CHAPTER-ONE
INTRODUCTION

1.1 Background of the study

Finance, the art and science of managing money, affects every person and organization. Finance is concerned with process institution markets and instructions involved in the transfer of money between individual's business and government. Managerial finance (concerned with the duties of the financial manager in the business firms) is important in all types of business including banks and other financial institutions as well as industrial and government operation. The major finance functions are investing, financing and dividend decision for an organization.

Financial performance means financial activities performed by every financial institution. It can be considered as heart of the financial decision and main indicator of the success or failure of any financial institutions. A study of financial performance is a basic process which provides information of liquidity position earning capacity, efficiency in operation, profitability source and use of capital, financial achievement and status of the company or financial institution. Financial analysis is a part of finance which is very useful to understand the firm’s performance. It is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet and profit and loss account.

Ratio analysis is a powerful tool of financial performance. It is defined as the systematic use of ratio to interpret the financial statement. The strength and weakness of a firm as well as its historical performance and current financial condition can be determined. Traditional financial ratio analysis has focused on the number. The value of this approach is that

quantitative relation can be used to diagnose strength and weakness in the firm's performance. It provides a framework for financial planning and control.

A financial institution is the lifeblood of economic development of the country. Financial institution acts as the catalyst in the process of economic growth of the country. A Bank is financial institution which can play a significant role in the upliftment of the economic situation of the developing country like Nepal. Bank is considered as the backbone in the development of the national economy. It is financial institution which acts as a transaction of money by accepting various types of deposit, disbursing loans and rendering other financial services. Among the various functions, to provide loan to the investors is the major function. Through the loan there will be increase in the environment of the investment and the bank has the major role in creating such environment.

1.1.1 Introduction of Bank

There are various concepts about the origin of the term 'Bank'. The term bank is derived from the Latin word '*Bancus*' that refers to the bench on which the banker would keep its money and its record. Some people trace its origin to the Italian word '*Bance'* and French word '*Banque*' that means a bench for keeping and exchange of money in the market. The terms bank in modern times refers an institution which deals with money, accepts deposits and loan and advance. It also deals with credit and has the ability to create credit (i.e. the ability to expand its liabilities as a multiple of its reserves).

Bank means an institution that deals with money. A Bank performs several financial, monetary and economic activities which are important

for the economic development of a country. It is a monetary institutional vehicle for domestic resource mobilization of the country which accepts deposits from various sources and invests such accumulated resource in the field of agriculture trade, commerce etc.

Generally the term banks refer commercial banks. Commercial banks are the foundation of the national economy. It is the transformation of monetary sources from savers to users. They involve in various functions like creation of money, facilitating credit, facilitating foreign trade and safe keeping of the values etc. Commercial banks have its own role and contribution in the economic development. It is a source for economic development and it maintains economic confidence of various segments and extends credit to people. Modern commercial banks can be identified by different names such as business bank, merchant banks, retail banks etc. They perform the same business function. They provide a link between lenders, those who have surplus money and do not wish to spend immediately with borrowers, they who do not have surplus money but wish to barrow for investment in productive purpose. By charging a rate of interest to borrowers slightly higher than they pay to lenders, the banks make their profit this is known as financial intermediation.

Capital is that things which regards as the vital factor for the economic development of a nation. Every development programs need capital. The main problem of under developed countries is lack of capital formulation and their mobilization. In the field of capital formation the banking role is indisputable for collection of scattered resource and mobilization of the capital. Banks render other services like remittance of fund, purchase and sale of bills, supplying of timely credit and other market information.

Their services are also necessary for rapid growth of business and economic activities.

1.1.2 Emergence of Commercial Bank in the Economy

The first public bank '*The Bank of Vanish'* established in Italy in 1157 A.D. Italy is regarded as the motherland of first modern bank. *'The Bank of Barcelona'* and *Bank of Geneva'* were established in 1401 and 1407 respectively. *The Bank of England* was established in 1694 AD had brought remarkable change in the process of establishing banking institution in the world. The establishment of this bank was a milestone in the history of banking development.

Like in other countries of the world goldsmiths, merchants and money lender were the ancient bankers of Nepal. "Tesarath Adda" established during the tenure of the Prime Minister Ranodip Singh in 1933 B.S. was the first step towards the institutional development of banking system in Nepal. It had carried the function of providing loan for the government's servants and to the general people under collateral of gold and silver at the low interest rate. "Tesarath Adda" did not collect deposit from the public but give loan to employees and public against the bullion. Overall development of banking system in Nepal, "Tesarath Adda" could be considered as the father of modern banking system. King Tribhuwan inaugurated Nepal bank limited on 30 kartik 1994 this is marked as the beginning of an era of formal banking in Nepal. In that era very few people were understood or had confidence in this new concept of formal banking.

Nepal Bank Limited is a pioneer commercial bank of modern banking system of Nepal. It was established in the technical assistance of Imperial

Bank of India under Nepal Bank Act 1993. It has been playing a momentous role in the development of Nepalese economy. The Bank is highly successful to create banking habits among the Nepalese people and to create monetization in the non monetized area of Nepal. It is the first financial institution of Nepal. At present, the bank is operating through 112 branches over the country. Its vision is to remain the leading financial institution of the country. This Bank was established prior to the Nepal Rastra Bank (central Bank), it used to perform the function of commercial bank as well as of central bank until the inception of Nepal Rastra Bank (2013/1/14). Now the presence of separate central bank it carries out the function of commercial bank only.

Being the oldest Bank of the banking history of the country, it has played a vital role in the development of banking system. The bank has given more priority to the service of common and poor class people. The bank not only holds its capital but also holds the deposit of the people, which makes it responsible to the society. It has contribution to the government revenue in terms of the tax. In recent some years, its financial performance and position is satisfactory to all the concerned parties. Now it has been able to give good facilities to personnel and service to general people.

Commercial bank was established to provide the services to accept deposit and to extend credit facilities for the promotion of trade, cottage industries and agriculture to render customer related service. Nepal Bank Limited was originally incorporated under a special character “Nepal Bank limited Act 1993”. After the enactment of commercial bank act 2031 B.S. Nepal Bank limited was brought under this Act. It is a limited liabilities company registered with Nepal Government company

registrar's Office under company Act.2063 have received 'A' class license from Nepal Rastra Bank to perform banking business under Bank and Financial institution Act. 2063.

Share holder structure of Nepal Bank Limited share ownership

Shareholders	Percentage
Nepal Government	40.49
"A' class licensed institutions	5.68
Other licensed institution	0.77
Other Entities	2.40
Individual (General Public)	49.94
Others	0.71

Structure of share capital of Nepal Bank limited

Share capital	(Rs in millions)
Authorized capital	1000
Issued capital	500
Paid up capital	380.4

To analysis financial performance, it involves the use of various financial statement such as balance sheet (summarize of assets, liabilities and owners equity of a business), income statement (summarizes the revenue and expenses) of the firm over a particular period of time. In fact, financial statement is ideal application for this powerful program and their use of financial statement analysis both external and internal too. TO evaluate the financial performance of a firm, the analyst needs a certain parameters of the company by which the quantitative relationship and its position come out. The most widely used effective tool of the financial analysis is ratio analysis. Financial ratio helps us to find the symptoms of

the operational and financial problems of a corporation, which can be ascertained by examining the behavior of these ratios.

1.2 Focus of the Study

This study focuses on 'Financial Performance Analysis of Nepal Bank Limited'. It is the process of determining the significant operating and financial characteristics of a firm from accounting data and financial statement. The goal of such analysis is to determine the efficiency and the performance of the firm's management as reflected in the financial report.

This study concentrates in analysis of external financing and its business risk such as, lending loan to various sectors, investment in various securities and so on. This study focuses on strength and weakness of NBL by evaluating the assets and liabilities, return over the period.

Focus of this study is evaluation of the capital structure (debt + equity), the major sources of fund (current deposit, fixed deposit, saving deposit, interest), uses of fund (loan and advance, investment in securities), profitability of the firm, share holder's equity, and payout and projection of future profitability.

This study focuses on various aspects of bank's performance such as trend of deposit, investment loan and advance, liquidity, leverage efficiency and earning power.

This study focuses on using financial indicators like Trend analysis, Statistical tool such as Arithmetic mean, coefficient of correlation, coefficient of correlation of probable error and financial ratio's like

liquidity ratio, leverage ratio activity ratio and profitability ratio to measure the financial performance of the bank.

1.3 Statements of the Problems

Mainly this study emphasizes, on the performance of Nepal Bank Limited. The struggle and survival, pros and cons, ups and down and ability of the bank to adopt in the changing economic condition effectively would be deal and analyzed. The financial performance of government Banks are visibly low. Government Banks have deal with various social obligations and given to provide different subsidies. At the same time joint venture banks can merely operates far profit making. With the prevailing economic condition of the country, the investment in manufacturing, productive, agriculture and industrial sectors have not grown satisfactorily. Hence, the NBL is also not succeeding perfectly to shift the deposit in profitable sectors.

The financial performance of any financial institutions have evaluated with the aid of balance sheet and profit and loss account. The bank must provide with statistically information in a prescribed form for the publication. The detail information for the better analysis of loan disbursement is not accessible in the bank. Therefore, the evaluation of financial performance of the bank has been done with the help of balance sheet and profit and loss account only. The study could be addressed the following major questions.

- How the NBL have been managing their position relating to the liquidity?
- How far NBL able to accumulate deposit and utilize deposit?
- What are the operational results to their profitability?

- What are the relationship between total deposit and total investment over the year?
- What is the banks return over in different period?
- What is the assets composition of the NBL?

1.4 Objectives of the Study

Financial performance has become vital and importance tool in the field of financial management in all organization. This study is basically confined to provide a detailed analysis such as practical, useable, valuable and the financial performance currently facing the selected bank.

The main objective of this study is to examine, discuss and evaluate the financial operation and the financial statement of NBL. To achieve this basic objective the specific objectives are as follows:

- To evaluate liquidity and profitability position.
- To analyzed activity and leverage ratio of the bank.
- To evaluate assets composition, fund collection and mobilization.
- To identify the relationship between various variables.

1.5 Significance of the Study

Financial performance analysis of any company is very important. Actually on the basis of financial analysis, we can say that the concerned company is strong or not. The financial statement published by the bank gives the meaningful picture to the general public regarding the financial position of the bank. This study helps to ascertain the financial performance of government bank (NBL). Regarding the economic structure of the country, the bank does not have sufficient investment opportunities.

This study will be beneficial for the entire person who directly or indirectly related to banking business. This study will give the information about the financial condition of NBL and it will definitely help to increase the analytical power of the investors, depositors, shareholders, debenture holders, suppliers, debtors, and creditors. This study certainly inputs the policy makers of concern bank for making plans and policies of the effective banking system.

1.6 Limitations of the Study

The study will have some limitations; basically the study is done for the partial fulfillment of master of business studies. Time constraints, financial problem and lack of research experience will be the primary limitation and other limitations are as follows.

- This study covers the relevant data and information only for five years i.e. from FY 2063/64 to 2067/2068.
- The study deals only with Nepal Bank Limited. The findings of this research drawn may or may not be applicable to other various banks of Nepal.
- Study being based on secondary data. Therefore, the consistency of findings and conclusion is strictly depending up on the reliability of secondary data and information.
- This report cannot remain without flaws. Best effort has been done to make this report with minimum errors. Being almost impossible without error, existence of unnoticed error is also major limitation of the study.

1.7 Organization of the Study

This study has been organized over all together five chapters such as Introduction, Review of literature, Research methodology, Presentation

and Analysis of Data and Summary, Conclusion and Recommendation. A brief outline of this study has been outlined here.

Chapter 1 Introduction

This chapter deals with introduction, which includes:

- Background of the study
- Focus of the study
- Statements of the problem
- Objectives of the study
- Significance of the study
- Limitation of the study

Chapter 2 Review of literature

This chapter deals with the review of existing literature in the relevant area which are available. It includes:

- Review of related books
- Review of journals
- Review of articles
- Review of previous unpublished master thesis

Chapter 3 Research Methodology

Third chapter explains the research methodology used in this study. Research methodology is the systematic method of finding facts or result of the given problem more specifically. The detail research methodology is adopted to meet the objectives of this study. It includes:

- Research design
- Population and sample
- Nature and source of data
- Methods of analysis

Chapter 4 Presentation and Analysis of Data

This chapter deals with the presentation and analysis of collected data and information. It brings out major findings and result of the study. Various tools have been used to interpret the data, they are as follows:

- Financial tools: Ratio analysis (liquidity ratio, leverage ratio, Assets management/Activity ratio, profitability ratio)
- Statistical tools: Arithmetic mean, correlation coefficient analysis and probable error of correlation coefficient and trend analysis
- Figures: line graph and bar diagrams.

Chapter 5 Summary Conclusion and Recommendations

This chapter is the final chapter of the study that includes summary of the study conclusion and recommendations.

The bibliography, appendix is included in the last of the thesis.

CHAPTER-TWO
REVIEW OF LITERATURE

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has covered. Scientific research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study.

The main purpose of literature survey is to find out what studies have been conducted in one's chosen field of study, and what is remains to be done. It provides the foundation for developing the comprehension theoretical framework from which hypothesis can be formulated and minimizes the risk of pursing dead ends in research with related topic and good idea of the problem. The researcher also can derive knowledge from what has been written concerning his/her topics. The other major propose of raving the literature is to develop some expertise knowledge in one's area to see what new contribution can be made and receive some idea for developing a research design.

2.1 Conceptual Review

2.1.1 Concept of Financial Performance Analysis

Financial performance analysis can be considered as a heart of financial decision. This growth and development of any enterprises is directly influenced by the financial policies. Finance is interrelated to such field as accounting, social science economics and other subjects. The accountant prepares the statement and gathers the data, which are useful for financial manager to make financial decision. Good financial decision

always plays vital role about the profit of enterprises. Similarly it is equally important to achieve the wealth maximization of owners.

Financial performance is a quantitative analysis of the firm's efficiency. In other words, it is a way of studying financial position or condition of a company. The company's financial plan and policy prepares and implemented by the management should judge on the ground of its financial performance. Conceptually, "financial performance" concerns with the management and analysis of financial operation of the firm thought the means of profitability, liquidity efficiency and utility of resources. The main purpose of bank performance analysis is to evaluate its progress to meet the goals and objectives set by management and to compare the performance of the bank relative to that of similar other banks.

A powerful and the most tested tool of financial analysis is the ratio analysis. It is defined as the systematic use of ratio to interpret the financial statement. So that the strengths and weaknesses of a firm as well as, the historical performance and current financial condition can be determine (Khan and Jain, 1999: 5.13).

Traditional financial ratio analysis has focus on the number. The value of this approach is that quantities relation can be used to diagnose strengths and weakness in a firm's performance. But the world is becoming more dynamic and subject to rapid change. It is not enough to analyze operating performance. Financial analysis must also include consideration of strategic and economic development which the firm must relate for its long term success (Western and Copland, 1992:191).

Financial analysis involves the use of various financial statements. The first is the balance sheet which represents a snapshot of the firm's financial position at a moment in time and next is the income statement that depicts a summary of the firms profitability over time (Vanhorn and Wachowicz,1997:120).

It is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account (Pandey, 1994:96).
It is also the analytical and judgmental process that helps to answer the questions that have been posed. Therefore it is means to end. A part from the specific analytical answer the solutions to financial problems and issues depend significantly on the views of the parties involved in the related issues and on the nature and reliability of the information available (Helfert, 1992:02).

Besides, it can be taken as the starting point for making plans, before using any sophisticated forecasting and planning procedures. Financial data can be used to analyze a firm’s past performance and assets it present financial strength. Management of the firm would be particularly interested in knowing the financial strength to make their best use and to spot out the financial weakness to take corrective actions.

The analysis makes an attempt to dissect the financial statements to their components on the basis of the purpose on one hand and between individual components and total of these items on the other. In course of studying and evaluating the financial position of the organization, a study of the trend of various important factors over the past several years is also

undertaken to have clear understanding of changing profitability and financial condition of the business organization (Srivastav, 1998:56)

Financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business, which is often identified by the firms' industry classification (Weston, Besley and Brigham, 1996:78).

With respect to the problems identified from the analysis pertinent care should be made to distinguish between the causes and symptom of problem (Hampton, 1998:99).

The analysis of transaction determines the solvency of business and the measures of efficiency of operations as compared to similar concerns. The analysis reveals how far the dream and ambition of the top management have been converted into reality during each financial year.

Financial performance as a part of financial management is the main indicator of the success or failure of enterprises. Financial analysis is the process of identifying the financial strength and weakness of the enterprise by properly establishing the relationship between the items of balance sheet and profit and loss account. In sum, it is a process of evaluating the relationship between component part of financial statement to obtain better understanding of an enterprise position and performance.

The profit earned by the company is main yard of valuing the financial performance. Over the long term adequate and reasonable earnings are essentials to assure survival and growth to capital adequacy through profit retention, to assess market for the both debt and equity to provide funds for increased assistance to productive sectors (Needles, 1989). A company grades itself as successful company, if it generates maximum profit to justify fair rate of return on investment. Thus, the company

should manage its available financial resources effectively in the productive sector, so that profitability position of the company rises and profit margin and return on investment boosts up.

A commercial bank is essentially a lender in money. It is banking institution, which accepts the demand and deposits from business institution and individual and engages in both business consumers leading. A commercial bank is different from money lender who deals which belongs to him. The money dealings of commercial banks are largely based on the money it receives from other its deposit. The effect of commercial banks to maximize its total net income by employing its fund productively creates a difficult problem of assets management for commercial banks. Thus the financial performance of any commercial bank should be valued in term of profitability, liquidity efficiency, utilization of resources and the profit management. At last, the financial analysis can be defined as the processing the financial condition of a firm.

2.1.2 Objectives of Financial Performance Analysis

From the concept of financial performance analysis, it has been evident that one can explore various facts related to the past performance of business and predict out the future potentials for achieving expected results. Various parties are involved in the business directly or indirectly. Therefore, objective of the analysis also differs from one party to other. However, major objectives of the analysis in broad sense can be stated as follows (Needles, 1989).

i) Assessment of past performance and current position

Past performance is often good indicator of future performance. Therefore an investor or creditors is interested in the past sales, expenses, net income, cash flow and return in investment in addition an analysis of current position will tell what assets the business owns and what liabilities must be paid. Beside it will provide the information about various facts in relation to the business such as

- Operational efficiency of the concern as a whole and of its various departments.
- Long term and short term solvency position of the business for the benefit of debenture holders and trade creditors.
- Real meaning and significance of financial data.

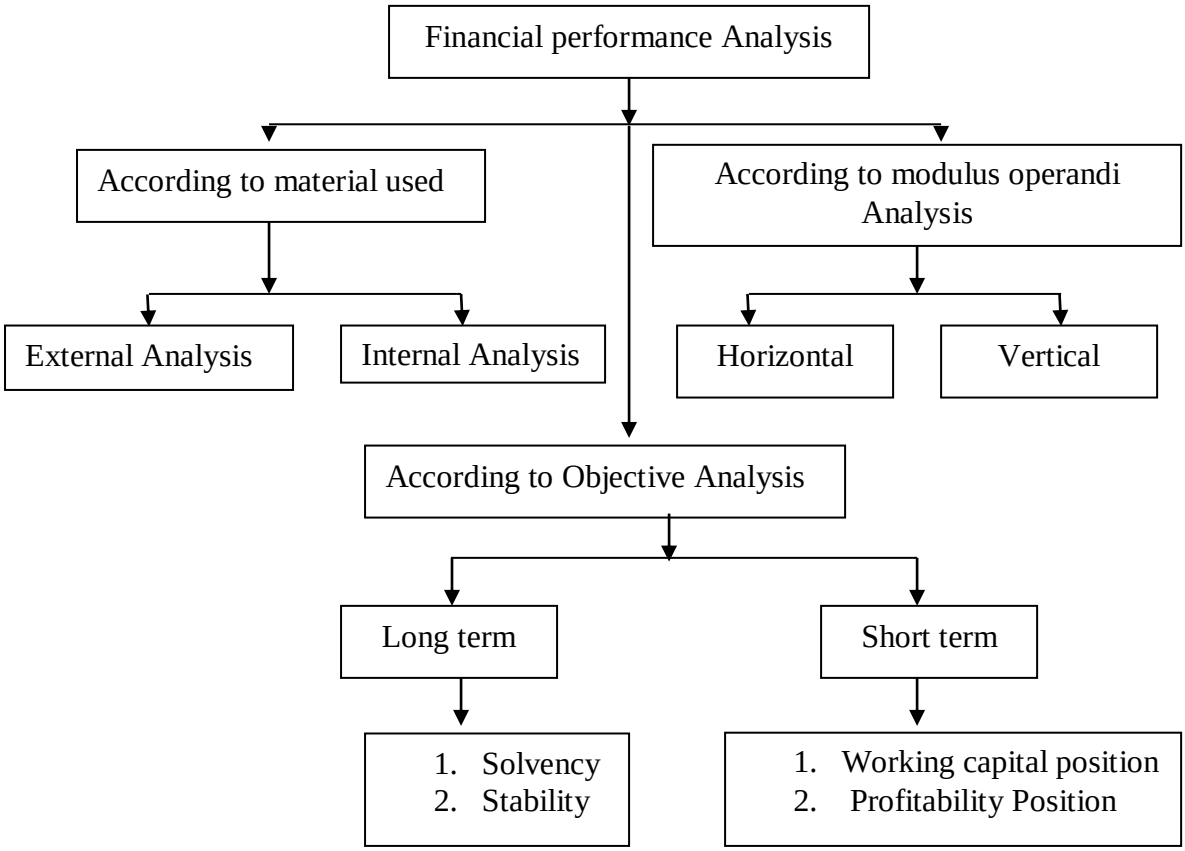
ii) Assessment of potential and related risks

The past and present information are useful. Only to the extent they have on future decisions. An investor judges the potential earning capacity of a company because, that will affect the value of investment or share and the amount of dividend the company will pay. The creditors judge the potential debt paying ability of the company. The potentials of the existing company are easier to predict than that of others. This means there is less risk associated with them. The risk of the investment or loan hinges on how easy it is to predict the future profitability and liquidity. Besides these the managers of business concern will get information about the potential such as:

- Financial stability of the business concern
- Reforms needed for the present policies and procedure that will help reduce weaknesses.

