

Thriving in Chaos | Laxmi Bank Limited

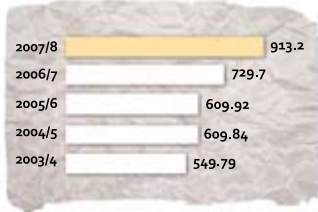
Full Financial
Report
2007/08



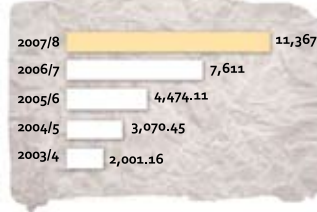


5 year Financial Highlights

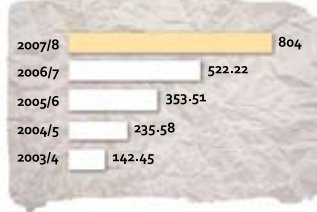
Paid UP Capital (Rs in million)



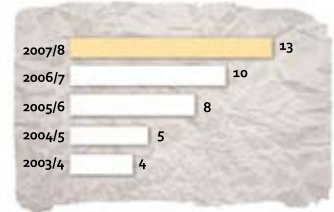
Deposit & Borrowing (Rs in million)



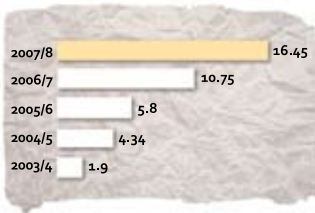
Total Revenue (Rs in million)



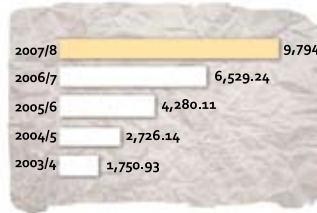
Number of Branches



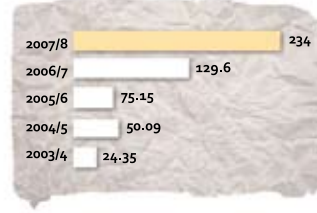
Earning per Share (Rs)



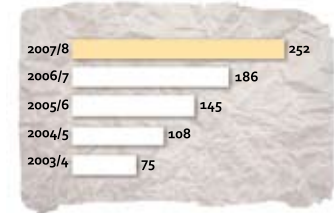
Loans & Advances (gross) (Rs in million)



Operating Profit (Rs in million)



Number of Employees



Thriving in chaos 2007/08

- > **Total Revenue** up 54%
- > **Operating Profit** up 81%
- > **Loans & Advances** grew by 50%
- > **Non Performing Assets** improved to 0.13% from 0.35%
- > **Customer Deposits** grew by 43%
- > **Number of Customer Accounts** grew by 61% driven by 66% growth of retail savings accounts
- > **3 new Branches**
- > **Number of Employees** grew by 35% to 252
- > **Earnings per Share** up 53%

Laxmi Bank completed 6 full years of operations in April 2008. We spent a good part of our first 4 years setting up systems and prudent risk management standards benchmarked with international best practices. Along the way we have set standards in a number of areas for the Nepalese financial services industry to follow and we take pride in being at the forefront in "raising the bar". The last 3 years have seen our footprints expand significantly as we "reached out" gaining access to newer markets and customer segments and we continue to do so having established our branch distribution networks in most of the strategically important commercial hubs around the country. Our strategy to pursue sustainable and quality growth continues to pay off as we "gained momentum" recording all round growth in our operations. The year under review, 2007/08 was a landmark year for Nepal as we underwent dramatic political changes that has had a far reaching impact at all levels. These times of transition have understandably brought about much confusion, discontentment and disturbances that has had a negative impact on all businesses. We see a light at the end of the tunnel and await days of peace and stability – until then we need to live and thrive amidst the chaos – and we have chosen "thriving in chaos" as the theme for this Annual Report, a reflection of our achievements during difficult times at home and of course the ongoing global financial crises that will add to the uncertainty and risks in our operating environment.

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Directors' Report

(This report has been prepared in conformity with the provisions of the Company Act 2063, Banking and Financial Institutions Act 2063 and applicable Nepal Rastra Bank Directives.)

The Directors present this report along with the Balance Sheet and Profit and Loss statements for the financial year that ended on July 15, 2008.

This report reviews the Bank's activities during the financial year 2007/08 including a commentary on the progresses, achievements, challenges and plans for the future.

Review of Bank's Operation for the Financial Year 2007/08

Key Financial Highlights

Figures in NPR Millions

PARTICULAR	16/7/2007	15/7/2008	% CHANGE
Paid up capital	729.70	913.20	25.15
Net Worth	843.95	1,145.53	35.74
Deposits & Borrowings	7,611.65	11,367.23	49.34
Risk Assets	6,529.24	9,794.44	50.00
Investments	1,460.39	1,502.97	2.92
Operating Profit	129.66	234.35	80.75
Net Profit	65.58	120.03	83.03
Provision for Loan Loss	91.79	113.49	23.64
Non Performing Loan	0.35%	0.13%	(62.86)

Network & Representation

The Bank was represented by 13 branches and 9 ATMs as at July 15, 2008.

Branch Expansion

During the review period the Bank added 4 new branches at:

- Kathmandu
 - ▶ New Road
 - ▶ New Baneshwor
- Janakpur
- Damak

We have opened two new branches at Bhatbhateni, Kathmandu and Itahari during the current financial year in line with the Bank's strategic expansion plans. Furthermore, another branch at Maharajgunj, Kathmandu is in final stage of completion and is

expected to be operational soon. The Bank has plans for further expansion with 4 new branches during the current financial year including a (hub) branch at Bhairahawa.

ATM Network

Our ATMs have been installed in our Hattisar, New Baneshwor, Bhatbhateni, Pulchowk, Pokhara and Birgunj branches and at Yeti Airlines complex, Sinamangla, Bluebird Departmental Store, Thapathali and Teku.

Such strategic expansions through branches and remote delivery channels have helped the Bank achieve overall growth of banking activities especially in generating retail deposits, strengthening distribution and delivery of workforce remittance payments and accessing small and medium sized borrowers.

The Bank's growing representation points have also helped our overall visibility and strengthened Laxmi Bank brand. We plan to continue increasing our reach through such strategic expansions to compliment our targeted business growth and achieve financial targets we set for ourselves.

Technology

The Bank believes that advancement in technology should be used towards enhancing the quality of customer service. In line with this approach we installed our own switching system that will enhance our service delivery quality especially in the area of plastic cards which in turn will provide us with new and increased source of revenue.

The Bank also expects the Switching Platform to play an important role in terms of introducing other technologically driven services in the future.

Remittances

Continuing the trend of year-on-year increase, the country received total remittances of NPR 142.68 billion during the year, an increase of 42.5% over the previous year. Given the strong opportunities presented by the sector the Bank continued to strengthen our presence in this business especially in

the Gulf and Malaysian corridors. The Bank continues to maintain representatives in the UAE who are responsible for business development and client servicing. We have established ourselves as one of the leading Banks in this business supported by a growing network of Payout Agents reaching many rural areas of all major districts in the country.

Investments

The Bank purchased additional land of approximately 2 ropanis adjoining its property at Hattisar jointly with other co-owners of Laxmi Complex, Hattisar. The land and the constructed building will also be jointly owned by the other co-owners of the existing property at Hattisar at the same ratio. The Bank has invested NPR 34,183,619.00 on this land.

Furthermore the Bank has invested NPR 54,000,000.00 in acquiring promoter shares of Prime Life Insurance Company Limited which is 15% of its issued capital.

Rights Shares

During the year under review, the Bank issued 4:1 (25%) Rights Shares for which 99.01% was subscribed by 8,972 shareholders. Share allotment and distribution of share certificates has been completed and these shares have been listed in the Nepal Stock Exchange.

Micro Finance

The Bank has joined hands with one of the biggest dairy product manufacturers in the country to finance livestock helping the farmers in rural areas to access modern financial services and helping raise their living standards. Currently, this program has been introduced through our Pokhara and Narayanghat branches and we expect to reach 1,000 households in the first phase. This program is part of our Responsible Banking Initiative and we expect to continue extending our services in the rural areas to build a sustainable loan portfolio and also offer other financial services such as savings, insurance etc.

New Services

The Bank has introduced a number of new financial products and solutions to our customers during

the year. These include deposit accounts such as Personal Reserve Account which offers depositors overdraft limit as well as interest on credit balances, My Money Market Savings, a premium account where the depositor enjoys rate 0.5% higher than 91 days Treasury Bills, Super Woman Savings that pays depositors a high interest rate of 6.5% p.a. and Micro Enterprise Loans targeting borrowers who have traditionally been deprived of accessing financial services from banks. Furthermore the Bank also added other services such as mobile bill payments and recharge through internet banking to its existing suite of electronic banking services. The Bank will continue to provide new and innovative financial solutions with the dual aim of satisfying customer demand and increasing sources of revenue.

Impact of National and International Events on the Bank's Business

During Fiscal Year 2007/08, the national economy witnessed a Gross Domestic Product (GDP) growth of 5.6%, agriculture production growth of 5.7%, non-agriculture production growth of 5.6% and Weighted Price Index (WPI) increase of 7.7%. Similarly, total exports increased by 2.4% while imports increased by 16.1%. Foreign currency reserves stood at NPR 212.62 Billion while government revenue collection increased by 22.6% and expenditure by 22.2%. Considering the above economic indicators and political situation of the nation, the overall environment cannot be considered favorable for business. Postponement of the Constituent Assembly Elections from the originally agreed date and growing unrest in the Terai region were some of the factors that had a negative impact on the economic condition of the country. The economy was not able to gain the expected momentum due to various reasons such as the instability of the government, failure to take the peace process to its logical conclusion and major political changes. Even in these unfavorable conditions, new commercial banks, development banks and finance companies continued to enter the market. Notwithstanding these events, the Bank was successful in maintaining the momentum achieving substantial growth in the Balance Sheet. We can assume that the expected political stability, peace and security for the business sector along with the conclusion of the peace



Directors' Report contd...

process will herald a new era not only for the Banking industry but for the entire nation in the days ahead.

Current year's achievements and Plan of Action:

a. Financial highlights for first quarter of the current fiscal year is presented below:

Figures in NPR Millions

S.NO.	PARTICULAR	16/10/2008
1.	Deposits & Borrowings	11,962
2.	Risk Assets	10,276
3.	Investments	1,071
4.	Operating Profit	82.5

b. The Board of Directors of the bank have envisaged the following action plan for the future progress of the bank:

- Open 7 new branches during the current year to expand distribution network
- Install 10 new ATMs
- Introduce and develop Microfinance activities
- Increase Supplementary Capital by issuing Debentures worth NPR 35 million
- Establish Remittance Counters to strengthen our workforce remittance services
- Introduce new products to grow the retail loan portfolio
- Grow and maintain quality of overall risk assets

Industrial and Professional relations

The Bank takes great efforts to maintain cordial professional relationship with various national and international governmental and non-governmental entities and with all stakeholders. With increasing growth in our operations and network, the Bank has been able to build cordial and transparent relationships with all levels / sections of the society.

Human Resources

In order to develop the skills and quality of our workforce we continue to provide in-house and external trainings and opportunities to participate

in seminars and workshops related to their work areas in order to provide them exposure to national and international best practices. Our Performance Management system continues to be based on performance linked incentives and benefits aimed at recognizing and motivating deserving performers. Our policy and systems ensure that all employees undergo an Annual Performance Appraisal to determine salary increments. The Bank is active in recruiting skilled and qualified manpower and adopts proactive measures to ensure that we motivate and retain such skilled and committed workforce.

