



Laxmi Bank

ANNUAL REPORT 2013/14

# BOARD OF DIRECTORS



**MR. RAJENDRA KUMAR KHETAN**  
CHAIRMAN



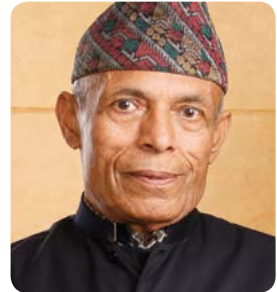
**MR. ARUN ADHIKARY**  
DIRECTOR



**MR. MADHU SUDAN AGRAWAL**  
DIRECTOR



**MR. RATAN LAL SHANGAI**  
DIRECTOR



**MR. SHAMBHU P. ACHARYA**  
PROFESSIONAL DIRECTOR



**MS. SHOVA SHRESTHA**  
REPRESENTING  
CITIZENS INVESTMENT TRUST



**MS. SWATI ROONGTA**  
REPRESENTING  
GENERAL PUBLIC



**MR. VISHWA KARAN JAIN**  
REPRESENTING  
GENERAL PUBLIC



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ANNUAL REPORT **2013/14**

## ABOUT US

Laxmi Bank, incorporated in April 2002 is registered as a Category “A” Financial Institution under the “Banks and Financial Institutions Act”. The Bank’s shares are listed and traded in the Nepal Stock Exchange (NEPSE). In 2004, Laxmi Bank merged with HISEF Finance Limited (a first generation Financial Company in Nepal) marking the first ever merger between financial institutions in the country.

Over these last 12 years, Laxmi Bank has been successful in establishing a corporate identity as a progressive and responsible financial institution, widely recognized for high standards of corporate governance, risk management practices and technology driven products and services.

Today, we are bankers to the entire spectrum of economically active population across the country, directly or through our 2 subsidiaries: Laxmi Laghubitta Bittiya Sanstha Limited (a licensed microfinance institution) and Laxmi Capital Market Limited. The Bank also has strategic investment in Prime Life Insurance Company Limited.

The Laxmi Bank network covers 25 districts directly through 39 branches. We continue to add more ‘bricks and mortar’ branches especially in the under-served markets where we believe we can contribute to improving meaningful and sustainable financial inclusion.

Laxmi Bank offers the widest range of digital banking channels that compliment our growing number of ‘bricks and mortar’ branches. Our

# 12

YEARS OF  
RESPONSIBLE  
BANKING

# 39

BRANCHES IN  
25 DISTRICTS

SUSTAINABLE  
BUSINESS  
PRACTICES  
ORANGE  
LOVES  
GREEN

customers touch us through 50 ATMs, Internet and Mobile Phones and we continue to develop and enhance utility and usability of these channels to meet the expectations of Nepal’s rapidly urbanizing, mobile and connected citizens.

We pursue sustainable, responsible growth: our asset quality as measured by Non-Performing Asset has been consistently among the best in the industry and all key financial indicators are well within prudential and regulatory norms. Our capital plans are aligned to support our growing balance sheet, size of operations and the calculated risks we undertake in our business. Apart from organic growth, we are also open to new mergers/acquisitions with like-minded institutions that bring value to the company.

Laxmi Bank strives to embrace sustainable business practices. We have adopted ‘Orange loves Green’ as our corporate social responsibility theme and promote green friendly products that encourage paperless and commute-free banking habits.

# OUR BRANCHES

## KATHMANDU

### HATTISAR

TEL: 01-4444684/5,  
4444580/1,4445073,  
FAX: 01-4444640

### PULCHOWK

TEL: 01-5553545,  
5553972, 5553973  
FAX: 01-5553974

### TEKU

TEL: 01-4232501,  
4232502, 4233354  
FAX: 01-4232503

### NEW ROAD

TEL: 01-4233309,  
4233647, 4233648  
FAX: 01-4233307

### NEW BANESHWOR

TEL: 01-4785306,  
4785307, 4785308  
FAX: 01-4785309

### BHATBHATENI

TEL: 01-4442075,  
4442094, 4442095  
FAX: 01-4442110

### MAHARAJGUNJ

TEL: 01-4016088  
FAX: 01-4016019

### SAHID GANGALAL NATIONAL HEART CENTER

(EXTENSION COUNTER)  
BANSBARI, KATHMANDU  
TEL: 01-4018621

### NEPALESE ARMY INSTITUTE OF HEALTH SCIENCES

(EXTENSION COUNTER)  
TEL: 01-4881891

### LAGANKHEL

TEL: 01-5548375  
FAX: 01-5548377

### SUKEDHARA

TEL: 01-4372850  
FAX: 01-4372874

### MAHANKAL

TEL: 01-4485806  
FAX: 01-4485805

### BHAKTAPUR

TEL: 01-6618302  
FAX: 01-6618301

### BIRGUNJ

ADARSHANAGAR,  
PARSA, P.O.61  
TEL: 051-526195,  
530394, 691875,  
FAX: 051-530393

### BANEPA

BANEPA, WARD 5,  
KAVRE, ARNIKO  
HIGHWAY WEST  
TEL: 011-663425,  
663426  
FAX: 011-663427

### POKHARA

NEW ROAD, P.O. 56,  
WARD 9, B.P. MARG,  
KASKI  
TEL: 061-533580,  
540153  
FAX: 061-525514

### POKHARA

INDUSTRIAL ESTATE  
POKHARA INDUSTRIAL  
DISTRICT, KASKI  
TEL: 061-541783,  
522878

### BIRATNAGAR

TULSI COMPLEX, MAIN  
ROAD, WARD 9, MORANG  
TEL: 021-538401,  
538402  
FAX: 021-538403

### NARAYANGHAT

SAHID CHOWK,  
NARAYANGHAT, CHITWAN  
TEL: 056-571726,  
571973  
FAX: 056- 571026

### JANAKPUR

BHANU CHOWK,  
JANAKPUR DHAM,  
JANAKPUR, DHANUSHA  
TEL: 041-527496  
FAX: 041-527497

### ITAHARI

ITAHARI CHOWK, WEST  
LINE, SUNSARI  
TEL: 025-587021  
FAX: 025-587022

### BHAIRAHAWA

AAWHA ROAD,  
BHAIRAHAWA  
TEL: 071-523461,  
523462  
FAX: 071-523421

### NEPALGUNJ

SURKET ROAD,  
NEPALGUNJ  
TEL: 081-527901,  
527902, 527692  
FAX: 081-527903

### BUTWAL

AMAR PATH, BUTWAL  
TEL: 071-551569,  
551570  
FAX: 071-551571

### TAULIHAWA

KAPILVASTU-3,  
TAULIHAWA  
TEL: 076-561146  
FAX: 076-561147

### DHARAN

PUTALI LINE, DHARAN-9  
TEL: 025-533906,  
533907  
FAX: 025-533908

### DAMAK

DAMAK BAZAR,  
MAHENDRA HIGHWAY  
TEL: 023-585207  
FAX: 023-585527

### CHARIKOT

BHIMESHWOR-1,  
SATHDOBATO, CHARIKOT,  
DOLAKHA  
TEL: 049-421914  
FAX: 049-421915

### KHADICHAUR

MANKHA-6,  
SINDHUPALCHOWK  
TEL: 011-482158  
FAX: 011-482159

### HILE

HILE, DHANKUTA-1,  
KOSHI  
TEL: 026-540580  
FAX: 026-540581

### BIRTAMOD

ANARMANI-3, JHAPA  
TEL: 023-544615  
FAX: 023-544616

### ILAM

BHANU PATH, WARD NO  
2, ILAM, MECHI  
TEL: 027-521793  
FAX: 027-521794

### WALLING

WALLING-3, SYANGJA  
TEL: 063-440641  
FAX: 063-440642

### KOHALPUR

KOHALPUR-3, BANKE  
TEL: 081-541347  
FAX: 081-541348

### DHANGADI

TRAFFIC CHAURAHA,  
KAILALI, SETI ANCHAL  
TEL: 091-520531  
FAX: 091-520532

### PARSA

KHAIRAHANI-4, PARSA,  
CHITWAN  
TEL: 056-583597  
FAX: 056-583598

### DAMAULI

DAMAULI, TANAHUN  
TEL: 065-562451  
FAX: 065-562452

### GHORAH

SAHID MARG, DANG  
TEL: 082-563671  
FAX: 082-563672

### SHREENAGAR

RAPTILOK MARG, SALYAN  
TEL: 088-400184  
FAX: 088-400185

### BARDIBAS

BARDIBAS-1, MAHOTTARI  
TEL: 044-550536  
FAX: 044-550537

### BHOJPUR

BHOJPUR MUNICIPALITY  
-7, BHOJPUR  
TEL: 029-420744

# MANAGEMENT TEAM

**SUDESH KHALING**

*Chief Executive Officer*

**AJAYA B SHAH**

*Deputy Chief Executive Officer*

**SUMED BHATTARAI**

*Head – Corporate Banking*

**BHUBAL RAI**

*Chief Operating Officer*

**JIWAN LIMBU**

*Chief Technology Officer*

**SANJEEV JOSHI**

*Head – General Sourcing and Property Management*

**RAJIV SAPKOTA**

*Head – Institutions and Business Development*

**DIPESH AMATYA**

*Head – Retail Financial Services*

**AMIT SINGH KARKI**

*Head – Mid Market*

**PIYUSH RAJ ARYAL**

*Chief Financial Officer*

**SACHET THAPA**

*Head – Risk Management Unit*

**MANISH KUNWAR**

*Senior Manager – Corporate Banking*

**BHARTI PANDE**

*Head – New Road Business Center*

**EUDEN KOIRALA**

*Head – Operations*

**AMIT SHARMA**

*Head – Human Resources*

**PRAKASH KHATRI**

*Head – Cards and Digital Channel Operations*

**NIKESH GHIMIRE**

*Head – Marketing and Communications*

# RajMS & Co., Chartered Accountants

Batule Ghar - Fourth Floor  
Dillibazar  
P.O. Box : 20189  
Kathmandu, Nepal.

Tel. : 4412580 / 4433063  
Fax : 977-1-4418369  
E-mail: admin@rajms.com  
rajms@wlink.com.np

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAXMI BANK LTD.

We have audited the accompanying consolidated financial statements of Laxmi Bank Ltd. and its subsidiaries, which comprise the consolidated balance sheet as at July 16, 2014 (Ashad 32, 2071), the consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Nepal Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*


Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Laxmi Bank Ltd. and its subsidiaries as at July 16, 2014 (Ashad 32, 2071), and their financial performance and cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable in compliance with prevailing laws.

Date: 15 SEPT 2014  
Place: Kathmandu, Nepal

  
Rabindra Rajbhandari, MBA, FCA  
Partner  
RajMS & Co.,  
Chartered Accountants



# Consolidated Balance Sheet

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

<b>CAPITAL &amp; LIABILITIES</b>	<b>THIS YEAR</b>	<b>PREVIOUS YEAR</b>
1. Share Capital	2,337,965,760	1,948,193,265
2. Reserves and Surplus	849,589,662	780,189,846
3. Non Controlling Interest	30,740,685	-
4. Debentures & Bonds	750,000,000	750,000,000
5. Borrowings	-	-
6. Deposit Liabilities	30,529,615,973	25,943,597,898
7. Bills Payable	1,889,881	2,663,146
8. Proposed Cash Dividend	20,508,472	-
9. Income Tax Liabilities (net)	-	-
10. Other Liabilities	463,190,053	383,029,371
<b>Total Capital and Liabilities</b>	<b>34,983,500,486</b>	<b>29,807,673,526</b>

(IN NPR)

<b>ASSETS</b>	<b>THIS YEAR</b>	<b>PREVIOUS YEAR</b>
1. Cash Balance	503,819,133	357,713,200
2. Balance with Nepal Rastra Bank	4,340,593,500	2,871,600,020
3. Balance with Banks/Financial Institution	489,680,711	236,425,422
4. Money at Call and Short Notice	738,323,016	446,090,724
5. Investment	4,611,980,009	5,339,692,027
6. Loans, Advances and Bills Purchase	22,804,810,860	19,696,053,474
7. Fixed Assets	478,265,704	474,612,119
8. Non Banking Assets (net)	-	-
9. Other Assets	1,016,027,553	385,486,540
<b>Total Assets</b>	<b>34,983,500,486</b>	<b>29,807,673,526</b>

**Piyush Raj Aryal**  
Chief Financial Officer

**Sudesh Khaling**  
Chief Executive Officer

**Rajendra K. Khetan**  
Chairman

*As per our Report of even date*

DATE: **September 15, 2014**  
PLACE: Kathmandu

**Arun Adhikary**  
**Madhu Sudan Agrawal**  
**Ratan Lal Sanghai**  
**Sambhu Prasad Acharya**  
**Shova Shrestha**  
**Swati Roongta**  
**Vishwa Karan Jain**  
*Directors*

**Rabindra Rajbhandari**  
*Partner*  
*for RajMS & Co.*  
*Chartered Accountants*



# Consolidated Profit and Loss Account

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Interest Income	2,519,187,600	2,387,266,928
2. Interest Expenses	1,668,143,660	1,448,740,824
<b>Net Interest Income</b>	<b>851,043,940</b>	<b>938,526,105</b>
3. Commission and Discount	199,984,265	140,824,166
4. Other Operating Income	115,738,776	89,399,125
5. Exchange Income	120,184,980	117,338,453
<b>Total Operating Income</b>	<b>1,286,951,960</b>	<b>1,286,087,850</b>
6. Staff Expenses	262,034,700	217,395,368
7. Other Operating Expenses	277,823,023	246,533,146
8. Exchange Loss	-	-
<b>Operating Profit before provision for Possible Loss</b>	<b>747,094,237</b>	<b>822,159,336</b>
9. Provision for Possible Losses	74,438,870	186,050,606
<b>Operating Profit</b>	<b>672,655,367</b>	<b>636,108,730</b>
10. Non Operating Income/(Loss)	25,456,847	17,420,513
11. Loan Loss Provision Written Back	53,740,785	10,187,031
<b>Profit from Regular Operations</b>	<b>751,852,999</b>	<b>663,716,273</b>
12. Profit/(Loss) from Extra-Ordinary Activities	300,000	1,200,000
<b>Net Profit after including all Activities</b>	<b>752,152,999</b>	<b>664,916,273</b>
13. Provision for Staff Bonus	67,708,045	60,078,642
14. Provision for Income Tax	-	-
* Provision for Current Year's Tax	207,324,569	186,401,355
* Provision for Previous Years' Tax	-	-
* Deferred Tax Expense/ (Income)	(4,340,428)	(4,838,272)
15. Share of Non- Controlling interest in the Profit/ Loss of Subsidiary	-	-
<b>Net Profit/Loss</b>	<b>481,460,812</b>	<b>423,274,548</b>

**Piyush Raj Aryal**  
Chief Financial Officer

**Sudesh Khaling**  
Chief Executive Officer

**Rajendra K. Khetan**  
Chairman

*As per our Report of even date*

DATE: **September 15, 2014**  
PLACE: Kathmandu

**Arun Adhikary**  
**Madhu Sudan Agrawal**  
**Ratan Lal Sanghai**  
**Sambhu Prasad Acharya**  
**Shova Shrestha**  
**Swati Roongta**  
**Vishwa Karan Jain**  
Directors

**Rabindra Rajbhandari**  
Partner  
for **RajMS & Co.**  
Chartered Accountants

## Consolidated Profit and Loss Appropriation Account

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Accumulated Profit up to Previous Year	13,128,114	73,401,460
2. Current Year's Profit	481,460,813	422,498,361
3. Exchange Fluctuation Fund	-	-
4. Share Premium Fund transferred	-	13,071,581
5. Adjustments in Retained Earnings	40,610	-
<b>Total</b>	<b>494,629,537</b>	<b>508,971,402</b>
EXPENSES		
1. Accumulated Loss up to Previous Year	-	-
2. This Year's Loss	-	-
3. General Reserve	95,368,781	84,008,419
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserves	-	-
8. Proposed Dividend	20,771,629	-
9. Proposed Bonus Shares	389,660,960	254,112,165
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	4,259,468	4,509,930
12. Capital Redemption Reserve Fund	50,000,000	50,000,000
13. Capital Adjustment Fund	-	-
14. Investment Adjustment Reserve	(97,251,207)	98,405,199
14. Adjustments:	-	-
Deferred Tax Reserve	4,312,125	4,807,574.10
15. Share of Non-Controlling Interest in the Profit of Subsidiary (before induction)	740,685	-
<b>Total</b>	<b>467,862,442</b>	<b>495,843,288</b>
<b>16. Accumulated Profit/(Loss)</b>	<b>26,767,095</b>	<b>13,128,114</b>

**Piyush Raj Aryal**  
Chief Financial Officer

**Sudesh Khaling**  
Chief Executive Officer

**Rajendra K. Khetan**  
Chairman

*As per our Report of even date*

DATE: **September 15, 2014**  
PLACE: Kathmandu

**Arun Adhikary**  
**Madhu Sudan Agrawal**  
**Ratan Lal Sanghai**  
**Sambhu Prasad Acharya**  
**Shova Shrestha**  
**Swati Roongta**  
**Vishwa Karan Jain**  
Directors

**Rabindra Rajbhandari**  
Partner  
for RajMS & Co.  
Chartered Accountants

# Consolidated Statement of Changes in Equity

Fiscal Year 2070/71

PARTICULARS	(IN NPR)										TOTAL AMOUNT
	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	INVESTMENT ADJUSTMENT RESERVE	EXCHANGE FLUCTUATION FUND	DEBENTURE REDEMPTION FUND	DEFERRED TAX RESERVE	OTHER RESERVES & FUND			
Opening Balance at 1 Shrawan 2070	1,948,193,265	13,963,300	385,367,894	102,545,396	21,045,143	250,000,000	6,684,522	583,590	2,728,383,111		
Adjustments	-	-	-	-	-	-	-	-	-		
Prior period adjustment (LLP - laghubbitta excluded)	(776,186)	(59,000)	-	-	-	59,000	-	-	-		
Prior period adjustment in deferred tax reserves	-	40,610	-	-	-	-	(40,610)	-	-		
Adjustments in Retained Earnings	1,948,193,265	13,168,724	385,367,894	102,545,396	21,045,143	6,743,522	542,980	2,727,606,925			
Restated Balance	-	481,460,812	-	-	-	-	-	-	481,460,812		
Net profit for the period	-	(95,368,781)	95,368,781	-	-	-	-	-	-		
Transfer to General Reserve	-	-	-	-	-	-	-	-	-		
Capital Adjustment Fund	-	-	-	-	-	-	-	-	-		
Proposed Bonus Shares	389,660,960	(389,660,960)	-	-	-	-	-	-	-		
Proposed cash Dividend	-	(20,771,629)	-	-	-	-	-	-	(20,771,629)		
Exchange Fluctuation Fund	-	(4,259,468)	-	-	4,259,468	-	-	-	-		
Bonus provision carried forward-fractional shares	111,535	-	-	-	-	-	(111,535)	-	-		
Debenture Redemption Fund	-	(50,000,000)	-	-	-	50,000,000	-	-	-		
Share Premium	-	-	-	-	-	-	-	-	-		
Investment Adjustment Reserve	-	97,251,207	-	(97,251,207)	-	-	-	-	-		
Deferred Tax Reserve	-	(4,312,125)	-	-	-	4,312,125	-	-	-		
Fractional Bonus shares carried over	-	-	-	-	-	-	-	-	-		
Non controlling interest	-	(740,685)	-	-	-	-	-	-	(740,685)		
<b>Closing Balance at 32 Ashad 2071</b>	<b>2,337,965,760</b>	<b>26,767,094</b>	<b>480,736,675</b>	<b>5,294,189</b>	<b>25,304,611</b>	<b>300,000,000</b>	<b>11,055,647</b>	<b>431,445</b>	<b>3,187,555,423</b>		

