Fees Paid NPR
Mr. Rajendra Aryal, Coordinator	6	42,000.00
Mr. Birendra Kumar Sanghai, Member	6	42,000.00
Mr. B. K. Agrawal, Invitee	6	42,000.00
Mr. Lokmanya Golchha, Member	1	7,000.00
Mr. Purna Man Napit, Head Audit & Compliance Member Secretary	6	-

CAPEX COMMITTEE

CAPEX Committee comprises of two non-executive independent Directors in addition to the Chief Executive Officer or his nominee. The term of reference of CAPEX Committee is to review capital expenditure proposals, make suggestions, monitor and evaluate execution of the expenditures. Management personnel are also invited to attend the CAPEX Committee meetings, as and when required, so as to provide additional inputs to the items being discussed by the Board. The Committee met five times during the year under review.

CAPEX Committee	Number of Meetings Attended	Sitting Fees Paid NPR
Mr. Rajendra Aryal, Coordinator	5	35,000.00
Mr. Birendra Kumar Sanghai, Member	4	28,000.00
Mr. Sashin Joshi, Chief Executive Officer, Member	2	-
Mr. Niraj Shrestha, Invitee	3	-
Mr. Bam Dev Dahal, Invitee	5	-
Mr. Prabin Basnet, Invitee	1	-
Mr. Sushil Bhattarai, Invitee	4	-

ANNUAL GENERAL MEETINGS

The details of Annual General Meetings (AGM) held in the last three years are given below:

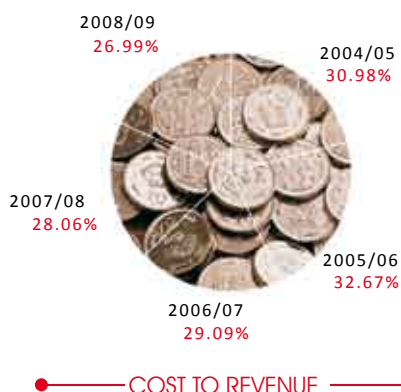
AGM	Date	Venue
Ninth General Meeting	1 December 2006	Meeting hall of Morang Udhog Sangathan, Biratnagar
Tenth General Meeting	14 December 2007	Meeting hall of Morang Udhog Sangathan, Biratnagar
Eleventh General Meeting	17 December 2008	Meeting hall of Morang Udhog Sangathan, Biratnagar

At the last AGM, shareholders of the Bank holding in aggregate 68.04% of the share capital had attended either in person or by proxy. Three special resolutions were passed in the AGM to change the Memorandum and Articles of Association of the Bank, issue of bonus shares and to convert 14% out of 65% promoter shares into public share.

COMMUNICATION AND RELATIONSHIP WITH SHAREHOLDERS

NIC Bank has close to 35,000 shareholders as at fiscal year ended 15th July 2009. The main channel of communication to the shareholders is through the annual report, which includes inter alia, the Chairman's Statement, Directors' Report, Management discussion





& Analysis, Chief Executive Officer's comment, and the audited financial results. The AGM is the principal forum for face-to-face communication with shareholders, where the entire Board is answerable to specific queries of the shareholders. The Board acknowledges its responsibility towards its shareholders and, therefore, encourages open and active dialogue with all its shareholders be it individuals or the corporate investors. Regular communication with shareholders ensures that the Bank's strategy is delivered properly and being clearly understood.

Shareholders are also intimated through the press and the Bank's website, www.nicbank.com of the quarterly performance and financial results of the Bank.

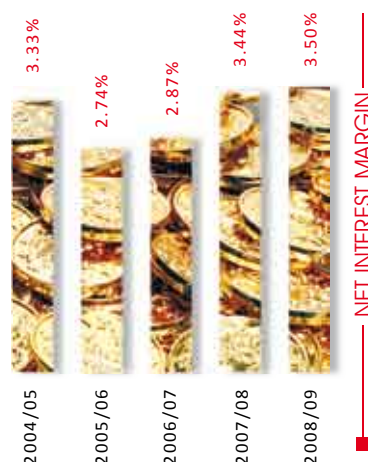
The Annual Report also contains general shareholder information including list of major shareholders.

RELATED PARTY TRANSACTIONS

There were no related party transactions with Directors, Management, subsidiaries or relatives of Directors that have a potential conflict with the interests of the Bank at large.

GOING CONCERN

We are satisfied that the Bank has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing financial statements.



ACKNOWLEDGEMENTS

Our shareholders have been our partners in progress. They have continued to repose their trust and confidence in the Bank. The Bank is committed to work for augmenting shareholders value. In our journey towards excellence in banking services, our customers, patrons and well-wishers have stood by us all throughout.

The Board of Directors places on record their gratitude for all the guidance and co-operation for the continued support received from the Nepal Rastra Bank, Securities Board, Nepal Stock Exchange, Company Registrar's Office, Ministry of Finance and other government and regulatory agencies for their continued support and guidance to the Bank from time to time. The Board of Directors would also like to take this opportunity to express their appreciation for the hard work and dedicated efforts put in by the Bank's employees and look forward to their continued contribution in building a respectable banks in Nepal based on honorable conduct and long-term financial performance. NIC Bank is fortunate to be blessed with such a work force.

For and on behalf of the Board
Jagdish Prasad Agrawal
Chairman

THE FIRST BANK IN NEPAL TO BE SANCTIONED
A CREDIT LINE BY INTERNATIONAL FINANCE
CORPORATION, WORLD BANK GROUP,
UNDER GLOBAL TRADE FINANCE PROGRAM.



LINE OF CREDIT UNDER GLOBAL TRADE FINANCE PROGRAM OF IFC

NIC Bank is the first bank in Nepal to be provided with a line of credit by International Finance Corporation (IFC), World Bank group, under its Global Trade Finance Program (GTFP). IFC has facilitated NIC Bank with a credit line of USD 2 million under this program, which has enabled the Bank to have its Letters of Credit and Guarantees confirmed by more than 270 banks and their affiliates in more than 50 countries world wide in the backing of IFC guarantee thus enabling the Bank to be associated with these correspondent banks facilitating international banking transactions of the Bank's customers to and from any part of the world.

IFC had conducted a thorough due diligence of the Bank before the line of credit was approved. The Bank considers it a matter of immense pride for it to have passed the muster by a premier multilateral financing institution like IFC, which further strengthens the Bank's resolve to making itself a respected name in the Nepalese banking industry.

CHAIRMAN'S SPEECH

DEAR STAKEHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF NIC BANK, IT IS MY PLEASURE TO EXTEND A WARM WELCOME TO ALL THE SHAREHOLDERS AND DISTINGUISHED GUESTS AT THE BANK'S 12TH ANNUAL GENERAL MEETING.



Today, I am happy to report yet another year of good growth. The Bank has been able to achieve consistent performance in the review year 2008/09 with a net profit growth of 31% over last year to Rs. 317 million.

Total deposits and loans have also increased by 19 % and 21%, respectively with total assets having now reached Rs. 18, 750 million. The Bank believes in prudential and managed asset growth which is also reflected in our healthy Non Performing Asset against the backdrop of a significant growth in balance sheet size.

Our Capital Adequacy Ratio as on 15th July 2009 is a comfortable 12.42 % under the modified Basel II framework.

I am pleased to announce that the Board of Directors has recommended a stock dividend of 15% in addition to a cash dividend of 0.79% to the shareholders.

The Bank has been a pioneer in being innovative. I am privileged to announce that it is affiliated with Asian Development Bank (ADB) under Trade Finance Facilitation Program (TFFP). Under this program, the Bank can extend its trade finance activities all over the world where ADB represents against guarantees of ADB where required.

The Bank is proud to announce small denomination "GOLD COINS" (Medallion) of 05 grams, 08 grams and 10 grams with a 99.9% purity guaranteed. This facility shall further help in extending out trade association in international market in the bullion business, with a view of fulfilling requirement of retail customers.

In order to expand reach and network, the Bank added four new branches in the review year viz., one in Dhangadi, Kirtipur, Samakhushi and Gaighat. The Bank has planned for establishing of eight new branches in the current fiscal year including Satdobato & Narayanghat.

The Bank also takes pleasure to mention that it has been planning to install its own 25 ATMs at various branches of the country. This will help our customers to withdraw amount from NIC Bank's ATM easily without any hassle. Our ATM Terminal accepts ATM Card issued by any commercial bank in Nepal under the SCT network. The Bank is proud to announce

that it is launching VISA Debit Card for our customers both in local and foreign currencies in the near future. VISA Domestic can be used both in Nepal & India whereas VISA International issued in USD can be used all over the world except Nepal & India. Above value added products shall provide international standard service to our customers.

The Bank is moving into its own building in Biratnagar and in the same line we are in process to construct our own Corporate Office in Kathmandu soon.

The performance of the Bank in the current financial year is consistent with expansion of business volumes and branches throughout the country. The Bank will continue to strive to improve its performance and the Directors are confident of delivering superior results in this current year.

On this occasion, I on behalf of the entire Bank would like to inform you that we have two new members in the Board. I would like to welcome Mr. Lokmanya Golchha who has joined us from 15th Feb 2009 for the remaining period in the post of Director remained vacant and Mr. Ganesh Man Shrestha who has joined us from 1st November 2009 as a Professional Director. I am confident that their joining the Board will be beneficial for the growth and development of the Bank further.

On behalf of the Board, I would like to thank all the distinguished shareholders for their continued support and guidance. Likewise, I would like to express my gratitude to our customers for their continued faith and patronage without which we could not reach where we are today. I would also like to thank the Government of Nepal, Nepal Stock Exchange and Nepal Rastra Bank for their continued cooperation as well as guidance. Before I finish, I would also like to thank the management & the staff members for their dedication and commitment, which have been the key factor in ensuring such an outstanding performance of the Bank.

Thank you.

Jagdish Prasad Agrawal
Chairman

MANAGEMENT TEAM

NIC Bank's Board of Directors is supported by a management team comprising of well-qualified and experienced professionals.



Chief Executive Officer
Sashin Joshi



**General Manager
- Business Banking**
Niraj Shrestha



**Head Credit - Business
Banking**
Bimal Daga



Head Audit & Compliance
Purna Man Napit



Manager - Operations
Prabin Basnet



**Manager - Consumer
Lending**
Bhanu Dabadi



**Manager - Projects &
Strategic Sourcing**
Bam Dev Dahal



**Manager Credit -
Consumer Banking**
Deepak K Shrestha



**Manager - Treasury &
Correspondent Banking**
Saroj Guragain



Manager – Birgunj Branch
Binay Dahal



Manager– Biratnagar Branch
Sudhir Agrawal



Manager – SME
Rajesh Raj Gautam



**Relationship Manager
– Business Banking**
Bhesh Raj Khatriwada



Head Credit Support Unit
Pralhad Nidhi Tiwari



**Manager – Information
& Technology**
Sushil Bhattarai



**Manager Liabilities and
Transaction Banking**
Chandani Shrestha
(Officiating)



**Manager – Human
Resource**
Sanchita Gorkhali



**Manager – Corporate
Affairs**
Shrina Joshi



Officer Accounts
Sudeep Subedi



Officer Administration
Sunamrata Shrestha

THE FIRST BANK IN THE COUNTRY TO
INTRODUCE SAVINGS ACCOUNT SCHEME
BUNDLED WITH LIFE INSURANCE.



LIFE SAVINGS ACCOUNT

NIC Life Savings Account is a premium savings account introduced for the first time in Nepal bundled with Life Insurance Coverage and Accidental Insurance.

This account has been a huge success with highest interest rate offered along with additional benefits in it. Recently, the account has been re-launched with another unique feature offering FREE Complete Health Check Up at NORVIC International Hospital for the account holders.

DIRECT FROM CEO'S DESK

DEAR STAKEHOLDERS,
LOOKING BACK ON LAST YEAR HAS BEEN VERY
SATISFACTORY. 2008/09 MARKED ANOTHER SET OF
RECORDS, DESPITE THE VERY CHALLENGING MARKET
CONDITIONS.



Our Net Profit for the year was NPR 317.4 million, up 31% on the prior year against the backdrop of a lower balance-sheet growth of 23%. This is a clear realization of the benefits of our strategy of extracting better value through managed growth and a better risk profile. These results are in stark contrast to many others in the financial sector. Our Return on Equity, our key management metric, which has been improving gradually over the years, was 24.23% in 2008/09. This puts us among the first quartile in the industry and firmly in the league of better performing banks. We are a performance driven company and our commitment to create value for our shareholders can only be as strong as our commitment to create long-term value for our customers.

We believe that our focus on a customer-centric model in niche segments will serve us well. Our business model is not predicated on taking advantage of inflating asset prices or speculative short-term opportunities but on long-term sustainable relationships. Our robust customer base consists of commercial end users including large trading, processing and manufacturing establishments; small & medium enterprises; and individuals in our retail segment who have a regular need for our services. We largely avoided the pitfalls that have imperiled some other larger banks in the past and produced a satisfactory ROE for the year.

We are in the business of taking risks not only to optimize our returns on investment but also to provide our customers with efficient service delivery and banking facilities, which add value to them. We have a commitment to our shareholders, customers, regulators and employees to manage these risks and to keep them within manageable limits. We believe that our risk management systems are sound and robust. There is no substitute to experience and common sense to ensure that we do not place our organization at risk. However, the days ahead in the Nepali financial market appear to be ever more challenging with a plethora of new untested players coming into the market in an environment of continuing political fluidity, tight


liquidity, growing asset bubble, unhealthy business practices, increasing labour activism and lackluster economic growth. Market turmoil can be anticipated and we need to remain vigilant and cautious.

Last year, we expanded our network of branches to 20 by adding 4 more. We have now representation all across Nepal. To increase our reach further in the semi-urban areas, we have already opened 2 more in the current year and plan to add another 6 by the end of the year. In the course of improving service delivery and re-jig our distribution channel we are in the process of installing 25 ATMs across the country and introducing internet banking. We have also taken membership of Visa and will be shortly launching both domestic and international Visa Debit Cards.

We are committed to the highest standards of corporate governance. This, along with our prudent risk management practices, zero-tolerance compliance culture; and system-driven and performance-driven environment that we operate under have been the bedrock of NIC Bank's foundation which we believe is the mantra of our success that will also help us in getting through the challenges ahead.

I would like to express my sincere thanks to all my colleagues at the Bank for their contribution to this year's performance and my Board of Directors for their unstinted support, dedication, vision, trust and belief in our people.

Aligned with our vision of becoming one of the most respected banks in Nepal based on honorable conduct and long-term financial performance, I am confident that we will continue to deliver value and meet the expectations of all our shareholders.



Sashin Joshi
CEO

THE FIRST BANK IN NEPAL TO OFFER
LOWEST-PRICED HOME LOAN SCHEMES.



NIC GHAR SUBIDHA

NIC Ghar Subidha has been one of the most successful product launched by NIC Bank. The product was launched with the lowest interest rate in the market. The product additionally has unique features never before introduced in the Nepalese market. The product has been a huge success; received an overwhelming response from the market and within a short span of time it booked a sizable business. The recall value of NGS is very high as the customers still connect NIC Bank with NIC Ghar Subidha. The main objective is to make it possible for every middle class Nepali family's dream of living in one's own house come true. With the low pricing and other features bundled in the product, a middle class family will not have to wait until retirement to fulfill its dream.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC OVERVIEW

Taking into consideration the macro economic indicators, the review period was not much encouraging. The plunge in manufacturing and agricultural sectors has been a major cause of concern for the struggling economy. The economy grew at 3.8% at basic price, and 4.7% at producers' price against a forecast of around 7 % (as against 5.3% at both basic price and producer's price respectively in the previous year). Agricultural sector grew at 2.1% (as against 4.7% in the previous year) and non-agricultural sector grew at 4.8% (as against 5.7% in the previous year). The growth in agriculture sector was effected due to poor paddy production followed by unfavorable weather condition.

The government expenditure, on a cash basis, increased by 32.0% to NPR 198.0 billion in 2008/09 compared to an increase of 19.7% in the previous year. In the review year, the government's recurrent expenditure rose by 30.8% to NPR 115.5 billion compared to an increase of 19.1% in the previous year. The rise in the salary of government employees, peace and security related expenditure; nonbudgetary expenses on different items and expenditure on CA elections exerted an upward pressure on recurrent expenditure in the review year.

In 2008/09, revenue mobilization of the government increased significantly by 33.2% to NPR 143.3 billion. The revenue had risen by 22.7% to NPR 107.6 billion in 2007/08. Consequently, the revenue to GDP ratio moved up to 14.9% in 2008/09 from that of 13.2% in 2007/08. Substantial increase in the imports and consumption induced by an increase in the inflow of remittances and reforms in VAT administration, reforms in customs and excise administration as well as increase in imports of high tax yielding vehicles and vehicles' parts contributed to such an increase in customs and excise revenue. Similarly, government's strong administrative and political commitment, contributed to such an increase in income tax collection. Amongst the components of revenue in 2008/09, VAT constituted a share of 27.8% followed by income tax (19.0%), customs duties (18.6%), and excise duties (11.4%). In the previous year, such ratios were 29.0%, 17.8%, 18.4% and 10.4% respectively. In 2008/09, foreign cash grants showed a significant growth of 39.1% to NPR 24.4 billion compared to that of NPR 17.5 billion in the previous year.

The government budget deficit, on cash basis, increased by 16.3% to NPR 26.2 billion in 2008/09. Such deficit was NPR 22.5 billion in 2007/08. The ratio of budget deficit to GDP remained at 2.7% in the review year, which was almost the same in the previous year as well.

The annual average consumer inflation increased to 13.2% in 2008/09 compared to an increase of 7.7% in 2007/08. The inflation, in the review year, soared up mainly on account of annual average price rise by 16.7% on food and beverages group. The annual average price of non-food and service group increased by 9.5%. The price rises of food and beverages and non-food and services group, were 10.1% and 5.1% respectively in 2007/08.

In 2008/09, exports went up by 13.5% in contrast to a nominal decline of 0.2% in the previous year. In 2008/09, total imports soared by 28.2% in comparison to an increase of 14.0% in the previous year.

The overall Balance of Payment posted a significant surplus of NPR 37.7 billion in 2008/09 compared to a lower surplus of NPR 29.7 billion in the previous year. The current account also recorded a massive surplus of NPR 41.4 billion compared to a surplus of NPR 23.7 billion in 2007/08. The significant current account surplus in 2008/09 was largely attributed to the rise in net transfers by 36.5 %. Under transfers, workers' remittances soared by 47.0 % in 2008/09 compared to a growth of 42.5 % in the previous year. Similarly, grants rose by 27.6 % in 2008/09 compared to a growth of 15.2 % in the preceding year.

The gross foreign exchange reserves of the country at mid-July 2009 stood at NPR.280.0 billion, an increase of 31.7 % compared to the level as at mid-July 2008. On the basis of US dollar, gross foreign exchange reserves went up by 15.6 % to US\$ 3.59 billion in mid-July 2009. The current level of reserves is adequate for

financing merchandise imports of 11.8 months, and merchandise and service imports of 9.7 months.

(Source: Macro Economic Situation 2008/09 published by Nepal Rastra Bank)

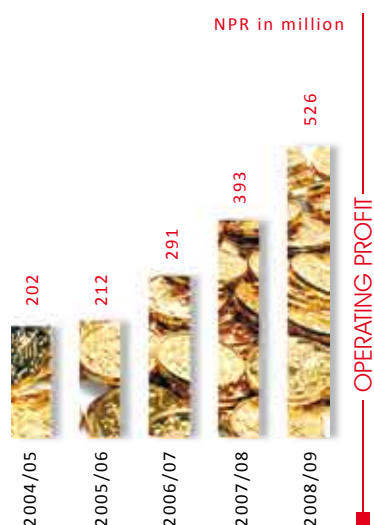
FINANCIAL SECTOR OVERVIEW

Banking environment has taken a big leap in the country with new players coming into the market. Banking sector with more than 250 banks and financial institutions with an aggregate asset size of more than NPR 650 billion is an important part of Nepalese economy. Among these players in the industry, there are altogether 26 commercial banks, 59 development banks, 78 finance companies and more than a hundred of other credit and savings co-operatives and macro-finance institutions, etc. With an increasing number of competitors and increasing customer expectation there is a growing pressure on financial institutions to enhance their competitiveness and hence the need to differentiate their products, services, up-gradation and adaptation of international technology, enhancement and differentiation in services and its delivery and along with this there is always a challenge to maintain quality assets. Political and economical instability in the country has huge impact on different sectors of the economy and financial sector is not an exception to it. Poor business condition, stringent regulatory norms and above all the challenge of maintaining higher growth in terms of profitability and meeting the expectation of shareholders has been challenging and will continue in upcoming year.