2.1.3 Types of Financial Performance Analysis

The nature of financial analysis defers depending on the purpose of analyst. Financial statement analysis can be categorized into different types on the basis of material used, objective of the analysis and the modulus operandi of analysis (Jain and Narang, 1989: 23-25).



2.1.4 Steps in Financial Performance Analysis

The basis for financial analysis is financial information obtained form balance sheet and profit and loss account. The analysis of financial statement is completed in three major steps. The first step involves the organization and rearrangement of the entire financial data as contained in the financial statements. This calls for regrouping them into few principal elements according to their resemblance and affinities. Thus, the balance sheet and income statement are completely recast and presented in the condensed from entirely different from their original shape. The

next step is the establishment of significant relationship between the individual components of balance sheet and profit and loss account. Finally, significance of result obtained by means of financial tool is evaluated. This requires establishment of standard against which actual be compared (Srivasave, 1993:56).

2.1.5 Tools and Techniques of Financial Performance Analysis

To evaluate the financial condition and performance of a company the financial analyst need certain yardsticks. The yardstick frequently used is ratio or index relating two pieces of financial data to each other. Analysis and interpretation of various ratio should give experienced and skilled analyst, a better understanding of the financial condition and performance of the firm then they will obtain from analysis of the financial data alone (Vanhorn, 1999:691-692).

The techniques of analysis are employed to ascertain or measure the relationship among the financial statement item of a single set of statement and changes that have taken place in these items as reflected in successive financial statement. The fundament of the analytical technique is to simplify or reduced the data under review to the understandable terms. Out of the various techniques selection of a technique or combination of the techniques depend on the purpose of analysis. Different techniques reveal different facts associated with the business, so some or all the following major techniques can be used for the analysis depending on the purpose and availability of the materials demand by the technique, which are started together.

- Funds flow Analysis
- Cash flow Analysis
- Trend Analysis
- Ratio Analysis

Funds flow Analysis

The statements of change in financial position prepared to determine only the sources and uses of funs, between two dates of balance sheets is known as funds flow statement. It is prepared to uncover the information that financial statements fail to describe clearly. This statement is prepared to summarize the changes in assets and liabilities resulting from financial and investment transactions during period as well as those changes occurred due to change in owner's equity.

Methods of preparing funds flow statement depends essentially upon the sense in which the term 'fund' is used. There are three concepts of fund Cash concept, total resource concept, and working capital concept. According to cash concept the word 'fund' is synonymous with cash. Total resources concept represents the total assets and resources as fund. The term fund refers only to working capital on working capital concept. However the concept of fund as working capital has gained wide acceptance as compared to other concepts. Therefore any transaction that increases the amount of working capital is taken as source of fund while conducting funds flow analysis. It is valuable aid to the financial manager or a creditor or other interested persons in evaluating used of funds.

Cash flow Analysis

Cash play an important role in the business firm. It is prepared to know clearly the various items of inflow and out flow of cash. Cash flow analysis is different from funds flow analysis in the sense that the analysis relates to the movement of cash rather than the inflow and outflow of working capital. It summarizes the causes of change in cash position between dates of two balance sheets. While preparing cash flow

statement, only cash receipts from debtor against credit sales are recognized as the sources of cash. Similarly, cash purchase and cash payment to suppliers for credit purpose is regard as the use of cash.

This type of analysis is useful for short run planning. The main objectives of cash flow analysis are to shows the causes of change in cash balance. It provides information about cash and availability of cash to management when it is interested to know. Cash flow analysis is not only concerned with the good or bad management of cash. It is deeply concerned with the liquidity position of the firm. Since cash flow statement is made to show the impact of financial policies and financial procedures on the cash position of the firm. It always helps the management in short term financial decisions relating to liquidity.

Trend Analysis

It is an important and useful technique to analyze and interpret the financial statement. Under this technique of financial analysis the ratio of different items for various periods are calculated and then comparison is made. This method is basically helpful in making comparative study of financial statement. This method of analysis involves the computation of percentage relationship that each statements item bears same to the same items in the base year. Base year for the purpose of comparison may be earliest year, the last year or any intervening year under the study.

Trend analysis facilitates the horizontal study of the data, as the fundamentals objectives are to make comparison between items having same logical relationship to one and another. It reveals whether the current financial position of the company has improved over the past years or not. It shows which of the items have moved in a favorable direction and which of them in unfavorable direction.

Ratio Analysis

An arithmetic relationship between two figures is known as ratio. Ratio simply means the relation of one quantity to another. Ratio analysis is a technique of analysis and interpretation of financial statement to evaluate the performance of an organization by creating ratio from the figure of different accounts consisting in balance sheet and income statement is known as ratio analysis. Financial ratios are the basic tools of financial analysis. The operational and financial problem of a corporation can be curtained by examine the behavior of these ratio. In financial analysis, a ratio is used as an index for evaluating the financial position and performance of an enterprise. A financial ratio is a relationship between two financial variables and a process of identifying the financial strength and weakness of an enterprise. In view of the requirement of the various users of ratios, they can be classified into four major types/categories. They are liquidity ratio, leverage ratio, activity ratio and profitability ratio.

Liquidity ratio measures the ability of the firm to meet its current obligations. Leverage ratio evaluates the long term financial position of the firm. Activity ratios are employed to evaluate the efficiently with which the firm manage and utilizes its assets. Finally, profitability ratios are calculated to measure the operating efficiency of the company.

2.2 Review of Journals and Articles

The number of banks and financial institutions are increased dramatically increased after the democratically elected government adopted the liberal and market oriented economic policy.

A commercial bank is business organization that receives and holds deposit of fund from other makes loans or extends credits and transfers funds by written order of deposit (The Encyclopedia American, 1934:75). A commercial banker is a dealer in money and substitute for money such as cheque or bill of exchange. It also provides a variety of financial services (The New Encyclopedia Britannia; 1985).

Commercial Bank Act of Nepal has defined that "A commercial bank is one which exchanges money deposits money, accepts deposit, grants loans and performs commercial banking functions and which is not a bank meant for cooperation, agriculture, industries or for special purpose. The Bank and financial development institution ordinance has accumulated the five banking acts including commercial bank act, which defines the bank with respect to their transaction. This Act trying to categories the banking institution in two ways based on their transaction. According to this Act Bank is the institution which performs transaction under the provisions mentioned on section 47 of this Act.

Consideration of liquidity requires that the bank should be able to pay cash on demand. Since bulk of deposit liabilities of commercial banks are subject to withdrawal either without notice or a prior notice term, any commercial must meet the demand or close its doors go into liquidator. To be able to meet withdrawal of deposits, the bank has to maintain cash reserves, which will vary as the composition of total deposit changed (Vaish, 1978:16).

Every bank strives to minimize its net profit earning by employing its surplus cash by lending it to trade and industry against tangible or

personal securities in a manner to pay on demand the acquired funds to their owners or persons named by them (Vaish, 1978:19).

Further he states the two principle items of the assets portfolio of the banks are the advance or bank credit and investment and other securities. Many countries have provided for the statutory provision regarding the minimum percentage of bank deposit that must be invested in government securities. Similarly the central bank may frequently determine the size and distribution of the aggregate bank credit in the economy.

Poudel, (2063), in his article financial statement Analysis; An Approach to Evaluate Banks performance published in NRB Samachar says that the balance sheet, profit and loss account and the accompanying notes are the most useful aspect of the bank. We need to understand the major characteristics of bank's balance sheet and profit and loss account. The bank's balance sheet is composed of financial claims as liabilities in the form of deposits and as assets in the form of loans. Fixed assets accounts form a small portion of the total assets. Financial innovations, which are generally contingent in nature, are considered as off balance sheet items. Interest received on loans/advance and investments paid on deposits are the major components of profit and loss account. The other sources of income are fee, commission discount and service charge. The users of the financial statements of a bank need relevant, reliable and comparable information which assist them in evaluating the financial position and performance of the bank and which is useful to them in making economic decision. The disclosure requirement of the bank's financial statement has been expressly laid down in the concerned Act. Commercial Bank Act requires the audited balance sheet and profit and loss account to be published in the leading news paper for the information of general public.

Karki, (2011), in his article" Banking sector: Opportunities and Challenge" published in new business Age asserts that the banking sectors of Nepal facing its ultimate test amidst political instability, liquidity crises, un favorable policies of the regulating body, sluggish economy and various other macro and micro economic factors. There are a lot of challenges in the banking sector. Improving the worsening liquidity crises that is directly affecting the operation of banks is the major challenge for the banking sector in the current scenario. Existing level of NPA is not a good sign for smooth growth of the banking sectors. There is tough competition with 32 commercial banks and innumerable development banks and finance companies. Another challenge is strengthening overall financial stability in general and the banking sector in particular. Frequent changes and ad-hoc policies due to lack of prudent thinking of regulating body has created uncertainty in the banking sector and has resulted in weakening banking sector reform.

Nepal's banking sector flourished over the year despite numerous challenges and is trying to be a part with international standards. At the same time there are ample opportunities for the banking sector to explore the rural markets in Nepal via innovative products such as micro finance, mobile banking etc. The banking sector realized the potentials of small and medium sized enterprises in the rural sector the tourism and hydropower sectors to provide opportunities for the banking sector public private partnership concept will be equally describable for poverty alleviation, growth and expansion of banking services, especially in the rural economy.

Finally, the banking sector in Nepal is bound to go through testing times with challenges and opportunities galore. A long term clear cut strategy by the regulating body and a strong commitment from the banking sector is required for the holistic development and growth of this sector. The banking sector can bring about tremendous improvement in the coming day by giving special performance to the rural along with the urban sector

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Pande ,(2011), in his article" Future of Nepali Banking" published in New Business Age says that one of the major areas of development in the past two decades in Nepal has been that of the Banks and financial sector. The financial sector now operates in a more competitive environment than before in the wake of greater financial deregulation and global financial integration the biggest challenge before the regulators is of avoiding instability in the financial system. The future of banking will undoubtedly rest on risk management dynamic. Only those banks that have efficient risk management system will survive in the market in long run. The effective management of credit risk is a critical component of comprehensive risk management essential for long term success of banking institution. Factors like skill attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of human resources indicates the ability of banks to deliver value to consumers. Capital and technology are replicable but not the human capital which needs to be treated as a highly valuable resource for achieving that competitive edge.

The challenges will continue to be competition due to limited market retention of customers and unless volume is increased the possibility of profitability due to shrinking margin will be limiting. In order to counter these challenges, it is important to have a well equipped R & D

department with focus on region specific campaigns rather than national media campaigns. The future will also depend on strategic partnership with local financial institutions in the rural sector for market penetration.
He concludes, it is increasingly evident that the economy offers opportunities but no security. Therefore, the future will belong to those who develop good internal controls, check and balance and a sound market strategy along with investment in talent.

2.3 Review of Previous Thesis

Joshi,(1989has conducted a research "A Study on Financial Performance of commercial Banks" analyzed the different ratios of Nepal Arab Bank and Rastriya Banajya Bank for the period of five years, concludes that liquidity position of commercial bank is sound. Their debt to equity ratio is high, which debt on solvency, debt to equity ratio of local commercial bank is higher than joint venture bank. Conservative policy is followed by commercial banks for assets utilization that is why more investment is done in loan and advance. Assets utilization for earning purpose is two third of the total assets. The main source of income for the bank is interest from loan and advance and overall profitability position of NABIL is better than others. Researcher recommends dividend payment ratio of commercial banks should be determined keeping in mind the share holder's expectation and growth requirement of the banks.

Bohora, (1992), has conducted a research on comparative study of the financial performance of NABIL Bank and Nepal Investment Bank limited. The major objective is to highlight the financial performance and role of joint venture banks in the economy. Researcher attempts to analyze the financial performance with the help of financial analysis and

derives the strength and weakness of two major joint venture banks by calculating liquidity ratio. Bohora comes out with some valuable suggestions to the joint venture banks which are as follows.

- Joint venture banks need to make balance between disbursing of cash dividend and issuing of bonus shares.
- These banks need to increase their equity base to maintain their capital adequacy.
- They need to maintain liquidity in the firm of cash reserve ratio as per NRB rules.
- They need to increase operational profit by concentrating in consistent earning rather than fluctuating.

Adhikari, (1993), has conducted his thesis on "Evaluating the financial performance of Nepal Bank Limited" with basic objective of evaluating the financial performance of Nepal Bank Limited, has analyzed the different ratios by observing the figure of balance sheet of Nepal bank limited for the period of fiscal year 2038/39 to 2046/47. Researcher remarks that the bank is not found to have able to utilize its fund effectively and efficiently for the set up upliftment of the economy. Researcher also states in his report that the bank has been unable to utilize its resources (i.e. deposit) on high yielding investment portfolio to maximize the return. Operational loss has been found unsatisfactory. Hence the bank has suggested managing its investment portfolio efficiently. Researcher recommends that the bank should try to mobilize resource efficiently by creating new business and services idea which will certainly help for better utilization and mobilization of funds and resources of NBL.

Amatya, (1993), has conducted a research on appraisal of financial position of Nepal Bank Limited, he analyzes examines and interprets the financial position of the bank from 1980/81 to 1989/90. The study reflects that the liquidity position of the bank has found to have adapted the conservative financing policy i.e. low position of equity capital has been resorted to finance total assets. The bank has successfully operated beyond the breakeven point over the study period. Major findings of the study are:

- Regarding the liquidity management, the bank is in better position but the banks have been following uniform policy to finance current assets and current liabilities.
- The bank is successful in deposit collection but it has always adapted conservative are traditional credit policy.
- The trade and commerce advances are paying major role in credit composition of the bank. Although the reserve of the bank is increasing gradually, the reserve plays a nominal role in credit expansion control.
- The major portion of investment of the bank is in government securities and the volume of transaction is high in respect but the bank does not show higher rate of profit or it shows a decreasing trend of profit.

Gurung, (1996), study on "A financial study of joint venture Banks in Nepal", a comparative study of NGBL (Standard Chartered Bank limited) and Nepal Investment Bank Limited has analyzed the financial performance of two joint venture banks, with the help of various profitability ratios like return on total assets, return on total deposit, and return on net worth and capital adequacy ratio like debt to equity ratio, long term debt to net worth ratio, coverage ratio. After analyzing the

financial statement, the study reveals that the liquidity position, in term of current ratio of both banks, is below normal standard 2:1, which indicates the unsatisfactory liquidity position. Profitability ratio of both banks reveals losses during gestation period. However they have managed to maintain a position of return in the subsequent years. According to Gurung, activity ratio of both banks shows that they are efficient in utilizing their total assets.

Poudel, (2000), in his thesis entitled "A Comparative Analysis of Financial Performance between Nepal Bank limited and standard Chartered Bank Limited" has drawn some major findings. Although the liquidity position of NBL is better than SCBL, the current asset of these banks is adequate to meet the current liabilities. SCBNL has better credit position than NBL in terms of short term investment. It is also found that NBL has better turn over and highly levered than SCBNL. Joint venture banks such as SCBNL is fast growing the overall profitability higher but government owned commercial banks such as NBL has higher expenditure and the profit making capacity is lower and gradually decreasing.

Pathak, (2001), his thesis entitled "A Comparative Study on Financial Performance between and HBL". He concludes that the short term solvency position of both banks is found below the normal standard and NGBL seems relatively better than that of HBL. Both banks have been utilizing most part of their total assets in profit generating purpose but comparing both banks, NGBL has better performance than HBL for utilizing assets. Return on investment comparatively decides that HBL has idle deposit due to lower return as compared with NBGL.

Joshi, (2002), has conducted a study on "A comparative study on financial performance of Nepal SBI bank and Nepal Bangladesh bank". The major findings of the study are as follows:

- Analysis of liquidity position of these commercial banks shows different position; here the average current ratio of SBI bank is greater than that of NBB bank. Therefore, the liquidity position of SBI bank is in normal position.
- Analysis of profitability of these two banks is also different. The overall calculation seems to be better for NBB. Through certain ratio like divided per share, dividend payout ratio etc. is better for SBI bank. Form the calculation NBB seems to tackle their investment more efficiently.
- Analysis of turnover of these two banks NBB has better turnover than SBI, in term of loan and advance to total deposit ratio. Thus NBB has better utilization of resources income generating activities than SBI bank.
- Going through net profit to total deposit ratio it can be said that NBB seems to be more successful in mobilizing its customers saving in much more productive sectors. NBB has slightly riskier debt financing position in comparison to SBI Bank.

Luintel, (2003), in his thesis "A study on financial performance Analysis of Nepal Bank limited", the major findings that the NBL has not maintained a balanced ratio among its deposit liabilities during the second period of the study. As compared the second periods with the first period, the bank is seemed to be unable to utilize its high cost resources in high yielding investment portfolio. During both the periods, there is negative operating profit for two years. But both the years of the first period enjoys positive net profits due to the non operating incomes. Hence, there is

demarcation between operational and non operational activities of the bank and perform once and result of the first period shows that the bank is more inclined towards non-operating activities. Furthermore, the liquidity position of the bank is also not satisfactory during both periods. It is even worse during the second period. Various current ratios have fluctuated during both periods. It shows lack of specific policy of holding various types of current assets. Thus, it can be said that the financial position of the NBL is worse during the second period due to its in efficiency in risk management the overall financial position of the bank is unsatisfactory during the both periods.

Gupta, (2004), has conducted "A study of financial performance analysis of Everest Bank Limited" with the basic objective of examining the financial statement of the bank and analyzes them to see the financial soundness of the bank. Researcher finds that the bank is able to maintain liquidity position to meet the daily cash requirement. It has made enough investment on government securities but less in risky assets. Further researcher finds that the bank has sound position regarding the mobilization of the total deposit on loan and advance but decreasing trend regarding the mobilization of total deposit as investment. Also he finds that the bank has average position towards the utilization of working fund on loan and advance.

Sapkota, (2005), research work "An Analysis of Financial Performance of Nepal Investment Bank limited and Bank of Kathmandu limited" concludes that the financial performance of such types of commercial bank is improved year by year after the foreign partner withdraws its share. In addition, researcher concludes that financial performance of both banks are seemed satisfactory, in comparison profitability position,

turn over position, capital structure position, capital adequacy position and other indicators (i.e. P/E ratio, MVPS to BVPS) are better in NIBL where as assets quality position is better in BOK than NIBL. There is highly positive relation of total deposit with loan and advance, performing assets and net profit in both banks, but negative relation between loan and advances with net profit in BOK. The main financial indicator shows the positive trend in both banks.

Poudel, (2006), carries out a study on "comparative analysis of financial performance between NBL and RBB". The basic objectives that the study has provide comparative financial performance of the NBL and RBB. In that study, financial tools and statistical tools are used to evaluate the performance of banks. In financial tools are liquidity, activity, and profitability structure income and expenditure ratios. Further the researcher uses the least square method to find out the trend of different financial indicators like earning per share, dividend per share and net profit, market value per share. The different financial indicators finds that the performance of NBL better than RBB.

Rana, (2007), research work “comparative financial performance analysis of Nabil bank limited and Himalayan bank limited” concludes that both banks have utilized its deposit very efficiently on loan and advances, but its return on investment of both banks is not satisfactory. It is found that both banks are using more debt in the capital structure and both banks are able to earn high return on share holder’s equity.

Thapa,(2008), carries out a study on the topic of "A study of financial performance of Nepal SBI Bank limited" concludes that the loan advance to total deposit ratio shows a fluctuating trend over the study period. The

bank becomes most success full in utilizing the depositors fund to earn profit by providing loan and advance. The price earnings ratio is high and Banks have properly utilized the high interest bearing profit.

Thapa, (2009), carries out a study on "comparative analysis of financial performance of Standard Chartered Bank and Himalayan Bank limited" has concluded with the general objectives to generalize the financial performance of the selected banks. Researcher concludes that the liquidity position of HBL is better than SCBNL. She reveals that HBL is in a position with respect to meeting customer requirement than SCBNL. Further both the banks have successfully managed their assets towards different income generation on activities. Researcher recommends adopting innovative approach to marketing in the light of growing competition in the banking sector, the business of the bank should be customer oriented. The bank is also required to explore the new market areas.

Both the banks are highly leveraged, comparatively HBL seems relatively more. Thus, they both have lower ratio of share holder's equity over total claims of creditors. Earnings per share trend of the banks are found to be decreasing. Researcher suggests both banks to utilize its resources in more profitable sector. Further she recommends to invest in the most earning assets like loan and advance and to reduce the operating expenses to maximize profit.

Bhandari, (2010), study entitled "A comparative financial performance analysis of Himalayan Bank limited and Everest Bank limited" concludes that the liquidity position of both banks is below the normal standard; comparatively this ratio of Everest bank is better on an average. Both the banks are found to be efficient in utilize most of their total assets. Based

on the findings of analysis, the research suggest finding out the root cause of week liquidity position to improve the liquidity position of both banks. Similarly both the banks are suggested to maintain proper balance of total debt to share holder's fund. Researcher also suggests that both banks should utilize the resources more efficiently for profit generating sectors.

