



reaching out

LAXMI BANK LIMITED

Annual Report 2005/2006

reaching out

Laxmi Bank Limited / Annual Report 2005/2006



Contents

Overview of Laxmi Bank	p01	Financial Review	p36	Significant Accounting Policies	p73
Products and Solutions	p08	Risk Management	p43	Notes to Account	p75
Chairman's Statement	p18	Auditor's Certificate	p47	Comments Raised by NRB	p79
Director's Report	p21	Balance Sheet	p48	Laxmi Cares	p81
Corporate Governance	p27	Profit & Loss Account	p49	Women Entrepreneurs	p84
CEO's Perspective	p34	Schedules	p53	Branch offices	p87

Board of Directors

Mohan Gopal Khetan

- Chairman

- Chairman, Khetan Group
- Honorary Consul General of Turkey



Gopi Krishna Sikaria

- Director

- Promoter, Mercantile Finance Co. Ltd.
- Director, Nepal Petroleum P. Ltd.
- Director, Everest Insurance Co. Ltd.



Madhu Sudan Agrawal

- Director

- Executive Director, Sunrise Group
- Director, Everest Insurance Co. Ltd.
- Executive Member, Nepal Chamber of Commerce
- Treasurer, Nepal China Chamber of Commerce & Industry



Nandan Hari Sharma

- Director

- (Representing Citizen Investment Trust)
- Executive Director, Citizen Investment Trust



Chandra Prakash Khetan

- Director

- Managing Director, Gorkha Brewery Pvt. Ltd.





Bhola B. Adhikary

– Director
(Representing Public Shareholders)

- Executive Chairman, East Nepal Development Endeavor P Ltd.



Rakesh Adukia

– Director
(Representing Public Shareholders)

- Managing Director, Krishi Premura Hong Kong
- Executive Director, Nepal Mentha Products P Ltd.
- President, Nepal Herbs and Herbal Products Association
- Joint Secretary, Nepal Remittance Association
- Member, National Council, Confederation of Nepalese Industries



Shambhu Acharya

– Professional Director



Ratan Lal Sanghai

– Advisor

- Vice Chairman, Everest Insurance Co. Ltd.
- Engaged in garment, textile, plastic manufacturing



Suman Joshi

– Chief Executive Officer

- Professional banker since 1989
- Board Member – Asian Bankers Association



Management

SUMAN JOSHI
Chief Executive Officer

BHUWANESHWAR P. SHAH
*Company Secretary,
General Administration,
Investor Relationship*

BHUBAL RAI
Internal Audit & Compliance

AJAYA B. SHAH
Retail Financial Services

JIWAN LIMBU
Information Technology

NIRMAL DAHAL
Credit Risk

SUMED BHATTARAI
Corporate Banking

SANJEEV JOSHI
*Service Delivery,
Global Network*

MAHESH BAJRACHARYA
Operational Risk

ATM LOCATIONS IN KATHMANDU VALLEY

- 1 Big C Mall-Gaushala
- 2 Bagbazar
- 3 Baneshwor
- 4 Bhaktapur, Himalayan Bank
- 5 Bhaktapur, Nabil
- 6 Bhatbhateni
- 7 Boudha-Gemini
- 8 Chabahil
- 9 Lalitpur, Nabil
- 10 Kantipath, Nabil Bank
- 11 Kamaladi
- 12 Kamaladi-NIC Bank
- 13 MangalBazar
- 14 Tripureshor-Blue Bird
- 15 Tribhuvan International Airport
- 16 MaharajGunj, Himalayan Bank
- 17 MaharajGunj, Nabil Bank
- 18 MaharajGunj, Siddhartha Bank
- 19 Thamel, Bakery Cafe
- 20 Thamel, Nabil
- 21 Nabil Fora Durbar
- 22 New Road ,Bank Of Kathmandu
- 23 New Road ,Everest Bank
- 24 New Road ,Himalayan Bank
- 25 New Road-Hot Bread
- 26 New Road ,Nabil Bank
- 27 Pulchowk , Everest Bank
- 28 Pulchowk, Himalayan Bank
- 29 Putalisadak
- 30 Thamel-Hotel Garuda
- 31 Thamel, Himalayan Bank
- 32 Thamel Inside, Himalayan Bank
- 33 Auto Land-Teku
- 34 Lazimpat-Blue Bird
- 35 Metro Mall-Soaltee
- 36 Hattisar, Laxmi Bank
- 37 Birgunj, Laxmi Bank
- 38 Banepa, Laxmi Bank

BRANCH MANAGERS

(from left to right)
 Brinda shrestha – Teku Branch
 Manohar uprety – Narayanghat Branch
 Amit S. Karki – Biratnagar Branch
 Dipendra B. Singh – Pokhara Branch
 Nischal shrestha – Banepa Branch
 Euden Koirala – Hattisar Branch
 Piush Aryal – Birgunj Branch
 Dipesh amatya – Pulchowk Branch



reaching out

Laxmi Bank Network

Corporate Office
 Hattisar, Kathmandu
 Tel. 01-4444684, 4444685

Registered Office
 Adarshanagar
 Birgunj, Parsa
 Tel. 051-526195, 530394

Birgunj Branch
 Adarshanagar
 Birgunj, Parsa
 Tel. 051-526195, 530394

Kathmandu Branch
 Hattisar, Kathmandu
 Tel. 01-4444684, 4444685

Banepa Branch
 174, Arniko Highway West
 Banepa-5, Kavre
 Tel. 011-663425, 663426

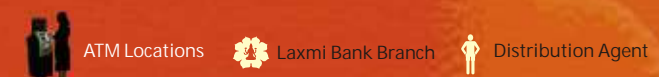
Pokhara Branch
 New Road, 188, B. P. Marga
 Pokhara-9, Kaski
 Tel. 061-533580, 540153

Biratnagar Branch
 Main Road, Ward No. 9
 Biratnagar, Morang
 Tel. 021- 538401, 538402

Pulchowk Branch
 Lalitpur Bishal Bazar
 Pulchowk, Lalitpur
 Tel. 01-5009501, 5009502

Narayanghat Branch
 Ward No. 6
 Pulchowk, Narayanghat
 Tel. 056-525726

Teku Branch
 National Trading Building,
 Teku, Kathmandu
 Tel. 01-4232501, 4232502



OUR MISSION

We are committed to excellence in delivery of entire gamut of financial services in order to achieve sound business growth and maximize stakeholder values by embracing team spirit, progressive technology and good corporate governance.

OUR VISION

Provider of most integrated financial services

* * *

Key player and a thought leader in the retail financial services

* * *

Bank with the best asset book

* * *

Best IT capability

* * *

Preferred employer in the financial sector

OUR VALUES

Our values are built around high standards of good corporate governance. Transparency, professionalism and high ethical tone at the leadership are foundations on which our actions are based. Laxmi Bank's Code of Conduct encapsulates international best practices applicable to Nepali context. The level of commitment of our people to take Laxmi Bank to greater heights has been a huge catalyst. The team spirit within the organization is something we are proud of.

5 YEAR FINANCIAL HIGHLIGHTS

Fig in Million

	2005/06	2004/05	2003/04	2002/03	2001/02*
Paid Up Capital	609.92	609.84	549.79	330.00	275.00
Reserves & Surplus	69.12	33.73	7.27	(3.18)	(4.22)
Loan Loss Provision	77.74	68.19	17.51	7.76	1.24
Loans & Advances (gross)	4,280.11	2,726.14	1,750.93	775.94	124.12
Deposits & Borrowing	4,474.11	3,070.45	2,001.16	761.81	112.60
Total Revenue	353.51	235.58	142.45	59.07	2.70
Operating Profit	75.15	50.09	24.35	7.26	(2.98)
Net Profit	35.39	26.46	10.45	1.03	(4.22)
NPA (%)	0.78%	1.63%	0.00%	0.00%	0.00%
Contingent Liabilities	635.44	225.16	348.70	77.17	53.17
Capital Adequacy	14.96%	20.88%	29.19%	38.69%	133.80%
Market Capitalisation (Million)	2,244.80	1,738.50	858.00	N/A	N/A
Closing Market Price (Rs)	368.00	285.00	156.00	N/A	N/A
Earning per Share (Rs)	5.80	4.34	1.90	0.31	(1.53)
No. of Employees	145	108	75	47	22
No. of Branches	8	5	4	3	1

* 3.5 months' operation

Overview of Laxmi Bank

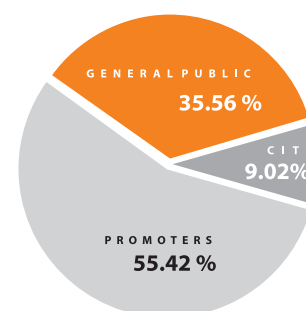
Nepal. The current shareholding constitutes of promoters holding 55.42 percent, Citizen

Investment Trust holding 9.02 percent and the general public holding 35.56 percent.

Promoters represent Nepal's leading business groups with diversified business interests.

The Bank's shares are listed and actively traded in the Nepalese Stock Exchange.

Laxmi Bank has been incorporated in April 2002, re-registered in 2006, as a commercial bank classified as a Category A Financial Institution under the Banks and Financial Institutions Act of



Branches and Network

In the past year the Bank has increased its footprints to 3 new locations and now has 8 branches: in Hattisar, Pulchowk and Teku in Kathmandu Valley and in Birgunj, Banepa, Pokhara, Biratnagar and Narayanghat. The Bank's corporate office is situated at Laxmi Complex in Hattisar. We have also created a network of more than 130 agents across the country to distribute remittances received from all over the world. Laxmi Bank has a network of correspondents in all major currency countries. This annual report showcases our branch premises and other infrastructure.

Technology

With a view to providing safe, seamless, quick and advance banking services, the bank has been investing heavily in contemporary banking technologies. The Bank uses Flexcube as its main banking platform. Flexcube incidentally has been ranked the number one selling core banking solution globally, and has been embraced by over 500 financial institutions across over 90 countries.

The Bank today has arguably the most diverse, efficient and capable service delivery channels in the Nepali financial services industry. Our 8 physical branches are complimented by an e-Banking suite



that includes SMS Banking, Internet Banking and Debit and Prepaid Cards that can be used in over 50 ATMs and 1000 Point of Sales (PoS) terminals. In the past year we have campaigned extensively to increase the general awareness of internet banking capabilities through our own internet banking product branded as Laxmi iBank. We believe we have increased our lead in this sector by pioneering "SMS Alert" system that enables a customer to receive instant SMS alerts upon any transactions.

The bank is the first in South Asia to have implemented SWIFTNet, the advanced version of the SWIFT technology, which is used for speedy and secure payment and messaging services.

Our Winning Ways

Under a professional management team, the bank has established itself as an emerging key player. Today, the bank is recognized as an innovative and progressive bank geared to providing shareholders and customers with quality earnings and value-added services. Transparency, good governance, and sound business growth are our driving forces.

Our pursuit of excellence has led us to take several unconventional steps, sometimes to the extent of

adopting strategies or introducing initiatives which no Nepali Bank has previously attempted: first corporate merger in the banking sector, largest IPO of the time are some of the examples. We are pleased to have set standards in disclosures and corporate governance for the industry to follow. The Best Presented Accounts awarded to us for the second year in running is a testimony to appreciation of our passion for excellence and our pioneering spirit...We constantly upgrade our risk management standards: the rating of "A" (Highly Secured) awarded by an



international IT audit firm is a good example of how we wish to ensure that we deliver the very best.

Our Mission

Our mission, vision and values are not the sole properties of our leadership, they belong to each and every member of the staff. Our people identify with our business philosophy and have elected overwhelmingly to play their parts to make it a reality. Our mission thus goes as follows:

We are committed to excellence in delivery of entire gamut of financial services in order to achieve sound business growth and maximize stakeholder values by embracing team spirit, progressive technology and good corporate governance.

Our IT capabilities are arguably the best in Nepalese banking industry today, products and services we offer are comprehensive in context of the markets we operate in, we have been recognized for transparency and good governance, we have built a



solid foundation for sound business growth. But we are not done yet, we are only beginning the scratch the surface and we believe we can achieve much more and will continue setting standards.

Our Vision

We aim to be:

- Provider of most integrated financial services
- Key player and a thought leader in the retail financial services
- A bank with the best asset book
- Best IT capability
- Preferred employer in the financial sector

Over a period of time, Laxmi Bank foresees itself to be one of the leading banks in Nepal and eventually a niche player in the South Asian region. We shall achieve our goals through strong management practices, which include professionalism, team spirit, customer focus, technology support, driven and outward looking culture, good corporate governance, individual challenges and empowerment.

Our Values

Our values are built around high standards of good corporate governance. Transparency, professionalism and high ethical tone at the leadership are foundations on which our actions are based. Laxmi Bank's Code of Conduct encapsulates international best practices applicable to Nepali context.

The level of commitment of our people to take Laxmi Bank to greater heights has been a huge catalyst. The team spirit within the organization is something we are proud of.

Our Strategy

At the bank's management conference 2006, we challenged ourselves to step up to 'The Next Level' as our strategic theme for the current year. The strategy was born out of a combination of the

formative years we spent building strong foundations on risk management and the fact that we were during the year allowed full access to the Kathmandu market where more than 70% of the country's economic activity takes place.

The recent political development and the peace that followed offer us hope and reasons to be optimistic. We fully realize that the banking industry's health is directly related to the overall economic condition of the country, notwithstanding the efforts that we take to manage risks and unforeseen events. Against this backdrop we have continued to grow our assets focusing on quality which has at times meant comparatively lower margins.

Along with continuing to build and add to our wholesale banking portfolio we have made conscious efforts towards creating a profitable retail banking segment in order to diversify not only risk but also revenue streams. Bancassurance is one such initiative - we are the first bank in Nepal to offer insurance products to our clientele. We

continue to change the mix of liabilities in favour of longer term stable retail deposits. We have established ourselves firmly as a Bank that chooses quality over quantity and our negligible non performing loans stand testament to this strategy. Little successes we have had over last few years have strengthened our resolve for long term orientation over short term gains.



Brand Laxmi Bank

Identity is formed by an organization's history, its beliefs and philosophy, the nature of its technology, its people, ethics, culture and strategies. We have made great efforts to build and protect the integrity and value of our brand in the marketplace and to ensure that we do our nation proud as its most proficient representative of the financial community. We are pleased to note that our corporate reputation is fast becoming a key source of competitive advantage.

Our Customers

Laxmi Bank's large business borrowers belong primarily to the top end of the market. Majority of the large corporates in Nepal use Laxmi Bank as a major banker for their trade, working capital and project finance needs. SME Cell under the Retail Financial Services unit caters to numerous small and mid-sized business enterprises as well. Our consumer finance clients are mostly salaried professionals and entrepreneurs.

A number of products and services have been rolled out to expand and diversify our customer base. We are particularly enthusiastic about the contribution of our remittances and micro / small business initiatives toward taking our services to the doorsteps of the unbanked. Depositor base is well diversified. Economic entities across the spectrum - individuals, institutions, INGOs, government agencies, private firms use our depository services.

Total stakeholder satisfaction remains our primary objective

The main pillars of support for Laxmi Bank are its customers, regulators, shareholders, employees and our community in general. It is our mission to deliver quality banking service and stakeholder satisfaction. We fully grasp the importance of engaging more closely in customer relations at every level, ensuring satisfactory, sufficient profits and ploughing back the fruits of our business successes back to customers, the community, and shareholders.



Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of Laxmi Bank. Statements that are not historical facts, including statements about Laxmi Bank's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential', 'reasonably possible' and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or future events. Forward-looking statements involve inherent risks and uncertainties, thus readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those stated due to changes in basic assumed conditions.





Customer Service

- Enquiries
- Assessments
- Change Books
- Advice

Products & Solutions

Loans and Advances

At Laxmi Bank, we focus on providing financial solutions rather than disbursing loans. Our efforts to offer tailor-made solutions are supported by the world-class technology platform - Flexcube. The bank is fully committed to be a partner in our customer's growth and believes in adding long-term value for mutually beneficial association.

Laxmi Bank's lending activity is segregated into two business lines: Corporate and Retail with Retail Loans further separated into Consumer and Small Business Banking. Our Corporate Banking services cater to a full range of business needs from infrastructure financing to trade finance products.

The Bank's loan Relationship Managers are trained to understand customer needs and requirements and provide them with matching solutions.

The broad range of credit-related products available includes various forms of working capital loans, mid-term loans to finance capex, bank guarantees, letters of credit, import and export finance, invoice discounting, loan syndications and a full suite of consumer loans. The bank also has a dedicated cell to cater to the SME segment and sees Small Business Banking as a key growth driver within the next couple of years.



Mortgages

The Bank offers a full suite of mortgage products in the form of **Home Loans** to purchase or construct residential properties, **Home Equity Loans** to refinance built up equity, and **Home Improvement Loans** to finance renovations and extensions of existing properties.

In the past year, the Bank introduced a variation to the Home Equity Loans in the form of a Line of Credit which allows the home owner complete flexibility to encash his equity at the time of his choosing. **Home Equity Line of Credit** has received great response from the market.

Mortgages remain the mainstay of our consumer finance portfolio contributing over 75% to the total consumer finance book and around 15% overall. The Mortgage portfolio has witnessed a 100% growth in the last 12 months with delinquency levels below 1% (lagging basis) which justifies the aggressive growth.

Credit Cards

Laxmi Bank is the latest member of Visa International. We believe that our past experiences in managing consumer finance products and portfolios have positioned us to introduce Credit Cards to our customers. We expect this business to be launched in early 2007 and this will further help us in our efforts to offer the most complete range of personal financial solutions and continue to be a retail banking thought leader in the country.



Small Business Banking

We are recognized as a serious player in this segment, mainly through word of mouth advertisement from our customers. There is a team of Relationship Managers especially dedicated to catering to this segment. We believe that our initial investment in creating a Small Business Banking product is paying off. The portfolio has grown above 100% over the past year with extremely satisfying results as far as quality of loans are concerned. Our proactive risk identification and management along with modern credit risk assessment tools in the form of a Small Business ScoreCard has helped in achieving the desired rate of growth.

The Bank is set to make a “Big Business out of Small Business”. We have also made a conscious effort to cater to a special segment of Small Business owners, namely women entrepreneurs and the response on this has been more than satisfying (also refer to article “Laxmi Bank and Women Entrepreneurs” in this report).

The importance that we have placed in this sector is also justified by the fact that Nepal Rastra Bank in association with donor agencies such as the Asian Development Bank is exploring possibilities of opening up access to financial services by the small and micro enterprises. Earlier in the year, we discussed our business models and strategies with LFS Financial Systems GmbH an international consulting firm who conducted an extensive research in this subject at the behest of the ADB. We are privileged to have partnered with the ADB mission and look forward to future initiatives on this front.

We are exploring possibilities of catering to a segment of unbanked businesses and borrowers having borrowing needs for amounts smaller than Nepali banks have hitherto been willing to lend.

Loan Syndication

Laxmi Bank has led a consortium of lenders to finance a prominent shopping mall - the first international style mall in Nepal. This was a significant milestone for our Corporate Banking business as a “coming of age” to be able to manage a complex loan structure involving a number of stakeholders and creditors. The Bank has played active roles in numerous other loan syndications.

Delivery Channels

We continue to be recognized as the industry leader in electronic banking services. Our strong technology and innovativeness are the two factors that drive our e-banking business. We have felt the gradual but a sure shifting of a growing number of banking services "migrating" from branches to alternative channels such as the internet and the ATM. We expect at least 10% of account opening applications to be received through the internet in the next 12 months. This again justifies our initial investments in technology and product development and we believe that the foundations that we have laid will inevitably start to give us the returns in terms of both customer service satisfaction and our bottom line.

Laxmi iBank - complete internet banking

The Internet continues to play an increasingly crucial role in service delivery and even more so in the financial services industry. In developed markets the emergence of Internet banks, which do not have physical office locations, and yet provide full range of banking services via remote access is something we at Laxmi Bank are keeping an eye on. In the past year we have strengthened our position as the market leader in internet banking, in terms of capabilities and the number of customers who conduct their transactions on line.

Laxmi iBank, allows customers to perform a wide range of transactions from the comfort of their homes or offices including, account-to-account fund transfers, account to third party transfers, download account statement, initiation of letters of credit transactions, request for demand drafts etc., etc. Further the bank's tie-ups with leading Nepali shopping portals also continue to witness growth of Online Shopping.

As part of our efforts to increase general awareness of internet banking capabilities the bank is currently conducting a large scale survey intended to understanding customer habits, expectations and their level of comfort in using internet to manage their finances. The results so far indicate growing acceptance of internet banking and we are poised to take full advantage of this trend.





SMS @ laxmibank - SMS Banking

SMS Banking (mobile banking) is another area where we continue to redefine standards for the industry to follow. In early 2006 we introduced SMS Alerts. Now apart from basic functions such as making enquiries and downloading activities/statement through a mobile telephone set, our customers are now able to stay on top of their finances by receiving instant SMS for every transaction made on their account. Till date we are the only Bank to offer this service in the country. A strong USP. An innovative campaign has helped our SMS Alert become a brand in itself. Another step towards taking electronic banking to the next level in Nepal.

Plastic Cards

Laxmi Bank's plastic money, branded as "DhanaLaxmi" comes in the form of Debit Cards and Cash Cards which can be used across a network of over 50 ATMs and 1000 Point of Sale terminals. These cards operate under the network of Smart Choice Technologies, which provides network services to majority of banks in Nepal. Currently with a membership of over 15 financial institutions, the SCT network is a growing company already eyeing access to India in the near future.

We were the first bank under this network to issue prepaid Stored Valued Cards through which non customers of the bank can enjoy the benefits provided by plastic money. We are exploring possibilities of integrating other products and services to our plastic cards through associations with like-minded forward thinking service providers in order to hasten the plastic revolution in the country.

As a member of Visa International, the Bank now has the option offering international cards, prepaid or debit, to our customers. Our association with Visa International will further strengthen our electronic service delivery channels and products.

Laxmi Bank - Express Money Transfer

An estimated 1.5 million Nepalese work in the Gulf and South East Asia as part of the global phenomenon of movement of human capital from developing countries to developed economies. Remittances sent home by this workforce represent have been a mainstay of country's economy for past few years. Laxmi Bank took a strategic decision 2 years back to become a major facilitator in "bringing money home".

Laxmi Bank - Express Money Transfer is the brand name under which our workforce remittance business is conducted.

After extensive research and efforts to overcome a number of hurdles, we were successful this year to commence business from the U.A.E. through our strategic alliance with Wall Street Exchange, a reputed exchange house in Dubai. Under this alliance the bank has a Laxmi Bank service desk which provides financial advisory and remittance services. The bank has since entered into similar tie ups with X-Press Money Transfer, another international remittance company with presence in over 70 countries, with Arab National Bank in Saudi Arabia, a major player in the Saudi - South Asia remittance corridor and a few more in the Gulf region.



On the South East Asia side, we have tied up with Merchantrade Asia, a reputed Malaysian telecommunications service company to bring about a synergy of combining communications and financial services. We expect this alliance to become the major player in the Malaysia-Nepal remittance corridor which will eliminate illegal middle-men (hundi) for the benefit of the worker, his family and the country's economy in general.

As we continue to strengthen our sourcing network, our distribution channel has expanded to over 100 "pay-out" agents spread over the length and breadth of the country. Through Laxmi Bank Express Money Transfer, we expect to serve the "un-banked" segment of the economy, not only by facilitating transfer of money from one end to the other, but also giving the stakeholders access to modern and reliable banking services.