Based on the Nepal Rastra Bank statistics as on 15th July 2009, total loans and advances of the commercial banks aggregated NPR 384.32 billion (net of provisions) and total deposits aggregated NPR 555.14 billion with a total asset size of NPR 663.86 billion.

REVIEW OF OPERATION FINANCIAL CONDITION

The Bank as in the previous years was able to achieve impressive growth in the review year. Total assets increased by 23% to NPR 18,750.63 million. Similarly, Net worth of the Bank increased to NPR 1,660.25 million from NPR 1,303.43 million in the previous year. With the significant increase in the balance sheet size Bank expects to bear fruit by an increase in profitability in the current year.



Paid up capital of the Bank has increased by NPR 196.60 million to NPR 1140.48 million due to issuance of 20% bonus share in the previous year and re-issuance of un-allotted right share. No shares have been forfeited till date and the Bank did not buy back its own shares during the year.

The core capital of the Bank stood at Rs 1,649 million with a total Capital fund (including Supplementary Capital of Rs 305.93 million) of Rs 1,954.93 million as on 15th July 2009. The Bank's Capital Adequacy Ratio at 12.42% as per modified BASEL II framework exceeded the statutory requirement by 2.42%. These figures clearly evidence the sound financial position of the Bank.

DEPOSITS

As of 15th July 2009, the Bank's Deposits holds a share of 83% in total resources with an outstanding total Deposits at NPR 15,580 million, registering a growth of 19% over the previous year. Total Deposits comprises of 95% Local Currency 5% Foreign Currency. The Bank is able to achieve a significant growth of 20% in Local Currency deposits.

Non-interest bearing deposits grew by 29% over the previous year. With an introduction of "Mero Bachat Khata" a low cost deposit, Savings Deposits of the Bank an important part of low cost deposits grew by 9% over the previous year. The Bank with a short/long term investment strategy is also focusing on time deposits and is able to achieve an increase of 29% in the review period over the previous year. The Bank was also able to achieve 9% growth in call deposits.

Composition of Funds:

Particulars	NPR in million	
	Year ended 15 July 2009	Year ended 15 July 2008
Deposits	15,580	13,085
Local Currency	14,881	12,370
Foreign Currencies	699	715
Borrowings including subordinate debt	860	535

LOAN PORTFOLIO

The Bank recorded a robust growth of 21% (NPR 2.4 billion) in loans and advances during the year with total outstanding of NPR 13.9 billion (including statutory provision of NPR 0.2 billion) at the fiscal end. The increment stemmed primarily from non-corporate segments, i.e., Small & Medium Enterprises (SME) and Consumer Lending (CL) with respective growth of 28%

and 23% over the previous year. Whilst, currently, the corporate segment constitutes a significant share (60%) of the total loan portfolio, the Bank aims to gradually realign its book to increase the share of sustainable and diversified non-corporate loans, with particular focus on SMEs, thereby catering to a much wider spectrum of customers across the country, and to also continue to expand its reach and services to the corporate clientele on selective basis.

In line with the strategic approach adopted, the Bank managed to develop significant new business relationships with SMEs during the year, with total clients in this segment crossing six hundred with loan outstanding of NPR 1.76 billion (i.e., 13% of total loans) at the fiscal end. The Bank believes that SMEs play a significant role in the country's economy and provide longer-term sustainable and diversified business opportunities. A dedicated and skilled group of staff has been developed for tapping opportunities in this segment. The Bank has also signed a Memorandum of Understanding with International Finance Corporation (World Bank group) under their South Asia Enterprise Development Facility (IFC-SEDF) to avail their expertise, co-operation and support in enhancing its SME capacity and reach across the country. Similarly, the Bank's Consumer Lending clientele has also seen a significant increase with more than three thousand customers with loan outstanding of NPR 3.7 billion (i.e., 27% of the Bank's total loan outstanding), spread over an array of customized and innovative loan products. The corporate portfolio has recorded a moderate growth with a client base of about 450 customers and total exposure of NPR 8.4 billion at year-end.

The Bank has implemented (and consistently improved) quality processes across its branches for enhancement of customized lending business and reduced turnaround time. Innovative products, parity pricing, cross selling, customer convenience, easy access to finance and customer focus are the key elements of the Bank's approach to non-corporate lending, whilst the strategy on corporate lending is geared towards providing comprehensive and customized financial solutions to its customers. The Bank offers a complete range of corporate banking products including transaction banking, trade finance services, foreign exchange and corporate financing solutions including project & infrastructure finance, working capital & term loans, structured financing, syndications, cash management and treasury and advisory services.

Prudent Risk Management, continuation of the selective asset growth strategy and strategic diversification of the credit portfolio resulted in gross Non Performing Assets (NPA) being contained at 0.93% of total loans and net NPA at a mere 0.2%, which the Bank believes reflects a

very sound Risk Asset portfolio. Gross NPAs include loans overdue for more than 90 days.

As per the prudential norms prescribed by Nepal Rastra Bank (central bank), the Bank has a loan loss provision of NPR 236 million as at 15 July 2009 including an increase of NPR 35.8 million charged to the Profit and Loss Account during the year. The loan loss provision is adequate to cover 182% of gross NPAs, thereby, having minimal impact on the bottom line on account of potential write offs.

INVESTMENT

The Bank registered a growth of 31% on total investment over the previous year with a significant increase of 42% in investment in government securities. Total investments comprises of 72% government securities, 26% investment in foreign banks and remaining as equity investments and interbank lending.

During the review year the Bank has invested in 25000 shares of Rs. 5 paid of Nepal Clearing House Ltd. an automated clearing house formed by banks, financial institutions and Nepal Rastra Bank.

All investments are in line with the Bank's investment policy approved by the Board. The policy mandates adequate levels of liquidity to support core business requirements, high degree of safety and optimization of the level of returns, consistent with acceptable levels of risk which is closely monitored and regularly reviewed by the Board.

Deployment of funds

Particulars	NPR in million	
	Year ended 15 July 2009	Year ended 16 July 2008
Loans and Advances	13,916	11,465
Investments	3,026	2,312
- Local Currency	2,242	1,622
- Foreign Currency	784	690

UNCLAIMED DIVIDEND

The Bank distributed 30% cash cum stock dividend in FY 2004/05, 10.53% cash cum stock dividend in FY 2005/06, 21.05% cash cum stock dividend in FY 2006/07 and 21.05% cash cum stock in FY 2007/08. Dividend amount NPR 1.99 million has not been claimed by shareholders as on 15th July 2009 and the Bank has been intimating the shareholders from time to time to collect the dividend through newspaper notices.

OPERATING RESULT

The Bank has achieved remarkable growth in both profit before provisions and net profit. Profit before provisions

increased by 34% to NPR 525.59 million with a significant increase in net interest income and non-interest income.

Profit after tax increased by 31% from 243.06 million to NPR 317.43.06 million mainly due remarkable growths in Profit before provisions, Non- operating income and loss provision written back.

NET INTEREST INCOME

During the review year, Net Interest Income increased by 21% to NPR 516 million mainly due to higher growth of interest income as compared to last year. The net interest margin for the review year was 3.50% as compared to previous year at 3.44%. Average rate of return on Loan & Advances and Investment was 8.97%. The average return increased by 1.18% over previous year. Average cost of deposit and borrowings increased to 5.47% in fiscal 2008/09 from 4.35% in the previous year.

NON-INTEREST INCOME

Non-Interest income comprises of Fee based income and Foreign Exchange income, which increased by 68% to NPR 204 million with a significant increase of 146% in Foreign Exchange income. The Bank was also able to increase its Fee Based income to NPR 106 million with a growth of 30%. Non interest income was 28% of total revenue.

NON-INTEREST EXPENSE

Non-interest expenses increased by 27% to NPR 194 million which in terms of percentage increase is lower than previous year despite of increase in business volume, price inflation and cost of new branches, which clearly shows the operational efficiency and management of the Bank.

RISK MANAGEMENT

Risk is an integral part of the banking business. Our aim is to maximize the shareholders value by achieving an appropriate balance between risk and returns. We are exposed to various risks, e.g. credit risk, market risk, compliance risk, reputational risk and operational risk. Our risk management strategy is based on a clear understanding of various risks, measurement procedures and continuous monitoring. In line with necessary procedures that must be in place to carry out adequate risk management, the Operations Manuals, Country/ Operations circulars issued from time to time, policies and procedures established covering various products and services for mitigating various risks are continuously benchmarked with international best practices.



Risk associates with operations and other risks, the Bank has adopted from this year a self audit system at its branches and units by verifications of transactions/documents by an independent staff of branches/units so that risks are mitigated in time.

Further the Bank has targeted to achieve high personal effectiveness through in-house trainings. General awareness, competencies are given too staff by conducting in house trainings on Nepal Rastra Bank Directive/Circulars, products and procedures, corporate governance etc at Corporate and branches from time to time so that corrective and preventive actions can be taken in order to mitigate these risks.

CREDIT RISK

Credit risk occurs when a borrower or counter party fails to meet its financial obligation in accordance with the offered terms with the Bank. Simply it is risk of non performance of borrower. In order to mitigate this risk the Bank measures, monitors and manages credit risk for each borrower and also by diversifying the loan portfolio of the bank. The Bank manages credit risk through stringent credit norms/procedures. The Bank has standardized credit approval processes, which include a well-established procedure of comprehensive credit appraisal and rating. The Bank follows credit grading methodologies as prescribed by Nepal Rastra Bank from time to time. All credits are extended in strict compliance with the directives/circulars of Nepal Rastra Bank issued at time to time. The loan approval process of the Bank is decentralized, with varying approval limits. Approval of lending proposals beyond certain limits delegated to Management is referred

to the Board Credit and Management Committee (BCMC). Larger proposals, as appropriate, are referred to the Board of Directors. Further Credit Review Committee reviews all credit matters on periodic basis to ensure effective credit risk management.

In Consumer lending, the Bank has standardized products, policies, procedures and service delivery standards. Sales of consumer loans and credit assessment are made distinct and independent. The Bank's sales officers do initial evaluation of credit proposals on the basis of the approved product policy and risk assessment criteria. A comprehensive due diligence process including inspection of business site, and verification of place of residence along with substantiation of income is done. Credit proposals are approved through the credit chain in accordance to Credit Approval Discretion as appropriate. There is a separate Recovery Cell that monitors and maintains the accounts regularly. Performance of the consumer lending portfolio is reviewed regularly on a monthly basis and product and policies are reviewed and updated periodically.

After disbursement of loan, the Bank periodically monitors the status of its lending with borrowers through an update onsite inspection report of borrows assets, financials and evaluating regularly their performance in other to make alert to the Bank in case of any problem arises and timely mitigate the probable risk by adopting appropriate actions.

MARKET RISK

Market risk is the risk of loss resulting from changes in interest rates, foreign currency exchange rates, equity and commodity prices. Our exposure to market risk is a function of our trading and asset and liability management activities and our role as a financial intermediary in customer-related transactions. The objective of market risk management is to minimize the impact of losses on earnings and equity capital due to market risk.

The Bank has an ALCO (Asset Liability Management Committee), which meets at least every month to review and assess the Market Risks and to adopt necessary measures to effectively manage any perceived risk.

For deposits and advances, maturity profiles of assets liabilities, articulating interest rate view of the Bank, funding policy, transfer pricing policy and balance sheet management of the Bank, Treasury ensures adequate liquidity at all times through systematic funds planning and maintenance of liquid investments as well as by focusing on more stable funding sources e.g. retail deposits. The structural liquidity and interest rate sensitivity gap reports are prepared in line with the central bank guidelines to monitor the liquidity and interest rate risk which are also reported to the central bank on a regular basis.

The Treasury Back Office monitors the Treasury activities and adherence to regulatory/ internal policy guidelines. The Treasury Back Office is also responsible for processing treasury transactions, tracking the daily funds position and ensuring compliance with all treasury-related management and regulatory reporting requirements.

OPERATIONAL RISK

The Basel Committee defines operational risk as:

“The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”

Operational risk is a risk arising from execution of a company's business functions. It is the risk of unforeseen financial risk/loss that can result from a various factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors/lapses and external factors as well. Our approach to operational risk management is designed to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. Effective operational risk management system would ensure that Bank has sufficient information to make appropriate decisions about additional controls, adjustments to controls, or other risk responses. Bank's operational risk management policy aims at minimizing losses and customer dissatisfaction due to failure in processes, focusing on flaws in products and their design that can expose the Bank to losses due to fraud, analyzing the impact of failures in technology/systems, developing mitigants to minimize the impact and developing plans to meet external shocks that can adversely impact continuity in the Bank's operations.

The Audit and Compliance unit of the Bank undertakes a comprehensive audit of all business groups and other functions, in accordance with the approved audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses/transactions. The reports of internal audits are submitted to the Audit Committee for review on periodic basis. Necessary corrective and preventive measures are ensured on an ongoing basis to mitigate the operational risks.

Further, since the Bank has been certified ISO 9001:2008 for its Quality Management Service (QMS), the Bank has adopted its QMS in each areas to ensure that the services provided by the Bank is in line with international standard by mitigating all types of risks. The internal audit also covers QMS audit during its audit which are also ensured by the Auditor of ISO during their annual surveillance audit and confirm whether the

transactions are in line with its approved procedures or not.

The Bank has recently adopted a Self Audit system at all the branches to further strengthen its Operation Risk Management. The Bank has developed a set guideline to all the branches/ department/units to perform self audits of their transactions on daily, monthly and quarterly basis based on the gravity of risk and mitigate such risk, if any in time under advice to the Management.

CAPITAL ADEQUACY FRAMEWORK – BASEL II

Capital risk is also a major risk of the Bank. Banks are required to maintain sufficient capital in line with Nepal Rastra Bank guidelines. Failing to meet the capital as prescribed by Nepal Rastra Bank is breaching of compliance and various penalties/restriction are imposed in such case. Nepal Rastra Bank issued its final guidelines on Capital Adequacy requirement in July 2007 in order to adopt a more risk sensitive approach to capital requirements in accordance with the Document issued by the Basel Committee on Banking Supervision (popularly known as Basel II).

In line with Nepal Rastra Bank's instruction, the Bank has been reporting its capital adequacy report on monthly basis. The Capital Adequacy of the Bank is sufficient in line with new framework. The Bank is reviewing its business and activities in line with new framework and much confident to meet the requirement thereon.

KNOW YOUR CUSTOMER AND ANTI MONEY LAUNDERING

Nepal Rastra Bank, Financial Information Unit has recently issued its directive on Anti Money laundering and KYC, due diligence to all the Banks and Financial Institutions. It is mandatory for all Banks and Financial Institution to comply with this directive. The Bank has been duly complying and reporting to Nepal Rastra Bank in line with the directive.

The Bank is much aware of preventing money laundering activities and implementing Anti Money laundering and KYC due diligence from the year 2005. The Bank has developed Operation Manual on Know Your Customer (KYC) and Anti Money Laundering (AML) policy in line with international standard which has been strictly implementing at all branches to prevent money laundering activities and KYC due diligence. In order to develop awareness

among the Bank's staff in this area, the Bank has been providing in-house trainings on KYC and AML on periodic basis covering 100% staff.

INFORMATION TECHNOLOGY

The Bank with a policy of adopting to new and advanced technology has always focused on Information Technology which can be strengthen with the point that each and every branch of the bank are interlinked and transaction takes place in real time basis. The Bank is planning on automization of each function of the bank for which it is planning of central data processing, up-gradation of software



and hardware along with a plan to establish a reliable disaster recovery system. The Bank has always used technology as a tool for its better and smooth service delivery and in future the bank with introduction of Internet Banking, VISA debit card, ATMs is planning to enhance its service delivery with a personal touch to the customer.

HUMAN RESOURCES

The Bank has a tradition of continuous enrichment of its human assets so that they deliver value to business. This is rooted on the belief that the Bank's human resources are the most valuable intangible asset, with potential for continuous appreciation in value. The prime focus of HRD of the bank is to develop and implement human resource management policies and strategies that enables the Bank to attract, recruit, develop, retain and maintain a high quality, performing and productive workforce; healthy and working in a safe environment.

The Bank takes leadership in providing programs and policies that are responsive to the diverse needs of staff and which foster a positive work environment that places high value on professional and collaborative work relationships while recognizing the importance of individual contributions. It also plays an important role in developing and implementing communication channels within the Bank as a reliable resource to managers and employees who have questions or issues relating to workplace policies and procedures, particularly in the areas of procedures, rules and regulations, entitlements, discipline and grievances. The Bank in all its activities strives to ensure transparency, fairness, equity and uniformity in the application and administration of all human resources policies, rules and regulations and the optimal utilization of the Bank's human resources.

The Bank also recognizes that accelerating the learning process within the organization is crucial to enhance competitiveness. The acquisition of knowledge and its appropriate application to structure value-added solutions at the point of interface with customers is critical. During the year, customized functional in-house training programmed on various aspects was conducted. Staff members were also nominated to attend external programme. The Bank makes extensive use of external training resources of reputed training institutions in Nepal and abroad.

In order to enhance the development of human resources and to align it with the strategic goal, the Bank has introduced Performance Incentive System, which effectively measures, and rewards employee performance and identifies potential. Under this system employees excelling their performance are rewarded giving the employees' a motive to perform better each time. Moreover job rotation and job enrichment is also put into practice, which has led to enhanced productivity and motivation among the staff.

Staff	Year ended 16 July 2009	Year ended 15 July 2008
Managerial level staff	58	53
Support staff	183	147
Auxiliary staff	29	32
Total staff	270	232
Total staff cost (NPR in million)	86	72
Staff cost to total cost (%)	43.5	47
Staff cost per employee (NPR in thousand)	313	311
Net profit per employee (NPR in thousand)	1,176	1,048

Remuneration, allowances and facilities given to Chief Executive Officer (CEO) and managers/officers of the Bank during the year is as under (NPR in thousand):

Particulars	Chief Executive Officer	Managers/ Officers
Salary	5,711	16,349
Allowances	1,631	9,955
Dashain allowance	424	1,260
Provident Fund	508	1,635
Leave Fare Allowances	571	1,582
Vehicle Loan	-	Yes
House Loan	-	Yes
Insurance coverage	Yes	Yes
Total Number	1	58

Bonus, telephone facility and office car with driver is provided to CEO. The managers are given vehicle facility with fuel as per the Bank's policy. Insurance coverage includes accidental insurance and medical insurance. All eligible staff is paid bonus and provided other facilities as per regulations/staff rules.

COMMUNITY DEVELOPMENT

The Bank has actively been involved in Corporate Social Responsibility (CSR) for the welfare of the community. The Bank has promoted an independent and autonomous organization namely NIC Foundation. The main objective behind it is to bring about positive changes in the society through charitable works by helping underprivileged children & communities. NIC Foundation contributes 0.5% of its annual net profit for this purpose. NIC Bank is the only Bank in the Banking Industry to set aside a fixed proportion of profit for such charitable work.

In this regard, NIC Foundation has provided scholarships for underprivileged but meritorious & deserving girl children of a community in the age group below 16 years from the remote rural areas for last two years. Likewise, it has facilitated three blind students who wanted to pursue their higher education but was not financially sound. The NIC Foundation and the Bank have raised funds to donate two ambulances in Marwardi Sewa Sadan of Lahan and Mid-Western Regional Hospital of Surkhet. The Bank has donated for flood victims in Nepalgunj through Nepal Banker's Association and Prime Minister's Relief Fund.

The NIC Foundation raised a contribution to "Annapurna Post Sahayogi Haat Haru" for Diarrhoea Victims in Jajarkot through Nepal Red Cross Society. It also

organized a recreation program and donation of clothes and stationeries for orphanage children of Anathashaya Bal Sudhar Samaj.

The Bank has also set an example by organizing Blood Donation campaign every year in order to reduce shortage of blood at different blood banks of the Kathmandu valley. The Bank has also donated computers to a school of remote area and providing financial assistance to an orphanage at Birgunj. The Bank celebrated its 10th Anniversary, on this occasion; Health camps were organized for children at Sipadole, Bhaktapur & Sanchetana Primary School, Dhobighat in association with Alka Hospital. Social initiative was taken where trees around the Corporate Office were safeguarded with metal cage to create awareness of plantation of trees.

FUTURE PROSPECTS

Albeit the current fluidity observed in the country's political and economic environment, it is expected that the overall investment climate and opportunities should improve over time. The Bank has accordingly outlined its strategy for the next few years and developed a detailed plan for its implementation. New customer segments and products have been identified and responsibilities assigned. Besides, the Bank will continue to pursue and grow its core business with a special focus in further growing its SME portfolio. In the expected improved political and economic environment, the Bank expects to maintain a healthy growth in FY 2008/09. Goals have been set to achieve a higher customer satisfaction, improved productivity and better efficiency. Technology upgrades needed to accomplish service quality and productivity improvements have been planned and are expected to be implemented in the next two years. A big challenge will continue to be recruitment and retention of quality people and managing risk in a highly competitive market.