Corporate Social Responsibility

The Bank recognizes its roles and responsibility towards the society we operate in and actively engages in activities aimed at betterment of our community. During the year we provided financial support to a professional golfer to participate in the Indian Professional Golf Tour. We will continue to contribute towards development of sports in the country. Other CSR activities included painting Road Dividers in coordination with the Kathmandu Valley Traffic Police, extending scholarships to orphans of the insurgency and contribution to the Prime Minister's Disaster Relief Fund.

In order to manage the growing number of our CSR activities, a non-profit managed by Laxmi Bank family named "Laxmi Cares" (Laxmi Nishwarth Pahal) has been registered with the concerned authorities. Henceforth all CSR activities of the Bank will be carried out through "Laxmi Cares".

Changes in the Board of Directors

The tenure of the Directors representing the Promoters expired on April 14, 2008.

Mr. Rajendra Kumar Khetan, Mr. Chandra Prakash Khetan, Mr. Gopi Krishna Sikaria and Mr. Ratan Lal Shanghai were nominated to the Board as Directors

representing the Promotor Group with effect from May 6, 2008. The new Board also nominated Mr. Rajendra Kumar Khetan as Chairman and Mr. Madhusudan Agrawal as the Advisor to the Board.

Similarly, the election for the 2 Directors representing the Public Shareholders is proposed to be held during this Annual General Meeting.

Main factors affecting the business

Following are the main factors that will affect the Bank's business:

- a. Possibility of unhealthy competition as a result of growing number of financial institutions in the country and the risk of operating in such an environment
- b. Operational and Reputational risk associated with providing banking services
- c. Risks associated with changes in laws and regulations
- d. Volatile liquidity position of the market
- e. Concentration Risk associated with investment in a particular sector or industry

Comments and Justifications on any remarks on the Audit Report

There are no significant remarks in the Audit Report.

Recommendation for distribution of Dividend

The Bank is in a position to distribute Dividends in the form of Bonus Shares for the first time in our short history. Similar decision made last year could not be implemented as we could not obtain Nepal Rastra Bank's approval for the same. We have proposed Bonus Shares of 20% and approximately 1.05% Cash Dividends from the Reserve Profits up to Fiscal Year 2007/8.

Additionally in order to maintain adequate capital to support our business we have proposed issuing

Rights Share of 40% (4 Shares for every 10 Shares) of the Paid Up capital after issue of the proposed Bonus Shares.

Forfeiture of Shares and particulars thereof

No shares were forfeited during the year under review.

Progress Report of the Bank and Subsidiaries

The Bank's progress report for the year under review has been highlighted above in this section. The Bank does not have any subsidiary as at the date.

Main transactions of the bank and its subsidiary company during the financial year and important changes, if any, therein

These have been disclosed above.

Details of information made available to the Bank by general shareholders

No such information has been made available to the Bank by such Shareholders.

Details of Shares purchased by the Board Directors and office bearers of the Bank

The Directors and the members of Management committee subscribed to the 4:1 rights issue resulting in increase of the number of shares held by them.

Apart from these, the Bank does not have any information of any Director or Management committee member having transacted in any shares of the Bank.

Details of contracts / agreements entered by the Bank with any directors or any entities where any Director or an immediate family member of Directors has personal interest

The Bank has not entered into any contracts or agreements with such entities.

Directors' Report contd...

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Details of buy back of shares, if any

The Bank has not bought back any shares till date.

Internal Control system and details thereof

The Bank has set up an independent Internal Audit department that reports directly to the Audit Committee which is a Board level committee. Furthermore the Bank has separate units to manage operational and credit risks and has adequate policies and practices in place to manage our risks.

Management Expenses in the last fiscal year

The breakdown of Management Expenses in the financial year 2007/8 is as follows:

PARTICULARS OF MANAGEMENT EXPENSES	AMOUNT IN NPR MILLIONS
Staff Expenses	64
Office Overhead Expenses	84
Total Management Expenses	148

Details of members of the Audit Committee, remuneration paid to them and report of their activities

On May 6th 2008 the Audit Committee was reconstituted as follows:

1. Mr. Ratan Sanghai, Director
Chairman
2. Mr. Nandan Hari Sharma, Director
Member
3. Mr. Madhusudan Agrawal, Advisor
Member
4. Mrs. Chandnee Jha, Manager Internal Audit Ex-
Officio Member

During the review period, Mr. Ratan Lal Sanghai and Mr. Nandan Hari Sharma were appointed to the Audit Committee. Similarly Mr. Gopi Krishna Sikaria retired

from the Audit Committee during the same period.

The Audit Committee has been carrying out its regular duties through the Internal Audit department including audits of 10 Branches and 12 departments, introduction and implementation of measures and standards to make audits more transparent and effective and reviewing and addressing comments made by Nepal Rastra Bank inspections.

During the review period the Audit Committee met 12 times for which total meeting fee allowance of NPR 150,000.00 was paid to the members. The ex-officio member of the Committee is not entitled to meeting fee allowance.

Details of receivables from Directors, Chief Executive Officer, General Shareholders or any company, firm or entity associated with such individuals or their immediate family members

There are no receivables from any such individuals or entities.

Remuneration and allowance paid to the Board / Committee Members, Management Executives

The Directors are not entitled to receive salaries from the Bank. The Board Meeting allowance for the Chairman has been set at NPR 8,000.00 and NPR 6,000.00 for the Directors per meeting attended. In addition to this NPR 2,000.00 per month is reimbursed to all Directors for mobile telephone expenses and members are provided domestic air ticket at the time of traveling to attend a Board Meeting. The Chairman has voluntarily not availed of the mobile telephone expense reimbursement facility.



The remuneration paid to the Chief Executive and Management Executives during the year is presented below. The Chief Executive and Company Secretary do not receive Board Meeting allowances.

S NO	PARTICULARS	SALARY AND ALL ALLOWANCES IN NPR MILLIONS
1	Chief Executive Officer	9.99
2	Company Secretary	1.695
3	Managers	18.027

Unclaimed Dividends

As of the report date, NPR 126,220.00 worth of cash dividends declared in financial year 2055/56 by HISEF Finance Limited prior to merger with the Bank remained unclaimed.

Other disclosures as required by the Company Act of 2063 B.S.

- a) Amendments to clauses 5, sub-clause Kha and Ga of the Memorandum
 Clause 5, sub-clause Kha: The Bank's Issued Capital will be NPR 1,537,200,000.00 (Nepali rupees one billion five hundred thirty seven million and two hundred thousands only).
 Clause 5, sub-clause Ga of Section 5: The Bank's Paid Up Capital will be NPR 1,537,200,000.00 (Nepali rupees one billion five hundred thirty seven million and two hundred thousands only).
- b) Recommendations of the Remuneration Committee
 We have not been able to implement the decision made by the 7th Annual General Meeting to offer 73,200 units of ordinary shares to the Bank employees under the Employee Stock Option scheme as we could not obtain the necessary

regulatory approval from Nepal Rastra Bank for the same. This issue was also pursued through the Nepal Banker's Association and Nepal Rastra Bank has decided that stock options can only be allocated from the promoter's shares. The Bank will continue its efforts to obtain permission to issue a stock option scheme that is in line with accepted international practices.

c) Communication with Shareholders

Laxmi bank clearly recognizes the importance of transparency and accountability to all its stakeholders, particularly its shareholders and investors. In this regards, the bank releases annual reports, quarterly reports and other such appropriate and relevant information about the bank's operations using different channels on a timely basis as well as through bank's website www.laxmibank.com. Recognizing the importance of the Annual General Meetings as the appropriate forum to discuss the various queries and issues that are raised by individual shareholders the Bank encourages all shareholders to participate in such Annual General Meetings to review the progress made by the Bank.

We express our gratitude to our valued customers, shareholders, regulators and all other stakeholders for their support, guidance and cooperation for the progress of the Bank. Similarly we thank the management team and the members of staff for their efforts and commitment that has resulted in the success of the Bank.

Thank you.
 Board of Directors

(Original version of this report is in Nepali and is available on request at our Corporate Office)

BANSKOTA & CO.
CHARTERED ACCOUNTANTS

46, New Plaza Road
Putalisadak, Kathmandu
P.O. Box 5637
Nepal
Tel: +977 (0) 1 4440935, 4442044
Fax: +977 (0) 1 4440928

The Shareholders of
Laxmi Bank Limited

Independent auditor's report

We have audited the attached Balance Sheet of M/S Laxmi Bank Ltd. as at 31st Ashad 2065 corresponding to 15th July 2008, the Profit & Loss Account, Cash Flow Statement of the Bank for the year ended on that date.

As per the pronouncement of the Institute of the Chartered Accountants of Nepal, the responsibility of the preparation of the financial statements lies on the bank's management and our responsibility is to express an opinion on the financial statements so prepared. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that our audit provides a reasonable basis for our opinion.

With regards to the prevailing Company's Act & Bank & Financial Institution Act, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts have been kept by the bank so far as appears from the examination of those books.
3. The Balance Sheet, Profit & Loss Account & Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanation given to us and as shown by the books of the Bank, have been correctly drawn-up so as to reflect the financial position of the Bank.
 - a. In case of the Balance Sheet of the state of affairs of the Bank as at 31st Ashad 2065 (15th July 2008),
 - b. In case of the Profit & Loss Account of the profit for the year and;
 - c. In case of Cash Flow Statement of the cash flow for the year.
5. In our opinion and to the best of our information and according to the explanation given to us, the Board of Directors, the representative or any employee of the Bank has not acted contrary to the provision of law relating to accounts nor caused direct loss or damage to the Bank deliberately and have not violated Directives issued by the Nepal Rastra Bank or acted in a manner that would jeopardize the interest and security of the bank and its depositors.
6. In our opinion and to the best of our information and according to the explanation given to us, the business of the Bank appears to have been conducted satisfactorily.

Kishor Banskota, FCA
Senior Partner
Banskota & Co.
Chartered Accountants



Date: 18 September 2008
Place: Kathmandu

Balance Sheet

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

(In Npr)

CAPITAL & LIABILITIES	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Share Capital	4.1	913,196,300	729,697,000
2. Reserves and Surplus	4.2	243,179,508	134,695,563
3. Debentures & Bonds	4.3	-	-
4. Borrowings	4.4	450,000,000	-
5. Deposit Liabilities	4.5	10,917,232,367	7,611,653,306
6. Bills Payable	4.6	5,850,753	3,091,419
7. Proposed Dividend & Unpaid Dividend		9,758,870	126,900
8. Income Tax Liabilities		-	-
9. Other Liabilities	4.7	155,803,719	103,424,364
Total Capital and Liabilities		12,695,021,516	8,582,688,552

ASSETS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Cash Balance	4.8	267,932,363	119,437,325
2. Balance with Nepal Rastra Bank	4.9	720,394,571	323,697,613
3. Balance with Banks/Financial Institution	4.10	249,833,920	26,587,195
4. Money at Call and Short Notice	4.11	251,737,774	13,028,000
5. Investment	4.12	1,241,041,732	1,437,170,759
6. Loans, Advances and Bills Purchase	4.13	9,680,948,652	6,437,449,247
7. Fixed Assets	4.14	204,397,323	140,021,540
8. Non Banking Assets (net)	4.15	-	784,571
9. Other Assets	4.16	78,735,181	84,512,302
Total Assets		12,695,021,516	8,582,688,552

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

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

Piyush Raj Aryal
Head - Finance & Treasury

Suman Joshi
Chief Executive Officer

Rajendra K. Khetan
Chairman

As per our Report of even date

Bhola Babu Adhikary
C. P. Khetan
G. K. Sikaria
Nandan Hari Sharma
Ratan Lal Sanghai
Sambhu P Acharya
Directors