Shakya's, (2011), study entitled "Financial performance of SBI Bank Ltd and Everest Bank Ltd" concludes that the liquidity position of these banks is sound. Nepal SBI Bank has better utilization of resources in income generating activity than Everest Bank Ltd. Interest earned to total assets and return on net worth ratio of Everest Bank is higher than SBI Bank. This study concludes overall profitability position of Everest Bank is better than Nepal SBI Bank.

CHAPTER-THREE
RESEARCH METHODOLOGY

This is the most sensitive part of research and the base on which our conclusion is drawn. A systematic research study requires a proper methodology to achieve the set objectives. The first part of this chapter relates to the research design, whereas, the second part describes the population and sample. The nature and sources of data and methods of analysis are placed on third and fourth part of the chapter. The most significant aspect of the chapter, which in depth has analyzed the data analysis tool used in the research, has been included in the fourth part.

3.1 Research Design

Research design is the organized way of research methods and technique used in the entire study. It is the plan structure and strategy of investigation conceived so as to obtain research questions and to control variance. This research is based on descriptive analytical technique. The main objective of this research is to evaluate the financial performance of Nepal Bank Limited. Useful research design can produce the answer to the proposed research question. The research design is an integrated frame that guides the researcher in planning and executing the research works.

3.2 Population and Sample

For the purpose of this study, population will be defined in term of number of commercial bank operation in Nepal. Total no. of commercial bank was 32. These 32 commercial banks totally form the population of study. The bank included in the study is one in number. The selection is based on convenience sample methods. The bank included in the study is

Nepal Bank Limited. The financial statements of the last five years (i.e. from FY 2063/64 to FY 2067/68) have been taken as sample data for analyzing the financial performance.

3.3 Nature and Sources of Data

This study is mainly based on secondary data of the concerned banks. The basic purpose of the study is to fulfill the requirement for the degree of master of business studies. The sources of secondary data has been collected from annual reports, bulletins, financial statistics, articles, journal and annual balance sheet of Nepal Bank Limited as well as the website.

3. 4 Methods of Analysis

To achieve the objectives of this study, various financial and statistical tools have been used. The analysis of data will be done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as mean, coefficient of correlation and coefficient of correlation of probable error (PE) are used in this study. Likewise, some financial tools such as ratio analysis and trend analysis have also been used for financial analysis. The various calculated results obtained through financial and statistical tools are tabulated under the different headings. Then they are compared with each other to interpret the results.

3.4.1 Financial Tools

Financial tools are used to examine the strength and weakness of banks. In this study, financial tools like ratio analysis have been used.

Ratio Analysis

Ratio is the mathematical relationship between two accounting figures. Financial ratio analysis is designed to determine the relative strengths and weakness of business operations. It also provides a frame work for financial planning and control. Financial analysis concentrates on financial statement analysis, which highlights the key aspects of firms operation. Financial statements analysis involves a study of the relationship between income statement and balance sheet accounts how these relationship changes over time and how a particular firm compares with other firms in its industry various types of ratios are available to evaluate the firm's financial performance various types of financial ratios are as follows.

A. Liquidity Ratio

The purpose of this ratio is to test the solvency position for the payment of short term liabilities. Solvency position or liquidity denotes ability for payment of short term liabilities. Liquidity ratio measures the firm's ability to fulfill short term commitment out of its liquid assets. Assets are liquid if they are either cash or relatively easy to convert into cash. Under liquidity ratio there are following ratios

I. Current ratio

Current ratio measures the extent to which the claims of short term creditors are covered by short term assets. It shows the relationship between current assets and current liabilities.

Mathematically it is presented as current ratio $=\frac{\text{Current assets}}{\text{Current liabilities}}$

Whereas current assets includes case and bank balance, money at call or short notice, loan and advance , investment on government securities bills

purchase and other assets. On the other hand, current liabilities include borrowing, deposit, bills payable, purposed and dividend payable, income tax liabilities and other liabilities. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstance in case of seasonal business ratio.

II. Cash and bank balance to total deposit ratio

Cash and bank balance is the most liquid current asset of a firm. This ratio calculated to find out whether cash and bank balance in hand is sufficient to cover its current calls margined to total deposit. Mathematically it is presented as

$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash and bank balance}}{\text{Total Deposits}}$$

III. NRB balance to total deposit ratio

NRB balance to total deposit ratio shows the percentage of amount deposited by the bank in NRB as compared to the total deposit. The formula used for computing this ratio is as

$$\text{NRB balance to total deposit ratio} = \frac{\text{NRB balance}}{\text{Total deposit}}$$

B. Profitability Ratios

Profitability ratios measure the success of the firm in earning, net return on sales or on investment. It is the indicator of the financial performance of any institution. This implies that higher the profitability ratio, better the financial performance of institutions and vice versa. Profitability position can be evaluated through following different way.

I. Return on total assets

It measures the return on all the firm's assets after interest and taxes. This ratio established the relationship between net profit and total assets. It is calculated dividing return on net profit/loss by total assets and can expressed as

$$\text{Return on Assets}=\frac{\text{Net profit}}{\text{Total assets}}$$

I. Return on equity

It is the ratio between net incomes and share holder's equity. It measures the rate of return on share holder's investment. It is the best measure of the company's success in fulfilling its goal it can be calculated by using the following formula.

$$\text{Return on equity}=\frac{\text{Net profit}}{\text{Share holder equity}}$$

II. Return on loan and advance ratio

Return on loan and advance ratio shows how efficiency of the banks and finance companies have utilized their resource to earn good return from provided loan and advance. This ratio is computed to divide net profit by the total amount of loan and advance. It can be mentioned as:

$$\text{Return on loan and advance ratio}=\frac{\text{Net profit}}{\text{Total deposit}}$$

III. Return on total deposit ratio

Major financial source of a bank is deposit collection, and deposits are mobilized for loan and advances, investment etc to earn profit. The ratio shows the relation of net profit earned by the bank with the total deposit accumulated. Higher ratio is the index of sound profitability position. The

ratio of computed by dividing net profit after tax by total deposit. It can be mentioned as:

$$\text{Return on total deposit} = \frac{\text{Net Profit}}{\text{Total deposit}}$$

C. Leverage Ratio

Leverage ratio also known as capital structure ratio or Debt management ratio or long term slovenly ratio of capital structure ratios. The term solvency implies the ability of a business to meet its long term debt. It measures the extent to which firm is using debt financing. Under leverage ratio there are following ratio.

I. Debt ratio (Total debt to total assets ratio)

The ratio includes between total debt and total assets. It is known as debt assets ratio. It measures the percentage of the firm's assets financed by creditors. The formula to compute this ratio as:

$$\text{Debt ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

II. Debt equity ratio

The debt equity ratio measures the long term financial solvency of a firm. This ratio indicates the relationship between total debt and total equity. Mathematically it is presented as:

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Total equity}}$$

III. Share holder's equity to total assets ratio

This ratio explains the percentage of share holders equity used in total assets. Share holders equity is the combination of paid up capital and reserve fund. This ratio can be computed by using following formula.

$$\text{Shareholders' equity to total assets} = \frac{\text{Shareholders equity}}{\text{Total assets}}$$

D. Assets management ratio/Activity Ratio

Assets management ratios are also known as activity ratios or efficiency ratio or performance ratio. A set's of ratio which measure, how effectively a firm is managing its assets and whether or not the level of those assets is properly related to the level of operations. The following financial ratios are calculated under assets management ratios.

I. Investment on total deposit ratio

This ratio measures the mobilization amount of total deposits on investment. Mathematically it is presented as:

$$\text{Investment to total deposit} = \frac{\text{Total investment}}{\text{Total deposit}}$$

II. Investment to total assets ratio

It measures the percentage of total assets mobilize in investment. This ratio computed by using the following formula.

$$\text{Investment to total assets} = \frac{\text{Total Investment}}{\text{Total assets}}$$

III. Loan and advance to total assets ratio

This ratio measures the extent to which the bank is successful in utilizing outsides funds in the form of extending loan advance. A high ratio represents the ability to utilize the deposit. This ratio computed by using the following formula.

$$\text{Loan and advance to total asset} = \frac{\text{Loan and advance}}{\text{Total assets}}$$

IV. Loan and advance to total deposit ratio

This ratio also measures the contribution of total deposit on only loan and advance in investment. The formula used to find out this ratio is

$$\text{Loan and advance to total deposit} = \frac{\text{Loan and advance}}{\text{Total deposit}}$$

3.4.2 Statistical Tools

Statistical tools help to find out the trends of financial position of the bank. It also analyzes the relationship between variables and helps banks to make appropriate investment policy regarding to profit maximization and deposit collection, fund utilization through providing loan and advances. Ranges of statistical tools are also used to analyze the collected data and to achieve the objective of the study. Simple analytical tools such as arithmetic mean, Karl Pearson's coefficient of correlation, probable error and trend analysis adopted which are as follows

Arithmetic mean

Arithmetic mean or simply a 'Mean' of a set of observation is the sum of all observations divided by the number of observations. Arithmetic mean is also known as arithmetic mean in general, X_1, $X_{2, \ldots}$ X_n are the given number of observation, then their arithmetic mean can be derived by following way.

$$\bar{x} = \frac{x_1 + x_2 + \ldots + x_n}{N}$$

Where,

X= Variables

$\bar{x}$= Arithmetic Mean

N= Number of observation

Arithmetic mean is a single value of selection which represents them in average. Mean is one of the useful tools to find out the average value of the given data.

Coefficient of correlation (r)

Correlation says just degree of relationship between two or more variables. The coefficient of correlation measures the relationship between the two sets of figures. Two variables are said to be correlated if the change in one variable results in a correlated if the change in one variable result in a corresponding change in the other variable. There is positive and negative correlation. If the values of the two variables deviate in the same direction i.e. increase in the values of one variable results, on an average in a corresponding increase in the value of the other value or if decrease in the values of one variable results, on an average in a corresponding decrease in the values of other variable correlation is said

to be positive or direct. On the other hand, correlation is said to be negative or inverse if the variables deviate in the opposite direction i.e. increase (decrease) in the value of one variable results on the average, in a corresponding decrease (increase) in the value of the other variable. The relationship between two variables Says 'X' and 'Y' and is defined by correlation coefficient (r)

$$r = \frac{N\sum XY - \sum X.\sum Y}{\sqrt{N\sum \times^2 - (\sum \times)^2}.\sqrt{N\sum Y^2 - \sum (Y)^2}}$$

Where

N = No. of pair observation

X = Dependent variable

Y = Independent variable

The value of 'r' lies between -1 to +1 and

If r =1, there is perfect positive relationship

If r = -1, there is perfect negative relationship

If r = 0, there is no correlation at all.

Probable Error (P.E) of correlation coefficient

The probable error is an old measure of ascertain the reliability of the value of Persian coefficient of correlation. If r is the calculated correlation coefficient in a sample of n pairs of observation then its standard error usually denoted by S.E (R) is given by

$$SE\ (r) = \frac{1-r^2}{\sqrt{n}}$$

$$P.E\ (r) = 0.6745 \times \frac{1-r^2}{\sqrt{n}}$$

The probable error is used to test whether the calculated value of sample correlation coefficient is significant or not. A few rules for the interpretation of the significance of correlation coefficient are as follows

a. If r < P.E. (r) then the value of r is not significant i.e. insignificant
b. If r > P.E. (r) then r is definitely significant

The probable error is may lead to fallacious conclusions particularly when r the number of pains observations, is small.

Trend Analysis

Trend analysis is a very useful and commonly applied tool to forecast the future event in quantitative terms, on the basis of its tendencies dependent variable in the past period. The straight line trend implies that irrespective of the seasonal and cyclic as well as irregular fluctuation, the trend value increase or decrease by absolute amount per unit of time. The linear trend values from a series in arithmetic progression.

The tools that are used to show gradually increase or decrease of variable of variable over a period of time is known as analysis. With the help of trend analysis the tendency of variables over the period can be seen clearly.

CHAPTER - FOUR
PRESENTATION AND ANALYSIS OF DATA

In this part of thesis, data and information regarding over all financial performance of NBL are presented and analyzed. This is analytical chapter, where the researcher has analyzed and evaluated major financial items, which mainly affect the financial management.

4.1 Financial Tools

Financial analysis is the process of identifying the financial strength and weakness of the organization presenting the relationship between the items of balance sheet. For the purpose of this study, mainly ratio analysis has been used. Various financial ratios related to the financial management are presented and discussed to evaluate and analyzed the performance of bank (NBL). Various financial ratios are calculated and data will be analyzed with the help of these ratios. The important and needed financial ratios which are to be calculated for the purpose of these studies mentioned below; Liquidity ratio, leverage ratio, assets management ratio and profitability ratio.

4.1.1 Liquidity Ratio

Ratio analysis is the quantitative relation of two mathematical variables. Ratio is taken to judge an accounting figure in relation to the other accounting figure liquidity ratio presents liquidity position of a firm. The purpose of this ratio is to test the solvency position for the payment of share term liabilities. Liquidity position is calculated taking relation to the different portfolios of the firm. It may vary based on nature of business.

In this study, following ratios are mentioned of the concern financial institutions.

I) Current Ratio

Current ratio measures Short terms liabilities maturity before one year. This is a best measurement tool to analyze liquidity to discharged current obligation. The ratio obtained by following formula.

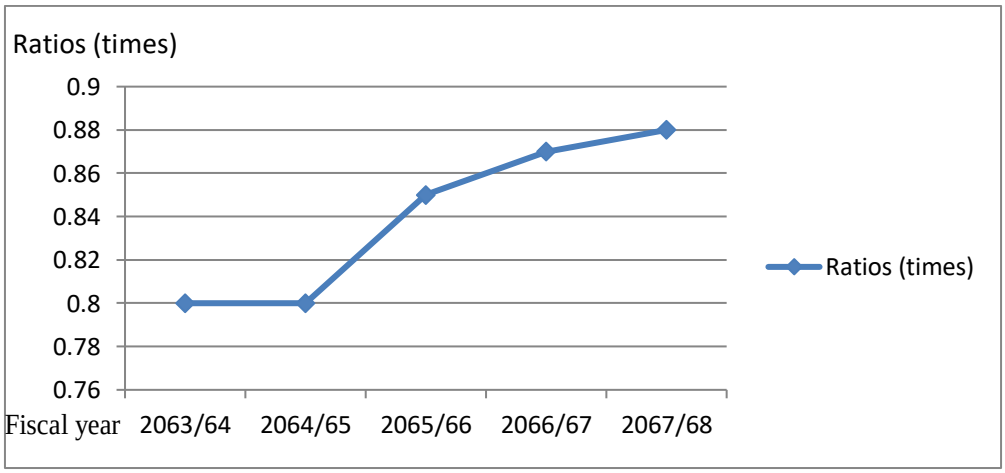
$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Table 4.1
Current assets and current liabilities (RS.000)

Fiscal year	current assets	current liabilities	Ratios (times)
2063/64	36207175	45506309	0.80
2064/65	38139600	48061746	0.80
2065/66	44510097	52413422	0.85
2066/67	42863210	49341582	0.87
2067/68	48820292	55635240	0.88
Average			0.84

*Source: Annual Report

Figure 4.1
Current ratio



The above table and figure shows current ratios. The highest ratio 0.88 is in FY 2067/68 and lowest rate 0.80 in FY 2063/64 and 2064/65. The average ratio during the study period is 0.84. The ratio is below the average in FY 2063/64 and 2065/66. Whereas the ratio is above the average is in FY 2065/66, 2066/67 and 2067/68. This ratio is slightly increasing during the study period.

II) **Cash and bank balance to total deposit ratio:**

Cash and bank balance consist of cash balance, balance with NRB and balance with bank and financial institutions. This ratio measures the ability of bank highly liquid or immediate fund to meet it unanticipated calls on all types of deposit. This ratio calculated as:

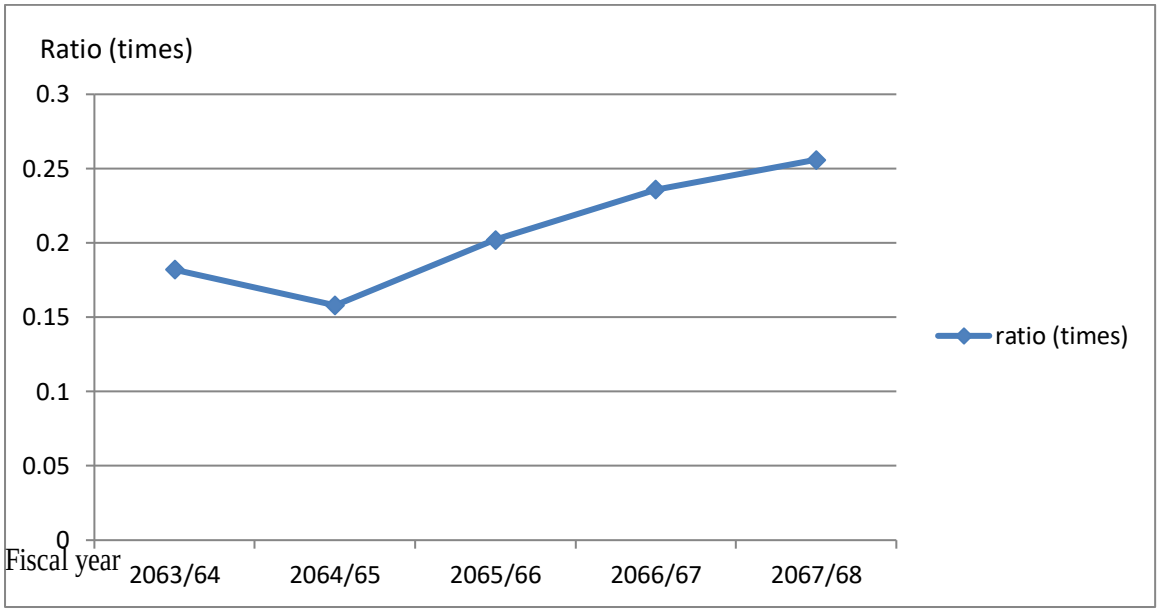
$$\text{Cash and bank balance to total deposit ratio} = \frac{\text{Cash and bank balance}}{\text{Total deposit}}$$

Table 4.2
Cash and bank balance and total deposit (RS 000)

Fiscal year	Cash and bank balance	Total deposit	Ratio (times)
2063/64	7117293	39014204	0.182
2064/65	6616992	41829391	0.158
2065/66	9171790	45194232	0.202
2066/67	10141280	42882039	0.236
2067/68	12013865	46808435	0.256
Average			0.207

*Sources: Annual report

Figure 4.2
Cash and bank balance to total deposit ratio



The above table and figure shows the ratio of cash and bank balance to total deposit ratio. The highest ratio 0.256 is in FY 2067/68 and lowest ratio of 0.15 % in FY 2064/65. The ratio is below the average in FY 2063/64, 2064/65 and 2065/66 where as the ratio is above the average in FY 2066/67 and 2067/68 i.e. 0.236 And 0.256. Higher ratio indicates the higher ability to meet the daily cash requirement. It is clear that the bank readiness to meet customers requirement.

III) NRB balance to total deposit ratio:

NRB balance to total deposit ratio shows the percentage of amount deposited by the bank in NRB as compared to the total deposit. It is insure the smooth functioning and sound liquidity position of the bank. This ratio measure whether the bank is following the direction or not. The formula used for computing this ratio is as follows:

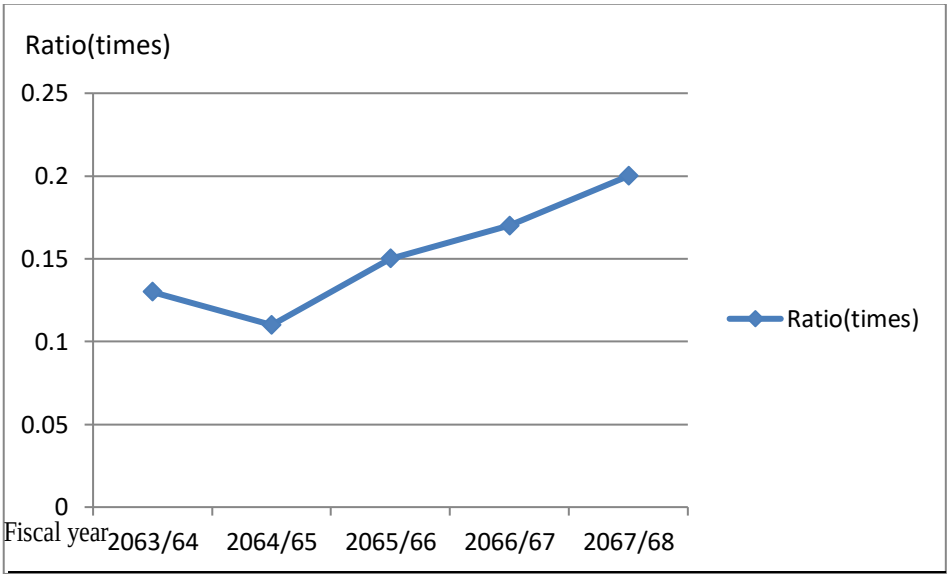
$$\text{NRB balance to total deposit ratio} = \frac{\text{NRB balance}}{\text{Total deposit}}$$

Table 4.3
NRB balance and total deposit (Rs000)

Fiscal year	NRB balance	Total deposit	Ratio(times)
2063/64	5224859	39014204	0.13
2064/65	4430641	41829391	0.11
2065/66	6619700	45194232	0.15
2066/67	7493117	42882039	0.17
2067/68	9343275	46808435	0.20
Average			0.15

*Sources: Annual report

Figure 4.3
NRB balance to total deposit ratio



The above table and figure shows the ratio between NRB balances to total deposit ratio. The highest ratio is 0.20 times in FY 2067/68 and lowest

ratio 0.11 times in FY 2064/65. The ratio is below the average in first two FY i.e. 0.13, and 0.11.Whereas the ratio are above the average in FY 2066/67 and 2067/68 i.e.0.17 and 0.20 times respectively. It is found that the ratio is in increasing trend.