Payment Services

International Payments services are provided in all major currencies through our network of international correspondent banks such as ICICI Bank in India and American Express in the United States. This global network facilitates inward and outward remittances and as a member of the S.W.I.F.T, the bank applies the SWIFT Net correspondence system for speedy, safe and secure payments.

Our strong technology also allows our branch distribution network to remain "on line" which in turn allows a customer of any branch to carry out all transactions from another branch. Local payment services have thus been simple and economical.

Deposits

As a result of changing customer requirement and increasing competition, the bank continues to introduce new and innovative deposit services, especially through various forms of savings deposits.

We recently repackaged our premium savings products and gave it a new look 'n' feel under the name "Orange Savings", after the bank's corporate colour. This is a high end savings account that yields comparatively higher returns along with privileged banking services.

The bank also introduced the "Money Tree" account, a savings account denominated in US Dollars for the benefit of foreign currency earners. The "Money Tree" account is a tier based account with a range of interest rates that increase in proportion to the account balance.

To support our workforce remittances business we also offer a customized savings account called the "Manokamana Bachat" that is in line with the needs of the remitter and the beneficiary back home.

Junior Savings account, introduced last year has been one of the most popular savings products. In terms of numbers, this product has the highest month on month growth rate and we expect our



Junior Savings accounts to develop into long term relationships. In order to stay ahead of the competition, who has since introduced similar products aimed at the same segment, we have been continuously changing and upgrading the features of this account. With the bank's foray into Bancassurance business, we are now in a position to offer a long term financial solutions and advices to the parents/guardians in terms of planning their children's future, especially in relation to their future education expenses. Our selection of child insurance policies offers a tangible value addition to this product and we expect this portfolio to be a major contributor to our savings portfolio.

Our Student Savings account campaign reads "smart students don't just take notes, they save them". We repackaged and reintroduced our student savings account during the year with satisfactory results. The account features have been designed to offer easy terms and conditions for the students to meet, such as "zero balance" accounts and free e banking services. This is not expected to become a major portfolio in terms of volume, however the core idea

is that such accounts will help introduce young men and women to the concept of banking and also embed a sense of fiscal responsibility in them.

The bank's Payroll Management entails managing and disbursing salaries of the employees of various organizations. This service comes with a host of premium benefits to the employees of these organizations. A good number of prominent businesses and institutions use Laxmi Bank's payroll management services. ePayroll, the online version of Payroll Management has been very well received by the market.

Apart from savings deposits, the bank has continued to grow its longer term liability portfolio in the form of term deposits with maturity of 1 year and above. Through these deposits, we have been able to strengthen our relationship with prominent institutions of the country:

Citizens Investment Trust is a government of Nepal entity that is authorized to accept retirement funds from employees of government, public and private organizations. Contributions to the CIT fund come with tax benefits for salaried individuals. Through special arrangement with CIT, the contributions to CIT can be made directly through bank branches and counters which has simplified the entire payment mechanism. The bank currently accepts funds in the "CIT Employee's Savings Growth Scheme Retirement Fund" and the "CIT Insurance Fund".

The bank is today one of the major fund managers for Nepal Army peacekeeping missions deployed under the United Mission peacekeeping mandate around the world, from Africa to Lebanon. As trustees of the fund, the bank ensures that funds yield high returns and also manages payment to 800+ servicemen serving under each mission. Further the bank is also amongst the approved financial institutions where the Nepal Army invests its welfare funds on a long term basis.

Wealth Management Services

Market Makers

Laxmi Bank is authorized to operate as a market maker for issuance and purchase of government bonds through the primary and secondary market. The country has however yet to develop a more robust and mature 'bond' market.

Bancassurance

Laxmi Bank pioneered the concept of Bancassurance in Nepal in October 2006. Under the present regulations, the bank distributes life insurance products of all major insurance companies in the country. The bank has been licensed by the insurance regulatory board of Nepal, the Beema Samiti.

We view Bancassurance as a win-win situation for all 3 stakeholders; our customers are able to apply for and receive insurance coverage through their bank branch with simplified premium payment options directly handled by the bank on their behalf, the insurance companies have direct access to our customers to increase their own business and revenue and Laxmi Bank is now able to offer longer term financial solutions that help maintain life-time relationships with our customers.

We expect the market to follow our lead which in turn will help accelerate development and awareness of benefits of insurance amongst the growing number of middle class Nepali household. It is our belief that the synergy of banks and insurance companies will help the end consumers the most.

Laxmi Bank presently distributes products of Life Insurance Company Nepal, Nepal Life Insurance, Rastriya Beema Sansthan and Nepal Life Insurance Company.



Sandook - Safe Deposit Lockers

The bank offers custody services in the form of safe deposit lockers under our brand name "Sandook" (treasure chest in Nepali). We offer safe deposit lockers in different shapes and sizes in 3 branches. These lockers are designed to provide utmost physical security along with privacy and convenience of access.

Branches

Bricks and Clicks is a phrase that we have used over and over again this year. Whilst we continue to develop our e banking capabilities and create general awareness of benefits of internet banking and the like, we have been busy opening branches in different corners of the country at the same time.

Our Biratnagar Branch, the eastern financial capital of the country was opened in November 2005.

We established the Retail Financial Services Centre & Pulchowk Branch in Lalitpur marking our second branch inside Kathmandu valley in September 2006. This branch incidentally boasts of one of the largest banking halls in the country.

We established a branch in Narayangarh, Chitwan a key city-junction that links Kathmandu with rest of the Nepal (even the world) in November 2006.

Last but not the least we opened our 3rd branch inside Kathmandu at Teku in December 2006.

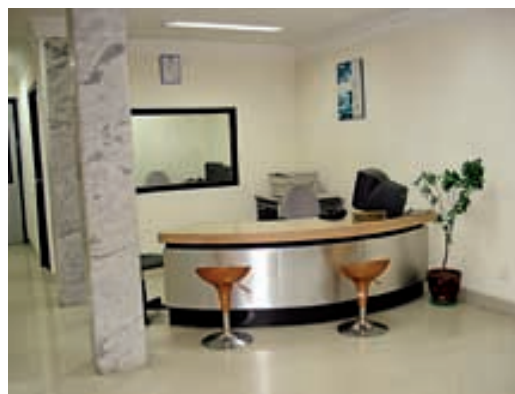
We now have a branch distribution network spread over 8 strategic points that compliments our wide range of services and electronic delivery channels. The recent political changes and possible end of insurgency and conflict gives us reason for hope and optimism - as a result we expect to continue expanding our 'bricks and mortar' branches.

Doubling the number of our branch network is a part of the "expansion" mode Laxmi Bank has entered into. Although 5 years is a short history as far as banks go, we believe that we have laid a strong foundation in terms of brand, technology, risk management and a pool of experienced human resources during this period and now are poised to leverage on this to expand our distribution footprints, products and services.

Our strategy of expansion also includes non traditional bank branches in the form of self service kiosks. Although we think that the Nepali market is not yet 100% ready for this concept, we have already set an example through our self-service terminal adjacent to our Pulchowk branch which has an ATM and an internet banking kiosk. Improving infrastructure (business complexes, communication standards and costs) as well as improving sophistication of the Nepali consumer gives us enough reasons to pioneer yet another concept in retail financial services.



Narayanghat Branch



Pokhara Branch



Banepa Branch

Communications

Laxmi Bank views imparting effective communications related to banking, financial and general economy as a serious and natural responsibility of a quality conscious financial institution. In order to fulfil this responsibility we publish the following:

Our efforts at building a strong communication culture start at home. We believe that we have one of the most vibrant office intranet system that we call “*Makuri*” (*spider web*). Makuri is the internal communications portal – the lifeline for our employees. Makuri consists of both formal (Circulars, Manuals etc.) and informal (Staff Birthdays, Comics/Cartoons, Pictures etc.) sections. Further Makuri has sections where staff can share success stories, raise new ideas on products or processes, cost saving initiatives and a general discussion forum in line with our communication culture where all employees are encouraged to stand up and openly and honestly “speak their mind”.

Laxmi Bank Newsletter is a trend setting monthly newsletter (currently being produced and distributed in electronic version) that covers business and economic briefs and financial indicators, local and international. With a number of banks following suit and producing similar Newsletter, access to financial information by the average man has never been better! All issues of our Newsletters have been archived and are available in our website.

Laxmi Bank Treasury Bulletin is a weekly bulletin that disseminates important information related to treasury and fund management, including economic and foreign exchange trends



and outlooks. This Bulletin is produced in-house by the bank's Treasury Dealers using their experience and expertise. This Bulletin is subscribed to by major corporate and business houses to help them make informed decisions.

We recently published the 4th issue of Spark – Laxmi Bank magazine. Spark has been a natural progression from the Laxmi Bank Newsletter and celebrates the spirit of Nepali entrepreneurship and sharing of best practices. Each issue of Spark has its own theme. Spark is designed for light and relaxed reading on “business, lifestyle and financial” issues.



Chairman's Statement

On behalf of the Board of Directors of Laxmi Bank, I am pleased to welcome you to the Sixth Annual General Meeting. Notwithstanding the volatile political scenario created by political instability, armed conflict, historical people's movement and the transition that ensued, your bank has carried its image as a professional, progressive, dynamic and robust bank that has achieved a balanced growth in its deposit base and risk assets. There has been a remarkable growth in the bank's profits thanks to its prudent risk management practices, development of human resource and strengthen internal audit system. Given the progress made by the Bank in spite of the adverse economic situation, I am confident that our shareholders and investors are excited about the Bank's future.

As you are aware, your bank was awarded the 'Best Presented Accounts' by ICAN in the FY 2003/04. On account of adoption of international best practices, commitment towards good corporate governance and presentation of attractive annual report, your bank received this award for the second consecutive year for transparency, good corporate governance - this is an important milestone in the overall progress of the Bank.

You are well aware of that our corporate office and branch has been providing full fledged banking services since November 2005. Subsequently, our fifth branch became operational in the industrial city of Biratnagar. In the current fiscal year, 2 more branches have been opened and operated in Pulchowk, Lalitpur inside Kathmandu and in Narayanghat of Chitwan. We are working on opening our 8th branch in Teku, Kathmandu in the near future. We will continue to expand our branch network in coming days in order to generate more business for the Bank.

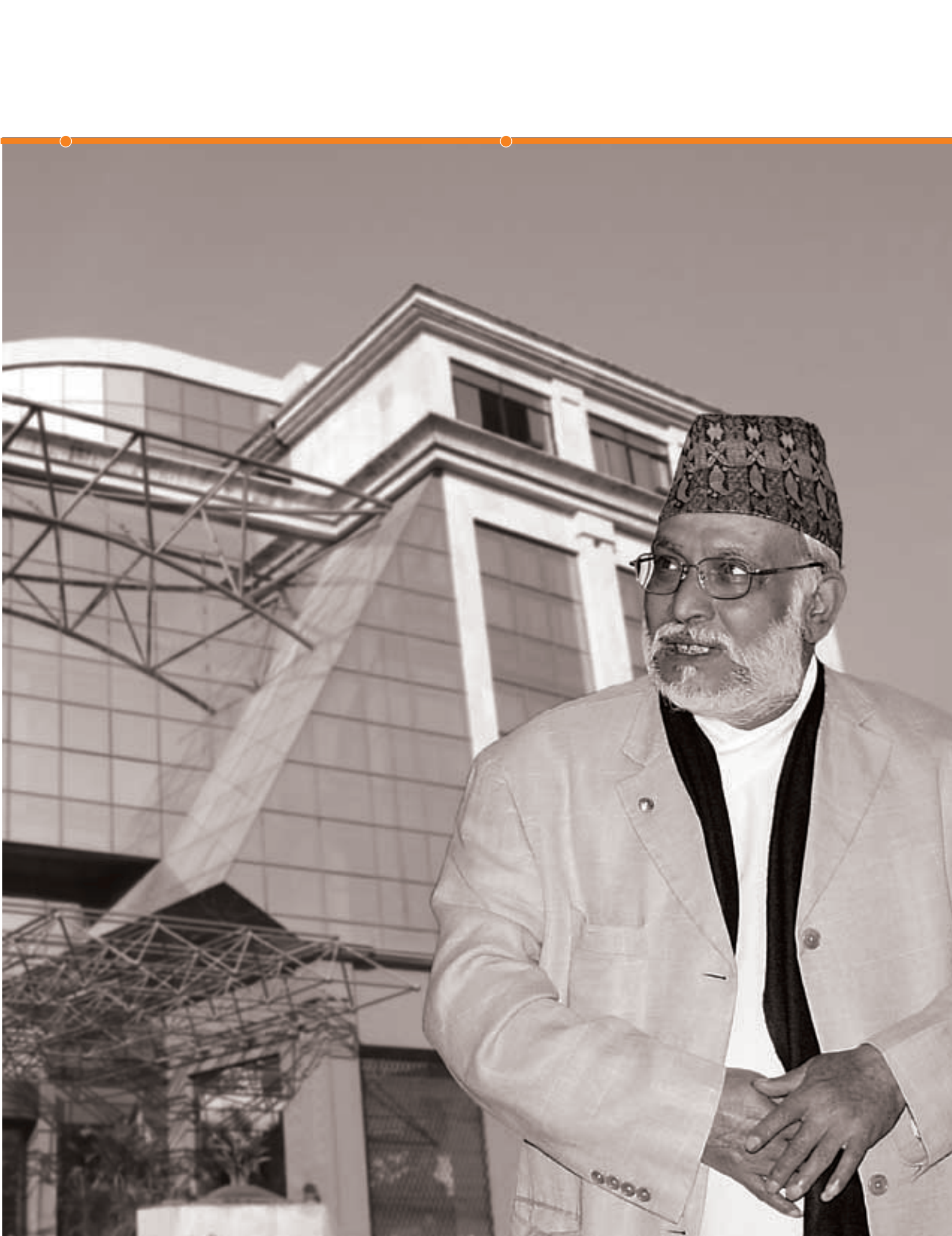
In pursuit of growth in fee based business, your Bank is making preparations to launch international credit cards. Similarly, the Bank has launched Laxmi Bank Express Money Transfer system to provide remittance services from Malaysia and the Gulf region.

Your Bank is committed to increasing the equity capital in accordance with Nepal Rastra Bank directives. A proposal for increase in issued and paid up capital is being tabled in this general meeting itself.

We shall identify and implement all worthwhile ideas and new programs for revenue growth and in order to establish Laxmi bank as a leader in the Nepali banking sector.

Finally, I would like to extend gratitude to Nepal Rastra Bank for the continuous support and encouragement we continue to receive and also to our respected shareholders and investors for showing deep trust in Laxmi bank. I would also like to thank all our customers for your patronage and for helping us get where we are today. Last but not the least, I would like to appreciate the management and employees of Laxmi bank for the hard work and the commitment shown to achieve the goals set by the Bank.

M. G. Khetan, Chairman
November, 2006





BIRATNAGAR BY NIGHT: Laxmi Bank's Biratnagar branch is the eastern regional hub providing full fledged financial services – ranging from corporate banking services to some of the country's largest corporate and manufacturing establishments to a growing retail segment with a rising demand for mortgages and small business solutions fueled by rising middle class and workforce remittances.



Directors' Report

Respected Shareholders,

This report reviews the Bank's activities during the year 2005/06 along with progresses, achievements and challenges and plans for future. This report has been prepared in compliance with the provisions of the Companies Act, Banking and Financial Institutions Ordinance / Act and applicable Nepal Rastra Bank Directives.

You are aware that the economic progress during 2005/06 was unsatisfactory. Political instability prevailed for most part of the year. Whilst the historic peoples' movement and its success have sowed the seed of hope and optimism for peace and stability, the situation remains fluid and we have a long way to go before we achieve a lasting peace and stability. Despite unfavorable conditions, your Bank has achieved an impressive growth in business and also established itself as an established and progressive bank through professionalism and good governance.

Review of Bank's Operation

Your Bank has been re-registered with Nepal Rastra Bank as a Class "A" financial institution as per Banking & Financial Institutions Act and provides an

entire range of financial services applicable to Nepali market.

We believe that the above financial highlights will give you a clear picture of the progress made by the Bank during the fiscal year.

In the face of the competitive environment within the Nepalese banking sector, your Bank has made efforts to carve its own niche and become a key player. Since its inception your bank has been able to create its own image in terms of technological superiority, effective credit risk management, commitment to good corporate governance and internal control systems. In the coming days, your bank is geared to meet the challenges and competition within the financial services sector on the strength of its strong values and good governance.

Key Financial Highlights

Figures in NPR Millions

PARTICULAR	15/7/2005 (31/3/2062)	16/7/2006 (32/3/2063)	%GROWTH
Paid up capital	609.84	609.91	0.01
Net Worth	603.09	649.05	7.62
Deposits & Borrowings	3,070.45	4,474.11	45.72
Risk Assets	2,726.14	4 280.11	57.00
Investments	478.96	579.81	21.06
Operating Profit	50.09	75.15	50.03
Net Profit	26.46	35.39	33.75
Provision for Loan Loss	68.18	77.74	14.02

Services and Activities

Laxmi Bank has rolled out a range of banking products and services to meet the customer requirements. Apart from various loans and deposit products, your Bank provides various treasury related and foreign exchange services applicable to the Nepalese market. The Bank provides a host of other services like networked ATMs, mobile banking service using Short Messaging Service (SMS) facility, Dhana Laxmi ATM/Debit Card and PoS terminals. We have been a prominent player in consumer finance market, particularly in the home loans segment.

Increasing number of Nepalese are going abroad in pursuit of employment and statistics reveal that remittances sent back by the workers have played an important role in sustaining our economy during past few years. In light of this, your Bank has seconded an officer to an exchange house in the UAE. This is an important beginning in our efforts to channelise remittance money officially and to become a key player in this business.

Representation

We received approval to convert our Hattisar office into a full-fledged branch and the corporate office in October 2005. Subsequently, we also opened our new branch in Nepal's second largest city, Biratnagar.

The opening of the two branches has helped in bringing down the cost of fund and also minimizing concentration risks.

Current year's progress and the future plans

Figures in NPR Millions

S.NO.	PARTICULAR	17/10/2006 (31/06/2063)
1.	Deposits	5,337.84
2.	Risk Assets	4,754.33
3.	Investments	459.67
4.	Operating Profit (Cash)	21.17
5.	Operating Profit (Accrual)	38.20
6.	Provision for Loan Loss	83.28

Effects of national and international situation on the business of the bank

The year 2005/06 proved to be challenging due to unfavorable political and economic situation in the country. This period saw the success of people's revolution in the country, which gave a new hope for peace and stability but the political situation remains fluid. However, your bank has been able to move forward with a sound business growth.

In the international market, the increase in the price of petroleum products has had its effects on inflation and interest rate regime. Nepal being a small and open economy, international developments do impact our economy and the banking industry. In light of Nepal having acquired WTO membership, it becomes imperative for the Bank to formulate appropriate and effective policies and action plans to tackle issues of globalisation.

The last 3 years have seen tremendous increase in world production and its major contributors have been neighboring countries, India and China. Due to internal conflict and political instability, Nepal could not take advantage of this global economic impact, however, the country did benefit from an increase in the demand for its manpower in the regional market. This in turn helped the nation to counterbalance the ill effects of the prevailing political conditions to a great extent. Since the last several years, the national economy could not gain momentum and this directly affected the banking sector, which too was moving at a slow pace but the recent positive developments in the political arena have enlivened the hopes and spirits of the banking service sector, which is expected to do greater business than was anticipated.

Your Bank opened its sixth branch at Pulchowk in Lalitpur within the premises of Lalitpur Bishalbazaar Multicomplex in August 2006. This branch will also serve as the Bank's Retail Financial Services Center.

The seventh branch was opened in Narayanghat in District Chitwan in September 2006. We are on the verge of on opening our 8th branch (3rd inside Kathmandu valley) - this will be in Teku.

Expansion win branch network is expected to increase our transactions generally and deposit mobilization in particular.

Laxmi Bank has been awarded the 'Best Presented Accounts for the year 2004-05' for the second consecutive year by ICAN. The Bank received this prestigious award for presenting another exceptional Annual Report. The Bank's international operating models have yet set an example of good corporate governance thereby promoting higher standards in Nepal.

We have tied up with a company in Malaysia to handle remittances originating from Malaysia. This business is expected to commence in next few months. Laxmi Bank is constantly exploring possibilities to expand its geographic coverage of remittance transactions. A web-based software branded "Laxmi Bank express Money Transfer" has been developed inhouse and implemented to support our initiatives in this business.

With a view to expanding our revenue streams and also to expand our product range, we have obtained an associate membership Visa International and will be launching Visa Credit Cards that will be valid in several places of Nepal and India within next few months.

Changes in the Board of Directors

Mr Viswanath Sharma who represented Citizen Investment Trust was replaced by Mr Nandan Hari Sharma.

The Board of Directors appointed Mr. Sambhu Prasad Acharya from among the panel of experts approved by Nepal Rastra Bank.

We are grateful to Mr Vishwanath Sharma for his contributions towards the consistent growth of the bank. We welcome Mr Nandan Hari Sharma and Mr. Sambhu Prasad Acharya and are confident that their extensive experience and expertise will further contribute towards accomplishment of our mission.

Dividend

Whilst the Bank achieved satisfactory sustainable growth in profitability within a short span of 4 years of its operation we have retained the profits made during the fiscal year 2005-06 in order to meet regulatory requirement with respect to capital requirement.

Before the merger, dividends distributed by Hisef Finance Limited remained unclaimed by 624

Share Ownership by Directors, Promoters and Key Executives

S.NO.	NAME	NO.OF SHARES	DESIGNATION
1.	Mohan Gopal Khetan	60,000	Chairman
2.	Chandra Prakash Khetan	10	Director
3.	Gopi Krishna Sikaria	375,000	Director
4.	Madhusudan Agrawal	27,680	Director
5.	Nandan Hari Sharma/Vishwa Nath Sharma	NIL	Directors
6.	Bhola Babu Adhikari	3,000	Director
7.	Rakesh Kumar Adukia	NIL	Director
8.	Ratan Lal Shanghai	525,000	Advisor
9.	Narendra K. Basnyat	160	Advisor
10.	Suman Joshi	3,960	CEO
11.	Bhuwaneshwar P.Shah	3,800	Company Secretary
12.	Bhubal Rai	3,960	Chief Internal Auditor
13.	Ajay Bikram Shah	490	Head-RFS

shareholders; amount aggregated was NPR.149,435/- . The position as on 17 October 2006 is: 618 shareholders, NPR 142,610/-.

Forfeiture of Shares

The Bank has not forfeited any shares till now. Before the merger, the shareholders who held shares in either of the two companies and have not made full payments have been duly notified. We shall pursue an appropriate course of action within the end of this financial year if these payments remain outstanding. Subscribed but partly unpaid shares aggregated NPR 90,000/- as on 16 July 2007.

The Bank has not entered into business relationships with its board members or management executives or their relatives for their individual interests. There is no outstanding amount due from any of these members.

The bank has not bought back its own share till now.

Management Expenses

Following is the total management expenditure incurred during the current fiscal year.