Kishor Banskota
for & on behalf of Banskota & Co
Chartered Accountants

Date - 18 September 2008
Place - Kathmandu

Profit and Loss Account

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PARTICULARS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
1. Interest Income	4.18	711,006,319	470,494,833
2. Interest Expenses	4.19	421,871,791	280,277,851
Net Interest Income		289,134,528	190,216,982
3. Commission and Discount	4.20	20,943,463	15,156,901
4. Other Operating Income	4.21	25,482,082	15,710,023
5. Exchange Income	4.22	46,637,081	20,904,775
Total Operating Income		382,197,155	241,988,681
6. Staff Expenses	4.23	63,994,813	47,944,202
7. Other Operating Expenses	4.24	83,848,664	64,388,556
8. Exchange Loss	4.22	-	-
Operating Profit before provision for Possible Loss		234,353,677	129,655,923
9. Provision for Possible Losses	4.25	36,407,480	22,756,445
Operating Profit		197,946,197	106,899,478
10. Non Operating Income /(Loss)	4.26	(7,995,173)	(8,364,867)
11. Provision For Possible Loss Written Back	4.27	11,808,737	10,969,289
Profit from Regular Operations		201,759,761	109,503,900
12. Profit/(Loss) from Extra-Ordinary Activities	4.28	(7,636,567)	(4,309,340)
Net Profit after Considering all Activities		194,123,194	105,194,560
13. Provision for Staff Bonus		17,647,563	9,563,142
14. Provision for Income Tax		-	-
* Current Tax		55,458,170	30,051,929
* Deferred Tax Expense		986,114	-
Net Profit/Loss		120,031,347	65,579,489

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

Piyush Raj Aryal
Head - Finance & Treasury

Suman Joshi
Chief Executive Officer

Rajendra K. Khetan
Chairman

As per our Report of even date

Date -18 September 2008
Place - Kathmandu

Bhola Babu Adhikary
C. P. Khetan
G. K. Sikaria
Nandan Hari Sharma
Ratan Lal Sanghai
Sambhu P Acharya
Directors

Kishor Banskota
for & on behalf of Banskota & Co
Chartered Accountants

Profit and Loss Appropriation Account

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PARTICULARS	SCHEDULE	THIS YEAR	PREVIOUS YEAR
INCOME			
1. Accumulated Profit up to Previous Year		52,132,183	53,419,024
2. Current Year's Profit		120,031,347	65,579,489
3. Exchange Fluctuation Fund		-	-
4. Capital Adjustment Fund transferred		53,419,024	-
Total		225,582,554	118,998,513
EXPENSES			
1. Accumulated Loss up to Previous Year		-	-
2. This Year's Loss		-	-
3. General Reserve		24,006,269	13,115,898
4. Contingent Reserve		-	-
5. Institutional Development Fund		-	-
6. Dividend Equalization Fund		-	-
7. Staff Related Reserves		-	-
8. Proposed Dividend		9,632,000	-
9. Proposed Bonus Shares		183,000,000	-
10. Special Reserve Fund		-	-
11. Exchange Fluctuation Fund		1,519,032	331,408
12. Capital Redemption Reserve Fund		-	-
13. Capital Adjustment Fund		-	53,419,024
14. Adjustment for Deferred Tax Liability		1,915,403	-
Total		220,072,705	66,866,330
15. Accumulated Profit/(Loss)		5,509,849	52,132,183

Piyush Raj Aryal
Head - Finance & Treasury

Suman Joshi
Chief Executive Officer

Rajendra K. Khetan
Chairman

As per our Report of even date

Bhola Babu Adhikary
C. P. Khetan
G. K. Sikaria
Nandan Hari Sharma
Ratan Lal Sanghai
Sambhu P Acharya
Directors

Kishor Banskota
for & on behalf of Banskota & Co
Chartered Accountants

Date - 18 September 2008
Place - Kathmandu

Statement of Changes in Equity

Fiscal Year 2064/65

(In Npr)

PARTICULARS	SHARE CAPITAL	ACCUMULATED PROFIT/LOSS	GENERAL RESERVE	PROPOSED BONUS SHARE	CAPITAL RESERVE FUND	SHARE PREMIUM	EXCHANGE FLUCTUATION FUND	OTHER RESERVES & FUND	TOTAL AMOUNT
Opening Balance at 1 Shrawan 2064	729,697,000	52,132,183	27,782,579	-	-	-	1,361,777	53,419,024	864,392,563
Adjustments									
Adjustment for Deferred Tax Liability		(1,915,403)							(1,915,403)
Restated Balance	729,697,000	50,216,780	27,782,579	-	-	-	1,361,777	53,419,024	862,477,160
Net profit for the period	-	120,031,347	-						120,031,347
Transfer to General Reserve	-	(24,006,269)	24,006,269						-
Capital Adjustment Fund	-	-	-						-
Proposed Bonus Shares	-	(129,580,976)	-	183,000,000				(53,419,024)	-
Proposed Dividend	-	(9,632,000)	-						(9,632,000)
Exchange Fluctuation Fund	-	(1,519,032)	-				1,519,032		-
Right Issue	183,499,300	-	-						183,499,300
Closing Balance at 31 Ashad 2065	913,196,300	5,509,849	51,788,848	183,000,000	-	-	2,880,809	-	1,156,375,807

Cash Flow Statement

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
124,378,471	(a). Cash Flow from Operating Activities	668,460,835
523,099,585	1. Cash Received	795,149,653
470,494,833	1.1 Interest Income	702,173,302
15,989,954	1.2 Commission and Discount Income	20,272,187
20,904,775	1.3 Income from Foreign Exchange transaction	46,637,081
-	1.4 Recovery of Loan Written off	585,000
15,710,023	1.5 Other Incomes	25,482,082
354,752,431	2. Cash Payment	576,924,221
241,584,151	2.1 Interest Expenses	391,302,173
44,372,065	2.2 Staff Expenses	73,557,955
38,574,914	2.3 Office Overhead Expenses	56,569,074
30,221,301	2.4 Income Tax Paid	55,495,019
-	2.5 Other Expenses	-
168,347,154	Cash Flow before changes in Working Capital	218,225,432
(3,148,243,420)	(Increase) / Decrease of Current Assets	(3,319,598,035)
56,972,000	1.(Increase)/Decrease in Money at Call and Short Notice	(238,709,774)
(937,548,534)	2. (Increase)/Decrease in Short Term Investment	196,129,027
(2,253,442,513)	3. (Increase)/Decrease in Loans, Advances and Bills Purchase	(3,273,420,710)
(14,224,373)	4. (Increase)/Decrease in Other Assets	(3,596,578)
3,104,274,737	Increase /(Decrease) of Current Liabilities	3,769,833,439
3,167,301,854	1. Increase/(Decrease) in Deposits	3,305,579,061
-	2. Increase/(Decrease) in Certificates of Deposits	-
(29,760,000)	3. Increase/(Decrease) in Short Term Borrowings	450,000,000
(33,267,117)	4. Increase/(Decrease) in Other Liabilities	14,254,378
439,982	(b) Cash Flow from Investment Activities	(83,521,416)
-	1. (Increase)/Decrease in Long-term Investment	-
439,982	2. (Increase)/Decrease in Fixed Assets	(83,521,416)
-	3. Interest income from Long term Investment	-
-	4. Dividend Income	-
-	5. Others	-
119,779,700	(c) Cash Flow from Financing Activities	183,499,300
-	1. Increase/(Decrease) in Long term Borrowings (Bonds, Debentures etc)	-
119,779,700	2. Increase/(Decrease) in Share Capital	183,499,300
-	3. Increase/(Decrease) in Other Liabilities	-
-	4. Increase/(Decrease) in Refinance/facilities received from NRB	-
-	(d) Income/Loss from change in exchange rate in Cash & Bank Balance	-
244,598,153	(e) Current Year's Cash Flow from All Activities	768,438,720
225,123,980	(f) Opening Balance of Cash and Bank Balances	469,722,133
469,722,133	(g) Closing Balance of Cash and Bank Balances	1,238,160,853

Share Capital And Ownership

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	1. Share Capital	
1,000,000,000	1.1 Authorized Capital	1,600,000,000
1,000,000,000	a) 16,000,000 Ordinary Shares of NPR 100.00 each	1,600,000,000
	b) ...Non-redeemable Preference Shares of NPR....each	
	c) ...Redeemable Preference Shares of NPR....each	
800,000,000	1.2 Issued Capital	915,000,000
800,000,000	a) 9,150,000 Ordinary Shares of NPR 100.00 each	915,000,000
	b) ...Non-redeemable Preference Shares of NPR....each	
	c) ...Redeemable Preference Shares of NPR....each	
729,697,000	1.3 Paid Up Capital	913,196,300
729,697,000	a) 9,131,963 Ordinary Shares of NPR 100.00 each	913,196,300
	b) ...Non-redeemable Preference Shares of NPR....each	
	c) ...Redeemable Preference Shares of NPR....each	

Share Ownership

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

(In Npr)

SHARE CAPITAL	%	PARTICULARS	%	SHARE CAPITAL
471,720,000	64.65	(A) PROMOTERS	64.57	589,650,000
-	-	1.1 Government of Nepal	-	-
-	-	1.2 Foreign Institution	-	-
-	-	1.3 "A" Class Licensed Institution	-	-
-	-	1.4 Other Licensed Institution	-	-
273,312,000	37.46	1.5 Other Organisations	37.41	341,640,000
-	-	1.6 Individuals	-	-
198,408,000	27.19	1.7 Others	27.16	248,010,000
257,977,000	35.35	(B) General Public	35.43	323,546,300
729,697,000	100.00	Total	100.00	913,196,300

Schedule 4.1

Share Capital & Ownership

LIST OF SHAREHOLDERS HOLDING MORE THAN 0.5% OF SHARE CAPITAL

(In Npr)

S. NO.	NAME	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	%	AMOUNT	%
1	Himalayan Exim P.Ltd.	88,212,000	12.09%	110,265,000	12.07%
2	Sarika Khetan	-	0.00%	94,003,400	10.29%
3	Citizen Investment Trust	66,000,000	9.04%	82,500,000	9.03%
4	Ratan Lal Sanghai	65,412,000	8.96%	78,750,000	8.62%
5	MTC Investment Pvt. Ltd.	58,800,000	8.06%	73,500,000	8.05%
6	Shiva Bhagwan Ind. P. Ltd.	53,100,000	7.28%	66,375,000	7.27%
7	Gopi Krishna Shikaria	45,000,000	6.17%	56,250,000	6.16%
8	Poonam Khetan	22,252,800	3.05%	27,816,000	3.05%
9	Prime Holding Pvt. Ltd.	18,147,600	2.49%	22,622,000	2.48%
10	Nepal Mentha Products Pvt. Ltd.	17,631,600	2.42%	22,039,500	2.41%
11	Nepal Remittance Pvt. Ltd.	15,808,800	2.17%	19,761,000	2.16%
12	Ruchi Jajodiya	15,297,600	2.10%	19,122,000	2.09%
13	Dreams Investment Pvt. Ltd.	7,354,800	1.01%	11,358,300	1.24%
14	Pravin Naulakha	7,891,200	1.08%	9,806,500	1.07%
15	Mutual Trading Co. Pvt. Ltd.	7,200,000	0.99%	9,000,000	0.99%
16	Rajendra K Khetan	7,200,000	0.99%	9,000,000	0.99%
17	Subham Investment Pvt Ltd.	-	0.00%	7,911,600	0.87%
18	Gauri Shrestha	7,062,000	0.97%	7,715,000	0.84%
19	Sabita Devi Rungta	6,000,000	0.82%	7,500,000	0.82%
20	Sharana Shrestha	8,038,800	1.10%	6,981,800	0.76%

