

**Statement of Financial Position**
**Rs in ' 000**

Particulars	This Quarter Ending 31 Ashwin 2075 (17 October 2018)		Previous Quarter Ending 32 Ashadh 2075 (16 July 2018)		Corresponding Previous Year Quarter Ending 31 Ashwin 2074 (17 October 2017)
	Bank	Group	Bank	Group	Bank
<b>Assets</b>					
Cash and Cash Equivalent	2,128,166	2,199,946	3,571,818	3,626,736	1,472,465
Due from NRB and Placements with BFIs	6,061,675	6,074,063	6,190,067	6,202,300	4,753,865
Loans and advances	64,627,036	66,661,802	61,972,032	63,473,524	54,370,278
Investment Securities	8,613,014	8,829,542	7,411,591	7,618,205	8,185,956
Investment in Subsidiaries and Associates	287,000	-	287,000	-	248,500
Property and Equipment	1,258,977	1,309,626	1,241,890	1,289,404	1,167,859
Goodwill and Intangible assets	31,641	32,959	35,069	36,557	38,057
Other Assets	1,727,991	1,753,593	1,274,255	1,314,820	1,778,176
<b>Total Assets</b>	<b>84,735,501</b>	<b>86,861,530</b>	<b>81,983,722</b>	<b>83,561,547</b>	<b>72,015,155</b>
<b>Capital and Liabilities</b>					
Paid up Capital	8,221,667	8,221,667	8,221,667	8,221,667	8,219,653
Reserve and Surplus	4,112,239	4,321,650	3,569,218	3,792,962	2,913,900
Deposits	69,072,579	70,014,015	67,735,866	68,590,048	58,645,840
Borrowings	2,005,480	2,717,595	666,917	924,608	638,171
Bond and Debentures	400,000	400,000	400,000	400,000	400,000
Other Liabilities and Provisions	923,536	1,037,717	1,390,054	1,487,907	1,197,592
Non Controlling Interests	-	148,886	-	144,355	-
<b>Total Capital and Liabilities</b>	<b>84,735,501</b>	<b>86,861,530</b>	<b>81,983,722</b>	<b>83,561,547</b>	<b>72,015,155</b>

**Statement of Profit or Loss**

Particulars	Up to this Quarter		Up to Previous Quarter		Up to this Quarter
	Bank	Group	Bank	Group	Bank
Interest Income	2,098,753	2,202,642	7,075,594	7,428,439	1,707,579
Interest Expenses	(1,358,724)	(1,394,129)	(4,731,489)	(4,817,660)	(1,125,502)
<b>Net Interest Income</b>	<b>740,029</b>	<b>808,513</b>	<b>2,344,106</b>	<b>2,610,779</b>	<b>582,078</b>
Fees & commission Income	150,389	183,113	586,018	692,778	116,858
Fees & commission Expenses	(10,082)	(10,082)	(43,633)	(43,633)	(8,188)
<b>Net Fee and Commission Income</b>	<b>140,308</b>	<b>173,032</b>	<b>542,385</b>	<b>649,145</b>	<b>108,670</b>
Other operating income	129,882	133,915	451,815	473,759	154,126
<b>Total Operating income</b>	<b>1,010,219</b>	<b>1,115,460</b>	<b>3,338,306</b>	<b>3,733,683</b>	<b>844,874</b>
Impairment (Charge)/ reversal for loans and other losses	(171,338)	(177,556)	(231,808)	(241,204)	(231,679)
<b>Net Operating Income</b>	<b>838,881</b>	<b>937,904</b>	<b>3,106,497</b>	<b>3,492,478</b>	<b>613,195</b>
Personnel Expenses	(205,738)	(250,445)	(779,758)	(922,267)	(169,325)
Other Operating Expenses	(161,688)	(174,147)	(573,134)	(620,225)	(108,637)
<b>Operating profit</b>	<b>471,455</b>	<b>513,312</b>	<b>1,753,605</b>	<b>1,949,986</b>	<b>335,234</b>
Non Operating Income/ Expenses	(38,574)	(38,431)	8,682	13,219	(12,473)
<b>Profit before Income Tax</b>	<b>432,882</b>	<b>474,881</b>	<b>1,762,286</b>	<b>1,963,205</b>	<b>322,761</b>
Income Tax Expenses	(129,864)	(141,849)	(528,686)	(576,749)	(96,828)
Share of Non Controlling Interest		(7,553)		(36,689)	
<b>Profit / (loss) for the period</b>	<b>303,017</b>	<b>325,479</b>	<b>1,233,601</b>	<b>1,349,767</b>	<b>225,933</b>
Other comprehensive income	(17,719)	(17,713)	(664,631)	(664,285)	(12,186)
<b>Total comprehensive income</b>	<b>285,299</b>	<b>307,767</b>	<b>568,969</b>	<b>685,482</b>	<b>213,747</b>
<b>Distributable Profit</b>					
Net profit or (loss) as per Statement of Profit or Loss	303,017	325,479	1,233,601	1,349,767	225,933
Add/Less: Regulatory adjustment as per NRB Directive	(51,710)	(53,761)	(67,257)	(90,999)	(54,944)
<b>Free profit/ (loss) after regulatory adjustments</b>	<b>251,307</b>	<b>271,719</b>	<b>1,166,344</b>	<b>1,258,767</b>	<b>170,989</b>
<b>Ratios</b>					
Capital Fund to RWA	12.36%	12.42%	12.54%	12.60%	13.37%
Non Performing Loan (NPL) to total loan	1.50%	1.47%	1.29%	1.28%	1.78%
Total Loan Loss Provision to total NPL	129.65%	130.87%	136.06%	136.99%	110.91%
Cost of Funds	7.64%	7.73%	7.95%	7.98%	7.46%
Credit to Deposit Ratio ( As per NRB Directive)	78.04%	80.87%	77.07%	79.35%	78.86%
Base Rate	11.28%	11.65%	11.48%	11.83%	10.66%
Basic Earning Per Share	14.74	15.84	15.00	16.09	10.99
Diluted Earning Per Share	14.74	15.84	15.00	16.09	10.99