Figures in NPR Millions

	AMOUNT
Employee expenses	37.64
Office operating expenses	50.12
Total management expenses	87.76

Report of the Audit Committee

Following is the constitution of bank's current Audit Committee :

- | | |
|---|-------------------|
| (1) Director- Mr. Madhusudan Agrawal | Chairman |
| (2) Director- Mr. Gopi Krishna Sikaria | Member |
| (3) Chartered Accountant- Mr. Kishor Banskota | Member |
| (4) Chief Internal Auditor- Mr, Bhubal Rai | Ex-Officio Member |

During the fiscal year 2005-06 the Audit Committee held 11 meetings. Meeting fees aggregating NPR132,600/- were paid to the committee. Ex-officio member is not entitled to any meeting fees.

The Committee has functioned as per the Terms of Reference and in compliance with the regulations set for banking and financial institutions. Numerous internal audits were carried out covering different areas of the Bank and the reports were reviewed in detail by the Audit Committee. Based on these audits, a number of recommendations were made for action by the Management and the Board. Notable among these was the need for an independent / external audit of the IT Department. We are pleased to advise you that such an audit has since been concluded and your Bank has been awarded a rating of "A" - Highly Secured by an international auditing firm.

Remuneration Paid to Board / Committee Members, Management Executives

Summary of amount disbursed towards the salary, allowance and facility given to Directors, Chief Executive Officer and promoters during the fiscal year 2005-06.

No salaries are paid to board members. The above include reimbursement of monthly mobile phone expenditure of NPR 2,000/- and local air fare for attending Board Meetings. A proposal has been put forward through memorandum and article of association for reimbursement of the actual airfare travel expenses and airport tax for Directors who come from outstations to attend the Board Meetings and it is requested that such expenditures may be approved.

Summary of the remuneration paid to management executives.

S.NO.	DESIGNATION	SALARY/ALLOWANCE
1.	Chief Executive Officer	5,560,987.45
2.	Company Secretary	1,188,861.71
3.	Executives	9,326,476.98

S.NO.	NAME	DESIGNATION	AMOUNT
1.	Mohan Gopal Khetan	Chairman	105,000/-
2.	Bhola Babu Adhikari	Director	86,000/-
3.	Chandra Prakash Khetan	Director	154,000/-
4.	Gopi Krishna Sikaria	Director	150,000/-
5.	Madhusudan Agrawal	Director	130,000/-
6.	Rakesh Kumar Adukia	Director	46,000/-
7.	Nandan Hari Sharma	Director	22,000/-
8.	Vishwa Nath Sharma	Director	52,000/-
9.	Narendra K. Basnyat	Advisor	78,000/-
10.	Ratan Lal Shanghai	Advisor	142,000/-

The Chief Executive Officer and Company Secretary are not entitled to meeting fees for their participation in Board Meetings or any other meetings.

Amendment to Memorandum and Articles of Association

As per the Banking and Financial Institutions Ordinance / Act and subsequent re-registration of your banking company in compliance with the Nepal Rastra Bank's Directives, amendments to the Memorandum and Article of Association are necessary. The proposed amendments have been circulated to you and have been proposed for approval by this in the general meeting.

Communication with Shareholders

Laxmi bank clearly recognizes the importance of transparency and accountability to all its stakeholders, particularly its shareholders and investors. In this regards, the bank releases annual

reports, quarterly reports and other such appropriate and relevant information about the bank's operations using different channels on a timely basis as well as through bank's website www.laxmibank.com. The bank encourages all its investors and other individuals to participate in the Annual General Meeting, which is an open forum for interactive discussion.

Finally, we express our gratitude to our valued shareholders, customers, regulators and auditors for their support and cooperation. The management team and the members of staff deserve a special appreciation for their efforts and commitment.

Thank you.

On behalf of Board of Directors

M G Khetan
Chairman
November, 2006



POKHARA BY THE LAKE: Laxmi Bank's Pokhara branch located at New Road Pokhara caters to a wide range of customer segments, from the biggest business and commercial establishments to SMEs and a large number of British Gurkha Soldiers and their families who call Pokhara their home.



Corporate Governance

Laxmi Bank's Commitment

Laxmi Bank stands committed to an open and transparent governance process that gives its shareowners and other stakeholders the assurance that the bank is being managed ethically in compliance with best practices and all applicable legislation and predetermined risk parameters, and is also adding value to and protecting the bank's investment.

The Board of Directors remains steadfast and committed in ensuring that the best practices in Corporate Governance are well applied across Laxmi Bank. The Board wishes to not just comply with, but rather exceed mandatory requirements in terms of the extent and timeliness of corporate disclosures and financial reporting.

Board of Directors

The Board of Directors of Laxmi Bank places a high priority on internal controls and the manner in which the Bank is managed and led. The Board is committed to reviewing and updating the Bank's corporate governance structures and makes every effort to set the highest standard in Nepal. The Chairman ensures that all directors are able to contribute to a good governance of the Bank in accordance with their respective capabilities. The Chairman also ensures that the Board is in complete control of the Bank's affairs and is fully cognizant to Bank's obligations towards the shareholders, depositors and other stakeholders.

The Board of Directors, led by the Chairman operates with the objective of delivering sustainable value to all shareholders. Whilst the day-to-day management of the bank is delegated to the management team, the Board retains to itself approval of pertinent matters including annual plans, performance targets, large value loans, policy matters, acquisitions and disposals of assets above predetermined thresholds and any substantial

change in balance sheet management policy. The directors constantly scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

All members of the Board are in capacity of non-executive directors / advisors. The current Board members bring in a range of skills, experiences, knowledge and independent judgment. The public shareholders are represented in the Board by 2 directors elected during the fourth Annual General Meeting. Likewise, Citizen Investment Trust has appointed one director to the Board. A Professional Director was also appointed to the Board with effect from 17 July 2006 in compliance with the provisions in the Bank & Financial Institutions Ordinance / Act.

Each member of the Board, along with the staff and the CEO, has observed in spirit and in word the Central Bank's directives on corporate governance. All directors are registered as taxpayers and none of them has defaulted in payment of loans to a banking company or a financial institution. Each member of the staff has also signed a comprehensive code of conduct and an oath of secrecy.

All key policy guidelines have been approved by the Board and put into practice for day-to-day functioning of the Bank. These policy guidelines are subjected to regular reviews on an on-going basis to account for changing environment. The Board also reviews and approves Strategic Financial Plans (Budgets) and monitors performance against Budgets. Financial performance of the Bank is reviewed on a monthly basis.

The Board of Directors consider it a prudent and desirable practice that the position of Chairman should be separated from that of the CEO and has accordingly segregated these two functions by having two distinct persons in these two positions in order to ensure the balance of power and authority.

Board Meetings

Board meetings are held regularly, once every month on an average, whereby reports on the progress of Laxmi Bank's business operations and deliberations of Board Committees are tabled for review by members of the Board. At these Board meetings, the members of the Board also evaluate business propositions and corporate proposals that are to be approved by the Board owing to statutory requirements, or possible significant financial impact on the Bank.

All directors receive written notice and a comprehensive package of relevant information prior to each board meeting in order to ensure that they are informed in advance of the issues to be considered. The agenda for every Board meeting, together with management reports, proposal documents are furnished to all Directors for their perusal in advance of the Board meeting date, so that the Directors have ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision making.

Senior management executives are invited to attend Board meetings as and when required in order that they provide the Board with professional opinion and advice, and clarify issues that may be raised by any Director.

The Directors are regularly updated and advised by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors, including policy guidelines issued by Nepal Rastra Bank. All directors have access to the advice and services of independent professionals if deemed necessary.

Remunerations of the board and board committee members are approved by the annual general meetings. Remuneration of a board member is currently restricted to meeting fees and fixed monthly reimbursement of telephone bills. Amount paid by the Bank to the Board and Board Committee members during 2005/06 aggregated Rs 1,023,000/-. Sitting fees are not paid to Company Secretary and management executives.

During the last financial year, the Board held 13 board meetings and one annual general meeting. Details of the board meetings held during the fiscal year 2005/06 along with the attendance of the directors of your bank at various meetings are as follows:

S.N.	DATE OF MEETING	NUMBER OF BOARD MEMBERS	ATTENDANCE	
			NUMBER	PERCENTAGE
1	25th July, 2005	8	7	88%
2	25th August, 2005	9	8	89%
3	19th September, 2005	9	9	100%
4	6th October, 2005	9	8	89%
5	25th October, 2005	9	7	78%
6	25th November, 2005	9	9	100%
7	26th December, 2005	9	6	67%
8	2nd January, 2006	9	7	78%
9	23rd February, 2006	9	8	89%
10	1st April, 2006	9	8	89%
11	15th May, 2006	9	9	100%
12	14th June, 2006	9	8	89%
13	10th July, 2006	9	7	78%

- A total of 13 Board meetings were held during the financial year.
- Board members include directors, advisors & observers.
- The annual AGM of the bank was held on 26th December 2005 at Birgunj.
- Representative from CIT was sent for 12 meetings only. Mr. B. N. Sharma attended 8 meetings and Mr. N.H. Sharma attended 3 meetings.

Attendance by each director at the Board Meetings held during the financial year are as follows :-

NAME	NUMBER OF MEETINGS ATTENDED	% OF ATTENDANCE
Mr. Mohan Gopal Khetan	13/13	100%
Mr. Bhola B. Adhikari	13/13	100%
Mr. C.P. Khetan	11/13	85%
Mr. G.K. Sikaria	13/13	100%
Mr. M.S. Agrawal	11/13	85%
Mr. B.N. Sharma	8/9	89%
Mr. Rakesh Adukia	5/13	38%
Mr. N.K. Basnyat	11/13	85%
Mr. R.L. Sanghai	13/13	100%
Mr. N.H. Sharma	3/3	100%

Board Committees

The Board currently consists of eight members including one professional director and all are in non-executive capacity. The directors have access to the advice and services of the Company Secretary.

The oversight functions of the Board of Directors are performed through its various committees. Presently, there are 3 Board Committees:

- Credit Committee
- Remuneration Committee
- Audit Committee

Audit Committee

With growth in the Bank's business and appetite for quality lending business, it is imperative that the Board assumes a proactive role in the Bank's credit management process. The Board achieves this goal through a credit committee comprising of 2 non-executive board members, the CEO and upto 2 senior managers. Other members of the board and / or external specialists / consultants are invited as and when appropriate

The committee meets as and when necessary to review, discuss, deliberate and/or decide on strategic and policy related aspects of the Bank's credit management process. The objective is to assist the management team in creating a high quality credit portfolio and to maximize returns from risk assets. The emphasis is on value addition. The committee operates within and upholds the Credit Policy Guide. The Committee met 11 times during the year 2005/06.

Remuneration Committee

The Remuneration Committee comprises of 2 non-executive directors and has been entrusted with the following responsibilities:

- conduct annual performance review of the CEO, Company Secretary and any senior executive with direct / dotted line reporting to the Board.
- recommend to the Board on specific adjustments in remuneration and/or reward that reflect their respective contributions for the year.
- review and recommend adjustments in meeting fees / reimbursements to the members of the board and board level committees.
- assess and recommend to the Board on appointment / selection / re-appointment of CEO, Company Secretary and any senior executive with direct / dotted line reporting to the Board, upon vacancy or expiry of their respective terms.

The Committee meets as and when necessary.

Audit Committee

The directives of Nepal Rastra Bank and the relevant Company legislation govern the formation and functioning of a board level Audit Committee.

Laxmi Bank has formed an active Audit Committee with a view to carrying out the following functions:

Functions of Audit Committee

1. Provide assistance to the Board in fulfilling its responsibilities relating to accounting policies, internal control, financial reporting and business ethics policies.
2. Oversee the Bank's financial reporting process and ensure correct, adequate and credible disclosure of financial information.
3. Review with the Management quarterly financial statements with special emphasis on the accounting policies and practices, compliance of accounting standards and other legal requirements concerning financial statements.
4. Review and approve annual audit plan with consideration of scope and coverage over the activities of the respective business areas of the Bank. Also review the Internal Audit's basis of assessment and risk rating of the proposed areas of audit.
5. Review the findings of the internal audit department into matters of fraud & irregularities (if any) or failure of internal control system and suggest strengthening of control mechanism. Monitor the follow ups of such findings.
6. Interact with Statutory auditors before the finalisation of the annual accounts and audit report, focusing on the changes in accounting policies and practices. Review the draft Management Letter (for any qualifications therein) and the management response to such qualifications.
7. Review with the management the performance of statutory and internal auditors and adequacy of the internal control system.
8. Recommend to the Board and to the Shareholders a suitable accounting firm to Act as the Bank's Statutory Auditors.

The committee ensures:

- effective internal control and risk management mechanisms are in place across bank's operation
- bank's regulatory compliance obligations are met
- a high standard of corporate governance is observed across the bank
- a comprehensive audit plan appropriate to the size of bank's business is formulated and implemented

- integrity of financial data released to the board and external parties
- appropriateness of accounting policy in relation to bank's activities
- periodic review of bank's audit policy

The Committee uses bank's audit policy, NRB directives, Basel Committee stipulations and other international best practices as the parameters for its own functioning and is fully committed to inculcating a compliance-oriented culture.

Composition of Audit Committee

The Audit Committee has been appointed by the Board from amongst the Directors. The Committee has three members: two non executive directors and one independent Chartered Accountant as an outside expert in order to reinforce objectivity and effectiveness of the audit mechanism. Senior members of the management including the CEO are invited on a need basis.

During the year 2005/06, the Audit Committee met 13 times.

Amit Garg has been replaced during the current year by Kishor Banskota, Chartered Accountant, following completion of former's tenure.

It is a policy of Laxmi Bank that Audit Committee members are not members of any other board level committee or executive management.

The Committee has unrestricted access to members of the management, staff and any records / information etc. that it reasonably may require to carry out its responsibilities. The Committee can liaise with external auditors including a review of audit findings. The Committee is also responsible

for recommending appointment, re-appointment, termination and remuneration of external auditor(s).

Internal Audit Department

The Board has approved a charter (Audit Policy) on the Bank's Internal Audit. The charter isolates and insulates the Internal Audit Department from the control or influence of the Executive Management and also frees staff within the internal audit unit from operational and management responsibility that could impair their ability to make independent reviews of aspects of the bank's operations. Under the charter, the Internal Auditor reports directly to the Audit Committee which is chaired by a non-executive director.

The Internal Audit Department has thus been established as an *independent, objective* assurance and consulting unit designed to *add value* and improve an organization's operations under the direct supervision of the Audit Committee. It has been designed to help the Bank and accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, *control*, and *governance* processes.

Internal Audit Department has the following functions:

- Review of Accounting & Internal Control systems
- Examination of financial and operating information (including detailed testing of transactions & balances)
- Review of the Economy, Efficiency and Effectiveness of operations
- Review of compliance with external and internal requirements (e.g. laws and management policies)
- Special Investigations
- Provide independent advice to the Audit Committee

MEMBER		POSITION	MEETINGS HELD	MEETINGS ATTENDED
Madhusudan Agrawal	Non Executive Director	Chairman	13	10
G K Sikaria	Non Executive Director	Member	13	9
Amit Garg	Chartered Accountant	Member	13	11

Statement on Internal Control

Laxmi Bank Board of Directors acknowledges its responsibility for maintaining a sound system of internal control to safeguard the shareholders interest and the Bank's assets. The Board is committed to maintaining an adequate control structure and environment for proper conduct of its business. The Board understands and appreciate that following are the principal responsibilities of the Board on risk and internal control:

- i. Timely identification of the principal risks.
Ensure the implementation of appropriate control system to manage those risks.
- ii. Review the adequacy and integrity of internal control system of the Bank

The system of internal control covers, inter alia, adherence to bank's policies, safeguarding of the bank's assets, prevention and detection of fraud and errors, accuracy and completeness of accounting records and timely preparation of reliable financial statements.

The Board is committed in improving the effectiveness of internal control, risk management and governance process. However, no system is fool proof and it should be acknowledged that the systems in place are designed to mitigate and manage rather than completely eliminate risks against material misstatement, loss and fraud.

Internal Control Environment

The Bank has an in built internal control system with well defined responsibilities at each level which has set the tone of an emerging successful bank. The control environment has provided discipline and structure to different facets of the bank's activities.

Recognising the significance of control environment the Bank has instituted the following;

- Appointment of Board committees with written terms of reference, which have been delegated with specific responsibilities. These committees have the authority to examine all matters within the scope of responsibility and report back to the Board with recommendation for decisions.
- Establishing the 'General Authority Schedule (GAS)' which has set the limit for operating and capital expenditure for each level of management of the Bank. GAS is regularly reviewed and revised to ensure its effectiveness.
- Procedures in the management of the business affairs of the Bank have been structured. Such procedures are reviewed and revised as and when necessary.
- Code of conduct has been instituted to ensure that the Bank's employees are of high integrity and ethical values.
- Job descriptions defining each task and competency required at all management levels have been formalised. A robust Performance Appraisal system has been in practice to assess the staff performance. Skill, knowledge and abilities of the staff have been enhanced through training and development activities, which will enable them to operate and monitor the system of internal control effectively.
- Budgetary System is used to measure and monitor the Bank's performance against the strategic plans approved by the Board, covering all key financial and operating indicators. A detailed budgeting process is established encompassing all key operating activities to prepare budgets, which are discussed and approved by the Board. Effective monitoring system is in place to compare actual performance against approved budget and to follow up on the significant variances.
- Availability of fully computerised system has allowed the management to focus timely on the areas of concerns through the system itself. Checks have been in built in the system itself for the integrity of the data and consequently the MIS.
- Review of internal control has been carried out on regular basis by the Internal Audit department, which is independent of the management. Results of such reviews are directly reported to the Audit Committee.
- During the past year, risk focused internal audit has been introduced in the Bank's audit system. The work of the internal audit department is based on areas of priority as identified in the risk assessment exercise and in accordance with the annual audit plan.

- Operational risk department within the management structure has been functioning effectively for the assessment and management of risks in varying degree and levels.
- Credit Risk Unit, independent of business targets, ensures appropriate levels of due diligence on all credit exposures.
- Audit Committee holds regular meetings to deliberate on the findings and recommendations of the auditors, both internal and external, for improvement of internal control system and reports back to the Board.
- Internal control weaknesses identified during the financial period under review have been addressed by the management. None of the weakness has resulted in any material loss that would require disclosure in the financial statements.
- Disaster Recovery Plan has been established to ensure restoration and continuity of operation in the event of major disaster or incident which threatens the existence of the business or its ability to operate.

Compliance

Compliance is a proactive function, focused on raising awareness about relevant issues throughout the bank. Laxmi Bank has set up an independent compliance unit within the Operation Risk Department and has unrestricted access to the Chief Executive Officer. It is a part of the bank's risk management framework and its purpose is to complement the Internal Auditor in ensuring that the bank continuously manages its regulatory risk, i.e. the risk that the bank does not comply with applicable laws and regulations requirements.

Communication with Shareholders

Laxmi Bank has over 10,000 institutional and individual shareholders. We clearly recognize the importance of transparency and accountability to all our shareholders and investors. We aim to keep our stakeholders fully informed through extensive disclosure of appropriate and relevant information using different channels on a timely basis. A key channel of communication with shareholders and

investors is the annual report. The contents of the annual report are well beyond the minimum legal and regulatory requirements. In addition, being a financial institution, Laxmi Bank prepares its financial statements in accordance with Nepal Rastra Bank's guidelines and Nepal Accounting Standard, in respect of the format of financial statements of financial institutions, which require a significantly higher level of financial information disclosure as compared to a non-financial institution. As such, there is a greater level of disclosure of financial statement information by Laxmi Bank.

An important forum for communication and dialogue with shareholders is the annual general meeting of the bank, whereby shareholders are accorded both the opportunity and time to raise questions on the agenda items. The Bank's policy is to make constructive use of its annual general meeting. At the annual general meeting of Laxmi Bank, the Chairman and the board members present a comprehensive review of the financial performance of the Laxmi Bank which is deliberated upon by the shareholders present during the meeting. The Chairman of the Audit Committee is present in the meeting together with the External Auditors to provide clarification to any issues raised by the shareholders. All resolutions are put to the house for vote to ensure that shareholders views are reflected.

Laxmi Bank also conducts media briefings on a regular basis to keep the market informed about its activities, products and services.

Quarterly financial results of Laxmi Bank are published in national newspapers for review by all stakeholders and interested parties.

Corporate information is easily accessible on Laxmi Bank's website: www.laxmibank.com

Going Concern

The Board of Directors confirms that the Bank is a going concern and has adequate resources to continue in business. Therefore, the Bank prepares

its final statements on the basis of a going concern. A full Directors' Report is presented in this report.

Human Resource Management

All appointments to the Bank staff are made in line with a comprehensive HR Policy Guide that seeks to ensure that well-structured, transparent performance-driven HR practices are in place. Objective periodic performance appraisals are central to Laxmi Bank's HR management system. This HR management system ensures that the management team has the necessary skills and experience to perform their functions effectively in the best interest of the Bank and that there are sufficient parameters to monitor and evaluate their performance.

Human resource strength (regular, full time) as on 16th July 2006 was as under:

	MALE	FEMALE
Executives	10	2
Supervisors & Officers	29	8
Assistants & Support	34	23
	73	33

Remuneration paid to the executives during the year 2005/06:

	CEO	EXECUTIVES (ASST MANAGERS & ABOVE)
Basic Salary	2,289,375.00	4,460,431.24
Allowances	3,042,674.95	5,608,864.33
Provident Fund	228,937.50	446,043.12
Total Number	1	11

Allowances include Dashain, medical, mobile phone, house rent, vehicle repair & maintenance, and leave fare payments. All members of the staff are covered under Group Personal Accident insurance. Gratuity is paid to employees having completed 3 years' regular full time employment, upon severance.

Development of all employees is a critical component of the bank's broader approach to corporate governance. The bank has an affirmative

action programme to achieve and create employment equity in the workplace through training, mentoring and development of all staff. 39 employees received various banking and management related trainings conducted by external agencies in Nepal and abroad. A robust inhouse training programme is in place and employees regularly undergo job related trainings designed to enhance efficiency.

A management level HR Committee comprising of senior executives is involved in all key decisions on employee HR management. This committee meets at least every fortnight to review and decide on HR related issues.

Ethics

The bank subscribes to its own Code of Conduct - "Code Orange", drawn along international best practices. Code Orange governs the bank's conduct regarding relationships with authorities, clients, competitors, employees, shareholders, suppliers and the community. It also covers workplace standards, and adherence to practices that avoids conflict of interest of employees at Laxmi Bank towards the bank. The bank has appropriate procedures and mechanisms in place to ensure all elements of the Code are met.

Code Orange commits management and employees to high standards of ethical behaviour in their dealings with each other and the bank's stakeholders. Failure to maintain ethical standards may result in disciplinary action. Employees of outsourced functions are also required to comply with the principles of the Code.

Corporate Social Responsibility

Development of a more formal approach to Corporate Social Responsibility builds on a tradition in the Bank of recognizing that being a good corporate citizen goes beyond stating our business principles. Laxmi Bank has been involved in various activities aiming at giving back to the stakeholders and the community. Some of these are detailed in this report.

CEO's Perspective

Reaching Out

4 years of existence, 8 full service branches, access to the largest network of ATMs and payment terminals, 100 plus distribution agents across nooks and corners of the country..... our drive to reach out to economically active sections of the community continues.

'Bricks and Clicks' has been the strategy for expansion of our touch points. New branches commissioned during last 12 months are strategically located. A few more are slated for opening in the near future. A strong network of remittance partners at home and abroad enables us to serve the unbanked through a host of services including micro and small business loans. Our leadership position in e-banking has been further consolidated during the past year. Around 25% of our customers now access us through the internet and mobile phones. Efforts at inducing wider usage of the electronic delivery channels will continue.