Schedule 4.2

Reserves Funds

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
27,782,579	1. General Reserve Fund	51,788,849
-	2. Proposed Bonus Shares	183,000,000
-	3. Capital Reserve Fund	-
-	4. Capital Redemption Reserve	-
53,419,024	5. Capital Adjustment Fund	-
-	6. Other Reserves & Funds	-
-	a. Contingent Reserve	-
-	b. Institutional Development Fund	-
-	c. Dividend Equalization Fund	-
-	d. Special Reserve Fund	-
-	e. Assets Revaluation Reserve	-
-	f. Other Free Reserves	-
-	g. Other Reserves	-
52,132,183	7. Accumulated Profit/Loss	5,509,849
1,361,777	8. Exchange Fluctuation Fund	2,880,810
134,695,563	Total	243,179,508

Schedule 4.3
Debentures And Bonds
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

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

Schedule 4.4
Borrowings
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	A. Local	-
-	1. Government of Nepal	-
-	2. Nepal Rastra Bank	-
-	3. Repo Obligations	-
-	4. Inter Bank and Financial Institutions	450,000,000
-	5. Other Organized Institutions	-
-	6. Others	-
-	Total	450,000,000
-	B. Foreign	-
-	1. Banks	-
-	2. Others	-
-	Total	-
-	Total (A+B)	450,000,000

Schedule 4.5
Deposit Liability
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	1. Non-Interest bearing accounts	
378,576,383	A. Current Deposits	284,396,737
360,901,045	1. Local Currency	266,264,568
-	1.1 Government of Nepal	-
-	1.2 "A" Class Licensed Institutions	-
3,697,969	1.3 Other Licensed Institutions	23,587,063
316,012,664	1.4 Other Organized Institutions	211,280,276
41,190,412	1.5 Individuals	31,397,229
-	1.6 Others	-
17,675,338	2. Foreign Currency	18,132,169
-	2.1 Government of Nepal	-
-	2.2 "A" Class Licensed Institutions	-
-	2.3 Other Licensed Financial Institutions	-
17,574,652	2.4 Other Organized Institutions	17,980,989
100,686	2.5 Individuals	151,180
-	2.6 Others	-
126,280,659	B. Margin Deposits	89,821,305
-	1. Employees Guarantee	-
33,500,786	2. Guarantee Margin	34,091,651
92,779,873	3. Margin on Letter of Credit	55,729,653
46,104,481	C. Others	59,266,662
46,104,481	1. Local Currency	59,266,662
-	1.1 Financial Institutions	-
46,104,481	1.2 Other Organized Institutions	59,266,662
-	1.3 Individual	-
-	2. Foreign Currency	-
-	2.1 Financial Institutions	-
-	2.2 Other Organized Institutions	-
-	2.3 Individual	-
550,961,523	Total of Non-Interest Bearing Accounts	433,484,703

Schedule 4.5(A)
Deposit Liability
As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
	2. Interest Bearing Accounts	
1,868,381,213	A. Saving Deposits	2,590,407,434
1,795,913,525	1. Local Currency	2,412,156,798
579,141,887	1.1 Organizations/ Institutions	308,724,252
1,216,771,638	1.2 Individual	2,103,432,545
-	1.3 Others	-
72,467,688	2. Foreign Currency	178,250,636
7,637,866	2.1 Organizations/ Institutions	13,140,081
64,829,822	2.2 Individual	165,110,555
-	2.3 Others	-
4,245,038,797	B. Fixed Deposits	5,821,955,358
4,106,309,690	1. Local Currency	5,401,828,318
4,007,670,737	1.1 Organizations/ Institutions	4,496,461,513
98,638,953	1.2 Individual	905,366,805
-	1.3 Others	-
138,729,107	2. Foreign Currency	420,127,040
138,729,107	2.1 Organizations/ Institutions	415,200,000
-	2.2 Individual	4,927,040
-	2.3 Others	-
947,271,773	C. Call Deposits	2,071,384,872
914,538,358	1. Local Currency	2,041,495,648
-	1.1 "A" Class Licensed Institutions	-
439,202,744	1.2 Other Licensed Financial Institutions	306,257,357
462,221,091	1.3 Other Organized Institutions	1,671,069,293
13,114,523	1.4 Individual	64,168,998
-	1.5 Others	-
32,733,415	2. Foreign Currency	29,889,224
-	2.1 "A" Class Licensed Institutions	-
-	2.2 Other Licensed Institutions	-
32,733,415	2.3 Other Organized Institutions	24,901,890
-	2.4 Individual	4,987,335
-	2.5 Others	-
-	D. Certificate of Deposit	-
-	1. Organized Institution	-
-	2. Individual	-
-	3. Others	-
7,060,691,783	Total of Interest Bearing Accounts	10,483,747,664
7,611,653,306	Total Deposit (1+2)	10,917,232,367

Schedule 4.6

Bills Payable

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

<i>(In Npr)</i>		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
3,091,419	1. Local Currency	5,850,753
-	2. Foreign Currency	-
3,091,419	Total	5,850,753

Schedule 4.7

Other Liabilities

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

<i>(In Npr)</i>		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Pension/Gratuity Fund	-
-	2. Employees Provident Fund	-
-	3. Employees Welfare Fund	-
9,563,142	4. Provision for Staff Bonus	17,647,563
70,817,169	5. Interest Payable on Deposits	91,090,897
-	6. Interest Payable on Borrowings	10,295,890
878,053	7. Unearned Discount and Commission	206,777
8,287,780	8. Sundry Creditors	19,402,613
-	9. Branch Account	-
-	10. Others	-
389,850	(a) Audit Fee Payable	389,850
11,372,200	(b) Remittance Payable	11,702,292
-	(c) Deferred Tax Liability	2,901,517
2,116,170	(d) Others	2,166,320
103,424,364	Total	155,803,719

Schedule 4.8

Cash Balance

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

<i>(In Npr)</i>		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
109,247,490	1. Local Currency (Including Coins)	262,566,980
10,189,835	2. Foreign Currency	5,365,382
119,437,325	Total	267,932,363

Schedule 4.9
Balance With Nepal Rastra Bank

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY (IN EQUIVALENT NPR)			THIS YEAR
			INR	CONVERTIBLE	TOTAL	
323,697,613	1. Nepal Rastra Bank	701,568,848	-	18,825,723	18,825,723	720,394,571
323,115,137	a. Current Account	699,862,474	-	18,825,723	18,825,723	718,688,197
582,476	b. Other Account	1,706,374	-	-	-	1,706,374

Schedule 4.10
Balance With Banks/financial Institutions

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	LOCAL CURRENCY	FOREIGN CURRENCY (IN EQUIVALENT NPR)			THIS YEAR
			INR	CONVERTIBLE FCY	TOTAL	
4,081,823	1. Local Licensed Institutions	45,992,832	-	-	-	45,992,832
4,081,823	a. Current Account	45,992,832	-	-	-	45,992,832
-	b. Other Account	-	-	-	-	-
22,505,372	2. Foreign Banks	-	11,221,955	192,619,133	203,841,088	203,841,088
22,505,372	a. Current Account	-	11,221,955	192,619,133	203,841,088	203,841,088
-	b. Other Account	-	-	-	-	-
26,587,195	Total	45,992,832	11,221,955	192,619,133	203,841,088	249,833,920

Note: Total balance for which the confirmations are received from respective licensed institutions NPR 910,221,715.89 and the difference amount have been identified and are reconciled.

Schedule 4.11
Money At Call And Short Notice

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
13,028,000	1. Local Currency	251,737,774
-	2. Foreign Currency	-
13,028,000	TOTAL	251,737,774

Schedule 4.12 Investments

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	PURPOSE		THIS YEAR
		TRADING	OTHER	
960,776,200	1. Government of Nepal Treasury Bills		667,655,823	667,655,823
-	2. Government of Nepal Saving Bonds		-	-
17,050,000	3. Government of Nepal Other Securities		17,050,000	17,050,000
-	4. Nepal Rastra Bank Bonds		-	-
-	5. Foreign Securities		-	-
252,575,000	6. Local Licensed Institutions		-	-
203,593,750	7. Foreign Bank	-	448,277,600	448,277,600
13,362,840	8. Shares of Organized Institutions		68,245,340	68,245,340
-	9. Bonds and Debentures of Organized Institutions		50,000,000	50,000,000
-	10. Other Investments		-	-
1,447,357,790	Total Investment	-	1,251,228,763	1,251,228,763
10,187,031	Provision	-	10,187,031	10,187,031
1,437,170,759	Net Investment	-	1,241,041,732	1,241,041,732

Schedule 4.12(A) Investment In Shares, Debentures And Bonds

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR		
		COST PRICE	MARKET PRICE	PROVISION
13,362,840	1. Investment in Shares	68,245,340		
9,740,031	1.1 Nepal Bank Limited 29,000 Ordinary Shares of NPR 100 each paid (Refer Note 12 on Schedule No. 4.33)	9,740,031	N/L	9,740,031
2,082,000	1.2 Everest Insurance Company Limited 10,410 Ordinary Shares of NPR 100 each paid (Refer Note 12 on Schedule No. 4.33)	2,082,000	3,081,360	-
740,809	1.3 Soaltee Hotel Limited 8,441 Ordinary Shares of NPR 10 each paid	740,809	2,025,840	-
447,000	1.4 Himalayan Distillery Limited 8,940 Ordinary Shares of NPR 50 each paid (Refer Note 12 on Schedule No. 4.33)	447,000	-	447,000
353,000	1.5 Credit Information Bureau (CIB) Ltd. 3,530 Ordinary Shares of NPR 100 each paid	353,000	N/L	-
-	8,825 Right Shares of NPR 100 each paid	882,500	N/L	-
-	1.6 Prime Life Insurance Company Limited 540,000 Ordinary Shares of NPR 100 each paid	54,000,000	N/L	-
-	2. Investment in Debentures and Bonds	50,000,000	-	-
-	2.1 Nepal Electricity Authority (7.75% NEA Power Bond of NPR. 1,000 each)	50,000,000	-	-
-	2.2	-	-	-
-	2.3	-	-	-
13,362,840	Total Investment	118,245,340	-	-
10,187,031	3. Provision for Loss			10,187,031
10,498,286	3.1 Up to previous year	10,187,031		10,187,031
(311,255)	3.2 Increase/(Decrease) this year	-		-
10,187,031	Total Provision	10,187,031		10,187,031
3,175,809	Net Investment	108,058,309		