# Consolidated Cash Flow Statement

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>(a) Cash Flow from Operating Activities</b>	<b>2,282,740,629</b>	<b>(1,031,311,290)</b>
1. Cash Received	2,949,483,175	2,804,310,902
1.1 Interest Income	2,523,560,407	2,434,379,015
1.2 Commission and Discount Income	188,253,059	151,884,201
1.3 Income from Foreign Exchange transaction	120,184,980	117,338,453
1.4 Recovery of Loan Written off	300,000	1,200,000
1.5 Other Income	117,184,729	99,509,233
2. Cash Payment	2,411,953,818	2,070,894,169
2.1 Interest Expenses	1,648,235,138	1,412,575,208
2.2 Staff Expenses	318,865,693	266,445,702
2.3 Office Operating Expenses	231,521,631	198,040,299
2.4 Income Tax Paid	215,246,355	194,974,960
2.5 Other Expenses	(1,915,000)	(1,142,000)
<b>Cash Flow before changes in Working Capital</b>	<b>537,529,357</b>	<b>733,416,733</b>
<b>(Increase)/Decrease in Current Assets</b>	<b>(3,107,129,754)</b>	<b>(4,970,492,992)</b>
1.(Increase)/Decrease in Money at Call and Short Notice	(260,312,357)	252,079,909
2. (Increase)/Decrease in Short Term Investment	1,064,453,507	(1,731,516,677)
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(3,216,445,318)	(3,478,941,641)
4. (Increase)/Decrease in Other Assets	(694,825,585)	(12,114,582)
<b>Increase/( Decrease) in Current Liabilities</b>	<b>4,852,341,025</b>	<b>3,205,764,969</b>
1. Increase/(Decrease) in Deposits	4,553,686,933	3,143,332,315
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	140,115,520	49,477,595
4. Increase/(Decrease) in Other Liabilities	158,538,572	12,955,059
<b>(b) Cash Flow from Investment Activities</b>	<b>(350,803,180)</b>	<b>(144,002,255)</b>
1. (Increase)/Decrease in Long-term Investment	(318,058,868)	48,140,769
2. (Increase)/Decrease in Fixed Assets	(51,752,357)	(206,916,012)
3. Interest income from Long term Investment	18,134,465	14,131,125
4. Dividend Income	873,580	641,864
5. Others	-	-
<b>(c) Cash Flow from Financing Activities</b>	<b>(63,582,748)</b>	<b>192,349,378</b>
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	400,000,000
2. Increase/(Decrease) in Share Capital & Share Premium *	(40,610)	-
3. Increase/(Decrease) in Other Liabilities	-	(169,408,110)
4. Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5. Interest expenses on Long term Borrowings (Bonds, Debentures etc)/ Dividend Paid	(63,542,138)	(38,242,512)
<b>(d) Income/Loss from change in exchange rate in Cash &amp; Bank Balance</b>	<b>-</b>	<b>-</b>
<b>(e) Current Year's Cash Flow from All Activities</b>	<b>1,868,354,700</b>	<b>(982,964,166)</b>
<b>(f) Opening Balance of Cash and Bank</b>	<b>3,465,738,642</b>	<b>4,448,702,808</b>
<b>(g) Closing Balance of Cash and Bank</b>	<b>5,334,093,342</b>	<b>3,465,738,642</b>

\*Cashflow impact due to issuance of shares to non controlling interest holders is disclosed in other liabilities

## CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### i) General Information

#### a. Reporting Entity

Laxmi Bank Limited (“the Bank”) is a limited liability company domiciled in Nepal. The address of its registered office is in Hattisar, Nepal. The Bank has a primary listing on the Nepal Stock Exchange Limited. The Bank is running a commercial banking business in Nepal.

#### b. Consolidated Financial Statements

The consolidated financial statements of the Bank as of 16 July 2014 comprises of the Bank and its subsidiaries. The financial year of subsidiaries is common to that of the parent company.

#### ii) Statement of Compliance

The consolidated financial statements of the group and separate financial statements of the Bank have been prepared in accordance with Nepal

Accounting Standards (“NAS”) issued by the Nepal Accounting Standard Board except otherwise stated, Generally Accepted Accounting Principles (“GAAP”), Bank & Financial Institutions Act (“BAFIA”), presentation and other requirements of NRB Directives and in conformity with the Companies Act, 2063.

#### iii) Basis of Consolidation

The group’s financial statements comprise of consolidation of financial statements of the Bank and its subsidiaries, Laxmi Laghubitta Bittiya Sanstha Ltd (“LLBS”) and Laxmi Capital Market Ltd (“LCM”).

A subsidiary is an entity that is controlled by another entity (known as the parent). Control exists when the bank has the power, directly or indirectly to govern the financial and operating policies of and enterprise from the date that control commences until the date that control ceases.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 10 “Consolidated Financial Statements”. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, liabilities, equity, income and expenses.

All intra group transaction and balances, income and expenses and any unrealized gains/ losses arising from such inter-company transactions and balances are eliminated in full while preparing the consolidated financial statements.

#### iv) Previous Year's Figures

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

## NOTES TO ACCOUNTS

### 1. Intra Group Transactions and Balances

Following intra group transactions and balances are eliminated while preparing the consolidated financial statements:

PARTICULARS	Amount in NPR '000'	
	LCM	LLBS
<b>Balance Sheet Items</b>		
Investment of Laxmi Bank in subsidiaries	1,000,000	700,000
Deposit with Laxmi Bank	116,576	19,057
Receivables from Laxmi Bank		411
Loan from Laxmi Bank	-	217,573
Receivables by Laxmi Bank	2,157	-
<b>Profit and Loss Account Items</b>		
Interest Income on Deposit with Laxmi Bank	2,009	74
Interest Expense on Loan with Laxmi Bank	-	6,834
Service Fees charged to Laxmi Bank	1,915	
Dividend income received by Laxmi Bank	5,000	

### 2. Restatement of Opening balance

Following amounts were adjusted in Consolidated Statement of Change in Equity and opening balance of Retained Earning and Deferred Tax Reserve has been restated.

PARTICULARS	Amount in NPR '000'		
	RETAINED EARNINGS	DEFERRED TAX	OTHERS
<b>RESERVES</b>			
<b>RESERVES</b>	<b>&amp; FUND</b>		
Opening balance (from last year's financials)	13,963	6,685	583
Prior period adjustment (LLP on Laghubitta loan to be excluded from retained earning last year)	(776)	-	-
Prior period adjustment in deferred tax reserves	(59)	59	
Adjustments in Retained Earnings (fractional shares of sold shareholding)	40		(40)
Restated Opening Balance	13,168	7,644	543

### 3. Tax Liability Reconciliation

Profit as per financial statement is reconciled with taxable profit to compute tax liability as follows for the Group and separately for the Bank:

Amount in NPR '000'

PARTICULARS	BANK	LCM	LLBS	GROUP
Profit before tax as per Profit & Loss Account	674,007	10,963	3,074	688,044
Add: Adjustments for		-		-
Depreciation as per Schedule 24 considered separately	34,886	847	1,275	37,008
Equipment & furniture charged to revenue considered in depreciation	2,920	3	436	3,358
Leasehold amortization considered in depreciation	10,052	-		10,052
Loss on disposal of depreciable assets	455			
Software amortization considered in depreciation	2,702	65	64	2,831
Repairs and Maintenance added to the Pool as per Income Tax Act	39	-	-	39
Premium on Government Bonds amortized in this fiscal year	6,553	-	-	6,553
Add: Share issue exp of FY 207071 ( As per income tax act section 21 Gha )			546	546
Less: Adjustments for				
Depreciation as per Income Tax Act	(42,533)	(867)	(1,995)	(45,396)
Profit on sale of fixed assets considered separately		-		-
Dividend income	(6,966)	(58)		(7,025)
Loss on disposal of investment	(3,559)			
Taxable Profit as per Income Tax Act 2058	678,556	10,952	3,400	692,908
Corporate Income Tax ( 30% for Bank and LLBS and 25% for LCM)	203,567	2,738	1,020	207,325

### 4. Deferred Tax Liability/(Asset)

Carrying amount of assets & liabilities where temporary differences arise as on 32 Ashad 2071 (16.07 2014) are as follows:

PARTICULARS	CARRYING AMOUNT	TAX BASE	NET TEMPORARY DIFFERENCE	DEFERRED TAX LIABILITY/ (ASSET) AS AT ASHAD END 2071 (@ 30% FOR BANK AND LLBS AND @ 25% FOR LCM)
Bank	216,086	253,286	(37,200)	(11,160)
Subsidiaries	10,128	9,774	354	105
Group	226,214	263,060	(36,846)	(11,055)
Deferred Tax Liability/ (Asset) till Ashad end 2070				(6,715)
Deferred Tax Expense/ (Income) for Current Year				(4,340)

*Deferred Tax Asset of the Group as of 32 Ashad 2071 (16 July 2014) is NPR 11,055,647. NPR 4,340,428 has been recognized as deferred tax income in Consolidated Profit and Loss Account in the current year.*

## 5. Non-controlling interest (NCI)

Laxmi Capital Market Ltd is a 100% subsidiary of Laxmi Bank Ltd. At the end of FY 2070/71, the Bank's effective control over its subsidiary Laxmi Laghubittiya Sanstha Ltd. is 70% with successful completion of its offering to the general public (30%).

### Impact in Consolidated Balance Sheet

LLBS	<i>Amount in NPR '000'</i>	
	TOTAL AMOUNT	SHARE OF NCI (30%)
Paid-up Capital	100,000	30,000
Reserves and Surplus	2,469	741
<b>Total</b>	<b>102,469</b>	<b>30,741</b>

### Impact in Consolidated Profits/Loss Appropriation

The entire profits earned by LLBS during the current financial year were earned before the date of induction of the general public. The share of the Non-controlling Interest in its reserves is disclosed in Consolidated Profit and Loss Appropriation Account.

LLBS	<i>Amount in NPR '000'</i>	
	TOTAL AMOUNT	SHARE OF NCI (30%)
Reserves and Surplus	2,469	741



# RajMS & Co., Chartered Accountants

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rajms@wlink.com.np

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LAXMI BANK LTD.

We have audited the accompanying financial statements of Laxmi Bank Ltd., which comprise the balance sheet as at July 16, 2014 (Ashad 32, 2071), the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Laxmi Bank Ltd. as at July 16, 2014 (Ashad 32, 2071), and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards so far as applicable, Company Act 2063, Bank and Financial Institution Act, 2063 and Directives of Nepal Rastra Bank.

### *Report on other Legal and Regulatory Requirements*

We have obtained information and explanations asked for, which, to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the balance sheet, the profit and loss account and cash flow statement, prepared in the format prescribed by Nepal Rastra Bank, are in agreement with the books of account of the Bank; and proper books of account as required by law have been kept by the Bank. In our opinion the returns from the branches are adequate for the purpose of the audit though the statements are independently not audited.

In our opinion, so far as appeared from our examination of the books, the Bank has maintained adequate capital funds and adequate provisions for possible impairment of assets in accordance with the directives of Nepal Rastra Bank.

To the best of our information and according to explanations provided to us and from our examination of the books of accounts of the Bank necessary for the purpose of our audit, we have not come across cases where Board of Directors or any employees of the Bank have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Bank and violated any directives of Nepal Rastra Bank or acted in a manner to jeopardize the interest and security of the Bank, its depositors and investors.

Date: 15 SEPT. 2014  
Place: Kathmandu, Nepal

Rabindra Rajbhandari  
Partner  
RajMS & Co.,  
Chartered Accountants



## Balance Sheet

Balance Sheet as at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

CAPITAL & LIABILITIES	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Share Capital	4.1	2,337,965,760	1,948,193,265
2. Reserves and Surplus	4.2	837,067,333	772,491,811
3. Debentures & Bonds	4.3	750,000,000	750,000,000
4. Borrowings	4.4	-	-
5. Deposit Liabilities	4.5	30,592,046,237	25,960,598,154
6. Bills Payable	4.6	1,889,881	2,663,146
7. Proposed Cash Dividend		20,508,472	-
8. Income Tax Liabilities (net)		-	-
9. Other Liabilities	4.7	379,683,498	381,990,587
<b>Total Capital and Liabilities</b>		<b>34,919,161,181</b>	<b>29,815,936,963</b>

(IN NPR)

ASSETS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Cash Balance	4.8	503,598,351	357,704,910
2. Balance with Nepal Rastra Bank	4.9	4,339,211,500	2,871,238,020
3. Balance with Banks/Financial Institution	4.10	488,386,316	236,198,630
4. Money at Call and Short Notice	4.11	721,875,000	443,329,112
5. Investment	4.12	4,700,417,784	5,417,569,587
6. Loans, Advances and Bills Purchase	4.13	22,723,846,799	19,693,819,578
7. Fixed Assets	4.14	435,358,624	437,739,766
8. Non Banking Assets (net)	4.15	-	-
9. Other Assets	4.16	1,006,466,807	358,337,360
<b>Total Assets</b>		<b>34,919,161,181</b>	<b>29,815,936,963</b>

Contingent Liabilities	Schedule 4.17
Directors' Declaration	Schedule 4.29
Statement of Capital Fund	Schedule 4.30 (A1)
Statement of Risk weighted Assets and CRM	Schedule 4.30 (B, C, D, E)
Principal Indicators	Schedule 4.31
Principal Accounting Policies	Schedule 4.32
Notes to Accounts	Schedule 4.33

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

**Piyush Raj Aryal**  
Chief Financial Officer

**Sudesh Khaling**  
Chief Executive Officer

**Rajendra K. Khetan**  
Chairman

As per our Report of even date

DATE: September 15, 2014  
PLACE: Kathmandu

**Arun Adhikary**  
**Madhu Sudan Agrawal**  
**Ratan Lal Sanghai**  
**Sambhu Prasad Acharya**  
**Shova Shrestha**  
**Swati Roongta**  
**Vishwa Karan Jain**  
Directors

**Rabindra Rajbhandari**  
Partner  
for RajMS & Co.  
Chartered Accountants

## Profit and Loss Account

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Interest Income	4.18	2,489,315,283	2,376,734,733
2. Interest Expenses	4.19	1,667,026,765	1,451,899,411
<b>Net Interest Income</b>		<b>822,288,518</b>	<b>924,835,322</b>
3. Commission and Discount	4.20	194,605,671	139,294,980
4. Other Operating Income	4.21	103,898,937	88,637,367
5. Exchange Income	4.22	120,184,980	117,338,453
<b>Total Operating Income</b>		<b>1,240,978,106</b>	<b>1,270,106,123</b>
6. Staff Expenses	4.23	239,996,869	207,372,944
7. Other Operating Expenses	4.24	265,703,864	240,502,808
8. Exchange Loss	4.22	-	-
<b>Operating Profit before provision for Possible Loss</b>		<b>735,277,374</b>	<b>822,230,371</b>
9. Provision for Possible Losses	4.25	73,654,773	186,037,811
<b>Operating Profit</b>		<b>661,622,601</b>	<b>636,192,559</b>
10. Non Operating Income/(Loss)	4.26	25,744,242	12,971,950
11. Writeback of Provision for Possible Losses	4.27	53,740,785	10,187,031
<b>Profit from Regular Operations</b>		<b>741,107,629</b>	<b>659,351,541</b>
12. Profit/(Loss) from Extra-Ordinary Activities	4.28	300,000	1,200,000
<b>Net Profit after including all Activities</b>		<b>741,407,629</b>	<b>660,551,541</b>
13. Provision for Staff Bonus		67,400,694	60,050,140
14. Provision for Income Tax		-	-
* Provision for Current Year's Tax		203,566,831	185,477,731
* Provision for Previous Years' Tax		-	-
* Deferred Tax Expense/ (Income)		(4,416,384)	(4,818,910)
<b>Net Profit/Loss</b>		<b>474,856,488</b>	<b>419,842,579</b>

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

Piyush Raj Aryal  
Chief Financial Officer

Sudesh Khaling  
Chief Executive Officer

Rajendra K. Khetan  
Chairman

As per our Report of even date

DATE: September 15, 2014  
PLACE: Kathmandu

Arun Adhikary  
Madhu Sudan Agrawal  
Ratan Lal Sanghai  
Sambhu Prasad Acharya  
Shova Shrestha  
Swati Roongta  
Vishwa Karan Jain  
Directors

Rabindra Rajbhandari  
Partner  
for RajMS & Co.  
Chartered Accountants

## Profit and Loss Appropriation Account

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>INCOME</b>		
1. Accumulated Profit up to Previous Year	6,302,573	69,203,133
2. Current Year's Profit	474,856,488	419,842,579
3. Exchange Fluctuation Fund	-	-
4. Share Premium Fund transferred	-	13,071,581
5. Adjustments in Retained Earnings	40,610	-
<b>Total</b>	<b>481,199,671</b>	<b>502,117,293</b>
<b>EXPENSES</b>		
1. Accumulated Loss up to Previous Year	-	-
2. This Year's Loss	-	-
3. General Reserve	94,971,298	83,968,516
4. Contingent Reserve	-	-
5. Institutional Development Fund	-	-
6. Dividend Equalization Fund	-	-
7. Staff Related Reserves	-	-
8. Proposed Dividend	20,508,472	-
9. Proposed Bonus Shares	389,660,960	254,112,165
10. Special Reserve Fund	-	-
11. Exchange Fluctuation Fund	4,259,468	4,509,930
12. Capital Redemption Reserve Fund	50,000,000	50,000,000
13. Capital Adjustment Fund	-	-
14. Investment Adjustment Reserve	(97,251,207)	98,405,199
15. Adjustments:	-	-
Deferred Tax Liability	-	-
Deferred Tax Reserve	4,416,384	4,818,910
<b>Total</b>	<b>466,565,374</b>	<b>495,814,720</b>
<b>16. Accumulated Profit/(Loss)</b>	<b>14,634,297</b>	<b>6,302,573</b>