The past year saw us expanding our reach in terms of products and solutions as well. Some of our offerings like junior savings and the mortgage loans have been very successful. We pioneered bancassurance services; we shall be launching credit cards in the near future. It will be our ongoing endeavour to innovate and add to our product suite.

Wider access and more products have enabled us to register an all-round growth in business during the past year: our customer base has increased substantially; the risk asset book has almost doubled since the end of 2004/05. We look forward to building on this momentum as our country braces for lasting peace and economic prosperity.

Our pursuit for growth is accompanied by a serious focus on quality as is evident from our NPA level which

is the lowest among all banks in Nepal. A smaller margin is a price worth paying for a healthy asset portfolio. Given our investments in the IT infrastructure and emphasis on technology driven solutions, we have had our IT systems audited independently and have been rated a 'highly secured' bank.

'Laxmi Cares' has come of age and is already a robust CSR movement driven jointly by the Bank and our employees with a view to giving back to the community through various initiatives and projects.


As we reach out in more ways than one, I am particularly moved by the grit and commitment of my colleagues in meeting the challenges of growing rapidly. The investors have overwhelmed us with their confidence and faith in us. Regulators and our customers deserve our special gratitude for their continued guidance and patronage. I am ever thankful to the Board of Directors for the space and unstinting support.

With the widest array of services, delivery channels and strong fundamentals, we are poised to achieve much more in the years to come. As much as we are excited about the prospects we have created for ourselves, we are pleased to have raised the bar and set standards in a number of aspects in the commercial banking arena. We call upon the banking community, particularly the new entrants to embrace and uphold prudent banking fundamentals. It is our conviction that banking is a long-term business and there are no short cuts.

We will take the high road.



Suman Joshi, Chief Executive Officer

A low-angle, black and white photograph of a man in a plaid jacket looking up at a modern glass skyscraper. The building's facade is composed of a grid of glass panels, reflecting the sky. The man is positioned in the lower right foreground, looking towards the upper left. The sky is filled with soft, diffused clouds. The overall mood is one of aspiration and growth.

*Wider access and more products
have enabled us to register an all-
round growth in business during the
past year: our customer base has
increased substantially; the risk
asset book has almost doubled since
the end of 2004/05.*

Financial Review

Operating Results

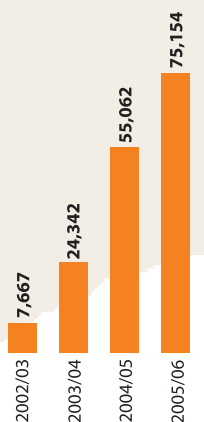
	NPR ' 000			
	FY 2005/06	FY 2004/05	FY 2003/04	FY 2002/03
Interest Income	319,253,094	214,132,108	124,045,956	49,787,203
Interest Expenditure	190,589,535	118,438,529	63,176,634	20,095,665
Net Interest Income	128,663,559	95,693,579	60,869,322	29,691,538
Non Interest Income				
Fee Income	15,038,886	14,136,407	11,299,424	4,261,960
Exchange Earning	9,426,234	5,770,043	6,076,125	4,533,830
Other Income	9,788,554	7,597,365	1,026,245	895,650
Operating Income	162,917,233	123,197,394	79,271,116	39,382,978
Other Expenses				
Employee Expenses	37,640,491	29,933,955	19,198,174	14,394,389
Overhead Expenses	50,122,992	37,122,391	35,729,976	17,321,898
Bad Debts Written Off	1,124,256	1,092,094		
Operating Profit	75,153,750	55,048,955	24,342,966	7,666,691
Non Operating Expenses	9,695,168	9,088,866	55,247	-
Loan Loss Provision	9,558,719	5,502,776	9,749,860	6,518,217
Profit Before Tax	50,635,660	36,779,374	13,084,073	1,033,627
Profit After Tax	35,385,333	26,464,785	10,449,665	1,033,627

Profit for the Year

Laxmi Bank achieved an operating profit of NPR 75.15 million in the F.Y. 2005/06. Profit after Tax was NPR 35.38 million. Profits were in line with management's expectations and represent the banks' continuing steady growth.

During the year, operating profit grew by 50% as compared to previous financial year. The principal growth area in the operating income has been through the increase in Net Interest Income (NII). Intense competition has brought about a drop in overall yield on risk assets to 8.3% p.a. as compared 8.8% p.a. previous year. Drop in yield is an industry phenomenon. Lower yield is also a reflection of the Bank's continued focus on the top end of the market where the risk profile is better. Such a conservative approach was necessary due to adverse economic situation prevalent during the year.

In general, there has been satisfactory growth in all revenue streams: NII by 34%; Fee & Commission by 6%; Exchange Income by 63% and Other Income by 29%. NII continues to occupy a major share of the income portfolio of the bank at 79%. Though there has been a growth of 52% in Earning Assets, NII grew by 34% which is attributable to a further squeeze on interest spread by 0.95% as compared to previous year as our non interest bearing deposit declined from 16% to

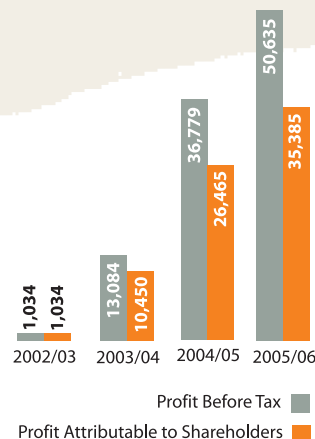


Operating Profit

3% in the year under review. CD ratio as on year-end was 96%, up from 89% in previous year. A higher CD ratio is primarily a year-end phenomenon and also a reflection of comfortable liquidity in the market.

Fee Income (Commission & Discount) contributed about 15% to the total income. This item witnessed an increase due to increased bonding and remittance transactions. Loan Processing Fee has been an important source of fee income as well and helped compensate to some extent for lower yield on risk assets. Exchange Earning was 6% (4.5%) of the total income. The growth, albeit marginal, was a result of increase in trade and remittance business. Over the last 4 years, non-interest income to total income has hovered around 21 to 25%. In the coming years, the bank shall strive to increase this ratio, by tapping the remittance business, improving trade finance business and earnings made through technological based services.

Operating Expenses include Employee Expenses, Overhead Cost, Computer Cost and Bad Debts Written Off. Operating Expense to Operating Income is high at 54% as the Bank has made large investments in infrastructure and systems geared to handle significantly larger business volumes. During the year there was an increase in employee cost in absolute terms mainly on account of regular increment of salaries and allowance and recruitment of 37 new employees to support network expansion and business growth. The Bank has already opened 3 new branches and a few more are in the pipeline. With increased footprint and access to more markets, the Bank expects to achieve economies of



Net Profit Before/After Tax

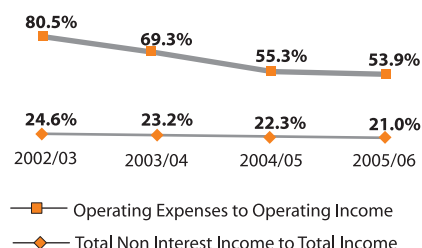
scale therefore lower cost of operation and ultimately improved profitability.

Non-Operating Expenses primarily comprises of amortization of Goodwill of NPR 9.1million. The Goodwill of NPR 45 million was created following merger of Laxmi Bank with Hisef. The charge for bad and doubtful debts was NPR 9.56 million, which was NPR 4.06 million higher than in the previous year. Loans of NPR 1.1 million were written off during the year under review - all related to the loan portfolio inherited from Hisef. On the other hand, significant recoveries have been made on account of Hisef loans fully provided for, written off or converted into non banking assets. Net impact of the merger to the operating result during the year under review was positive.

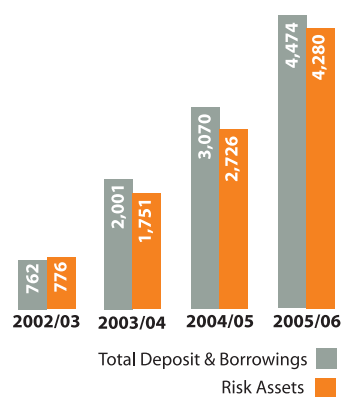
Shareholder Ratios

Profit after Tax in the review period has been NPR 35.4 million as compared to 26.5 million in the previous year. Bank's capital adequacy ratio in the fiscal year 2005/06 was 14.96%, as against 20.88% in previous year indicating that the bank is tapping its potential to grow.

Although, the earnings reflect a moderate rate of return, there is an increasing trend for return on equity. The market sentiment towards the Bank has been generally positive as reflected in the rise in the market value of shares by 29% compared to previous year. Shareholders' wealth increased during the year as the market capitalization rose from 1,738.5 million to 2,244.8 million.



Cost Income Ratios



Growth of Risk Assets & Deposits & Borrowings

Deposits

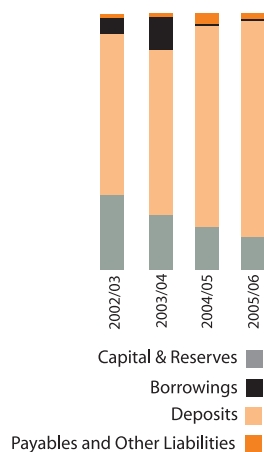
Volume of deposits increased by 45.6% as compared to previous year. Deposits comprise of non-interest bearing current and margin deposits, and interest bearing deposits in the form of savings (various types), fixed and call deposits. Fixed deposits contribute 60% to total deposit volume. A number of initiatives at introducing innovative schemes and a full access to Kathmandu market since the middle of the year under review have resulted in the Bank's savings deposit portfolio increasing by 23%. Junior Savings has been a very successful savings product which we believe has created a good base of long-term customers for the Bank. Super Savings - a premium product has been popular as well and provides a strong base to our savings portfolio. This product has been re-launched during the current year as Orange Savings.

As on the year-end of 2005/06, maximum deposits placed by a single unit or group of customers aggregated 9% of our total deposits. Such concentration was 16.29% in previous year. The Bank's reliance on large depositors has thus been lessened significantly.

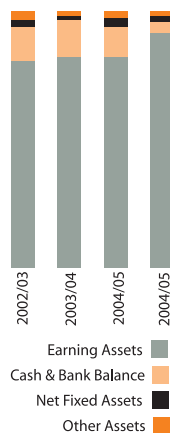
Assets

The asset base of the bank has increased by 47.8%. Contribution to the increase in asset is due to the increase in interest earning assets by 51.3 per cent and a net increase in Fixed Assets by 281.2 per cent. The increment in Fixed Asset is largely due to the ownership transfer of land and building, situated in Hattisar, Kathmandu, which was taken over from Hisef and also through acquiring of a land at Birgung Dry Port area for future branch prospect. Other Assets

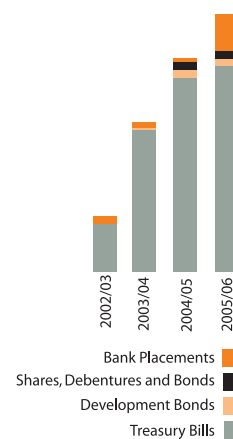
ASSETS	2005/06	2004/05	2003/04	2002/03
Loans & Advances	4,280,106,038	2,726,143,794	1,750,928,956	775,942,995
Investments	509,809,255	421,457,614	295,106,298	110,914,040
Money at Call	70,000,000	57,505,376	100,000,000	-
Total	4,859,915,293	3,205,106,784	2,146,035,254	886,857,035



Liabilities Composition



Asset Composition



Investment

primarily consists of Goodwill of Hisef absorbed in the Balance Sheet at the time of the merger, Deferred Expenses related to Software Cost and other IT related costs and Accrued Interest on Loans.

Interest Bearing Assets

Interest Bearing Assets

During the year, the earning assets base of the bank has increased by 52%. The major increase is seen in loans and advances.

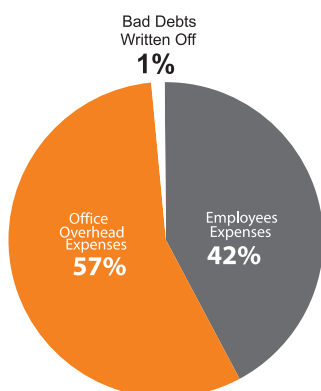
LOANS DISTRIBUTION

	NPR IN '000
Overdraft	580,707
Term Loan	884,502
Export/Import Loan	679,289
Short Term/Demand Loan	1,356,032
Auto Loan	190,199
Home Loan	542,731
Personal Loan	44,640
Others	2,007
Total	4,280,106

Loans & Advances

Laxmi Bank follows a strategy of building a diversified and low risk asset portfolio and limiting or correcting concentrations in particular sectors.

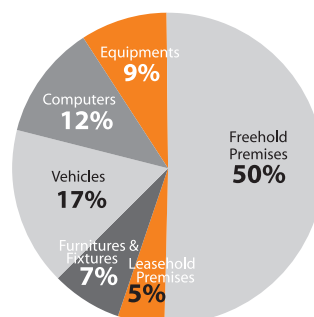
	2005/06	2004/05	2003/04	2002/03
Letter of Credit	405,875,959	93,485,578	198,329,492	50,897,625
Guarantees/Bonds	108,280,637	113,638,211	74,843,184	23,095,059
Bills Under Collection	36,631,155	6,153,680	53,926,019	400,000
Acceptance and Endorsement	22,756,505	10,476,850	21,596,764	2,779,778
Others	61,897,543	1,410,000	-	-



Expense Breakup

Currently, maximum exposure concentrated on a single unit or group is 3.51% of total loan portfolio. Retail loans comprise about 18% of our risk asset portfolio with the rest flowing into SMEs and corporate entities.

All credit exposures are classified as per Nepal Rastra Bank's guidelines into performing and non-performing assets. Non-performing assets are further classified into sub standard, doubtful and bad loans. The Bank has made additional provisions (i.e., more than required per Nepal Rastra Bank) against specific under-performing assets where it was considered necessary by the management. Non performing loans aggregated 0.78% of the loan portfolio as at the year end (break up: 0.06% sub-standard, 0.10% doubtful and 0.62% bad loans). Major portion of non-performing loans (NPR 33.5 million) relate to accounts taken over from Hisef post the merger and are sufficiently



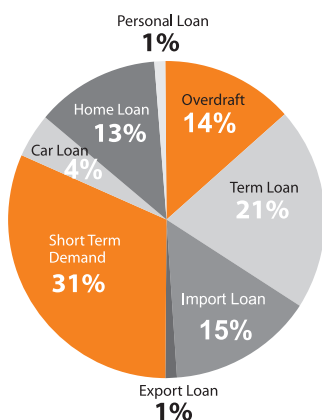
Fixed Assets (Gross Value)

provisioned against. Performing loans increased by 58.35% over last year. Loans of NPR 1.124 million have been written off during the year - also related to Hisef portfolio.

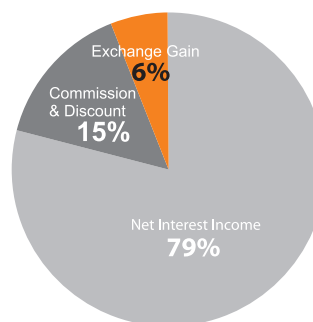
Investment increased by 21 per cent against the previous year. 80% of the current investments are made in government securities and remaining as equity investments and bank placements.

Contingent Liabilities

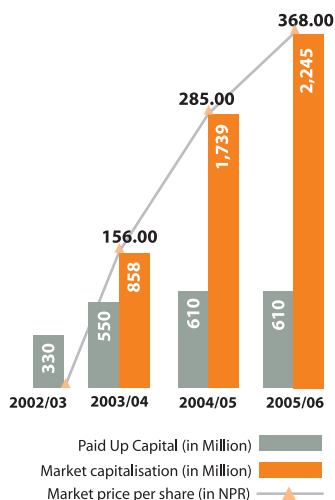
Total contingent liabilities stood at 635.44 million. Trade business registered a good growth overall. Other contingent liability includes outstanding forward exchange contracts of 55,462,500, dispute income tax liability of 1,661,043 (inherited from Hisef), unpaid shares in investment of 447,000 and liability on account of construction contracts of 4,327,000 (branch premises).



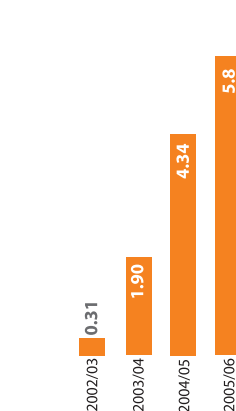
Loans & Advances



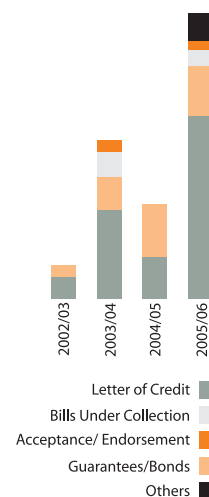
Income Breakup



Shareholders Earnings



Earnings Per Share



Contingent Liabilities

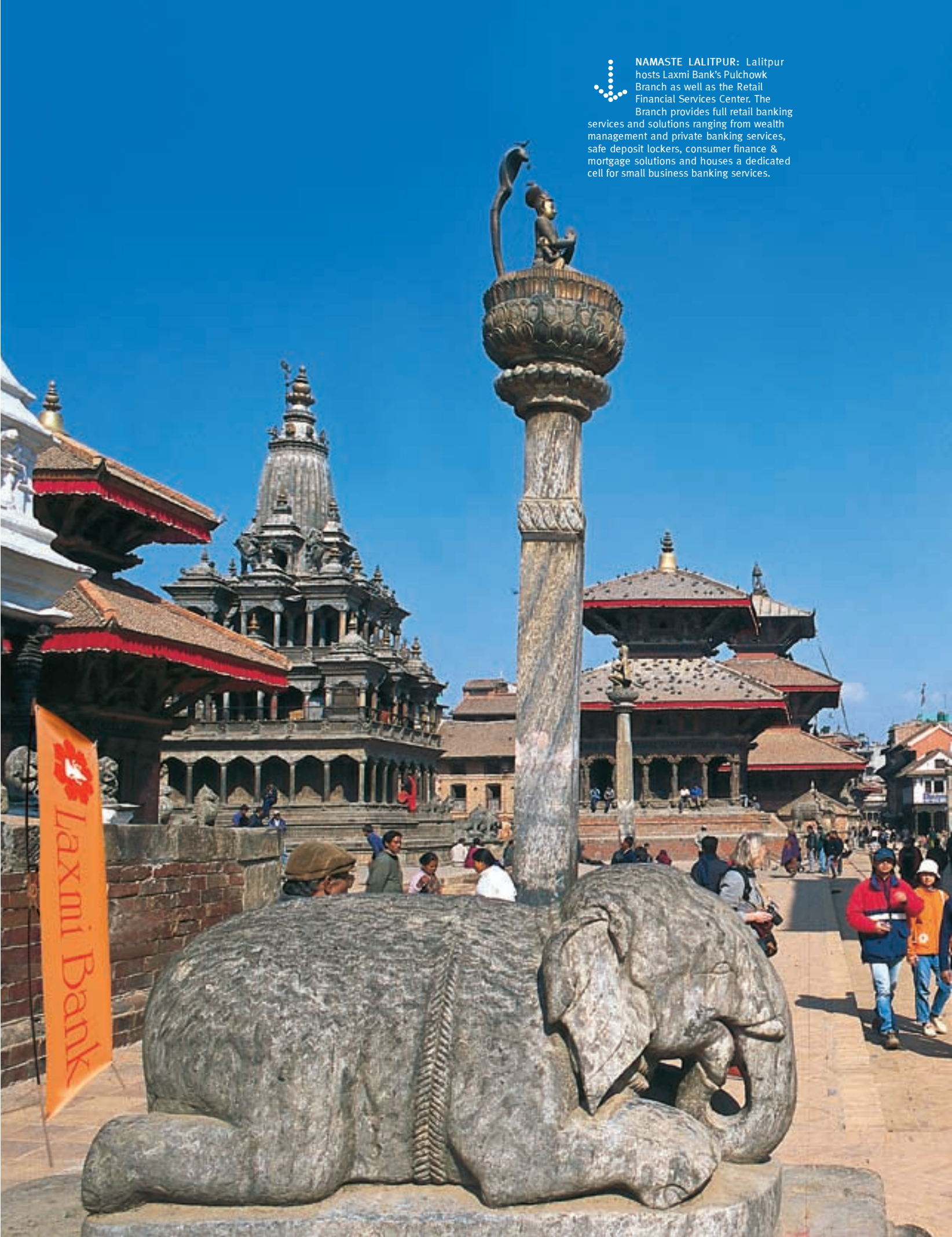
Key Financial Indicators

The following key ratios compared with the previous year (s) are indicatives of financial status of the Bank (Extracted from Long Form Audit Report of FY 2005/06 by TR Upadhyay & Co):

S.NO.	PARTICULARS	FY 2005-06	COMMENTS
1	Earning Per Share	Rs 5.80	This indicates that the Bank is earning Rs 5.80 for each share of Rs 100 invested by the shareholders. This ratio has increased by 33.64% compared to the previous years ratio as a result of increase in net profit of the Bank. Although the ratio does not reflect a sound rate of return it definitely shows an increasing trend of return on equity compared to previous years.
2	Interest Income/Loan & Advances	8.30%	Rate of return at 8.30% is considered very good in the current market. The return decreased by 0.56% over previous year.
3	Interest Expenses on Total Deposits and Borrowings	5.05%	Interest expense on total deposits and borrowings is 5.05%, which gives a spread of 3.24%, which is considered reasonable in the current scenario of the country.
4	Adequacy of Capital Fund on Risk Weighted Assets		This ratio judge the adequacy of capital fund with the risk assets of the Bank, are in compliance with NRB requirements & also signifies that Bank is having significantly higher capital than needed and will help the Bank to grow further.
	Core Capital	13.71%	Decreased from 19.45% in the previous year.
	Supplementary capital	1.25%	Decreased from 1.43% in the previous year.
	Total capital Fund	14.96%	Decreased from 20.88% in the previous year mainly due to increase in risk weighted assets.
5	Liquidity (CRR)	5.67%	This is in line with the norms of NRB.
6	Non-performing Credit/ Total credit	0.78%	Decreased from 1.63% in the previous year.
7	Return on Shareholders' Equity	5.21%	Increased from 4.11 % in the previous year.
8	Price Earning Ratio	63.44	Decreased from 65.69 in the previous year indicating higher return on share.



NAMASTE LALITPUR: Lalitpur hosts Laxmi Bank's Pulchowk Branch as well as the Retail Financial Services Center. The Branch provides full retail banking services and solutions ranging from wealth management and private banking services, safe deposit lockers, consumer finance & mortgage solutions and houses a dedicated cell for small business banking services.





Risk Management

In the course of business, all financial institutions are exposed to a number of risks, including credit risk, market risk, operational risk, and system risk. Against the background of financial liberalization, increasing globalization, and the growing sophistication of financial engineering, customers' transaction needs are becoming increasingly diverse and sophisticated. These factors mean that the various forms of risk are emerging.

During the year, we further strengthened the control and monitoring of the various types of risks to which our business is exposed. Our internal and external auditors performed regular audits during the year to assess adequacy and effectiveness of controls for major risk areas and to ensure compliance with the Bank's policies and procedures.