4.1.2 Profitability Ratio:

Profitability ratio measures the success of the firm. Profit is the indicator of the financial performance of an institution. Higher the profitability ratios better the financial performance and vice versa. Profitability position can be evaluated following different way.

I) Return on Assets:

This ratio establishes the relationship between net profit and total assets. It measures the return on the entire firm's after interest and tax. Increasing ratio is favorable for the organization. It is calculated dividing return on net profit/loss by total assets and can expressed as:

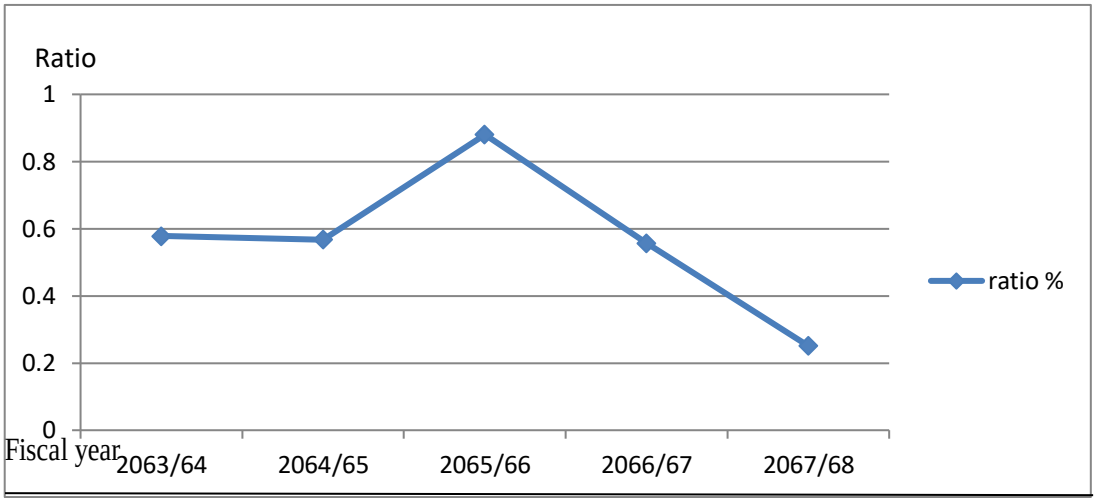
$$\text{Return on assets} = \frac{\text{Net profit}}{\text{Total assets}}$$

Table 4.4
Net profit and total assets (Rs 000)

Fiscal year	Net profit	Total assets	Ratio %
2063/64	226952	39258793	0.578
2064/65	239214	42053444	0.568
2065/66	894214	47559110	0.880
2066/67	249382	44736652	0.557
2067/68	128346	51158657	0.251
Average			0.7668

*Sources: Annual report

Figure 4.4
Return on assets



The above table and figure shows the earning power against the total assets available in NBL during the study period. The ratio is in fluctuating trend in study period. The mean or average ratio is 0.7668%. The ratio above the average is 1.880% FY 2065/66. However, remaining FY2063/64, 2064/65, 2066/67, and 2067/68 the ratio below the average i.e.0.578%, 0.568%, 0.557%.0.251%respectively.after analyzing this table , it can clearly notified that NBL is earn nominal profit utilized of its total assets.

II) Return on equity:

It is the ratio of net income and share holders equity. It measures the rate of return on share holders' investment Management objective is to generate the maximum return on shareholders' investment in the firm. ROE is therefore the best single measure of company's success in fulfilling its goal. Mathematically, it is presented as follows:

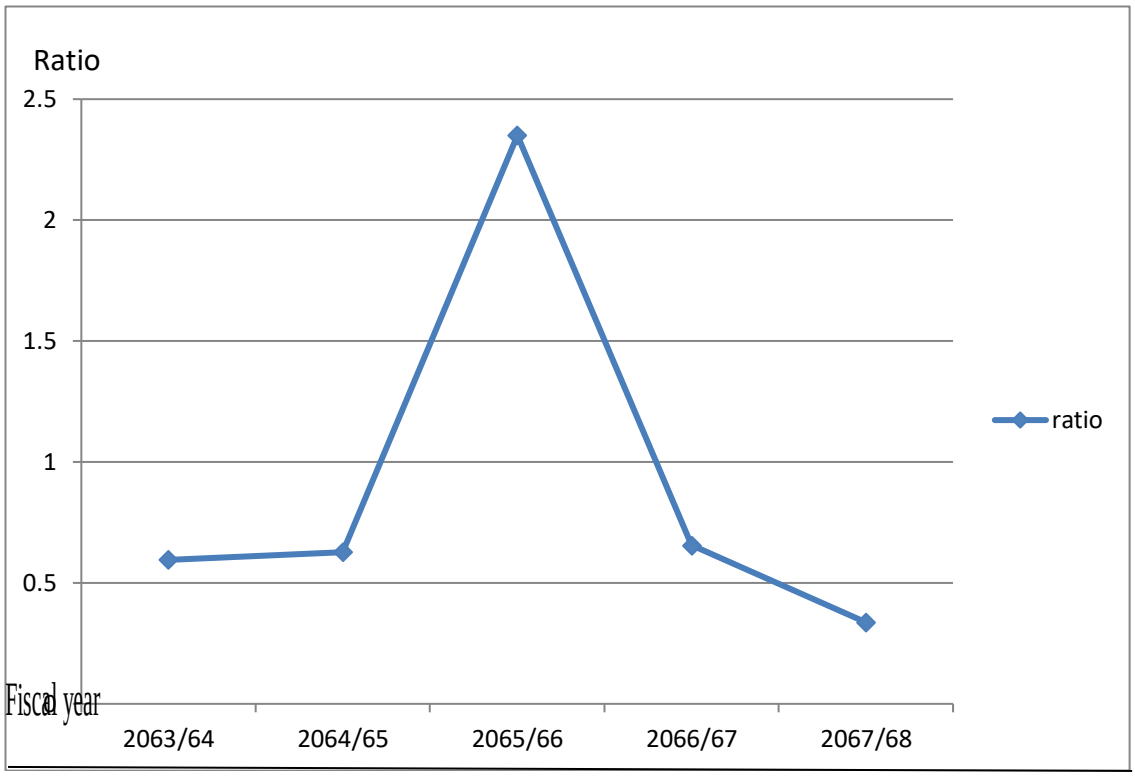
$$\text{Return on equity} = \frac{\text{Net profit after tax}}{\text{Shareholder equity}}$$

Table 4.5
Net profit and shareholders' equity (Rs 000)

Fiscal year	Net profit	Shareholder equity	Ratio(times)	Ratio %
2063/64	226952	380382	0.596	59.6
2064/65	239214	380382	0.628	62.8
2065/66	894254	380382	2.35	235
2066/67	249382	380382	0.655	65.5
2067/68	128346	380382	0.337	33.7
Average			0.9132	91.32

*Sources: Annual report

Figure 4.5
Return on equity



The above table and figure shows the return on equity of the NBL. The average return is found that 91.32% of the study period. The ratio shows the positive situation of NBL. The ratio above the average is 235%

which is in FY 2065/66. However, FY 2063/64, 2064/65, 2066/67 and 2067/68 the ratio below average i.e. 59.6%, 62.8%, 65.5% and 33.7% respectively. It shows that, sound profitability position of NBL as compare to the shareholders equity.

III) Return on loan and advance ratio:

Return on loan and advance ratio shows how efficiently the banks and financial companies have utilized their resource to earn good return from provided loan and advance. It can be mentioned as:

$$\text{Return on loan and advance ratio} = \frac{\text{Net profit after tax}}{\text{Total loan and advance}}$$

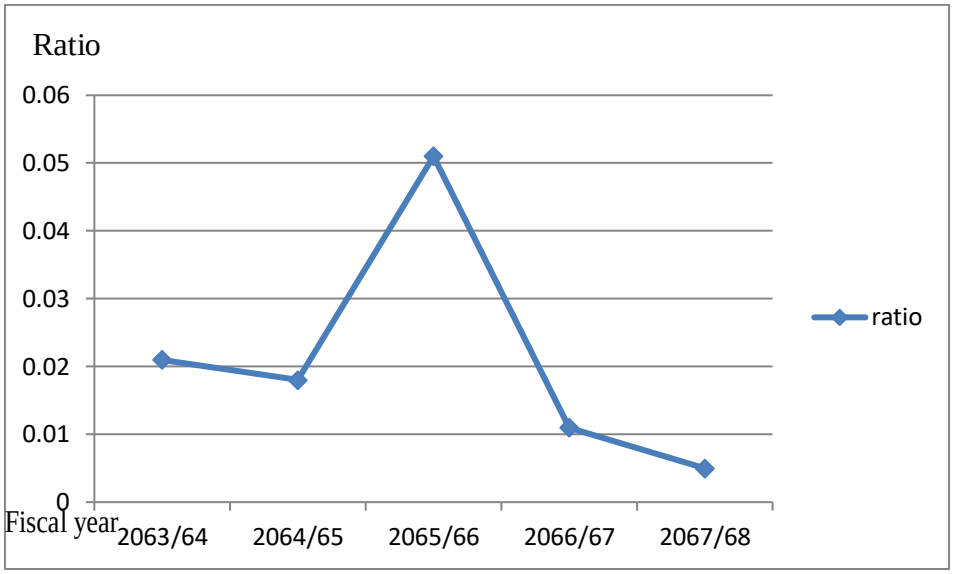
Table 4.6

Net profit and loan and advance (Rs 000)

Fiscal year	Net profit	Loan and advance	Ratio(times)	Ratio %
2063/64	226952	11058477	0.021	2.1
2064/65	239214	13251962	0.018	1.8
2065/66	894214	17614898	0.051	5.1
2066/67	249382	23560955	0.011	1.1
2067/68	128346	24671281	0.005	0.5
Average			0.0212	2.12

*Sources: Annual report

Figure 4.6
Return on loan and advance ratio



The above table and figure shows the ratio of net profit and loan and advance of NBL for financial year 2063/64 to 2067/68. The average ratio is 2.12%. The ratio above the average is 5.1% of FY 2065/66. However the ratio below the average are 2.1%, 1.8%, 1.1% and 0.5% for the FY 2063/64,2064/65, 2066/67 and 2067/68 respectively. This ratio is in fluctuating trend during the study period. it shows that the bank is not able to earn good return from providing loan and advance, which effects its profitability position.

IV) Return on total deposit ratio:

This ratio show the relation of net profit earned by the bank with the total deposit accumulated. Higher ratio shows the index of sound profitability position. It can be mentioned as:

$$\text{Return on total deposit ratio} = \frac{\text{Net profit}}{\text{Total deposit}}$$

Table 4.7

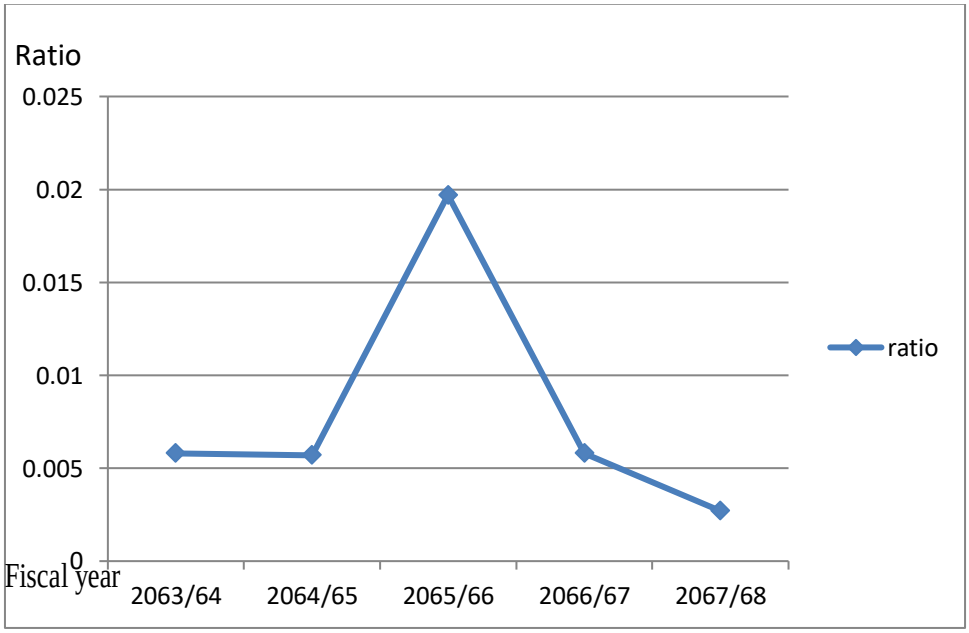
Net profit and total deposit (Rs 000)

Fiscal year	Net profit	Total deposit	Ratio(times)	Ratio %
2063/64	226952	39014204	0.0058	0.58
2064/65	239214	41829391	0.0057	0.57
2065/66	894214	45194232	0.0197	1.97
2066/67	249382	42882039	0.0058	0.580
2067/68	128346	46808435	0.0027	0.27
Average			0.00794	0.794

*Sources: Annual report

Figure 4.7

Return on total deposit ratio



The above table and figure shows the ratio between net profit and total deposit of NBL for financial year 2063/64 to 2067/68.The average ratio is 0.794%. The ratio above average is 1.97% in FY 2065/66.However, the ratio below the average are 0.58%, 0.57%, 0.58% and 0.27% for the FY 2063/64, 2064/65, 2066/67 and 2067/68 respectively. It is found that the ratio is in fluctuating trend during the study period. It shows that the bank is unable to mobilize its fund for income generating sectors.

4.1.3 Leverage ratio

Leverage ratio also known as capital structure ratio. The long term solvency position of the bank can be measured by using this ratio. In this category we examine the following ratios.

I) Debt ratio

This ratio established the relationship between total debt and total assets. It is also known as debt assets ratio. It measures the percentage of the fixed assets financed by creditors. Higher debt ratio generally means that the firm must pay a higher interest rate on its borrowing. The formula to compute this ratio as:

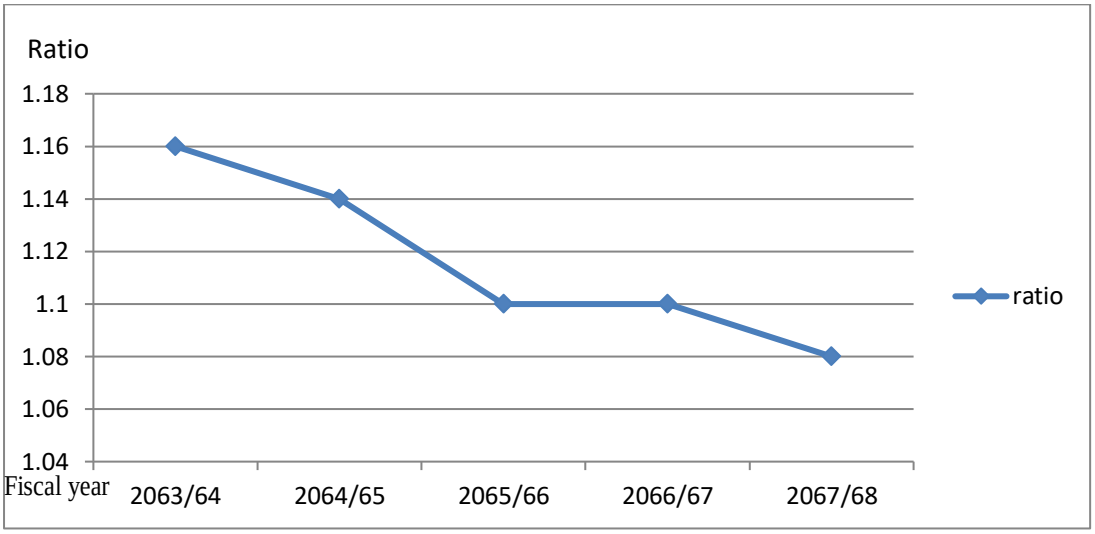
$$\text{Debt ratio} = \frac{\text{Totaldebt}}{\text{Total assets}}$$

Table 4.8
Total debt and total assets (RS 000)

Fiscal year	Total debt	Total assets	Ratio(times)	Ratio %
2063/64	4550639	39258793	1.16	116
2064/65	48061746	42053444	1.14	114
2065/66	52413422	47559110	1.10	110
2066/67	49341582	44736652	1.10	110
2067/68	55635240	51158657	1.08	108
Average			1.116	111.6

*Sources: Annual report

Figure 4.8
Debt ratio



The above table and figure shows the total debt to total assets ratio of NBL. Under the study period, it has found that the ratio is slightly decreasing year by year. The average ratio of study period has found 111.6%. the ratio is below the average in FY 2065/66, 2066/67 and 2067/68 which is 110% ,110% and 108%.respectively and the ratio is above the average is 116% and 114% in FY 2063/64 and 2064/65 respectively.

II) Debt equity ratio

Debt equity ratio measures the long term solvency of a firm. This is ratio indicates the relationship between total debt and total equity. It is used to measure the financial risk of the firm and creditors. High debt equity ratio indicates greater contribution at a firms financing by debt holders than those of equity holders. Creditors view point, high debt equity ratio of affirm is riskier to them. Mathematically it is presented as:

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Shareholder equity}}$$

Table 4.9

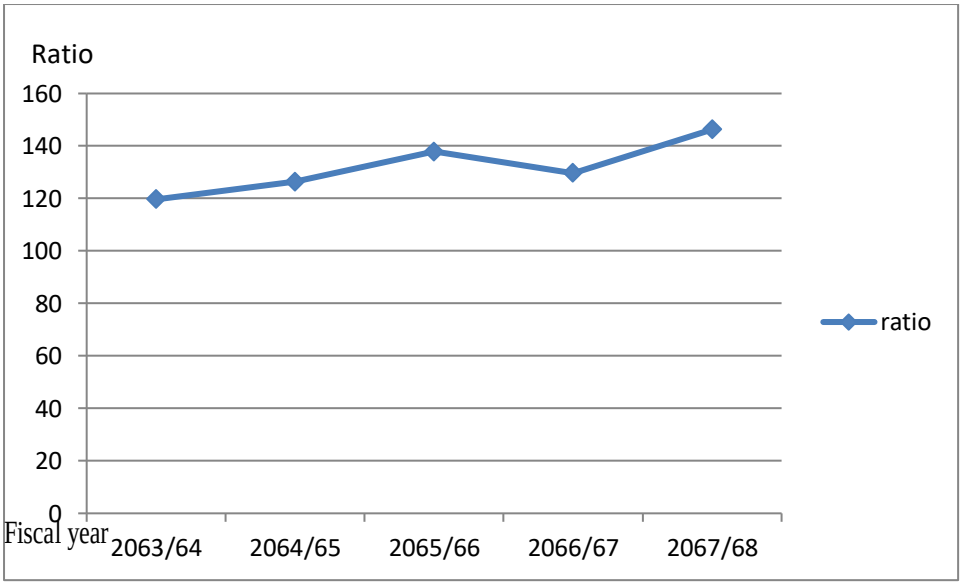
Total debt and shareholders' equity (Rs000)

Fiscal year	Total debt	Shareholder equity	Ratio(times)
2063/64	4550639	380382	119.63
2064/65	48061746	380382	126.35
2065/66	52413422	380382	137.79
2066/67	49341582	380382	129.71
2067/68	55635240	380382	146.26
Average			131.95

*Sources: Annual report

Figure 4.9

Debt equity ratio



The above table and figure shows the debt equity ratio. Under the study period the ratio is fluctuating trend. The lowest ratio is 119.63 times in FY 2063/64 and the highest ratio 146.26 times in FY 2067/68. The ratio below the average is 119.63 times 126.35 times and 129.71 times in FY 2063/64 , 2064/65 and 2066/67 respectively and the ratio is above the

average is 137.79 times and 146.26 times in FY 2065/66 and 2067/68 respectively. It shows that the bank is used more amount of debt capital as compare to equity capital. Which is adversely affects profitability position and sound performance.

III) Shareholder equity to total assets ratio:

This ratio explains the percentage of shareholder used in total asset. This ratio can be computed by using the following formula;

$$\text{Shareholder equity to total assets ratio} = \frac{\text{Shareholder equity}}{\text{Total assets}}$$

Table 4.10

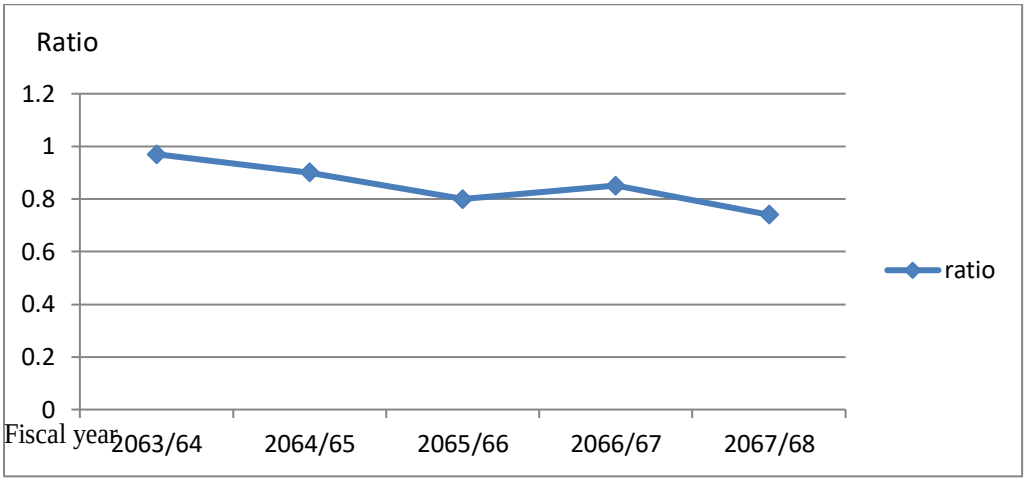
Shareholder equity and total assets (Rs 000)

Fiscal year	Shareholder equity	Total assets	Ratio %
2063/64	380382	39258793	0.97
2064/65	380382	42053444	0.90
2065/66	380382	47559110	0.80
2066/67	380382	44736652	0.85
2067/68	380382	51158657	0.74
Average			0.852

*Sources: Annual report

Figure 4.10

Shareholder equity to total assets ratio



The above table and figure shows the shareholders equity to total assets ratio. The average of shareholders equity to total assets ratio of NBL during study period is 0.852%. This ratio is in fluctuating trend. The ratio above the average is 0.97% and 0.90% in FY 2063/64 and 2064/65. The ratio below the average is 0.80, 0.85 and 0.74 in FY 2065/66 2066/67 and 2067/68 respectively.