Piyush Raj Aryal  
Chief Financial Officer

Sudesh Khaling  
Chief Executive Officer

Rajendra K. Khetan  
Chairman

As per our Report of even date

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Directors

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Chartered Accountants

# Statement of Changes in Equity

Fiscal Year 2070/71

PARTICULARS	(IN NPR)										TOTAL AMOUNT
	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	INVESTMENT ADJUSTMENT RESERVE	EXCHANGE FLUCTUATION FUND	DEBENTURE REDEMPTION FUND	DEFERRED TAX RESERVE	OTHER RESERVES & FUND			
Closing Balance at 31 Ashad 2070	1,948,193,265	6,302,573	385,271,587	102,545,396	21,045,143	250,000,000	6,743,522	583,590			2,720,685,077
Adjustments											
Adjustments in Retained Earnings		40,610						(40,610)			-
Restated Balance	1,948,193,265	6,343,183	385,271,587	102,545,396	21,045,143	250,000,000	6,743,522	542,980			2,720,685,077
Net profit for the period	-	474,856,488	-	-	-	-	-	-			474,856,488
Transfer to General Reserve	-	(94,971,298)	94,971,298	-	-	-	-	-			-
Capital Adjustment Fund	-	-	-	-	-	-	-	-			-
Proposed Bonus Shares	389,660,960	(389,660,960)	-	-	-	-	-	-			-
Proposed Cash Dividend	-	(20,508,472)	-	-	-	-	-	-			(20,508,472)
Exchange Fluctuation Fund	-	(4,259,468)	-	-	4,259,468	-	-	-			-
Fractional shares adjustments	111,535	-	-	-	-	-	-	(111,535)			-
Debtenture Redemption Fund	-	(50,000,000)	-	-	-	50,000,000	-	-			-
Share Premium	-	-	-	-	-	-	-	-			-
Investment Adjustment Reserve	-	97,251,207	-	(97,251,207)	-	-	-	-			-
Deferred Tax Reserve	-	(4,416,384)	-	-	-	-	4,416,384	-			-
<b>Closing Balance at 31 Ashad 2071</b>	<b>2,337,965,760</b>	<b>14,634,297</b>	<b>480,242,885</b>	<b>5,294,189</b>	<b>25,304,611</b>	<b>300,000,000</b>	<b>11,159,906</b>	<b>431,445</b>			<b>3,175,033,094</b>

# Cash Flow Statement

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>(a) Cash Flow from Operating Activities</b>	<b>2,284,546,705</b>	<b>(1,070,411,672)</b>
<b>1. Cash Received</b>	<b>2,905,346,036</b>	<b>2,787,834,873</b>
1.1 Interest Income	2,497,536,938	2,430,102,221
1.2 Commission and Discount Income	182,874,465	150,355,015
1.3 Income from Foreign Exchange transaction	120,184,980	117,338,453
1.4 Recovery of Loan Written off	300,000	1,200,000
1.5 Other Income	104,449,653	88,839,184
<b>2. Cash Payment</b>	<b>2,378,294,577</b>	<b>2,059,618,188</b>
2.1 Interest Expenses	1,647,610,774	1,415,911,572
2.2 Staff Expenses	300,047,009	258,254,673
2.3 Office Operating Expenses	216,519,655	190,587,559
2.4 Income Tax Paid	214,117,140	194,864,384
2.5 Other Expenses	-	-
<b>Cash Flow before changes in Working Capital</b>	<b>527,051,460</b>	<b>728,216,685</b>
<b>(Increase) / Decrease in Current Assets</b>	<b>(2,916,141,987)</b>	<b>(4,911,835,435)</b>
1. (Increase)/Decrease in Money at Call and Short Notice	(278,545,888)	216,158,760
2. (Increase)/Decrease in Short Term Investment	1,064,453,507	(1,691,516,677)
3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(2,996,200,423)	(3,403,227,188)
4. (Increase)/Decrease in Other Assets	(705,849,183)	(33,250,330)
<b>Increase / (Decrease) in Current Liabilities</b>	<b>4,673,637,232</b>	<b>3,113,207,078</b>
1. Increase/(Decrease) in Deposits	4,631,448,083	3,128,755,514
2. Increase/(Decrease) in Certificates of Deposits	-	-
3. Increase/(Decrease) in Short Term Borrowings	-	(27,980,000)
4. Increase/(Decrease) in Other Liabilities	42,189,149	12,431,563
<b>(b) Cash Flow from Investment Activities</b>	<b>(355,172,510)</b>	<b>(105,470,411)</b>
1. (Increase)/Decrease in Long-term Investment	(328,619,084)	54,323,209
2. (Increase)/Decrease in Fixed Assets	(43,012,362)	(174,566,609)
3. Interest income from Long term Investment	10,585,356	14,131,125
4. Dividend Income	5,873,580	641,864
5. Others	-	-
<b>(c) Cash Flow from Financing Activities</b>	<b>(63,319,590)</b>	<b>192,349,378</b>
1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-	400,000,000
2. Increase/(Decrease) in Share Capital & Share Premium/ Reserves	(40,610)	-
3. Increase/(Decrease) in Other Liabilities	-	(169,408,110)
4. Increase/(Decrease) in Refinance/facilities received from NRB	-	-
5. Interest expenses on Long term Borrowings (Bonds, Debentures etc)	(63,278,980)	(38,242,512)
<b>(d) Income/Loss from change in exchange rate in Cash &amp; Bank Balance</b>	<b>-</b>	<b>-</b>
<b>(e) Current Year's Cash Flow from All Activities</b>	<b>1,866,054,604</b>	<b>(983,532,705)</b>
<b>(f) Opening Balance of Cash and Bank</b>	<b>3,465,141,560</b>	<b>4,448,674,265</b>
<b>(g) Closing Balance of Cash and Bank</b>	<b>5,331,196,164</b>	<b>3,465,141,560</b>

## Share Capital & Ownership

SCHEDULE 4.1

LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF SHARE CAPITAL

(IN NPR)

NAME	THIS YEAR	
	AMOUNT (IN NPR)	%
1 HIMALAYAN EXIM PVT. LTD.	240,617,600	12.35
2 SARIKA KHETAN	200,230,000	10.28
3 CITIZEN INVESTMENT TRUST	175,727,400	9.02
4 RATAN LAL SHANGAI	174,161,800	8.94
5 MTC INVESTMENT PVT. LTD.	156,557,200	8.04
6 GOPI KRISHNA SIKARIA	119,814,100	6.15
7 P.A. INVESTMENT PVT.LTD.	114,519,100	5.88
8 PRIME HOLDING PVT.LTD.	48,837,800	2.51
9 AMIT GUPTA AGRAWAL	41,437,200	2.13
10 RASTRIYA BEEMA SANSATHAN (JIWAN BEEMA)	27,591,400	1.42
11 ANJALI SARWAGI	27,580,200	1.42
12 MADHUSUDAN AGRAWAL	31,844,400	1.63
13 MUTUAL TRADING CO. PVT. LTD.	19,170,200	0.98
14 RAJENDRA KUMAR KHETAN	19,202,100	0.99
15 SABITA DEVI RUNGTA	15,975,200	0.82
16 SUNIL KUMAR BANSAL	13,668,700	0.70
17 DEEPAK KUMAR MALHOTRA	13,380,200	0.69
18 PRIYANKA AGRAWAL	11,722,700	0.60
19 RABI KUMAR GUPTA	11,219,500	0.58
20 PASHUPATI KATHA MILLS	9,788,700	0.50

## Reserves Funds

SCHEDULE 4.2

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS		THIS YEAR	PREVIOUS YEAR
<b>1. General Reserve Fund</b>		<b>480,242,885</b>	<b>385,271,587</b>
<b>2. Capital Reserve Fund</b>		-	-
a. Share Premium	-		
<b>3. Capital Redemption Reserve</b>		<b>300,000,000</b>	<b>250,000,000</b>
a. Laxmi Bank Debenture 2072	300,000,000		
<b>4. Capital Adjustment Fund</b>		-	-
<b>5. Other Reserves &amp; Funds</b>		<b>16,885,540</b>	<b>109,872,508</b>
a. Contingent Reserve	-		
b. Institutional Development Fund	-		
c. Dividend Equalization Fund	-		
d. Special Reserve Fund	-		
e. Assets Revaluation Reserve	-		
f. Deferred Tax Reserve	11,159,906		6,743,522
g. Other Free Reserves	-		
h. Investent Adjustment Reserve	5,294,189		102,545,396
i. Others (Fractional Bonus Share carried forward)	431,445		583,590
<b>6. Accumulated Profit/Loss</b>		<b>14,634,297</b>	<b>6,302,573</b>
<b>7. Exchange Fluctuation Fund</b>		<b>25,304,611</b>	<b>21,045,143</b>
<b>Total</b>		<b>837,067,333</b>	<b>772,491,811</b>

## Debentures & Bonds

SCHEDULE 4.3

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. 8.5% Debentures 2072 of NPR 1000 each Issued on 25th November 2008 and maturity on 24 November 2015 A.D. (Outstanding balance of Redemption Reserve NPR 250,000,000)	350,000,000	350,000,000
2. 8% Debentures 2076 of NPR 1000 each Issued on 5th February 2013 and maturity on 4 February 2020 A.D.	400,000,000	400,000,000
3. ....% Bond/Debentures of NPR.....each Issued on ..... and matured on .....	-	-
(Outstanding balance of Redemption Reserve NPR...)	-	-
<b>Total (1+2+3)</b>	<b>750,000,000</b>	<b>350,000,000</b>



# Borrowings

## SCHEDULE 4.4

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>A. Local</b>	-	-
1. Government of Nepal	-	-
2. Nepal Rastra Bank	-	-
3. Repo Obligations	-	-
4. Inter Bank and Financial Institutions	-	-
5. Other Organized Institutions	-	-
6. Others	-	-
<b>Total</b>	-	-
<b>B. Foreign</b>	-	-
1. Banks	-	-
2. Others	-	-
<b>Total</b>	-	-
<b>Total (A+B)</b>	-	-

# Deposit Liability

SCHEDULE 4.5

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>1. Non-Interest bearing accounts</b>		
<b>A. Current Deposits</b>	<b>1,128,001,235</b>	<b>994,080,259</b>
<b>1. Local Currency</b>	<b>991,977,764</b>	<b>898,551,954</b>
1.1 Government of Nepal	36,334,010	57,178,675
1.2 "Ka" Class Licensed Institutions	7,343,843	6,130,372
1.3 Other Licensed Institutions	76,145,117	26,355,163
1.4 Other Organized Institutions	785,483,759	703,286,179
1.5 Individuals	86,671,036	105,601,565
1.6 Others		
<b>2. Foreign Currency</b>	<b>136,023,470</b>	<b>95,528,306</b>
2.1 Government of Nepal	6,812,620	
2.2 "Ka" Class Licensed Institutions		
2.3 Other Licensed Financial Institutions		
2.4 Other Organized Institutions	129,106,868	95,396,162
2.5 Individuals	103,982	132,144
2.6 Others		
<b>B. Margin Deposits</b>	<b>375,637,016</b>	<b>272,340,962</b>
1. Employees Guarantee	-	-
2. Guarantee Margin	139,030,977	109,592,202
3. Margin on Letter of Credit	236,606,039	162,748,760
<b>C. Others</b>	<b>253,800,476</b>	<b>197,077,281</b>
<b>1. Local Currency</b>	<b>253,800,476</b>	<b>197,077,281</b>
1.1 Financial Institutions	-	-
1.2 Other Organized Institutions	253,800,476	197,077,281
1.3 Individual	-	-
<b>2. Foreign Currency</b>	-	-
2.1 Financial Institutions	-	-
2.2 Other Organized Institutions	-	-
2.3 Individual	-	-
<b>Total of Non-Interest Bearing Accounts</b>	<b>1,757,438,726</b>	<b>1,463,498,502</b>

Continued...

# Deposit Liability

SCHEDULE 4.5

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>2. Interest Bearing Accounts</b>		
<b>A. Saving Deposits</b>	<b>6,314,932,889</b>	<b>5,002,859,392</b>
<b>1. Local Currency</b>	<b>6,144,180,753</b>	<b>4,891,143,590</b>
1.1 Organizations/ Institutions	808,041,901	12,625,167
1.2 Individual	5,336,138,852	4,878,518,423
1.3 Others		
<b>2. Foreign Currency</b>	<b>170,752,136</b>	<b>111,715,802</b>
2.1 Organizations/ Institutions	3,154,176	107,341
2.2 Individual	167,597,960	111,608,461
2.3 Others		
<b>B. Fixed Deposits</b>	<b>14,709,354,607</b>	<b>13,579,985,639</b>
<b>1. Local Currency</b>	<b>12,862,584,297</b>	<b>11,881,407,471</b>
1.1 Organizations/ Institutions	11,510,102,658	8,217,078,334
1.2 Individual	1,352,481,639	3,664,329,138
1.3 Others		
<b>2. Foreign Currency</b>	<b>1,846,770,310</b>	<b>1,698,578,168</b>
2.1 Organizations/ Institutions	1,844,845,310	1,696,657,168
2.2 Individual	1,925,000	1,921,000
2.3 Others	-	-
<b>C. Call Deposits</b>	<b>7,810,320,015</b>	<b>5,914,254,620</b>
<b>1. Local Currency</b>	<b>6,676,808,746</b>	<b>5,378,665,503</b>
1.1 "Ka" Class Licensed Institutions	504,445	
1.2 Other Licensed Financial Institutions	1,580,774,741	248,207,900
1.3 Other Organized Institutions	3,824,142,364	3,363,388,953
1.4 Individual	1,271,387,196	1,767,068,651
1.5 Others		
<b>2. Foreign Currency</b>	<b>1,133,511,269</b>	<b>535,589,117</b>
2.1 "Ka" Class Licensed Institutions	-	-
2.2 Other Licensed Institutions		
2.3 Other Organized Institutions	957,061,943	489,252,896
2.4 Individual	176,449,326	46,336,221
2.5 Others		
<b>D. Certificate of Deposit</b>	-	-
1. Organized Institution	-	-
2. Individual	-	-
3. Others	-	-
<b>Total of Interest Bearing Accounts</b>	<b>28,834,607,511</b>	<b>24,497,099,651</b>
<b>Total Deposit (1+2)</b>	<b>30,592,046,237</b>	<b>25,960,598,154</b>

## Bills Payable

SCHEDULE 4.6

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Local Currency	1,889,881	2,663,146
2. Foreign Currency	-	-
<b>Total</b>	<b>1,889,881</b>	<b>2,663,146</b>

## Other Liabilities

SCHEDULE 4.7

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Pension/Gratuity Fund	-	-
2. Employees Provident Fund	-	-
3. Employees Welfare Fund	-	-
4. Provision for Staff Bonus	67,400,694	60,050,140
5. Interest Payable on Deposits	142,017,880	184,521,066
6. Interest Payable on Borrowings	-	-
7. Interest Payable on Debentures	7,851,107	9,210,910
8. Unearned Discount and Commission	31,206,905	39,923,362
9. Sundry Creditors	117,116,470	56,526,155
10. Branch Account	-	-
11. Deferred Tax Liability	-	-
12. Unpaid Dividend	11,746,354	17,277,257
13. Others	2,344,088	14,481,696
(a) Audit Fee Payable	652,575	621,500
(b) Remittance Payable	637,840	972,123
(c) Others	1,053,673	12,888,073
<b>Total</b>	<b>379,683,498</b>	<b>381,990,587</b>

## Cash Balance

SCHEDULE 4.8

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Local Currency (Including Coins)	496,132,920	347,325,471
2. Foreign Currency	7,465,430	10,379,439
<b>Total</b>	<b>503,598,351</b>	<b>357,704,910</b>

## Balance With Nepal Rastra Bank

SCHEDULE 4.9

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY (IN EQUIVALENT NPR)			THIS YEAR	PREVIOUS YEAR
		INR	CONVERTIBLE	TOTAL		
1. Nepal Rastra Bank	4,261,326,800	-	77,884,700	77,884,700	4,339,211,500	2,871,238,020
a. Current Account	4,261,326,800	-	77,884,700	77,884,700	4,339,211,500	2,871,238,020
b. Other Account	-	-	-	-	-	-

## Balance With Banks/Financial Institutions

SCHEDULE 4.10

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY (IN EQUIVALENT NPR)			THIS YEAR	PREVIOUS YEAR
		INR	CONVERTIBLE FCY	TOTAL		
<b>1. Local Licensed Institutions</b>	<b>69,136,076</b>	<b>-</b>	<b>9,726,668</b>	<b>9,726,668</b>	<b>78,862,744</b>	<b>63,095,346</b>
a. Current Account	69,136,076	-	9,726,668	9,726,668	78,862,744	63,095,346
b. Other Account	-	-	-	-	-	-
<b>2. Foreign Banks</b>	<b>-</b>	<b>36,358,556</b>	<b>373,165,016</b>	<b>409,523,572</b>	<b>409,523,572</b>	<b>173,103,285</b>
a. Current Account	-	36,358,556	373,165,016	409,523,572	409,523,572	173,103,285
b. Other Account	-	-	-	-	-	-
<b>Total</b>	<b>69,136,076</b>	<b>36,358,556</b>	<b>382,891,684</b>	<b>419,250,240</b>	<b>488,386,316</b>	<b>236,198,630</b>

*Note: Total balance for which the confirmations are received from respective licensed institutions NPR 4,854,244,893.27 and the difference amount has been identified and are reconciled.*

## Money at Call and Short Notice

SCHEDULE 4.11

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Local Currency	-	100,000,000
2. Foreign Currency	721,875,000	343,329,112
<b>TOTAL</b>	<b>721,875,000</b>	<b>443,329,112</b>

## Investments

SCHEDULE 4.12

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	PURPOSE		THIS YEAR	PREVIOUS YEAR
	TRADING	OTHER		
1. Government of Nepal Treasury Bills		2,798,041,520	2,798,041,520	4,015,855,758
2. Government of Nepal Saving Bonds		750,000	750,000	-
3. Government of Nepal Other Securities		491,350,000	491,350,000	204,550,000
4. Nepal Rastra Bank Bonds		-	-	-
5. Foreign Securities		-	-	-
6. Local Licensed Institutions		-	-	-
7. Foreign Bank	-	1,116,981,250	1,116,981,250	964,370,519
8. Shares of Organized Institutions		293,295,014	293,295,014	232,793,309
9. Bonds and Debentures of Organized Institutions		-	-	-
10. Other Investments		-	-	-
<b>Total Investment</b>	-	<b>4,700,417,784</b>	<b>4,700,417,784</b>	<b>5,417,569,587</b>
<b>Provision</b>	-	-	-	-
<b>Net Investment</b>	-	<b>4,700,417,784</b>	<b>4,700,417,784</b>	<b>5,417,569,587</b>