Credit Risk

Laxmi Bank is well geared to identify, assess and manage any probability of default by borrowing clients. A well-documented, comprehensive Credit Policy Guide is in place, which reflects long-term expectations and represents a key element of uniform, constructive and risk-aware culture throughout Laxmi Bank. This credit policy defines risk parameters and is periodically reviewed to account for changing operating environment and industry behaviour.

Understanding our customers and proactive relationship management are fundamental aspects of our credit practices. Comprehensive credit evaluation mechanism is in place to ensure that sound understanding of the customer is acquired and take informed lending decisions. Background research and detailed risk analysis as well as assessment of future cash flows are carried out to ensure that the lending is need based and cash flow driven. Each lending relationship is appropriately risk graded to reflect the degree of the risk being assumed. The credit risk grades are reviewed on ongoing basis and are used as the basis for

formulating relationships and business strategies. Laxmi Bank's post-disbursal credit management entails strict compliance with internal and external directives, regular review of exposure, both at account and portfolio levels. Timely detection of early warning signals is the primary objective of tools such as credit risk rating, periodic analysis of the client performance, industry analysis etc. Credit portfolio monitoring in terms of business segment, exposure to single client or group, type of credit exposure etc, is carried out on a monthly basis. A credit sub committee comprising of senior managers meets every fortnight to review and discuss the Bank's credit aspects. The credit committee comprising of non-executive board members and senior management further reviews credit portfolio and industry concentration aspects regularly.

A significant portion of the Bank's credit exposure is either backed by tangible securities or is short-term trade related. The Bank's exposure on business and consumer credit currently stand at approximately 79% and 21% respectively. A dual approval mechanism is in place for all credit proposals and all credits in SME and Corporate segments need to be additionally approved by a credit risk executive independent of business targets.

The Bank has standard procedures for Credit Approval, which is documented in Credit Policy in order to mitigate possible risk to the bank. The credit approving procedure is as follows:

- Proposal for loans are originated from the branches and the case presented in the standard Credit Application document. These proposals are escalated to the officer with discretions to approve credit through the credit chain that usually comprises of the sales and relationship point, independent credit risk manager and the approvers.
- Credit Approval Discretions (CAD) is delegated to selected officers and loans are approved in accordance to the discretions. CADs are delegated to individuals with adequate professional experience and integrity.
- The Bank has established product papers for various types of loans, which contain the procedures, to be followed for loan processing, which is mandatory.
- A comprehensive scoring model for small business credits has been developed and rolled out.
- The Bank has standard procedures for credit review and monitoring systems, which is documented in Credit Policy Guide. The policy stipulates the frequency and procedures for credit review and monitoring. The Bank reviews and monitors credit through diary notes, visit reports and irregularity reports with respect to the management of excesses, overdue payments of principal or interest and past due bills and deficiencies identified therein reported to credit chain.

The bank carries of one of the lowest NPA levels: 0.72% of Total Loans & Advances as on 16 July 2006 - NPAs largely are attributable to the risk asset portfolio taken over from HISEF. Sufficient loan loss provisions - in fact in excess of the levels prescribed by the central bank - are held against the NPAs.

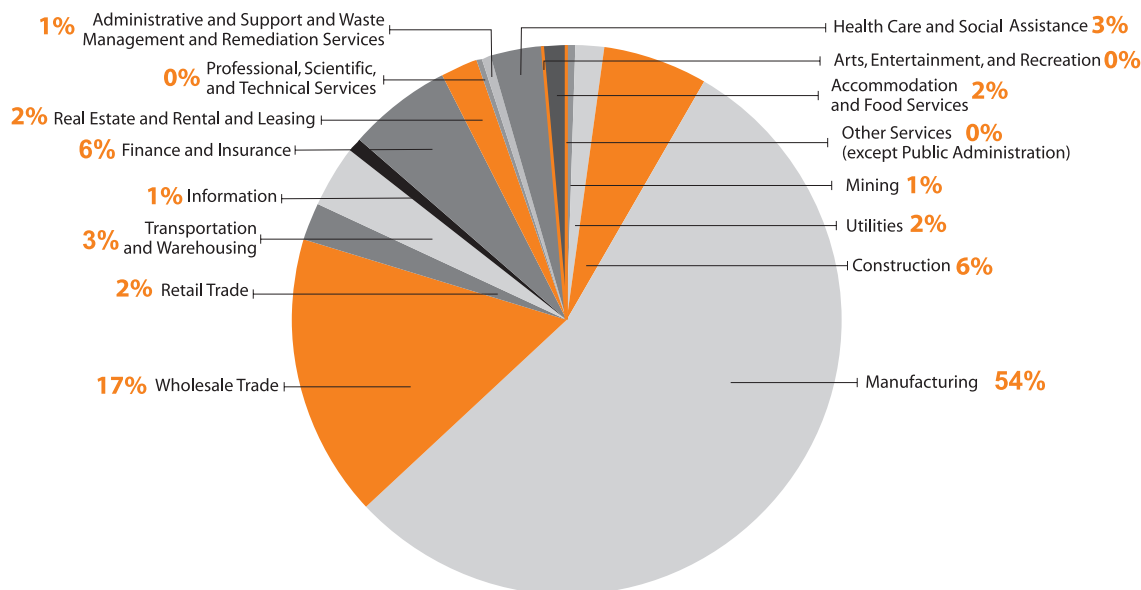
Operational Risk

Operational risk is attributed to unexpected losses due to human error, flawed business practices, natural or other disasters, technological failures and unanticipated changes in external factors. Operational risk is inherent in all business activities. Whilst operational risks can never be eliminated, they can be managed, mitigated and in some cases insured against to preserve and create value.

Laxmi Bank manages operating risks through standardization of internal processes and monitoring mechanisms. Data security, dual control, periodic departmental reviews are some of the tools that have been implemented. Periodic staff trainings and continuous business process re-engineering/re-structuring are conducted.

An internal audit team conducts review and audit of the branches and departments to ensure that laid down procedures are followed and relevant directives complied with. A full fledged Operations Risk team is in place to strengthen operational risk

Summary of Sector Wise Loan Portfolio (Business Loans Only) as on 16 Jul 2006



management efforts. This team not only ensures compliance to all regulatory legal requirements but also enhances various operations and process manuals on a regular basis and conducts in-house trainings on an ongoing basis.

Business Continuity and Disaster Recovery Plan

It may not be always possible to run the business as usual. There could be circumstances beyond the bank's control, which compel the bank to suspend or temporarily close down the operation in order to avoid untoward incidents and to protect Bank's interests and safety of all. Such circumstances include strikes, riots, natural disaster, civil unrest, forced closures, imposition of curfew, security threats etc, which disrupt the Bank's business.

Failure to recover business operations in a timely manner could result in our inability to process transactions for a period of time. This could have a serious adverse impact on the business, through compensation claims against the Bank, inability to manage the Bank's market position, loss of customers or damage to the Bank's reputation.

In keeping with this, a detailed document encompassing entire gamut of issues related to resumption of the bank's operations with a minimum interruption in the aftermath of such emergency situations has been put in place. Based on this 'Business Continuity Plan' each department in the bank has been given specific instructions to ensure uninterrupted operations or resume operation with a minimum disruption. Under the BCP a Crisis Management Team, headed by the CEO, has been formed to oversee the aspect of these continuity plans.

Laxmi Bank is constantly following up to protect its information resources and computer systems. Various security measures are being undertaken by the bank to safeguard the computer system of the bank. Multiple layers of security, as per available international best practice, have been applied to the Bank's online banking system to ensure secure transactions. Computer systems are supported by high-end world-class database. The main banking platform (flexcube) is rated as one of the best in

the world today. A comprehensive IT Policy is in place, which covers data centre operation, hardware, network security and computer system related issues. A robust and interactive intranet is operational which is used for information and knowledge dissemination and management.

The Bank has established a 'Disaster Recovery Plan' specifically to the recovery or replacement of hardware, critical systems applications with data restoration, on any computer platform together with connectivity between the various system components. Back up of the Banks data is taken at regular intervals and is maintained off site. A full fledged DRP site has been established at a branch other than the one where the regular data centre is housed. Laxmi Bank is capable of resuming its operation within minutes of should our main office suffer a major physical damage. The Bank also carries out mock drills to test the back up systems.

Assets and Liabilities Committee

Due to increased financial liberalization and deregulation, market risk has escalated and become more complex for the banking industry. To ensure stable earnings, it is essential to ensure a management structure that allows for accurate analyses of market risk and adequate control over market risk.

Laxmi Bank's Assets and Liability Management (ALM) guide covers policies and procedures to manage liquidity risks and pricing risks.

ALCO, chaired by the Chief Executive Officer and comprising of senior executives, meets at least every month to review our balance sheet structure and to ensure availability of sufficient cash flows to meet all of the bank's financial commitments and to facilitate expansion of business. Our policy on maintenance of liquidity is more conservative than currently prevailing central bank guidelines on the subject. Gaps in maturity of funds and pricing are constantly monitored. Limits are allocated to banks and financial institutions, depending on the strength of their operation. Such limits are reviewed on a periodic basis. Inter-bank deals or trade transactions are carried out within the allocated limits. A comprehensive credit-scoring model developed inhouse to set bank limits is in use.

The ALCO also reviews the current and prospective funding requirements for all operations through daily monitoring of the liquidity ratio and the maturity mismatch profile. The liquidity risk is managed by holding sufficient liquid assets (e.g. cash and short-term funds and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. Current, fixed, savings and other customer deposits form a significant part of the bank's overall funding. Its composition has remained relatively diversified and stable. Short-term funds are also borrowed from the inter-bank market to maximize liquidity management.

Foreign Exchange Risk

The bank's foreign exchange risk stems from foreign exchange position taking and commercial dealing. All foreign exchange positions are managed by the Treasury. Fluctuation in foreign exchange rates can have a significant impact on a Bank's financial position. Laxmi Bank has adopted measures to appropriately hedge the risks that arise while carrying out international trade transactions. Code of ethics for treasury dealers is in place to ensure that professionalism and confidentiality are maintained and ethical dealing practices observed. Our treasury dealers have gained exposure to international markets as well in addition to having undergone appropriate trainings. The Bank has followed the structure of a Treasury back office independent of Treasury dealing room functions.

Capital Adequacy

It is essential that the bank is adequately capitalized to absorb potential losses in its activities, to maintain the confidence of those with whom it does business and to fund the growth of its operations. The bank's capital adequacy ratio - based on Nepal Rastra Bank norms - at the year-end was 14.96%.

Laxmi Bank is monitoring the developments regarding Basel II and is committed to complying with the provisions therein to the extent applicable to Nepali markets. We are closely following the risk management models being developed by leading global financial institutions with respect to Basel II. We have been partaking in international programs on prudential regulations and fully appreciate underlying issues.

Reputation Risk

We are taking active steps to address reputation risk, which refers to the potential of our image being negatively affected by the words and deeds of employees of the Bank or related parties. Specifically, we have compiled a set of behaviour guidelines and conducts for our employees - the Code of Conduct - adherence to which is monitored by the HR Department and the senior management.

Anti-Money Laundering Policy

Laxmi Bank has written and implemented an anti-money laundering policy for use within the Bank. The policy is in line with international practices. We are committed to examining our anti-money laundering strategies and procedures on an ongoing basis and maintaining an effective anti-money laundering system that reflects the best practices for a financial services company. We are committed to high standards of anti-money laundering compliance and require our employees to adhere to these standards.

Following are the minimum standards we observe while conducting banking business:

- Customer identity is ascertained before opening an account and/or making an account operational.
- New accounts are generally subjected to a detailed interview to ascertain purpose of opening an account, sources of funds etc.
- All suspicious transactions are escalated to senior management.
- Records are kept for all data obtained for the purpose of identification.
- Employees are trained on a regular basis on anti-money laundering measures.

We expect all concerned to co-operate in our efforts to prevent money-laundering activities.

Know Your Customer

We have put in place a relatively stringent KYC standard. Apart from documentation evidencing proper identification and full address, customers wishing to open new accounts are subjected to an interview by branch senior officers. KYC Officers have been appointed in all centres to ensure that the Bank has appropriate knowledge of our customers.

T R Upadhyia & Co.

Chartered Accountants

104 Tanka Prasad Marg
Baneshwor Height
Post Box 4414
Kathmandu, Nepal

Telephone: 977 (1) 4495000, 4472658
Fax: 977 (1) 4474178
Email: trunco@ntc.net.np

The Shareholders of Laxmi Bank Limited

Independent Auditor's Report

We have audited the accompanying Balance Sheet of Laxmi Bank Limited, as of 16 July 2006 (Corresponding to 32 Ashad 2063), the related Profit and Loss Account and the Cash Flow Statement for the year then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As per the requirement of the Companies Ordinance 2062 and Bank and Financial Institution Ordinance 2062 we also report that:

- a) we have obtained information and explanations, which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of such books;
- c) in our opinion, the returns received from branches of the Bank were adequate for the purpose of the audit;
- d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared in the format prescribed by Nepal Rastra Bank and are in agreement with the books of account maintained by the Bank;
- e) in our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank;
- f) in our opinion, so far as appeared from our examination of the books, the business of the Bank has been conducted satisfactorily;
- g) to the best of our information and according to explanations given to us and from our examination of the books of account of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardise the interest and security of the Bank, its depositors and investors.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 16 July 2006 (Corresponding to 32 Ashad 2063), the results of operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards, Generally Accepted Accounting Principles and comply with the provisions of the Companies Ordinance, 2062 and Bank and Financial Institution Ordinance 2062.



T R Upadhyia

Senior Partner

For and on behalf of T R Upadhyia & Co.
Chartered Accountants

*T R Upadhyia & Co., is a Correspondent
firm of KPMG International*

11 October 2006 (25 Ashwin 2063)
Kathmandu

Balance Sheet

as at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

CAPITAL & LIABILITIES	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Share Capital	4.1	609,917,300	609,839,000
2. Reserves and Surplus	4.2	69,116,074	33,730,741
3. Debentures & Bonds	4.3	-	-
4. Borrowings	4.4	29,760,000	18,691,219
5. Deposit Liabilities	4.5	4,444,351,452	3,051,758,905
6. Bills Payable	4.6	4,748,655	31,442,547
7. Proposed Dividend & Unpaid Dividend		149,435	308,880
8. Income Tax Liabilities		-	1,449,858
9. Other Liabilities	4.7	47,147,351	62,554,843
Total Capital and Liabilities		5,205,190,267	3,809,775,993

ASSETS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Cash Balance	4.8	66,602,175	109,851,609
2. Balance with Nepal Rastra Bank	4.9	132,381,459	254,904,149
3. Balance with Banks/Financial Institution	4.10	26,140,346	104,787,827
4. Money at Call and Short Notice	4.11	70,000,000	57,505,376
5. Investment	4.12	499,310,970	410,939,324
6. Loans, Advances and Bills Purchase	4.13	4,202,361,961	2,657,958,436
7. Fixed Assets	4.14	125,169,757	124,384,625
8. Non Banking Assets	4.15	661,924	-
9. Other Assets	4.16	82,561,675	89,444,647
Total Assets		5,205,190,267	3,809,775,993

Contingent Liabilities	Schedule 4.17
Directors' Declaration	Schedule 4.29
Statement of Capital Fund	Schedule 4.30
Statement of risk weighted Assets	Schedule 4.30(A)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

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

Santosh Niraula
Manager - Finance
& Treasury

Date: 10/10/2006
Place: Kathmandu

Suman Joshi
Chief Executive Officer

Mohan Gopal Khetan
Chairman

Bhola B. Adhikary
Chandra Prakash Khetan
Gopi K. Sikaria
M. S. Agrawal
Nandan Hari Sharma
Rakesh Adukia
Directors

As per our Report
of even date

T.R. Upadhyay
for & on behalf of TR Upadhyay & Co.
Chartered Accountants

Profit and Loss Account

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
1. Interest Income	4.18	319,253,094	214,132,108
2. Interest Expenses	4.19	190,589,535	118,438,529
Net Interest Income		128,663,559	95,693,579
3. Commission and Discount	4.20	15,038,886	11,254,272
4. Other Operating Income	4.21	9,788,554	4,427,063
5. Exchange Fluctuation Income	4.22	9,426,234	5,770,043
Total Operating Income.		162,917,233	117,144,957
6. Staff Expenses	4.23	37,640,491	29,933,955
7. Other Operating Expenses	4.24	50,122,992	37,122,391
8. Exchange Fluctuation Loss	4.22	-	-
Operating Profit before provision for Possible Loss		75,153,750	50,088,611
9. Provision for Possible Losses	4.25	15,625,545	18,226,032
Operating Profit		59,528,205	31,862,579
10. Non Operating Income /(Loss)	4.26	(8,970,912)	(9,088,866)
11. Provision For Possible Loss Written Back	4.27	5,866,189	16,771,843
Profit from Regular Operations		56,423,482	39,545,556
12. Profit/(Loss) from Extra-Ordinary Activities	4.28	(724,256)	911,756
Net Profit after Considering all Activities		55,699,226	40,457,312
13. Provision for Staff Bonus		5,063,566	3,677,938
14. Provision for Income Tax		-	-
* Current Year's		15,250,327	10,314,589
* Up to Previous Year		-	-
Net Profit/Loss		35,385,333	26,464,785

Schedules 4.18 to 4.28 form integral part of the Profit & Loss Account.

Santosh Niraula
Manager - Finance & Treasury

Suman Joshi
Chief Executive Officer

Bhola B. Adhikary
Chandra Prakash Khetan
Gopi K. Sikaria
M. S. Agrawal
Nandan Hari Sharma
Rakesh Adukia
Directors

As per our Report
of even date

T.R. Upadhyay
for & on behalf of TR Upadhyay & Co.
Chartered Accountants

Date: 10/10/2006
Place: Kathmandu

Mohan Gopal Khetan
Chairman

Profit and Loss Appropriation Account

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PARTICULARS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
INCOME			
1. Accumulated Profit up to Previous Year		25,404,027	4,261,658
2. Current Year's Profit		35,385,333	26,464,785
3. Exchange Fluctuation Fund		-	-
Total		60,789,360	30,726,443
EXPENSES			
1. Accumulated Loss up to Previous Year		-	-
2. This Year's Loss		-	-
3. General Reserve		7,077,067	5,292,957
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserves		-	-
8. Proposed Dividend		-	-
9. Proposed Bonus Shares		-	-
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		293,269	29,459
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	-
14.		-	-
Total		7,370,336	5,322,416
15. Accumulated Profit/(Loss)		53,419,024	25,404,027

Santosh Niraula
Manager - Finance
& Treasury

Date: 10/10/2006
Place: Kathmandu

Suman Joshi
Chief Executive Officer

Mohan Gopal Khetan
Chairman

Bhola B. Adhikary
Chandra Prakash Khetan
Gopi K. Sikaria
M. S. Agrawal
Nandan Hari Sharma
Rakesh Adukia
Directors

As per our Report
of even date

T.R. Upadhyay
for & on behalf of TR Upadhyay & Co.
Chartered Accountants

Statement of Changes in Equity

Fiscal Year 2062/63

Figures in NPR

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	CAPITAL RESERVE FUND	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVE & FUND	TOTAL AMOUNT
Opening Balance at 1 Shrawan 062	609,839,000	25,404,027	7,589,614	-	-	737,100	-	643,569,741
Adjustments	-							
Net profit for the period		35,385,333						35,385,333
Transfer to General Reserve		(7,077,067)	7,077,067	-				
Capital Adjustment Fund				-				
Declaration of Dividend	-							
Exchange Fluctuation Fund		(293,269)				293,269	-	
Calls in arrears collected	78,300							78,300
Closing Balance at 32 Ashad 2063	609,917,300	53,419,024	14,666,681	-	-	1,030,369	-	679,033,374

Cash Flow Statement

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
123,860,168	(a). Cash Flow from Operating Activities	(256,825,560)
229,367,304	1. Cash Received	357,216,273
205,045,932	1.1 Interest Income	322,762,577
14,934,431	1.2 Commission and Discount Income	14,881,386
5,770,043	1.3 Income from Foreign Exchange transaction	9,383,756
2,003,850	1.4 Recovery of Loan Written off	400,000
1,613,048	1.5 Other Incomes	9,788,554
158,108,605	2. Cash Payment	289,506,793
88,307,959	2.1 Interest Expenses	208,319,363
31,387,741	2.2 Staff Expenses	36,168,482
27,750,716	2.3 Office Overhead Expenses	28,169,136
10,662,189	2.4 Income Tax Paid	16,849,812
-	2.5 Other Expenses	-
71,258,699	Cash Flow before changes in Working Capital	67,709,480
(1,025,482,582)	Increase /(Decrease) of Current Assets	(1,679,642,210)
42,494,624	1.(Increase)/Decrease in Money at Call and Short Notice	(12,494,624)
(115,833,025)	2.(Increase)/Decrease in Short Term Investment	(88,351,642)
(976,306,932)	3.(Increase)/Decrease in Loans, Advances and Bills Purchase	(1,553,962,244)
24,162,751	4.(Increase)/Decrease in Other Assets	(24,833,700)
1,078,084,051	Increase /(Decrease) of Current Liabilities	1,355,107,170
1,367,600,253	1. Increase/(Decrease) in Deposits	1,392,592,547
-	2. Increase/(Decrease) in Certificates of Deposits	-
(298,313,781)	3.Increase/(Decrease) in Short Term Borrowings	11,068,781
8,797,579	4. Increase/(Decrease) in Other Liabilities	(48,554,158)
(33,962,999)	(b) Cash Flow from Investment Activities	12,285,177
-	1. (Increase)/Decrease in Long-term Investment	-
(34,056,175)	2. (Increase)/Decrease in Fixed Assets	12,285,177
-	3. Interest income from Long term Investment	-
93,176	4. Dividend Income	-
179,200	(c) Cash Flow from Financing Activities	78,300
-	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-
179,200	2. Increase/(Decrease) in Share Capital	78,300
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
	(d) Income/Loss from change in exchange rate in Cash & Bank Balances	-
90,076,369	(e) Current Year's Cash Flow from All Activities	(244,419,605)
379,467,216	(f) Opening Balance of Cash and Bank Balances	469,543,585
469,543,585	(g) Closing Balance of Cash and Bank Balances	225,123,980

Schedule 4.1
Share Capital and Ownership
As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	1. Share Capital	
	1.1 Authorized Capital	1,000,000,000
1,000,000,000	a) 10,000,000 Ordinary Shares of NPR 100 each	1,000,000,000
1,000,000,000	b)Non-redeemable Preference Shares of NPR....each	
	c)Redeemable Preference Shares of NPR....each	
	1.2 Issued Capital	610,000,000
610,000,000	a) 6,100,000 Ordinary Shares of NPR 100.00 each	610,000,000
610,000,000	b)Non-redeemable Preference Shares of NPR....each	
	c)Redeemable Preference Shares of NPR....each	
	1.3 Paid Up Capital	609,917,300
609,839,000	a) 6,100,000 Ordinary Shares of NPR 100.00 each	609,917,300
609,839,000	b)Proposed Bonus Shares of NPR....each	
	c)Non-redeemable Preference Shares of NPR....each	
	d)Redeemable Preference Shares of NPR....each	
	(Refer Note 9 on Schedule No.4.33 for calls in arrears)	