In this environment, aggressive growth of risk assets could be counter productive. The Bank will therefore continue its present strategy of selective risk asset growth by maintaining the quality of assets, increasing its market share in retail lending, SMEs and international trade with a higher focus on treasury operations, risk assets portfolio diversification and better productivity through improvements in internal efficiencies, diversification of our deposit portfolio with a bias towards savings deposits with the view to further reduce funding costs, better cost management and enhancing the corporate image of the Bank.

THE FIRST BANK TO OFFER BULLION TRADING
IN THE COUNTRY BY DIRECTLY IMPORTING
FROM INTERNATIONALLY RECOGNIZED MINTS.



TRADE IN BULLION

NIC Bank launched NIC Pure Gold, a first-of-its-kind innovative product never before introduced by any bank in Nepal. NIC Bank imports certified 99.9% pure gold from reputed international mints.

The Bank was also the first among financial institutions in Nepal to import 99.9% pure silver granules from international mints. With the introduction of NIC Silver, NIC Bank is contributing to the silver crafts and jewellery industry by providing an easy access to pure silver granules.

After the encouraging response that we got from the market in gold and silver, once again for the first time in the local bullion industry, the Bank has recently commenced sale of small denomination medallions like 5 grams, 8 grams and 10 grams targeting small buyers who wish to invest in gold but may not be able to purchase pure gold in bulk.

MAJOR AREAS OF SERVICE DELIVERY

NIC Bank is committed towards providing efficient and cost effective financial services to its clients through five major areas of service delivery:

Consumer Banking - It includes consumer lending, retail credit products and transaction banking services, home loans, auto loans, personal loans, education loans, travel loans, etc.

Business Banking - credit products and other banking services including corporate transaction banking, trade finance services, foreign exchange and corporate financing solutions as well as project and infrastructure finance, working capital and term loans, structured financing, syndication, cash management and advisory services.

Special Assets Management - for management of non-performing and restructured loans.

Treasury and Liability Marketing - for management of liquidity and exposure to market risk, mobilization of resources, balance sheet management, transfer pricing, investor relations and international operations. A full range of Cash Management products and effective Treasury Advisory services.

Transaction Banking - It includes institutional and personal deposit products as well as services like debit cards, ATMs, safe deposit lockers, payment services, drafts, remittance, SMS Banking, Travelers' Cheques, etc.

PRODUCTS AND SERVICES

NIC Bank believes in continuously offering new and value added services to its customers with commitment to quality and value to its clients. Accordingly, NIC Bank has been in the forefront in launching innovative and superior products having unique customer-friendly features.

DEPOSITS

NIC CORPORATE SUPER ACCOUNT

A high yield interest bearing account on daily balance with unlimited deposit and withdrawal facilities for organizations. This account can be opened with just Rs. 100,000 and comes with free ABBS facility.

NIC SAVINGS PLUS

Watch your money grow! A high-interest bearing savings account with interest on daily balance, it can be opened with just Rs. 25,000 and comes with free ABBS facility.



MERO BACHAT

No complex requirements and easy to operate! This savings account is interest bearing and can be opened with a minimum balance of just Rs 10. It serves the purpose of savings as well as the requirement of account opening for IPOs. Launched in March 2009, this popular product has been a runaway success with about 9000 depositors as of July 2009.



NIC LIFE SAVINGS ACCOUNT

This interest bearing account comes with life insurance and accidental insurance cover facilities. Additionally, account holders get a free Comprehensive Medical Screening at Norvic International Hospital (NORVIC) in Kathmandu. Under a partnership agreement with NORVIC, NIC Life Savings Account holders will also be eligible for a discount on hospitalization charges on Comprehensive Cardiac Check-Up - all these with a minimum balance of Rs. 10,000 only.





NIC USD SUPER SAVINGS ACCOUNT

This deposit product, enhanced with many additional facilities, was launched in 2006 and has gained popularity amongst individuals who earn in foreign currencies.



NIC SHAREHOLDER SAVINGS ACCOUNT

NIC Bank values its shareholders and you can trust us to look after your convenience. The main objective of this unique product is to provide easy access to banking to shareholders and provide them with modern and innovative banking services plus a good return on their savings. Now, shareholders will no longer be required to queue up to receive dividend payments as the same will be directly credited to their accounts.



NIC BUSINESS ACCOUNT

NIC Business Account is an interest bearing current account, launched on October 2007. It encourages business, firms and companies by offering interest on daily balance.



NIC SUPER DEPOSIT

This innovative product offers a unique investment opportunity with the high returns of a fixed deposit and the flexibility of a savings account.



KARMASHIL BACHAT KHATA

An opportunity to save small amounts with high returns and various other facilities as well as an opportunity to cultivate banking habit. This interest bearing account provides banking services to middle level working professionals and employees, students, retired professionals and farmers etc. This product has been very popular among the target group with close to 25,000 accounts already opened as of July 2009.



NIC SIKSHYA KOSH

NIC Sikshya Kosh allows parents to save every possible paisa today so as to give a lump sum amount with lots of other benefits later on for their child's future higher education. This account also serves to teach children the importance of money and inspire them to develop the saving habit. Launched in 2005, this interest savings account is another runaway success with close to 10,000 depositors as of July 2009.

CONSUMER LENDING

NIC GHAR SUBIDHA (NGS)

A personal property-finance suite of products with unique features never before introduced in the Nepalese market. It's goal is to make possible every middle-class Nepali family's dream of living in one's own home, come true. With the low pricing and other features bundled in the product, a middle-class family need not wait until retirement to fulfill their dream.

Following facilities are offered under the name of NIC Ghar Subidha:

- Purchase of House
- Purchase of Apartments
- Construction of House (self)
- Construction of House (developers)
- Renovation/ extension of existing house
- Purchase of land
- Equity finance (mortgage finance) of the existing property
- Refinance of home loan already financed by other BFIs.



NIC AUTO LOAN

NIC Auto Loan ensures personal mobility, an essential need of the times. Now, the desire of having one's own personal means of transport or a commercial vehicle is within easy reach.

NIC EDUCATION LOAN

This facility is of great help to parents for paying for their wards' higher studies. This loan facility has been bundled with feature of moratorium to suit different repayment capacities of parents and it can be conveniently repaid over a period of 10 years.

NIC SAJILO KARZA (NSKza)

An overdraft facility catering to the personal financing needs of salaried and self-employed individuals, professionals and owners of small family businesses. It is structured as a simple easy-to-use and easy-to-understand overdraft facility. It provides full



flexibility for withdrawal of funds and repayment at the borrower's convenience without the need for any further bureaucratic process once the limit is set up. The major attractions of the products are very simplified loan approval process, borrower-determined usage and savings on interest cost.

SME

NIC SMALL AND MEDIUM ENTERPRISE – TRADE AND INDUSTRY LOAN (SME-T&IL):

The SME-T&IL is yet another innovative product under SME loans. A combination of fund based and non funds based facility; it facilitates planning financing of working capital, capital expenditure and trade related requirements of SMEs. Per borrower exposure under this product is restricted to NPR 40 million with a cap of NPR 20 million on funds based loans.

NIC SMALL BUSINESS LOAN

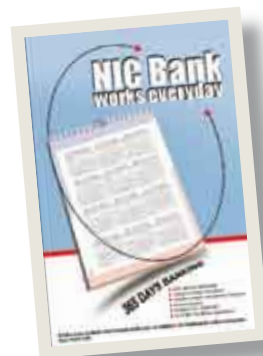
The Bank introduced another unique product called "NIC Small Business Loan" in 2006. The product is a unique, simple and cost effective loan to cater to the financial needs of a wide range of small and medium enterprises. It has been felt that businesses of this category generally do not have easy access to bank finance and even when it is available, cumbersome procedures, lengthy paperwork and high cost of finance become major deterring factors. The product has been designed specifically addressing these factors and offers a loan product to best suit the needs of small and medium sized businesses. People owning small businesses or self-employed professionals now no longer need to feel intimidated about going to a bank for a loan.



SERVICES

365 DAYS BANKING/ EVENING COUNTER

NIC Bank provides 365 days banking services at many of its branches.





NIC SMS BANKING

NIC Bank launched its SMS Banking Service in 2005 allowing its customers to access their accounts through mobile phones to inquire about balances, viewing transaction history and request cheque books and statements.



ATM/DEBIT CARDS

NIC Debit Card allows its holder to withdraw cash, inquire balances and make payments through a wide network of more than 20,000 ATMs and 300,000 merchant outlets of VISA and SCT Network in Nepal and India.



NIC PURE GOLD MEDALLION

With the introduction of Pure Gold Medallion in September 2009, NIC Bank is also taking care of the protection of interest of small buyers. The small buyers were facing the difficulties to buy pure gold medallion in small denomination like 5 grams /10 grams etc which were not available in purity of 99.9% in the market as it is claimed. Now with easy access to get NIC Pure Gold even in small denomination like 5grams, 8 grams and 10 grams, it is discouraged for selling less purity gold at the price of 99.9% purity in the market.



NIC PURE GOLD

NIC Bank has also launched NIC Pure Gold, a first-of-its-kind innovative product never before introduced by any bank in Nepal. Although, there is a sizable demand for gold in Nepal, Nepali consumers are always uncertain of the quality available in the market. With NIC Bank importing certified 99.9% pure gold from reputed international mints/suppliers, quality is now assured. The Bank also offers multiple finance options to avail loans to purchase gold and provides custodial service under which buyers may choose to keep the purchased gold safely in the Bank instead of taking the high risk of storing it at home.



NIC PURE SILVER

NIC Bank is also the first in Nepal to import 99.9% pure silver granules from international mints. With the introduction of NIC silver, the Bank is contributing to the silver crafts and jewelry industry by providing easy access to pure silver granules ensuring quality products.

REMITTANCE

NIC recently introduced Domestic Remittance whereby customers can remit funds from all branches of the Bank and beneficiaries can collect funds from almost 350 locations throughout Nepal. Along with this, customers can also avail of money transfer services of various international companies like Western Union, Money Transfer and Xpress Money from any of the Bank's branches.

SAFE DEPOSIT LOCKER FACILITY

NIC Bank provides Safe Deposit Locker facility enabling its customers to safeguard their valuables, jewelry, and important documents.

Besides all the above services, NIC Bank also offers demand draft issuance facility of various currencies (NPR, INR, USD, AUD, GBP) and TC issuance (USD, AUD, EURO) at very competitive rates.

THE FIRST BANK TO INTRODUCE HIGH-INTEREST-EARNING FIXED DEPOSIT SCHEME WITH THE EASE OF A SAVINGS ACCOUNT.



NIC SUPER DEPOSIT

"NIC Super Deposit" a term deposit with a never - heard interest rate bundled with the flexibility of a savings account, is an innovative product developed by NIC Bank with simplified operation procedures. This unique product, offers a unique investment opportunity, with high returns of a fixed deposit with the flexibility of savings account.

CORPORATE SOCIAL RESPONSIBILITY

NIC FOUNDATION (NICF)

NIC Bank's Corporate Social Responsibility activities aim to make positive and tangible changes in the society through charitable works by helping underprivileged communities through education, health and skill development.

NIC Bank views its Corporate Social Responsibility (CSR) initiatives into two broad directions: CSR through NIC Bank & CSR through NIC Foundation

The NIC Bank has promoted an independent and autonomous organization called "NIC Foundation". NIC Bank contributes 0.5% of its annual net profit to NIC Foundation. NIC Bank is the only Bank in the Nepali Banking Industry to set aside a fixed portion of its net profit for such charitable work.

For this purpose we have contributed in four areas of social activities as under:

- Enabling Talent through Education,
- Protecting Environment & Combating Nature,
- Fostering Creativity on children through Art, and
- Committing Ourselves through Corporate Volunteering.

ENABLING TALENT THROUGH EDUCATION

NIC Foundation has contributed in a project of awarding Scholarships to ten underprivileged but meritorious & deserving girl students in the age group below 16 years at Tilingatar Higher Secondary School, Dhapasi and 30 students in other schools of Jhapa, Janakpur, Birgunj, Butwal and Pokhara.



It has also awarded three blind students who came to Kathmandu from Far West Jumla to pursue their higher education by offering scholarship program at Sanothimi Campus for two years.

PROTECTING ENVIRONMENT & COMBATING NATURE

The NIC Foundation has contributed NPR. 51,101.00 (fifty one thousand one hundred and one) towards the aid for Jajarkot Diarrhoea epidemic victims to "Annapurna Post Sahayogi Haath Haru" through Nepal Red Cross Society.

Likewise, on the 10th Anniversary, the Bank had arranged for metal cage to safeguard the plantation of trees at Ganesthan, Kamaladi.

FOSTERING CREATIVITY THROUGH ART

An art competition (COLOR CANVAS @ NIC Bank) was organized on 11th July 2009 at DECC Hall, Tripureshwor, Kathmandu. Around 140 children (5-14 years old) had participated in this event which was a grand success. There were 12 winners declared; three from each category of aged 5-7 years, 8-10 years and 11-14 years and additional three awards were given to the best creative art.



COMMITTING OURSELVES THROUGH CORPORATE VOLUNTEERING:

The NIC Foundation & the Bank jointly donated two ambulances to Marwardi Sewa Sadan of Lahan and Mid-Western Regional Hospital of Surkhet. The sum of contribution was NPR 409,000 from stakeholders, NPR 300,000 from NIC Foundation and NPR 125,000 from the Bank itself.

The NIC Foundation had financially supported to organized a recreation program and donation of clothes and stationeries for orphanage children of Anathashaya Bal Sudhar Samaj.

The Bank has set an example by organizing a Blood Donation Campaign in collaboration with NIC Foundation every year in order to reduce shortage of blood in the blood banks.

Health camps were also organized by the NIC Foundation for children at Sipadole, Bhaktapur & Sanchetana Primary School, Dhobighat in association with Alka Hospital.

The Bank has also donated computers to a school of remote area and also provided financial assistance to an orphanage at Birgunj and Dharan.



ANTI-SMOKING CAMPAIGN

The Bank has been sponsoring an anti-smoking campaign since last two years and this is being continued in this year as well. The campaign was launched on May 31st, 2007 with 12 different anti-smoking messages broadcast both in English and Nepali on Hits FM every hour every day.

The main purpose of this campaign is to make people aware about the negative aspects of smoking and discourage them from doing so. NIC Bank cares about people and is concerned about society; as smoking not only affects the health of smokers but also has a damaging impact on passive smokers. This social initiative has contributed in reducing the smoking habit amongst our citizens and encourage youngsters to give up this habit.

Anti-Smoking Messages:

“Cigarettes cause more death than cocaine, auto accidents, AIDS, alcohol, heroine, fire, suicide and homicide combined” - A Social Initiative against cigarette smoking brought to you by NIC Bank.

“Around the world, smoking kills around 5 million people every year. This means that in the coming decade, cigarettes will actually kill 50 million people who have already been born” - A Social Initiative against cigarette smoking brought to you by NIC Bank.



AUDITOR'S REPORT



G. P. Rajbahak & Co.
Chartered Accountants

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Nepal
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Email: gpraj@wlink.com.np

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEPAL INDUSTRIAL & COMMERCIAL (NIC) BANK LTD.

We have audited the accompanying Balance Sheet of Nepal Industrial & Commercial Bank Ltd. (hereinafter referred to as 'the Bank'), as at July 15, 2009 (Ashadh 31, 2066) and the related Profit & Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards of Auditing and relevant practices. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

1. We have obtained all information and explanations required for the purpose of our audit.
2. The Balance Sheet, Profit & Loss Account and Cash Flow Statement thereto are presented in conformity with the formats prescribed by Nepal Rastra Bank and are in agreement with the accounts maintained by the Bank.
3. The account and records of the Bank have been maintained as required by law and practice.
4. Returns received from the branch offices of the Bank are adequate for the purpose of our audit.
5. The capital fund and risk bearing fund of the bank are adequate considering the Directives issued by the Nepal Rastra Bank.
6. To the best of our information and according to the explanation given to us and from our examination of the books of accounts of the Bank, we have not come across any case where the Board of Directors or any office bearers of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused any loss or damage to the Bank and violated Directives issued by Nepal Rastra Bank or acted in a manner, as would jeopardize the interest and security of the Bank and its depositors.
7. The business of the Bank has been conducted satisfactorily and found within its authority.
8. In our opinion and to the best of our information and according to the explanation given to us, the said financial statements read together with the Significant Accounting Policies (Schedule 32) and Notes thereon (Schedule 33), give a true and fair view -
 - in case of Balance Sheet, of the state of affairs of the Bank as at July 15, 2009 (Ashadh 31, 2066),
 - in case of Profit & Loss Account, of the operating results of the Bank for the year ended on that date, and
 - in case of Cash Flow Statement, the cash flows of the Bank for the year ended on that date,

in accordance with Nepal Accounting Standards or relevant practices, the directives from Nepal Rastra Bank, Bank and Financial Institution Act, 2063 and Company Act, 2063.

Date: November 1, 2009
Place: Kathmandu

Gopal P. Rajbahak, FCA
For, G. P. Rajbahak & Co.
Chartered Accountants



Balance Sheet

as at 31 Ashad 2066 (15 July 2009)

Capital & Liabilities	Schedule	Current Year NPR	Previous Year NPR
1. Share Capital	1	1,140,480,000	943,877,100
2. Reserves and Funds	2	519,773,729	359,549,800
3. Debentures & Bonds	3	200,000,000	200,000,000
4. Borrowings	4	660,405,000	335,000,000
5. Deposits	5	15,579,930,904	13,084,688,672
6. Bills Payable	6	265,106,722	32,564,394
7. Proposed Dividend and Dividend Payable		10,999,772	12,474,904
8. Income Tax Liabilities		10,892,640	13,927,060
9. Other Liabilities	7	363,044,430	256,654,384
Total		18,750,633,197	15,238,736,314

Assets	Schedule	Current Year NPR	Previous Year NPR
1. Cash Balance	8	337,349,455	235,246,176
2. Balance with Nepal Rastra Bank	9	970,981,465	634,114,316
3. Balance with Banks/Financial Institutions	10	152,819,629	322,988,294
4. Money at Call and Short Notice	11	-	160,000,000
5. Investments	12	3,026,022,185	2,311,468,317
6. Loans, Advances and Bills Purchased	13	13,679,393,779	11,264,678,096
7. Fixed Assets	14	259,324,965	194,500,407
8. Non-Banking Assets	15	703,250	674,375
9. Other Assets	16	324,038,469	115,066,333
Total		18,750,633,197	15,238,736,314

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Schedules 1 to 17, 33 and 34 form integral part of this Balance Sheet.

Prabin Basnet
Manager Fin. & Ops.

Lok Manya Golchha
Director

Nirmal Kumar Agrawal
Director

Tulsi Ram Agrawal
Director

Sashin Joshi
Chief Executive Officer

Rajendra Aryal
Director

Birendra Kumar Sanghai
Director

Jagdish Prasad Agrawal
Chairman

Kathmandu
Date:-

As per our report of even date

Gopal P. Rajbahak, FCA
G.P. Rajbahak & Co.
Chartered Accountants



Profit and Loss Account

For the period from 1 Shrawan 2065 to 31 Ashad 2066 (16 July 2008 to 15 July 2009)

Particulars	Schedule	Current Year NPR	Previous Year NPR
1. Interest Income	18	1,283,520,711	931,400,562
2. Interest Expenses	19	767,196,816	505,995,879
Net Interest Income		516,323,895	425,404,683
3. Commission & Discount	20	61,895,316	43,373,395
4. Other Operating Incomes	21	44,028,178	37,905,045
5. Exchange Fluctuation Income	22	97,673,440	39,657,785
Total Operating Income		719,920,829	546,340,908
6. Staff Expenses	23	84,544,834	72,073,510
7. Other Operating Expenses	24	109,784,146	81,203,334
8. Exchange Fluctuation Loss	22	-	-
Operating Profit Before Provision for Possible Losses		525,591,849	393,064,064
9. Provision for Possible Losses	25	39,509,378	25,414,298
Operating Profit		486,082,471	367,649,766
10. Non - Operating Income/(Expenses)	26	2,489,084	10,649,150
11. Loss Provision Written Back	27	3,913,125	18,450,568
Profit from Regular Activities		492,484,680	396,749,484
12. Income/(Expense) from Extra-Ordinary Activities	28	7,617,108	(6,037,521)
Profit from All Activities		500,101,788	390,711,963
13. Provision for Staff Bonus		45,463,799	35,519,269
14. Provision for Income Tax		137,203,851	112,134,654
Current Year's		137,910,184	113,989,604
Deferred Tax		(739,281)	(1,854,950)
Previous Year's		32,948	-
Net Profit /(Loss)		317,434,138	243,058,040

Schedule 18 to 28, 33 and 34 form integral part of this Profit and Loss Account

Prabin Basnet
Manager Fin. & Ops.