## Investment in Shares, Debentures & Bonds

SCHEDULE 4.12 (A)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	COST PRICE	MARKET PRICE	PROVISION	THIS YEAR	PREVIOUS YEAR
<b>1. Investment in Shares</b>	<b>293,295,014</b>	<b>494,520,164</b>	<b>-</b>	<b>293,295,014</b>	<b>232,793,309</b>
1.1 Everest Insurance Company Limited 11,711 Ordinary Shares of NPR 100 each paid (including 8,241 Bonus Shares)	2,082,000	13,397,384	-	2,082,000	2,082,000
1.2 Soaltee Hotel Limited 20,858 Ordinary Shares of NPR 10 each paid (including 14,527 Bonus Shares)	740,809	12,118,498	-	740,809	740,809
1.3 Himalayan Distillery Limited 4,470 Ordinary Shares of NPR 100 each paid	447,000	764,370	-	447,000	447,000
1.4 Credit Information Center (CIC) Ltd. 51,840 Ordinary Shares of NPR 100 each paid (including 33,605 Bonus Shares)	1,823,500	N/L	-	1,823,500	1,823,500
1.5 Prime Life Insurance Company Limited 732,240 Ordinary Shares of NPR 100 each paid (including 192,240 Bonus Shares)	54,000,000	403,464,240	-	54,000,000	54,000,000
1.6 Nepal Clearing House Limited 25,000 Ordinary Shares of NPR 100 each paid	2,500,000	N/L	-	2,500,000	2,500,000
1.7 National Banking Training Institute Pvt Ltd 12,000 Ordinary Shares of NPR 100 each paid	1,200,000	N/L	-	1,200,000	1,200,000
1.8 Laxmi Laghubitta Bittiya Sanstha Ltd (700,000 Promoter Shares of NPR 100 each paid)	70,000,000	N/L	-	70,000,000	70,000,000
1.9 Laxmi Capital Market Ltd (1,000,000 Promoter Shares of NPR 100 each paid)	100,000,000	N/L	-	100,000,000	100,000,000
1.10 Nepal Doorsanchar Co Ltd (32,360 Ordinary Shares of NPR 100 each paid)	20,887,903	21,228,160	-	20,887,903	-
1.11 Butwal Power Co Ltd (13,396 Ordinary Shares of NPR 100 each paid)	10,860,731	11,507,164	-	10,860,731	-
1.12 Sana Kishan Bikash Bank Limited (4,013 Ordinary Shares of NPR 100 each paid)	4,940,999	5,473,732	-	4,940,999	-
1.13 Siddhartha Investment Growth Scheme (956,000 units of NPR 10 each paid)	14,105,545	15,621,040	-	14,105,545	-
1.14 NABIL Balance Fund I (688,401 units of NPR 10 each paid)	9,706,527	10,945,576	-	9,706,527	-
<b>2. Investment in Debentures and Bonds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 .....	-	-	-	-	-
<b>Total Investment</b>	<b>293,295,014</b>	<b>494,520,164</b>	<b>-</b>	<b>293,295,014</b>	<b>232,793,309</b>
<b>3. Provision for Loss</b>					
3.1 Up to previous year	-	-	-	-	-
3.2 Increase/(Decrease) this year	-	-	-	-	-
<b>Total Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Investment</b>	<b>293,295,014</b>	<b>494,520,164</b>	<b>-</b>	<b>293,295,014</b>	<b>232,793,309</b>

Note: Nepal Bank Ltd, Himalayan Distillery Limited, Nepal Clearing House Ltd, National Banking Training Institute Pvt Ltd, Laxmi Laghubitta Bittiya Sanstha Ltd and Laxmi Capital Market Ltd have not declared and distributed dividend in the last three years

## Investments (Held for Trading)

SCHEDULE 4.12.1

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	COST PRICE	PREVIOUS MARKET	CURRENT MARKET	CURRENT YEAR	PREVIOUS YEAR	REMARKS
	(RS)	VALUE(RS) (A)	VALUE (RS) (B)	PROFIT/(LOSS) (B-A)	PROFIT/(LOSS) (RS.)	
1. Government of Nepal-Treasury bills	-	-	-	-	-	
2. Government of Nepal-Savings Bonds	-	-	-	-	-	
3. Government of Nepal-Development Bonds	-	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds & Debenture of Organized Institutions	-	-	-	-	-	
9. Placement	-	-	-	-	-	
10. Interbank Lending	-	-	-	-	-	
11. Other Investment	-	-	-	-	-	
<b>Total Investment</b>	-	-	-	-	-	

## Investments (Held to Maturity)

SCHEDULE 4.12.2

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	COST PRICE	ACCUMULATED	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	REMARKS
	(A)	LOSS (B)	LOSS (C)	PROFIT/(LOSS)	PROFIT/(LOSS) (RS.)	
1. Government of Nepal-Treasury bills	2,798,041,520	-	-	-	-	
2. Government of Nepal-Savings Bonds	-	-	-	-	-	
3. Government of Nepal-Development Bonds	491,350,000	-	-	-	-	
4. Nepal Rastra Bank Bonds	-	-	-	-	-	
5. Foreign Securities	-	-	-	-	-	
6. Shares of Local Licensed Institutions	-	-	-	-	-	
7. Bonds & Debentures of Local Licensed Institutions	-	-	-	-	-	
8. Shares, Bonds & Debenture of Organized Institutions	23,812,072	-	-	-	-	
9. Placement	1,116,981,250	-	-	-	-	
10. Other Investment	-	-	-	-	-	
<b>Total Investment</b>	<b>4,430,184,842</b>	-	-	-	-	



## Investments (Available for Sale)

SCHEDULE 4.12.3

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	COST PRICE (RS)	PREVIOUS MARKET VALUE (RS) (A)	CURRENT MARKET VALUE (RS) (B)	CURRENT YEAR ADJUSTMENT FUND (B-A)	PREVIOUS YEAR PROFIT/(LOSS) (RS.)	REMARKS
1. Government of Nepal - Treasury bills						
2. Government of Nepal - Savings Bonds	750,000	NA	NA	NA	NA	
3. Government of Nepal - Development Bonds						
4. Nepal Rastra Bank Bonds						
5. Foreign Securities						
6. Shares of Local Licensed Institutions	74,940,999		75,473,732		-	
7. Bonds & Debentures of Local Licensed Institutions						
8. Shares, Bonds & Debenture of Organized Institutions	194,541,943				-	
9. Placement						
10. Other Investment						
<b>Total Investment</b>	<b>270,232,942</b>				-	

# Classification of Loans, Advances & Bills Purchased & Provisioning

SCHEDULE 4.13

As at Ashad 32, 2071 (July 16, 2014)

PARTICULARS	LOANS & ADVANCES						BILLS PURCHASED/DISCOUNTED		THIS YEAR	PREVIOUS YEAR
	DOMESTIC			FOREIGN			DOMESTIC	FOREIGN		
	DEPRIVED SECTOR			OTHER			TOTAL	TOTAL		
	INSURED	UNINSURED								
1. Performing Loan	-	921,098,535	20,537,108,062	142,187,401	21,600,393,998	31,760,099	1,199,335,500	1,231,095,599	22,831,489,597	19,795,844,089
1.1 Pass	-	921,098,535	20,537,108,062	142,187,401	21,600,393,998	31,760,099	1,199,335,500	1,231,095,599	22,831,489,597	19,795,844,089
2. Non-Performing Loan	-	10,862,435	254,138,732	-	265,001,167	-	-	-	265,001,167	304,446,252
2.1 Restructured / Rescheduled	-	-	104,713,028	-	104,713,028	-	-	-	104,713,028	117,748,023
2.2 Sub-Standard	-	-	32,232,066	-	32,232,066	-	-	-	32,232,066	25,462,888
2.3 Doubtful	-	-	61,130,553	-	61,130,553	-	-	-	61,130,553	57,226,718
2.4 Loss	-	10,862,435	56,063,086	-	66,925,520	-	-	-	66,925,520	104,008,623
A. Total Loan	-	931,960,970	20,791,246,794	142,187,401	21,863,395,165	31,760,099	1,199,335,500	1,231,095,599	23,096,490,765	20,100,290,341
3. Loan Loss Provision										
3.1 Pass		9,235,686	206,439,337	1,421,874	217,096,897	317,601	11,993,355	12,310,956	229,407,853	201,695,325
3.2 Restructured/ Rescheduled		-	37,687,299	-	37,687,299	-	-	-	37,687,299	65,770,798
3.3 Sub-Standard		-	8,058,017	-	8,058,017	-	-	-	8,058,017	6,365,722
3.4 Doubtful		-	30,565,276	-	30,565,276	-	-	-	30,565,276	28,630,294
3.5 Loss		10,862,435	56,063,086	-	66,925,520	-	-	-	66,925,520	104,008,623
B. Total Provisioning		20,098,121	338,813,014	1,421,874	360,333,009	317,601	11,993,355	12,310,956	372,643,965	406,470,763
4. Provisioning up to Previous Year										
4.1 Pass		-	6,677,072	1,514,014	192,077,270	256,266	9,361,790	9,618,056	201,695,325	176,766,948
4.2 Restructured/ Rescheduled		-	65,770,798	-	65,770,798	-	-	-	65,770,798	16,473,091
4.3 Sub-Standard		-	6,359,800	-	6,365,722	-	-	-	6,365,722	2,094,836
4.4 Doubtful		-	28,613,434	-	28,630,294	-	-	-	28,630,294	4,373,287
4.5 Loss		-	10,877,262	93,131,362	104,008,623	-	-	-	104,008,623	20,724,789
C. Total Provisions up to Previous Year		-	17,577,116	377,761,578	396,852,708	256,266	9,361,790	9,618,056	406,470,763	220,432,952
D. Written Back this year		-	53,740,785	-	53,740,785	-	-	-	53,740,785	-
E. Addition this year		-	2,521,005	14,792,222	17,221,087	61,335	2,631,565	2,692,900	19,913,987	186,037,811
Changes this year		-	2,521,005	(38,948,563)	(92,140)	(92,140)	2,631,565	2,692,900	(33,826,798)	186,037,811
<b>Net Loan (A-B)</b>		-	<b>911,862,849</b>	<b>20,452,433,780</b>	<b>140,765,527</b>	<b>21,505,062,156</b>	<b>31,442,498</b>	<b>1,187,342,145</b>	<b>22,723,846,799</b>	<b>19,693,819,578</b>

(IN NPR)

## Loans, Advances & Bills Purchased Security Wise

SCHEDULE 4.13 (A)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>A. Secured</b>	<b>23,096,490,765</b>	<b>20,100,290,341</b>
1. Movable/Immovable Assets	22,888,316,087	19,870,264,766
2. Guarantee of Local Licensed Institutions		-
3. Government Guarantee	134,633,490	134,633,490
4. Internationally Rated Bank Guarantee		-
5. Export Documents		-
6. Fixed Deposit Receipts	73,398,287	79,974,647
a. Own Fixed Deposit Receipts	73,398,287	79,974,647
b. Fixed Deposit Receipts of Other Licensed Institutions		-
7. Government Bonds		-
8. Counter Guarantee		-
9. Personal Guarantee	142,900	15,417,438
10. Other Securities	-	-
<b>B. Unsecured</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23,096,490,765</b>	<b>20,100,290,341</b>

# Fixed Assets

As at Ashad 32, 2071 (July 16, 2014)

## SCHEDULE 4.14

(IN NPR)

PARTICULARS	ASSETS						THIS YEAR	PREVIOUS YEAR
	BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS			
<b>1. Cost Price</b>								
a. Previous Year balance	119,977,692	41,185,114	-	189,624,341	-	-	350,787,148	299,193,950
b. Addition during the year	3,266,723	5,722,000	-	25,401,716	-	-	34,390,439	74,177,346
c. Revaluation/Written Back this year	-	-	-	(4,813,775)	-	-	(4,813,775)	(22,584,149)
d. Sold during the year	-	-	-	-	-	-	-	-
e. Written off during the year	-	-	-	-	-	-	-	-
<b>Total Cost (a + b + c + d + e)</b>	<b>123,244,415</b>	<b>46,907,114</b>	<b>-</b>	<b>210,212,282</b>	<b>-</b>	<b>-</b>	<b>380,363,812</b>	<b>350,787,148</b>
<b>2. Depreciation</b>								
a. Up to previous year	11,814,886	22,792,865	-	129,663,354	-	-	164,271,105	147,638,430
b. For this year	3,036,419	6,135,676	-	25,714,203	-	-	34,886,299	33,926,544
c. Depreciation on revaluation/Written Back	-	-	-	(4,801,759)	-	-	4,801,759	(17,293,870)
d. Adjustment/Write back of Depreciation amount	-	-	-	-	-	-	-	-
<b>Total Depreciation</b>	<b>14,851,305</b>	<b>28,928,541</b>	<b>-</b>	<b>150,575,798</b>	<b>-</b>	<b>-</b>	<b>194,355,644</b>	<b>164,271,105</b>
<b>3. Book Value (WDV*) (1-2)</b>	<b>108,393,110</b>	<b>17,978,573</b>	<b>-</b>	<b>59,636,484</b>	<b>-</b>	<b>-</b>	<b>186,008,167</b>	<b>186,516,043</b>
4. Land	-	-	-	-	168,888,334	-	168,888,334	-
5. Capital Construction (pending Capitalization)	-	-	-	-	-	-	58,613,753	59,887,322
6. Leasehold Assets	-	-	-	-	-	-	21,848,369	22,448,066
<b>Total (3 + 4 + 5 + 6)</b>	<b>108,393,110</b>	<b>17,978,573</b>	<b>-</b>	<b>59,636,484</b>	<b>-</b>	<b>-</b>	<b>435,358,624</b>	<b>437,739,766</b>

\*Written down value

## Non Banking Assets

SCHEDULE 4.15

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON BANKING ASSETS	TOTAL NON		LOSS PROVISION		NET NON	
		BANKING ASSETS	%	BANKING ASSETS	PREVIOUS YEAR	BANKING ASSETS	PREVIOUS YEAR
Ram Krishna Manandhar, Hetauda	2063/01/27	25,500	100%	25,500	-	-	-
Star International, Kathmandu	2070/08/28	21,684,268	100%	21,684,268	-	-	-
Temple Art Exposition	2071/03/05	64,840,000	100%	64,840,000	-	-	-
<b>Grand Total</b>		<b>86,549,768</b>		<b>86,549,768</b>	-	-	-

## Other Assets

SCHEDULE 4.16

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS		THIS YEAR	PREVIOUS YEAR
1. Stationery Stock		-	-
2. Income Receivable on Investment		18,912,220	26,533,987
3. Accrued Interest on Loan	59,933,594	-	11,185,244
Less: Interest Suspense Account			59,933,594
4. Commission Receivable		8,808,154	5,793,406
5. Sundry Debtors		-	-
6. Staff Loan & Advances		239,055,334	204,153,767
7. Pre Payments		12,750,646	10,568,973
8. Cash in Transit		-	-
9. Other Transit items (including Cheques)		-	-
10. Drafts Paid Without Notice		-	-
11. Expenses not Written Off		-	-
12. Branch Account Reconciliation		-	-
13. Deferred Tax Assets		11,159,906	6,743,522
14. Others		715,780,547	93,358,462
a. Software Cost (net)	4,266,694		
b. Advance against Software	58,767,155		
c. Advance tax (net)	10,550,308		
d. Remittance Receivable			
e. Others	642,196,390		
<b>Total</b>		<b>1,006,466,807</b>	<b>358,337,360</b>

## Other Assets (Additional Statement)

SCHEDULE 4.16 (A)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR				PREVIOUS YEAR
	UP TO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	TOTAL	
1. Accrued Interest on Loan	57,048,062	559,562	2,325,970	59,933,594	88,600,252
2. Drafts Paid without notice	-	-	-	-	-
3. Branch Account	-	-	-	-	-
4. Agency Account	-	-	-	-	-

## Contingent Liabilities

SCHEDULE 4.17

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Claims on institution not accepted by the Institution	-	-
2. Letter of Credit (Full Amount)	9,450,875,527	2,912,503,705
a. Less than 6 months maturity	9,036,292,126	1,487,151,525
b. More than 6 months maturity	414,583,402	1,425,352,180
3. Rediscounted Bills	-	-
4. Unmatured Guarantees/Bonds	1,312,650,966	1,208,858,923
a. Bid Bonds	277,901,300	166,467,050
b. Performance Bonds	1,034,749,667	1,042,391,874
c. Other Guarantee/Bonds	-	-
5. Unpaid Shares in Investment (Refer Note 11 on Schedule No. 4.33)	-	-
6. Outstanding Liabilities on Forward Exchange Contract	634,851,690	23,871,383
7. Bills under Collection	184,126,826	139,310,826
8. Acceptance & Endorsement	355,781,341	249,196,964
9. Underwriting Commitment	-	-
10. Irrevocable Loan Commitment	3,684,705,943	1,840,277,076
11. Guarantees issued against Counter Guarantee of Internationally Rated Banks	2,734,949,463	2,833,459,541
12. Advance Payment Guarantee	1,176,247,397	705,091,503
13. Financial Guarantee	2,500,000	2,600,000
14. Contingent Liabilities on Income Tax	81,521,315	81,521,315
15. Others	-	-
<b>Total</b>	<b>19,618,210,468</b>	<b>9,996,691,237</b>

# Interest Income

**SCHEDULE 4.18**

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>A. On Loans, Advances and Overdraft</b>	<b>2,404,413,299</b>	<b>2,265,021,557</b>
1. Loans & Advances	1,881,157,004	1,723,884,452
2. Overdraft	523,256,296	541,137,105
<b>B. On Investment</b>	<b>58,304,012</b>	<b>65,240,932</b>
1. Government of Nepal Securities	58,304,012	62,522,977
a. Treasury Bills	42,972,038	44,729,852
b. Development Bonds	15,331,974	17,793,125
c. National Saving Certificates	-	-
2. Foreign Securities	-	-
a. ....	-	-
b. ....	-	-
3. Nepal Rastra Bank Bonds	-	-
4. Debentures & Bonds	-	2,717,956
a. Financial Institutions	-	-
b. Other Institutions	-	2,717,956
5. Interest on Inter Bank Investment	-	-
a. Bank/ Financial Institutions	-	-
b. Other Institutions	-	-
<b>C. On Agency Balances</b>	<b>-</b>	<b>-</b>
1. Local Banks / Financial Institutions	-	-
2. Foreign Banks	-	-
<b>D. On Money at Call and Short Notice</b>	<b>232,367</b>	<b>7,191,201</b>
1. Local Banks/Financial Institutions	232,367	5,513,207
2. Foreign Banks	-	1,677,994
<b>E. On Others</b>	<b>26,365,605</b>	<b>39,281,043</b>
1. Certificate of Deposits	-	-
2. Inter-Bank / Financial Institutional Loan	-	-
3. Others	-	-
a. FCY placements	26,365,605	39,281,043
b. Others	-	-
<b>Total</b>	<b>2,489,315,283</b>	<b>2,376,734,733</b>