Share Ownership

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

SHARE CAPITAL	%	PARTICULARS	%	SHARE CAPITAL
609,839,000	100.00	1. Local Ownership	100.00	609,917,300
-	0.00	1.1 Government of Nepal	0.00	
-	0.00	1.2 "A" Class Liscensed Institutions	0.00	
-	0.00	1.3 Other Liscensed Institutions	0.00	
		(Including Group Ka & Kha)		
227,760,000	37.35	1.4 Other Entities	37.34	227,760,000
216,739,000	35.54	1.5 General Public	35.55	216,817,300
165,340,000	27.11	1.6 Others	27.11	165,340,000
-	-	2. Foreign Ownership	-	-
609,839,000	100	Total	100	609,917,300

Share Capital & Ownership

LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF SHARE CAPITAL

Figures in NPR

S.No.	NAME	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	%	AMOUNT	%
1	Himalayan Exim P.Ltd.	735,100	12.05	735,100	12.05
2	Citizen Investment Trust	550,000	9.02	550,000	9.02
3	Ratan Lal Sanghai	545,100	8.94	545,100	8.94
4	MTC Investment Pvt. Ltd.	490,000	8.03	490,000	8.03
5	Shiva Bhagwan Ind.P.Ltd.	442,500	7.25	442,500	7.25
6	Gopi Krishna Shikaria	375,000	6.15	375,000	6.15
7	Nunkaran Agrawal	334,100	5.48	334,100	5.48
8	J.N. Tibrewala	292,589	4.80	292,589	4.80
9	Poonam Khetan	185,440	3.04	185,440	3.04
10	Nepal Mentha Products Pvt. Ltd.	146,930	2.41	146,930	2.41
11	Nepal Remittance Pvt. Ltd.	131,740	2.16	131,740	2.16
12	Ruchi Jajodiya	127,480	2.09	127,480	2.09
13	Pravin Naulakha	65,040	1.07	65,760	1.08
14	Mohan Gopal Khetan	60,000	0.98	60,000	0.98
15	Mutual Trading Co. Pvt. Ltd.	60,000	0.98	60,000	0.98
16	Surendra Silwal	50,800	0.83	65,910	1.08
17	Gauri Shrestha	56,650	0.93	54,500	0.89
18	Sharana Shrestha	30,850	0.51	65,850	1.08
19	Sabita Devi Rungta	50,000	0.82	50,000	0.82
20	Prime Holding Pvt. Ltd.	0	0	53,460	0.88

Schedule 4.2 Reserves Funds

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
7,589,614	1. General Reserve Fund	14,666,681
-	2. Capital Reserve Fund	-
-	3. Capital Redemption Reserve	-
-	4. Other Reserves & Funds	-
-	a. Contingent Reserve	-
-	b. Institutional Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-		
25,404,027	5. Accumulated Profit/Loss	53,419,024
737,100	6. Exchange Fluctuation Fund	1,030,369
33,730,741	Total	69,116,074

Schedule 4.3 Debentures and Bonds

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1.% Bond/Debentures of Rs.....each Issued on and matured on (Outstanding balance of Redemption Reserve Rs...)	-
-	2.% Bond/Debentures of Rs.....each Issued on and matured on (Outstanding balance of Redemption Reserve Rs...)	-
-	3.% Bond/Debentures of Rs.....each Issued on and matured on (Outstanding balance of Redemption Reserve Rs...)	-
-	Total (1+2+3)	-

Schedule 4.4 Borrowings

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	A. Local	-
-	1. Government of Nepal	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
-	4. Inter Bank and Financial Institutions	29,760,000
-	5. Other Organized Institutions	-
-	6. Others	-
-	Total	29,760,000
	B. Foreign	-
18,691,219	1. Banks	-
-	2. Others	-
18,691,219	Total	-
18,691,219	Total (A+B)	29,760,000

Schedule 4.5 Deposit Liability

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	1. Non-Interest bearing accounts	
452,612,808	A. Current Deposits	94,611,303
427,621,185	1. Local Currency	84,537,950
-	1.1 Government of Nepal	-
-	1.2 "A" Class Licensed Institutions	-
101,806,322	1.3 Other Licensed Institutions	16,045,578
312,375,199	1.4 Other Organized Institutions	57,868,509
13,439,664	1.5 Individuals	10,623,863
-	1.6 Others	-
24,991,623	2. Foreign Currency	10,073,353
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
95,654	2.3 Other Licensed Financial Institutions	512,490
23,794,647	2.4 Other Organized Institutions	8,574,168
1,101,322	2.5 Individuals	986,695
-	2.6 Others	-
26,502,363	B. Margin Deposits	41,035,686
-	1. Employees Guarantee	-
12,488,914	2. Guarantee Margin	8,038,433
14,013,449	3. Margin on Letter of Credit	32,997,253
-	C. Others	-
-	1. Local Currency	-
-	1.1 Financial Institutions	-
-	1.2 Other Organized Institutions	-
-	1.3 Individual	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individual	-
479,115,171	Total of Non-Interest Bearing Accounts	135,646,989

Schedule 4.5 Deposit Liability

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	2. Interest Bearing Accounts	
446,705,520	A. Saving Deposits	1,000,068,847
442,124,572	1. Local Currency	984,965,017
23,859,669	1.1 Organizations/ Institutions	168,749,315
418,264,903	1.2 Individual	816,215,702
-	1.3 Others	-
4,580,948	2. Foreign Currency	15,103,830
-	2.1 Organizations/ Institutions	1,317,795
4,580,948	2.2 Individual	13,786,035
-	2.3 Others	-
1,786,380,933	B. Fixed Deposits	2,658,178,631
1,736,925,933	1. Local Currency	2,643,298,631
1,530,006,371	1.1 Organizations/ Institutions	2,528,667,487
206,919,562	1.2 Individual	114,631,144
-	1.3 Others	-
49,455,000	2. Foreign Currency	14,880,000
49,455,000	2.1 Organizations/ Institutions	14,880,000
-	2.2 Individual	-
-	2.3 Others	-
339,557,281	C. Call Deposits	650,456,985
335,525,578	1. Local Currency	613,965,043
-	1.1 "A" Class Licensed Institutions	-
98,441,210	1.2 Other Licensed Financial Institutions	243,409,788
226,276,518	1.3 Other Organized Institutions	357,421,146
10,807,850	1.4 Individual	13,134,109
-	1.5 Others	-
4,031,703	2. Foreign Currency	36,491,942
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	-
4,031,703	2.3 Other Organized Institutions	36,491,942
-	2.4 Individual	-
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institution	-
-	2. Individual	-
-	3. Others	-
2,572,643,734	Total of Interest Bearing Accounts	4,308,704,463
3,051,758,905	Total Deposit (1+2)	4,444,351,452

Schedule 4.6 Bills Payable

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
31,442,547.00	1. Local Currency	4,748,655
-	2. Foreign Currency	-
31,442,547.00	Total	4,748,655

Schedule 4.7 Other Liabilities

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Pension/Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
3,677,938	4. Provision for Staff Bonus	5,149,947
49,846,527	5. Interest Payable on Deposits	32,105,613
6,770	6. Interest Payable on Borrowings	17,856
202,500	7. Unearned Discount and Commission	45,000
4,988,257	8. Sundry Creditors	7,664,868
-	9. Branch Account	-
-	10. Others	-
120,000	(a) Audit Fee Payable	149,160
3,712,851	(b) Others	2,014,907
62,554,843	Total	47,147,351

Schedule 4.8 Cash Balance

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
105,675,955	1. Local Currency (Including Coins)	64,330,169
4,175,654	2. Foreign Currency	2,272,006
109,851,609	Total	66,602,175

Schedule 4.9 Balance With Nepal Rastra Bank

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			THIS YEAR
			INR	CONVERTIBLE	TOTAL	
254,904,149	1. Nepal Rastra Bank	128,508,202	-	3,873,257	3,873,257	132,381,459
253,758,346	a. Current Account	126,178,026	-	3,873,257	3,873,257	130,051,283
1,145,803	b. Other Account	2,330,176	-	-	-	2,330,176

Schedule 4.10 Balance With Banks/Financial Institutions

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY			THIS YEAR
			INR	CONVERTIBLE	TOTAL	
32,624,875	1. Local Licensed Institutions	8,209,024	-	160,718	160,718	8,369,742
32,624,875	a. Current Account	8,209,024	-	160,718	160,718	8,369,742
-	b. Other Account	-	-	-	-	-
72,162,952	2. Foreign Banks	-	13,542,037	4,228,567	17,770,604	17,770,604
72,162,952	a. Current Account	-	13,542,037	4,228,567	17,770,604	17,770,604
-	b. Other Account	-	-	-	-	-
104,787,827	Total	8,209,024	13,542,037	4,389,285	17,931,322	26,140,346

Note: Total balance for which the confirmations are received from respective licensed institutions Rs 61,681,290 and the difference amount have been identified and are reconciled.

Schedule 4.11 Money At Call And Short Notice

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
985,376	1. Local Currency	70,000,000
56,520,000	2. Foreign Currency	-
57,505,376	TOTAL	70,000,000

Schedule 4.12 Investments

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	PURPOSE		THIS YEAR
		TRADING	OTHER	
383,967,274	1. Government Of Nepal Treasury Bills		407,140,500	407,140,500
-	2. Government Of Nepal Saving Bonds		-	-
17,050,000	3. Government Of Nepal Other Securities		17,050,000	17,050,000
-	4. Nepal Rastra Bank Bonds		-	-
-	5. Foreign Securities		-	-
-	6. Local Licensed Institutions		29,000,000	29,000,000
7,065,000	7. Foreign Bank		43,255,915	43,255,915
13,375,340	8. Shares Of Organized Institutions		13,362,840	13,362,840
	9. Bonds And Debentures Of Organized Institutions		-	-
	10. Other Investments		-	-
421,457,614	Total Investment	-	509,809,255	509,809,255
10,518,290	Provision	-	10,498,285	10,498,285
410,939,324	Net Investment	-	499,310,970	499,310,970

Schedule 4.12(A)

Investment In Shares, Debentures And Bonds

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR		
		COST PRICE	MARKET PRICE	PROVISION
13,375,340	1. Investment in Shares	13,362,840		
9,740,031	1.Nepal Bank Limited			
	29,000 Ordinary Shares of NPR 100 each paid	9,740,031	N/L	9,740,031
2,082,000	2. Everest Insurance Company Limited			
	6,940 Ordinary Shares of NPR 100 each paid (Refer Note 10 on Schedule No. 4.33)	2,082,000	2,047,300	34,700
12,500	3. Nepal Housing and Merchant Finance Limited			
	150 Ordinary Shares of NPR 100 each paid	-	-	-
740,809	4. Soaltee Hotel Limited	740,809	464,255	276,554
	8,441 Ordinary Shares of NPR 100 each paid			
447,000	5. Himalayan Distillery Limited			
	8,940 Ordinary Shares of NPR 50 each paid (Refer Note 10 on Schedule No. 4.33)	447,000	-	447,000
353,000	6. Credit Information Bureau (CIB) Ltd.			
	3,530 Ordinary Shares of NPR 100 each paid	353,000	N/L	-
	2. Investment in Debentures and Bonds	-	-	-
	2.1Company (Pvt.Ltd./Ltd.)	-	-	-
% of Debentures/Bond of NPR..each	-	-	-
	2.2			
	2.3			
13,375,340	Total Investment	13,362,840	-	
	3. Provision for Loss	-		10,498,285
10,679,586	3.1 Up to previous year			10,518,290
(161,296)	3.2 Increase/Decrease this year			(20,004)
10,518,290	Total Provision	-	-	10,498,285

Note: 1 N/L stands for Not Listed in Nepal Stock Exchange Limited (NEPSE).

2 None of the above companies have declared cash dividend in last three years (Refer Note 10 on Schedule No. 4.33)

Schedule 4.13

Classification Of Loans, Advances And Bills Purchased & Provisioning

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	LOANS & ADVANCES					BILLS PURCHASED/DISCOUNTED		THIS YEAR	
		DOMESTIC			FOREIGN	TOTAL	DOMESTIC	FOREIGN		TOTAL
		PRIORITY SECTOR		OTHER						
		INSURED								
		INSURED	UNINSURED							
2,681,652,335	1. Performing Loan	-	71,583,561	4,174,732,845	-	4,246,316,406	-	287,054	287,054	4,246,603,460
2,681,652,335	1.1 Pass	-	71,583,561	4,165,915,957	-	4,237,499,518	-	287,054	287,054	4,237,786,572
	1.2 Restructured	-	-	8,816,888	-	8,816,888	-	-	-	8,816,888
44,491,459	2. Non-Performing Loan	-	909,059	32,593,519	-	33,502,578	-	-	-	33,502,578
13,577,960	2.1 Sub-Standard	-	909,059	1,737,926	-	2,646,985	-	-	-	2,646,985
1,852,291	2.2 Doubtful	-	-	4,116,952	-	4,116,952	-	-	-	4,116,952
29,061,208	2.3 Bad	-	-	26,738,641	-	26,738,641	-	-	-	26,738,641
2,726,143,794	A.Total Loan	-	72,492,620	4,207,326,364	-	4,279,818,984	-	287,054	287,054	4,280,106,038
	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-
34,358,266	3.1 Pass	-	715,836	43,600,533	-	44,316,369	-	2,871	2,871	44,319,240
	3.2 Restructured	-	-	3,647,882	-	3,647,882	-	-	-	3,647,882
3,839,739	3.3 Sub-Standard	-	227,265	438,121	-	665,386	-	-	-	665,386
926,145	3.4 Doubtful	-	-	2,372,928	-	2,372,928	-	-	-	2,372,928
29,061,208	3.5 Bad	-	-	26,738,641	-	26,738,641	-	-	-	26,738,641
68,185,358	B.Total Provisioning	-	943,101	76,798,105	-	77,741,206	-	2,871	2,871	77,744,077
	4. Provisioning up to Previous Year	-	-	-	-	-	-	-	-	-
17,509,290	4.1 Pass	-	1,141,426	32,864,704	-	34,006,130	-	352,136	352,136	34,358,266
	4.2 Restructured	-	-	-	-	-	-	-	-	-
	4.3 Sub-Standard	-	134,997	3,704,742	-	3,839,739	-	-	-	3,839,739
	4.4 Doubtful	-	-	926,145	-	926,145	-	-	-	926,145
	4.5 Bad	-	710,487	28,350,721	-	29,061,208	-	-	-	29,061,208
17,509,290	C.Total Provisions up to Previous Year	-	1,986,910	65,846,312	-	67,833,222	-	352,136	352,136	68,185,358
	D.Written Back this year	-	1,136,077	4,878,701	-	5,496,920	-	349,265	349,265	5,846,185
(63,399,324)	E.Addition this year	-	(92,268)	(15,830,494)	-	(15,404,904)	-	-	-	(15,404,904)
(50,676,068)	Changes this year	-	1,043,809	(10,951,793)	-	(9,907,984)	-	349,265	349,265	(9,558,719)
2,657,958,436	Net Loan (A-B)	-	71,549,519	4,130,528,259	-	4,202,077,778	-	284,183	284,183	4,202,361,961

Schedule 4.13(A)

Loans, Advances and Bills Purchased Security Wise

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
2,726,143,794	A. Secured	4,280,106,038
2,597,176,155	1. Movable/Immovable Assets	4,067,240,553
-	2. Guarantee of Local Licensed Institutions	187,322,613
-	3. Government Guarantee	-
-	4. Internationally Rated Bank Guarantee	-
-	5. Export Documents	-
63,000	6. Fixed Deposit Receipts	13,740,356
63,000	a. Own Fixed Deposit Receipts	2,660,927
-	b. Fixed Deposit Receipts of Other Licensed Institutions	11,079,429
-	7. Government Bonds	-
-	8. Counter Guarantee	-
36,332,716	9. Personal Guarantee	11,802,516
92,571,923	10. Other Securities	-
-	B. Unsecured	-
2,726,143,794	Total	4,280,106,038

Schedule 4.14

Fixed Assets

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	ASSETS					THIS YEAR
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS	
	1. Cost Price						
45,328,465	a. Previous Year balance	49,243,421	20,784,107		41,401,657	-	111,429,185
66,157,617	b. Addition during the year	564,227	6,252,302		4,737,937	-	11,554,466
-	c. Revaluation/Written Back this year	-	-	-	-	-	-
-	d. Sold during the year	-	-	-	(165,770)	-	(165,770)
(56,897)	e. Written off during the year	-	-	-	-	-	-
111,429,185	Total Cost (a+b+c+d+e)	49,807,648	27,036,409	-	45,973,824	-	122,817,881
	2. Depreciation						
14,686,249	a. Up to previous year	1,231,086	5,932,320		15,892,022	-	23,055,428
8,383,068	b. For this year	1,248,596	3,015,816		8,805,897	-	13,070,309
(13,889)	c. Depreciation on revaluation /Written Back	-	-	-	(86,151)	-	(86,151)
23,055,428	Total Depreciation	2,479,682	8,948,136	-	24,611,768	-	36,039,586
88,373,757	3. Book Value (WDV*) (1-2)	47,327,966	18,088,273	-	21,362,056	-	86,778,295
32,065,255	4. Land	32,065,255	-	-	-	-	32,065,255
337,000	5. Capital Construction (pending Capitalization)	950,718	-	-	785,350	-	1,736,068
3,608,613	6. Leasehold Assets	4,590,139	-	-	-	-	4,590,139
124,384,625	Total (3+4+5+6)	84,934,078	18,088,273	-	22,147,406	-	125,169,757

* Written Down Value

Schedule 4.15 Non Banking Assets

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON BANKING ASSETS	TOTAL NON BANKING ASSETS	LOSS PROVISION		NET NON BANKING BANKING ASSETS
				%	IN NPR	
-	Pawan Kumar Khanal, Kathmandu	2058/11/21	598,588	100	598,588	-
-	Guna Bahadur Thapa, Kathmandu	2059/11/06	492,200	100	492,200	-
-	My Dear, Kathmandu	2061/09/14	1,683,959	100	1,683,959	-
-	Siku Enterprises, Kathmandu	2063/01/27	857,065	25	214,266	642,799
-	Ram Krishna Manandhar, Hetauda	2063/03/12	25,500	25	6,375	19,125
-	Grand Total		3,657,312		2,995,388	661,924

Schedule 4.16 Other Assets

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS		THIS YEAR
718,684	1. Stationery Stock		930,923
6,078,268	2. Income Receivable on Investment		6,553,733
17,865,071	3. Accrued Interest on Loan	22,126,714	13,880,123
(8,218,190)	Less: Interest Suspense Account	8,246,591	
-	4. Commission Receivable		-
213,675	5. Sundry Debtors		-
9,876,355	6. Staff Loan & Advances		12,745,698
1,799,900	7. Pre Payments		5,641,810
-	8. Cash in Transit		-
-	9. Other Transit items (including Cheques)		-
-	10. Drafts Paid Without Notice		-
4,070,843	11. Expenses not Written Off		2,678,886
	12. Branch Account Reconciliation		-
57,040,041	13. Others		40,130,502
36,407,823	a. Goodwill	27,305,867	
12,964,760	b. Deferred Software Expenses (to the extent not written off)	9,061,300	
-	c. Advance tax (net)	3,049,343	
7,667,458	d. Others	713,992	
89,444,647	Total		82,561,675

Schedule 4.16(A)

Other Assets (Additional Statement)

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

Previous Year	Particulars	This Year			Total
		Up to 1 Year	1 to 3 Year	Above 3 Years	
17,865,071	1. Accrued Interest on Loan	18,115,342	4,011,372	-	22,126,714
-	2. Drafts Paid without notice	-	-	-	-
-	3. Branch Account	-	-	-	-
-	4. Local & Foreign Agency Accounts	-	-	-	-

Schedule 4.17 Contingent Liabilities

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Claims on institution not accepted by the Institution	-
93,485,578	2. Letter of Credit (Full Amount)	405,875,959
93,485,578	a. Less than 6 months maturity	405,875,959
-	b. More than 6 months maturity	-
-	3. Rediscounted Bills	-
113,454,125	4. Unmatured Guarantees/Bonds	108,280,637
5,171,007	a. Bid Bonds	2,972,450
108,283,118	b. Performance Bonds	105,308,187
-	c. Other Guarantee/Bonds	-
447,000	5. Unpaid Shares in Investment (Refer Note 10 on Schedule No. 4.33)	447,000
-	6. Outstanding Liabilities on Forward Exchange Contract	55,462,500
6,153,680	7. Bills under Collection	36,631,155
10,476,850	8. Acceptance & Endorsement	22,756,505
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
184,086	11. Guarantees issued against Counter Guarantee of Internationally Rated Banks	-
-	12. Advance Payment Guarantee	-
-	13. Financial Guarantee	-
-	14. Contingent Liabilities on Income Tax	1,661,043
963,000	15. Others (liability of construction contract)	4,327,000
225,164,319	Total	635,441,799

Schedule 4.18 Interest Income

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
198,409,065	A. On Loans, Advances and Overdraft	290,600,295
178,653,189	1. Loans & Advances	256,952,610
19,755,876	2. Overdraft	33,647,685
11,402,466	B. On Investment	18,605,921
11,402,466	1. Government of Nepal Securities	18,605,921
10,327,261	a. Treasury Bills	17,531,695
1,075,205	b. Development Bonds	1,074,226
-	c. National Saving Certificates	-
-	2. Foreign Securities	-
-	a.	-
-	b.	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debentures & Bonds	-
-	a. Financial Institutions	-
-	b. Other Institutions	-
-	C. On Agency Balances	-
-	1. Local Banks / Financial Institutions	-
-	2. Foreign Banks	-
3,700,138	D. On Money at Call and Short Notice	6,164,249
3,621,485	1. Local Banks/Financial Institutions	2,796,903
78,653	2. Foreign Banks	3,367,346
620,439	E. On Others	3,882,629
-	1. Certificate of Deposits	-
620,439	2. Inter-Bank / Financial Institutional Borrowings	1,341,122
-	3. Others	-
-	a. FCY placements	2,498,545
-	b. Others	42,962
214,132,108	Total	319,253,094

Schedule 4.19

Interest Expenses

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
110,807,507	A. ON DEPOSIT LIABILITIES	189,320,166
84,775,075	1. Fixed Deposits	132,835,534
84,641,786	1.1 Local Currency	130,389,717
133,289	1.2 Foreign Currency	2,445,817
12,728,399	2. Saving Deposits	25,506,702
12,703,750	2.1 Local Currency	25,364,901
24,649	2.2 Foreign Currency	141,801
13,304,033	3. Call Deposits	30,977,930
12,748,286	3.1 Local Currency	27,739,694
555,747	3.2 Foreign Currency	3,238,236
-	4. Certificate of Deposits	-
7,631,022	B. ONBORROWINGS	1,269,369
-	1. Debentures & Bonds	-
8,460	2. Loan from Nepal Rastra Bank	-
7,622,562	3. Inter Bank /Financial Institutions Borrowing	1,269,369
-	4. Other Organized Institutions	-
-	5. Other Loans	-
-	C. ON OTHERS	-
-	1.	-
-	2.	-
118,438,529	Total	190,589,535

Schedule 4.20

Commission And Discount Income

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
3,390,122	A. Bills Purchased & Discount	1,886,003
-	1. Local	-
3,390,122	2. Foreign	1,886,003
6,082,721	B. Commission	8,830,064
2,662,437	1. Letters of Credit	4,386,789
1,641,843	2. Guarantees	1,694,901
110,327	3. Collection Fees	457,984
1,668,114	4. Remittance Fees	2,290,390
-	5. Credit Card	-
-	6. Share Underwriting/Issue	-
-	7. Government Transactions	-
-	8. E.Pra. Commission	-
-	9. Exchange Fee	-
1,781,429	C. Others (Refer Note 11 on Schedule No. 4.33)	4,322,819
11,254,272	Total	15,038,886