Lok Manya Golchha
Director

Nirmal Kumar Agrawal
Director

Tulsi Ram Agrawal
Director

Sashin Joshi
Chief Executive Officer

Rajendra Aryal
Director

Birendra Kumar Sanghai
Director

Jagdish Prasad Agrawal
Chairman

Kathmandu
Date:-

As per our report of even date

Gopal P. Rajbahak, FCA
G.P. Rajbahak & Co.
Chartered Accountants



Profit and Loss Appropriation Account

Fiscal Year 2065/2066 (2008/2009)

Particulars	Current Year NPR	Previous Year NPR
Income		
1. Accumulated Profit upto Previous Year	1,627,085	12,398,336
2. Current Year's Profit	317,434,138	243,058,040
3. Exchange Equilization Fund	-	-
Total	319,061,223	255,456,376
Expenses		
1. Accumulated Loss upto Previous Year	-	-
2. Current Year's Loss	-	-
3. General Reserve	63,486,828	48,611,608
4. Contingent Reserve	-	-
5. Institution Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Employees' Related Fund	-	-
8. Proposed Dividend	9,003,789	10,004,211
9. Proposed Issue of Bonus Share	171,072,000	190,080,000
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	1,841,092	2,941,691
12. Capital Redemption Reserve	-	-
13. Capital Adjustment Fund	-	-
14. NIC Bond 2070 Redemption Reserve	40,000,000	2,191,781
15. Deferred Tax Reserve	3,100,041	-
Total	288,503,750	253,829,291
15. Accumulated Profit (Loss)	30,557,473	1,627,085

Prabin Basnet
Manager Fin. & Ops.

Lok Manya Golchha
Director

Nirmal Kumar Agrawal
Director

Tulsi Ram Agrawal
Director

Sashin Joshi
Chief Executive Officer

Rajendra Aryal
Director

Birendra Kumar Sanghai
Director

Jagdish Prasad Agrawal
Chairman

Kathmandu
Date:-

As per our report of even date

Gopal P. Rajbahak, FCA
G.P. Rajbahak & Co.
Chartered Accountants



Statement of Changes in Equity

Fiscal Year 2065/2066 (2008/2009)

Particulars	Share Capital	Accumulated Profit/Loss	General Reserve	Capital Adjustment Fund	Share Premium	Deferred Tax Reserve	Exchange Fluctuation Fund	Other Reserves & Fund	Total Amount
Opening Balance as at 1st Shrawan 065	943,877,100	1,627,085	157,083,652	-	-	-	8,567,282	192,271,781	1,303,426,900
Adjustments For the Year	196,602,900	28,930,388	63,486,828	-	41,873,580	3,100,041	1,841,092	20,992,000	356,826,829
Net profit for the year		317,434,138							317,434,138
Transfer to General Reserve		(63,486,828)	63,486,828						-
Proposed Dividend		(9,003,789)						(190,080,000)	(9,003,789)
Issue of Bonus Share	190,080,000						1,841,092		-
Transfer to Exchange Fluctuation Fund		(1,841,092)			41,873,580				48,396,480
Issue of unsubscribed number of Right shares	6,522,900								-
Proposed Bonus Shares		(171,072,000)						171,072,000	-
Transfer to Bond Redemption Reserve		(40,000,000)						40,000,000	-
Transfer to Deferred Tax Reserve		(3,100,041)				3,100,041			-
Closing Balance as at 31 Ashad 2066	1,140,480,000	30,557,473	220,570,480	-	41,873,580	3,100,041	10,408,374	213,263,781	1,660,253,729



Cash Flow Statement

From 1st Shrawan 2065 to 31 Ashad 2066 (16 July 2008 to 15 July 2009)

Previous Year NPR	Particulars	Current Year NPR
516,561,412	(A) Cash Flow from Operating Activities	374,018,917
1,071,831,874	1. Cash Receipts	1,473,516,877
931,400,562	1.1 Interest Income	1,257,870,151
43,373,395	1.2 Commission and Discount Income	62,178,848
43,483,544	1.3 Exchange Gain	98,822,592
5,483,047	1.4 Recovery of Loan Written off	10,617,108
48,091,326	1.5 Other Income	44,028,178
(743,270,130)	2. Cash Payments	(1,070,081,805)
(505,995,879)	2.1 Interest Expenses	(722,447,258)
(66,723,246)	2.2 Staff Expenses	(83,325,094)
(60,546,793)	2.3 Other Operating Expenses	(84,258,857)
(100,000,000)	2.4 Payment of Income Tax	(140,977,552)
(10,004,212)	2.5 Other Expenses	(39,073,044)
187,999,668	Cash Flow before changes in Working Capital	(29,416,155)
(2,928,161,461)	Decrease/(Increase) in Current Assets from Operating Activities	(3,138,079,160)
3,009,044	1. Decrease/(Increase) in Money at Call and Short Notice	160,000,000
(702,114,767)	2. Decrease/(Increase) in Other Short Term Investments	(653,166,980)
(2,348,205,368)	3. Decrease/(Increase) in Loans, Advances and Bills Purchased	(2,453,057,030)
119,149,630	4. Decrease/(Increase) in Other Assets	(191,855,150)
3,116,161,129	Increase/(Decrease) in Current Liabilities from Operating Activities	3,108,663,005
3,016,457,803	1. Increase /(Decrease) in Deposit/Liabilities	2,495,242,232
-	2. Increase /(Decrease) in Certificate of Deposits	-
(17,128,714)	3. Increase /(Decrease) in Short Term Borrowings	325,405,000
116,832,040	4. Increase /(Decrease) in Other Liabilities	288,015,773
(72,022,599)	(B) Cash Flow from Investing Activities	(136,704,802)
(9,872,500)	1. Decrease/(Increase) in Long Term Investments	(61,981,459)
(62,612,968)	2. Decrease/(Increase) in Fixed Assets	(86,295,565)
-	3. Interest Income from Long Term Investments	10,373,750
462,869	4. Dividend Income	1,198,472
-	5. Others	-
151,877,100	(C) Cash Flow from Financing Activities	32,636,800
-	1. Increase /(Decrease) in Long Term Borrowings (Bond, Debentures etc.)	(5,280,759)
151,877,100	2. Increase /(Decrease) in Paid in Capital	37,917,559
-	3. Increase /(Decrease) in Other Liabilities	-
-	4. Increase /(Decrease) in Refinance/facilities from Nepal Rastra Bank	-
(3,825,759)	(D) Income/Loss from change in exchange rate of Cash and Bank Balance	(1,149,152)
592,590,154	(E) Current Year's Cash Flow From All Activities	268,801,763
599,758,632	(F) Opening Cash and Bank Balance	1,192,348,786
1,192,348,786	(G) Closing Cash and Bank Balance	1,461,150,549

Prabin Basnet
Manager Fin. & Ops.

Lok Manya Golchha
Director

Nirmal Kumar Agrawal
Director

Tulsi Ram Agrawal
Director

Sashin Joshi
Chief Executive Officer

Rajendra Aryal
Director

Birendra Kumar Sanghai
Director

Jagdish Prasad Agrawal
Chairman

Kathmandu
Date:-

As per our report of even date

Gopal P. Rajbahak, FCA
G.P. Rajbahak & Co.
Chartered Accountants



Share Capital and Ownership

As at 31 Ashad 2066 (15 July 2009)

Schedule 1

Previous Year NPR	Particulars	Current Year NPR
	1. Share Capital	
1,600,000,000	1.1 Authorised Capital	1,600,000,000
1,600,000,000	a) 16,000,000 Ordinary Shares of Rs 100 each	1,600,000,000
	b)..... Non-Redeemable Shares of Rs _ each	
	c)..... Redeemable Shares of Rs _ each	
950,400,000	1.2 Issued Capital	1,140,480,000
950,400,000	a) 11,404,800 Ordinary Shares of Rs 100 each	1,140,480,000
	(Previous year 9,504,000 Ordinary Shares of Rs. 100 each)	
	b).....Non-Redeemable Shares of Rs _ each	
	c).....Redeemable Shares of Rs _ each	
943,877,100	1.3 Paid Up Capital	1,140,480,000
943,877,100	a) 11,404,800 Ordinary Shares of Rs 100 each	1,140,480,000
	(Previous year 9,438,771 Ordinary Shares of Rs. 100 each)	
	b)Non-Redeemable Shares of Rs _ each	
	c)Redeemable Shares of Rs _ each	



Share Ownership

As at 31 Ashad 2066 (15 July 2009)

Schedule 1

Share Capital Previous Year		Particulars	Share Capital Current Year	
NPR	%		%	NPR
617,760,000	65	A. Promoters	51	581,644,800
-		1.1 Government of Nepal		-
-		1.2 Foreign Institution		-
-		1.3 "KA" Class Licensed Institutions		-
-		1.4 Other Licensed Institutions		-
-		1.5 Other Institutions		-
617,760,000	65	1.6 Individuals	51	581,644,800
-		1.7 Others		-
326,117,100	35	B. General Public	49	558,835,200
943,877,100	100	Total	100	1,140,480,000



Shareholders holding more than 0.5% shares

As at 31 Ashad 2066 (15 July 2009)

Schedule 1

SN	Name	Number of Shares held	Amount NPR	% of Shareholding
1	Sushila Devi Sanghai	66,609	6,660,900	0.58
2	Rajani Amatya	71,787	7,178,700	0.63
3	Govinda Lal Sanghai	96,750	9,675,000	0.85
4	Nirmal Kumar Agrawal	199,583	19,958,300	1.75
5	Anuj Agrawal	413,451	41,345,100	3.63
6	Jagdish Prasad Agrawal	446,804	44,680,400	3.92
7	Nikunj Agrawal	480,509	48,050,900	4.21
8	Ashok Kumar Agrawal	483,230	48,323,000	4.24
9	Trilok Chand Agrawal	541,237	54,123,700	4.75
10	Vishal Agrawal	542,206	54,220,600	4.75
11	Basu Dev Golyan	559,715	55,971,500	4.91
12	Pawan Kumar Golyan	570,239	57,023,900	5.00
13	Tulsi Ram Agrawal	580,241	58,024,100	5.09
14	Diwakar Golchha	623,388	62,338,800	5.47
15	Lokmanya Golchha	623,397	62,339,700	5.47
16	Subhash Chandra Sanghai	1,141,679	114,167,900	10.01



Reserve and Funds

As at 31 Ashad 2066 (15 July 2009)

Schedule 2

Previous Year NPR	Particulars	Current Year NPR
157,083,652	1. General Reserve Fund	220,570,480
190,080,000	2. Proposed Bonus Shares	171,072,000
-	3. Capital Reserve Fund	41,873,580
-	a. Share Premium	41,873,580
-	4. Capital Redemption Reserve	-
-	5. Capital Adjustment Fund	-
2,191,781	6. Other Reserve & Fund	45,291,822
-	a. Contingent Reserve	-
-	b. Institution Development Fund	-
-	c. Dividend Equalisation Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
2,191,781	g. Bond Redemption Reserve	42,191,781
-	h. Deferred Tax Reserve	3,100,041
1,627,085	7. Accumulated Profit/Loss	30,557,473
8,567,282	8. Exchange Fluctuation Fund	10,408,374
359,549,800	Total	519,773,729



Debenture & Bond

As at 31 Ashad 2066 (15 July 2009)

Schedule 3

Previous Year NPR	Particulars	Current Year NPR
200,000,000	1. 6% NIC Bond of Rs 1,000 each Issued on 26 June 2006 and Maturing on 25 June 2013 [Redemption Reserve: NPR 4,2,191,781 (Previous year NPR 2,191,781)]	200,000,000
-	2.	-
-	3.	-
200,000,000	Total	200,000,000



Borrowings

As at 31 Ashad 2066 (15 July 2009)

Schedule 4

Previous Year NPR	Particulars	Current Year NPR
	A. Local	
-	1. Government of Nepal	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
335,000,000	4. Inter-bank and Financial Institutions	660,405,000
-	5. Other Financial Institutions	-
-	6. Others	-
335,000,000	Total	660,405,000
	B. Foreign	
-	1. Banks	-
-	2. Others	-
-	Total	-
335,000,000	Total (A+B)	660,405,000



Deposits

As at 31 Ashad 2066 (15 July 2009)

Schedule 5

Previous Year NPR	Particulars	Current Year NPR
	1. Non-Interest Bearing Accounts	
654,178,208	A. Current Deposits	834,693,910
627,890,172	1. Local Currency	814,947,678
72,395,485	1.1 Government of Nepal	131,244,303
11,085,663	1.2 "KA" Class Licensed Institutions	5,113,719
163,720,575	1.3 Other Licensed Financial Institutions	142,762,827
313,849,602	1.4 Other Organized Institutions	403,868,063
66,838,847	1.5 Individuals	131,958,766
-	1.6 Others	-
26,288,036	2. Foreign Currency	19,746,232
-	2.1 Government of Nepal	-
-	2.2 "KA" Class Licensed Institutions	-
39,177	2.3 Other Licensed Financial Institutions	170,918
26,248,859	2.4 Other Organized Institutions	10,782,080
-	2.5 Individuals	8,465,402
-	2.6 Others	327,832
72,253,733	B. Margin Deposits	102,185,720
-	1. Employees' Guarantee	329,400
33,385,627	2. Guarantee Margin	30,672,844
38,868,106	3. Letters of Credit Margin	71,183,476
-	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	-
726,431,941	Total of Non-Interest Bearing Accounts	936,879,630



Deposits contd...

As at 31 Ashad 2066 (15 July 2009)

Schedule 5

Previous Year NPR	Particulars	Current Year NPR
	2. Interest Bearing Accounts	
3,667,897,217	A. Savings Deposits	3,993,715,640
3,554,375,624	1. Local Currency	3,916,310,119
344,452,570	1.1 Institutions	469,159,247
3,209,923,054	1.2 Individuals	3,413,010,633
-	1.3 Others	34,140,239
113,521,593	2. Foreign Currency	77,405,521
7,945,078	2.1 Institutions	10,614,010
105,576,515	2.2 Individuals	65,668,671
-	2.3 Others	1,122,840
5,875,951,533	B. Fixed Deposits	7,580,059,764
5,336,029,018	1. Local Currency	7,118,281,894
4,851,439,500	1.1 Institutions	6,104,194,119
484,589,518	1.2 Individuals	965,965,744
-	1.3 Others	48,122,031
539,922,515	2. Foreign Currency	461,777,870
527,459,595	2.1 Institutions	-
12,462,920	2.2 Individuals	461,777,870
-	2.3 Others	-
2,814,407,981	C. Call Deposits	3,069,275,870
2,779,012,983	1. Local Currency	2,928,941,402
9,297,035	1.1 "KA" Class Licensed Institutions	331,701,782
1,109,545,834	1.2 Other Licensed Financial Institutions	899,638,440
1,435,805,251	1.3 Other Institutions	1,086,883,919
224,364,863	1.4 Individuals	259,905,307
-	1.5 Others	350,811,954
35,394,998	2. Foreign Currency	140,334,468
174,955	2.1 "KA" Class Licensed Institutions	-
823,725	2.2 Other Licensed Financial Institutions	-
34,396,318	2.3 Other Institutions	84,571,844
-	2.4 Individuals	55,762,624
-	2.5 Others	-
-	D. Certificate of Deposits	-
-	1. Institutions	-
-	2. Individuals	-
-	3. Others	-
12,358,256,731	Total of Interest Bearing Accounts	14,643,051,274
13,084,688,672	Total Deposits (1+2)	15,579,930,904



Bills Payable

As at 31 Ashad 2066 (15 July 2009)

Schedule 6

Previous Year NPR	Particulars	Current Year NPR
9,526,731	1. Local Currency	238,022,636
23,037,663	2. Foreign Currency	27,084,086
32,564,394	Total	265,106,722



Other Liabilities

As at 31 Ashad 2066 (15 July 2009)

Schedule 7

Previous Year NPR	Particulars	Current Year NPR
-	1. Pension/Gratuity Fund	-
-	2. Employees' Provident Fund	-
-	3. Employees' Welfare Fund	-
35,519,269	4. Provision for Staff Bonus	45,463,799
24,953,112	5. Interest Payable on Deposits	57,702,670
4,378,732	6. Interest Payable on Borrowing [Includes payable on NIC Bond NPR 7,410,507 (Previous year NPR 691,266)]	12,918,734
319,070	7. Unearned Discount and Commission	602,602
179,443,699	8. Sundry Creditors	144,682,883
-	9. Branch Adjustment Account	-
12,040,502	10. Others	101,673,742
4,024,334	a. Provision for Leave Encashment	4,466,842
8,016,168	b. Payable to Others	97,206,900
256,654,384	Total	363,044,430



Cash Balance

As at 31 Ashad 2066 (15 July 2009)

Schedule 8

Previous Year NPR	Particulars	Current Year NPR
227,009,152	1. Local Currency (Including Coins)	325,224,644
8,237,024	2. Foreign Currency	12,124,811
235,246,176	Total	337,349,455



Balance at Nepal Rastra Bank

As at 31 Ashad 2066 (15 July 2009)

Schedule 9

Previous Year NPR	Particulars	Local Currency NPR	Foreign Currency			Current Year NPR
			INR	Others	Total	
634,114,316	1. Nepal Rastra Bank	954,275,243	-	16,706,222	16,706,222	970,981,465
634,114,316	a. Current Account	954,275,243	-	16,706,222	16,706,222	970,981,465
-	b. Other Account	-	-	-	-	-



Balance with Banks/Financial Institutions

As at 31 Ashad 2066 (15 July 2009)

Schedule 10

Previous Year NPR	Particulars	Local Currency NPR	Foreign Currency			Current Year NPR
			INR	Others	Total	
160,142,373	1. Local Banks	27,596,498	-	435,023	435,023	28,031,521
160,142,373	a. Current Account	27,596,498	-	435,023	435,023	28,031,521
-	b. Other Account	-	-	-	-	-
162,845,921	2. Foreign Banks	-	90,971,204	33,816,904	124,788,108	124,788,108
162,845,921	a. Current Account	-	90,971,204	33,816,904	124,788,108	124,788,108
-	b. Other Account	-	-	-	-	-
322,988,294	Total	27,596,498	90,971,204	34,251,927	125,223,131	152,819,629

Note: Balance with Nepal Rastra Bank and with Banks/Financial Institutions as per confirmations and statements received from respective banks is NPR 850,450,903 and the differences are reconciled.



Money at Call and Short Notice

As at 31. Ashad 2066 (15 July 2009)

Schedule 11

Previous Year NPR	Particulars	Current Year NPR
160,000,000	1. Local Currency	-
-	2. Foreign Currency	-
160,000,000	Total	-



Investments

As at 31. Ashad 2066 (15 July 2009)

Schedule 12

Previous Year NPR	Particulars	Purpose		Current Year NPR
		Trading NPR	Others NPR	
1,385,248,220	1. Nepal Government's Treasury bills	-	1,973,614,670	1,973,614,670
-	2. Nepal Government's Savings Bonds	-	-	-
160,127,127	3. Nepal Government's Others Securities	-	221,389,015	221,389,015
-	4. Nepal Rastra Bank Bonds	-	-	-
-	5. Foreign Securities	-	-	-
50,000,000	6. Local Licensed Institutions	-	20,000,000	20,000,000
689,626,470	7. Foreign Banks	-	784,427,000	784,427,000
26,466,500	8. Corporate Shares	-	26,591,500	26,591,500
-	9. Corporate Bonds & Debentures	-	-	-
-	10. Other Investments	-	-	-
2,311,468,317	Total Investment	-	3,026,022,185	3,026,022,185
-	Less : Provision	-	-	-
2,311,468,317	Net Investment	-	3,026,022,185	3,026,022,185



Investments in Shares, Debentures and Bonds

As at 31 Ashad 2066 (15 July 2009)

Previous Year	Particulars	Cost Price	Market Value	Provision
NPR				
26,466,500	1. Investment in Shares	26,591,500		-
25,231,000	1.1 Rural Microfinance Development Centre Ltd. (252,310 Ordinary Shares of Rs. 100 each)	25,231,000	Not listed	-
1,235,500	1.2 Credit Information Centre Ltd. (12,355 Ordinary Shares of Rs. 100 each)	1,235,500	Not listed	-
	1.3 Nepal Clearing House Ltd. (25,000 Ordinary Shares of Rs. 100 each - Rs. 5 paid up)	125,000	Not listed	-
-	2. Investment in Debentures and Bonds	-		-
	2.1			
	2.2			
	2.3			
26,466,500	Total Investment	26,591,500		-
-	3. Provision for Loss	-		-
-	3.1 Upto Previous Year	-		-
-	3.2 Adjustment This Year	-		-
-	Total Provision	-		-
26,466,500	Total	26,591,500		-

Credit Information Centre Ltd. has not declared dividend for the past three years.