# Interest Expenses

SCHEDULE 4.19

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>A. ON DEPOSIT LIABILITIES</b>	<b>1,605,107,587</b>	<b>1,406,773,968</b>
1. Fixed Deposits	1,090,965,600	850,612,174
1.1 Local Currency	1,037,860,529	798,430,596
1.2 Foreign Currency	53,105,071	52,181,577
2. Saving Deposits	208,053,023	203,475,545
2.1 Local Currency	205,992,683	201,315,929
2.2 Foreign Currency	2,060,340	2,159,616
3. Call Deposits	306,088,963	352,686,249
3.1 Local Currency	289,814,570	334,461,046
3.2 Foreign Currency	16,274,393	18,225,203
4. Certificate of Deposits	-	-
<b>B. ON BORROWINGS</b>	<b>61,919,178</b>	<b>45,125,443</b>
1. Debentures & Bonds	61,919,178	44,610,199
2. Loan from Nepal Rastra Bank	-	252,943
3. Inter Bank /Financial Institutions Borrowing	-	262,301
4. Other Organized Institutions	-	-
5. Other Loans	-	-
<b>C. ON OTHERS</b>	<b>-</b>	<b>-</b>
1.	-	-
2.	-	-
<b>Total</b>	<b>1,667,026,765</b>	<b>1,451,899,411</b>



## Commission & Discount Income

SCHEDULE 4.20

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
<b>A. Bills Purchased &amp; Discount</b>	<b>45,535,313</b>	<b>31,411,702</b>
1. Local	-	-
2. Foreign	45,535,313	31,411,702
<b>B. Commission</b>	<b>115,108,669</b>	<b>77,430,666</b>
1. Letters of Credit	38,673,380	19,797,237
2. Guarantees	63,780,109	46,184,257
3. Collection Fees	221,527	184,067
4. Remittance Fees	11,168,757	10,264,234
5. Credit Card	1,264,896	1,000,871
6. Share Underwriting/Issue	-	-
7. Government Transactions	-	-
8. E.Pra. Commission	-	-
9. Exchange Fee	-	-
<b>C. Others</b>	<b>33,961,690</b>	<b>30,452,612</b>
<b>Total</b>	<b>194,605,671</b>	<b>139,294,980</b>

## Other Operating Income

SCHEDULE 4.21

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Safe Deposit Lockers Rental	4,005,186	3,902,000
2. Issue & Renewals of Credit Cards	688,291	540,534
3. Issue & Renewals of ATM Cards	12,389,441	11,779,142
4. Telex / T. T.	7,223,538	6,162,400
5. Service Charges	65,083,238	46,075,376
6. Renewal Fees	-	-
7. Others	14,509,241	20,177,915
<b>Total</b>	<b>103,898,937</b>	<b>88,637,367</b>

## Exchange Gain/Loss

SCHEDULE 4.22

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
a. Revaluation Gain (Loss)	17,037,872	18,039,720
b. Trading Gain (except Exchange Fees)	103,147,108	99,298,733
<b>Total Income (Loss)</b>	<b>120,184,980</b>	<b>117,338,453</b>

## Staff Expenses

SCHEDULE 4.23

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Salary	100,608,078	89,891,833
2. Allowances	91,068,331	79,627,726
3. Contribution to Provident Fund	9,705,223	8,551,754
4. Training Expenses	1,952,382	1,545,281
5. Uniform	-	-
6. Medical	8,583,853	7,086,874
7. Insurance	290,973	222,466
8. Pension and Gratuity	13,539,468	9,683,768
9. Others	14,248,561	10,763,243
<b>Total</b>	<b>239,996,869</b>	<b>207,372,944</b>

## Other Operating Expenses

SCHEDULE 4.24

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. House Rent	38,985,932	34,395,279
2. Light, Electricity & Water	17,923,067	16,560,678
3. Repair & Maintenance	12,217,513	10,140,950
a. Building	7,260,379	6,232,014
b. Vehicles	1,065,492	817,305
c. Others	3,891,642	3,091,631
4. Insurance	8,832,946	9,174,040
5. Postage, Telex, Telephone & Fax	5,525,996	4,758,202
6. Office Equipment, Furniture and Maintenance	2,920,311	2,090,113
7. Travelling Allowances & Expenses	26,058,307	25,604,685
8. Printing & Stationery	9,661,394	7,621,642
9. Books & Periodicals	62,015	54,570
10. Advertisements and Business Promotion	8,814,917	10,205,377
11. Legal Expenses	406,800	360,500
12. Donations	-	-
13. Expenses relating to Board of Directors	1,067,875	1,080,974
a. Meeting Fees	842,000	798,000
b. Other Expenses	225,875	282,974
14. Annual General Meeting Expenses	735,347	539,655
15. Expenses relating to Audit	945,064	924,579
a. Audit Fees	652,575	621,500
b. Other Expenses	292,489	303,079
16. Commission on Remittances	-	-
17. Depreciation on Fixed Assets	34,886,297	33,926,545
18. Amortization of Pre-operating Expenses	-	-
19. Share Issue Expenses	5,475	-
20. Technical Services Fee Reimbursement	-	-
21. Entertainment Expenses	294,089	222,329
22. Written Off Expenses	-	-
23. Security Expenses	27,433,778	19,380,217
24. Credit Guarantee Premium	-	-
25. Commission & Discount	-	-
26. Others	68,926,739	63,462,474
(a) Subscription & Membership	21,624,101	18,697,672
(b) Computer Software Maintenance/ Amortisation	4,240,406	4,871,204
(c) Lease Hold Assets Amortisation	10,052,031	11,117,501
(d) Others	33,010,201	28,776,098
<b>Total</b>	<b>265,703,864</b>	<b>240,502,808</b>

## Provision for Possible Losses

SCHEDULE 4.25

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Increase in Loan Loss Provision	19,913,987	186,037,811
2. Increase in Provision for Loss on Investment	-	-
3. Provision Against Non-Banking Assets	53,740,785	-
4. Provision Against Other Assets	-	-
<b>Total</b>	<b>73,654,773</b>	<b>186,037,811</b>

## Non-Operating Income/(Loss)

SCHEDULE 4.26

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Profit (Loss) on Sale of Investments	18,682,621	12,083,178
2. Profit (Loss) on Sale of Assets	(455,175)	45,092
3. Dividend	6,966,080	641,864
4. Subsidies received from Nepal Rastra Bank	-	-
a. Reimbursement of losses of specified branches	-	-
b. Interest Compensation	-	-
c. Exchange Counter	-	-
5. Others	550,716	201,817
a. Amortisation of Goodwill	-	-
b. Other non operating income/(Expenses)	550,716	201,817
<b>Total Non-Operating Income (Loss)</b>	<b>25,744,242</b>	<b>12,971,950</b>

## Loan Loss Provision Written Back

SCHEDULE 4.27

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Loan Loss Provision Written Back	53,740,785	-
2. Provision against Non Banking Assets Written Back	-	-
3. Investment Provision Written Back	-	10,187,031
4. Provision against other Assets Written Back	-	-
<b>Total</b>	<b>53,740,785</b>	<b>10,187,031</b>

## Profit/Loss From Extra-Ordinary Activities

SCHEDULE 4.28

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

PARTICULARS	THIS YEAR	PREVIOUS YEAR
1. Recovery of Written off Loans	300,000	1,200,000
2. Voluntary Retirement Scheme Expenses	-	-
3. Loan Write -Offs {4.28 (a)}	-	-
4. Other Expenses/Income	-	-
5. Profit on sale of NBA	-	-
<b>Total</b>	<b>300,000</b>	<b>1,200,000</b>

## Statement of Loan Written-Off

SCHEDULE 4.28 (A)

For the period Shrawan 1, 2070 to Ashad 32, 2071 (July 16, 2013 to July 16, 2014)

(IN NPR)

TYPES OF LOAN	WRITTEN OFF AMOUNT	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	NAME/DESIGNATION OF LOAN APPROVER	INITIATIONS MADE FOR RECOVERY OF LOAN	REMARKS
1. Working Capital Loan						
2. Project Loan						
3. Fixed Capital Loan						
4. Personal Loan						
5. Other Loan						
<b>Total Loan</b>	<b>-</b>					

# Statement of Loans & Advances to Directors/Chief Executive/Promoters/ Employees & Shareholders

SCHEDULE 4.29

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR)

NAME OF PROMOTER/DIRECTOR/ CHIEF EXECUTIVE	OUTSTANDING UP TO LAST YEAR		RECOVERED IN CURRENT YEAR		ADDITIONAL LENDING IN THIS YEAR		OUTSTANDING AS OF ASHAD END 2070	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
<b>A. Directors</b>	-	-	-	-	-	-	-	-
1. ....	-	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-	-
<b>B. Chief Executive</b>	-	-	-	-	-	-	-	-
1. ....	-	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-	-
<b>C. Promoters</b>	-	-	-	-	-	-	-	-
1. ....	-	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-	-
<b>D. Employees</b>	-	-	-	-	-	-	-	-
1. ....	-	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-	-
<b>E. Shareholders</b>	-	-	-	-	-	-	-	-
1. ....	-	-	-	-	-	-	-	-
2. ....	-	-	-	-	-	-	-	-
3. ....	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

Note: Loans provided to employees are as per the Human Resource Policy of the Bank and those provided against the security of Fixed Deposits and Gold are not presented above.

# Capital Adequacy Table

SCHEDULE 4.30 (A1)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR '000')

1. 1 RISK WEIGHTED EXPOSURES	THIS YEAR	PREVIOUS YEAR
a Risk Weighted Exposure for Credit Risk	28,560,768	24,506,562
b Risk Weighted Exposure for Operational Risk	1,602,684	1,375,704
c Risk Weighted Exposure for Market Risk	23,233	74,579
Adjustment under Pillar II		-
d 2% of TWE under supervisory review	603,734	519,137
e 2% of gross income under supervisory review	253,568	199,300
<b>Total Risk Weighted Exposures (a+b+c)</b>	<b>31,043,986</b>	<b>26,675,281</b>

1.2 CAPITAL	THIS YEAR	PREVIOUS YEAR
<b>Core Capital (Tier I)</b>	<b>2,987,905</b>	<b>2,440,566</b>
a Paid up Equity Share Capital	1,948,305	1,694,081
b Irredeemable Non-cumulative preference shares	-	-
c Share Premium	-	-
d Proposed Bonus Equity Shares (incl. fractional shares c/f)	390,092	254,696
e Statutory General Reserves	480,243	385,272
f Retained Earnings	14,634	6,303
g Unaudited current year cumulative profit	-	-
h Debenture Redemption Reserve	300,000	250,000
l Capital Adjustment Reserve	-	-
j Dividend Equalisation Reserve	-	-
k Deferred Tax Reserve	11,160	6,744
l Other Free Reserve	-	-
m Less: Goodwill	-	-
n Less: Fictitious Assets	-	-
o Less: Investment in equity in licensed Financial Institutions	-	-
p Less: Investment in equity of institutions with financial interests	(156,082)	(156,082)
q Less: Investment in equity of institutions in excess of limits	-	-
r Less: Investments arising out of underwriting commitments	(447)	(447)
s Less: Reciprocal crossholdings	-	-
t Less: Purchase of land & building in excess of limit and unutilized	-	-
u Less: Other Deductions	-	-
<b>Supplementary Capital (Tier 2)</b>	<b>710,007</b>	<b>822,075</b>
a Cumulative and/or Redeemable Preference Share		
b Subordinated Term Debt	450,000	500,000
c Hybrid Capital Instruments	-	-
d General loan loss provision	229,408	198,484
e Investment Adjustment Reserve	102,545	
f Assets Revaluation Reserve	-	-
g Exchange Equalization Reserve	21,045	
h Other Reserves		
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>3,697,912</b>	<b>3,262,640</b>

1.3 CAPITAL ADEQUACY RATIOS	THIS YEAR	PREVIOUS YEAR
Tier 1 Capital to Total Risk Weighted Exposures	9.62%	9.15%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.91%	12.23%

# Risk Weighted Exposure for Credit Risk

As at Ashad 32, 2071 (July 16, 2014)

SCHEDULE 4.30 (B)

(IN NPR '000)

	CURRENT YEAR						PREVIOUS YEAR		
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM			RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE	RISK WEIGHTED EXPOSURES
			A	B	C				
Cash Balance	503,598	-	-	-	503,598	0%	-	357,705	-
Balance With Nepal Rastra Bank	4,339,211	-	-	-	4,339,211	0%	-	2,871,238	-
Gold	1,398,230	-	-	-	1,398,230	0%	-	67	-
Investment in Nepalese Government Securities	3,291,350	-	-	-	3,291,350	0%	-	4,220,406	-
All Claims on Government of Nepal	134,669	-	-	-	134,669	0%	-	134,647	-
Investment in Nepal Rastra Bank securities	-	-	-	-	-	0%	-	-	-
All claims on Nepal Rastra Bank	750	-	-	-	750	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	-	0%	-	-	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	-	20%	-	-	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	-	50%	-	-	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	-	100%	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	-	150%	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's)	-	-	-	-	-	0%	-	-	-
recognized by the framework	-	-	-	-	-	0%	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	20%	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	50%	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	100%	-	-	-
Claims on Public Sector Entity (ECA 7)	139,210	-	-	-	139,210	150%	208,815	20,858	31,287
Claims on domestic banks that meet capital adequacy requirements	650,482	-	-	-	650,482	20%	130,096	148,215	29,643
Claims on domestic banks that do not meet capital adequacy requirements	23,996	-	-	-	23,996	100%	23,996	14,881	14,881
Claims on foreign bank (ECA Rating 0-1)	1,231,173	-	-	-	1,231,173	20%	246,235	546,883	109,377
Claims on foreign bank (ECA Rating 2)	18,348	-	-	-	18,348	50%	9,174	132,197	66,098
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	100%	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	150%	-	-	-
Claims on foreign banks incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	998,859	-	-	-	998,859	20%	199,772	801,723	160,345
Claims on Domestic Corporates	14,291,419	-	-	180,422	14,110,998	100%	14,110,998	13,049,422	13,049,422

Continued...



# Risk Weighted Exposure for Credit Risk

SCHEDULE 4.30 (B)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR '000)

	CURRENT YEAR										PREVIOUS YEAR	
	BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE			RISK WEIGHT	RISK WEIGHTED EXPOSURES	RISK WEIGHTED EXPOSURES	NET VALUE	RISK WEIGHTED EXPOSURES	
				A	B	C						D=A-B-C
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	20%	-	-	-	-	
Claims on Foreign Corporates (ECA 2)	-	-	-	-	-	-	50%	-	-	-	-	
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-	100%	-	-	-	-	
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-	150%	-	-	-	-	
Regulatory Retail Portfolio (Not overdue)	2,734,989	-	2,276	2,732,713	-	-	75%	2,049,534	1,487,172	1,115,379		
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	-	-	100%	-	64,320	64,320		
Claims secured by residential properties	982,579	-	-	982,579	-	-	60%	589,547	736,419	441,851		
Claims not fully secured by residential properties	-	-	-	-	-	-	150%	-	-	-		
Claims secured by residential properties (Overdue)	184,569	21,894	-	162,675	-	-	100%	162,675	186,338	186,338		
Claims secured by Commercial real estate	405,424	-	-	405,424	-	-	100%	405,424	1,016,375	1,016,375		
Past due claims (except for claim secured by residential properties)	1,072,231	121,342	0	950,889	-	-	150%	1,426,334	1,087,662	1,631,493		
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	2,555,820	-	289,707	2,266,113	-	-	150%	3,399,169	1,694,637	2,541,955		
Investments in equity and other capital instruments of institutions listed in the stock exchange	61,243	-	-	61,243	-	-	100%	61,243	741	741		
Investments in equity of institutions not listed in the stock exchange	75,524	-	-	75,524	-	-	150%	113,285	75,524	113,285		
Staff loan secured by residential property	160,707.0	-	-	160,707	-	-	60%	96,424	132,998	79,799		
Interest Receivable/claim on government securities	4,746.6	-	-	4,747	-	-	0%	-	20,543	-		
Cash in transit and other cash items in the process of collection	-	-	-	-	-	-	20%	-	-	-		
Other Assets (as per attachment)	2,019,801	1,440,747	-	579,054	-	-	100%	579,054	621,911	621,911		
<b>TOTAL</b>	<b>37,278,930</b>	<b>1,583,983</b>	<b>472,405</b>	<b>35,222,542</b>	<b>23,811,776</b>	<b>29,422,880</b>	<b>21,274,499</b>					

Continued...

# Risk Weighted Exposure for Credit Risk

As at Ashad 32, 2071 (July 16, 2014)

SCHEDULE 4.30 (B)

(IN NPR '000)

	CURRENT YEAR										PREVIOUS YEAR		
	GROSS BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM			NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES	E	D=A-B-C	F=D*E	NET VALUE	RISK WEIGHTED EXPOSURES
			A	B	C								
Revocable Commitments	274,065	-	-	-	274,065	0%	-	0%	-	-	355,048	-	
Bills Under Collection	158,785	-	-	-	158,785	0%	-	0%	-	-	139,311	-	
Forward Exchange Contract Liabilities	639,206	-	-	-	639,206	10%	63,921	10%	63,921	23,871	2,387	2,387	
LC Commitments With Original Maturity Up to 6 months	8,762,227	-	5,349,427	-	3,412,800	20%	682,560	20%	682,560	1,010,248	202,050	202,050	
domestic counterparty	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-	20%	-	-	-	-	
foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-	50%	-	-	-	-	
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-	100%	-	-	-	-	
foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-	150%	-	-	-	-	
LC Commitments With Original Maturity Over 6 months	414,583	-	237,762	-	176,822	50%	88,411	50%	88,411	194,103	97,052	97,052	
domestic counterparty	-	-	-	-	-	-	-	-	-	-	-	-	
foreign counterparty (ECA Rating 0-1)	-	-	-	-	-	20%	-	20%	-	-	-	-	
foreign counterparty (ECA Rating 2)	-	-	-	-	-	50%	-	50%	-	-	-	-	
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-	100%	-	-	-	-	
foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-	150%	-	-	-	-	
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	1,337,993	-	123,482	-	1,214,511	50%	607,256	50%	607,256	1,145,796	572,898	572,898	
foreign counterparty (ECA Rating 0-1)	172,873	-	-	-	172,873	20%	34,575	20%	34,575	174,508	34,902	34,902	
foreign counterparty (ECA Rating 2)	589,997	-	-	-	589,997	50%	294,999	50%	294,999	1,008,741	504,370	504,370	
foreign counterparty (ECA Rating 3-6)	-	-	-	-	-	100%	-	100%	-	-	-	-	
foreign counterparty (ECA Rating 7)	-	-	-	-	-	150%	-	150%	-	-	-	-	
Underwriting commitments	-	-	-	-	-	50%	-	50%	-	-	-	-	
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	-	100%	-	100%	-	-	-	-	
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	-	100%	-	100%	-	-	-	-	

Continued...