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

2 None of the above companies have declared cash dividend in last three years (Refer Note 12 on Schedule No. 4.33)

Schedule 4.13
Classification Of Loans, Advances And Bills Purchased & Provisioning
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	LOANS & ADVANCES						BILLS PURCHASED/DISCOUNTED			THIS YEAR		
		DOMESTIC			FOREIGN			TOTAL	DOMESTIC	FOREIGN		TOTAL	
		INSURED	PRIORITY SECTOR	UNINSURED	INSURED	PRIORITY SECTOR	UNINSURED						OTHER
6,506,218,118	1. Performing Loan	-	-	9,771,249,065	-	-	9,771,249,065	-	-	10,459,393	9,781,708,458		
6,487,266,525	1.1 Pass	-	-	9,760,533,276	-	-	9,760,533,276	-	-	10,459,393	9,770,992,669		
18,951,593	1.2 Restructured	-	-	10,715,790	-	-	10,715,790	-	-	-	10,715,790		
23,021,093	2. Non-Performing Loan	-	-	12,729,896	-	-	12,729,896	-	-	-	12,729,896		
1,183,093	2.1 Sub-Standard	-	-	1,198,699	-	-	1,198,699	-	-	-	1,198,699		
2,666,987	2.2 Doubtful	-	-	590,828	-	-	590,828	-	-	-	590,828		
19,171,013	2.3 Loss	-	-	10,940,369	-	-	10,940,369	-	-	-	10,940,369		
6,529,239,211	A. Total Loan	-	-	9,783,978,961	-	-	9,783,978,961	-	-	10,459,393	9,794,438,354		
	3. Loan Loss Provision	-	-	-	-	-	-	-	-	-	-		
65,761,141	3.1 Pass	-	-	97,659,877	-	-	97,659,877	-	-	104,594	97,764,471		
4,568,606	3.2 Restructured	-	-	4,131,924	-	-	4,131,924	-	-	-	4,131,924		
494,000	3.3 Sub-Standard	-	-	328,094	-	-	328,094	-	-	-	328,094		
1,795,204	3.4 Doubtful	-	-	324,845	-	-	324,845	-	-	-	324,845		
19,171,013	3.5 Loss	-	-	10,940,369	-	-	10,940,369	-	-	-	10,940,369		
91,789,964	B. Total Provisioning	-	-	113,385,108	-	-	113,385,108	-	-	104,594	113,489,702		
	4. Provisioning up to Previous Year	-	-	-	-	-	-	-	-	-	-		
44,319,241	4.1 Pass	-	1,076,613	64,667,405	-	-	65,744,018	-	17,123	17,123	65,761,141		
3,647,882	4.2 Restructured	-	-	4,568,606	-	-	4,568,606	-	-	-	4,568,606		
665,386	4.3 Sub-Standard	-	-	494,000	-	-	494,000	-	-	-	494,000		
2,372,927	4.4 Doubtful	-	-	1,795,204	-	-	1,795,204	-	-	-	1,795,204		
26,738,641	4.5 Loss	-	-	19,171,013	-	-	19,171,013	-	-	-	19,171,013		
77,744,077	C. Total Provisions up to Previous Year	-	1,076,613	90,696,228	-	-	91,772,841	-	-	17,123	91,789,964		
(8,375,488)	D. Written Back this year	-	(1,076,613)	(10,303,591)	-	-	(11,380,204)	-	-	-	(11,380,204)		
22,421,375	E. Addition this year	-	-	32,992,472	-	-	32,992,472	-	-	87,471	33,079,943		
14,045,887	Changes this year	-	(1,076,613)	22,668,880	-	-	21,612,267	-	-	87,471	21,699,738		
6,437,449,247	Net Loan (A-B)	-	-	9,670,593,853	-	-	9,670,593,853	-	-	10,354,799	9,680,948,652		

Schedule 4.13 (A)
Loans, Advances And Bills Purchased Security Wise
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
6,529,239,211	A. Secured	9,794,438,354
6,257,740,601	1. Movable/Immovable Assets	9,256,615,430
242,078,863	2. Guarantee of Local Licensed Institutions	377,337,345
-	3. Government Guarantee	-
-	4. Internationally Rated Bank Guarantee	-
-	5. Export Documents	-
12,112,494	6. Fixed Deposit Receipts	148,089,596
5,637,462	a. Own Fixed Deposit Receipts	128,810,979
6,475,032	b. Fixed Deposit Receipts of Other Licensed Institutions	19,278,617
-	7. Government Bonds	893,644
-	8. Counter Guarantee	-
17,307,253	9. Personal Guarantee	11,502,338
-	10. Other Securities	-
-	B. Unsecured	-
6,529,239,211	Total	9,794,438,354

Schedule 4.14
Fixed Assets
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	ASSETS					THIS YEAR
		BUILDING	VEHICLES	MACHINERY	OFFICE EQUIPMENT	OTHERS	
	1. Cost Price						
122,817,881	a. Previous Year balance	49,873,724	34,598,665	-	57,364,365	-	141,836,754
22,330,113	b. Addition during the year	-	20,990,432	-	23,571,171	-	44,561,603
-	c. Revaluation/Written Back this year	-	-	-	-	-	-
(3,311,240)	d. Sold during the year	-	(7,280,220)	-	-	-	(7,280,220)
-	e. Written off during the year	-	-	-	-	-	-
141,836,754	Total Cost (a+b+c+d+e)	49,873,724	48,308,877	-	80,935,536	-	179,118,137
	2. Depreciation						
36,039,585	a. Up to previous year	3,734,832	11,102,639	-	34,280,103	-	49,117,574
15,291,765	b. For this year	1,247,194	5,376,060	-	9,768,176	-	16,391,431
-	c. Depreciation on revaluation /Written Back	-	-	-	-	-	-
(2,213,776)	d. Adjustment/Write back of Depreciation amount	-	(4,543,258)	-	-	-	(4,543,258)
49,117,574	Total Depreciation	4,982,026	11,935,441	-	44,048,279	-	60,965,747
92,719,180	3. Book Value (WDV*) (1-2)	44,891,698	36,373,435	-	36,887,257	-	118,152,390
32,065,255	4. Land	-	-	-	-	-	66,248,874
337,519	5. Capital Construction (pending Capitalization)	-	-	-	-	-	1,313,400
14,899,586	6. Leasehold Assets	-	-	-	-	-	18,682,659
140,021,540	Total (3+4+5+6)	44,891,698	36,373,435	-	36,887,257	-	204,397,323

Schedule 4.15

Non Banking Assets

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

(In Npr)

PREVIOUS YEAR	NAME & ADDRESS OF BORROWER OR PARTY	DATE OF ASSUMING NON BANKING ASSETS	TOTAL NON BANKING ASSETS	LOSS PROVISION		NET NON BANKING ASSETS
				%	IN NPR	
-	Guna Bahadur Thapa, Kathmandu	2059/11/06	492,200	100%	492,200	-
428,533	Siku Enterprises, Kathmandu	2063/01/27	-		-	-
12,750	Ram Krishna Manandhar, Hetauda	2063/03/12	25,500	100%	25,500	-
343,288	Karyashila Construction	2064/03/32	457,717	100%	457,717	-
-	Naresh Shrestha	2065/03/20	2,971,500	100%	2,971,500	-
784,571	Grand Total		3,946,917		3,946,917	-

Schedule 4.16

Other Assets

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
504,669	1. Stationery Stock	1,370,019
4,633,850	2. Income Receivable on Investment	13,466,868
-	3. Accrued Interest on Loan	19,261,113
-	Less: Interest Suspense Account	19,261,113
-	4. Commission Receivable	-
-	5. Sundry Debtors	-
25,740,136	6. Staff Loan & Advances	30,327,887
5,281,551	7. Pre Payments	3,943,074
-	8. Cash in Transit	-
-	9. Other Transit items (including Cheques)	-
-	10. Drafts Paid Without Notice	-
2,241,712	11. Expenses not Written Off	1,740,627
-	12. Branch Account Reconciliation	-
46,110,384	13. Others	27,886,707
18,203,912	a. Goodwill	9,101,956
5,193,847	b. Deferred Software Expenses	
	(to the extent not written off)	1,253,680
169,372	c. Advance tax (net)	206,221
	Advance Tax (Gross)	115,549,371
	Tax Provision	(115,343,149)
16,597,261	d. Remittance Receivable	-
5,945,992	e. Others	17,324,850
84,512,302	Total	78,735,181

Schedule 4.16(A)

Other Assets (Additional Statement)

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

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR			
		UP TO 1 YEAR	1 TO 3 YEAR	ABOVE 3 YEARS	TOTAL
19,381,622	1. Accrued Interest on Loan	16,515,314	2,745,800	-	19,261,113
-	2. Drafts Paid without notice	-	-	-	-
	3. Branch Account				

Schedule 4.17
Contingent Liabilities
 As at Ashad 31, 2065 (July 15, 2008)

<i>(In Npr)</i>		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Claims on institution not accepted by the Institution	-
815,071,994	2. Letter of Credit (Full Amount)	1,132,627,549
815,071,994	a. Less than 6 months maturity	1,132,627,549
-	b. More than 6 months maturity	-
-	3. Rediscounted Bills	-
255,770,494	4. Unmatured Guarantees/Bonds	362,155,757
4,362,750	a. Bid Bonds	5,799,900
237,617,744	b. Performance Bonds	322,975,896
13,790,000	c. Other Guarantee/Bonds	33,379,961
447,000	5. Unpaid Shares in Investment (Refer Note 12 on Schedule No. 4.33)	447,000
138,552,199	6. Outstanding Liabilities on Forward Exchange Contract	62,050,604
23,076,367	7. Bills under Collection	13,193,935
44,670,650	8. Acceptance & Endorsement	82,168,521
-	9. Underwriting Commitment	-
-	10. Irrevocable Loan Commitment	-
-	11. Guarantees issued against Counter Guarantee of Internationally Rated Banks	-
-	12. Advance Payment Guarantee	-
-	13. Financial Guarantee	-
1,661,043	14. Contingent Liabilities on Income Tax	1,661,043
1,564,283	15. Others (Capital Commitment on account of construction contract)	1,191,500
1,280,814,030	Total	1,655,495,909

Schedule 4.18
Interest Income
 For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

<i>(In Npr)</i>		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
423,676,783	A. On Loans, Advances and Overdraft	640,674,121
354,458,278	1. Loans & Advances	505,658,091
69,218,505	2. Overdraft	135,016,030
36,448,114	B. On Investment	50,969,249
10,306,963	1. Government of Nepal Securities	28,371,907
9,235,713	a. Treasury Bills	27,303,632
1,071,250	b. Development Bonds	1,068,274
-	c. National Saving Certificates	-
-	2. Foreign Securities	-
-	a.	-
-	b.	-
-	3. Nepal Rastra Bank Bonds	-
-	4. Debentures & Bonds	1,178,425
-	a. Financial Institutions	-
-	b. Other Institutions	1,178,425
26,141,151	5. Interest on Inter Bank Investment	21,418,918
26,141,151	a. Bank/ Financial Institutions	21,418,918
-	b. Other Institutions	-
-	C. On Agency Balances	-
-	1. Local Banks / Financial Institutions	-
-	2. Foreign Banks	-
4,232,588	D. On Money at Call and Short Notice	16,500,948
971,275	1. Local Banks/Financial Institutions	4,317,269
3,261,313	2. Foreign Banks	12,183,679
6,137,348	E. On Others	2,862,001
-	1. Certificate of Deposits	-
-	2. Inter-Bank / Financial Institutional Loan	-
-	3. Others	-
6,137,056	a. FCY placements	2,862,001
292	b. Others	-
470,494,833	Total	711,006,319

Schedule 4.19

Interest Expenses

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
279,241,108	A. ON DEPOSIT LIABILITIES	399,850,083
181,158,315	1. Fixed Deposits	251,682,334
177,809,434	1.1 Local Currency	241,900,192
3,348,881	1.2 Foreign Currency	9,782,142
54,055,810	2. Saving Deposits	87,150,203
52,746,896	2.1 Local Currency	83,485,774
1,308,914	2.2 Foreign Currency	3,664,429
44,026,983	3. Call Deposits	61,017,546
41,558,182	3.1 Local Currency	60,339,394
2,468,801	3.2 Foreign Currency	678,153
-	4. Certificate of Deposits	-
1,036,743	B. ON BORROWINGS	22,021,708
-	1. Debentures & Bonds	-
195,464	2. Loan from Nepal Rastra Bank	765,701
841,279	3. Inter Bank /Financial Institutions Borrowing	21,256,007
-	4. Other Organized Institutions	-
-	5. Other Loans	-
-	C. ON OTHERS	-
-	1.	-
-	2.	-
280,277,851	Total	421,871,791

Schedule 4.20

Commission And Discount Income

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
1,191,444	A. Bills Purchased & Discount	847,465
-	1. Local	-
1,191,444	2. Foreign	847,465
13,399,161	B. Commission	19,355,010
6,542,875	1. Letters of Credit	8,098,587
2,968,251	2. Guarantees	4,317,329
100,818	3. Collection Fees	112,638
3,776,581	4. Remittance Fees	6,397,903
10,636	5. Credit Card	428,554
-	6. Share Underwriting/Issue	-
-	7. Government Transactions	-
-	8. E.Pra. Commission	-
-	9. Exchange Fee	-
566,296	C. Others	740,988
15,156,901	Total	20,943,463