Classification of Loans, Advances and Bills Purchased and Provisions

As at 31 Ashad 2066 (15 July 2009)

Schedule 13

Previous Year	Particulars	Advances					Bills Purchased and Discounted			Current Year
		Domestic		Foreign		Total Advances	Local	Foreign	Total Bills	
		Priority		Others		NPR	NPR	NPR	Discounted	
		Insured	Non Insured	Insured	Non Insured					
NPR		NPR	NPR	NPR	NPR	NPR	NPR	NPR	NPR	
11,367,166,861	1. Performing Loan	-	422,395,852	13,322,169,028	15,570,000	13,760,134,880	200,000	26,336,723	26,536,723	13,786,671,603
11,350,457,836	A. Pass loans	-	422,395,852	13,306,574,860	15,570,000	13,744,540,712	200,000	26,336,723	26,536,723	13,771,077,435
16,709,025	B. Restructured Loan	-	-	15,594,168	-	15,594,168	-	-	-	15,594,168
98,167,144	2. Non Performing Loan	-	399,498	128,778,934	-	129,178,432	-	-	-	129,178,432
9,632,303	2.1 Sub Standard	-	-	2,422,097	-	2,422,097	-	-	-	2,422,097
11,760,428	2.2 Doubtful	-	-	61,131,299	-	61,131,299	-	-	-	61,131,299
76,774,413	2.3 Loss	-	399,498	65,225,538	-	65,625,036	-	-	-	65,625,036
11,465,334,005	Total Loans (A)	-	422,795,350	13,450,947,962	15,570,000	13,889,313,312	200,000	26,336,723	26,536,723	13,915,850,035
	3. Loan Loss Provision									
113,504,578	3.1 Pass Loans	-	4,223,959	133,065,749	155,700	137,445,408	2,000	263,367	265,367	137,710,775
2,088,628	3.2. Restructured Loan	-	-	1,949,271	-	1,949,271	-	-	-	1,949,271
2,408,076	3.3 Sub Standard	-	-	605,524	-	605,524	-	-	-	605,524
5,880,214	3.4 Doubtful	-	-	30,565,650	-	30,565,650	-	-	-	30,565,650
76,774,413	3.5 Loss	-	399,498	65,225,538	-	65,625,036	-	-	-	65,625,036
200,655,909	Total Provisions (B)	-	4,623,457	231,411,732	155,700	236,190,889	2,000	263,367	265,367	236,456,256
	4. Provision upto Previous year									
90,196,780	4.1 Pass Loans	-	3,841,630	109,474,891	-	113,316,521	4,563	183,494	188,057	113,504,578
978,878	4.2 Restructured Loans	-	-	2,088,628	-	2,088,628	-	-	-	2,088,628
1,533,312	4.3 Sub Standard	-	-	2,408,076	-	2,408,076	-	-	-	2,408,076
464,370	4.4 Doubtful	-	-	5,880,214	-	5,880,214	-	-	-	5,880,214
94,078,214	4.5 Loss	-	633,219	76,141,194	-	76,774,413	-	-	-	76,774,413
187,251,554	Total Provision upto Previous year (C)	-	4,474,849	195,993,003	-	200,467,852	4,563	183,494	188,057	200,655,909
(11,520,568)	Write back from last year provision (D)	-	-	(3,000,000)	-	(3,000,000)	-	-	-	(3,000,000)
24,924,923	Additional Provision during this year	-	148,608	38,418,729	155,700	38,723,037	(2,563)	79,873	77,310	38,800,347
13,404,355	Net Change this year	-	148,608	35,418,729	155,700	35,723,037	(2,563)	79,873	77,310	35,800,347
11,264,678,096	Net Loan (A-B)	-	418,171,893	13,219,536,230	15,414,300	13,653,122,423	198,000	26,073,356	26,271,356	13,679,393,779



Securities Against Loans, Advances and Bills Purchased

As at 31 Ashad 2066 (15 July 2009)

Schedule 13 (A)

Previous Year NPR	Particulars	Current Year NPR
11,465,334,005	(A) Secured	13,915,850,035
10,108,863,091	1. Collateral of Movable/Immovable Assets	12,264,712,298
322,287,985	2. Guarantee of Local Licensed Institutions	319,978,714
-	3. Guarantee of Government of Nepal	63,051,814
-	4. Guarantee of Internationally Rated Banks	13,521,829
12,040,109	5. Export Documents	2,066,649
274,718,901	6. Fixed Deposit Receipts	256,001,836
84,775,123	(a) Own FDR	190,207,081
189,943,778	(b) FDR of other Banks	65,794,755
-	7. Government Bonds	-
-	8. Counter Guarantees	-
-	9. Personal Guarantee	-
747,423,919	10. Other Securities	996,516,895
-	(B) Unsecured	-
11,465,334,005	Total	13,915,850,035

Fixed Assets

As at 31 Ashad 2066 (15 July 2009)

Schedule 14

Previous Year NPR	Particulars	Assets				Current Year	
		Building NPR	Vehicles NPR	Machinery NPR	Office Equipment NPR	Others NPR	NPR
	1. At Cost						
112,747,838	a. Previous year's balance	12,351,217	36,453,863	9,619,624	65,044,383	19,138,692	142,607,779
36,562,173	b. Additions this year	7,427,105	12,685,608	2,064,416	13,840,514	6,090,443	42,108,086
-	c. Revaluation/Written back this year	-	-	-	-	-	-
(5,588,338)	d. This year sold	-	(4,622,656)	-	(952,743)	(116,101)	(5,691,500)
(1,113,894)	e. This year written off	-	-	-	(451,807)	(33,917)	(485,724)
142,607,779	Total Cost (a+b+c+d+e)	19,778,322	44,516,815	11,684,040	77,480,347	25,079,117	178,538,641
	2. Depreciation						
63,579,942	a. Upto previous year	561,183	14,634,360	4,357,311	39,663,669	11,454,850	70,671,373
11,857,735	b. For this year	589,502	5,363,164	1,447,799	7,219,548	2,170,717	16,790,730
-	c. Depreciation on revaluation/written back	-	-	-	-	-	-
(4,766,304)	d. Depreciation adjustment/Written off	-	(2,853,639)	-	(1,220,241)	(139,583)	(4,213,463)
70,671,373	Total Depreciation	1,150,685	17,143,885	5,805,110	45,662,976	13,485,984	83,248,640
71,936,406	3. Written Down Value (1-2)	18,627,637	27,372,930	5,878,930	31,817,371	11,593,133	95,290,001
100,287,025	4. Land						126,492,551
4,580,590	5. Capital Construction (to be capitalised)						7,202,920
17,696,386	6. Leasehold Assets (net of amortisation)						30,339,493
194,500,407	Total (3+4+5+6)	18,627,637	27,372,930	5,878,930	31,817,371	11,593,133	259,324,965



Non Banking Assets

As at 31 Ashad 2066 (15 July 2009)

Schedule 15

Previous Year NPR	Name & Address of Borrower	Date of Assuming Non Banking Assets	Gross Non Banking Assets NPR	Less : Provisions		Net Non Banking Assets NPR
				%	NPR	
304,375	1. Ashok Rice Mill					
370,000	2. Ganapati Rice Mills	13/4/2006	740,000	75	555,000	185,000
-	3. N.B. Corner	7/6/2009	691,000	25	172,750	518,250
674,375	Total		1,431,000		727,750	703,250



Other Assets

As at 31 Ashad 2066 (15 July 2009)

Schedule 16

Previous Year NPR	Particulars		Current Year NPR
3,871,690	1. Stock of Stationery		4,107,724
21,999,152	2. Income Receivable on Investments		37,870,533
-	3. Accrued Interest on Loans		-
12,913,688	Accrued Interest on Loans	16,381,079	
12,913,688	Less: Interest Suspense	(16,381,079)	
-	4. Commision Receivable		-
41,913,679	5. Sundry Debtors		123,519,677
18,854,357	6. Staff Loans and Advances		27,677,430
5,455,780	7. Prepayments		6,944,308
-	8. Cash-in-Transit		-
-	9. Other Transit Items (including cheques)		-
-	10.Drafts Paid Without Notice		-
9,571,031	11. Expenses not Written off		10,428,636
-	12. Branch Adjustment Accounts		525
13,400,644	13. Others (Including gold, silver)		113,489,636
81,134	a. Coin and Valuable		55,199
10,958,750	b. Purchased Asset - Bullion (Gold & Silver)		110,308,461
-	c. Stock of Gold Coins		25,935
2,360,760	d. Deferred Tax Asset		3,100,041
-	e. Others	351,281	-
-	Less: Provision	(351,281)	-
115,066,333	Total		324,038,469



Other Assets (Additional Statement)

As at 31 Ashad 2066 (15 July 2009)

Schedule 16(A)

Previous Year NPR	Particulars	This Year NPR			
		Upto 1 year	1 to 3 years	Above 3 years	Total
12,913,688	1. Accrued Interest on Loans	16,055,526	223,024.00	102,529.00	16,381,079
-	2. Draft Paid without Notice	-	-	-	-
-	3. Branch Adjustment Account	525	-	-	525



Contingent Liabilities

As at 31 Ashad 2066 (15 July 2009)

Schedule 17

Previous Year NPR	Particulars	Current Year NPR
8,943,000	1. Claims on Bank but not Accepted by the Bank	8,943,000
945,224,502	2. Letters of Credit (Full Amount)	1,342,578,965
778,601,883	a. Letter of Credit With Maturity Less than 6 Months	1,077,494,666
166,622,619	b. Letter of Credit With Maturity More than 6 Months	265,084,299
-	3. Rediscounted Bills	-
286,286,741	4. Unmatured Guarantees/Bonds	311,335,319
13,647,660	a. Bid Bonds	31,426,320
272,639,081	b. Performance Bonds	279,908,999
-	c. Other Guarantee/Bonds	-
-	5. Unpaid Shares in Investment	2,375,000
26,909,389	6. Forward Exchange Contract Liabilities	-
83,639,364	7. Bills under Collection	75,876,655
58,870,409	8. Acceptances and Endorsements	211,327,133
-	9. Underwriting Commitments	-
-	10. Irrevocable Loan Commitments	2,554,430,074
-	11. Guarantees issued against Counter Guarantee of In'lly Rated Foreign Banks	-
36,297,358	12. Advance Payment Guarantees	112,855,805
-	13. Financial Guarantees	-
7,876,433	14. Contingent Liabilities on Income Tax	14,091,677
-	15. Other Guarantees	-
-	16.	-
-	17.	-
1,454,047,196	Total	4,633,813,628



Interest Income

Fiscal Year 2065/2066 (2008/2009)

Schedule 18

Previous Year NPR	Particulars	Current Year NPR
842,552,260	A. On Loans, Advances and Overdrafts	1,135,067,342
655,556,334	1. Loans and Advances	874,904,815
186,995,926	2. Overdrafts	260,162,527
76,685,635	B. On Investment	136,335,431
51,827,932	1. Nepal Government's Securities	111,738,420
46,776,100	a. Treasury Bills	101,722,529
5,051,832	b. Development Bonds	10,015,891
-	c. National Savings Certificates	-
-	2. Foreign Securities	-
-	a.	-
-	b.	-
-	3. Nepal Rastra Bank's Bonds	-
-	4. Debentures and Bonds	-
24,857,703	5. Interest on Interbank Placements	24,597,011
24,857,703	a. Bank/ Financial Institutions	24,597,011
-	b. Other Institutions	-
3,990,789	C. On Agency Balances	1,036,891
-	1. Local Banks/Financial Institutions	-
3,990,789	2. Foreign Banks	1,036,891
7,410,892	D. On Money at Call and Short Notice	9,966,298
4,921,051	1. Local Banks/Financial Institutions	9,966,298
2,489,841	2. Foreign Banks	-
760,986	E. On Others	1,114,749
-	1. Certificates of Deposit	-
-	2. Local Banks/Financial Institutions Loan	-
760,986	3. Others	1,114,749
931,400,562	Total	1,283,520,711



Interest Expenses

Fiscal Year 2065/2066 (2008/2009)

Schedule 19

Previous Year NPR	Particulars	Current Year NPR
475,968,622	A. On Deposit Liabilities	715,161,580
266,647,679	1. Fixed Deposits	462,832,830
251,380,395	1.1 Local Currency	445,556,918
15,267,284	1.2 Foreign Currency	17,275,912
120,885,615	2. Savings Deposits	133,009,998
118,339,896	2.1 Local Currency	131,836,367
2,545,719	2.2 Foreign Currency	1,173,631
88,435,328	3. Call Deposits	119,318,752
86,244,174	3.1 Local Currency	117,253,241
2,191,154	3.2 Foreign Currency	2,065,511
-	4. Certificate of Deposits	-
30,027,257	B. On Borrowings	52,035,236
12,000,000	1. Debentures & Bonds	12,000,000
1,510,608	2. Loan from Nepal Rastra Bank	4,573,170
16,516,648	3. Inter Bank/Financial Institutions Borrowings	35,462,066
-	4. Other Organized Institutions	-
-	5. Other Loans	-
-	C. On Others	-
-	1	-
-	2	-
505,995,879	Total	767,196,816



Commission and Discounts

Fiscal Year 2065/2066 (2008/2009)

Schedule 20

Previous Year NPR	Particulars	Current Year NPR
437,667	A. Bills Purchased and Discounted	530,523
87,863	1. Local	69,461
349,804	2. Foreign	461,062
21,571,257	B. Commission	29,663,034
9,799,544	1. Letters of Credit	12,134,286
4,833,866	2. Guarantees	6,140,208
2,007,632	3. Collection Fees	3,093,501
2,633,913	4. Remittance Fees	4,832,997
-	5. Credit Cards	-
-	6. Share Underwriting /Issues	-
-	7. Government Transactions	-
2,296,302	8. Agency Commission	3,462,042
-	9. Exchange Fee*	-
21,364,471	C. Others	31,701,759
43,373,395	Total	61,895,316

*Income from exchange fee is not segregated and is included under Trading Gains (Schedule 22)



Other Income

Fiscal Year 2065/2066 (2008/2009)

Schedule 21

Previous Year NPR	Particulars	Current Year NPR
488,050	1. Rental on Safe Deposit Lockers	768,722
-	2. Issue and Renewal of Credit Cards	-
206,250	3. Issue and Renewal of ATM Cards	284,207
3,330,118	4. Telex/ T. T.	3,594,966
30,818,875	5. Service Charges	32,819,205
1,777,427	6. Renewal Fees	5,154,443
1,284,325	7. Others	1,406,635
37,905,045	Total	44,028,178



Exchange Gain/Loss

Fiscal Year 2065/2066 (2008/2009)

Schedule 22

Previous Year NPR	Particulars	Current Year NPR
11,766,763	A. Revaluation Gain	7,364,366
27,891,022	B. Trading Gain (including exchange fee)	90,309,074
39,657,785	Total	97,673,440



Staff Expenses

Fiscal Year 2065/2066 (2008/2009)

Schedule 23

Previous Year NPR	Particulars	Current Year NPR
33,368,330	1. Salary	39,758,090
22,406,190	2. Allowances	27,330,439
2,799,147	3. Contribution to Provident Fund	3,160,310
1,478,840	4. Training Expenses	904,029
804,529	5. Uniform	1,195,486
-	6. Medical	-
1,242,156	7. Insurance	1,428,266
2,888,878	8. Pension and Gratuity Expenses	3,213,888
7,085,440	9. Others	7,554,326
72,073,510	Total	84,544,834



Other Operating Expenses

Fiscal Year 2065/2066 (2008/2009)

Schedule 24

Previous Year NPR	Particulars	Current Year NPR
11,980,601	1. House Rent	15,962,010
5,610,507	2. Electricity and Water	9,104,800
3,952,558	3. Repairs and Maintenance	3,653,263
239,879	a. Building 104,166	
654,620	b. Vehicles 648,497	
3,058,059	c. Others (Office Equipment and Furniture) 2,900,600	
2,526,109	4. Insurance	3,427,364
8,372,184	5. Postage, Telex, Telephone, Fax	10,307,222
246,095	6. Office Equipment	282,909
5,613,609	7. Travelling Allowance and Expenses	5,333,465
3,255,543	8. Printing and Stationery	4,320,038
92,666	9. Books and Periodicals	107,898
4,007,709	10. Advertisements	4,410,347
911,575	11. Legal Fees & Expenses	1,393,573
1,215,290	12. Donations	1,977,529
2,331,870	13. Expenses Relating to Board of Directors	2,143,078
697,000	a. Meeting Fees 738,000	
1,634,870	b. Other Expenses 1,405,078	
753,035	14. Annual General Meeting Expenses	859,086
563,545	15. Expenses Relating to Audit	639,150
140,000	a. Audit Fees 140,000	
423,545	b. Other Expenses 499,150	
389,575	16. Commission on Remittances	1,224,666
11,857,735	17. Depreciation on Fixed Assets	16,790,730
-	18. Amortization of Preliminary Expenses	-
-	19. Share Issue Expenses	-
-	20. Technical Services Fees	-
800,760	21. Entertainment	1,206,653
5,353,551	22. Written off Expenses	8,441,964
5,380,696	23. Security Expenses	9,347,381
-	24. Credit Guarantee Premium	-
-	25. Commission and Discount	-
5,988,121	26. Others Expenses	8,851,020
1,914,808	a. Other Fees and Taxes 2,543,256	
314,500	b. Membership Fees 768,204	
700,832	c. Anniversary Expense 2,028,416	
3,057,981	d. Other Expenses 3,511,144	
81,203,334	Total	109,784,146



Provision for Possible Losses

Fiscal Year 2065/2066 (2008/2009)

Schedule 25

Previous Year NPR	Particulars	Current Year NPR
24,924,923	1. Increase in Loan Loss Provision	38,800,347
-	2. Increase in Provision for Loss on Investment	-
489,375	3. Provision for Non Banking Assets	357,750
-	4. Provision for Other Assets	351,281
25,414,298	Total	39,509,378



Non-operating Income/(Expenses)

Fiscal Year 2065/2066 (2008/2009)

Schedule 26

Previous Year NPR	Particulars	Current Year NPR
-	1. Profit (Loss) on Sale of Investments	-
10,186,281	2. Profit (Loss) on Sale of Assets [Includes loss on sale of NBA, NPR 65,000 (Previous year profit of NPR 8,820,000)]	1,290,612
462,869	3. Dividend	1,198,472
-	4. Subsidies Received from Nepal Rastra Bank	-
-	a. Reimbursement of Losses of Specified Branches	-
-	b. Interest Subsidy	-
-	c. Exchange Counter	-
-	d.	-
-	5. Others	-
10,649,150	Total	2,489,084



Loss Provision Written Back

Fiscal Year 2065/2066 (2008/2009)

Schedule 27

Previous Year NPR	Particulars	Current Year NPR
11,520,568	1. Loan Loss Provision Written Back	3,000,000
6,930,000	2. Provision For Non Banking Assets Written Back	913,125
-	3. Provision For Investment Written Back	-
-	4. Provision For Other Assets Written Back	-
18,450,568	Total	3,913,125



Income/(Expenses) from Extraordinary Activities

Fiscal Year 2065/2066 (2008/2009)

Schedule 28

Previous Year NPR	Particulars	Current Year NPR
5,483,047	1. Recovery of Loan Written off	10,617,108
-	2. Voluntary Retirement Scheme Expenses	-
(11,520,568)	3. Loan Write Offs {28 (A)}	(3,000,000)
-	4. Other Expense/Income	-
-	5.	-
(6,037,521)	Total	7,617,108



Details of Loan Write offs

Fiscal Year 2065/2066 (2008/2009)

Schedule 28(A)

S.N	Loan Type	Amount Written off NPR	Type of Security	Basis of Valuation	Loan approved by Name/Designation authority	Initiations made for Recovery	Remark
1	Working Capital Loan	(3,000,000)	Hypothecation of Stock & Receivables, Registered Mortgage over Land & Building	N/A	K.R. Iyer; Then CEO.	Recommended for blacklisting and recovery suit filed with Debt Recovery Tribunal. Case now has been decided in favor of Bank and the written verdict is awaited.	-
2	Project Loan						
3	Fixed Assets Loan						
4	Personal Loan						
5	Other Loan						
	Total	(3,000,000)					



Statement of Loans & Advances Extended to Directors/Chief Executive/Promoters/Employees and Shareholders holding more than 1 percent shares, As at 31 Ashad 2066 (15 July 2009)

Schedule 29

The Statement of amount included under total amount of Bills purchases ,Loans, Advances and Overdraft, provided to Directors, Chief Executives, Promoters, Employees, Shareholders holding more than 1% shares and to the individual member of their undivided family or against the guarantee of such persons or to the Organisation or Companies in which such individuals are managing agent are as follows

Name of Promoter/ Director/Chief Executive	Last Year's Balance		This Year's Recovery		This Year's Additions	Balance as at 31 Ashad 2065	
	Principal	Interest	Principal	Interest		Interest	Additions
	NPR	NPR	NPR	NPR		NPR	NPR
(A) Directors	-	-	-	-	-	-	-
1							
2							
3							
(B) Chief Executive	-	-	-	-	-	-	-
1							
2							
3							
(C) Promoters	-	-	-	-	-	-	-
1							
2							
3							
(D) Employees	-	-	-	-	-	-	-
1							
2							
3							
(E) Shareholders holding more than 1% Shares	-	-	-	-	-	-	-
1							
2							
3							
Total	-	-	-	-	-	-	-

Note: Loan given to employees as per Employees' Rules and to Directors and Promoter against Fixed Deposits/Government Securities have not been presented above.