Schedule 4.21 Other Operating Income

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
84,250	1. Safe Deposit Lockers Rental	334,000
-	2. Issue & Renewals of Credit Cards	-
304,259	3. Issue & Renewals of ATM Cards	119,037
1,126,872	4. Telex / T.T.	1,917,422
2,882,135.00	5. Service Charges (Loan Processing Fees)	7,250,949.00
-	6. Renewal Fees	-
29,547	7. Others	167,146
4,427,063	Total	9,788,554

Schedule 4.22 Exchange Gain/Loss

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
117,835	a. Revaluation Gain (Loss)	1,173,075
5,652,208	b. Trading Gain (except Exchange Fees)	8,253,159
5,770,043	Total Income (Loss)	9,426,234

Schedule 4.23 Employees Expenses

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
13,697,862	1. Salary	16,983,866
9,882,521	2. Allowances	13,067,827
1,113,355	3. Contribution to Provident Fund	1,430,671
1,571,915	4. Training Expenses	1,206,595
-	5. Uniform	-
889,000	6. Medical	1,163,617
57,638	7. Insurance	79,501
-	8. Pension and Gratuity	1,334,240
2,721,664	9. Others	2,374,174
29,933,955	Total	37,640,491

Schedule 4.24 Other Operating Expenses

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
1,352,817	1. House Rent	1,751,140
1,844,084	2. Light, Electricity & Water	2,270,533
58,608	3. Repair & Maintenance	1,222,964
-	a. Building	837,730
57,308	b. Vehicles	119,351
1,300	c. Others	265,883
1,254,018	4. Insurance	1,595,951
2,007,052	5. Postage, Telex, Telephone & Fax	1,425,588
122,338	6. Office Equipment, Furniture and Repair	99,854
862,075	7. Travelling Allowances & Expenses	1,071,201
1,239,611	8. Printing & Stationery	1,955,579
298	9. Books & Periodicals	3,517
2,618,083	10. Advertisements	3,847,712
146,580	11. Legal Expenses	273,283
100,501	12. Donations	30,501
498,880	13. Expenses relating to Board of Directors	1,104,531
480,000	a. Meeting Fees	827,000
18,880	b. Other Expenses	277,531
667,581	14. Annual General Meeting Expenses	619,374
468,504	15. Expenses relating to Audit	245,988
120,000	a. Audit Fees	149,160
198,504	b. Other Expenses	96,828
244,766	16. Commission on Remittances	181,379
8,383,068	17. Depreciation on Fixed Assets	13,070,309
627,916	18. Amortization of Pre-operating Expenses	627,916
762,742	19. Share Issue Expenses	764,042
-	20. Technical Services Fee Reimbursement	-
307,839	21. Entertainment Expenses	131,300
-	22. Written Off Expenses	-
2,017,805	23. Security Expenses	1,968,583
-	24. Credit Guarantee Premium	-
183,256	25. Commission & Discount	-
11,503,969	26. Others	15,861,747
4,161,057	(a) Subscription & Membership	4,822,233
5,835,542	(b) Computer Software Expenses	6,151,730
774,179	(c) Lease Hold Assets Amortisation	1,339,859
733,191	(d) Others (Refer Note 11 on Schedule No. 4.33)	3,547,925
37,122,391	Total	50,122,992

Schedule 4.25 Provision For Possible Losses

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
18,226,032.00	1. Increase in Loan Loss Provision	15,404,904
	2. Increase in Provision for Loss on Investment	-
	3. Provision Against Non-Banking Assets	220,641
	4. Provision Against Other Assets	-
18,226,032.00	Total	15,625,545

Schedule 4.26

Non-operating Income / (Loss)

For the period Shrawan 1, 2062 to Ashad 32, 2063 (July 16, 2005 to July 16, 2006)

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Profit (Loss) on Sale of Investments	-
(26,041)	2. Profit (Loss) on Sale of Assets	54,459
93,176	3. Dividend	-
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Compensation	-
-	c. Exchange Counter	-
(9,156,001)	5. Others	(9,025,371)
(9,101,956)	a. Amortisation of Goodwill	(9,101,956)
(263,200)	b. Lease hold assets written off	-
209,155	c. Other non operating income	76,585
(9,088,866)	Total Non-Operating Income (Loss)	(8,970,912)

Schedule 4.27

Provision For Possible Loss Written Back

Fiscal Year 2005/06

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
12,723,256	1. Loan Loss Provision Written Back	5,846,185
3,887,291	2. Provision against Non Banking Assets Written Back	-
161,296	3. Investment Provision Written Back	20,004
-	4. Provision against other Assets Written Back	-
16,771,843	Total	5,866,189

Schedule 4.28

Profit/Loss From Extra - Ordinary Activities

Fiscal Year 2005/06

Figures in NPR

PREVIOUS YEAR	PARTICULARS	THIS YEAR
2,003,850	1. Recovery of Written off Loans	400,000
-	2. Voluntary Retirement Scheme Expenses	-
(1,092,094)	3. Loan Write -Offs {4.28 (a)}	(1,124,256)
-	4. Other Expenses/Income	-
911,756	Total	(724,256)

Schedule 4.28(A)

Statement Of Loan Written-off

Fiscal Year 2005/06

Figures in NPR

S.NO	TYPES OF LOAN	WRITTEN OFF AMOUNT	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	NAME/DESIGNATION OF LOAN APPROVER	INITIATIONS MADE FOR RECOVERY OF LOAN	REMARKS
1	Working Capital Loan	20,740	Land & Building	Shortlisted Valuator	B.P.Shah / GM	Follow up/Negotiation	
2	Project Loan						
3	Fixed Capital Loan						
4	Personal Loan	1,103,516	Vehicle	Shortlisted Valuator	B.P.Shah / GM	Follow up/Negotiation / Auction	
5	Other Loan						
Total Loan		1,124,256.00					

Schedule 4.29

Statement Of Loans And Advances To Directors/Chief Executive /Promoters/Employees and Shareholders

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

NAME OF PROMOTER/DIRECTOR/ CHIEF EXECUTIVE	OUTSTANDING UP TO LAST YEAR		RECOVERED IN CURRENT YEAR		ADDITIONAL LENDING IN THIS YEAR	OUTSTANDING AS OF ASHAD END 2063	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		PRINCIPAL	INTEREST
A. Directors							
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
B. Chief Executive							
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
C. Promoters							
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
D. Employees	9,876,355	20,169	467,324	20,169	3,336,667	12,745,698	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
E. Shareholders							
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
Total	9,876,355	20,169	467,324	20,169	3,336,667	12,745,698	-

Note: As per Clause 6 of the Nepal Rastra Bank (The Central Bank of Nepal) Directive No.6, loans given to employees are as per the Human Resource Policy of the Bank.

Schedule 4.30
Table of Capital Fund
Fiscal Year 2005/06

Figures in NPR

PARTICULARS	PREVIOUS YEAR	THIS YEAR
A. Core Capital	600,271,975	645,936,252
1. Paid Up Capital	609,839,000	609,917,300
2. Share Premium	-	-
3. Irredeemable Preference Shares	-	-
4. General Reserve Fund	7,589,614	14,666,681
5. Accumulated Profit/Loss (Up to previous year)	4,261,658	25,404,027
6. Current Year's Profit/Loss as per shown in Balance Sheet	21,142,369	28,014,997
7. Capital Redemption Reserve Fund	-	-
8. Capital Adjustment Reserve Fund	-	-
9. Other Free Reserves	-	-
Less: Goodwill	(36,407,823)	(27,305,867)
Investment in excess of prescribed limit	-	-
Fictitious Assets	(4,070,843)	(2,678,886)
Investments in securities of companies having financial interest	(2,082,000)	(2,082,000)
B. Supplementary Capital	44,052,300	58,737,522
1. Loan Loss Provision on Pass Loan	33,575,169	47,967,122
2. Asset Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt -	-	-
5. Exchange Fluctuation Fund	737,100	1,030,369
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	9,740,031	9,740,031
8. Provision for Loss on Investment	-	-
C. Total Capital Fund (A+B)	644,324,275	704,673,774
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (11%)	339,404,761	518,288,127
Core Capital (5.5%)	169,702,381	259,144,063
Capital Fund {Excess/(Short)} by 3.96% (PY excess by 9.88%)	304,919,514	186,385,647
Core Capital {Excess/(Short)} by 8.21% (PY excess by 13.95%)	430,569,594	386,792,189

Schedule 4.30 Table of Risk Weighted Assets Statement

As at Ashad 32, 2063 (July 16, 2006)

Figures in NPR

ON - BALANCE SHEET ASSETS	WEIGHTAGE	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	RISK WEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	0%	109,851,609	-	66,602,175	-
Gold (Tradable)	0%	-	-	-	-
Balance with Nepal Rastra Bank	0%	254,904,149	-	132,381,459	-
Investments in Government Securities	0%	401,017,274	-	424,190,500	-
Investments in Nepal Rastra Bank Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	63,000	-	2,660,927	-
Fully secured loan against Government Securities	0%	-	-	-	-
Balances with Domestic Licensed Banks and Financial Institutions	20%	32,624,875	6,524,975	8,369,742	1,673,948
Fully secured Fixed Deposit Receipt Loan against Fixed Deposit Receipt of other Licensed Banks & Financial Institutions	20%	-	-	11,079,429	2,215,886
Balances with Foreign Banks	20%	72,162,952	14,432,590	17,770,604	3,554,121
Money at Call	20%	57,505,376	11,501,075	70,000,000	14,000,000
Loan against Guarantees of Internationally Rated Banks	20%	-	-	-	-
Other Investments in Internationally Rated Banks	20%	7,065,000	1,413,000	43,255,915	8,651,183
Investment in Shares, Debentures and Bonds	100%	13,375,340	13,375,340	13,362,840	13,362,840
Other Investments	100%	-	-	29,000,000	29,000,000
Loans, Advances and Bills Purchased/Discounted	100%	2,726,080,794	2,726,080,794	4,266,365,682	4,266,365,682
Fixed Assets	100%	124,384,625	124,384,625	125,169,757	125,169,757
All Other Assets	100%	100,437,584	100,437,584	77,663,519	77,663,519
Total (A)		3,899,472,577	2,998,149,983	5,287,872,549	4,541,656,936
Off - Balance Sheet Items					
Bills Collection	0%	6,153,680	-	36,631,155	-
Forward Foreign Exchange Contract	10%	-	-	55,462,500	5,546,250
Letters of Credit with maturity of less than 6 months (Full value)	20%	93,485,578	18,697,116	405,875,959	81,175,192
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	184,086	36,817	-	-
Letters of Credit with maturity of more than 6 months (Full value)	50%	-	-	-	-
Bid Bond	50%	5,171,007	2,585,504	2,972,450	1,486,225
Performance Bond	50%	108,283,118	54,141,559	105,308,187	52,654,094
Advance Payment Guarantee	100%	-	-	-	-
Financial Guarantee	100%	-	-	-	-
Other Guarantee	100%	-	-	-	-
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liabilities in respect of Income Tax	100%	-	-	1,661,043	1,661,043
All Other Contingent Liabilities	100%	11,886,850	11,886,850	27,530,505	27,530,505
Total (B)		225,164,319	87,347,846	635,441,799	170,053,308
Total Risk Weighted Assets		4,124,636,896	3,085,497,828	5,923,314,348	4,711,710,244

Schedule 4.31
Principal Indicators
(At least for previous 5 years)

PARTICULARS	INDICATORS	F.Y. 2058/2059	F.Y. 2059/2060	F.Y. 2060/2061	F.Y. 2061/2062	F.Y. 2062/2063
1. Percentage of Net Profit/Gross Income	%	-155.99%	1.74%	7.34%	22.59%	21.72%
2. Earnings Per Share	Rs.	-1.53	0.31	1.90	4.34	5.80
3. Market Value per Share	Rs.	NA	NA	156.00	285.00	368.00
4. Price Earning Ratio	Ratio	NA	NA	82.11	65.69	63.44
5. Dividend on share capital (including bonus)	%	-	-	-	-	-
6. Cash Dividend on share Capital	%	-	-	-	-	-
7. Interest Income/Loans & Advances	%	3.01%	9.75%	8.87%	8.86%	8.30%
8. Employee Expenses/Total Operating Expenses	%	41.58%	37.65%	29.68%	35.10%	36.41%
9. Interest Expenses on Total Deposits and Borrowings	%	0.63%	4.60%	4.57%	4.67%	5.05%
10. Exchange Fluctuation Gain/Total Income	%	19.30%	7.62%	4.27%	4.93%	5.79%
11. Staff Bonus/ Total Staff Expenses	%	0.00%	0.80%	7.57%	10.94%	11.86%
12. Net Profit/Loans & Advances	%	-3.40%	0.13%	0.60%	1.18%	1.01%
13. Net Profit/ Total Assets	%	-1.10%	0.09%	0.40%	0.83%	0.79%
14. Total Credit/Deposit	%	109.13%	111.04%	103.96%	89.33%	96.30%
15. Total Operating Expenses/Total Assets	%	1.39%	3.49%	2.50%	2.24%	2.29%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	133.19%	37.73%	28.26%	19.45%	13.71%
b. Supplementary Capital	%	0.61%	0.96%	0.93%	1.43%	1.25%
c. Total Capital Fund	%	133.80%	38.69%	29.19%	20.88%	14.96%
17. Liquidity (CRR)	%	11.24%	13.29%	17.13%	8.95%	5.67%
18. Non Performing Loans/Total Loans	%	0.00%	0.00%	0.00%	1.63%	0.78%
19. Weighted Average Interest Rate Spread	%	2.38%	5.16%	4.30%	4.19%	3.24%
20. Book Net worth	Rs.	270,782,666	326,816,292	557,054,957	603,091,075	649,048,621
21. Total Shares	Number	2,750,000	3,300,000	5,500,000	6,100,000	6,100,000
22. Total Employees	Number	22	47	75	108	145
23. Others	-	-	-	-	-	-

Key Indicators (Definitions)

ITEMS	DEFINITIONS
Net Profit	Net Profit After Tax
Gross Income	Total Operating income as per P & L Account
Earnings Per Share (EPS)	Net Profit/No. of Shares at the year end
Interest Income	Interest Income on Loans and Advances as per Schedule 4.18
Loans and Advances	Average Gross Loans & Advances as per Schedule 4.13
Staff Expenses	Employees expenses as per Schedule 4.23
Total Staff Expenses	Staff Expenses + Staff Bonus
Total Operating Expenses	Employee Expenses + Office Operating Expenses + Exchange Loss + Provision for Losses
Interest Expenses	Interest Expenses as per Schedule 4.19
Total Deposit & Borrowings	Borrowings + Deposits as per Balance Sheet (Average)
Total Assets	Total of Asset side of the Balance Sheet (Average)
Total Credit	Gross Loans and Advances + Bills as per Schedule 4.13 (year end)
Total Deposits	Deposits as per Schedule 4.5 (Year end)
Cash Reserve Ratio	Ratio as per NRB Directives, calculated and submitted to NRB as on 16.7. 2006
Interest Rate Spread	Average rate of Interest Income on Loans and Advances less Average rate of Interest Expenses on Deposits & Borrowings

Schedule 4.32

Significant Accounting Policies

1) General Information

Laxmi Bank Limited ("the Bank") is a limited liability company domiciled in Nepal. The address of its registered office is in Birgunj, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited.

The Bank is running a commercial banking business in Nepal. The financial statements were authorised for issue by the Board of Directors.

2) Summary of Significant Accounting Policies

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

3) Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards ("NAS") issued by the Nepal Accounting Standard Board except otherwise stated, Generally Accepted Accounting Principles ("GAAP"), Bank & Financial Institutions Ordinance ("BFI"), presentation and other requirements of NRB Directives and in conformity with the Companies Act.

4) Basis of Preparation

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

5) Interest Income

Interest income on loans and advances are recognised on cash basis as per the Nepal Rastra Bank Directive except for the interest accrued as on the year end (July 16, 2006) and collected within 1 month of the Balance Sheet date as permitted by NRB, although this practice is not in accordance with NAS 7 (Revenue Accounting), which prescribes that the revenue should be recognised on accrual basis. The practice followed by the Bank (as per NRB Directives) is more conservative.

Interest income on Investments is accounted for on accrual basis.

6) Commission Income

All the commission incomes are accounted for on accrual basis. However, it is the policy of the Bank

to recognise income during the current financial year if the income is generated out of a transaction with tenor less than 12 months.

7) Dividend Income

Dividend on equity shares are recognised when the right to receive dividend is established. When bonus shares are received, only numbers of shares are increased without changing the cost price of shares.

8) Foreign Exchange Transactions

Foreign currency assets and liabilities are translated into Nepalese Rupees at the prevailing mid exchange rate ruling on the Balance Sheet date.

Income realised from the difference between buying and selling rates of Foreign Exchange is accounted for on a daily basis and shown as "Trading Gain" under "Exchange Gain" in Schedule 4.22.

Gains/losses arising due to fluctuation in exchange rate of different foreign currencies is accounted for on a daily basis and shown as "Revaluation Gain". 25% of such revaluation gain is transferred to Exchange Fluctuation Reserve through Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

9) Interest Expense

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

10) Loans and Advances including Bills Purchased

Loans and advances, overdrafts and bills purchased include direct finance provided to customers. These include overdrafts, term loans, consumer loans, supply finance and loans given to priority and deprived sectors. All credit exposures are classified as per NRB Directives. Loans and advances, overdrafts and bills purchased are shown net of provisions.

11) Staff Loans

Loans and advances granted to staff are in accordance with the rules of the Bank and are shown under Other Assets as per the Nepal Rastra Bank Directives.

12) Loan Loss Provision

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

13) Write Off

Loan accounts graded 'Loss' in compliance with Nepal Rastra Bank Directives are written off in the

books as per criteria/policy approved by the Credit Committee/Board, without prejudice to Bank's right to recovery. All written off loans pertain to loans brought over from then HISEF, for which 100% loss provision was made prior to the merger.

14) Investments

Long term investments are valued at cost and provision for diminution in the value of long term investments is made only if such a decline is other than temporary. All current investments are valued at lower of cost or market value, which is in line with the Investment Policy of the Bank. Investments in Treasury Bills & HMG Development Bonds are those, which the Bank purchased with the positive intent and ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

Premiums and discounts are capitalised and amortised from the date of purchase to maturity. All Investments are subject to regular review as required by Nepal Rastra Bank Directives.

15) Fixed Assets and Depreciation

- Fixed assets are stated at cost less accumulated depreciation.
- Assets with a value less than NPR 5,000 are charged off as a revenue expense irrespective of its useful life in the year of purchase.
- Depreciation is charged to Profit & Loss Account on a Straight Line Basis over the estimated useful lives of items of fixed assets. Land is not depreciated. The useful lives of the assets are as follows:

NATURE OF ASSETS	USEFUL LIFE (YEARS)
Furniture	5
Equipments	5
Vehicles	5 – 7
Computers	5
Free hold premises	40

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

16) Non-Banking Assets

Non-Banking Assets are valued at lower of loan amount (Principal) or fair market value of the assets acquired. Provisions for NBA are made in accordance with the Nepal Rastra Bank Directives.

Up to Previous year, Non-Banking Assets were valued at lower of receivable amount (Principal & Interest) or fair market value of the assets acquired as per NRB Directives.

17) Software Expenses

Acquired computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. The costs are amortised over their estimated useful lives.

18) Goodwill

Goodwill represents the excess of the cost of acquisition over the book value of the net identifiable assets acquired at the date of acquisition. Goodwill is stated at cost less accumulated amortisation.

19) Amortisation

Amortisation is charged to profit and loss account on a straight-line basis over the estimated useful lives of the intangible assets. Goodwill is amortised from the date of initial recognition, other intangible assets are recognised from the date they are available for use. The estimated useful lives are as follows:

- Goodwill 5 years
- Computer Software 5 years

Expenses incurred on leasehold property are amortised over the period of 5 years or initial lease period whichever is earlier on straight-line basis.

20) Employee Benefits

a. Provident fund

Provident fund is recognised at the time of contribution to the fund which is independent to the bank.

b. Accumulated Leave

Accumulated leave payable to staff is recognised on accrual basis as per the HR Policy Guide of the Bank.

c. Gratuity

Gratuity has been provided as per actual liability basis which is in line with the provisions made in the HR Policy Guide of the Bank. Gratuity is funded and deposited in the approved retirement fund independent to the bank.

21) Stationery Stock

Stationery purchased are stated at cost and charged to revenue at the time of consumption. Certain stationeries are specific to Laxmi Bank Ltd.

22) Provision for Taxation

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

23) Previous Year's Figures

Previous year's figures are grouped or regrouped wherever necessary in order to facilitate comparison.

Schedule 4.33

Notes to Accounts

Interest Income and Interest Suspense

Interest amounting to NPR 13,880,123 collected within 1 month of the Balance Sheet date as allowed by the NRB Directives has been included in the interest income in the current year.

Provision for Staff Bonus

Provision for staff bonus has been computed and provided for at 10% of net profit.

Staff Housing Fund

As the term of service of the staff has a provision for extending housing loans to the eligible staff, a separate housing fund has not been created as prescribed by the Labour Act, 2048.

General Reserve

As per the requirement of Nepal Rastra Bank, 20% of the current years profit has been transferred to General Reserve.

Exchange Fluctuation Fund

Revaluation gain as at the year-end amounting to NPR 1,173,075, out of which 25% has been transferred to Exchange Equalization Fund by debiting Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

Income Tax Issues

Final assessment of income tax return filed by Hisef (now merged with the Bank) for the financial years 2058/059 to 2060/61 is yet to be completed by the Inland Revenue Office.

As per the tax benefits provided by the Finance Ordinance 2062, the bank has withdrawn the legal case filed with the Revenue Tribunal for additional demands raised by the Tax Authority by the then HISEF for FY 2056/57 and have paid NPR 670,657 for final settlement of the tax. The letter from Inland Revenue Office is yet to be obtained on the same.

The tax authorities have raised an additional demand of NPR 1,661,042.71 on tax returns filed under self-assessment by HISEF for the financial year 2057/58. The Company had disputed the demand of tax authorities and filed an appeal with the Revenue Tribunal. Pending decision, the Bank has shown such disputed tax demand under contingent liability.

The Bank has filed tax returns to the Inland Revenue Office, Birgunj up to the financial years 2061/62 under self-assessment procedures, for which final assessment by Inland Revenue Office is yet to be carried out.

Capital Commitment

Capital commitment net of advances is NPR 4,327,000 on account of Patan Branch which was under construction at that time.

None of the bank's borrowings are against the collateral of its own assets.