**Notes to NFRS Compliant Financial Statement**

1. The above figures are subject to review by regulatory and statutory auditors.

2. The above financial statements have been prepared in accordance with the NFRS compliant financial statement format provided by Nepal Rastra Bank (NRB) and the principles and policies adopted by the bank in accordance with Nepal Financial Reporting Standards (NFRS), except for the following which have been carved-out for this period as per notice published by the Institute of Chartered Accountants of Nepal :

- Preparation of consolidated financial statements using uniform accounting policies. (NFRS 10)
- Operating Lease in the financial statements of Lessees. (NAS 17)
- Accounting for Investment in Associates as per equity method using uniform accounting policies (NAS 28)
- Restatement of corresponding previous interim period information (NAS 34)
- Incurred Loss Model to measure the Impairment Loss on Loan and Advances. (NAS 39)
- Determination of Transaction Cost of all previous years which is a part of effective interest rate (NAS 39)
- Determination of Interest Income on amortized cost. (NAS 39)

The monetary impact of the options to use the above carve-outs could not be assessed as it is impracticable to do so.

3. Assets and liabilities have been presented in their fair value wherever possible.

4. Loans and advances have been presented net of impairments. Impairments have been calculated based on Loan Loss Provisioning requirements as per NRB Directive #2.

5. Interest income on loans and advances has been calculated on accrual basis.

6. Personnel expenses include employee bonus provision.

7. Effect of actuarial valuation on gratuity and leave liability have not been provided for in interim financial report as the cost of such valuation would exceed the economic benefit.

8. Regulatory adjustment on Profit/ (loss) for the period excludes appropriations as per NRB.

**Related Party Disclosures**

- Group Financial Statements include Laxmi Bank Limited (Parent Company), Laxmi Capital Market Limited (100% Subsidiary) and Laxmi Laghubitta Bittiya Sanstha Limited (70% Subsidiary).
- The Bank has appointed its subsidiary Laxmi Capital Market Limited as its Registrar to Shares and the Fund Manager to the Mutual Fund Schemes wherein the bank is the Sponsor.
- All intra group transactions are conducted in arm's length basis.

**Segmental Reporting:**

The bank has identified its segments on the basis of its geographical business presence in seven provinces of the country. Province 5, Province 6 and Province 7 have been combined into a single segment as the total business/revenue of each taken separately is less than 10% and also considering their proximity to each other.