Schedule 4.21

Other Operating Income

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
629,000	1. Safe Deposit Lockers Rental	738,750
110,250	2. Issue & Renewals of Credit Cards	486,553
726,183	3. Issue & Renewals of ATM Cards	549,208
2,692,438	4. Telex / T.T.	3,505,073
9,277,455	5. Service Charges (Loan Processing Fees)	17,151,747
-	6. Renewal Fees	-
2,274,697	7. Others	3,050,751
15,710,023	Total	25,482,082

Schedule 4.22

Exchange Gain/loss

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
1,325,633	a. Revaluation Gain (Loss)	6,076,130
19,579,142	b. Trading Gain (except Exchange Fees)	40,560,952
20,904,775	Total Income (Loss)	46,637,081

Schedule 4.23

Employees Expenses

For the period Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
21,292,028	1. Salary	30,786,010
18,584,692	2. Allowances	24,727,929
1,751,770	3. Contribution to Provident Fund	2,623,994
490,633	4. Training Expenses	768,058
-	5. Uniform	-
1,487,250	6. Medical	2,302,580
130,409	7. Insurance	145,535
2,365,131	8. Pension and Gratuity	190,763
1,842,289	9. Others	2,449,944
47,944,202	Total	63,994,813

Schedule 4.24

Other Operating Expenses

As at Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
4,052,136	1. House Rent	9,561,486
3,388,290	2. Light, Electricity & Water	4,483,995
1,663,197	3. Repair & Maintenance	2,812,277
1,192,236	a. Building	1,978,630
124,960	b. Vehicles	233,456
346,001	c. Others	600,191
1,640,491	4. Insurance	1,861,177
2,421,296	5. Postage, Telex, Telephone & Fax	2,828,977
1,213,641	6. Office Equipment, Furniture and Repair	997,648
1,555,720	7. Travelling Allowances & Expenses	2,129,284
2,221,723	8. Printing & Stationery	3,268,077
4,685	9. Books & Periodicals	6,930
4,907,490	10. Advertisements	4,649,545
460,200	11. Legal Expenses	420,000
50,601	12. Donations	-
1,085,843	13. Expenses relating to Board of Directors	972,135
804,000	a. Meeting Fees	746,000
281,843	b. Other Expenses	226,135
639,986	14. Annual General Meeting Expenses	748,841
525,360	15. Expenses relating to Audit	524,168
389,850	a. Audit Fees	389,850
135,510	b. Other Expenses	134,318
1,536,487	16. Commission on Remittances	5,455,203
15,291,765	17. Depreciation on Fixed Assets	16,391,430
616,329	18. Amortization of Pre-operating Expenses	-
771,968	19. Share Issue Expenses	1,040,693
-	20. Technical Services Fee Reimbursement	-
195,951	21. Entertainment Expenses	130,484
-	22. Written Off Expenses	-
3,242,464	23. Security Expenses	5,087,891
-	24. Credit Guarantee Premium	-
-	25. Commission & Discount	-
16,902,933	26. Others	20,478,422
6,226,491	(a) Subscription & Membership	6,641,019
5,830,289	(b) Computer Software Maintenance/ Amortisation	5,701,332
2,462,233	(c) Lease Hold Assets Amortisation	4,146,135
2,383,920	(d) Others	3,989,936
64,388,556	Total	83,848,664

Schedule 4.25

Provision For Possible Losses

As at Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)		
PREVIOUS YEAR	PARTICULARS	THIS YEAR
22,421,375	1. Increase in Loan Loss Provision	33,079,943
-	2. Increase in Provision for Loss on Investment	-
335,070	3. Provision Against Non-Banking Assets	3,327,537
-	4. Provision Against Other Assets	-
22,756,445	Total	36,407,480

Schedule 4.26

Non-operating Income / (Loss)

As at Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Profit (Loss) on Sale of Investments	-
737,089	2. Profit (Loss) on Sale of Assets	1,391,933
-	3. Dividend	-
-	4. Subsidies received from Nepal Rastra Bank	-
-	a. Reimbursement of losses of specified branches	-
-	b. Interest Compensation	-
-	c. Exchange Counter	-
(9,101,956)	5. Others	(9,387,106)
(9,101,956)	a. Amortisation of Goodwill	(9,101,956)
-	b. Other non operating income/(Expenses)	(285,150)
(8,364,867)	Total Non-Operating Income (Loss)	(7,995,173)

Schedule 4.27

Provision For Possible Loss Written Back

As at Fiscal Year 2064/65

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
8,375,488	1. Loan Loss Provision Written Back	11,380,204
2,282,547	2. Provision against Non Banking Assets Written Back	428,532
311,254	3. Investment Provision Written Back	-
-	4. Provision against other Assets Written Back	-
10,969,289	Total	11,808,737

Schedule 4.28

Profit/loss From Extra - Ordinary Activities

As at Shrawan 1, 2064 to Ashad 31, 2065 (July 17, 2007 to July 15, 2008)

(In Npr)

PREVIOUS YEAR	PARTICULARS	THIS YEAR
-	1. Recovery of Written off Loans	585,000
-	2. Voluntary Retirement Scheme Expenses	-
(4,309,340)	3. Loan Write -Offs {4.28 (a)}	(8,221,567)
-	4. Other Expenses/Income	-
(4,309,340)	Total	(7,636,567)

Schedule 4.28 (A)
Statement Of Loan Written-off
 Fiscal Year 2007/08

(In Npr)

S.NO	TYPES OF LOAN	WRITTEN OFF AMOUNT	TYPES OF SECURITY	BASIS OF VALUATION OF COLLATERAL	NAME/DESIGNATION OF LOAN APPROVER	INITIATIONS MADE FOR RECOVERY OF LOAN	REMARKS
1	Working Capital Loan	354,390.43	Land & Building	Shortlisted valuator	Suman Joshi/CEO	Negotiation Settlement	
2	Project Loan						
3	Fixed Capital Loan						
4	Personal Loan						
5	Other Loan	7,867,176.40	Vehicle/Land & Building	Shortlisted valuator	B.P.Shah/GM	Follow up/Negotiation/Auction	
	Total Loan	8,221,566.83					

Schedule 4.29
Statement Of Loans And Advances To Directors/Chief Executive /Promoters/Employees And Shareholders
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

NAME OF PROMOTER/DIRECTOR/ CHIEF EXECUTIVE	OUTSTANDING UP TO LAST YEAR		RECOVERED IN CURRENT YEAR		ADDITIONAL LENDING	OUTSTANDING AS OF ASHAD END 2064	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	IN THIS YEAR	PRINCIPAL	INTEREST
	A. Directors	-	-	-	-	-	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
B. Chief Executive	-	-	-	-	-	-	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
C. Promoters	-	-	-	-	-	-	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
D. Employees	-	-	-	-	-	-	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
E. Shareholders	-	-	-	-	-	-	-
1.....	-	-	-	-	-	-	-
2.....	-	-	-	-	-	-	-
3.....	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Note: As per Clause 6 of the Nepal Rastra Bank (The Central Bank of Nepal) Directive No.6, loans given to employees are as per the Human Resource Policy of the Bank and is disclosed under Schedule 4.16 - Other Assets

Schedule 4.30
Table Of Capital Fund
 Fiscal Year 2064/65

(In Npr)

PARTICULARS	PREVIOUS YEAR	THIS YEAR
A. Core Capital	840,503,162	1,086,123,415
1. Paid Up Capital	729,697,000	913,196,300
2. Share Premium	-	-
3. Irredeemable Preference Shares	-	-
4. General Reserve Fund	27,782,579	51,788,849
5. Accumulated Profit/Loss (Up to previous year)	-	-
6. Profit/Loss as shown in Balance Sheet	52,132,183	5,509,849
7. Capital Redemption Reserve Fund	-	-
8. Capital Adjustment Reserve Fund/ Proposed Bonus	53,419,024	183,000,000
9. Other Free Reserves	-	-
Less: Goodwill	(18,203,912)	(9,101,956)
Investment in excess of prescribed limit	-	-
Fictitious Assets	(2,241,712)	(1,740,627)
Investments in securities of companies having financial interest	(2,082,000)	(56,082,000)
Investments arising out of underwriting commitments	-	(447,000)
B. Supplementary Capital	81,431,555	114,964,235
1. Loan Loss Provision on Pass Loan	70,329,747	101,896,395
2. Asset Revaluation Reserve	-	-
3. Hybrid Capital Instruments	-	-
4. Unsecured Subordinated Term Debt	-	-
5. Exchange Fluctuation Fund	1,361,777	2,880,810
6. Additional Loan Loss Provision	-	-
7. Investment Adjustment Reserve	-	-
8. Provision for Loss on Investment	9,740,031	10,187,031
C. Total Capital Fund (A+B)	921,934,717	1,201,087,651
D. Minimum Capital Fund required to be maintained on the basis of Risk Weighted Assets		
Capital Fund (11%)	815,771,755	1,182,504,460
Core Capital (5.5%)	407,885,877	591,252,230
Capital Fund Excess by 0.17 % (PY excess by 1.43%)	106,162,962	18,583,190
Core Capital Excess by 4.60 % (PY excess by 5.83%)	432,617,285	494,871,185

Schedule 4.30(A)
Table Of Risk Weighted Assets Statement
 As at Ashad 31, 2065 (July 15, 2008)

(In Npr)

ON - BALANCE SHEET ASSETS	WEIGHTAGE	PREVIOUS YEAR		THIS YEAR	
		AMOUNT	RISK WEIGHTED ASSETS	AMOUNT	RISK WEIGHTED ASSETS
Cash Balance	0%	119,437,325	-	267,932,363	-
Gold (Tradable)	0%	66,753	-	66,753	-
Balance with Nepal Rastra Bank	0%	323,697,613	-	720,394,571	-
Investments in Government Securities	0%	977,826,200	-	684,705,823	-
Investments in Nepal Rastra Bank Bonds	0%	-	-	-	-
Fully secured loan against own Fixed Deposit Receipt	0%	5,637,462	-	128,810,979	-
Fully secured loan against Government Securities	0%	-	-	893,644	-
Accured Interest in Gvt. Bonds	0%	2,138,990	-	6,311,512	-
Balances with Domestic Licensed Banks and Financial Institutions	20%	4,081,823	816,365	45,992,832	9,198,567
Fully secured Fixed Deposit Receipt Loan against Fixed Deposit Receipt of other Licensed Banks & Financial Institutions	20%	6,475,032	1,295,006	19,278,617	3,855,723
Balances with Foreign Banks	20%	22,505,372	4,501,074	203,841,088	40,768,217
Money at Call	20%	13,028,000	2,605,600	251,737,774	50,347,555
Loan against Guarantees of Internationally Rated Banks	20%	-	-	-	-
Other Investments in Internationally Rated Banks	20%	203,593,750	40,718,750	448,277,600	89,655,520
Investment in Shares, Debentures and Bonds	100%	13,362,840	13,362,840	118,245,340	118,245,340
Other Investments	100%	252,575,000	252,575,000	-	-
Loans, Advances and Bills Purchased/Discounted	100%	6,517,126,717	6,517,126,717	9,645,455,114	9,645,455,114
Fixed Assets	100%	140,021,540	140,021,540	204,397,323	204,397,323
All Other Assets (net of advance tax deposits)	100%	80,596,270	80,596,270	64,995,339	64,995,339
Net other interest receivable (Total Interest Receivable - Interest on Gvt. Bonds. - Interest Suspenses)	100%	2,494,860	2,494,860	7,155,356	7,155,356
Total (A)		8,684,665,547	7,056,114,022	12,818,492,028	10,234,074,054
Off -Balance Sheet Items					
Bills Collection	0%	23,076,367	-	13,193,935	-
Forward Foreign Exchange Contract	10%	138,552,199	13,855,220	62,050,604	6,205,061
Letters of Credit with maturity of less than 6 months (Full value)	20%	815,071,994	163,014,399	1,132,627,549	226,525,510
Guarantees provided against counter guarantee of internationally rated foreign banks	20%	-	-	-	-
Letters of Credit with maturity of more than 6 months (Full value)	50%	-	-	-	-
Bid Bond	50%	4,362,750	2,181,375	5,799,900	2,899,950
Performance Bond	50%	237,617,744	118,808,872	322,975,896	161,487,948
Advance Payment Guarantee	100%	-	-	-	-
Financial Guarantee	100%	-	-	-	-
Other Guarantee	100%	13,790,000	13,790,000	33,379,961	33,379,961
Irrevocable Loan Commitment	100%	-	-	-	-
Contingent Liabilities in respect of Income Tax	100%	1,661,043	1,661,043	1,661,043	1,661,043
All Other Contingent Liabilities	100%	46,681,933	46,681,933	83,807,021	83,807,021
Total (B)		1,280,814,030	359,992,842	1,655,495,909	515,966,494
Total Risk Weighted Assets		9,965,479,577	7,416,106,864	14,473,987,937	10,750,040,548