## Risk Weighted Exposure for Credit Risk

SCHEDULE 4.30 (B)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR '000)

	B. OFF BALANCE SHEET EXPOSURES									
	CURRENT YEAR					PREVIOUS YEAR				
	GROSS BOOK VALUE	SPECIFIC PROVISION	ELIGIBLE CRM	NET VALUE	RISK WEIGHT	RISK WEIGHTED EXPOSURES	NET VALUE	RISK WEIGHTED EXPOSURES		
A	B	C	D=A-B-C	E	F=D*E	D=A-B-C	F=D*E			
Advance Payment Guarantee	1,512,497	-	15,274	1,497,223	100%	1,497,223	846,188	846,188		
Financial Guarantee	2,500	-	275	2,225	100%	2,225	2,345	2,345		
Acceptances and Endorsements	355,781	-	18,518	337,264	100%	337,264	227,727	227,727		
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-	-	-		
Irrevocable Credit commitments (short term)	3,684,706	-	-	3,684,706	20%	736,941	1,840,277	368,055		
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-	0	0		
Claims on foreign banks incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	1,610,488	-	-	1,610,488	20%	322,098	1,462,840	292,568		
Other Contingent Liabilities	81,521	-	-	81,521	100%	81,521	81,521	81,521		
Unpaid Guarantee Claims	-	-	-	-	-	-	-	-		
<b>TOTAL</b>	<b>19,597,223</b>	<b>-</b>	<b>5,744,737</b>	<b>13,852,486</b>		<b>4,748,992</b>	<b>8,512,524</b>	<b>3,232,063</b>		
<b>Total RWE for credit Risk (A) + (B)</b>	<b>56,876,152</b>	<b>1,583,983</b>	<b>6,217,142</b>	<b>49,075,027</b>		<b>28,560,768</b>	<b>37,935,404</b>	<b>24,506,562</b>		

# Eligible Credit Risk Mitigants

As at Ashad 32, 2071 (July 16, 2014)

SCHEDULE 4.30 (C)

(IN NPR '000)

CREDIT EXPOSURES	DEPOSITS	DEPOSITS	GOLD	GOVT.&	G'TEE OF	SEC/G'TEE OF	G'TEE OF	G'TEE OF	SEC/G'TEE OF	TOTAL
	WITH BANK	WITH OTHER	(C)	NRB	GOVT. OF	OTHER	DOMESTIC	MDBS	FOREIGN	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
	SEcurities	BANKS/FI		SECURITIES	NEPAL	SOVEREIGNS	BANKS		BANKS	
<b>Balance Sheet Exposures</b>										
Claims on Foreign Government and Central Bank (ECA-2)	-	-	-	-	-	-	-	-	-	-
Claim on Foreign Government and Central Bank (ECA-3)	-	-	-	-	-	-	-	-	-	-
Claim on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	-	-	-	-	-	-
Claim on Foreign Government and Central Bank (ECA-7)	-	-	-	-	-	-	-	-	-	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-	-	-	-	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	-	-	-	-	-	-
Claims on Domestic Corporates	180,422	-	-	-	-	-	-	-	-	180,422
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	-	-	-	-	-	-

Continued...

# Eligible Credit Risk Mitigants

As at Ashad 32, 2071 (July 16, 2014)

SCHEDULE 4.30 (C)

(IN NPR '000)

CREDIT EXPOSURES	DEPOSITS	DEPOSITS	GOLD	GOVT.&	G'TEE OF	SEC/G'TEE OF	G'TEE OF	G'TEE OF	SEC/G'TEE OF	TOTAL
	WITH BANK	WITH OTHER	(A)	NRB	NEPAL	OTHER	DOMESTIC	MDBS	FOREIGN	
	(A)	BANKS/FI	(B)	SECURITIES	GOVT. OF	SOVEREIGNS	BANKS	(H)	BANKS	(I)
Claims on Foreign Corporates (ECA 2)										
Claims on Foreign Corporates (ECA 3-6)										
Claims on Foreign Corporates (ECA 7)										
Regulatory Retail Portfolio (Not Overdue)	2,276									2,276
Claim fulfilling all criterion of regulatory retail except granularity										
Claims secured by residential properties										
Claims not fully secured by residential properties										
Unsecured portion of claims secured by residential properties										
Claims secured by residential properties (Overdue)										
Claims secured by Commercial real estate										
Past due claims (except for claim secured by residential properties)										
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	73,362			216,345						289,707
Investments in equity and other capital instruments of institutions not listed in the stock exchange										
Investments in equity and other capital instruments of institutions listed in the stock exchange										
Other Loans and Advances										
Cash and cash items in transit										
Fictitious Assets										
Other Assets (as per attachment)										
<b>Total</b>	<b>256,060</b>			<b>216,345</b>						<b>472,405</b>
<b>Off Balance Sheet Exposures</b>										
Forward Exchange Contract Liabilities								4,477,125		5,349,427
LC Commitments With Original Maturity Up to 6 months domestic counterparty	872,302									

Continued...

# Eligible Credit Risk Mitigants

As at Ashad 32, 2071 (July 16, 2014)

## SCHEDULE 4.30 (C)

(IN NPR '000)

CREDIT EXPOSURES	DEPOSITS WITH BANK	DEPOSITS WITH OTHER BANKS/FI	GOLD	GOVT. & NRB SECURITIES	GOVT. OF NEPAL	SEC/G'TEE OF SOVEREIGNS	SEC/G'TEE OF OTHER DOMESTIC BANKS	G'TEE OF MDBS	SEC/G'TEE OF FOREIGN BANKS	TOTAL
foreign counterparty (ECA Rating 0-1)										
foreign counterparty (ECA Rating 2)										
foreign counterparty (ECA Rating 3-6)										
foreign counterparty (ECA Rating 7)										
LC Commitments With Original Maturity Over 6 months domestic counterparty	6,543							231,219		237,762
foreign counterparty (ECA Rating 0-1)										
foreign counterparty (ECA Rating 2)										
foreign counterparty (ECA Rating 3-6)										
foreign counterparty (ECA Rating 7)										
Bid Bond, Performance Bond and counter guarantee domestic counterparty	123,482									123,482
foreign counterparty (ECA Rating 0-1)										
foreign counterparty (ECA Rating 2)										
foreign counterparty (ECA Rating 3-6)										
foreign counterparty (ECA Rating 7)										
Underwriting commitments										
Lending of Bank's Securities or Posting of Securities as collateral										
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)										
Advance Payment Guarantee	15,274									15,274
Financial Guarantee	275									275
Acceptances and Endorsements	18,518									18,518
Unpaid portion of Partly paid shares and Securities										
Irrevocable Credit commitments										
Other Contingent Liabilities										
<b>Total</b>	<b>1,036,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,708,343</b>	<b>-</b>	<b>5,744,737</b>
<b>Grand Total</b>	<b>1,292,454</b>	<b>-216,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,708,343</b>	<b>-</b>	<b>6,217,142</b>

## Risk Weighted Exposure for Operational Risk

SCHEDULE 4.30 (D)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR '000')

PARTICULARS	CURRENT YEAR			PREVIOUS YEAR
	2011/12	2010/11	2009/10	
Net Interest Income	924,867	643,642	729,482	
Commission and Discount Income	138,641	149,818	69,788	
Other Operating Income	88,637	56,391	67,523	
Exchange Fluctuation Income	117,338	107,951	63,128	
Additional Interest Suspense during the period	(1,645)	38,946	10,862	
Gross income (a)	1,267,839	996,747	940,782	
Alfa (b)	15%	15%	15%	
Fixed Percentage of Gross Income [c=(a×b)]	190,176	149,512	141,117	
Capital Requirement for operational risk (d) (average of c)			160,268	137,570
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10	10
Equivalent Risk Weight Exposure [f=(d×e)]			1,602,684	1,375,704

# Risk Weighted Exposure for Market Risk

SCHEDULE 4.30 (E)

As at Ashad 32, 2071 (July 16, 2014)

(IN NPR '000')

CURRENCY	CURRENT YEAR			PREVIOUS YEAR
	OPEN POSITION (FCY)	OPEN POSITION (NPR)	RELEVANT OPEN POSITION	RELEVANT OPEN POSITION
1. AED	6	154	154	55
2. AUD	0	41	41	195
3. CAD	0	31	31	22
4. CHF	1	87	87	183
5. CNY	1	17	17	265
6. DKK	21	365	365	481
7. EUR	24	3,085	3,085	6,443
8. GBP	15	2,395	2,395	4,591
9. HKD	5	63	63	6
10. INR	23,238	37,200	37,200	130,726
11. JPY	668	633	633	575
12. KRW	-	-	-	-
13. MYR	4	111	111	278
14. NLG	-	-	-	-
15. NPR	(46,463)	-	-	-
16. QAR	-	-	-	15
17. SAR	16	420	420	177
18. SEK	-	-	-	93
19. SGD	0	18	18	0
20. THB	3	10	10	6
21. USD	19	1,837	1,837	5,046
<b>Total Open Position (a)</b>			<b>46,466</b>	<b>149,157</b>
<b>Fixed Percentage (b)</b>			<b>5%</b>	<b>5%</b>
<b>Capital Charge for Market Risk {c=(a*b)}</b>			<b>2,323</b>	<b>7,458</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>			<b>10</b>	<b>10</b>
<b>Equivalent Risk Weight Exposure {e=(c*d)}</b>			<b>23,233</b>	<b>74,579</b>



# Principal Indicators

(At least for previous 5 years)

SCHEDULE 4.31

PARTICULARS	INDICATORS	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2065/2066	2066/2067	2067/2068	2068/2069	2069/2070	2070/2071	
1. Percentage of Net Profit/Gross Income	%	35.12%	40.55%	40.34%	37.21%	33.06%	38.26%	
2. Earnings Per Share	NPR	20.70	24.12	23.25	21.55	24.78	26.07	
3. Market Value per Share	NPR	1,062.00	570.00	340.00	340.00	309.00	588.00	
4. Price Earning Ratio	Ratio	51.31	23.63	14.62	15.78	12.47	22.55	
5. Dividend on share capital (Bonus share + Cash dividend)	%	5.26%	13.00%	15.79%	10.00%	15.00%	21.05%	
6. Cash Dividend on share capital	%	0.26%	13.00%	10.79%	10.00%	0.00%	1.05%	
7. Interest Income/Loans & Advances and Investments	%	8.76%	9.97%	12.11%	11.77%	10.34%	9.34%	
8. Employee Expenses/Total Operating Expenses	%	43.34%	46.27%	48.22%	47.78%	46.30%	47.46%	
9. Interest Expenses on Total Deposits and Borrowings	%	5.05%	6.42%	8.09%	7.86%	6.14%	6.08%	
10. Exchange Fluctuation Gain/Total Income	%	9.48%	5.90%	6.79%	11.27%	9.24%	9.68%	
11. Staff Bonus/ Total Staff Expenses	%	23.54%	27.62%	25.49%	22.20%	22.46%	21.93%	
12. Net Profit/Loans & Advances	%	1.63%	2.32%	2.49%	2.22%	2.28%	2.20%	
13. Net Profit/ Total Assets	%	1.22%	1.66%	1.76%	1.50%	1.50%	1.47%	
14. Total Credit/Deposit	%	83.88%	81.49%	84.10%	73.13%	77.43%	75.50%	
15. Total Operating Expenses/Total Assets	%	1.28%	1.35%	1.54%	1.57%	1.60%	1.56%	
16. Adequacy of Capital Fund on Risk Weightage Assets								
a. Core Capital	%	8.47%	11.17%	9.79%	9.52%	9.15%	9.62%	
b. Supplementary Capital	%	3.01%	2.54%	1.84%	1.50%	3.08%	2.29%	
c. Total Capital Fund	%	11.48%	13.71%	11.63%	11.02%	12.23%	11.91%	
17. Liquidity (CRR)	%	8.61%	7.24%	9.22%	19.60%	12.33%	18.28%	
18. Non Performing Loans/Total Loans	%	0.08%	0.12%	0.90%	0.62%	1.51%	1.15%	
19. Weighted Average Interest Rate Spread	%	3.71%	3.55%	4.02%	3.91%	4.20%	3.26%	
20. Book Net worth	NPR	1,342,295,325	1,912,330,490	2,113,376,723	2,300,258,908	2,720,685,076	3,175,033,093	
21. Total Shares	Number	10,980,861	16,135,205	16,135,205	16,940,811	16,940,811	19,483,048	
22. Total Employees	Number	299	347	393	374	384	410	

## SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 4.32

### i) General Information

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

The Bank is “A” class licensed institution. The financial statements were authorized for issue by the Board of Directors.

### ii) Summary of Significant Accounting Policies

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

### iii) Statement of Compliance

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

### iv) Basis of Preparation

The financial statements are presented in Nepalese Rupees,

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

### v) Interest Income

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

Interest income on investments is accounted for on accrual basis.

### vi) Commission Income

All the commission incomes are accounted for on accrual basis except for the commission income less than NPR 100,000 or having tenure of less than 1 year which is recognized on cash basis.

### vii) Dividend Income

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

### viii) Foreign Exchange Transactions

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

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

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

### ix) Interest Expense

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

### x) Loans and Advances including Bills Purchased

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

and advances, overdrafts and bills purchased are shown net of provisions.

The amount recovered from borrowers is first applied to interest recoverable and remaining amount is applied against settlement of outstanding principal.

### **xi) Staff Loans**

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

### **xii) Loan Loss Provision**

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

### **xiii) Write Off**

Unrecoverable loan accounts graded 'Loss' in compliance with Nepal Rastra Bank Directives are written off in the books as per criteria/ policy upon approval by the Board, without prejudice to Bank's right to recovery.

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

### **xiv) Investments**

Investments are classified as held for trading, held to maturity and available for sale.

#### **a. Held for Trading**

Investments that are made for the purpose of generating profit from short term fluctuations in price are classified under this category. These investments are marked to market and differences reflected in the profit and loss account.

#### **b. Held to Maturity**

The investments made with positive intent and ability of the bank to hold till maturity are classified as held to maturity investments. The held to maturity investments are valued at amortized cost i.e. the cost price less any impairments (if applicable). The impairments are charged to the profit and loss account.

#### **c. Available for Sale**

All other investments that are neither "held for trading" nor "held to maturity" are classified under this category. These investments are marked to market on a regular basis and the difference adjusted through reserves (equity).

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

### **xv) Fixed Assets and Depreciation**

a. Fixed assets are stated at cost less accumulated depreciation.

b. Assets with a value less than NPR 5,000 are charged off as a revenue expense in the year of purchase irrespective of its useful life.

c. Depreciation is charged to profit & loss account on a straight line basis over the estimated useful life of items of fixed assets. Land is not depreciated. The useful life of the assets are as follows:

<b>NATURE OF ASSETS</b>	<b>USEFUL LIFE (YEARS)</b>
Furniture	5
Equipments	5
Vehicles	5
Computers	5
Free hold premises	40

d. Fixed assets under construction, advances paid towards acquisition of fixed assets and costs of assets not ready for use before year end are shown as capital construction (pending capitalization).

### **xvi) Non Banking Assets**

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

### **xvii) Software Expenses**

Acquired computer software licenses are capitalized on the basis of cost incurred to acquire and bring to use the specific software. The costs are amortized over its estimated useful life.

### **xviii) Amortization**

Amortization is charged to Profit and Loss Account on a straight line basis over the estimated useful life of the intangible assets. Intangible

assets are recognized from the date they are available for use. The estimated useful life is as follows:

Computer Software **5 years**

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

## xix) Employee Benefits

### a. Provident fund

Provident fund is recognized at the time of contribution to the fund which is independent to the Bank.

### b. Gratuity

As per HR Policy Guide of the Bank gratuity is calculated on accrual basis and funded in an approved retirement fund independent to the Bank.

## xx) Stationery Stock

Stationery purchased are charged to revenue at the time of purchase as most stationeries are specific to Laxmi Bank Ltd.

## xxi) Income Tax

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

Provision for taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 2058.

Deferred taxes are accounted using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, and

their respective tax bases. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on the laws that have been enacted or subsequently enacted by the reporting date.

## xxii) Lease

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

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

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

## xxiii) Provisions, Contingent Liabilities and Contingent Assets

The Bank creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable

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

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

Liabilities on account of forward contracts are reported under Contingent liabilities under subheading Outstanding Liabilities for Forward Exchange Contract. These include notional principal on outstanding forward rate agreements.

## xxiv) Events After the Balance sheet date

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue.

All material and important events that occurred after the balance sheet date have been considered and appropriate disclosures are made in Note 28.

## xxv) Previous Year's Figures

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

## NOTES TO ACCOUNTS

### SCHEDULE 4.33

### 1. Interest Income and Interest Suspense

Entire interest receivable on loans & advances as of year end has been transferred to interest suspense account as per the Directives of NRB. However interest accrued as of 32 Ashad 2071 and collected after year end upto 15 Shrawan 2071 has not been recognized as income during the FY 2013-14 although permitted by NRB.

### 2. Provision for Staff Bonus

Provision for staff bonus amounting to NPR 67,400,694 has been computed and provided for at 10% of net profit after bonus.

### 3. Staff Housing Fund

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

### 4. Gratuity Fund

Gratuity fund maintained with Laxmi Bank Retirement Fund, an approved retirement fund, has sufficient balance to cover the gratuity liability (Gratuity liability is NPR 46,415,554.37 as of 16 July 2014) calculated as per accrual liability basis in accordance with the HR Policy Guide of the Bank.

### 5. General Reserve

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

### 6. Exchange Fluctuation Fund

25% of the Revaluation gain of NPR 17,037,872, amounting to NPR 4,259,468 has been transferred to Exchange Fluctuation Fund by debiting Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

### 7. Investment Adjustment Reserve

Investment adjustment reserve as at 32 Ashad 2071 (16 July 2014) stands at NPR 5,294,189 (2% of the Portfolio of investment available for sale as per Directive No 1 - Capital Adequacy Framework). During the year, NPR 97,251,207 is transferred to Profit and Loss Appropriation Account from investment adjustment reserve.

NPR 98,000,000 is reversed during the year (created for our 100% subsidiary Laxmi Capital Market Ltd) as allowed by NRB directive No 8 and Nepal Government.

### 8. Fixed Assets

Land and building located at Hattisar is in joint ownership with Everest Insurance Company Limited, Gorkha Brewery Limited and Himalayan Snax Pvt. Limited. Laxmi Bank owns 40.34% of the total value of the property. Depreciation on building is charged on the cost of the building allocated and owned by the Bank only.

Similarly land and building located at Maharajgunj is in joint ownership with Laxmi Laghubitta Bittiya Sanstha Ltd and Laxmi Capital Market Limited. Laxmi Bank owns 83.11% of the total value of the property. Pending completion of construction works, the cost of building has been shown as Capital Work in Progress.

### 9. Income Tax Issues

The tax authorities had raised an additional demand of NPR 1,661,043 on tax returns filed under self assessment by the then HISEF Finance Limited for the financial year 2057/58. The Bank had disputed the demand of tax authorities and filed an appeal with the Revenue Tribunal. Pending receipt of decision, the Bank has

PARTICULARS	RESERVE AS ON 31/3/070	MOVEMENT DURING THE YEAR	RESERVE AS ON 32/3/071
Investment in Subsidiary (Unlisted) @100%	2,000	98,000	100,000
Other Equity Investments @2%	2,140	405	2,545
Total	4,140	98,405	102,545

shown such disputed tax demand under contingent liability.

For fiscal year 2061/62 (Hisef related) Large Taxpayers' Office (LTO) has raised an additional demand of NPR 16,079,489 which the bank has disputed and filed an appeal for administrative review. The amount of demand has been disclosed as contingent liability on Income Tax under schedule 4.17. The bank has deposited NPR 3,048,000 against above demand. However, the Inland Revenue Department (IRD) has returned the file to LTO for revision citing possibility of double counting of taxable income by Large Taxpayers Office.