Capital Adequacy Table

As at 31 Asadh 2066 (15 July 2009)

Schedule 30(A)

	In NPR	
	Current Year	Previous Year
1. 1 RISK WEIGHTED EXPOSURES		
a Risk Weighted Exposure for Credit Risk	15,021,347,498	12,394,860,444
b Risk Weighted Exposure for Operational Risk	647,081,764	514,981,500
c Risk Weighted Exposure for Market Risk	73,184,667	88,667,099
Total Risk Weighted Exposures (a+b+c)	15,741,613,929	12,998,509,043
1.2 CAPITAL Current Period Previous Period	Current Year	Previous Year
Core Capital (Tier 1)	1,649,007,425	1,293,750,758
a Paid up Equity Share Capital	1,140,480,000	943,877,100
b Irredeemable Non-cumulative preference shares		
c Proposed Bonus Equity Shares	171,072,000	190,080,000
d Share Premium	41,873,580	-
e Statutory General Reserves	220,570,480	157,083,652
f Retained Earnings	30,557,473	1,627,084
g Un-audited current year cumulative profit	-	-
h Bond Redemption Reserve	42,191,781	2,191,781
i Deferred Tax Reserve	3,100,041	
j Capital Adjustment Reserve	-	-
k Dividend Equalization Reserves	-	-
l Other Free Reserve	-	-
m Less: Goodwill	-	-
n Less: Miscellaneous Expenditure not written off	837,930	1,108,859
o Less: Investment in equity in licensed Financial Institutions	-	-
p Less: Investment in equity of institutions with financial interests	-	-
q Less: Investment in equity of institutions in excess of limits	-	-
r Less: Investments arising out of underwriting commitments	-	-
s Less: Reciprocal crossholdings	-	-
t Less: Other Deductions	-	-
Supplementary Capital (Tier 2)	305,927,368	319,880,079
a Cumulative and/or Redeemable Preference Share	-	-
b Subordinated Term Debt	157,808,219	197,808,219
c Hybrid Capital Instruments	-	-
d General loan loss provision	137,710,775	113,504,578
e Exchange Equalization Reserve	10,408,374	8,567,282
f Investment Adjustment Reserve	-	-
g Assets Revaluation Reserve		
h Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)	1,954,934,793	1,613,630,837
1.3 CAPITAL ADEQUACY RATIOS	Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures	10.48%	9.95%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	12.42%	12.41%
Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (@ 10 Percent for this year)	1,574,161,393	1,299,850,904
Core Capital (@ 6 Percent for this year)	944,496,836	779,910,543
4.48% Excess to Core Capital	704,510,589	513,840,216
2.42% Excess to Capital Fund	380,773,400	313,779,933



Risk Weighted Exposure For Credit Risk

As at 31 Ashad 2066 (15 July 2009)

Schedule 30(B)

In NPR						
A. Balance Sheet Exposures	Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weighted e	Risk Weighted Exposure f=d*e
Cash Balance	337,349,455	-	-	337,349,455	0%	-
Balance With Nepal Rastra Bank	970,981,465	-	-	970,981,465	0%	-
Gold/Silver	110,334,396	-	-	110,334,396	0%	-
Investment in Nepalese Government Securities	2,195,003,685	-	-	2,195,003,685	0%	-
All other Claims on Government of Nepal	85,992,373	-	-	85,992,373	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All other claims on Nepal Rastra Bank	-	-	-	-	0%	-
Investment in Foreign Government Securities (ECA Rating 0-1)	-	-	-	-	0%	-
Investment in Foreign Government Securities (ECA Rating -2)	-	-	-	-	20%	-
Investment in Foreign Government Securities (ECA -3)	-	-	-	-	50%	-
Investment in Foreign Government Securities (ECA-4-6)	-	-	-	-	100%	-
Investment in Foreign Government Securities (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	40,732,938	-	-	40,732,938	150%	61,099,407
Claims on domestic banks that meet capital adequacy Requirements	142,731,814	-	42,049,136	100,682,678	20%	20,136,536
Claims on domestic banks that do not meet capital Adequacy Requirements	11,094,223	-	-	11,094,223	100%	11,094,223
Claims on foreign bank (ECA Rating 0-1)	553,343,904	-	-	553,343,904	20%	110,668,781
Claims on foreign bank (ECA Rating 2)	2,066,649	-	-	2,066,649	50%	1,033,324
Claims on foreign bank (ECA Rating 3-6)	15,616,670	-	-	15,616,670	100%	15,616,670
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	355,871,204	-	-	355,871,204	20%	71,174,241
Claims on Domestic Corporates	7,022,170,586	-	68,500,000	6,953,670,586	100%	6,953,670,586
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	2,140,319,566	-	2,600,000	2,137,719,566	75%	1,603,289,675
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,253,895,138	-	-	2,253,895,138	60%	1,352,337,083
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	7,921,468	2,600,589	-	5,320,879	100%	5,320,879
Claims secured by Commercial real estate	473,047,197	-	-	473,047,197	100%	473,047,197
Past due claims (except for claim secured by residential Properties)	152,023,166	84,229,074	-	67,794,092	150%	101,691,137
High Risk claims	1,637,382,652	9,966,546	15,650,000	1,611,766,106	150%	2,417,649,159
Investments in equity and other capital instruments of institutions listed in the stock Exchange	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in the stock Exchange	26,591,500	-	-	26,591,500	150%	39,887,250
Other Assets (as per attachment)	449,519,361	-	-	449,519,361	100%	449,519,361
TOTAL	18,983,989,411	96,796,210	128,799,136	18,758,394,065		13,687,235,508



Risk Weighted Exposure For Credit Risk contd...

As at 31 Ashad 2066 (15 July 2009)

Schedule 30(B)

B. Off Balance Sheet Exposures	Gross Book Value a	Specific Provision b	Eligible CRM c	Net Value d=a-b-c	Risk Weighted e	Risk Weighted Exposure f=d*e
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	75,876,655	-	-	75,876,655	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Up to 6 months (Domestic Counterparty)	1,077,494,666	-	50,594,973	1,026,899,693	20%	205,379,939
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)	265,084,299	-	5,802,000	259,282,299	50%	129,641,150
ECA Rating 0-1	-	-	-	-	20%	-
ECA Rating 2	-	-	-	-	50%	-
ECA Rating 3-6	-	-	-	-	100%	-
ECA Rating 7	-	-	-	-	150%	-
Bid Bond and Performance Bond (Domestic Counterparty)	243,858,594	-	30,555,016	213,303,578	50%	106,651,789
ECA Rating 0-1	49,102,500	-	-	49,102,500	20%	9,820,500
ECA Rating 2	-	-	-	-	50%	-
ECA Rating 3-6	10,234,225	-	-	10,234,225	100%	10,234,225
ECA Rating 7	8,140,000	-	-	8,140,000	150%	12,210,000
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as Collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse (includ repo/reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	112,855,805	-	5,282,800	107,573,005	100%	107,573,005
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	211,327,133	-	-	211,327,133	100%	211,327,133
Unpaid portion of Partly paid shares and Securities	2,375,000	-	-	2,375,000	100%	2,375,000
Irrevocable Credit commitments(Short Term)	2,537,834,880	-	-	2,537,834,880	20%	507,566,976
Irrevocable Credit commitments(Long Term)	16,595,194	-	-	16,595,194	50%	8,297,597
Other Contingent Liabilities	23,034,677	-	-	23,034,677	100%	23,034,677
TOTAL	4,633,813,627	-	92,234,789	4,541,578,838		1,334,111,990
Total RWE for credit Risk (A) +(B)	23,617,803,038	96,796,210	221,033,925	23,299,972,903		15,021,347,498



Eligible Credit Risk Mitigants

As at Ashad 31 2066 (15 July 2009)

Schedule 30(C)

Credit exposures	In NPR									
	Deposits	Deposits	Gold	Govt.&	G'tee of	Sec/G'tee	G'tee of	G'tee of	Sec/G'tee of	Total 15
	with Bank	with other		NRB Securities	Govt. of	of Other	domestic banks	MDBs	Foreign Banks	
	(a)	banks/FI (b)	(c)	(d)	Nepal (e)	Sovereigns (f)	(g)	(h)	(i)	
Balance Sheet Exposures										
Investment in Foreign Government Securities (ECA-2)	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-3)	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
Investment in Foreign Government Securities (ECA-7)	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	42,049,136	-	-	-	-	-	-	-	42,049,136
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	68,500,000	-	-	-	-	-	-	-	-	68,500,000
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	2,600,000	-	-	-	-	-	-	-	-	2,600,000
Regulatory Retail Portfolio (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (with condition)	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (without condition)	-	-	-	-	-	-	-	-	-	-
Unsecured portion of claims secured by residential Properties	-	-	-	-	-	-	-	-	-	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-	-	-	-	-
Claims secured by Commercial real estate	-	-	-	-	-	-	-	-	-	-
Past due claims (except for claim secured by Residential Properties)	-	-	-	-	-	-	-	-	-	-
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	13,050,000	2,600,000	-	-	-	-	-	-	-	15,650,000
Investments in equity of institutions not listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Investments in equity of institutions listed in the stock exchange	-	-	-	-	-	-	-	-	-	-
Other Loans and Advances	-	-	-	-	-	-	-	-	-	-
Cash and cash items in transit	-	-	-	-	-	-	-	-	-	-



Eligible Credit Risk Mitigants contd...

As at Ashad 31 2066 (15 July 2009)

Schedule 30(C)

Credit exposures	In NPR								
	Deposits with Bank	Deposits with other	Gold	Govt. & NRB Securities	G'tee of Govt. of Nepal	Sec/G'tee of Other Sovereigns	G'tee of domestic banks	G'tee of MDBs	Sec/G'tee of Foreign Banks
	(a)	banks/FI (b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Fictitious Assets	-	-	-	-	-	-	-	-	-
Other Assets (as per attachment)	-	-	-	-	-	-	-	-	-
Off Balance Sheet Exposures									
LC Commitments With Original Maturity Up to 6 months (domestic)	47,288,873	-	-	3,306,100	-	-	-	-	-
ECA Rating 0-1	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-
LC Commitments With Original Maturity Over 6 months (domestic)	5,802,000	-	-	-	-	-	-	-	-
ECA Rating 0-1	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-
Bid Bond and Performance Bond (domestic)	30,357,726	-	-	197,290	-	-	-	-	-
ECA Rating 0-1	-	-	-	-	-	-	-	-	-
ECA Rating 2	-	-	-	-	-	-	-	-	-
ECA Rating 3-6	-	-	-	-	-	-	-	-	-
ECA Rating 7	-	-	-	-	-	-	-	-	-
Underwriting commitments	-	-	-	-	-	-	-	-	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	-	-	-	-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	-	-	-	-	-
Advance Payment Guarantee	5,282,800	-	-	-	-	-	-	-	-
Financial Guarantee	-	-	-	-	-	-	-	-	-
Acceptances and Endorsements	-	-	-	-	-	-	-	-	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	-	-	-	-	-
Irrevocable Credit commitments	-	-	-	-	-	-	-	-	-
Other Contingent Liabilities	-	-	-	-	-	-	-	-	-



Operations Risk

As at Ashad 31 2066 (15 July 2009)

Schedule 30(D)

Particulars	In NPR		
	64/65	63/64	62/63
Net Interest Income	425,404,683	304,444,089	239,757,507
Commission and Discount Income	43,373,395	36,017,034	29,447,261
Other Operating Income	48,554,195	26,583,726	20,301,748
Exchange Fluctuation Income	39,657,785	44,276,889	25,387,941
Additional Interest Suspense during the period	-	10,627,060	330,215
Gross income (a)	556,990,058	421,948,798	315,224,672
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	83,548,509	63,292,320	47,283,701
Capital Requirement for operational risk (d) (average of c)	64,708,176		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
Equivalent Risk Weight Exposure [f=(d×e)]	647,081,764		



Market Risk

As at Ashad 31 2066 (15 July 2009)

Schedule 30(E)

S.No.	Currency	In NPR		
		Open Position (FCY)	Open Position (NPR)	Relevant Open Position
1	INR	61,988,545	1.60	99,228,164
2	USD	(96,825)	77.85	(7,537,857)
3	GBP	(8,937)	127.25	(1,137,233)
4	AUD	12,907	62.09	801,302
5	CHF	1,000	71.59	71,585
6	SGD	2,222	53.12	118,022
7	EURO	100,374	109.20	10,960,894
8	XAG	700,000	35.40	24,780,000
9	MY RIGG	400	20.85	8,340
10	DKK	10,000	14.35	143,500
11	JPY	1,895,135	0.84	1,582,438
Total Open Position (a)				146,369,335
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a×b)]				7,318,467
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c×d)]				73,184,667



Form No. 4 Exhibit Of Claims With Credit Risk Mitigants

As at Ashad 31 2066 (15 July 2009)

In NPR

S.N.	Counterparty	Category	Facility	Outstanding	Nature	Eligible CRM	Haircut	Net Amount
						Gross Amount		
1	Metropolis College	Claims on Domestic Corporates	Overdraft	498,571.96	Deposits With Bank	500,000	-	500,000
2	Harish Kumar Poddhar	High Risk Claims	Overdraft	148,736.84	Deposits With Bank	5,000,000	-	5,000,000
3	Hulaswire Ind. Ltd	Claims on Domestic Corporates	Overdraft	49,988,489.12	Deposits With Bank	53,000,000	-	53,000,000
4	Hem Trading	Claims on Domestic Corporates	Overdraft	14,179,985.58	Deposits With Bank	15,000,000	-	15,000,000
5	Bhairab Investment Co (P)	Claims on Regulatory Retail Portfolio	Fixed Term Loan	2,600,000	Deposit with own bank	2,600,000	-	2,600,000
6	ManiRam Gyawali	High Risk Claims	Loan Agnist FD	450,000	Deposit with own bank	450,000	-	450,000
7	Nirmal Kr Agrawal	High Risk Claims	Overdraft	3,966,525	Deposits With Bank	4,100,000.00	-	4,100,000
8	Mahabir Churi Bhandar	High Risk Claims	Overdraft	230,499.46	Deposits With Bank	3,500,000.00	-	3,500,000
				72,062,808	Total of Deposits with Bank	84,150,000	-	84,150,000
1	Tanuja Giri	High Risk Claims	Short Term Loan	1,500,000.00	Deposits with other banks/FI	2,600,000	-	2,600,000
2	FORWARD	Claims on domestic banks that meet capital adequacy requirements	Deprive Sector	20,000,000.00	Deposits with other banks/FI	20,000,000	4,000,000	16,000,000
3	Daya Laxmi Chuke	Claims on domestic banks that meet capital adequacy requirements	Demand Loan	9,500,000	Deposits with other banks/FI	9,500,000	1,900,000	7,600,000
4	Bishwa Raj Shrestha	Claims on domestic banks that meet capital adequacy requirements	Demand Loan	7,600,000	Deposits with other banks/FI	7,600,000	1,520,000	6,080,000
5	Dr. Dharma Raj Shrestha	Claims on domestic banks that meet capital adequacy requirements	Demand Loan	4,500,000	Deposits with other banks/FI	4,500,000	900,000	3,600,000
6	Krisna Maya Parajuli	Claims on domestic banks that meet capital adequacy requirements	Demand Loan	4,500,000	Deposits with other banks/FI	4,500,000	900,000	3,600,000
7	Bala Bhadra Sharma	Claims on domestic banks that meet capital adequacy requirements	Overdraft	3,598,582	Deposits with other banks/FI	3,149,000	629,800	2,519,200
8	Nanda Lal Adhikari	Claims on domestic banks that meet capital adequacy requirements	Overdraft	3,312,420	Deposits with other banks/FI	3,312,420	662,484	2,649,936
				54,511,002	Total Deposits with other Banks	55,161,420	10,512,284	44,649,136
	Grant Total			126,573,810		139,311,420	10,512,284	128,799,136
Summary of Category			Deposits With Bank	Gold/Silver	Deposits with other banks/FI	Total		
High Risk Claims			13,050,000	-	2,600,000	15,650,000		
Claims on Regulatory Retail Portfolio (Not Overdue)			2,600,000	-	-	2,600,000		
Claims on Domestic Corporates			68,500,000	-	-	68,500,000		
Claims on domestic banks that meet capital adequacy requirements			-	-	42,049,136	42,049,136		
Claims on Public Sector Entity (ECA 0-7)			-	-	-	-		
Total			84,150,000	-	44,649,136	128,799,136		



Form No.5 Other Assets

As at Ashad 31 2066 (15 July 2009)

S No.	Assets	Gross Amount	Specific Provision	In NPR
				Net Balance
1	Fixed Assets	259,324,965	-	259,324,965
2	Interest Receivable on Other Investment	16,757,647	-	16,757,647
3	Interest Receivable on Loan	16,381,079	16,381,079	-
4	Non Banking Assets	1,431,000	727,750	703,250
5	Reconciliation Account	525	-	525
6	Draft Paid Without Notice	-	-	-
7	Sundry Debtors	126,674,917	3,100,041	123,574,876
8	Advance payment and Deposits	6,944,308	-	6,944,308
9	Staff Advance	27,677,430	-	27,677,430
10	Stationery	4,107,724	-	4,107,724
11	Expense not Written off	10,428,636	-	10,428,636
	TOTAL	469,728,231	20,208,870	449,519,361



Principal Indicators

As at Ashad 31 2066 (15 July 2009)

Schedule 31

	Indicators	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
1. Net Profit/Gross Income	Percent	38.89	30.68	38.57	44.49	44.09
2. Earnings Per Share	NPR	22.75	16.10	24.01	25.75	27.83
3. Market Value Per Share	NPR	366	496	950	1,284	1,126
4. Price Earning Ratio	Ratio	16.09	30.81	39.56	49.86	40.46
5. Dividend (including bonus) on Share Capital	Percent	30.00	10.53	21.05	21.05	15.79
6. Cash Dividend on Share Capital	Percent	10.00	0.53	1.05	1.05	0.79
7. Interest Income/Loans and Advances	Percent	8.72	8.04	7.81	8.31	8.94
8. Staff Expenses/Total Operating Expenses	Percent	43.03	44.23	45.94	47.02	43.51
9. Interest Expenses/Total Deposits and Borrowings	Percent	3.89	4.38	4.26	4.32	4.72
10. Exchange Gain/Total Income	Percent	4.74	3.88	5.32	3.77	6.56
11. Total Cost/Total Revenue	Percent	30.98	32.67	29.09	28.06	26.99
12. Staff Bonus/Total Staff Expenses	Percent	46.93	30.20	42.04	49.28	53.77
13. Staff Cost Per Employee	NPR	248,430	274,061	290,584	310,662	313,129
14. Net Profit Per Employee	NPR	724,559	581,853	838,492	1,047,664	1,175,682
15. Total Credit/Deposits	Percent	78.66	78.54	90.67	87.62	89.32
16. Total Operating Expenses/Total Assets	Percent	1.21	0.99	1.02	1.01	1.04
17. Capital Adequacy (On Risk Weighted Assets)						
Core Capital	Percent	12.37	9.94	9.21	10.50	10.48%
Supplementary Capital	Percent	0.92	3.60	3.00	2.61	1.94
Total Capital Fund	Percent	13.29	13.54	12.20	13.11	12.42%
18. Liquidity (CRR)	Percent	11.07	6.10	5.02	5.09	6.50
19. Gross Non-Performing Credit/Total Credit	Ratio	3.78	2.60	1.11	0.86	0.93
20. Net Non-Performing Credit/Total Credit	Ratio	0.82	0.06	0.06	0.11	0.23
21. Weighted Average Interest Rate Spread	Percent	3.33	2.74	2.87	3.44	3.50
22. Return on Total Assets	Percent	1.69	1.08	1.36	1.60	1.69
23. Return on Equity	Percent	17.44	14.12	20.68	22.57	24.23
24. Book Net Worth	NPR'000	684,194	766,462	918,496	1,303,427	1,660,254
25. Number of Shares		5,000,000	6,600,000	6,600,000	9,438,771	11,404,800
26. Number of Staff		157	166	189	232	270

SIGNIFICANT ACCOUNTING POLICIES

Schedule 32

1. General information

Nepal Industrial & Commercial Bank Ltd (NIC Bank) is a limited liability company domiciled in Nepal. Its registered office is at Biratnagar, Nepal and has a corporate office at Kathmandu, Nepal. Shares of the Bank are listed with Nepal Stock Exchange Ltd. and provide full commercial banking services as authorized by Nepal Rastra Bank (NRB).