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

PARTICULARS	INDICATORS	F. Y.	F. Y.	F. Y.	F. Y.	F. Y.
		2060/2061	2061/2062	2062/2063	2063/2064	2064/2065
1. Percentage of Net Profit/Gross Income	%	7.34%	22.59%	21.72%	27.10%	31.41%
2. Earnings Per Share	NPR	1.90	4.34	5.80	10.75	16.45
3. Market Value per Share	NPR	156.00	285.00	368.00	690.00	1,113.00
4. Price Earning Ratio	Ratio	82.11	65.69	63.44	64.18	67.66
5. Dividend on share capital (including bonus)	%	-	-	-	-	-
6. Cash Dividend on share Capital	%	-	-	-	-	-
7. Interest Income/Loans & Advances	%	8.87%	8.86%	8.30%	7.84%	7.85%
8. Employee Expenses/Total Operating Expenses	%	29.68%	35.10%	36.41%	36.11%	34.73%
9. Interest Expenses on Total Deposits and Borrowings	%	4.57%	4.67%	5.05%	4.64%	4.45%
10. Exchange Fluctuation Gain/Total Income	%	4.27%	4.93%	5.79%	8.64%	12.20%
11. Staff Bonus/ Total Staff Expenses	%	7.57%	10.94%	11.86%	16.39%	21.62%
12. Net Profit/Loans & Advances	%	0.60%	1.18%	1.01%	1.21%	1.47%
13. Net Profit/ Total Assets	%	0.40%	0.83%	0.79%	0.95%	1.13%
14. Total Credit/Deposit	%	103.96%	89.33%	96.30%	85.78%	89.72%
15. Total Operating Expenses/Total Assets	%	2.50%	2.24%	2.29%	1.96%	1.73%
16. Adequacy of Capital Fund on Risk Weightage Assets						
a. Core Capital	%	28.26%	19.45%	13.71%	11.33%	10.10%
b. Supplementary Capital	%	0.93%	1.43%	1.25%	1.10%	1.07%
c. Total Capital Fund	%	29.19%	20.88%	14.96%	12.43%	11.17%
17. Liquidity (CRR)	%	17.13%	8.95%	5.67%	5.65%	5.65%
18. Non Performing Loans/Total Loans	%	0.00%	1.63%	0.78%	0.35%	0.13%
19. Weighted Average Interest Rate Spread	%	4.30%	4.19%	3.24%	3.20%	3.40%
20. Book Net worth	NPR	557,054,957	603,091,075	649,048,621	843,946,939	1,145,533,225
21. Total Shares	Number	5,500,000	6,100,000	6,100,000	7,296,970	9,131,963
22. Total Employees	Number	75	108	145	186	252

Key Indicators (Definitions)

ITEMS	DEFINITIONS
Net Profit	Net Profit After Tax
Gross Income	Total Operating income as per P & L Account
Earnings Per Share (EPS)	Net Profit/No. of Shares at the year end
Interest Income	Interest Income on Loans and Advances as per Schedule 4.18
Loans and Advances	Average Gross Loans & Advances as per Schedule 4.13
Staff Expenses	Employees expenses as per Schedule 4.23
Total Staff Expenses	Staff Expenses + Staff Bonus
Total Operating Expenses	Employee Expenses + Office Operating Expenses + Exchange Loss + Provision for Losses
Interest Expenses	Interest Expenses as per Schedule 4.19
Total Deposit & Borrowings	Borrowings + Deposits as per Balance Sheet (Average)
Total Assets	Total of Asset side of the Balance Sheet (Average)
Total Credit	Gross Loans and Advances + Bills as per Schedule 4.13 (year end)
Total Deposits	Deposits as per Schedule 4.5 (Year end)
Cash Reserve Ratio	Ratio as per NRB Directives, calculated and submitted to NRB as on 15.7.2008
Interest Rate Spread	Average rate of Interest Income on Loans and Advances less Average rate of Interest Expenses on Deposits & Borrowings

Schedule 4.32 Significant Accounting Policies

i) General Information

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

The Bank is running a commercial banking business in Nepal. The financial statements were 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. They are prepared on the historical cost basis. The preparation of financial statements in conformity with NAS and GAAP requires the use of certain critical accounting estimates. It also requires management to exercise 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 Accounting), 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. However, it is the policy of the Bank to recognize income during the current financial year if the income is generated out of a transaction with tenor less than 12 months and commission income is less than NPR 100,000.

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 overdrafts, term loans, consumer loans, supply finance and loans given to priority and deprived sectors. All credit exposures are classified as

per NRB Directives. Loans and advances, overdrafts and bills purchased are shown net of provisions.

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

Loan accounts graded 'Loss' in compliance with Nepal Rastra Bank Directives are written off in the books as per criteria/ policy approved by the Credit Committee/ Board, without prejudice to Bank's right to recovery.

xiv) Investments

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

Premiums and discounts are capitalized and amortized from the date of purchase to maturity.

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 lives of items of fixed assets. Land is not depreciated. The useful lives of the assets are as follows:

Nature of Assets	Useful Life (years)
Furniture	5
Equipments	5
Vehicles	5-7
Computers	5
Free hold premises	40

- 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 work in progress.

xvi) Non Banking Assets

Non Banking Assets 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. However, NBA outstanding as on 15 July 2008 has been fully provided irrespective of the date of booking which is in excess of the requirement of Nepal Rastra Bank Directives to provide for NBA on phase wise basis.

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 their estimated useful lives.

xviii) Goodwill

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

xix) Amortization

Amortization is charged to Profit and Loss Account on a straight line basis over the estimated useful lives of the intangible assets. Goodwill is amortized from the date of initial recognition; other intangible assets are recognized from the date they are available for use. The estimated useful lives are as follows:

- Goodwill 5 years
- Computer Software 5 years

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

xx) Employee Benefits

a. Provident fund

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

b. Accumulated Leave

As per HR Policy Guide of the Bank there is no encashment of accumulated leave.

c. 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.

xxi) Stationery Stock

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

xxii) Provision for Taxation

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

Current tax

The tax currently payable is provision for income tax calculated on basis of Income Tax Act 2058 and rules formed thereto. However, actual tax liability of the bank may change after tax audit of the current income year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

xxiii) Previous Year's Figures

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

Schedule 4.33 Notes to Accounts

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.

2. Provision for Staff Bonus

Provision for staff bonus 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 calculated as per accrual liability basis for the year.

5. General Reserve

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

6. Exchange Fluctuation Fund

Revaluation gain as at the year end is NPR 6,076,130, out of which 25% has been transferred to Exchange Fluctuation Fund by debiting Profit and Loss Appropriation Account as per Nepal Rastra Bank Directives.

7. Income Tax Issues

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

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

The Bank has filed tax returns to the Large Taxpayers' Office up to the financial years 2063/64 under self

assessment procedures. Tax assessments for the fiscal year 2060/61 and 2061/62 is being undertaken by Large Taxpayers' Office.

8. Capital Commitment

Capital commitment net of advances is NPR 1,191,500 on account of Teku Branch Extension, which was under construction at the balance sheet date.

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

10. Unsubscribed Shares

The bank has reissued 23,030 fresh shares at par during the year for the unsubscribed portion of the right shares.

11. Capital Plan

In line with the capital plan, the Bank has issued Right Shares during the year to its shareholders in the ratio of 1 share for every 4 shares held. The value of Right Shares issued was NPR 183,000,000.

12. Investment in Share Capital of other Corporate

a. Nepal Bank Limited

Investment in shares of Nepal Bank Limited was made by then HISEF Finance Limited. Since those shares have been delisted by Nepal Stock Exchange Limited, 100% loss provision has been made on those shares. As these shares have been delisted, its disposal to comply with NRB Directives have not been made.

b. Himalayan Distillery Limited

The Bank (then Hisef Finance Limited) had underwritten the shares of Himalayan Distillery Limited. As the shares were not fully subscribed, the bank had accepted those shares by paying NPR 50 per share (call amount at that point of time). Since the Bank had not paid the second call amount of NPR 50 per share, the Himalayan Distillery Limited had forfeited those shares, against which the Bank has filed a case and the case is pending till date.

c. Prime Life Insurance

The Bank has invested Rs 54,000,000 in Prime Life Insurance Company Ltd, a life insurance company on 4th of Baisakh 2065.

13.Reconciliation Status

NPR

RECONCILIATION STATUS	TOTAL AMOUNT	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	290,610,469	288,707,377	1,292,032	602,810	8,250	-

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

14. Insurance Claim

On 2 May 2008, Rs 7,890,002 was looted in a robbery from our Damak Branch. We have made a claim of Rs 5,703,002 to the Insurance company net of Rs 2,187,000 recovered by the Police during investigation. 5% of the claim amount Rs 285,150.10 has already been provided for as loss during the year against deductible and the remaining amount Rs 4,854,851.90 (net of advance received from Insurance Co i.e. Rs 2,750,000 and loss booked) is shown as receivable in the financial statement.