Calls In Arrears

At the year end, total calls in arrears from general public was NPR 82,700 broken down as under:

Figures in NPR

PARTICULARS	NO OF SHAREHOLDERS	NO OF SHARES	UNPAID AMOUNT	TOTAL UNPAID AMOUNT
Shareholders of then HISEF	121	3,210	20 per share	64,200
Shareholders of Laxmi Bank	35	1,050	500 per shareholders	17,500
Shareholders of Laxmi Bank	1	40	1,000 per shareholders	1,000
Total				82,700

Investment in Share Capital of other Corporate

a. Everest Insurance Company Limited
Everest Insurance Company Limited has declared bonus shares of 2:1 for the FY 2061/62. As the notice was published only on September 05, 2006, the same has not been taken into consideration in this financial statements. Had the same been considered in the financial statements, the total number of shares would have been 10,410.

b. Himalayan Distillery Limited
The bank (then Hisef Finance Limited) had underwritten the shares of Himalayan Distillery Limited. As the shares were not fully subscribed, the

bank had accepted those shares by paying NPR 50 per share (call amount at that point of time). Since the bank had not paid the second call amount of NPR 50 per share, the Himalayan Distillery had forfeited those shares, against which the bank has filed a case and the case is pending till date.

(a) Commission & Discount Income - Others

Point no C. (2) of Schedule 4.20 includes NPR 1,806,014 for Commission on Foreign Currency Cash Purchase

(b) Other Operating Expenses - Others

Point No 26 (d) of Schedule 4.24 includes NPR 1,654,772 for Commission paid to Nepal Rastra Bank for Foreign Currency Cash surrendered.

Reconciliation Status

Figures in NPR

Reconciliation Status	Total Amount	< 3 months	> 3 < 9 months	> 9 months
Branch Reconciliation	NIL	NIL	NIL	NIL
Agency Accounts	245,354,943	244,601,714	664,376	88,853

The debit and credit differences have been cumulated irrespective of their signs. Differences stated in the above table are identified and have been/ will be adjusted in due course of business.

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

Figures in NPR '000

PARTICULARS	AMOUNT
Loans Disbursed	5,564,976
Loans Recovered	4,009,890
Loans Written off	1,124
Interest written off	0

Summary of Changes in Deposit Liabilities

Figures in NPR

	CURRENT YEAR 32/3/2063 (16/07/2006)	PREVIOUS YEAR 31/3/2062 (15/07/2005)	CHANGES
Call Deposits	650,457	339,557	310,900
Current Deposits	94,611	452,613	(358,002)
Fixed Deposits	2,658,179	1,786,381	871,798
Margin Deposits	41,036	26,502	14,534
Saving Deposits	1,000,069	446,705	553,364

Weighted Average Interest Spread

	RATE %
Average Rate of return from loans and advances	8.30
Average Rate on deposits & borrowings	5.05
Net Spread	3.25

Particulars of Expenses yet to be Expensed-off

Figures in NPR '000

	PARTICULAR	AMOUNT	FINAL AMORTISATION DATE
1.	Pre operating expenses	616	June 2007
2.	Share Issue expense	2,062	April 2009
3	Others	-	-

These expenses are being amortised over five-year period and have been grouped under fictitious assets while calculating Capital Adequacy in Schedule 4.30.

Summary of Concentration of Exposure

Figures in NPR '000

PARTICULARS	LOANS AND ADVANCES AND BILLS	DEPOSITS AND BORROWING	CONTINGENTS
Total amount as on 16/07/2006	4,280,106	4,474,111	635,442
Highest exposure to a single unit	150,000	402,632	50,612
Percentage of exposure to/ from single unit (in %)	3.51%	9%	7.96%

Classification of Assets and Liabilities based on Maturity

Figures in NPR in Lacs

ASSETS	1 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	ABOVE ONE YEARS	TOTAL AMOUNT
Cash Balance	666					666
Bank Balance	1,585					1,585
Investment in Foreign Banks	433					433
Government of Nepal - Bonds					171	171
Government of Nepal - Treasury Bills	2,165	290	1,616			4,071
Inter Bank Loans	990					990
Loans and Advances/ Bills Purchase	20,175	8,124	1,937	845	11,719	42,801
Total Assets	26,014	8,415	3,553	845	11,890	50,717
Liabilities						
Borrowings	298					298
Call Account	5,938				566	6,505
Current Deposits	792				154	946
Savings Deposits	9,753				248	10,001
Fixed Deposits	4,373	7,507	3,503	3,668	7,525	26,576
Debentures	-					-
Total Liabilities	21,154	7,507	3,503	3,668	8,493	44,326
Net Financial Assets	4,860	908	50	(2,823)	3,396	6,391
Cumulative Net Financial Assets	4,860	5,768	5,818	2,995	6,391	-

Credit Concentration

Figures in NPR in Lacs

SL.NO	SECTOR	BALANCE AS ON ASHAD END 2063		
		NO.OF LOANS	PRINCIPAL OUTSTANDING	INTEREST OUTSTANDING
1	Agriculture	Nil	Nil	Nil
2	Mines	Nil	Nil	Nil
3	Manufacturing	299	18,840	62
4	Construction - Residential	187	5177	23
5	Construction - Others	11	770	4
5	Metal Productions,Machinery & Electrical Tools & fitting	Nil	Nil	Nil
6	Transportation Equipment Production & Fitting	23	847	3
7	Transportation, Communications & Public Services	9	598	2
8	Wholesaler & Retailers	285	7,214	30
9	Finance, Insurance & Fixed Assets	103	2,781	11
10	Service Industries	63	3,213	13
11	Consumable Loan	Nil	Nil	Nil
12	Local Government	Nil	Nil	Nil
13	Others	374	3,361	73
13.a	Auto Loan	170	1,081	7
13.b	Personal Loan	145	443	10
13.c	Others	59	1,837	56
	Total	1,354	42,801	221

Details of Non Banking Assets

Figures in NPR

PREVIOUS YEAR	ADDITION DURING THE YEAR	SALE DURING THE YEAR	BALANCE AT THE END OF THE YEAR
2,774,747	882,565	0.00	3,657,312

Details of Lease Hold Assets Amortisation

Figures in NPR

LEASE HOLD ASSETS UP TO LAST YEAR	THIS YEAR ADDITION / DELETION	AMORTISATION DURING THE YEAR	NET BALANCE AT THE END OF THE YEAR
3,608,613	2,321,385	1,339,859	4,590,139

Nepal Rastra Bank's comments on Annual Financial Report and the Bank's Response

- 1 The directive of Nepal Rastra Bank to transfer at least 10% of the paid up capital from the profit of each Financial Year to Capital Adjustment Reserve in order to build the Paid Up Capital and Capital Adjustment Reserve to NPR 1 billion by the end of 2066 Ashadh end has not been followed by the Bank and since the retained profit of NPR 53.40 mio up to 2063 Ashadh end is lower than 10% (NPR 61.0 mio) of the Paid Up Capital, the entire retained earning needs to be transferred to Capital Adjustment Reserve.**

Response: As per the directive of Nepal Rastra Bank, entire retained earning of NPR 53.40 mio has been transferred to the Capital Adjustment Reserve.

- 2 The Board of Directors are required to submit an explanation stating reasons for not transferring funds in order to comply with the Directive to increase the Paid Up Capital and Capital Adjustment Reserve to NPR 1 billion by 2066 Ashadh end.**

Response: Since the retained profit (up to 2063 Ashadh end) was less than 10% of the Paid Up Capital, the amount was not transferred to Capital Adjustment Fund. In accordance to the recently issued Directive, a revised capital plan, duly approved by the Board of Directors of the Bank, has been submitted to Nepal Rastra Bank on 2063 Ashwin 31. As per the revised plan, the bank will issue rights/bonus shares and transfer retained earnings to Capital Adjustment Reserve to ensure a capital base of NPR 1 bio by the stipulated date of 2066 Ashadh end.

- 3 On the basis of the provisional financial statement, excluding profit & loss appropriation account that has been submitted by Laxmi Bank Limited, approval to publish the audited / final financial statements for the Financial Year 2062/63 is granted subject to the following adjustments:**

Response: To add NPR 2.444 mio as loan loss provisioning, which has been adjusted against the Directive of Nepal Rastra Bank in the loan loss provisioning from restructured loans of NPR 8.817 mio and booked as income.

- 4 To rectify structural errors observed in the financial statements submitted by the bank**

Response: These adjustments had already been incorporated in the provisional financials submitted for approval. The enclosed financial statements reflect these adjustments.



KATHMANDU: Laxmi Bank is represented through two offices/branches in Kathmandu, at Hattisar and Teku. The Bank's Corporate Office is located at Hattisar which also hosts

specialized business teams and support functions apart from a retail services branch and the wealth management unit. As the youngest of all Laxmi Bank branch, Teku Branch is located in the premises of one of the most famous landmarks in the valley, the National Trading Limited headquarters and is well positioned in terms of both physical access as well as products and services (including Evening Banking Services) to cater to the busiest trading community in the valley and a number of residential pockets for household deposits.



Laxmi Cares – Corporate Social Responsibility

At Laxmi Bank we believe that Corporate Social Responsibility extends to all stakeholder groups, including our shareholders, customers, employees and the communities and environment in which we operate. The bank has always aspired to a set of values which recognizes the interests of these stakeholders and which embodies the highest standards of integrity, corporate governance, environmental performance and community action.

CSR for us is not a medium for publicity or to gain public recognition. CSR is not only about charity either – we view CSR as a long term investment; we believe that a healthy and wealthy society will in turn offer us better opportunities to further our business.

Our CSR activities are carried out under the theme of “Laxmi Cares”. Corporate Social Responsibility is an integral part of how we operate and the below illustrates some examples of our activity in this area during the last 12 months. We look forward to building on these initiatives during 2006/07 and beyond.

Support for Cleft Lip & Palate Surgery

The staff of Laxmi Bank raised funds to sponsor a Cleft Lip and Palate surgery of one girl child. The Cleft Lip & Palate Surgery is an initiative undertaken by the Association of St. Mary's Alumni Nepal that helped 10 underprivileged children from rural areas go through corrective Cleft Lip & Palate Surgery.

Western Nepal Flood Victims

The staff and the bank jointly contributed to the Nepal Banker's Association fund to provide relief to the flood victims brought by the heavy monsoon rainfalls in the western part of the country. The Association handed a cheque of NPR 2 million to the government.

Blood Donation

To mark the 4th anniversary of the bank in April 2006, the bank joined hands with Nepal Red Cross Society and set up a 1 day “Friends and Family” blood donation camp at our Hattisar Corporate Office. Hundreds of people, comprising of Laxmi Bank staff, their friends, family and customers took part in the donation.



Nyano Pan

The bank has joined hands with Captain Bijay Lama, a senior airline pilot cum social worker who collects clothes through his social and professional circle and distributes them to the poorest section of rural Nepal during his flights to those destinations. Laxmi Bank has agreed to be a continuing partner to this "Nyano Pan" project and our staff contributed to Captain Lama's initiative to ensure that the people of Humla in remote western part of the country keep warm this winter.



Orange embraces Green

Laxmi Bank is mindful of our responsibility to help protect our environment as a good corporate citizen. We believe that there is no better place to start behaving in an environmentally responsible manner than our own workplace. We encourage the use of electronic communications to the extent possible in order to create a "paper free" environment. We recycle paper and other consumables and have introduced a range of measure across the bank in order to save energy and help the environment.

The Equator Principles is a set of principles developed jointly by banks and the International Finance Corporation that lays the frame work for addressing and managing environmental and social risks in project financing. The first set of principles was launched in 2003, with the most recent revision taking place in 2006. These principles apply to all new project financings globally with total project capital costs of US\$ 10 million and more, across all industry sectors. More than 40 leading financial institutions have adopted The Equator Principles. As part of managing our social and environmental risks, Laxmi Bank is keenly following the development of The Equator Principles and has adopted the spirit of the principles for internal business consumption. As the size and scope of business opportunities (and projects) grow in the country, we expect to fully adopt The Equator Principles in the future.

Sharing Best Practices - Management Development Programs

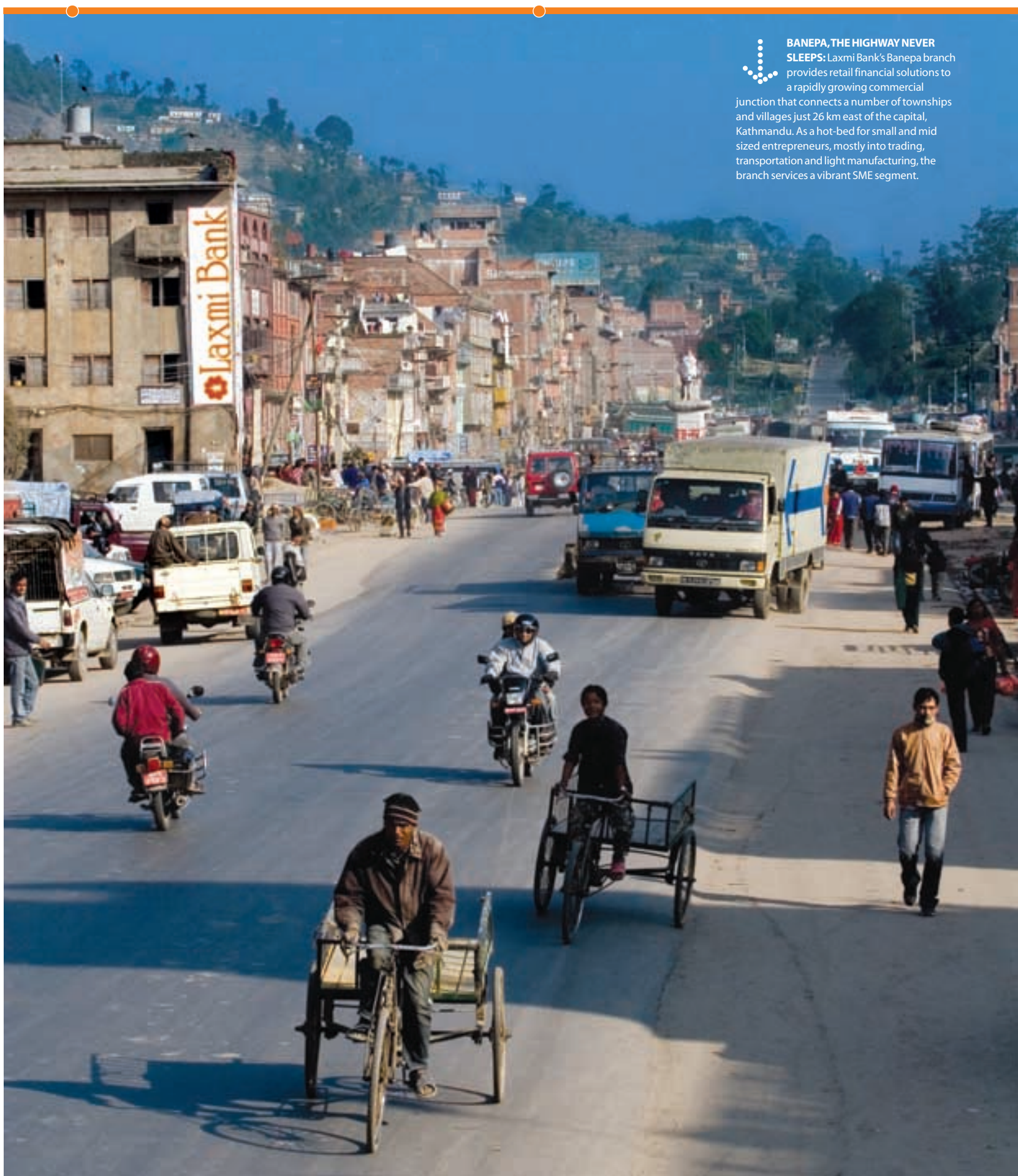
As in the past, Laxmi Bank has conducted a number of management development programs for the bank staff as well as for executives of partner organizations and customers. Faculty from internationally well known institutions like Indian Institute of Management and XLRI conducted series of training and talk programs. We believe in imparting knowledge on international best practices to our customers and patrons with a view to raising the quality of management know-how. Our own executives have also been engaged in sharing knowledge and expertise for the benefit of management and banking students of universities and institutions in the country.

Conflict Victims Orphanage

As in the past year, the bank continued to support to the Conflict Victims Orphanage that houses children orphaned by the 12 year long insurgency. The bank staff contributed clothes, sleeping materials, food and stationary for the education of the children.

Early Rehabilitation Centre

Laxmi Bank helps to promote different handmade products such as Candles, Incense and Envelopes by physically challenged children being cared at the Early Rehabilitation Centre, Kathmandu. We encourage staff, customers and visitors to purchase these products, the proceeds of which go directly to the benefit of these children.



BANEPA, THE HIGHWAY NEVER SLEEPS: Laxmi Bank's Banepa branch provides retail financial solutions to a rapidly growing commercial junction that connects a number of townships and villages just 26 km east of the capital, Kathmandu. As a hot-bed for small and mid sized entrepreneurs, mostly into trading, transportation and light manufacturing, the branch services a vibrant SME segment.

Laxmi Bank and Women Entrepreneurs

Women probably start businesses or think of starting one at two times the rate of men. But then, they find it harder at the outset to grow their businesses and access venture capital. Most women have big dreams in their hearts, but don't know how to make them happen. Often women are able to build fairly successful businesses, but can't figure out the next steps to evolve their businesses from fairly successful to great. Mentoring is crucial for women-owned businesses. This is where Laxmi Bank comes in.

Laxmi Bank through its Small Business Banking Solution repackaged in 2005, ventured to cater to the needs of Women Entrepreneurs and provide financial solutions. A good percentage of Laxmi Bank's Small Business portfolio is represented by Women, which goes on to show the emergence of Women in the Nepali business scene. The Bank has identified a quietly successful, highly sophisticated, and growing segment of entrepreneurs who did not necessarily have access to finances and business solutions that they were worth.

Highlighted below are stories of four different Women Entrepreneurs from different backgrounds at different stages of their entrepreneurship journey. These portraits don't just tell a business story, they tell how it really feels to be an entrepreneur, from the depths of near-despair to the moments of elation when the original passion and insights become a successful brand.



Raksha Lama

Raksha Lama epitomizes the passionate woman entrepreneur, who relishes every facet of her work, nurtures a fiery yet subtle determination to live her dreams and reach greater heights. Vivacious and talented, she introduced Latin Quarters in March 2003 and began the venture to slip out of the housewife-envelope and to fulfill a lifetime dream of starting her own line of business.

The timing was perfect. Kathmandu seemed to need a place that offered an alternative recreational option in the form of a chic & exclusive restaurant-cum-club. Add to it the intriguing Latin stroke. Latin Quarters is now a celebrated joint, frequented by both locals and expatriates. The success continues, but it brought along a need to grow and change. In quest of new possibilities and to reach a larger populace, Latin Quarters will soon be relocating to a new venue in the heart of the city, Durbar Marg.

Excerpts from a conversation:

"Laxmi Bank's Small Business Banking solutions helped me 'unlock' investments made and forgotten long time back and refinanced my equity utilized during start-up & growth of the business. I've realized that Laxmi Bank pays as much attention to providing financial advisory as opposed to merely disbursing loans. The culture in the Bank, driven by the notion of providing Solutions rather than Products or Services is quite discernible. The young, dynamic team of Relationship Managers, the prompt services, and the comfort level you experience in Laxmi Bank remains unrivaled.

I also use Laxmi Bank to manage my personal finances and like the wide range of saving deposits the Bank offers that pays a high rate of interest, gives me personalized services and offers flexibility on withdrawals and deposits."



Jyoti Aryal

Young and on the move, Jyoti Aryal is a practicing dentist who exudes enough reasons to understand why despite the burgeoning dental clinics in the city, some are still able to attract patients and remain popular. Ambitious and savvy, she wanted to establish a clinic that reflected her modern outlook, and wanted to change the perception that people had about Dental clinics.

After around eight years of practicing and working for hospitals and other senior Dentists, her compelling ideas, support from spouse—also a Dentist serving in the Army—blended with her entrepreneurial spirit, and she garnered enough confidence and a desire to establish her own practice.

She walked into Laxmi Bank to enquire how to go about getting a loan to start up a clinic. With very little knowledge about profit & loss and balance sheets, she simply wanted a loan to pay for the expensive dental equipments and to set up the office.

Excerpts from a conversation:

"Laxmi Bank structured a Home Equity loan that was in line with our projected cash flow. They offered advices and products that we weren't even aware of, but which would make our life much simpler. After facilities availed from the Bank, hard work and lots of word-of-mouth publicity, including those by Laxmi Bank staff, helped us save enough and gave us confidence to buy even higher grade equipment – plus we now needed money to stock up inventory as business traffic grew. In fact, Laxmi Bank even advised to register a company so that we could apply for a Small Business Banking Solution.

The Bank put together bits and pieces of information I provided and made the effort to understand what our requirement was and how to provide the right solutions. I liked how the Relationship Manager took time to explain

articulately how the money was flowing in and out of the clinic and how the different types of loans were meant to match and support this flow."

Thereafter, Advance Dental Clinic, located alongside the northern boundary of the Royal Palace, was registered and launched in March 2006. The clinic boasts state-of-the-art equipments and provides services at par with western standards. Advance Dental Clinic is one of the first in Nepal to provide implants with titanium screws placed into bone to replace missing teeth, without the need to drill any neighboring teeth. The Clinic is also the first to introduce the Zoom! Chair-side Whitening System, ideal for anyone looking for immediate results.



Sristi Joshi

The proprietor of Moni's Creation, Shristi Joshi is a name that's gradually gaining access into a lot of offices and homes around the Valley. With a variety of products on offer, from painted glass works, perfumed candles, intricate bead works, to homemade chocolates, Moni's Creation is now a recognized brand name.

She started out with capital borrowed from family and paid of the borrowed loan with initial cash flows, but soon realized that business growth meant need for more money. Although exceptional at Creative Arts, excellent at Personal Relations and Sales skills, she wasn't a brilliant "book-keeper". This is where Laxmi Bank came in.

Excerpts from a conversation:

"The Relationship Manager visited my place of business, understood how the business is run, how the money flows, identified at what stage and for what purpose I lacked the funds and helped structure a loan facility that was simple enough to understand and operate. Knowing there is a line of credit I can fall back on gives confidence and a platform to grow the business in both scope and volume. Laxmi Bank ensures that I borrow within my actual business requirements and also helps in maintaining my books."

Here's what a few of the prominent women entrepreneurs have to say about Laxmi Bank:

Shalini Wadwa

Chief Executive/Editor, The Boss

"A woman is always hesitant about walking alone, of taking a new initiative, however strong and successful she may be. So it's such a nice feeling when you know that there's a Bank specifically trying to cater to you, where you'll not only be listened to, but will also walk out more confident, well-informed, and with a solution. It makes you feel on top of the world, and that's what anybody would look for. There's such parity in the products offered by the different Banks today, so the fact that there's an ambience and a culture in Laxmi Bank where all people regardless of gender or net worth is greeted and dealt with on a one-to-one basis, is very encouraging."

Srijana Thapa

Director, Photo Concern

"Laxmi Bank has got beautiful interiors, is innovative in its ideas and products. About trying to focus and promote women entrepreneurs, it's a commendable and unique initiative. Women tend to have ideas or even money but don't know how to go about the different processes involved in enterprising. More often than not, we just end up spending money, when instead, if good counseling about investment values and techniques exists, we'd prefer to keep our money in a place where it grows."

Ava Shah

Managing Director, Silver Mountain School of Hotel Management

"Lately, I keep hearing about Laxmi Bank from different sources. Whether it is about the interiors, its IT superiority, the innovative products or the hospitable nature of its staff members, the words that reach my ears have been upbeat. I've recently become their client (Orange Savings), and as an entrepreneur I hope to further explore beneficial business opportunities. And the fact that Laxmi Bank views Small Businesses as the big businesses of tomorrow and have a special team of Relationship Managers dedicated to servicing their financial needs is admirable."