4.1.4 Assets management ratio/ performance ratio

It is also known as activity ratio. Activity ratio is concerned with the efficiency of the firms' that shows how the assets managed and utilized. Generally, higher turnover shows the efficient management of the company and vice versa. Following financial ratio are calculated under assets management ratio.

I) Investment to total deposit ratio

This ratio measures the mobilization amount of total deposit on investment. Mathematically it is presented as;

$$\text{Investment on total deposit ratio} = \frac{\text{Total investment}}{\text{Total deposit}}$$

Table 4.11

Total investment and total deposit (Rs000)

Fiscal year	Total investment	Total deposit	Ratio(times)	Ratio %
2063/64	16072179	39014204	0.412	41.2
2064/65	16570755	41829391	0.396	39.6
2065/66	13397559	45194232	0.296	29.6
2066/67	5784372	42882039	0.135	13.5
2067/68	7585544	46808435	0.162	16.2
Average			0.280	28.0

*Sources: Annual report

Figure 4.11

Investment on total deposit ratio

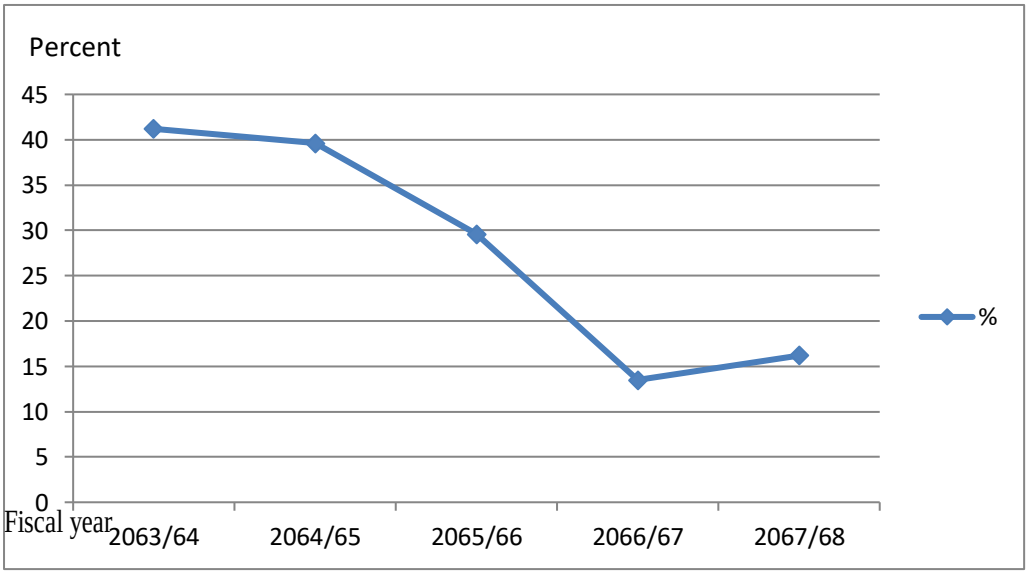


Table and figure 4.7 shows the ratio between total investment and total deposit. It gives the picture of how the deposit is mobilized in investment sector. The ratio is in decreasing trend. Average ratio of studying period is found 28.02%. The ratio is above the average is 41.2, 39.6 and 29.6 in FY 2063/64, 2064/65 and 2065/66 respectively and below the average is 13.5 and 16.2 in FY 2066/67 and 2067/68 respectively. It shows that the bank is unable to manage its total deposit for investment.

II) Investment to total assets ratio:

It measures the percentage of total assets mobilized in investment. It is computing by using the following formula.

$$\text{Investment to total assets ratio} = \frac{\text{Total investment}}{\text{Total assets}}$$

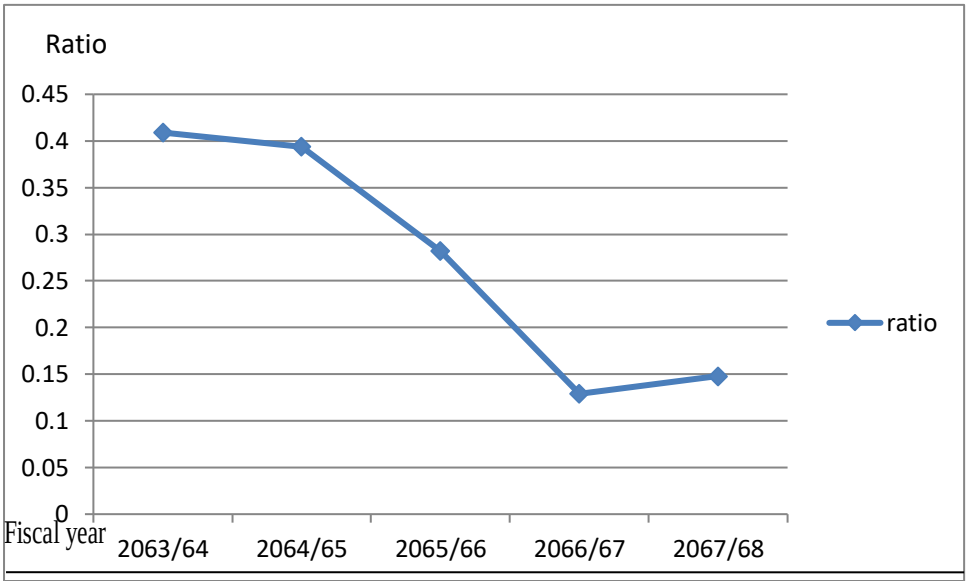
Table 4.12

Total investment and total assets (Rs 000)

Fiscal year	Total investment	Total assets	Ratio(times)	Ratio %
2063/64	16072179	39258793	0.409	40.9
2064/65	16570755	42053444	0.394	39.4
2065/66	13397559	47559110	0.282	28.2
2066/67	5784372	44736652	0.129	12.9
2067/68	7585544	51158657	0.148	14.8
Average			0.2724	27.24

*Sources: Annual report

Figure 4.12
Investment to total assets ratio



Above table and figure shows the ratio between total investments and total assets. It shows the ratio decreasing trend. The ratio above the average is in first three FY 2063/64, 2064/65 and 2065/66 i.e. 40.9, 39.4% and 28.2% respectively. However, the last two FY 2066/67 and 2067/68 the ratio is under the average i.e. 12.9% and 14.8% respectively.

III) Loan and advance to total assets ratio:

This ratio measures the extent to which the bank is successful in utilizing fund in the farm of extending loan and advance. A high ratio represents the ability to utilize the deposit. It is computed by using following formula:

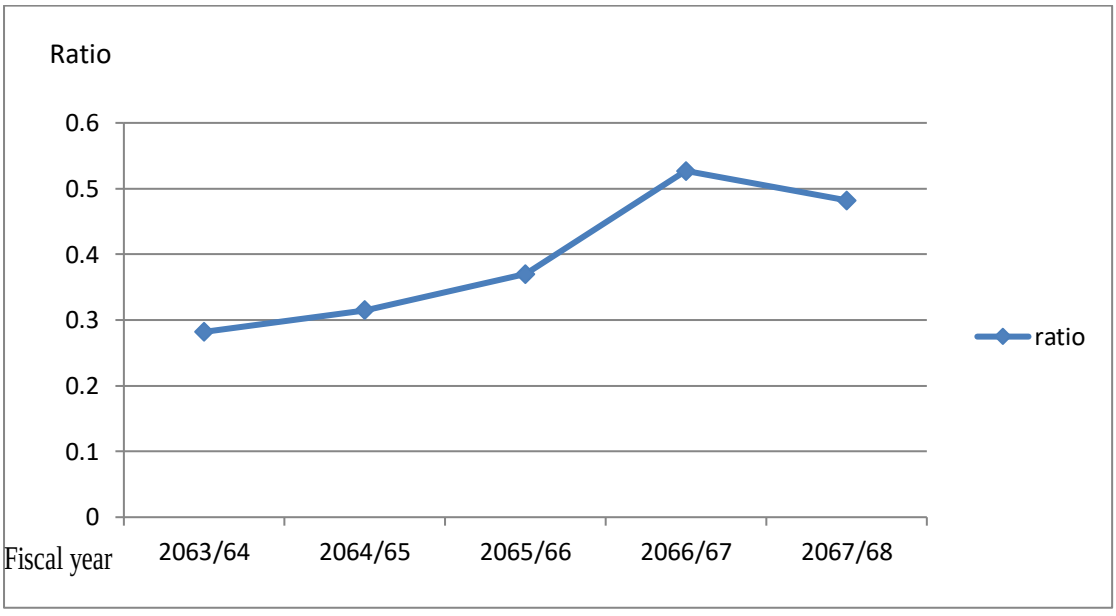
$$\text{Loan and advance to total assets ratio} = \frac{\text{Loan and advance}}{\text{Total assets}}$$

Table 4.13
Total loan and advance and total assets (Rs 000)

Fiscal year	Loan and advance	Total assets	Ratio (times)	Ratio %
2063/64	11058477	39258793	0.282	28.2
2064/65	13251962	42053444	0.315	31.5
2065/66	17614898	47559110	0.370	37.0
2066/67	23560955	44736652	0.527	52.7
2067/68	24671281	51158657	0.482	48.2
Average			0.3952	39.52

*Sources: Annual report

Figure 4.13
Loan and advance ratio



The above table and figure shows the ratio between loan and advance to total assets. Average ratio found in the study period is 39.52%. The ratio above the average is last two FY 2066/67and 2067/68 which are 52.7% and 48.2% respectively. First three FY 2063/64/65, 2064/65, 2065/66 the

ratio are below the average i.e. 28.2%, 31.5% and 37% respectively. The ratio is in fluctuating trend.

IV) Loan and advance to deposit ratio:

This ratio is calculated to find out how successfully the banks and finance companies are utilizing their total deposit on loan and advance for the purpose of earning profit.

$$\text{Loan and advance to total deposit ratio} = \frac{\text{Total loan and advance}}{\text{Total deposit}}$$

Table 4.14

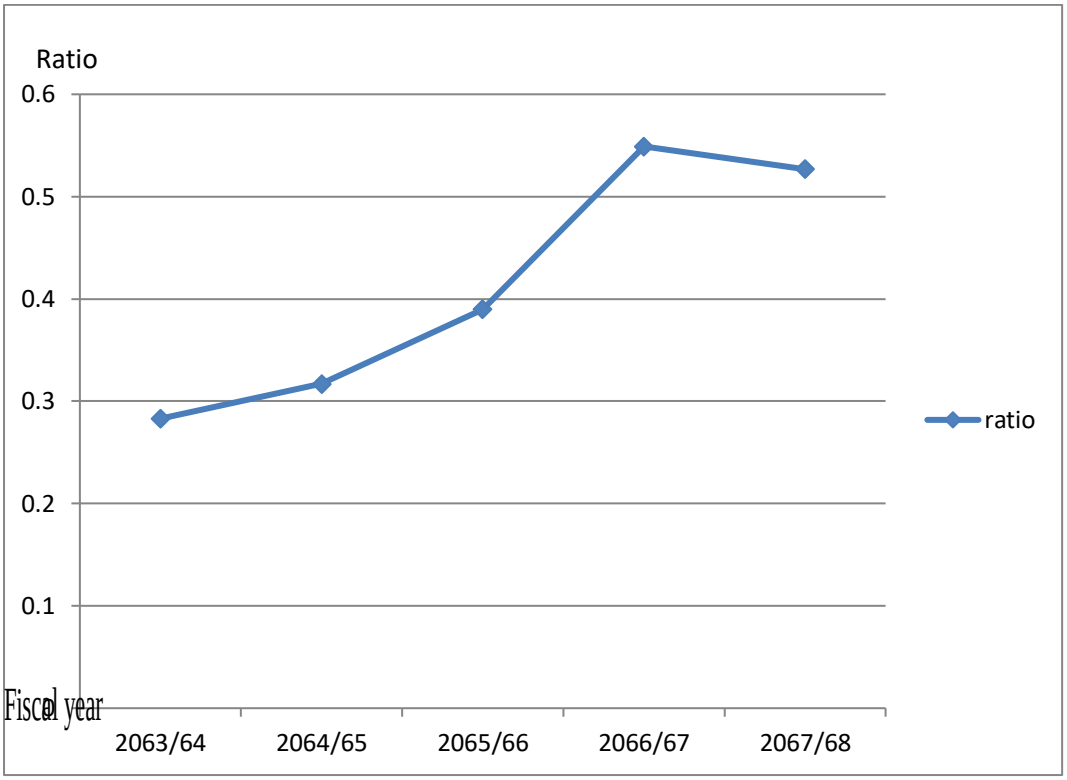
Loan and advance to total deposit ratio (Rs 000)

Fiscal year	Loan and advance	Total deposit	Ratio(times)	Ratio %
2063/64	11058477	39014204	0.283	28.3
2064/65	13251962	41829391	0.317	31.7
2065/66	17614898	45194232	0.390	39.0
2066/67	23560955	42882039	0.549	54.9
2067/68	24671281	46808435	0.527	52.7
Average			0.413	41.7

*Sources: Annual report

Figure 4.14

Loan and advance to total deposit ratio



The above table and figure shows the ratio between loan and advance to total deposit. The average ratio is 41.3%. Over the study period, first three FY 2063 to 2065/66 is below the average i.e. 28.3%, 31.7% and 39%. However, the last two FY 2066/67and 2067/68 are above the average which are 54.9% and 52.7%. This ratio is in increasing trend in first four FY and slightly decreasing the last year.

Table 4.15
Summary Table

Name	Ratio(average)
A) Liquidity ratio	-
I)Current ratio	0.84
ii) Cash and bank balance to total deposit ratio	0.207
iii)NRB balance to total deposit ratio	0.15
B) Profitability ratio	-
i) Return on assets	0.007668
ii) Return on equity	0.9132
iii) Return on loan and advance ratio	0.0212
iv) Return on total deposit ratio	0.00794
C) Leverage ratio	-
i) Debt ratio	1.116
ii) Debt equity ratio	131.95
iii) Shareholders equity to total assets ratio	0.852
D) Assets management ratio	-
i) Investment to total deposit ratio	0.0028
ii) Investment to total assets ratio	0.272
ii) Loan and advance to total assets ratio	0.3952
iv) Loan and advance to total deposit ratio	0.413

*source previous table

4.1.5 Analysis of Assets Compositions

Any items of economic value owned by an individual or corporation especially which could be converted to cash is called assets. Assets composition of the bank consist of cash and bank balance, money at call or short notice, investment , loan and advance, fixed assets, non banking

assets, and other assets . Assets composition helps to determine the soundness of a bank, and hence it provides to determine the capability of the bank to earn profit. The following table and figure shows the assets composition of NBL.

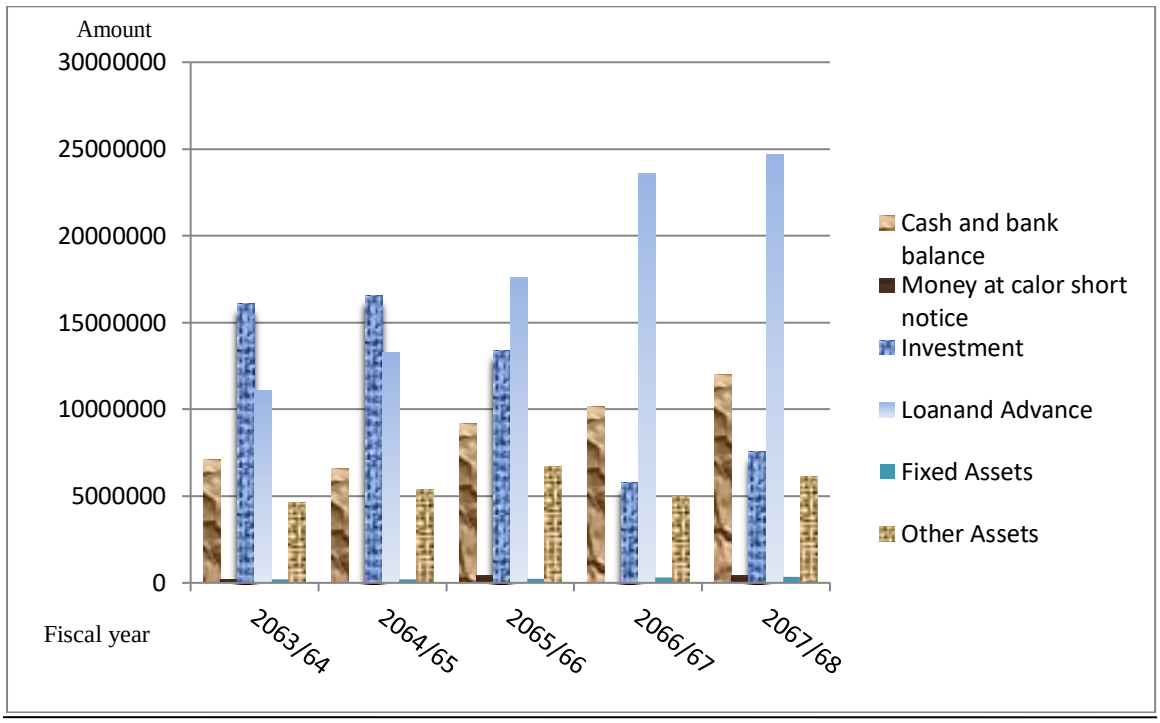
Table no 4.16
Assets compositions of NBL

FY / Assets	2063/64		2064/65		2065/66		2066/67		2067/68	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
cash and bank balance	711293	18.13	6616992	15.73	9171790	19.29	10141280	22.67	12013865	23.48
money at call or short notice	200000	0.51	-	-	400000	0.84	-	-	400000	0.78
Investment	16072179	40.94	16570755	39.40	13397559	28.17	5784372	12.93	7585544	14.83
Loan and advance	11058477	28.17	13251962	31.51	17614898	37.04	23560955	52.67	24671281	48.22
Fixed assets	205768	0.52	207527	0.50	249393	0.52	301488	0.67	334956	0.66
Other assets	4605074	11.73	5406205	12.86	6725468	14.14	4948555	11.06	6153006	12.03
Total assets	39258791	100	42053441	100	47559108	100	44736650	100	51158655	100

*Sources: Annual report

Figure no 4.15

Assets compositions of NBL



The above table and figure shows the assets composition of NBL from the fiscal year 2063/64 to 2067/68. The value of cash and bank balance is in fluctuating position. It decreases in FY2064/65 as compare to FY2063/64 after that, it is in increasing trend. Money at call or short notice is fluctuated. There is no any money in the FY 2064/65 and 2066/67.Investment of the bank is in increasing trend up to FY 2064/65 after than it is continuously decreasing. Loan and advances of the bank is in increasing trend in study period. Due to increment of loan and advance there will be chances of bad loan in the bank. Fixed assets of the NBL is slightly increasing year by years. NBL has not found non banking assets during the study period. Other assets are found in fluctuating trend. It increases up to FY 2065/66 and slightly decreases in FY 2066/67, hence it is increasing in FY 2067/68. As a whole total assets of the bank is in

increasing trend up to FY 2065/66 hence, it is decreasing in FY2066/67 hence, it is increasing in FY2067/68.

4.1.6 Analysis of fund collection and mobilization

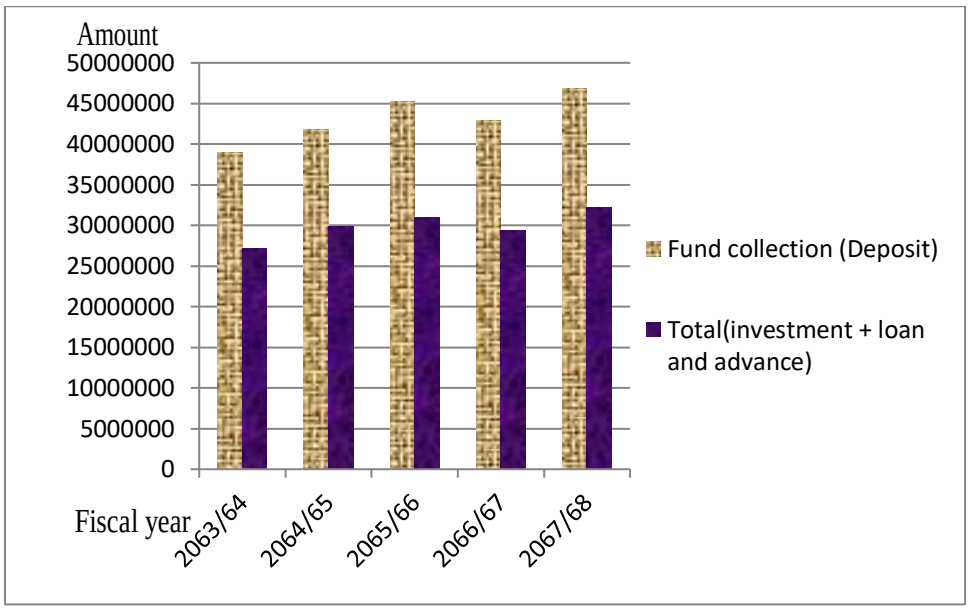
Basic function of the bank and financial institution is to collect fund and use of these funds for income generating purpose. The major sources of fund are current deposit, saving deposit, fixed deposit, and other deposit such as major uses of funds are loan and advance a, investment in various sector. The greater amount of mobilization of fund shows the better performance of the bank. The following table and figure shows the fund collection and mobilization of NBL.