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

NPR 000

PARTICULARS	AMOUNT
Loans Disbursed	7,217,224
Loans Recovered	3,952,025
Loans Written off	8,221
Interest written off	4,105

16. Summary of Changes in Deposit Liabilities

NPR 000

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	CHANGES
	31/3/2008 (15/07/2008)	32/3/2007 (16/07/2007)	
Call Deposits	2,071,385	947,271	1,124,114
Current Deposits	284,397	378,576	(94,179)
Fixed Deposits	5,821,955	4,245,038	1,576,917
Margin Deposits	89,821	126,280	(36,459)
Saving Deposits	2,590,407	1,868,381	722,026

17. Weighted Average Interest Spread

	RATE %
Average Rate of return from loans and advances	7.85
Average Rate on deposits & borrowings	4.45
Net Spread	3.40

18. Particulars of Expenses yet to be Expensed off

NPR 000

PARTICULAR	AMOUNT	FINAL
		AMORTIZATION DATE
1.Share Issue expense	1,741	June 2013
2.Others	-	-

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

19. Summary of Concentration of Exposure

NPR 000

PARTICULARS	LOANS, ADVANCES AND BILLS PURCHASED	DEPOSITS AND BORROWINGS	CONTINGENTS
Total amount as on 15/07/2008	9,794,438	11,367,232	1,655,496
Highest exposure to a single unit	266,274	1,333,426	182,001
Percentage of exposure to/from single unit(in %)	2.72%	11.73%	10.99%

20. Classification of Assets and Liabilities based on Maturity

NPR in Lacs

ASSETS	1-90	91-180	181-270	271-365	ABOVE ONE	TOTAL
	DAYS	DAYS	DAYS	DAYS	YEAR	AMOUNT
Cash Balance	2,679	-	-	-	-	2,679
Bank Balance	7,664	-	-	-	-	7,664
Investment in Foreign Banks	1,196	-	-	-	-	1,196
H-N4G Bonds	4,161	-	1,797	718	171	6,847
NRB Bonds	-	-	-	-	-	-
Inter Bank Loans	3,540	-	-	2,076	1,384	7,000
Loans and Advances/ Bills Purchase	41,123	12,716	1,929	3,231	39,219	98,217
Total Assets	60,363	12,716	3,726	6,025	40,773	123,604
Liabilities						
Borrowings	4,500	-	-	-	-	4,500
Call Account	20,151	-	-	-	535	20,686
Current Deposits	2,661	-	-	-	184	2,845
Savings Deposits	20,823	-	-	-	5,080	25,903
Fixed Deposits	17,629	17,238	11,360	10,312	1,681	58,220
Debentures	-	-	-	-	-	-
Total Liabilities	65,764	17,238	11,360	10,312	7,480	112,154
Net Financial Assets	(5,401)	(4,522)	(7,634)	(4,287)	33,294	11,450
Cumulative Net Financial Assets	(5,401)	(9,923)	(17,557)	(21,844)	11,450	-

21. Credit Concentration

NPR in Lacs

SECTORS	NUMBER	PRINCIPAL	INTEREST
1. Agriculture	11	3	-
2 Mines	1	155	-
3 About Productions	499	33,304	39
4 Construction	678	28,319	81
5 Metal Productions, Machinery & Electrical Tools & fitting	344	-	-
6 Transportation Equipment Production & Fitting	28	3,492	10
7 Transportation, Communications & Public Services	49	1,872	3
8 Wholesaler & Retailers	414	10,554	18
9 Finance, Insurance & Fixed Assets	378	7,693	10
10 Service Industries	89	5,520	6
11 Consumable Loan		281	1
12 Local Government		-	-
13 Others	340	6,750	57
Total	2,831	97,944	226

22. Details of Gross Non Banking Assets (NPR)

PREVIOUS YEAR	ADDITION DURING THE YEAR	SALE DURING THE YEAR OF THE YEAR	BALANCE AT THE END YEAR
1,832,481	2,971,500	857,065	3,946,917

23. Details of Lease Hold Assets Amortization

NPR

LEASE HOLD ASSETS UP TO LAST YEAR	THIS YEAR ADDITION / DELETION	AMORTIZATION DURING THE YEAR	NET BALANCE AT THE END OF THE YEAR
14,899,586	7,929,208	4,146,135	18,682,659

24. Deferred Tax Liability

Carrying amount of Assets & Liabilities where temporary differences arise as on Ashad End 2065 (15.07 2008) are as follows:

PARTICULARS	AS PER BOOKS OF ACCOUNTS	AS PER INCOME TAX ACT	DIFFERENCE
Fixed Assets	118,152,390	108,941,226	9,211,164
Net Temporary Differences	118,152,390	108,941,226	9,211,164
Deferred Tax Liability as at Ashad end 2065 @ 31.5%			2,901,517
Deferred Tax Liability till Ashad end 2064			1,915,403
Deferred Tax Expense for Current Year			986,114

Since this is first time adoption of NAS 9 –Standard on Income Taxes, Deferred Tax amounting to Rs 1,915,403 related upto previous year has been adjusted in retained earning in Profit and Loss Appropriation Account. The amount of adjustment has also been disclosed in Statement of Change in Equity as change in accounting policy.

DISCLOSURE AS PER BASEL II

1. Capital structure and capital adequacy

- Tier 1 capital and a breakdown of its components;

PARTICULARS	NPR IN 000
Paid up Equity Share Capital	913,196
Proposed Bonus Equity Shares	183,000
Statutory General Reserves	51,788
Retained Earnings	5,509
Core Capital	1,153,493

- Tier 2 capital and a breakdown of its components;

PARTICULARS	NPR IN 000
General loan loss provision	101,896
Exchange Equalization Reserve	2,881
Other Reserves	10,187
Supplementary Capital	114,964

- 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.

- The bank does not have any Subordinated Term Debts

- Deductions from capital;

PARTICULARS	NPR IN 000
Goodwill	9,102
Fictitious Assets	1,741
Investment in equity in licensed Financial Institutions	9,740
Investment in equity of institutions with vested interests	56,082
Investments arising out of underwriting commitments	447
Total	77,112

- Total qualifying capital;

PARTICULARS	NPR
Core Capital	1,076,382
Supplementary Capital	114,964
Total Qualifying Capital (Total Capital Fund)	1,191,346

- Capital Adequacy Ratio;
- 10.40 %

- 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 and 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.
 - Laxmi Bank welcomes the Capital Adequacy Framework developed by Nepal Rastra Bank which is a simplified and customized version of Basel II that suits our market condition.

- Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.
 - The bank has all free capital without any terms and conditions associated with the capital.

2. Risk exposures

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

PARTICULARS	NPR 000
Risk weighted exposures for Credit Risk	11,135,061
Risk weighted exposures for Market Risk	48,386
Risk weighted exposures for Operational Risk	274,825
Total Risk Weighted Exposures	11,458,272

- Risk Weighted Exposures under each of 11 categories of Credit Risk;
 - a) Claims on government & central bank 0
 - b) Claims on other official entities 81,758
 - c) Claims on banks 557,440
 - d) Claims on corporate & securities firms 7,511,524
 - e) Claims on regulatory retail portfolio 116,422
 - f) Claims secured by residential properties 1,271,220
 - g) Claims secured by commercial real state 364,262
 - h) Past due claims 10,813
 - i) High risk claims 38,438
 - j) Other assets 330,076
 - k) Off balance sheet items 853,108
 - Total 11,135,061**

- Total Risk Weighted Exposure calculation table;

PARTICULARS	AMOUNT IN NPR
Risk weighted exposures for Credit Risk	11,135,061
Risk weighted exposures for Market Risk	274,825
Risk weighted exposures for Operational Risk	48,386
Total Risk Weighted Exposures	11,458,272
Total Capital Fund	1,191,346
Total Capital to Total Risk Weighted Exposures	10.40%

- Amount of NPAs (both Gross and Net)
 - Substandard Loan
 - Gross NPR 1,198,699
 - Net NPR 870,605
 - Doubtful Loan
 - Gross NPR 590,928
 - Net NPR 265,983
 - Loss Loan
 - Gross NPR 10,940,369
 - Net NIL

- NPA ratios
 - Gross NPA to gross advances
 - 0.13%
 - Net NPA to net advances
 - 0.01%

- Movement of Non Performing Assets.

PARTICULARS	PREVIOUS YEAR	ADDITION/ (REDUCTION) DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Substandard	1,183,093	15,606	1,198,699
Doubtful	2,666,987	(2,076,159)	590,828
Loss	19,171,013	(8,230,644)	10,940,369
Total	23,021,093	(10,291,197)	12,729,896

- Write off of Loans and Interest Suspense
 - Loan written off NPR 8,221,576
 - Interest written off NPR 4,105,431
- Movements in Loan Loss Provisions and Interest Suspense

PARTICULARS	PREVIOUS YEAR	ADDITION/ (REDUCTION) DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Loan loss provision	91,789,964	21,699,738	113,489,702
Interest Suspense	19,381,623	(120,510)	19,261,113

- Details of additional Loan Loss Provisions

Refer schedule 4.13 of Balance Sheet

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 measuring and monitoring of risk activities that we undertake in our normal course of business.

Risk Management Framework and Organization

The Board sets out the risk appetite and philosophy for the Bank which is supported by various Executive 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 Chief Governance Officer has a role of 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 senior executives in the role of risk managers who work independent of any business targets. The heads of Credit Risk and Operational Risk 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.

The credit committee comprising of non-executive board members and senior management further reviews 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 office independent of Treasury dealing room functions.

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 are some of the tools that have are used to manage risks.

Operations Risk Unit

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

Thriving in chaos | Laxmi Bank Limited

Corporate Office

Laxmi Complex
Hattisar, P.O. Box 19593
Kathmandu
Tel. 01-4444684, 4444685
Fax. 01-4444640, 4444743

Registered Office

Adarshanagar, P.O. Box. 61
Birgunj, Parsa
Tel: 051-526195, 530394, 691875, 621882
Fax: 051-530393

ATM NETWORK

Banepa
Bhatbhateni
Birgunj
Durbarmarg
Hattisar
Maharajgunj
Mangal Bazaar
New Baneshwor
New Road
Pokhara
Pulchowk
Teku
Thapathali
Tilganga



BRANCHES

Birgunj

Adarshanagar, P.O. Box. 61
Birgunj, Parsa
Tel: 051-526195, 530394, 691875, 621882
Fax: 051-530393

Hattisar

Laxmi Complex, P.O. Box 19593
Kathmandu
Tel. 01-4444684, 4444685
Fax. 01-4444640, 4444743

Banepa

174, Arniko Highway West
Banepa-5, Kavre
Tel. 011-663425, 663426
Fax. 011-663427

Pokhara

New Road, P.O. Box. 561
188, B.P. Marga, Pokhara-9, Kaski
Tel. 061-533580, 540153
Fax. 061-525514

Biratnagar

Main Road, Ward No. 9, Biratnagar, Morang
Tel. 021-538401, 538402
Fax. 021-538403

Pulchowk

Lalitpur Bishal Bazar, Pulchowk, Lalitpur
Tel. 01-5009501, 5009502, 5009503
Fax. 01-5009505

Narayanghat

Ward No. 6, Pulchowk, Narayanghat
Tel: 056-525726, 523626

Teku

National Trading Limited, Teku
P.O. Box 19593, Kathmandu
Tel: 01-4232501, 4232502, 4233354
Fax: 01-4232503

Pokhara Industrial District

Pokhara Industrial District, Kaski
Tel. 061-541783, 522878

New Road Business Center

New Road, Kathmandu
Tel. 01-4233309, 4233310, 4233647, 4233648
Fax. 01-4233307

Janakpur

Bhanu Chowk, Janakpur Dham, Danusha
Tel. 041-527496
Fax. 041-527497

New Baneshwor

Alfa Beta Complex, New Baneshwor, Kathmandu
Tel. 01-4785306, 4785307, 4785308
Fax. 01-4785309

Damak

Damak Bazar, Mahendra Highway, Jhapa
Tel: 023-585207
Fax: 023-584230

Bhatbhateni

Bhatbhateni, Kathmandu
Tel: 01-4442075, 4442094, 4442095
Fax: 01-4442110

Itahari

Itahari Chowk, West Line, Sunsari
Tel. 025-587021
Fax. 025-587022

Maharajgunj

Narayan Gopal Chowk
Maharajgunj Ring Road, Kathmandu
Tel. 01-4375788
Fax. 01-4376019

Bhairahawa

Aawha Road, Ward No. 12, Rupendehi, Bhairahawa
Tel: 071-523461
Fax: 071-523421



...financial highlights

after 6 months of operation in the present financial year
- 2008/09 (unaudited in NPR millions)

Half Year Results as at January 13, 2009

Paid Up Capital	1,098
Reserves & Surplus	155
Loan Loss Provision	126
Loans & Advances (gross)	11,022
Deposits & Borrowings	11,781

Total Revenue	557
Operating Profit	165
Net Profit	94

Non Performing Assets	0.10%
Capital Adequacy	13.14%
Market Capitalization	10,695

Closing Market Price	974.00
Earnings per Share	17.20
Number of Employees	259
Number of Branches	16