On the assessment of the Income Tax Returns of the bank for the fiscal years 2060/61, 2061/62 (Laxmi Bank) and 2062/63, Large Taxpayers' Office (LTO) has raised an additional demand of NPR 5,153,916.55 for 2060/61, NPR 9,618,611 for 2061/62 (Laxmi Bank) and NPR 10,645,185 for 2062/63 respectively. The bank has filed an appeal with the Supreme Court for review of the decision made by the Revenue Tribunal on above cases. The amount of demand has been disclosed as contingent liability on Income Tax under schedule 4.17. The bank has paid NPR 9,121,811 as deposits against above claim.

The Bank has received as additional demand of NPR 11,569,681, NPR 16,682,304 and NPR 10,111,085 from LTO relating to tax returns for the years 2063/64, 2064/65 and 2065/66

respectively on which the Bank disputed the demand as not tenable and has filed appeals with the Revenue Tribunal. The amount of claim is shown as contingent liability on Income Tax under schedule 4.17. The bank has paid NPR 13,323,764 as deposits against above claim.

Pending decision no provisions have been made against these additional demands. The Bank has filed tax returns to the LTO up to the financial years 2069/70 under self assessment procedures.

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

## 11. Investment in Share Capital of other Corporates

### a. Himalayan Distillery Limited

The Bank (then Hisef Finance Limited) had underwritten the shares of Himalayan Distillery Limited. As the shares were not fully subscribed, the bank had accepted those shares by paying NPR 50 per share (call amount at that point of time). The failure to pay the second call amount had resulted in forfeiture of the shares against which the Bank and other financial institutions involved had filed a case disputing the decision of the forfeiture. Upon the court decision in favor of the banks and financial institutions, the bank has received the share certificate for 4470 shares of Rs 100 each in full settlement of the amount paid. ...

### b. Laxmi Capital Market Ltd

In line with the guidelines of Nepal Rastra Bank, Laxmi Bank Ltd has established a merchant banking subsidiary – "Laxmi Capital Market Ltd" by investing NPR 100,000,000 as promoter share. The subsidiary has obtained license for commercial operation from SEBON on 2067/9/13 under Securities Businessperson (Merchant Banker) Rules 2007.

### c. Laxmi Laghubitta Bittiya Sanstha Ltd

Laxmi Bank Ltd has opened a "D" class financial institution - Laxmi Laghubitta Bittiya Sanstha Ltd to carry out the microfinance business with investment of NPR 70,000,000 as promoter share. The subsidiary has obtained operating license from NRB on 2068/11/23. Laxmi Laghubitta has recently issued 30% share to public.

## 12. Lien over Investments

The Bank has made placements with Standard Chartered Bank Plc (Singapore), amounting to USD 7,605,000 as of 16 July 2014, which was under lien as per the lien letter signed with Standard Chartered Bank Plc.

## 13. Advance against Bullion

The Bank has NPR 541 Mio outstanding for advance against stock of bullion as of 16 July 2014 and is shown under others of schedule 4.16 Other Assets.

## 16. Related Party Disclosure

Details of Compensation paid to key management personnel during the year:

Short term employee benefit paid to Key Management Personnel (which includes CEO, Company Secretary and all other managerial level staff) during the fiscal year amounts to NPR 98,578 thousand. In addition, they are entitled to other benefits and facility as per the Human Resource Policy of the bank and employment terms and conditions.

There is no post employment, other long term or share based payments to the employees. Employees are entitled to gratuity (as termination benefits) as per the Human Resource Policy of the bank.

Transaction with the members of Board of Directors during the year: (in NPR)

Meeting fees **842,000**  
Other meeting expenses **225,875**

## 15. Reconciliation Status

RECONCILIATION STATUS	Amount in NPR '000'					
	TOTAL AMOUNT MONTHS	UP TO 3 MONTHS	3 TO 9 MONTHS	9 MONTHS TO 1 YEAR	1 YEAR TO 3 YEARS	MORE THAN 3 YEARS
Branch Reconciliation	-	-	-	-	-	-
Agency Accounts	38,518	27,718	2,677	611	3,133	4,379

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

## 16. Lease

### Finance Lease

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

### Operating Lease

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

## 17. Summary of Loans and Advances Disbursed, Recovered and Principal & Interest Written off

PARTICULARS	Amount in NPR '000'
	AMOUNT
Loans Disbursed	64,020,842
Loans Recovered	60,617,615
Loans Written off	-
Interest written off	-

## 18. Summary of Changes in Deposit Liabilities

Amount in NPR '000'

PARTICULARS	PREVIOUS YEAR	NET CHANGES	CURRENT YEAR
	31/3/2070 (15/07/2013)	DURING THE YEAR	32/3/2071 (16/07/2014)
Call Deposits	5,914,255	1,896,065	7,810,320
Current Deposits	994,080	133,921	1,128,001
Fixed Deposits	13,579,986	1,129,369	14,709,355
Saving Deposits	5,002,859	1,312,074	6,314,933
Margin & Other Deposits	469,418	160,019	629,437

## 19. Weighted Average Interest Spread

PARTICULARS	RATE %
Average Rate of return from loans and advances and investments	9.34%
Average Rate on deposits & borrowings	6.08%
Net Spread	3.26%

## 20. Summary of Concentration of Exposure

Amount in NPR '000'

PARTICULARS	LOANS, ADVANCES AND	DEPOSITS AND	CONTINGENTS
	BILLS PURCHASED	BORROWINGS	
Total amount as on 16/07/2014	23,096,491	30,584,876	19,618,210
Highest exposure to a single unit/ group	522,823	1,460,517	3,433,698 *
Percentage of exposure to/from single unit (in %)	2.26%	4.77%	17.50%

\* Related to exposure on LC against the confirmed payment guarantee from World Bank.



## 21. Classification of Assets and Liabilities based on Maturity

Amount in NPR '000'

PARTICULARS	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-365 DAYS	MORE THAN 1 YEAR	TOTAL
<b>Assets</b>						
1. Cash Balance		4,205,583				
4,205,583						
2. Balance with Banks & FIs	44,180,742					44,180,742
3. Investment in Foreign Banks	4,095,236					4,095,236
4. Call Money	7,218,750					7,218,750
5. Government Securities	21,000,000	7,000,000				28,000,000
6. Nepal Rastra Bank Bonds					4,913,500	4,913,500
7. Inter Bank & FI Lending	1,544,813	2,887,500	6,737,500			11,169,813
8. Loans & Advances	111,410,400	26,938,275	15,166,802	13,439,453	64,079,978	231,034,908
9. Interest Receivable	6,931,047	6,931,047	6,931,047	6,931,047		27,724,189
10. Reverse Repo						
11. Receivables from other Institutions under Commitment						
12. Payment to be made for facilities under s.no 20,21 & 22						
13. Others						
<b>Total Assets (A)</b>	<b>200,586,571</b>	<b>43,756,822</b>	<b>28,835,349</b>	<b>20,370,500</b>	<b>68,993,478</b>	<b>362,542,720</b>
<b>Liabilities</b>						
14. Current Deposits	2,934,114	293,411	293,411	293,411	2,053,880	5,868,229
15. Saving Deposits	307,209	614,418	921,627	1,228,836	58,369,717	61,441,808
16. Fixed Deposits	29,390,544	37,792,422	26,210,269	48,051,757	5,648,793	147,093,785
17. Debentures					7,500,000	7,500,000
18. Borrowings:						
(a) Call/Short Notice						
(b) Inter-bank/Financial Institutions						
(c) Refinance						
(d) Others						
19. Other Liabilities and Provisions	4,698,014	3,750,088	3,750,088	3,750,088		15,948,278
(a) Sundry Creditors	947,927					947,927
(b) Bills Payable						
(c) Interest Payable	375,088	375,088	375,088	375,088		15,000,351
(d) Provisions						
(e) Others						
<b>Total Liabilities (B)</b>	<b>37,329,882</b>	<b>42,450,340</b>	<b>31,175,395</b>	<b>53,324,092</b>	<b>73,572,390</b>	<b>237,852,099</b>
<b>Net Financial Assets (A-B)</b>	<b>163,256,689</b>	<b>1,306,483</b>	<b>(2,340,046)</b>	<b>(32,953,593)</b>	<b>(4,578,912)</b>	<b>124,690,621</b>
<b>Cumulative Net Financial Assets</b>	<b>163,256,689</b>	<b>164,563,171</b>	<b>162,223,125</b>	<b>129,269,533</b>	<b>124,690,621</b>	

## 22. Credit Concentration

Amount in NPR '000'

SECTORS	NUMBER	PRINCIPAL	INTEREST
1. Agricultural	116	490,744	412
2. Fishery	4	14,421	76
3. Mining	-	-	-
4. Agriculture, Forestry & Beverage Production Related	164	1,185,427	830
5. Non-food production related	414	4,110,092	11,543
6. Construction	1,747	3,749,622	20,402
7. Power, Gas and Water	44	501,155	0
8. Metal Prod, Machinery & Electronic Equip & assemblage	60	339,757	313
9. Transport, Communication and Public Utilities	111	850,615	121
10. Wholesaler & Retailer	2,453	5,509,089	7,584
11. Finance, Insurance and Real Estate	312	2,631,893	2,648
12. Hotel or Restaurant	40	124,968	161
13. Other Services	180	839,493	3,113
14. Consumption Loans	3,825	2,168,209	11,765
15. Local Government	1	134,633	-
16. Others	1,290	446,375	404
<b>Total</b>	<b>10,761</b>	<b>23,096,491</b>	<b>59,372</b>

## 23. Details of Gross Non Banking Assets (NPR)

Amount in NPR '000'

PREVIOUS YEAR	ADDITION DURING THE YEAR	DISPOSAL DURING THE YEAR	BALANCE AT THE END OF THE YEAR
25	86,524	-	86,549

## 24. Details of Lease Hold Assets Amortization

Amount in NPR '000'

LEASE HOLD ASSETS UP TO LAST YEAR	THIS YEAR ADDITION / DELETION (NET)	AMORTIZATION DURING THE YEAR	NET BALANCE AT THE END OF THE YEAR
22,448	9,452	10,052	21,848

## 25. Tax Liability Reconciliation

Profit as per financial statement is reconciled with Taxable profit to compute tax liability as follows:

*Amount in NPR '000'*

PARTICULARS	AMOUNT
<b>Profit before tax as per Profit &amp; Loss Account</b>	<b>674,007</b>
<b>Add: Adjustments for</b>	
Depreciation as per Schedule 24 considered separately	34,886
Equipment & furniture charged to revenue considered in depreciation	2,920
Leasehold amortization considered in depreciation	10,052
Loss on disposal of depreciable assets	455
Software amortization considered in depreciation	2,702
Repairs and Maintenance added to the Pool as per Income Tax Act	39
Premium on Government Bonds amortized in this fiscal year	6,553
<b>Less: Adjustments for</b>	
Depreciation as per Income Tax Act (including lease and software)	(42,533)
Dividend income	(6,966)
Loss on disposal of investment	(3,559)
<b>Taxable Profit as per Income Tax Act 2058</b>	<b>678,556</b>
<b>Corporate Income Tax @ 30%</b>	<b>203,567</b>

## 26. Deferred Tax Liability/ (Asset)

Carrying amount of Assets & Liabilities where temporary differences arise as on 32 Ashad 2071 (16 July 2014) are as follows:

*Amount in NPR '000'*

PARTICULARS	CARRYING AMOUNT	TAX BASE	NET TEMPORARY DIFFERENCE
Fixed Assets	212,123	236,251	(24,128)
Premium on Government Bonds	3,963	17,035	(13,072)
<b>Net Temporary Differences</b>	<b>216,086</b>	<b>253,286</b>	<b>(37,200)</b>
<b>Deferred Tax Liability / (Asset) as at Ashad end 2071 @ 30%</b>			<b>(11,160)</b>
Deferred Tax Liability / (Asset) till Ashad end 2070			(6,744)
Deferred Tax Expense / (Income) credited to Profit and Loss Account			(4,416)

Deferred Tax Asset as of 32 Ashad 2071 (16 July 2014) is NPR 11,159,906. NPR 4,416,384 has been recognized as deferred tax income in Profit and Loss Account in the current year.

As required by NRB, NPR 4,416,384 was transferred to Deferred Tax Reserve through Profit and Loss Appropriation Account against addition to Deferred Tax Asset.

## 27. Debentures

### a. 8.5% Laxmi Bank Debenture, 2072

The Bank issued 350,000 unsecured debentures of NPR 1,000 each for NPR 350,000,000 on 25 November 2008 with a coupon rate of 8.5%, and tenure of 7 years. Interest on debenture is payable on semi annual basis. The bank has established a

Debenture Redemption Fund for the purpose of redemption of these debentures and appropriated NPR 50,000,000 during this year towards the fund, in line with the NRB directives, from the Profit and Loss appropriation account. Total Debenture Redemption Fund as of 16 July 2014 stands at NPR 300,000,000.

### b. 8% Laxmi Bank Debentures, 2076

The Bank issued 400,000 unsecured debentures of NPR 1,000 each for NPR 400,000,000 on 5 February 2013 with a coupon rate of 8%, and tenure of 7 years. Interest on debenture is payable on semi annual basis. The bank will appropriate proportionate amount for the purpose of redemption of these debentures during the last five years of maturity as per NRB directives.

## 28. Events After the Balance sheet date

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

## 29. Proposed Dividend

The board has decided to issue 20% Bonus share (gross) and 1.05% cash dividend to cover dividend tax to shareholders out of accumulated profit upto current year subject to approval from Nepal Rastra Bank and Annual General Meeting. Proposed Bonus share amounting NPR 389,660,960 is disclosed under schedule 4.1.

## Statement of Loans and Advances of Promoters/Promoter Group by Pledging the Shares in Their Ownership in Other Banks and Financial Institutions

SCHEDULE 4.34

As at Ashad 32, 2071 (July 16, 2014)

Amount in NPR

NAME OF PROMOTER/ SHAREHOLDERS UNDER PROMOTER GROUP	SHAREHOLDING		LOAN DETAILS			REMARKS
	TOTAL NO OF SHARES	% OF TOTAL PAID UP CAPITAL	NAME OF THE LENDING BANK AND FINANCIAL INSTITUTIONS	LOAN AMOUNT	NO OF SHARES PLEGDED	
1. Narayan Bajaj	18,257	0.09%	Himalayan Bank	6,775.60	15,876	
2. Amit Gupta Agrawal	414,372	2.13%	Himalayan Bank	13,899,298.17	167,158	
3. Madhusudan Agrawal	230,005	1.18%	Bank of Kathmandu		100,000	<i>As additional collateral only</i>

## Comparison of Unaudited and Audited Financial Statement

SCHEDULE 4.35

As of FY 2013/14

Amount in NPR '000'

PARTICULARS	AS PER UNAUDITED	AS PER AUDITED	VARIANCE		REASONS FOR VARIANCE
	FINANCIAL STATEMENT	FINANCIAL STATEMENT	AMOUNT	IN %	
<b>1. Total Capital and Liabilities ( 1.1 to 1.7 )</b>	<b>34,713,739</b>	<b>34,919,161</b>	<b>205,422</b>	<b>1%</b>	
1.1. Paid Up Capital	1,948,305	2,337,966	389,661	20%	Effect of Bonus share proposed
1.2. Reserve & Surplus	1,244,231	837,067	(407,164)	-33%	Effect of bonus share proposed and deferred tax
1.3. Debenture & Bond	750,000	750,000	-		
1.4. Borrowings	-	-	-		
1.5. Deposits ( a+b )	30,584,876	30,592,046	7,170	0%	Regrouped as per statutory auditor
a) Domestic Currency	27,297,651	27,304,989	7,338	0%	Regrouped as per statutory auditor
b) Foreign Currency	3,287,226	3,287,057	(168)	0%	
1.6. Income Tax Liability	-	-	-		
1.7. Other Liabilities (including Bills payable, dividend payable etc)	186,327	402,082	215,755	116%	Regrouping of provisions
<b>2. Total Assets (2.1 to 2.7 )</b>	<b>34,713,739</b>	<b>34,919,262</b>	<b>205,524</b>	<b>1%</b>	
2.1. Cash & Bank Balance	5,331,196	5,331,196	-		
2.2. Money at call and Short Notice	721,875	721,875	-		
2.3. Investments	4,700,746	4,700,418	(328)	0%	Regrouping with other assets
2.4. Loan & Advances	23,096,491	22,723,847	(372,644)	-2%	Net of provision in Audited Financials
a. Real Estate Loan	1,306,836	1,257,539	(49,297)	-4%	
(i) Residential Real Estate	322,059	298,301	(23,758)	-7%	
(ii) Business Complex & Residential					
Apart.Construction Loan	295,546	292,591	(2,955)	-1%	
(iii) Income generating Commercial Complexes Loan	552,133	541,359	(10,773)	-2%	

Continued...