The accompanied financial statements have been approved for publication by the Board of Directors of the Bank in its meeting held on 27th October 2009.

2. Basis of Preparation

The financial statements are presented in Nepalese rupees (NPR) and are prepared on historical cost convention applying accrual basis of accounting except otherwise stated and prepared in accordance with the Nepal Accounting Standards (NAS), Generally Accepted Accounting Principles (GAAP), Banks & Financial Institutions Act (BFIA) 2063, Nepal Rastra Bank (NRB) directives and the Company Act 2063.

3. Interest Income

Interest income on loans and advances are recognized on cash basis as required by NRB Directive. However NAS requires revenue to be recognized on accrual basis.

Interest income on investments is accounted for on accrual basis.

4. Commission Income

Commission income is accounted for on cash basis. However, commission receivable on Letters of Credit and Guarantees exceeding NPR 50,000 with a maturity period exceeding one year from the date of transaction is accounted for on accrual basis and prorated over the tenure of the transaction.

5. Dividend Income

Dividend on equity shares are recognized on cash basis, at net of withholding taxes.

6. Foreign Exchange Transactions

Foreign currency assets and liabilities, including bullion, are translated into NPR at the mid-rate prevailing on the Balance Sheet date.

Gain or loss realized on the foreign exchange transactions, including bullion, is recognized on the date of transaction and included under Exchange Gain/ (Loss) as the case may be as Trading Gain/(Loss).

Gains/losses arising due to fluctuation in exchange rates of different foreign currencies including bullion is accounted for on a daily basis and shown as Revaluation Gain/(Loss). 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per NRB directives.

7. Interest Expense

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

8. Loans and Advances including Bills Purchased

Loans and advances, overdrafts and bills purchased include overdrafts, term loans, working capital loans, consumer loans and loans given to Priority and Deprived Sectors and other loans extended to customers as per the Bank's policy. These assets are graded as pass, substandard, doubtful and loss assets as per NRB directives. Loans and advances are presented net of loan loss provisions.

9. Loan Write off

The Bank has "Management of Deteriorating Credits and Write off Policy" approved by the Board of Directors, to provide a framework for efficient management of deteriorating credits as well as Non- Performing Assets which also provides a transparent and effective write-off policy. Specific loans that meet the criteria stipulated in the policy are written off without prejudice to Bank's right of recovery.

10. Staff Loans

Loans and advances granted to staff in accordance with the Bank's policy are presented under Other Assets.

11. Loan Loss Provision

The provision for possible losses on loans and advances are provided at the rates ranging from 1% to 100% of the outstanding on the balance sheet date according to the grading of such assets as per NRB directives.

12. Investments

Investments in Treasury Bills and Government Development Bonds are those, which the Bank purchased with the positive intent and ability to hold till maturity. Such securities are carried at their acquisition cost or at amortized cost if acquired at a premium over the face value. Investments in shares are valued at the lower of cost or market value.

All investments are subject to periodic review by the Board of Directors of the Bank as required by NRB directives.

13. Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation.
- Assets with a value of less than NPR 2,000 are charged off to revenue irrespective of their useful life in the year of purchase.
- Depreciation is charged to Profit & Loss Account on Written-down-Value method over the estimated useful life of the relevant assets. The rates of depreciation based on the estimated useful life are as follows:

Nature of Assets	Depreciation Rate (%)
Buildings	5
Vehicles	15-20
Office Equipment	25
Computers and Accessories	25
Furniture	25

- Depreciation is charged from the month subsequent to the month when assets were accounted for. In case of disposal depreciation is charged up to the previous month of such disposal.

14. Non-Banking Assets

Non-Banking Assets (NBA) is valued at the lower of principal outstanding or distress value of the assets acquired. Provisions for NBA are made in accordance with NRB directives

15. Software Expenses

Software applications purchased by the Bank are capitalized at acquisition cost and amortized over a period of five years from the date of acquisition.

16. Leasehold Improvement

Expenses incurred on improvement and renovation of leased property is amortized over a period of five years from the date of such improvements irrespective of the life of lease exceeding 5 years.

17. Retirement Benefits

The Bank has schemes of retirement benefits, viz Provident Fund and Gratuity. Periodic contributions made to Provident Fund are recognized at the time of contribution to the approved fund. Provision for Gratuity is made on accrual basis and is transferred to the approved retirement fund, independent from the Bank, for eligible employees.

18. Staff Accumulated Leave

Accumulated leave payable to staff is recognized on accrual basis as per the service rules of the Bank.

19. Stationery Stock

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

20. Income Taxes

Provision for taxation has been made with reference to taxable profit for the financial year determined in accordance with the provisions of Income Tax Act 2058.

Deferred Tax is recognized and provided for on timing differences between taxable income and accounting income. Deferred tax assets are not recognized unless there is virtual/reasonable certainty that there will be sufficient future taxable income available to realize such assets.

21. Dividend and Proposed Bonus Shares

Dividend and proposed bonus shares are provided as proposed by the Board of Directors pending approval by NRB and Annual General Meeting.

NOTES TO ACCOUNTS

Schedule 33

1. Proposed Dividend

The Board of Directors has proposed distribution of bonus share of 15 % of issued capital and final dividend of NPR 0.79 per share for applicable dividend tax on proposed bonus share.

2. Provisions for Staff Bonus

Provision for staff bonus has been provided at 10% of profit before tax as per the Bonus Act, 2030.

3. Staff Housing Fund

As the terms of service of the staff has a provision for extending housing loans to eligible staff, a separate housing fund has not been created under the Labour Act 2049.

4. General Reserve

As required by NRB directives, 20% of the current year's net profit amounting to NPR 63,486,828 has been transferred to General Reserve through Profit and Loss Appropriation Account.

5. Exchange Fluctuation Reserve

As required by NRB directive, 25% of Revaluation Gain amounting to NPR 1,841,092 has been transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account.

6. Paid up Share capital

Paid up share capital of the Bank has moved over the years as follows:

Financial Year	Cumulative No. Of Shares	Remarks
2057/58	4,930,441	Opening Share Capital at Rs 100 Paid Up
2057/58	4,997,295	Due Share Amount Collection
2058/59	4,998,900	Due Share Amount Collection
2059/60	4,999,545	Due Share Amount Collection
2060/61	4,999,595	Due Share Amount Collection
2061/62	5,000,000	Due Share Amount Collection
2062/63	6,000,000	Issuance of 20% Bonus Shares of F/Y 2061/62
2063/64	6,600,000	Issuance of 10% Bonus Shares of F/Y 2062/63
2064/65	7,920,000	Issuance of 20% Bonus Shares of F/Y 2063/64
	9,438,771	Issuance of 20% Right Share of F/Y 2063/64
2065/66	9,504,000	Sale of unsubscribed portion of Right Share issued of FY 2063/64
	11,404,800	Issuance of 20% Bonus Shares of F/Y 2064/65

7. Deferred Tax

a. Component of Deferred Tax

	Amount In NPR	
	As at Ashad 31, 2066	As at Ashad 31, 2065
Deferred Tax Asset		
On employee's separation and retirement	3,142,618	2,912,837
On fiscal allowance on fixed assets	627,841	-
Total	3,770,459	2,912,937
Deferred Tax Liability		
On fiscal allowance on fixed assets	-	336,970
On other temporary differences	670,418	215,107
Total	670,418	552,077
Deferred Tax Assets – Net	3,100,041	2,360,760

Deferred tax asset for the current year has increased by NPR 739,281 over the previous year and the same has been charged to profit and loss account. As per circular issued by NRB the balance of deferred tax assets of NPR 3,100,041, has been transferred to Deferred Tax Reserve through profit and loss appropriation account. This reserve is an earmarked reserve and is not available for distribution and dividend or bonus share.

b. Explanation of the relationship between tax expense and accounting profit

	Amount In NPR	
	Current Year 2065-66	Previous Year 2064-65
Accounting Profit	454,637,989	355,192,692
Tax at the applicable rate of 30%	136,391,397	111,885,698*
Tax effect of expenses/income that are not deductible/ included in determining taxable profit		
Prior Period Expenses	-	11943
Fine and Penalties	8,522	
Donation	563,259	382816
Dividend Income	-	(145,803)
Provision for Doubtful Debts	105,384	-
Reduction in Deferred Tax Asset due to reduction in tax rate	112,417	-
Movement in Other Timing difference	(10,076)	-
Additional income tax of earlier year	32,948	-
Total Tax Expenses	137,203,851	112,134,654

* Applicable tax rate for previous year was 31.50%.

8. Related Parties Disclosures

a. Key Management Personnel

Key Management Personnel include Chief Executive Officer and members of the Board of Directors of the Bank as follows:

Mr. Jagdish Prasad Agrawal	- Chairman
Mr. Tulsi Ram Agrawal	- Director
Mr. Birendra Kumar Sanghai	- Director
Mr. Nirmal Kumar Agrawal	- Director
Mr. Rajendra Aryal	- Director
Mr. Lokmanya Golchha	- Director (w.e.f 2065.11.29)
Mr. Sashin Joshi	- Chief Executive Officer
Mr. Niraj Shrestha	- Company Secretary and General Manager Business Banking

• Compensation to Key Management Personnel of the Bank

Short-term employee benefit paid to the Chief Executive Officer NPR 7,914,259 (Previous Year NPR 7,042,200).

In addition to the above, a company vehicle, phone, bonus, and other facilities have been provided to the Chief Executive Officer in terms of his appointment and Bank rules and regulations.

• Transaction with Key Management Personnel of the Bank

The following provides transaction between the Bank and Key Management Personnel of the Bank during the year and the status of their outstanding balances as on 31 Ashad 2066 (July 15, 2009).

	Amount In NPR	
	Current Year 2065-66	Previous Year 2064-65
Meeting Fees Paid	702,300	697,000
Incidental Expenses	1,303,779	882,000
Loans & Advances Outstanding		
From Director	3,966,525	3,063,032
From Promoter	66,875,395	2,813,210

Note: - Loan given to Key management personnel is against Bank Fixed Deposits

Other than the above, there are no transactions with Directors, Promoter and other key management personnel or their relatives that have a potential conflict of interests with the Bank at large.

9. Income Tax Matters

The bank has filed tax returns with the Large Tax Payers' Office, Inland Revenue Department for the financial years up to 2007/08 under self-assessment procedures.

Inland Revenue Office has completed assessment/reassessment of Bank's tax liability up to financial year 2004/05 wherein an additional demand of NPR 14,091,677 has been raised by the tax authorities. The Bank has disputed the claim of the tax authorities against which, Bank has filed appeals with the respective authorities. Matter is still pending with the authorities.

10. Contingent Liability

A claim of NPR 8,943,000 made against the Bank in 2003/2004 in respect of underwriting commitment of shares of Himalayan Distillery Limited, which has not been accepted by the Bank. The Bank has contested the claim in a writ petition with the Supreme Court. The case is in under subjudice of Supreme Court.

11. Transactions in Bullion

The bank deals in bullion (Gold/Silver) either on its own account or holds stock on consignment basis on behalf of suppliers as per the arrangement. The stock held on own account are included under other assets. Since Lease Stock of NPR 71,700,000 (Previous year NPR 189,574,000) has been netted off as assets and liabilities, amount has not been shown in Balance sheet. The customs duty allocable to the consignment stock is included under other assets.

12. Summary of disbursement, recovery of Loans and advances & principal and interest written off

Amount In '000 NPR

Particulars	Current Year 2065-66	Previous Year 2064-65
Loans Disbursed	33,208,108	25,852,049
Loans Recovered	30,757,594	23,515,367
Loans Written Off	3,000	11,521
Interest Written Off	1,376	8,996

13. Summary of Changes in Deposit Liabilities

Amount In NPR

Particulars	Current Year 2065-66	Previous Year 2064-65	Changes
Current and Margin Accounts	936,879,630	726,431,941	210,447,689
Savings Account	3,993,715,640	3,667,897,217	325,818,423
Call Deposits	3,069,275,870	2,814,407,981	254,867,889
Fixed Deposits	7,580,059,764	5,875,951,533	1,704,108,231
Total	15,579,930,904	13,084,688,672	2,495,242,232

14. Summary of concentration of exposure:

Amount In '000 NPR

	Loans & Advances and Bills		Deposits & Borrowings		Contingent	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Total Amount Outstanding	13,915,850	11,465,334	16,240,336	13,419,689	4,633,814	1,454,047
Highest Exposure to a Single Unit	345,958	215,457	2,024,136	2,212,266	265,084	166,623
Concentration of exposure	2.49%	1.88	12.46%	16.49%	5.72%	11.46%

15. Weighted Average Interest Spread:

Particulars	Current Year Rate (%)	Previous Year Rate (%)
Average Yield on Advances and Investments	8.97	7.79
Average cost of Deposits	5.47	4.35
Net Spread	3.50	3.44

16. Particulars of Amortized Expenses yet to be expensed off

Amount In NPR

Particulars	Opening	Addition	Amortization/ Adjustment	Closing
Software	7,499,672	1,371,830	2,271,537	6,599,965
VISA Membership Fee	-	1,844,445	153,704	1,690,741
Leasehold Assets	17,696,386	18,688,296	6,045,189	30,339,493
License Fees	962,500	750,000	412,500	1,300,000
Bond Related Cost	425,980	-	132,038	293,942
Right Share Related Cost	682,879	-	138,891	543,988

17. Classification of Assets and Liabilities based on Maturity

NPR in Million

Particulars	1-90 days	91-180 days	181-270 days	271 days - 1 year	Over 1 year	Total
Assets						
Cash Balance	337	-	-	-	-	337
Balance with Banks	899	-	-	-	225	1,124
Investment in Foreign Banks	105	26	499	-	154	784
Government Securities	128	354	216	1,276	221	2,195
Nepal Rastra Bank Bonds	-	-	-	-	-	-
Inter Bank Lending	20	-	-	-	-	20
Loans, Advances & Bills Purchased	1,806	1,181	2,070	5,446	3,176	13,679
Other Assets	314	-	-	-	297	611
Total Assets	3,609	1,561	2,785	6,722	4,073	18,750
Liabilities						
Borrowings	551	-	109	-	-	660
Current and Margin Deposits	219	104	104	94	416	937
Saving Bank Deposits	1,398	-	-	-	2,596	3,994
Fixed and Call Deposits	1,128	3,303	1,216	1,368	3,634	10,649
Debentures	-	-	-	-	200	200
Other Liabilities, Capital & Reserves	390	-	-	-	1,920	2,310
Total Liabilities	3,686	3,407	1,429	1,462	8,766	18,750
Net Financial Assets	(77)	(1,846)	1,356	5,260	(4,693)	
Cumulative Net Financial Assets	-	(1,923)	(567)	4,693	-	-

18. Borrowing by Bank against the collateral of own assets: Nil

19. Details of Non Banking Assets

Particular	Amount In NPR
Opening Balance as on 16.07.2008	1,957,500
Addition During This Year	691,000
Sales During This Year	1,217,500
Outstanding As on 15.07.2009	1,431,000

20. Rounding off/Previous Years Figures

Previous years figures are regrouped or rearranged, wherever necessary in order to facilitate comparison. All figures are rounded off to the nearest rupee.


Statement of Loans Availed by Promoters/ Shareholders Classified Under Promoter's Group From Other Banks and Financial Institutions by pledging shares under their ownership

Schedule 34

S.No	Promoters/ Shareholders Classified under Promoters Group	Shares Registered in the Name of Promoters		Statement of Loan			Remarks
		Total No Of. Shares	% on total paid up Capital	Name of Banks / Financial Institutions Providing Loans	Loan Amount (Present O/S)	No. Of Shares Pledged	
1	Anuj Agrawal	413,451	3.63%	Himalayan Bank	560,000	157197	
2	Ashok Kumar Agrawal	483,230	4.24%	Himalayan Bank	13,580,000	304523	
3	Basu Dev Golyan	559,715	4.91%	Himalayan Bank	60,000,000	123193	
4	Basu Dev Golyan			NMB Bank Limited	37,274,146	166430	
5	Vishal Agrawal	542,206	4.75%	NIB Bank	38,700,837	157368	
6	Vishal Agrawal			Clean Energy Development Bank	39,954,798	110000	
7	Vishal Agrawal			NMB Bank Limited	25,599,000	154719	
8	Diwakar Golchha	623,388	5.47%	NCC Bank	15,000,000	81520	
9	Diwakar Golchha			Kumari Bank	43,699,886	174582	
10	Lok Manya Golchha	623,397	5.47%	NCC Bank	99,978,082	213397	
11	Pawan Kumar Golyan	570,239	5.00%	Prime Bank Limited	81,632,000	96000	
12	Shakti K Golyan / Pawan K. Golyan	570,239	5.00%	Himalayan Bank	24,620,000	203769	
13	Shyam Rathi	18,000	0.16%	Bank of Asia Nepal Ltd.	4,500,000	15000	
14	Subash Chandra Shanghai	1,141,679	10.01%	Himalayan Bank	53,630,000	444638	
15	Trilok Chandra Agrawal	541,237	4.75%	NCC Bank	100,821,213	307513	



Unaudited Financial Results (Provisional)

As at 4th Quarter ended on 31 Ashad 2066 (15 July 2009) of Fiscal Year 2065/2066 (2008/2009)

Schedule 35

Rs. in 000

S.N.	Particulars	This Quarter Ended 15.07.2009	Previous Quarter Ended 13.04.2009	Corresponding Previous Year Quarter Ended 15.07.2008 (Audited)
1	Total Capital and Liabilities (1.1 to 1.7)	18,750,828	17,239,967	15,238,736
1.1	Paid Up Capital	1,140,480	1,140,480	943,877
1.2	Reserves and Surplus	527,990	462,651	359,550
1.3	Debentures and Bonds	200,000	200,000	200,000
1.4	Borrowings	660,405	784,625	335,000
1.5	Deposits (a+b)	15,579,931	14,101,445	13,084,689
	a.Domestic Currency	14,880,667	13,370,949	12,369,562
	b. Foreign Currency	699,264	730,496	715,127
1.6	Income Tax Liability	13,171	13,717	13,927
1.7	Other Liabilities	628,851	537,049	301,693
2	Total Assets (2.1 to 2.7)	18,750,828	17,239,967	15,238,736
2.1	Cash and Bank Balance	1,461,151	1,015,474	1,192,349
2.2	Money at Call and Short Notice	-	121,820	160,000
2.3	Investments	3,026,492	2,745,590	2,311,468
2.4	Loans and Advances	13,679,394	12,963,458	11,264,678
2.5	Fixed Assets	259,325	204,135	194,500
2.6	Non Banking Assets	703	370	674
2.7	Other Assets	323,763	189,120	115,067
3	Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year
3.1	Interest Income	1,284,115	933,296	931,401
3.2	Interest Expense	(767,003)	(546,813)	(505,996)
A.	Net Interest Income(3.1-3.2)	517,112	386,483	425,405
3.3	Fees, Commission and Discount	61,928	41,814	43,373
3.4	Other Operating Income	45,227	30,577	37,905
3.5	Foreign Exchange Gain/Loss (Net)	97,673	78,819	39,658
B.	Total Operating Income (A+ 3.3+3.4+3.5)	721,941	537,693	546,341
3.6	Staff Expenses	(84,545)	(58,400)	(72,074)
3.7	Other Operating Expenses	(108,152)	(75,224)	(81,203)
C.	Operating Profit Before Provision (B. - 3.6-3.7)	529,243	404,069	393,064
3.8	Provision for Possible Loss	(39,509)	(19,613)	(25,414)
D.	Operating Profit (C. - 3.8)	489,734	384,456	367,650
3.9	Non Operating Income/Expenses (Net)	1,291	1,743	10,649
3.10	Write Back of Provision for Possible Loss	3,913	3,913	6,930
E.	Profit from Regular Activities (D.+3.9+3.10)	494,937	390,112	385,229
3.11	Extraordinary Income/Expenses (Net)	7,617	4,851	5,483
F.	Profit before Bonus and Taxes (E.+3.11)	502,555	394,963	390,712
3.12	Provision for Staff Bonus	(45,687)	(35,906)	(35,519)
3.13	Provision for Tax	(140,222)	(107,750)	(112,135)
G.	Net Profit/Loss (F. -3.12-3.13)	316,646	251,307	243,058
4	Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year
4.1	Capital Fund to RWA	14.6%	12.9%	13.1%
4.2	Non Performing Loan (NPL) To Total Loan	0.9%	0.9%	0.9%
4.3	Total Loan Loss Provision to Total NPL	183.0%	179.7%	204.4%