Table no 4.17
Fund collection and mobilization of NBL (Rs 000)

Fiscal year	Fund collection (Deposit)	Investment	Loan and advance	Total Fund mobilization (investment + loan and advance)	%
2063/64	**39014204**	**16072179**	**11058477**	**27130656**	**69.54**
2064/65	**41829391**	**16570755**	**1325196**	**29822717**	**71.30**
2065/66	**45194232**	**13397559**	**17614898**	**31012457**	**68.62**
2066/67	**42882039**	**5784372**	**23560955**	**29345327**	**68.43**
2067/68	**46808435**	**7585544**	**24671281**	**32256825**	**68.91**
average					**69.34**

*Sources: Annual report

Figure no 4.16
Fund collection and mobilization of NBL



The above table and figure shows the condition of fund collection and mobilization amount of NBL. The highest mobilized amount 71.30% in FY 2064/65 and lowest mobilized Amount was 68.43% in FY 2066/67. The average mobilized amount during the study period is found 69.36%. More than 30% amount is found in reserve position which indicates that the bank is unable to utilized its fund effective and efficient way.

4.2 Statistical Tools

4.2.1 Coefficient of Correlation Analysis

Correlation says just degree of relationship between two or more variables. Coefficient of correlation measures the relationship between the two set of figure. It is denoted by 'R' and ranges from +1 to -1. Coefficient of correlation has been studies to find out whether the available variables are correlated or not.

In this chapter correlation between total deposit and total investment, total deposit and net profit have been calculated. Then the result have analyzed and interpreted and significance of correlation has been tested using Karl Pearson correlation of co-efficient interpretation of correlation coefficient.

It lies always between +1 to -1

When r = +1, there is perfect positive correlation between two variables.

When r = -1 there is perfect negative correlation.

When r = 0 there is no correlation (variable are uncorrelated).

When r lies, between 0.7 to 0.999, there is high degree of positive correlation.

When r lies between -0.7 to 0.999 there is high degree of negative correlation.

When r lies, between 0.5 to 0.699, there is moderate degree of correlation.

When r is less than 0.5 there is low degree of correlation.

Probable Error

If r < 6PE, then the value of r is not significant.

If r > 6PE, then the value of r is significant.

If other situation happens, nothing can be concluded with certainty.

4.2.1.1 Correlation between total deposit and total investment

Coefficient of correlation between total deposit and total investment measures the degree of relationship between these variables. Here deposit is taken as independent variable (x) and total investment is dependent variable (Y).The purpose of computing correlation between deposit and total investment to find out whether, deposit is significantly used as the

investment or not. The following table shows the value of PE and 6PE of NBL during the study period.

Table 4.18
Correlation between total deposit and total investment

Bank	r	R^2	PE	6PE
NBL	0.5109	0.2610	0.2229	1.3374

*See annex- 1

The coefficient of correlation r between total deposit and total investment of NBL is 0.5109, which indicates a moderate correlation between deposit and investment. Coefficient of the determination (r^2) is 0.2610. This means 26.10% of variation of the dependent variable has been explained by independent variable. The value of r i.e. 0.5108 is less than 6times PE. This states that there is not significant relationship between deposit and total investment. In other words, the investment is not correlated to the total deposit of NBL in the study period. This means that there is not much increment of investment with respect to the increment in the total deposit.

4.2.1.2 Correlation coefficient between total deposit and loan and advance

The coefficient of correlation between deposit and loan and advance measure the degree of relationship between them. In our study we have taken deposit as on independent variable denoted by (x) and total loan and advance dependent variable (Y). The main objective of calculating r between these two variable is to justify whether deposit are significantly used as loan and advance or not.

The following table shows the value of r, R^2, PE and 6PE between total deposit and loan and advance of NBL during the study period.

Table 4.19
Correlation between total deposit & loan and advance

Bank	r	R^2	PE	6PE
NBL	0.7194	0.5175	0.1455	0.873

*See annex -2

The coefficient of correlation between total deposit and loan and advance is 0.7914which indicates positive correlation between total deposit and loan and advance .Coefficient of determination (R^2) is 0.5175. This means 51.75%of the variation of dependent variable has been explained by independent variable. The value of 'r' i.e. 0.7194 is less than six times of its P.E. This states that there is not significant relationship between total deposit and loan and advance.

4.2.1.3 Correlation coefficient between total deposit and net profit

Correlation coefficient between deposit and net profit is the degree of relationship between total deposit and net profit. In our study we have taken deposit as independent variable denoted by(x) and net profit dependent variable (Y). the purpose of this coefficient of correlation is to justify whether the banks significantly utilization of deposit for income generating purpose as not and whether there is any relationship between these variables or not.

Table 4.20
Correlation between total deposit and net profit

Bank	r	R^2	PE	6PE
NBL	0.2435	0.0592	0.837	1.7022

See annex-3

The coefficient of correlation 'r' between total deposit and net profit is 0.2435 which indicates low degree of correlation. Coefficient of determination (R^2) is 0.0592. This means 5.92% of the variations of the dependent variable has been explained by independent variable the value of r i.e. 0.2435 is less than 6 times of its PE. This states that there is not significant relationship between deposit and net profit.

4.2.2 Trend Analysis

Trend analysis, present or future analysis is utilized to see the movement of upward or downward by the help of given numerical value of some specified period of time. Here trend analysis of deposit and net profit of the bank are done. The forecast is made for the five years. These are the based on the following assumptions.

The main assumption is that other things are remaining the same.

The forecast will be true only when a limitation of least square method is carried out.

The bank will run is present stage.

Nepal Rastra bank will not change its guideline to the commercial banks.

I) Analysis of trend value of total deposit

Under this topic an effort has been made to calculate the trend value of total deposit for five year from 2063/64 to2067/68 and forecast for next

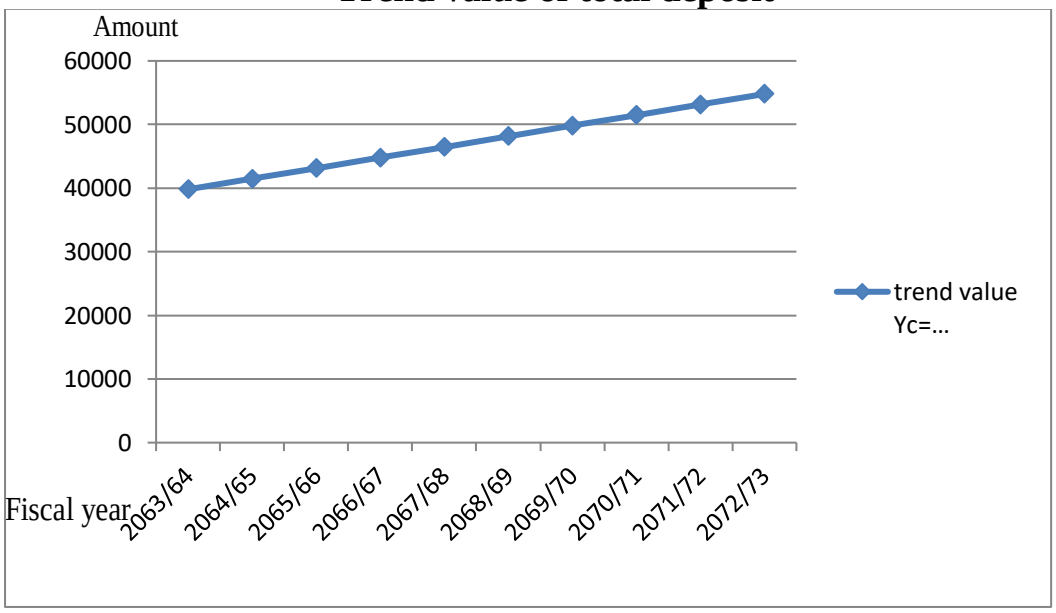
five year till FY 2072/73.The following table shows the trend value of 10 year from 2063/64 to 2o72/73.

Table 4.21
Trend value of total deposit

Fiscal year	x=t-2065/66	Trend value Yc= 43145.4+1664.1x
2063/64	-2	39817.2
2064/65	-1	41481.3
2065/66	0	43145.4
2066/67	1	44809.5
2067/68	2	46473.6
2068/69	3	48137.7
2069/70	4	49801.8
2070/71	5	51465.9
2071/72	6	53130
2072/73	7	54794.1

* See annex 4

Figure 4.17
Trend value of total deposit



The above table and figure shows the trend value of total deposit. It is clear that trend value is in increasing trend. If other things remain unchanged, total deposit is predicted to be RS5479.1 million at the end of FY 2072/73.

II) Analysis of trend value of net profit

Under this topic, an effort has been made to calculate the trend value of net profit for five years from 2063/64 to 2067/68 and forecast for next five year till FY 2072/73.

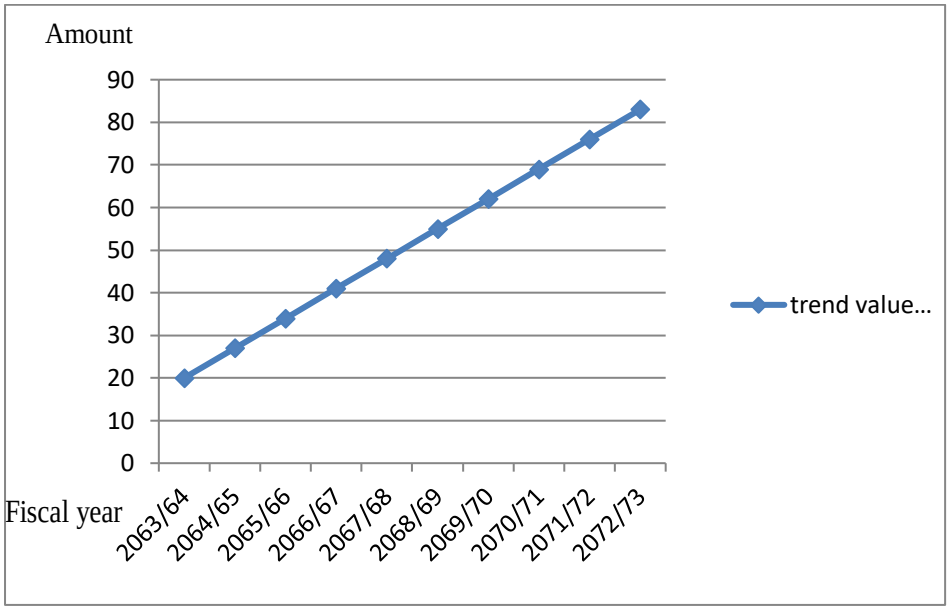
The following table shows the trend value of net profit.

Table 4.21
Trend value of net profit

Fiscal year	x=t-2065/66	trend value YC=34+7x
2063/64	-2	20
2064/65	-1	27
2065/66	0	34
2066/67	1	41
2067/68	2	48
2068/69	3	55
2069/70	4	62
2070/71	5	69
2071/72	6	76
2072/73	7	83

* See annex-5

Figure 4.18
Trend value of net profit



The above table and figure shows the trend value of net profit. It is clear that net profit of NBL is in increasing trend if other things remain unchanged. It is predicted that net profit is Rs 83 million at end of FY 2072/73.

4.3 Major findings of the study

Having completed the basic analysis required for the study, the final and most important task of research is to enlist the findings, issue the gap of the study and give suggestions for further improvement. This would be meaningful to the top management of the bank to indicate action and achieve the desired result. The objective of the researcher is not only to point errors and mistakes but also to correct them and give directions for further growth and improvement. The main findings of the study derive from the analysis of financial data of NBL are given below.

- From the analysis of liquidity ratio of NBL it is found that overall liquidity position is satisfactory.
- Net profit to total assets ratio is found that average of 0.7668%. It shows that the profitability position is very poor position (unsatisfactory) with respect to total assets.
- Return on equity is found that average of 91.32%. It shows that sound profitability position of the bank in composition to shareholder equity (paid in capital).
- Return on loan and advance ratio is very poor position, it is found that the average of 2.10%.
- The capital adequacy position in term of total debt to total assets ratio is in average 111.6%. Likewise, total debt to shareholders equity ratio is in average 131.35 times, it shows that the bank has very low equity capital as compared to other capital which adversely affects its profitability.
- Shareholder equity to total assets ratio is average of 0.852%. It shows that NBL is utilizing low shareholder equity. It shows that the contribution of shareholders equity to total assets is very nominal.
- The activity in term of investment to total deposit ratio is in decreasing trend during the study period. The average of investment to total deposit ratio is 28.02%. Along with investment to total assets is also in decreasing trend during first four FY and slightly increasing in the last years. The average ratio of investment to total assets ratio is 27.24%. Theses ratio shows that NBL's investment is very poor position with respect to the total deposit and total assets.

- Loan and advance to total assets ratio (landing amount) of NBL is in poor position. The average of this ratio was found 39.52%. The average of loan and advance to total deposit ratio is found 41.3%. This ratio shows that, the bank holds fund rather than investment.
- This study shows that the assets composition of NBL is in fluctuating trend. Cash and bank balance of NBL is also in fluctuating trend. Money at call or short notice, investment and other assets is also in fluctuating trend. Loan and advance of NBL is in increasing trend over the study period.
- Fund collection and mobilization of NBL is not satisfactory. Near about 30% of its fund is in reserve. It is inversely affects profitability position.
- Correlation coefficient analysis(r) and probable error (PE) measure the relationship between two variables. The measurement criterion is 6 times of its P.E. with compared to correlation coefficient. Thus, correlation between deposit and investment correlation between deposit and loan and advance and correlation between deposit and not profit are not correlated (not significant).
- Trend analysis and projection for next five years reveals that deposit and net profit both are in increasing trend total deposit and net profit of NBL is predicted to be Rs 54794 million and 830 million respectively

Chapter Five

Summary, Conclusions and Recommendations

This chapter is an accomplished, specific and indicative enclose which contains summary and conclusion of finding and recommendations .Brief introduction to all chapters of the study and genuine information of the present situation under the topic of the study is defined on summary. Conclusion is analysis of a applicable data by using various financial and statistical tools, which present strength, weakness, opportunities and threats of the bank. And suggestions are obtainable in recommendation which is arranged on the based from findings and conclusions.

5.1 Summary:

Finance is the art and science of managing money. It affects every person's and organization. Financial performance means financial activities performed by every financial institution. A study of financial performance is a basic process which provides information of liquidity position, earning capacity, efficiency in operation, profitability position and source and use of capital. Ratio analysis is a powerful tool of financial performance. It is defined as the systematic use of ratio to interpret the financial statement, so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

A financial institution is the life blood of economic development of the country. Financial institution acts as a catalyst in the process of economic growth of the country. The evolution of the organized financial system in Nepal has a more recent history than in other countries of the world. In

Nepalese context, the history of development of modern banks started from the establishment of Nepal Bank Limited in 1994 kartik 30 B S (1937 AD). Nowadays, there are 32 commercial banks operating in Nepalese financial market. For the better performance of CBs successful formulation and effective implementation of investment policy is the prime requisite.

The role of commercial bank is capital formation and its utilization in proper way. The bank can contribute to the process of capital investment to trade, commerce and agriculture for the economic development of nation. Nowadays, the banking institutions are not free from competitions. Prevailing the country as well as international market, various international and domestic unrest and threats have affected the financial sectors. All sectors of the economy have also affected.

The primary objective of this study is to analyze the overall financial performance of NBL. Other objectives are to examine the overall performance of NBL in term of liquidity, profitability, activity and leverage ratio to study the achievement of NBL. To provide suggestion and recommendation for the improvement of future performance and maximum utilization of its fund is another objective of this study.

At last, we can conclude that the financial analysis is done to determine the banks financial position in order to identify its current strength and weakness. And to suggest than which might enable the firm to take advantage of its strength and correct its weakness. This study is about the financial performance of NBL based on its financial data of five years. By using financial and statistical tools, the overall financial performance of the bank has tried to analyze. The various ratios have revealed the

financial condition of the bank over the five years such as liquidity ratio, leverage ratio, activity ratio and profitability ratio have been used. Correlation analysis helps to establish the relationship between to variables which can be useful to know how one variable affect another variable. Likewise, trend analysis is used to find out the trend of very important element like total deposit and net profit on the basis of past data of the bank. This can be used in predicting the value of these elements. After the analyzing and interpretation of data, various findings are shown in previous chapter. From these findings conclusion have drawn which are presented below.

5.2 Conclusions:

On the basis of analysis and interpretation of various data indicating the performance of the bank, the following conclusions are derived.

- Nepal bank limited has maintained its liquidity position as directed by Nepal Rastra Bank, so the bank is in better position with respect to meeting customer's daily cash requirement.
- Analysis of profitability ratio, it is conclude that the overall profitability position is not satisfactory, which adversely affects its smooth functioning and better performance.
- The efficiency of the bank in term of net profit is not satisfactory because net profit is slightly increasing in first three fiscal years, along with slightly decreasing in last two FY.
- Analysis of leverage ratio or debt management ratio, it is concluded that the bank has used more amount of debt capital as comparison to the equity capital and few amount of equity capital on its total assets. Efficiency of assets management of NBL is

found in very poor position during the study period which is analyzed by the assets management ratio.

- The bank has not maximum utilization of its resource, for income generating purpose i.e. investment and loan and advance. The investment portfolio of the bank has not managed efficiently as to maximize its return.
- This study shows that the assets composition of NBL is in fluctuating trend. This shows that there is no consistency of assets. The increasing trend of loan and advance and fluctuating trend of other assets shows that, the bank is unable to manage and utilize its assets for income generating purpose.
- Fund collection and mobilization of NBL is not satisfactory, 30%of its fund is in reserve position it indicates that the bank is unable to utilized its fund effective and efficient way.
- In the statistical analysis, deposit and net profit, deposit and loan and advance and deposit and investment are not correlated. Trend value of total deposit and net profit are in increasing trend.

5.3 Recommendations:

On the basis of analysis of findings, following recommendations are made. The bank can make use of these recommendations to overcome their weakness, inefficiency and improve their present condition.

- Current ratios of the bank are found below the standard so it is recommended that the bank should increase the current assets to meet short term obligation of the bank, otherwise there may arise question to the credit worthiness of the bank at any point of time.

- The liquidity position of the bank is relatively more than the minimum requirement criteria of NRB, so it is recommended that the excess amount of minimum criteria showed invest in income generating sectors.
- The net profit of NBL is slightly in increasing trend in first four FY and then decreasing in last FY. Therefore the bank should look forward to maximize the profit through good lending and sound management.
- The leverage ratio of NBL is in very high position (i.e. average 111.6%), it is recommended that NBL should decrease its debt position and increase its equity position more and more for future contingency.
- Shareholder equity to total ratio of NBL is very weak, so it is recommended that the bank should increase its shareholders equity on its total assets for sound performance.
- Assets management ratio measures the achievement towards the income generating activities of the bank. The bank should invest its excess balance of liquid funds for income generating sector.
- Profit earned of Nepal Bank Limited is not satisfactory, so it is recommended that the bank should be very careful in increasing profit in a real to maintain the confidence of shareholders deposit and its all customers.
- Profit is generated from proper use of assets. This is reflected ROA. It is recommended that the bank should effective utilization of fund for profit generate.
- The main source of commercial bank is collecting deposit from public who don't need that fund recently. So it is recommended to

collect more amount as deposit through large variety of deposits scheme and facilities.

- It is recommends that the bank has to diversify its assets composition equally in different sectors, which helps risk can be minimized. Total loan and advance may turn into bad debt loan which is risky for bank solvency.
- Fund mobilization is not satisfactory, so it is recommends that maximum utilization of its fund for income generating purpose.
- Correlation between deposit and investment, deposit and loan and advance, and deposit and net profit are not correlated. This is very serious matter and the main causes of over liquidity. It is recommends that the bank maintains its liquidity position and utilize its resources.
- The bank should adopt efficient and modern management concept to make more capable to their activities as well as fulfill the growing demand of financial services.