The summarized performance of the segments is as follows:

Particulars	Rs in '000					
	Province 1	Province 2	Province 3	Province 4	Others	Total
<b>Segment Assets</b>	<b>8,742,455</b>	<b>4,730,204</b>	<b>43,838,564</b>	<b>3,276,349</b>	<b>4,039,464</b>	<b>64,627,036</b>
<b>Segment Liabilities</b>	<b>4,809,269</b>	<b>2,180,081</b>	<b>55,748,609</b>	<b>2,203,500</b>	<b>4,131,119</b>	<b>69,072,579</b>
Operating Income	189,389	82,434	448,407	65,452	53,199	838,881
Operating Expenses	(44,405)	(22,120)	(240,595)	(20,085)	(40,220)	(367,426)
<b>Net Operating Income</b>	<b>144,984</b>	<b>60,313</b>	<b>207,811</b>	<b>45,367</b>	<b>12,979</b>	<b>471,455</b>
<b>Profit after Tax</b>	<b>101,481</b>	<b>42,219</b>	<b>119,080</b>	<b>31,149</b>	<b>9,087</b>	<b>303,017</b>

**Disclosure as per Securities Registration and Issuance Regulation, 2073**
**Annexure - 14 (Sub rule 1 of rule 26)**
**Quarterly Details as on 17 October 2018**
**1. Financial Highlights of Laxmi Bank Ltd (as per unaudited figures)**

Earning per Share	NPR 14.74
Market Value per Share	NPR 250
Price Earnings Ratio	16.96
Liquidity (SLR)	17.60%
Return on Average Total Assets	1.41%
Net worth per Share	NPR 150.02

**2. Group**

a. Group comprises of Laxmi Bank Ltd and its Subsidiaries (Laxmi Capital Market Ltd and Laxmi Laghubitta Bittiya Sanstha Ltd).

**3. Related Party Disclosure**

a. Laxmi Capital Market Ltd is a wholly owned subsidiary of Laxmi Bank Ltd. Laxmi Bank Ltd. has 70% holding in Laxmi Laghubitta Bittiya Sanstha Ltd while 30% of its shares are held by the public. Laxmi Capital Market Ltd is operating Merchant Banking activities. Laxmi Laghubitta Bittiya Sanstha Ltd is a "D" class licensed financial institution.

b. The Bank held call deposits from Laxmi Capital Market and Laxmi Laghubitta Bittiya Sanstha Ltd as at this quarter end. The bank has also provided loan facility to Laxmi Laghubitta Bittiya Sanstha Ltd. The bank has entered into Service Level Agreements with Laxmi Capital Market Ltd for various services such as RTS.

**4. Management Analysis**

- There have been changes in the Bank's reserve, income and liquidity position in line with the growth in business volumes.
- The Bank aims to achieve its financial goals through sustainable profitability and measured growth in balance sheet size. Our business models remain robust and we continue to seek sound growth.
- There were no major incidents, which have had adverse impact on reserve, profit or cash flow position of the Bank during the quarter under review.

**5. Details relating to legal action**

- Case filed by or against the organized institution during the quarter - There are no other major cases except those arising in normal course of banking business related to lending and income tax.
- Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the Promoter or Director of organized institution - No such information has been received.
- Case relating to financial crime filed against any Promoter or Director - No such information has been received.

**6. Analysis of share transaction and progress of organized institution**

- Management view on share transaction of the organized institution at securities market -- Some effect of the changes in stock index has been observed in the institution's share price during this quarter. However since price and transaction of the bank's shares are being determined at Nepal Stock Exchange through open share market operations, management view on this is neutral.
- Maximum, minimum and last share price of the organized institution including total transaction number of shares and days of transaction during the quarter.

Maximum Price:	NPR 279
Minimum Price:	NPR 224
Last Price:	NPR 250
Transaction volume:	535,022 shares
Days of transaction:	61

**7. Problems and Challenges**
**Internal**

- Recruitment and retention of quality manpower
- Increasing cost of operation

**External**

- Lack of investment avenues
- Competition both on maintaining lending yield and mobilizing deposits at lower cost
- Volatility in the Foreign Exchange rates caused by changes in the global economic conditions
- Unstable local socio-political situation

**Strategy**

- Re-pricing of assets / liabilities as per the market conditions.
- New products and services being introduced / capitalize on existing array of services
- Strong risk management approaches / Portfolio management
- Identify new areas for investment
- Reinforcement of prudent banking fundamentals.

**8. Corporate Governance**

Laxmi Bank is committed to high standards of corporate governance, business integrity and professionalism in all our activities that assures all stakeholders that the bank is being managed ethically in compliance with best practices and applicable legislation and within predetermined risk parameters, and is also adding value to and protecting their investment.

**9. Declaration by Chief Executive Officer on the Truthfulness and Accuracy of Information**

I, as at the date, hereby individually accept responsibility for the accuracy of the information and details contained in this report. To the best of my knowledge and belief, the information contained in this report is true, accurate and complete and there are no other matters concealed, the omission of which shall adversely affect the informed investment decision by the investors.


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