PARTICULARS	AS PER UNAUDITED	AS PER AUDITED	VARIANCE		REASONS FOR VARIANCE
	FINANCIAL	FINANCIAL	AMOUNT	IN %	
	STATEMENT	STATEMENT			
(iv) Other Real Estate Loan	137,099	125,288	(11,811)	-9%	
b. Personal Home Loan of Rs 100 lacs or less	847,676	838,073	(9,603)	-1%	
c. Margin Type Loan	647,074	640,603	(6,471)	-1%	
d. Term Loan	3,292,332	3,228,006	(64,326)	-2%	
e. Overdraft Loan/ TR Loan/ WC Loan	10,107,986	9,957,774	(150,212)	-1%	
f. Others	6,894,586	6,801,953	(92,633)	-1%	
2.5. Fixed Assets	376,858	435,359	58,500	16%	Net of depreciation provision
2.6. Non Banking Assets (net)	-	-	-		
2.7. Other Assets	486,573	1,006,467	519,894	107%	Regrouping of provisions
<b>3. Profit &amp; Loss Account</b>					
3.1. Interest Income	2,489,315	2,489,315	0		
3.2. Interest Expenses	1,667,027	1,667,027	-		
<b>A. Net Interest Income ( 3.1-3.2 )</b>	<b>822,289</b>	<b>822,289</b>	<b>0</b>		
3.3. Fees, Commission & Discount	194,606	194,606	-		
3.4. Other Operating Income	103,899	103,899	-		
3.5. Foreign Exchange Gain & Loss	120,185	120,185	-		
<b>B. Total Operating Income ( A+3.3+3.4+3.5 )</b>	<b>1,240,978</b>	<b>1,240,978</b>	<b>0</b>		
3.6. Staff Expenses	239,997	239,997	-		
3.7. Other Operating Expenses	266,141	265,704	(437)	0%	Regrouping to non operating income/ expenses
<b>C. Operating Profit before Provisions ( B -3.6-3.7 )</b>	<b>734,841</b>	<b>735,277</b>	<b>437</b>	<b>0%</b>	
3.8. Provision for Possible Losses	73,655	73,655	0		
<b>D. Operating Profit ( C- 3.8 )</b>	<b>661,186</b>	<b>661,623</b>	<b>437</b>	<b>0%</b>	
3.9. Non Operating Income/Expenses ( Net )	26,253	25,744	(509)	-2%	Regrouping from operating expenses
3.10. Loan Loss Provision Written Back	53,741	53,741	-		
<b>E. Profit from Regular Activities ( D+3.9+3.10 )</b>	<b>741,180</b>	<b>741,108</b>	<b>(72)</b>	<b>0%</b>	
3.11. Extraordinary Income/Expenses (Net)	300	300	-	0%	
<b>F. Profit before Bonus and Taxes (E+3.11 )</b>	<b>741,480</b>	<b>741,408</b>	<b>(72)</b>	<b>0%</b>	
3.12. Provision for Staff Bonus	67,407	67,401	(7)	0%	
3.13. Provision for Taxes	202,222	203,567	1,345	1%	Tax calculation as per Income tax act in Audited Financials
Deferred Tax Expense/ (Income)	-	(4,416)	(4,416)		Deferred tax calculated
<b>G. Net Profit/ Loss ( F-3.12-3.13 )</b>	<b>471,851</b>	<b>474,856</b>	<b>3,006</b>		

# Unaudited Financial Results (Quarterly)

SCHEDULE 4.A

As at 4th Quarter (16/7/2014) of the Fiscal Year 2013/14

(IN NPR)

PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS
	32 ASHAD 2071 (16-JUL-14)	30 CHAITRA 2070 (13-APR-13)	YEAR QUARTER ENDING 31 ASHAD 2070 (15-JUL-13)
1 Total Capital and Liabilities ( 1.1 to 1.7)	34,713,739	33,720,475	29,815,937
1.1 Paid Up Capital	1,948,305	1,948,305	1,948,193
1.2 Reserve & Surplus	1,244,231	1,005,946	772,492
1.3 Debenture & Bond	750,000	750,000	750,000
1.4 Borrowings	-	-	-
1.5 Deposits ( a+b )	30,584,876	29,558,872	25,960,598
a) Domestic Currency	27,297,651	26,515,639	23,519,187
b) Foreign Currency	3,287,226	3,043,233	2,441,411
1.6 Income Tax Liability	-	-	-
1.7 Other Liabilities	186,327	457,352	384,654
<b>2 Total Assets (2.1 to 2.7 )</b>	<b>34,713,739</b>	<b>33,720,475</b>	<b>29,815,937</b>
2.1 Cash & Bank Balance	5,331,196	6,225,671	3,465,142
2.2 Money at call and Short Notice	721,875	-	443,329
2.3 Investments	4,700,746	3,500,091	5,417,570
2.4 Loan & Advances	23,096,491	22,982,129	19,693,820
a. Real Estate Loan	1,306,836	1,577,349	1,852,129
(i) Residential Real Estate	322,059	284,374	252,998
(ii) Business Complex & Residential Apart.Construction Loan	295,546	531,000	778,899
(iii) Income generating Commercial Complexes Loan	552,133	554,500	545,128
(iv) Other Real Estate Loan	137,099	207,475	275,104
b. Personal Home Loan of Rs 100 lacs or less	847,676	714,160	683,947
c. Margin Type Loan	647,074	663,350	206,669
d. Term Loan	3,292,332	3,225,960	3,341,154
e. Overdraft Loan/ TR Loan/ WC Loan	10,107,986	10,770,070	9,131,237
f. Others	6,894,586	6,031,240	4,478,684
2.5 Fixed Assets	376,858	477,253	437,740
2.6 Non Banking Assets (net)	-	-	-
2.7 Other Assets	486,573	535,330	358,337
2.7 Other Assets	312,003	336,552	377,458
<b>3 Profit &amp; Loss Account</b>	<b>Up to This Quarter</b>	<b>Up to Last Quarter</b>	<b>Up to Corresponding Previous Year This Quarter</b>
3.1 Interest Income	2,489,315	1,774,175	2,376,735
3.2 Interest Expenses	1,667,027	1,250,010	1,451,899
<b>A. Net Interest Income ( 3.1-3.2 )</b>	<b>822,289</b>	<b>524,165</b>	<b>924,835</b>
3.3 Fees, Commission & Discount	194,606	138,478	139,295
3.4 Other Operating Income	103,899	67,509	88,637
3.5 Foreign Exchange Gain & Loss	120,185	93,842	117,338

Continued...

(IN NPR)

PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS
	32 ASHAD 2071 (16-JUL-14)	30 CHAITRA 2070 (13-APR-13)	YEAR QUARTER ENDING 31 ASHAD 2070 (15-JUL-13)
<b>B. Total Operating Income ( A+3.3+3.4+3.5 )</b>	<b>1,240,978</b>	<b>823,994</b>	<b>1,270,106</b>
3.6 Staff Expenses	239,997	160,514	207,373
3.7 Other Operating Expenses	266,141	183,692	240,503
<b>C. Operating Profit before Provisions ( B -3.6-3.7 )</b>	<b>734,841</b>	<b>479,788</b>	<b>822,230</b>
3.8 Provision for Possible Losses	73,655	132,731	186,038
<b>D. Operating Profit ( C- 3.8 )</b>	<b>661,186</b>	<b>347,057</b>	<b>636,193</b>
3.9 Non Operating Income/Expenses ( Net )	26,253	6,189	12,972
3.10 Loan Loss Provision Written Back	53,741	13,486	10,187
<b>E. Profit from Regular Activities ( D+3.9+3.10 )</b>	<b>741,180</b>	<b>366,732</b>	<b>659,352</b>
3.11 Extraordinary Income/Expenses (Net)	300	300	1,200
<b>F. Profit before Bonus and Taxes (E+3.11 )</b>	<b>741,480</b>	<b>367,032</b>	<b>660,552</b>
3.12 Provision for Staff Bonus	67,407	33,367	60,050
3.13 Provision for Taxes	202,222	100,100	180,659
<b>G. Net Profit/ Loss ( F-3.12-3.13 )</b>	<b>471,851</b>	<b>233,566</b>	<b>419,843</b>
<b>4 Ratios</b>	<b>At the End of This Quarter</b>	<b>At the End of Previous Quarter</b>	<b>At the End of Corresponding Previous Year Quarter</b>
4.1 Capital Fund to RWA	11.99%	11.37%	12.23%
4.2 Non Performing Loan (NPL) to Total Loan	1.15%	2.21%	1.51%
4.3 Total Loan Loss Provision to Total NPL	140.62%	99.93%	133.51%
4.4 Net Interest Spread	3.77%	3.77%	3.55%
4.5 LCY Interest Spread (Calculated as per NRB Circular)	3.89%	5.12%	-
4.6 CD ratio (Calculated as per NRB Directives)	72.05%	75.59%	72.92%
4.7 Base Rate	8.89%	9.41%	10.12%
4.8 Average Yield	8.82%	9.69%	10.17%
4.9 Cost of Fund (LCY)	5.05%	5.92%	6.62%
4.10 Return on Equity (annualised)	15.35%	10.54%	15.84%
4.11 Return on Assets (annualised)	1.38%	0.92%	1.44%



## DISCLOSURE AS PER BASEL II

### 1. Capital structure and capital adequacy

#### Tier 1 capital and a breakdown of its components;

Amount in NPR '000'

PARTICULARS	AMOUNT
Paid up Equity Share Capital	1,948,305
Proposed Bonus Equity Shares (including fractional bonus shares)	390,092
Statutory General Reserves	480,243
Retained Earnings	14,634
Unaudited Profit for the year	-
Deferred Tax Reserve	11,160
Debenture Redemption Reserve	300,000
<b>Core Capital</b>	<b>3,144,434</b>

#### Tier 2 capital and a breakdown of its components;

Amount in NPR '000'

PARTICULARS	AMOUNT
Subordinated Term Debt (350M: 8.5% Laxmi Bank Debenture, 2072 and 400M: 8% Laxmi Bank Debenture, 2076) – (net of Redemption Reserve of NPR 300 mio)	450,000
General loan loss provision	229,408
Exchange Equalization Reserve	25,305
Investment Adjustment Reserves	5,294
Supplementary Capital	710,007

#### Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.

##### 8.5% Laxmi Bank Debenture, 2072

Outstanding Amount	NPR 350 Million
Maturity	24 November 2015
Amount eligible for Tier 2 capital fund (net of Redemption Reserve)	NPR 100 Million

##### 8% Laxmi Bank Debenture, 2076

Outstanding Amount	NPR 400 Mio
Maturity	4 February 2020
Amount eligible for Tier 2 capital fund	NPR 400 Mio

#### Deductions from Capital:

Amount in NPR '000'

PARTICULARS	AMOUNT
Investment in equity of institutions with financial interests	156,082
Investments arising out of underwriting commitments	447
<b>Total</b>	<b>156,529</b>

<b>Total qualifying capital;</b>	<i>Amount in NPR '000'</i>
<b>PARTICULARS</b>	<b>AMOUNT</b>
Tier 1 Capital	3,144,434
Tier 2 Capital	710,007
Deductions	(156,529)
<b>Total Qualifying Capital (Total Capital Fund)</b>	<b>3,697,912</b>

**Capital Adequacy Ratio;**  
11.91%

**Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable;**

The Bank's capital management strategy is designed to maximize shareholders value. The Bank is adequately capitalized not only to comply with individual capital ratios prescribed by Nepal Rastra Bank but also to fund growth of our assets and operations, absorb potential losses and maintain the confidence of all the stakeholders.

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

***Main features of the Subordinated debt – 8.5% Laxmi Bank Debenture 2072:***

Name	Laxmi Bank Debenture-2072
Amount	NPR 350,000,000.00 (Three Hundred Fifty Million Only)
Interest Rate	8.5% per annum (before tax) payable half yearly
Type	Unsecured and Redeemable at Maturity. No call / convertible feature
No. of Debentures	350,000 (Three Hundred and Fifty Thousand Only)
Face Value	NPR 1,000.00
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors
Listing	Listed with Nepal Stock Exchange

***Main feature of the Subordinated debt – 8% Laxmi Bank Debenture 2076:***

Name	Laxmi Bank Debenture - 2076
Amount	NPR 400,000,000.00 (Four Hundred Million Only)
Interest Rate	8% per annum (before tax) payable half yearly
Type	Unsecured and Redeemable at Maturity. No call / convertible feature.
No. of Debentures	400,000 (Four Hundred Thousand Only)
Face Value	NPR 1,000.00
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors
Listing	Listed with Nepal Stock Exchange

## 2. Risk exposures

<b>•Risk weighted exposures for Credit Risk, Market Risk and Operational Risk;</b>		<i>Amount in NPR '000'</i>
<b>PARTICULARS</b>		<b>AMOUNT</b>
Risk weighted exposures for Credit Risk		28,560,768
Risk weighted exposures for Operational Risk		1,602,684
Risk weighted exposures for Market Risk		23,233
2% Additional RWE under supervisory review		603,734
2% of Gross Income under supervisory review		253,568
<b>Total Risk Weighted Exposures</b>		<b>31,043,986</b>

<b>Risk Weighted Exposures under each of 11 categories of Credit Risk;</b>		<i>Amount in NPR '000'</i>
<b>PARTICULARS</b>		<b>AMOUNT</b>
a). Claims on government & central bank		-
b). Claims on other official entities		383,343
c). Claims on banks		609,273
d). Claims on corporate & securities firms		14,110,998
e). Claims on regulatory retail portfolio		2,049,534
f). Claims secured by residential properties		848,646
g). Claims secured by commercial real state		405,424
h). Past due claims		1,426,334
i). High risk claims		3,399,169
j). Other assets		579,054
k). Off balance sheet items		4,748,992
<b>Total</b>		<b>28,560,768</b>

<b>Total Risk Weighted Exposure calculation table;</b>		<i>Amount in NPR '000'</i>
<b>PARTICULARS</b>		<b>AMOUNT</b>
Risk weighted exposures for Credit Risk		28,560,768
Risk weighted exposures for Operational Risk		1,602,684
Risk weighted exposures for Market Risk		23,233
2% Additional RWE under supervisory review		603,734
2% of Gross Income under supervisory review		253,568
<b>Total Risk Weighted Exposures</b>		<b>31,043,986</b>
<b>Total Capital Fund</b>		<b>3,697,912</b>
<b>Total Capital to Total Risk Weighted Exposures</b>		<b>11.91%</b>

**Amount of NPAs (both Gross and Net) (in NPR '000)****Restructured/ Rescheduled Loan**

Gross	NPR 104,713
Net	NPR 67,025

**Substandard Loan**

Gross	NPR 32,232
Net	NPR 24,174

**Doubtful Loan**

Gross	NPR 61,131
Net	NPR 30,565

**Loss Loan**

Gross	NPR 66,925
Net	NIL

**NPA ratios**Gross NPA to gross advances: **1.15%**Net NPA to net advances: **0.54%****Movement of Non Performing Assets***Amount in NPR '000'*

PARTICULARS	PREVIOUS	NET ADDITION/	BALANCE AT THE
	YEAR	(REDUCTION)	END OF THE
		DURING THE YEAR	YEAR
Restructured	117,748	(13,035)	104,713
Substandard	25,4632	6,769	32,232
Doubtful	57,227	3,903	61,131
Loss	104,009	(37,083)	66,926
<b>Total</b>	<b>304,446</b>	<b>(39,445)</b>	<b>265,002</b>

**Write off of Loans and Interest Suspense (in NPR '000)**

Loan written off	NIL
Interest written off	NIL

**• Movements in Loan Loss Provisions and Interest Suspense***Amount in NPR '000'*

PARTICULARS	PREVIOUS	NET ADDITION/	BALANCE AT THE
	YEAR	(REDUCTION)	END OF THE
		DURING THE YEAR	YEAR
Loan loss provision	406,470	(33,826)	372,644
Interest Suspense	77,415	(17,482)	59,933

#### **Details of additional Loan Loss Provisions (in NPR '000)**

Additional Loan loss provision  
NPR 1,092

*(Includes loan loss provision in excess of the regulatory requirement)*

#### **Segregation of Investment portfolio into Held for trading, Held to maturity and Available for sale category**

Presented in the Financial Statement schedule 4.12.1, 4.12.2 and 4.12.3

### **3. Risk Management Function**

#### **Risk Management Objectives and Policies**

Laxmi Bank's objective to risk management goes beyond mitigation and control. We believe that our risk management approach is a strategic differentiator and a key driver for our sustained and quality growth.

#### **Our approach to risk managements is built around:**

- > formal governance processes that is constantly reviewed and updated
- > top level commitment & development of risk framework through close alignment of risk capabilities to business objectives
- > ensuring that responsibility for risk resides at all levels – from the Board down through all individual employees
- > continuous research and development of new and improved risk management processes and tools supported by effective Management Information Systems

- > all businesses are accountable for managing risk in their own area, assisted, where appropriate, by independent risk specialists
- > by embedding this approach to measure and understand key risks to ensure the viability of all processes and transactions

In the past years we have continued to make significant progress in enhancing our risk management capabilities including identifying, measuring, monitoring and reporting of risk activities to ensure internal controls are in place to manage the risks we undertake in our normal course of business as well as stress scenarios.

As a part of Internal Capital Adequacy Assessment Process, the Bank has defined the extent of responsibility, accountability and involvement of senior management and the Board such that they understand nature and size of risk bank is taking. The Board has set out the risk appetite and philosophy for the Bank by defining and articulating the amount of risk the Bank is willing to take and reconciling capital planning and strategic planning with the same.

The Bank is closely studying the provisions relating to implementation Basel III both in terms of international practices and action plan set by Nepal Rastra Bank. The Bank believes that the existing capital plan and liquidity condition of the Bank has enough cushions relating to capital adequacy and liquidity as envisioned in the Basel III document.

#### **Risk Management Framework and Organization**

The Board is supported by various Board / Management level Committees who are primarily responsible for ensuring that the risk standards are maintained as per the agreed parameters. The Bank's Internal Audit functions independent of management influence and reports to the Audit Committee. The Risk Management Unit has a role of over viewing risk standards of the Bank and balancing the growing business of the Bank remaining fully compliant to the legal and regulatory guidelines. As part of prudent banking practices, Laxmi Bank has other senior executives in the role of risk managers who work independent of any business targets. The Credit Risk Department, Credit Risk Control Unit and Compliance and Assurance Department are especially responsible in management of risk in their respective areas.

#### **Credit Risk**

Laxmi Bank - Credit Policy Guide is the highest level policy document and it reflects long-term expectations and represents a key element of uniform, constructive and risk-aware culture throughout the Bank. This credit policy defines acceptable risk parameters and is periodically reviewed to account for changing operating environment and industry behavior.

Laxmi Bank identifies, assesses and manages the probability of default by borrowing clients through a number of proactive risk management techniques and tools under a broad risk framework.

Senior management, Risk Management Committee and the Board review credit portfolio and industry concentration aspects regularly and make decisions / strategies based on the need of the hour.

#### **Credit Approval Process**

The Bank has standard procedures for Credit Approval for both retail and corporate credit proposals that ensure that appropriate resources and tools are employed for the type of credit assessment required.

#### **Post Disbursal Review and Monitoring**

The Bank has standard procedures for credit review and monitoring systems, which is documented in Credit Policy Guide and other Risk Management Guidelines. The policy stipulates the frequency and procedures for credit review and monitoring

#### **Distribution of Risk Assets by Industry sector / Concentration Risk**

It is Laxmi Bank's policy to ensure that the Bank's exposure on any particular sector/industry does not exceed a predefined cap of the total portfolio. The Bank has adopted the NAICS codes to analyse our exposure on sectors. Industry analyses help us monitor industries at risk and make strategic decisions based on such reviews.

#### **Market Risk**

The Bank's foreign exchange risk stems from foreign exchange

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

The Bank has set internal risk appetite in terms of managing its liquidity risk. Adequate cushion is maintained in terms of liquidity. Asset-liability management is also a part of the Treasury functions and it guided by the Bank's Asset Liability Management policy. This is further reviewed by the Bank's ALCO and Risk Management Committee.

#### **Operational Risk**

Operational risk is inherent in all business activities. Whilst risks can never be eliminated, at Laxmi Bank

we follow a number of procedures and practices like Business Continuity Plan, Whistle Blowing – A Culture of Speaking Up to manage and mitigate preserve and create value of our business.

We manage our operational risks through standardization of internal processes and monitoring mechanisms. Data security, dual control, periodic departmental reviews and quality assessment are some of the tools that are used to manage risks.

Critical risk areas are discussed at the management level as well as Risk Management Committee which updates issues with priority to the Bank's Board to necessary actions and strategic directions.

#### **Compliance and Assurance / Operations Risk Unit**

Recognizing the importance of Operations Risk in terms of managing day-to-day business, we have a full fledged Operational Risk team that reports to Chief Risk Officer.

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

Credit risk mitigants used are deposits and cash margin held with own bank and deposits held with other banks and financial institutions, gold and guarantees from banks and financial institutions including those from MDBs.





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