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ANNEX -1

Correlation coefficient between total deposit and investment

(Rs 000000000)

The correlation coefficient:

Fiscal year	Deposit(X)	Investment(Y)	X^2	Y^2	XY
2063/64	39	16	1521	256	624
2064/65	41	16	1681	256	656
2065/66	45	13	2025	169	585
2066/67	42	57	1764	3249	2394
2067/68	46	75	2116	5625	3450
n=5	∑X= 213	∑Y= 177	$\sum X^2$ =9107	$\sum Y^2$=9555	$\sum XY$ =7709

$$r=\frac{N\sum XY-\sum X.\sum Y}{\sqrt{N\sum X^2-(\sum X)2}\sqrt{N\sum Y^2-(\sum Y)2}}$$

$$=\frac{5x7709-213x177}{\sqrt{5x9107}-\sum(213)2\ x\sqrt{5x9555}-(177)2}$$

$$=\frac{844}{12.88x128.24}$$

$$= 0.5109$$

$R^2 = 0.2610$

$$P.E.(r) = .6745\times\frac{(1-r^2)}{\sqrt{n}}$$

$$= .6745\times\frac{(1-0.2610^2)}{\sqrt{5}}$$

$= 0.229$

6PE = 103374

ANNEX -2

Coefficient correlation between total deposit and loan and advance

(Rs 000000000)

Fiscal year	Deposit (X)	Loan and advance(Y)	X^2	Y^2	XY
2063/64	39	11	1521	212	429
2064/65	41	13	1681	169	533
2065/66	45	17	2025	289	765

2066/67	42	23	1764	529	966
2067/68	46	24	2116	5760	1104
	∑X =213	88	9107	1684	3797

The correlation coefficient:

$$r=\frac{N\sum XY-\sum X.\sum Y}{\sqrt{N\sum X^2-(\sum X)2}\sqrt{N\sum Y^2-(\sum Y)2}}$$

$$=\frac{5x3797-213x88}{\sqrt{5x9107}-\sum(213)2\ x\sqrt{5x1684}-(88)2}$$

$$=\frac{241}{334.9865}$$

$$=0.7194$$

$r^2 = 0.5175$

$$P.E.(r) = .6745\times\frac{(1-r^2)}{\sqrt{n}}$$

$$= .6745\times\frac{(1-0.5175^2)}{\sqrt{5}}$$

$= 0.1455$

6PE = 0.873

ANNEX-3

Correlation coefficient between total deposit and net profit

(Rs 00000000)

Fiscal year	Deposit(X)	Net profit(Y)	X^2	Y^2	XY
2063/64	390	2	152100	4	780
2064/65	418	2	174724	4	836
2065/66	451	8	203401	64	3608
2066/67	428	2	183184	4	856
2067/68	468	1	219024	1	468
	∑X2155	∑Y	932433	77	6548

The correlation coefficient:

$$r=\frac{N\sum XY-\sum X.\sum Y}{\sqrt{N\sum X^2-(\sum X)2}\sqrt{N\sum Y^2-(\sum Y)2}}$$

$$=\frac{5x6548-2155x15}{\sqrt{5x932433}-\sum(2155)2\ x\sqrt{5x77}-(15)2}$$

$$=\frac{415}{1703.643155}$$

$$=0.2435$$

$r^2 = 0.0592$

$$\text{P.E. (r)} = .6745\times\frac{(1-r^2)}{\sqrt{n}}$$

$$=.6745\times\frac{(1-0.0592^2)}{\sqrt{5}}$$

$= 0.2837$

6PE = 0.1.7022

ANNEX-4

Trend value of total deposit

(Rs 000000)

Fiscal year	Total deposit(Y)	x=t-2065/66	X^2	XY
2063/64	39014	-2	4	(78028)
2064/65	41829	-1	1	(41829)
2065/66	45194	0	0	0
2066/67	42882	1	1	42882
2067/68	46808	2	4	93616
n=5	215727	0	10	16614

The normal equation of fitting

$\sum Y = na + b\sum X$

where $\sum X = 0$

$\therefore a = \frac{\sum Y}{n} = \frac{215727}{5} = 43145.4$

$\sum XY = a\sum X + \sum X^2$

where $\sum X = 0$

$\therefore b = \frac{\sum XY}{\sum X2} = \frac{16641}{10} = 1664.1$

The equation of straight line trend is

$Y_c = a + bX$

Putting the value of 'a' and 'b' in equation $Y_c = a+bx$

$Y_c = 43145.4 + 1664.1\ X$

ANNEX-5
Trend value of net profit

(Rs 0000000)

Fiscal year	Net profit(Y)	x=t-2065/66	X^2	XY
2063/64	22	-2	4	(44)
2064/65	23	-1	1	(23)
2065/66	89	0	0	89
2066/67	24	1	1	24
2067/68	12	2	4	24
	170	0	10	70

The normal equation of fitting

$\sum Y = na + b\sum X$

where $\sum X = 0$

$\therefore a = \frac{\sum Y}{n} = \frac{170}{5} = 34$

$\sum XY = a\sum X + \sum X^2$

where $\sum X = 0$

$\therefore b = \frac{\sum XY}{\sum X2} = \frac{70}{10} = 7$

The equation of straight line trend is

$Y_c = a + bX$

Putting the value of 'a' and 'b' in equation $Y_c = a+bx$

$Y_c = 34 + 7X$

Nepal Bank Limited

Balance Sheet

As on end of Ashadh 2064 (Mid July 2007)

	Capital and Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1.	Share Capital	1	380,382,600	380,382,600
2.	Reserve and Fund	2	(6,627,898,343)	(6,681,838,285)
3.	Debentures and Bonds	3	-	-
4.	Borrowings	4	1,604,868,196	1,717,442,160
5.	Deposits	5	39,014,204,359	35,829,765,050
6.	Bills Payables	6	60,726,059	100,984,226
7.	Proposed and Dividend Payable		2,083,097	1,115,686
8.	Income Tax Liabilities		-	-
9.	Other Liabilities	7	4,824,427,537	4,571,053,671
	Total Liabilities		39,258,793,505	35,918,905,108

	Assets	Schedule	Current Year Rs.	Previous Year Rs.
1.	Cash Balance	8	1,086,066,645	1,110,953,183
2.	Balance with NRB	9	5,224,859,643	5,353,964,032
3.	Balance with Banks/Financial Institution	10	806,366,796	709,140,353
4.	Money at Call and Short Notice	11	200,000,000	-
5.	Investment	12	16,072,179,882	14,490,247,108
6.	Loan Advances and Bills Purchase	13	11,058,477,657	9,756,162,747
7.	Fixed Assets	14	205,768,262	191,705,831
8.	non-Banking Assets	15	-	-
9.	Other Assets	16	4,605,074,620	4,306,731,854
	Total Assets		39,258,793,505	35,918,905,108

Contingent Liabilities	Schedule 17
Declaration of Directors	Schedule 29
Statement of Capital Fund	Schedule 30
Statement of Risk Weighted Assets	Schedule 30(A)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

Schedules 1 to 17 form integral parts of the Balance Sheet

Date: 4 January 2008
Kathmandu

Nepal Bank Limited

PROFIT AND LOSS ACCOUNT

For the period from 1st Shrwan 2063 to 32nd Ashad 2064 (17th July, 2006 to 16th July, 2007)

	Particulars	Schedule	Current Year Rs.	Previous Year Rs.
1	Interest Income	18	1,848,611,557	2,049,029,774
2	Interest Expenses	19	772,644,038	774,324,523
	Net Interest Income		**1,075,967,519**	**1,274,705,251**
3	Commission and Discount	20	181,019,733	177,784,264
4	Other Operating Income	21	287,647,712	140,842,495
5	Exchange Fluctuation Income	22	-	121,337,360
	Total Operating Income		**1,544,634,964**	**1,714,669,370**
6	Staff Expenses	23	1,125,224,496	1,067,634,221
7	Other Overhead Expenses	24	329,490,763	548,108,525
8	Exchange Fluctuation Loss	22	46,279,340	-
	Operating Profit Before Provision For possible Loss		**43,540,365**	**98,926,624**
9	Provision For Possible Losses	25	80,376,445	607,482,837
	Operating Profit		**(36,836,080)**	**(508,56,13)**
10	Non-Operating Income / Loss	26	50,389,326	22,905,189
11	Loan Loss Provision Written Back	27	-	**1,813,642,370**
	Profit from Regular Operations		**13,553,246**	**1,327,991,346**
12	Profit / Loss from Extra-Ordinary Activities	28	236,094,956	-
	Net Profit after considering all activities		**249,648,202**	**1,327,991,346**
13	Staff Bonus Provision		22,695,291	120,726,486
14	Tax Provision			
	Net Profit / Loss		**226,952,911**	**1,207,264,860**

Schedule 18 to 28 form integral part of this Profit and Loss Account.

Nepal Bank Limited

Deposits

32nd Ashad, 2064 (16th July, 2007)

Annexure 5

Previous Year Rs.		Particulars	This Year Rs.
	1	**Non Interest Bearing Accounts**	
6,037,290,438	a)	**Current Account**	6,766,342,052
5,880,370,020	1	**Local Currency**	6,610,541,076
446,573,321	1.1	Nepal Government	189,211,336
246,887,796	1.2	"A" Class Licensed Institutions	306,793,290
886,107,690	1.3	Other Licensed Institutions	656,042,988
2,911,226,712	1.4	Other Organized Institutions	3,153,089,479
1,015,784,157	1.5	Individuals	1,806,585,439
373,790,344	1.6	Others	498,818,544
156,920,418	2	**Foreign Currency**	155,800,976
-	2.1	Nepal Government	-
60,096,066	2.2	"A" Class Licensed Institutions	-
4,898,746	2.3	Other Licensed Institutions	-
3,654,956	2.4	Other Organized Institutions	1,267,588
1,519,768	2.5	Individuals	154,473,788
86,560,882	2.6	Others	59,620
70,430,641	b)	**Margin Deposits**	129,433,796
315,025	1	Staff guarantee	626,602
25,308,794	2	Guarantee Margin	24,527,254
44,806,822	3	Letters of credit Margin	104,279,940
371,513,105	c)	**Other**	297,784,484
371,513,105	1	**Local Currency**	297,784,484
-	1.1	Financial Institutions	-
1,481,724	1.2	Other Organized Institutions	19,384,755
370,031,381	1.3	Individual	278,399,729
-	2	**Foreign Currency**	-
-	2.1	Financial Institutions	-
-	2.2	Other Organized Institutions	-
-	2.3	Individuals	-
6,479,234,184		**Total of Non Interest Bearing Accounts**	7,193,560,332

Nepal Bank Limited

Deposits

32nd Ashad, 2064 (16th July, 2007)

Annexure 5

Previous Year Rs.		Particulars	This Year Rs.
	2	**Interest Bearing Accounts :**	
24,122,923,718	a)	**Saving Deposits**	26,427,197,899
24,113,875,264	1	**Local Currency**	26,414,701,248
1,277,152,391	1.1	Organized Institutions	2,707,051,364
21,133,315,869	1.2	Individuals	22,579,274,393
1,703,407,004	1.3	Others	1,128,375,491
9,048,454	2	**Foreign Currency**	12,496,851
1,255,797	2.1	Organized Institutions	4,818,285
7,083,316	2.2	Individuals	7,678,366
709,341	2.3	Others	-
5,222,448,980	b)	**Fixed deposit**	5,393,446,128
5,216,038,430	1	**Local Currency**	5,387,804,178
1,670,655,610	1.1	Organized Institutions	1,621,015,925
3,388,209,496	1.2	Individuals	3,668,366,570
157,173,324	1.3	Others	98,421,683
6,409,650	2	**Foreign Currency**	5,641,950
3,851,298	2.1	Organized Institutions	5,519,000
2,558,352	2.2	Individuals	122,950
-	2.3	Others	-
5,159,068	c)	**Call Deposit**	-
5,159,068	1	**Local Currency**	-
-	1.1	"A" Class Licensed Institutions	-
-	1.2	Other Licensed Institutions	-
-	1.3	Other Organized Institutions	-
1,874,348	1.4	Individuals	-
3,284,720	1.5	Others	-
-	2	**Foreign Currency**	-
-	2.1	"A" Class Licensed Institutions	-
-	2.2	Other Licensed Institutions	-
-	2.3	Other Organized Institutions	-
-	2.4	Individuals	-
-	2.5	Others	-
-	d)	**Certificate of Deposits**	-
-	1	Organized Institutions	-
-	2	Individuals	-
-	3	Others	-
29,350,530,866		**Interest bearing deposits Total**	31,820,644,027
35,829,765,050		**Total Deposit(1+2)**	39,014,204,359

Nepal Bank Limited

Balance Sheet

As at July 15, 2008 (Ashad 31, 2065)

Capital and Liabilities	Schedule	Current Year Rs.	Previous Year Rs.
1. Share Capital	1	380,382,600	380,382,600
2. Reserve and Fund	2	(6,388,684,333)	(6,627,898,343)
3. Debentures and Bonds	3	-	-
4. Borrowings	4	1,820,088,867	1,604,868,196
5. Deposits	5	41,829,391,063	39,014,204,359
6. Bills Payables	6	52,342,562	60,726,059
7. Proposed and Dividend Payable		2,067,637	2,083,097
8. Income Tax Liabilities		-	-
9. Other Liabilities	7	4,357,855,914	4,824,427,537
Total Liabilities		42,053,444,310	39,258,793,505

Assets	Schedule	Current Year Rs.	Previous Year Rs.
1. Cash Balance	8	1,181,792,413	1,086,066,645
2. Balance with NRB	9	4,430,641,018	5,224,859,643
3. Balance with Banks/Financial Institution	10	1,004,559,156	806,366,796
4. Money at Call and Short Notice	11	-	200,000,000
5. Investment	12	16,570,755,516	16,072,179,882
6. Loan Advances and Bills Purchase	13	13,251,962,768	11,058,477,657
7. Fixed Assets	14	207,527,502	205,768,262
8. Non-Banking Assets	15	-	-
9. Other Assets	16	5,406,205,937	4,605,074,620
Total Assets		42,053,444,310	39,258,793,505

Contingent Liabilities	Schedule 17
Declaration of Directors	Schedule 29
Statement of Capital Fund	Schedule 30
Statement of Risk Weighted Assets	Schedule 30(A)
Principal Indicators	Schedule 31
Principal Accounting Policies	Schedule 32
Notes to Accounts	Schedule 33

Schedules 1 to 17 form integral parts of the Balance Sheet

Nepal Bank Limited

PROFIT AND LOSS ACCOUNT

For the period from 1st Shrwan 2064 to 31st Ashad 2065 (17th July, 2007 to 15th July, 2008)

Particulars	Annexure	Current Year Rs.	Previous Year Rs.
1 Interest Income	18	2,094,905,989	1,848,611,557
2 Interest Expenses	19	772,657,472	772,644,038
Net Interest Income		1,322,248,517	1,075,967,519
3 Commission and Discount	20	229,723,643	181,019,733
4 Other Operating Income	21	157,431,924	287,647,712
5 Exchange Fluctuation Income	22	119,407,417	-
Total Operating Income		1,828,811,501	1,544,634,964
6 Staff Expenses	23	1,346,823,561	1,125,224,496
7 Other Overhead Expenses	24	259,785,526	329,590,763
8 Exchange Fluctuation Loss	22	-	46,279,340
Operating Profit Before Provision For possible Loss		222,202,414	43,540,365
9 Provision For Possible Losses	25	258,572,259	80,376,445
Operating Profit		(36,369,845)	(36,836,080)
10 Non-Operating Income / Loss	26	67,941,907	50,389,326
11 Loan Loss Provision Written Back	27	134,361,753	-
Profit from Regular Operations		165,933,815	13,553,246
12 Profit / Loss from Extra-Ordinary Activities	28	179,996,994	236,094,956
Net Profit after considering all activities		345,930,809	249,648,202
13 Staff Bonus Provision		31,448,255	22,695,291
14 Tax Provision (Including Deferred Tax)		75,268,544	-
Net Profit / Loss		239,214,010	226,952,911

Annexure 18 to 28 form integral part of this Profit and Loss Account.

Nepal Bank Limited

Deposits

As at July 15, 2008 (Ashad 31, 2065)

Annexure 5

Previous Year Rs.		Particulars	This Year Rs.
	1	**Non Interest Bearing Accounts**	
6,766,342,052	a)	**Current Account**	**7,819,755,741**
6,610,541,076	1	**Local Currency**	**7,659,722,396**
189,211,336	1.1	Nepal Government	407,920,069
306,793,290	1.2	"A" Class Licensed Institutions	557,363,257
656,042,988	1.3	Other Licensed Institutions	1,516,229,855
3,153,089,479	1.4	Other Organized Institutions	2,478,847,194
1,806,585,439	1.5	Individuals	2,361,856,601
498,818,544	1.6	Others	337,505,420
155,800,976	2	**Foreign Currency**	**160,033,345**
-	2.1	Nepal Government	-
-	2.2	"A" Class Licensed Institutions	-
-	2.3	Other Licensed Institutions	-
1,267,588	2.4	Other Organized Institutions	1,787,767
154,473,768	2.5	Individuals	158,233,657
59,620	2.6	Others	11,921
129,433,796	b)	**Margin Deposits**	**99,582,898**
626,602	1	Staff guarantee	8,534,351
24,527,254	2	Guarantee Margin	47,128,792
104,279,940	3	Letters of credit Margin	43,919,755
297,784,484	c)	**Other**	**336,735,795**
297,784,484	1	**Local Currency**	**336,735,795**
-	1.1	Financial Institutions	-
19,384,755	1.2	Other Organized Institutions	16,578,428
278,399,729	1.3	Individual	320,157,367
-	2	**Foreign Currency**	-
-	2.1	Financial Institutions	-
-	2.2	Other Organized Institutions	-
-	2.3	Individuals	-
7,193,560,332		**Total of Non Interest Bearing Accounts**	**8,256,074,434**

Nepal Bank Limited

Deposits

As at July 15, 2008 (Ashad 31, 2065)

Annexure 5

Previous Year Rs.		Particulars	This Year Rs.
	2	**Interest Bearing Accounts :**	
26,427,197,899	a)	**Saving Deposits**	**28,565,392,554**
26,414,701,248	1	**Local Currency**	**28,551,248,345**
2,707,051,364	1.1	Organized Institutions	2,444,543,225
22,579,274,393	1.2	Individuals	24,808,514,452
1,128,375,491	1.3	Others	1,298,190,668
12,496,651	2	**Foreign Currency**	**14,144,209**
4,818,285	2.1	Organized Institutions	878,122
7,678,366	2.2	Individuals	13,266,087
-	2.3	Others	-
5,393,446,128	b)	**Fixed deposit**	**4,757,924,075**
5,387,804,178	1	**Local Currency**	**4,751,968,925**
1,621,015,925	1.1	Organized Institutions	1,083,066,677
3,668,366,570	1.2	Individuals	2,877,855,455
98,421,683	1.3	Others	791,046,793
5,641,950	2	**Foreign Currency**	**5,955,150**
5,519,000	2.1	Organized Institutions	5,955,150
122,950	2.2	Individuals	-
-	2.3	Others	-
-	c)	**Call Deposit**	**250,000,000**
-	1	**Local Currency**	**250,000,000**
-	1.1	"A" Class Licensed Institutions	250,000,000
-	1.2	Other Licensed institutions	-
-	1.3	Other Organized Institutions	-
-	1.4	Individuals	-
-	1.5	Others	-
-	2	**Foreign Currency**	-
-	2.1	"A" Class Licensed Institutions	-
-	2.2	Other Licensed institutions	-
-	2.3	Other Organized Institutions	-
-	2.4	Individuals	-
-	2.5	Others	-
-	d)	**Certificate of Deposits**	-
-	1	Organized Institutions	-
-	2	Individuals	-
-	3	Others	-
31,820,644,027		**Interest bearing deposits Total**	**33,573,316,629**
39,014,204,359		**Total Deposit(1+2)**	**41,829,391,063**

नेपाल बैंक लिमिटेड

वासलात

(२०६६ साल आषाढ मसान्त)

पूंजी तथा दायित्व		अनुसूची	यस वर्ष रु.	गत वर्ष रु.
१.	शेयर पूंजी	१	३८०,३८२,६००	३८०,३८२,६००
२.	जगेडा तथा कोषहरु	२	(५,२३४,६९४,५०७)	(६,३८८,६८४,३३३)
३.	ऋणपत्र तथा बन्ड	३	-	-
४.	तिर्न बाकि कर्जा सापट	४	१,९७०,६७५,२९६	१,८२०,०८८,८६७
५.	निक्षेप दायित्व	५	४५,१९४,२३२,४६५	४१,८२९,३९१,०६३
६.	भुक्तानी दिनुपर्ने बिलहरु	६	१२,०१६,२०७	५२,३४२,५६२
७.	प्रस्तावित तथा भुक्तानी दिनु बांकी लाभांस		२,०६५,३४२	२,०६७,६३७
८.	आयकर दायित्व		-	-
९.	अन्य दायित्व	७	५,२३४,४३३,२०२	४,३५७,८४५,९१४
		जम्मा	**४७,५५९,११०,६०५**	**४२,०५३,४४४,३१०**

सम्पत्ति		अनुसूची	यस वर्ष रु.	गत वर्ष रु.
१.	नगद मौज्दात	८	१,५१५,६४४,८३३	१,१८१,७९२,४६३
२.	नेपाल राष्ट्र बैंकमा रहेको मौज्दात	९	६,६१९,७००,०१९	४,४३०,६४१,०१८
३.	बैंक/वित्तिय संस्थामा रहेको मौज्दात	१०	१,०३६,४३५,०८८	१,००४,५४९,१५६
४.	माग तथा अल्प सूचनामा प्राप्त हुने रकम	११	४००,०००,०००	-
५.	लगानी	१२	१३,३९७,५४९,६८६	१६,५७०,७५५,५१६
६.	कर्जा सापट तथा बिल खरिद	१३	१७,६१४,८९८,८२५	१३,२५१,९६२,७६८
७.	स्थिर सम्पत्ति	१४	२४९,३९३,२९५	२०७,५२७,५०२
८.	गैर बैंकिङ सम्पत्ति	१५	-	-
९.	अन्य सम्पत्ति	१६	६,७२५,४६८,८५९	५,४०६,२०५,९३७
		जम्मा	**४७,५५९,११०,६०५**	**४२,०५३,४४४,३१०**