Comparison of Unaudited and Audited Financial Statement

As of 15.07.2009 Fiscal Year 2065/2066 (2008/2009)

Schedule 36

Rs. in 000

S.N.	Particulars	As per Unaudited Financial Statement	As per Audited Financial Statement	Variance		Reasons for Variance
				In Amount	In %	
1	Total Capital and Liabilities (1.1 to 1.7)	18,750,828	18,750,633	(194)	(0.00)	
1.1	Paid Up Capital	1,140,480	1,140,480	-	-	
1.2	Reserves and Surplus	527,990	519,774	(8,216)	(1.56)	Change in current year's profit and declaration of bonus share & cash dividend
1.3	Debentures and Bonds	200,000	200,000	-	-	
1.4	Borrowings	660,405	660,405	-	-	
1.5	Deposits (a+b)	15,579,931	15,579,931	(0)	(0.00)	
	a. Domestic Currency	14,880,667	14,880,667	(0)	(0.00)	
	b. Foreign Currency	699,264	699,264	(0)	(0.00)	
1.6	Income Tax Liability	13,171	10,893	(2,278)	(17.30)	Change in income tax provision for the year and deferred tax.
1.7	Other Liabilities	628,851	639,151	10,300	1.64	Cash Dividend and provision for community partnership.
2	Total Assets (2.1 to 2.7)	18,750,828	18,750,633	(194)	(0.00)	
2.1	Cash and Bank Balance	1,461,151	1,461,151	(0)	(0.00)	
2.2	Money at Call and Short Notice	-	-	-	-	
2.3	Investments	3,026,492	3,026,022	(470)	(0.02)	Adjustment of Amortization of Premium on government bond.
2.4	Loans and Advances	13,679,394	13,679,394	(0)	(0.00)	
2.5	Fixed Assets	259,325	259,325	(0)	(0.00)	
2.6	Non Banking Assets	703	703	-	-	
2.7	Other Assets	323,763	324,038	275	0.08	Miscellaneous Petty adjustments made
3	Profit and Loss Account					
3.1	Interest Income	1,284,115	1,283,521	(595)	(0.05)	Miscellaneous Petty adjustments made
3.2	Interest Expense	(767,003)	(767,197)	(194)	0.03	Miscellaneous Petty adjustments made
A.	Net Interest Income(3.1-3.2)	517,112	516,324	(788)	(0.15)	
3.3	Fees, Commission and Discount	61,928	61,895	(33)	(0.05)	Miscellaneous Petty adjustments made
3.4	Other Operating Income	45,227	44,028	(1,198)	(2.65)	Adjustment of Dividend income.
3.5	Foreign Exchange Gain/Loss (Net)	97,673	97,673	(0)	(0.00)	
B.	Total Operating Income (A+ 3.3+3.4+3.5)	721,941	719,921	(2,020)	(0.28)	
3.6	Staff Expenses	(84,545)	(84,545)	-	-	
3.7	Other Operating Expenses	(108,152)	(109,784)	(1,632)	1.51	Adjustment of Community Partnership Calculation based on PAT.
C.	Operating Profit Before Provision (B. - 3.6-3.7)	529,243	525,592	(3,652)	(0.69)	
3.8	Provision for Possible Loss	(39,509)	(39,509)	(0)	0.00	
D.	Operating Profit (C. - 3.8)	489,734	486,082	(3,652)	(0.75)	
3.9	Non Operating Income/Expenses (Net)	1,291	2,489	1,198	92.86	Adjustment of Dividend income.
3.10	Write Back of Provision for Possible Loss	3,913	3,913	-	-	
E.	Profit from Regular Activities (D.+3.9+3.10)	494,937	492,485	(2,453)	(0.50)	
3.11	Extraordinary Income/Expenses (Net)	7,617	7,617	-	-	
F.	Profit before Bonus and Taxes (E.+3.11)	502,555	500,102	(2,453)	(0.49)	
3.12	Provision for Staff Bonus	(45,687)	(45,464)	223	(0.49)	Actual move on profit.
3.13	Provision for Tax	(140,222)	(137,204)	3,018	(2.15)	Change in income tax provision for the year and deferred tax.
G.	Net Profit/Loss (F. -3.12-3.13)	316,646	317,434	787	0.25	

Disclosure as per Capital Adequacy Frame Work (Basel II)

1. Capital structure and Capital Adequacy

Capital structure and Capital Adequacy of the Bank has been presented in Schedule 30 (A) and the supporting sheets are available in schedule 30 (B), 30 (C), 30 (D), 30 (E) and Form no 4 & 5.

Detail information of Subordinated Term Debts:

NIC Bond 2070

Face Value	Rs 1,000 each,
Total Value	Rs 200 Million
Issue date	26th June 2006
Maturity date	25th June 2013
Redemption Reserve	
For FY 2065/66	Rs 40,000,000
For FY 2064/65	Rs 2,191,781
Total	Rs 42,191,781

Summary of Bank's Internal Approach to assess Capital Adequacy

Bank management is responsible for understanding and assessing the nature as well as level of risk taken by the bank and relating the risk to the capital adequacy level.

The Credit Risk Management unit reviews the Credit Risk, analyzes the trend, and assesses the exposure impact on capital, which is vital in Credit decision-making. Also for managing Credit Risk Credit Policy, Credit Policy Manual and Product Papers have been developed for building risk awareness culture throughout the Organization.

In respect of operational risk, Operational In charges and Operation Managers of respective Branches and Departments provide operational loss data to Operation Manager, Corporate via regular reporting requirements stipulated by Operational Monitoring & Reporting Framework. These data are further analyzed, reported and appropriate action taken as per requirement.

With regard to market risk, Treasury maintains net open position of all currency on daily basis. Head Treasury reviews / analyzes the trend and assesses the exposure impact on capital. The net open position report is discussed at the ALCO for discussion and further set up of strategy.

2. Risk Exposure

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

	NPR in 000'	
Risk weighted Exposures	Current Year	Previous Year
a. Risk Weighted Exposure for Credit Risk	15,021,347	12,394,860
b. Risk Weighted Exposure for Operational Risk	647,082	514,982
c. Risk Weighted Exposure for Market Risk	73,185	88,667
Total Risk Weighted Exposures (a + b + c)	15,741,614	12,998,509

Risk Weighted Exposures under each of 11 Categories of Credit Risk

	NPR in 000'	
Particulars	Current Year	Previous Year
Claims on Government and Central Bank	-	-
Claims on Other Official Entities	-	-
Claims on Banks	229,724	582,459
Claims on Corporate and securities firms	7,014,770	4,846,999
Claims on regulatory retail Portfolio	1,603,290	510,311
Claims secured by Residential Properties	1,352,337	3,184,278
Claims secured by Commercial real estate	473,047	378,611
Past due Claims	107,012	390,167
High Risk Claims	2,457,536	1,062,369
Other Assets	449,519	273,830
Off Balance- Sheet Items	1,334,112	1,165,836
Total	15,021,347	12,394,860

Non Performing Assets

NPR in 000'

Particulars	Current Year		Previous Year	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Restructured / Reschedule Loans	15,594	13,645	16,709	14,620
Sub Standard Loans	2,422	1,817	9,632	7,224
Doubtful Loans	61,131	30,566	11,760	5,880
Loss	65,625	-	76,774	-
Total NPAs	144,772	46,028	114,876	27,725

Ratio of Non Performing Asset

Particulars	Current Year	Previous Year
Gross NPA to gross advances	1.04%	1.00%
Net NPA to net advances	0.34%	0.25%

Movement of Non performing Assets

NPR in 000'

Particulars	Current Year	Previous Year
Opening NPA	114,876	108,971
Addition during the Year	67,896	50,263
NPA recovery during the Year	38,000	44,358
Closing NPA	144,772	114,876

Write off Loan and Interest Suspense:

NPR in 000'

Particulars	Current Year	Previous Year
Write off Loan	3,000	11,521
Write off Interest	1,376	8,996

Movements in LLP and Interest Suspense:

NPR in 000'

Particulars	Current Year	Previous Year
Movements in Loan Loss Provisions	35,800	13,404
Movements in Interest Suspense	3,467	(552)
Additional LLP during the Year	38,800	24,925

3. Risk Management Function

The Bank has been building robust risk management Capabilities in order to achieve an effective risk management framework and contain the risks associated with the business; a fully functional risk management unit is responsible for identifying, reporting, controlling and managing credit, operational and market risk.

Credit Risk

For credit risk management a separate risk management unit (segregated from the sales function of business) has been created and directly reports to Chief Executive Officer. A dedicated sub unit within the risk management for management of non-performing / problem assets works towards implementing risk grading / credit scoring processes in order to achieve better management of credit risk and to achieve better efficiency in credit processing.

Operational Risk

Effective operational risk management systems aims to minimizing losses and customer dissatisfaction due to failure in processes, focusing on flows in products and their design that can expose the Bank to losses due to Fraud, analyzing the impact of failures in technology / system, developing plans to meet external shocks that can adversely impact continuity in the Bank's operations. Bank has introduced "Comprehensive Operational risk monitoring and reporting Framework" as well

as "Output checking" at all branches covering all transactions on daily basis to minimize Operational risk.

Market Risk

Bank has an ALCO (Asset Liability Management Committee) which meets periodically to discuss product pricing for deposits and advances and maturity profiles of assets and liabilities, articulating interest rate, view of bank, funding policy, transfer pricing policy and balance sheet management.

The audit and compliance function is also independent from Bank Management; this unit focuses on development of internal procedures and check and control systems / procedures. The Internal Audit and Compliance unit undertakes a comprehensive audit of all business groups and other functions, in accordance with the approved audit plan. In order to mitigate above risks, further this unit function is also independent with separate reporting lines, with audit function reporting directly to Board Audit committee.

The Bank has been working continuously towards risk diversification of its assets base so as to achieve better portfolio mix and to protect/enhance the overall risk on its loan book. The strategic focus of mapping business is gradually reducing high-risk assets and increasing low risk exposures.

BRANCH MANAGERS

Kathmandu Valley

Arjun Chhetri	Bishal Bazaar, New Road, Kathmandu
Sangita Satyal (Officiating)	Kamaladi, Kathmandu
Umesh Acharya	Pulchowk, Lalitpur
Priyanka Ranjit	Suryavinayak, Bhaktapur
Prajeeta Joshi	Battisputali, Kathmandu
Smriti Bhandari	Samakhushi, Kathmandu
Bal Krishna Shrestha	Kirtipur, Kathmandu
Merina Dongol	Satdobato, Lalitpur

Outside Kathmandu

Sudhir Agrawal	Main Road, Biratnagar
Binay Dahal	Adarsh Nagar, Birgunj
Shiv Gopal Risal	Bhadrapur Road, Birtamod, Jhapa
Sameer Acharya	Mahendra Pool, Pokhara
Yogendra Rana	Mahendrapath, Dharan
Dinesh Kumar Sharma	Ram Mandir Chowk, Janakpur
Jayendra Rawal	Surkhet Road, Nepalgunj
Ashok Gurung	Shrawan Path, Butwal
Bishnu Pandey	Rajmarg Chowk, Damak
Birendra Kumar Thakur	Ganesh Chowk, Lahan
Yuba Raj Dahal	Birendra Chowk, Surkhet
Rajendra Luitel	Dhangadi, Kailali
Sunil Rana	Sahidchowk, Narayanghat
Arjun Shrestha	Gaighat, Udaypur

WE ARE AT

Corporate Office

Kamaladi Sadak,
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Phone: 01-4262277
Fax 01-4241865

Registered Office

Main Road,
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P.O.Box: 232
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Inside Kathmandu Valley

KAMALADI BRANCH
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BATTISPUTALI BRANCH
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BHAKTAPUR BRANCH
Suryavinayak,
Bhaktapur, Nepal
Phone: 01-6226996
Fax : 01-6619121

SAMAKHUSHI BRANCH
Samakhushi,
Kathmandu, Nepal
Phone: 01-4387055/01-4387056
Fax: 01-4387061

NEW ROAD BRANCH
Bishal Bazar Complex, Newroad,
Kathmandu, Nepal
Phone: 01-4227305
Fax: 01-4227507
SWIFT: NICE NP KA

PULCHOWK BRANCH
Pulchowk,
Lalitpur, Nepal
Phone: 01-5555662
Fax : 01-5550044

KIRTIPUR BRANCH
Naya Bazar, Kirtipur,
Kathmandu, Nepal
Phone: 01-4330237/01-4331164
Fax: 01-4330760

SATDOBATO BRANCH
Satdobato,
Lalitpur, Nepal
Phone: 01-5002517/01-5002518
Fax: 01-5002516

Outside Kathmandu Valley

BIRATNAGAR BRANCH
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Biratnagar, Nepal
Phone: 021-521921
Fax: 021-522748

DHARAN BRANCH
Mahendra Path,
Dharan, Nepal
Phone: 025-526521
Fax: 025-520333

BIRGUNJ BRANCH
Adarsh Nagar,
Birgunj, Nepal
Phone: 051-527638

DAMAK BRANCH
Rajmarg Chowk, Damak,
Jhapa, Nepal
Phone: 023-585156
Fax: 023-585157

NEPALGUNJ BRANCH
Surkhet Road,
Nepalgunj, Nepal
Phone: 081-526604
Fax: 081-524416

LAHAN BRANCH
Ganesh Chowk, Lahan,
Siraha, Nepal
Phone: 033-561012/033-561013
Fax: 033-561014

GAIGHAT BRANCH
Triyuga, Gaighat,
Udayapur, Nepal
Phone: 035-420934/ 420935
Fax: 035-420933

POKHARA BRANCH
Mahendra Pool,
Pokhara, Nepal
Phone: 061-539645
Fax: 061-533809

BIRTAMOD BRANCH
Bhadrapur Road,
Birtamod, Nepal
Phone: 023-540977
Fax: 023-540811

JANAKPUR BRANCH
Ram Mandir Chowk,
Janakpur, Nepal.
Phone: 041-525856
Fax: 041-525858

BUTWAL BRANCH
Shrawan Path, Butwal,
Rupandehi, Nepal
Phone: 071-543238
Fax: 071-543250

SURKHET BRANCH
Birendra Chowk, Birendra Nagar,
Surkhet, Nepal
Phone: 083-524092
Fax: 083-524093

DHANGADHI BRANCH
Dhangadhi, Godawari Road, Chauraha,
Kailali, Nepal
Phone: 091-527061, 091-527062
Fax No.: 091-527060

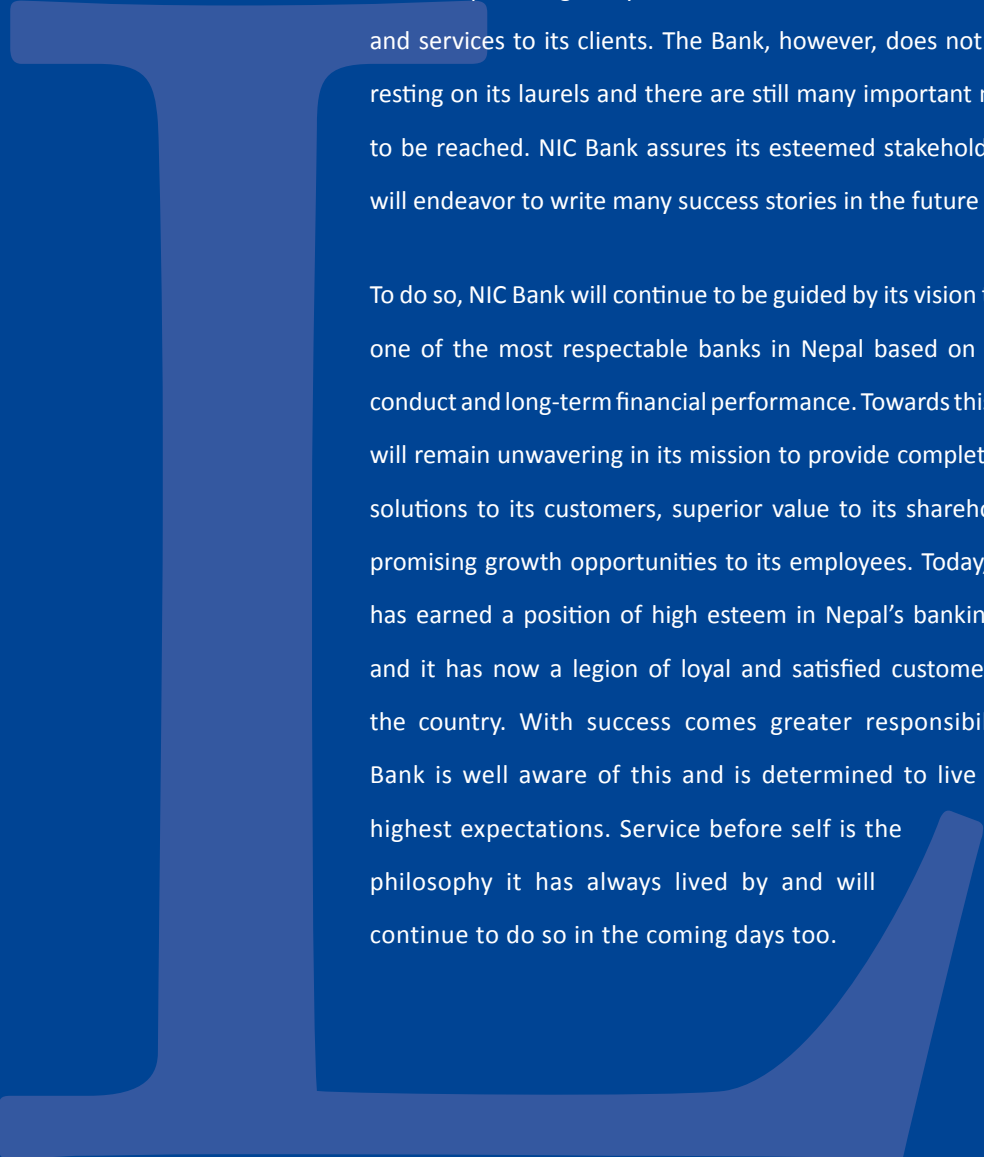
NARAYANGHAT BRANCH
Bharatpur, Sahid Chowk, Narayanghat,
Chitwan, Nepal
Phone: 056-533941/056-533942
Fax: 056-533940

Upcoming Branches

Teku Branch
Buddha Bari, Teku,
Kathmandu, Nepal

Malangawa Branch
Main Chowk, Malangawa,
Sarlahi, Nepal

Mahendranagar Branch
Campus Road, Bhimdutta (Mahendra Nagar),
Kanchanpur, Nepal



Looking back on its eventful journey through the years, NIC Bank is proud of having played a pivotal role in the development of Nepal's Banking Industry. It has rightfully claimed to have achieved several 'Firsts' in providing many innovative and customer friendly products and services to its clients. The Bank, however, does not believe in resting on its laurels and there are still many important milestones to be reached. NIC Bank assures its esteemed stakeholders that it will endeavor to write many success stories in the future as well.

To do so, NIC Bank will continue to be guided by its vision to become one of the most respectable banks in Nepal based on honorable conduct and long-term financial performance. Towards this, the Bank will remain unwavering in its mission to provide complete financial solutions to its customers, superior value to its shareholders and promising growth opportunities to its employees. Today, NIC Bank has earned a position of high esteem in Nepal's banking industry and it has now a legion of loyal and satisfied customers all over the country. With success comes greater responsibility – NIC Bank is well aware of this and is determined to live up to the highest expectations. Service before self is the philosophy it has always lived by and will continue to do so in the coming days too.



Purity
Guaranteed
99.9%
Pure Silver

With the introduction of NIC silver, the Bank is contributing to the silver crafts and jewellery industry by providing easy access to pure silver granules ensuring quality products.

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