संभावित दायित्व	अनुसूची १७	प्रमुख सूचकांकहरु	अनुसूची २५
संचालकहरुको घोषणा	अनुसूची २९	प्रमुख लेखा नीतिहरु	अनुसूची ३२
पुंजिकोष तालिका	अनुसूची ३०	लेखा सम्बन्धी टिप्पणीहरु	अनुसूची ३३
जोखिम भारित सम्पत्ति विवरण तालिका	अनुसूची ३० (क)	संस्थापकहरुको कर्जा विवरण	अनुसूची ३४
कर्जा जोखिम निवारणको लागि योग्य रकम	अनुसूची ३० (ख)	लेखापरिक्षण नभएको वित्तिय विवरण	अनुसूची ३५
संन्चालन जोखिम सम्बन्धी विवरण	अनुसूची ३० (ग)	लेखापरीक्षण नभएको र लेखापरीक्षण भएको वित्तीय विवरणको तुलनात्मक विवरण	अनुसूची ३६
बजार जोखिम सम्बन्धी विवरण	अनुसूची ३० (घ)		

१ देखि १७ सम्मका र ३२ र ३३ अनुसूचीहरु वासलातका अभिन्न अंग हुन् ।

नेपाल बैंक लिमिटेड

मिति २०६५ श्रावण १ देखि २०६६ आषाढ ३१ गते सम्मको

नाफा नोक्सान हिसाब

विवरण		अनुसूची	चालु आ.व.रु.	गत आ.व.रु.
१.	ब्याज आम्दानी	१८	२,६९०,०५८,३०८	२,०९४,९०५,९८९
२.	ब्याज खर्च	१९	७९१,७१०,६४८	७७२,६३७,४७२
	खुद ब्याज आम्दानी		**१,८९८,१४७,६६०**	**१,३२२,२४८,५१७**
३.	कमिसन तथा डिस्काउण्ट	२०	२७१,१०६,३९४	२२९,७२३,६४३
४.	अन्य संचालन आम्दानी	२१	१४६,७५७,७१९	१४७,४३१,९२४
५.	सटही घटवढ आम्दानी	२२	८९,२०९,०४७	११९,४०७,४१७
	कुल संचालन आम्दानी		**२,१५७,४२०,८१२**	**१,८२८,८११,५०१**
६.	कर्मचारी खर्च	२३	१,६४०,५६५,७८१	१,३४६,८२३,५६१
७.	अन्य संचालन खर्च	२४	२९७,०१५,३६९	२५९,७८५,५२६
८.	सटही घटवढ नोक्सान	२२	-	-
	सम्भावित नोक्सानी व्यवस्था अघिको संचालन मुनाफा		**४७९,८३९,६९२**	**२२२,२०२,७१४**
९.	संम्भावित नोक्सानी व्यवस्थाहरु	२५	३३४,३१५,०६१	२४८,५७२,३५९
	संचालन मुनाफा		**१४५,५२४,६३१**	**(२६,३६९,८४५)**
१०.	गैर संचालन आम्दानी (नोक्सानी)	२६	४७,५२६,७१४	६७,९४१,९०७
११.	सम्भावित नोक्सानी व्यवस्था घाट फिर्ता	२७	६७६,३७२,३८४	१३४,३६१,७५३
	नियमित कारोवारबाट भएको मुनाफा/खर्च		**८७९,४२३,७३०**	**१६५,१३३,८१५**
१२.	असामान्य कारोवारहरुबाट भएको मुनाफा (खर्च)	२८	१६५,१४४,६४२	१७९,९९६,९१४
	सम्पुर्ण कारोबार समादेश पछिको खुद मुनाफा		**१,०४४,५६८,३७२**	**३४५,१३०,८०९**
१३.	कर्मचारी बोनस व्यवस्था		९४,९६०,७६१	३१,४४८,२४५
१४.	आयकर व्यवस्था			
	(क) यस वर्षको		८६,८०१,९३६	७५,२९८,५४४
	(ख) गत वर्षसम्मको		१,७४४,२३९	-
	(ग) यस वर्षको स्थगन कर (आम्दानी) / खर्च		(३२,१९२,७४६)	-
	खुद नाफा/नोक्सान		**८९४,२४४,१८२**	**२३९,२१४,०१०**

१८ देखि २८ सम्मका अनुसूचीहरु नाफा नोक्सान हिसाबका अभिन्न अंग हुन् ।

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गत वर्ष रु.		बिवरण	यस वर्ष रु.
	१.	**ब्याज तिर्नु नपर्ने खाताहरु**	
७,८१९,७५५,७४१	क.	**चल्ती हिसाब**	९,९२३,२७५,१७४
७,६५९,७२२,३९६	१.	**स्वदेशी मुद्रामा**	९,७३१,०३४,२८९
४०७,९२०,०६९	१.१	नेपाल सरकार	६८८,६००,०६०
५५७,३६३,२५७	१.२	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	५७९,५२६,१२४
१,५१६,२२९,८५५	१.३	अन्य इजाजतपत्र प्राप्त वित्तीय संस्थाहरु	८४१,७५४,६०८
२,४७८,८४७,१९४	१.४	अन्य संगठित संस्थाहरु	३,६०५,६६६,७९६
२,३६१,८५६,६०१	१.५	व्यक्तिगत	२,७५३,५७४,३१६
३३७,५०५,४२०	१.६	अन्य	१,२६१,९१२,३८५
१६०,०३३,३४५	२.	**विदेशी मुद्रामा**	१९२,२४०,८८५
	२.१	नेपाल सरकार	-
	२.२	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-
	२.३	अन्य इजाजतपत्र प्राप्त वित्तीय संस्थाहरु	-
१,७८७,७६७	२.४	अन्य संगठित संस्थाहरु	३८८,११२
१५८,२३३,६५७	२.५	व्यक्तिगत	१९०,२१६,७८४
११,९२१	२.६	अन्य	१,६३५,९८९
९९,५८२,८९८	ख.	**मार्जिन**	१०२,६९०,१७२
८,५३४,३५१	१.	कर्मचारी जमानत	-
४७,१२८,७९२	२.	जमानत मार्जिन	५९,४९६,८५५
४३,९१९,७५५	३.	प्रतितपत्र मार्जिन	४३,१९३,३१७
३३६,७३५,७९५	ग.	**अन्य**	२८७,१९६,४०८
३३६,७३५,७९५	१.	**स्वदेशी मुद्रामा**	२८७,१९६,४०८
-	१.१	वित्तीय संस्थाहरु	८,१२२,८८४
१६,५७८,४२८	१.२	अन्य संगठित संस्थाहरु	३०,२३५,३७१
३२०,१५७,३६७	१.३	व्यक्तिगत	२४८,८३८,१५३
-	२.	**विदेशी मुद्रामा**	-
-	२.१	वित्तीय संस्थाहरु	-
-	२.२	अन्य संगठित संस्थाहरु	-
-	२.३	व्यक्तिगत	-
८,२५६,०७४,४३४		**ब्याज तिर्नु नपर्ने खाताहरुको जम्मा (१)**	१०,३१३,१६१,७५४

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गत वर्ष रु.		बिवरण	यस वर्ष रु.
	२. २.	**ब्याज तिर्नु पर्ने खाताहरु**	
२८,५६५,३९२,५५४	क.	**बचत हिसाब**	३१,२८४,२६०,६३५
२८,५५१,२४८,३४५	१.	**स्वदेशी मुद्रामा**	३१,२७६,९६४,३९६
२,४४४,५४३,२२५	१.१	संघ संस्थाहरु	४,९६२,९१७,६३२
२४,८०८,५१४,४५२	१.२	व्यक्तिगत	२५,६८०,४९१,२०३
१,२९८,१९०,६६८	१.३	अन्य	६३३,५४५,५६१
१४,१४४,२०९	२.	**बिदेशी मुद्रामा**	७,२९६,२३९
८७८,१२२	२.१	संघ संस्थाहरु	-
१३,२६६,०८७	२.२	व्यक्तिगत	७,२९६,२३९
-	२.३	अन्य	-
४,७५७,९२४,०७५	ख.	**मुद्धती हिसाब**	३,५८६,१९०,२२६
४,७५१,९६८,९२५	१.	**स्वदेशी मुद्रामा**	३,५७९,४१७,२७६
१,०८३,०६६,६७७	१.१	संघ संस्थाहरु	७७९,४९७,१८५
२,८७७,८५५,४५५	१.२	व्यक्तिगत	२,६६८,८२१,४७६
७९१,०४६,७९३	१.३	अन्य	१२१,०९८,६१५
५,९५५,१५०	२.	**बिदेशी मुद्रामा**	६,७७२,९५०
५,९५५,१५०	२.१	संघ संस्थाहरु	-
-	२.२	व्यक्तिगत	६,७७२,९५०
	२.३	अन्य	-
२५०,०००,०००	ग.	**मागेको बखत तिर्नु पर्ने हिसाब**	१०,६१९,८५०
२५०,०००,०००	१.	**स्वदेशी मुद्रामा**	१०,६१९,८५०
२५०,०००,०००	१.१	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-
-	१.२	अन्य इ.प्रा.वित्तीय संस्थाहरु	-
-	१.३	अन्य संगठित संस्थाहरु	१८९,९८५
-	१.४	व्यक्तिगत	७,८५४,७२९
-	१.५	अन्य	२,५७५,१३६
-	२	**बिदेशी मुद्रामा**	-
	२.१	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-
	२.२	अन्य इ.प्रा. वित्तीय संस्थाहरु	-
	२.३	अन्य संगठित संस्थाहरु	-
	२.	व्यक्तिगत	-
	२.५	अन्य	-
-	घ.	**सर्टिफिकेट अफ डिपोजिट**	-
	१.	संगठित संस्था	-
	२.	व्यक्तिगत	-
	३.	अन्य	-
३३,५७३,३१६,६२९		**ब्याज तिर्नु पर्ने खाताहरुको जम्मा (२)**	३४,८८१,०७०,७११
४१,८२९,३९१,०६३		**(१+२) जम्मा निक्षेप**	४५,१९४,२३२,४६५

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वासलात

(२०६८ साल आषाढ मसान्त)

पूंजी तथा दायित्व		अनुसूची	यस वर्ष रु.	गत वर्ष रु.
१.	शेयर पूंजी	१	३८०,३८२,५००	३८०,३८२,५००
२.	जगेडा तथा कोषहरु	२	(४,८२६,९५५,१२८)	(४,९८४,३१२,२१२)
३.	ऋणपत्र तथा बन्ड	३	-	-
४.	तिर्न बाकि कर्जा सापट	४	१,८४०,२११,६१७	२,१२५,१४०,८२३
५.	निक्षेप दायित्व	५	४६,८०८,४३५,४४५	४२,८८२,०३१,६६९
६.	भुक्तानी दिनुपर्ने विलहरु	६	३४,४३६,२१२	६४,९३६,३६४
७.	प्रस्तावित लाभांश		-	-
८.	आयकर दायित्व		-	-
९.	अन्य दायित्व	७	६,९५२,१४७,१९९	४,२६८,४६५,१५७
		जम्मा	४९,१५८,६४७,४४५	४४,७३६,६५२,४३१

सम्पत्ति		अनुसूची	यस वर्ष रु.	गत वर्ष रु.
१.	नगद मौज्दात	८	१,५७०,३१५,७९६	१,६०३,४८७,१९७
२.	नेपाल राष्ट्र बैंकमा रहेको मौज्दात	९	९,३४३,१७५,२६१	७,४९३,१११,७३१
३.	बैंक/वित्तिय संस्थामा रहेको मौज्दात	१०	१,१००,२७४,२५७	१,०४४,६७५,०८९
४.	माग तथा अल्प सूचनामा प्राप्त हुने रकम	११	४००,०००,०००	-
५.	लगानी	१२	७,५८५,५४४,१८२	५,७८४,३७२,३९५
६.	कर्जा सापट तथा बिल खरिद	१३	२४,६७१,२८१,८९४	२३,५६०,९५५,७२९
७.	स्थीर सम्पत्ति	१४	३३४,९४६,४०३	३०१,४८८,४४६
८.	गैर बैंकिङ सम्पत्ति	१५	-	-
९.	अन्य सम्पत्ति	१६	६,१५३,००९,६५२	४,९४८,५५५,८३४
		जम्मा	४९,१५८,६४७,४४५	४४,७३६,६५२,४३१

सभावित दायित्व	अनुसूची १७	सन्चालन जोखिम सम्बन्धी विवरण	अनुसूची ३० (घ)
संचालकहरुको घोषणा	अनुसूची २९	बजार जोखिम सम्बन्धी विवरण	अनुसूची ३० (ङ)
पूंजिकोष तालिका	अनुसूची ३० (क)	प्रमुख सूचकांकहरु	अनुसूची ३१
कर्जा जोखिम	अनुसूची ३० (ख)	प्रमुख लेखा नीतिहरु	अनुसूची ३२
कर्जा जोखिम निवारणको लागि योग्य रकम	अनुसूची ३० (ग)	लेखा सम्बन्धी टिप्पणीहरु	अनुसूची ३३

१ देखि १७ सम्मका र ३२ र ३३ अनुसूचीहरु वासलातका अभिन्न अंग हुन् ।

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मिति २०६७ श्रावण १ देखि २०६८ आषाढ ३२ गते सम्मको

नाफा नोक्सान हिसाब

विवरण		अनुसूची	चालु आ.व.रु.	गत आ.व.रु.
१.	ब्याज आम्दानी	१८	३,७४०,७१९,०२८	३,०६७,५४३,५३९
२.	ब्याज खर्च	१९	१,४८२,२०४,८९१	९०९,९९०,५३१
	खुद ब्याज आम्दानी		२,२५८,५१४,१२९	२,१५७,५६३,००८
३.	कमिसन तथा डिस्काउण्ट	२०	२६१,२९६,३५९	४२५,००५,३७६
४.	अन्य संचालन आम्दानी	२१	१४०,४६१,३३६	१५२,८७२,७८३
५.	सटही घटवढ आम्दानी	२२	११,८२७,७०८	२३,५५२,०३०
	कुल संचालन आम्दानी		२,६७२,१०१,५३२	२,७५८,९९३,१९७
६.	कर्मचारी खर्च	२३	१,६८२,९८०,९४२	२,९७३,९९४,९०७
७.	अन्य संचालन खर्च	२४	३३६,०५७,६८७	२८७,६९३,३६७
८.	सटही घटवढ नोक्सान	२२	-	-
	सम्भावित नोक्सानी व्यवस्था अघिको संचालन मुनाफा		६५३,०७०,८९३	(१०२,६१५,०७७)
९.	संम्भावित नोक्सानी व्यवस्थाहरु	२५	७०९,१७९,२२१	११९,३१५,२४८
	संचालन मुनाफा		(५६,१०८,३२८)	(२२१,९८०,३२५)
१०.	गैर संचालन आम्दानी (नोक्सानी)	२६	३४,७३४,८८९	५८,७०९,०८४
११.	सम्भावित नोक्सानी व्यवस्था घाट फिर्ता	२७	१४१,९४६,५०४	९०७,०८९,३२१
	नियमित कारोबारबाट भएको मुनाफा/खर्च		१२१,५८३,०६५	४३,८१८,०८१
१२.	असामान्य कारोबारहरुबाट भएको मुनाफा (खर्च)	२८	१९९,४३४,३७०	२३५,७२३,६३१
	सम्पुर्ण कारोबार समावेश पश्चिको खुद मुनाफा		३२१,०१७,४३५	२७९,५४१,७१२
१३.	कर्मचारी बोनस व्यवस्था		२९,१८३,४०३	२५,४१२,८८३
१४.	आयकर व्यवस्था			
	(क) यस वर्षको		१६९,२३४,८९७	२०,५६३,०११
	(ख) गत वर्षसम्मको		-	-
	(ग) यस वर्षको स्थगन कर (आम्दानी) / खर्च		(५,७४७,४४९)	(१५,८१६,४७७)
	खुद नाफा/नोक्सान		१२८,३४६,५८४	२४९,३८२,२९५

१८ देखि २८ सम्मका अनुसूचीहरु नाफा नोक्सान हिसाबका अभिन्न अंग हुन् ।

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	विवरण	यस वर्ष रु.	गत वर्ष रु.
१.	ब्याज तिर्नु नपर्ने खाताहरु		
क.	चल्ती हिसाब	१०,९०५,८५४,६४८	१०,९४२,४१५,९९२
१.	स्वदेशी मुद्रामा	१०,६६४,०६९,८०९	१०,७४४,०९३,८२४
१.१	नेपाल सरकार	५०२,११२,४१८	२७३,१८२,०५६
१.२	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	७०१,९०९,११७	४५८,०८१,३७६
१.३	अन्य इजाजतपत्र प्राप्त वित्तीय संस्थाहरु	९९२,५४७,७५५	१,६८१,९२४,५२६
१.४	अन्य संगठित संस्थाहरु	५,१२८,८४९,४८१	३,६०७,०६६,६५५
१.५	व्यक्तिगत	२,२९३,५३३,७१०	३,९३७,२९२,८२६
१.६	अन्य	१,०४५,११७,३२८	७८६,४६६,३८५
२.	विदेशी मुद्रामा	२४१,७८४,८३९	१९८,४०२,१६८
२.१	नेपाल सरकार	-	-
२.२	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-	-
२.३	अन्य इजाजतपत्र प्राप्त वित्तीय संस्थाहरु	२१३,३९४	-
२.४	अन्य संगठित संस्थाहरु	७,००८,२७६	४,४४५,९७६
२.५	व्यक्तिगत	२३४,५६३,१६९	१९३,०४७,३५५
२.६	अन्य	-	९०८,८३७
ख.	मार्जिन	९२,८९६,२९७	९८,०७८,०५८
१.	कर्मचारी जमानत	१,८१९,४७०	-
२.	जमानत मार्जिन	३८,७७९,१८०	४८,५६१,३०६
३.	प्रतितपत्र मार्जिन	५२,२९७,६४७	४९,५१६,७५२
ग.	अन्य	३१६,३९४,६१२	२९१,५६०,१९१
१.	स्वदेशी मुद्रामा	३१६,३९४,६१२	२९१,५६०,१९१
१.१	वित्तीय संस्थाहरु	६,५७२,४०५	-
१.२	अन्य संगठित संस्थाहरु	१२६,६१९,५४५	३३,३२३,२६१
१.३	व्यक्तिगत	१८३,२०२,६५२	२५८,२३६,९३०
२.	विदेशी मुद्रामा	-	-
२.१	वित्तीय संस्थाहरु	-	-
२.२	अन्य संगठित संस्थाहरु	-	-
२.३	व्यक्तिगत	-	-
	व्याज तिर्नु नपर्ने खाताहरुको जम्मा (१)	११,३१५,१४५,५५७	११,३३२,०५४,२४१

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	विवरण	यस वर्ष रु.	गत वर्ष रु.
२.	ब्याज तिर्नु पर्ने खाताहरु		
क.	बचत हिसाब	२२,५०१,३३९,४७०	२७,३९३,७५५,५६१
१.	स्वदेशी मुद्रामा	२२,४९१,२६१,८२३	२७,३०६,३१७,५९१
१.१	संघ संस्थाहरु	६९९,४४७,०९९	३,५९५,६८९,५७४
१.२	व्यक्तिगत	२१,६९७,८८८,८७६	२३,६६६,४७०,१८३
१.३	अन्य	९३,९२५,८४८	४४,१५७,८३४
२.	विदेशी मुद्रामा	१०,०७७,६४७	७,४३७,९७०
२.१	संघ संस्थाहरु	-	-
२.२	व्यक्तिगत	९,८६९,१३७	६,८९६,१३२
२.३	अन्य	२०८,५१०	५४१,८३८
ख.	मुद्दती हिसाब	७,४८१,१९४,१५४	४,२२६,७६५,३७९
१.	स्वदेशी मुद्रामा	७,४७५,०३०,२०४	४,२२०,२८३,८७९
१.१	संघ संस्थाहरु	२,१२९,६१७,३१९	१,१९८,४१६,९४२
१.२	व्यक्तिगत	४,६८३,५०८,४३३	२,८८७,१४१,८११
१.३	अन्य	६६१,९०४,४५२	१३४,७२५,१२६
२.	विदेशी मुद्रामा	६,१६३,९५०	६,४८१,५००
२.१	संघ संस्थाहरु	-	-
२.२	व्यक्तिगत	६,१६३,९५०	६,४८१,५००
२.३	अन्य	-	-
ग.	मागेको बखत तिर्नु पर्ने हिसाब	५,५१०,७५६,२६४	९,४६४,४८८
१.	स्वदेशी मुद्रामा	५,५१०,७५६,२६४	९,४६४,४८८
१.१	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-	-
१.२	अन्य इ.प्रा.वित्तीय संस्थाहरु	-	-
१.३	अन्य संगठित संस्थाहरु	७२७,६४७,१२८	-
१.४	व्यक्तिगत	४,७८२,९२४,७७६	९,४६४,४८८
१.५	अन्य	१८४,३६०	-
२	विदेशी मुद्रामा	-	-
२.१	क वर्गका इजाजतपत्र प्राप्त संस्थाहरु	-	-
२.२	अन्य इ.प्रा. वित्तीय संस्थाहरु	-	-
२.३	अन्य संगठित संस्थाहरु	-	-
२.	व्यक्तिगत	-	-
२.५	अन्य	-	-
घ.	सर्टिफिकेट अफ डिपोजिट	-	-
१.	संगठित संस्था	-	-
२.	व्यक्तिगत	-	-
३.	अन्य	-	-
	व्याज तिर्नु पर्ने खाताहरुको जम्मा (२)	३५,४९३,२८९,८८८	३१,५४९,९८५,४२८
	(१+२) जम्मा निक्षेप	४६,८०८,४३५,४४५	४२,८८२,०३९,६६९