

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Financial Position
As at Quarter ended 31 Ashad 2076 (16 July 2019)

Figures in NPR

	Group		Bank	
	This Quarter Ending	Immediate Previous year ending	This Quarter Ending	Immediate Previous year ending
Assets				
Cash and cash equivalent	4,125,183,766	4,681,019,273	4,125,183,766	4,678,800,961
Due from Nepal Rastra Bank	832,739,821	972,153,065	832,739,821	972,153,065
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to B/FLs	1,206,137,608	815,302,754	1,206,137,608	815,302,754
Loans and advances to customers	21,165,994,048	16,994,573,077	21,165,994,048	16,994,573,077
Investment securities	1,619,958,553	1,691,224,327	1,619,958,553	1,634,527,133
Current tax assets	66,563,282	44,206,923	66,563,282	44,206,923
Investment in subsidiaries	-	-	-	40,000,000
Investment in associates	467,765,848.03	315,845,047	215,661,223	136,631,423
Investment property	54,439,576	49,126,373	54,439,575.7	49,126,373.0
Property and equipment	322,692,105	344,563,252	322,692,105	342,782,979
Goodwill and Intangible assets	3,985,687	4,443,277	3,985,687	4,443,277
Deferred tax assets	5,243,379	10,371,522	5,243,379	10,371,522
Other assets	114,567,702	88,138,143	114,567,702	77,136,603
Total Assets	29,985,271,375	26,010,967,033	29,733,166,750	25,800,056,091
	This Quarter Ending	Immediate Previous year ending	This Quarter Ending	Immediate Previous year ending
Liabilities				
Due to Bank and Financial Institutions	-	-	-	-
Due to Nepal Rastra Bank	681,687,112	-	681,687,112	-
Derivative financial instruments	-	-	-	-
Deposits from customers	24,806,232,738	22,182,552,526	24,806,232,738	22,182,552,526
Borrowing	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	325,011,945	264,772,925	325,011,945	259,229,785
Debt securities issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
Total liabilities	25,812,931,795	22,447,325,451	25,812,931,795	22,441,782,311
Equity				
Share capital	2,209,766,313	2,173,282,669	2,209,766,313	2,173,282,669
Share premium	14,272,683	13,758,238	14,272,683	13,758,238
Retained earnings	737,823,480	355,204,825	485,718,855	178,188,814
Reserves	1,210,477,104	993,044,060	1,210,477,104	993,044,060
Total equity attributable to equity holders	4,172,339,580	3,535,289,791	3,920,234,955	3,358,273,780
Non-controlling interest	-	28,351,791	-	-
Total equity	4,172,339,580	3,563,641,582	3,920,234,955	3,358,273,780
Total liabilities and equity	29,985,271,375	26,010,967,033	29,733,166,750	25,800,056,091

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 31 Ashad 2076 (16 July 2019)

Figures in NPR

	Group				Bank			
	Current Year		Previous year corresponding		Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter
Interest income	896,542,325.90	3,212,130,416	750,392,381	2,516,807,388	896,542,325.90	3,212,130,416	750,123,182	2,515,730,589
Interest expense	558,680,863.65	2,078,343,845	486,058,955	1,717,100,787	558,680,863.65	2,078,343,845	486,058,955	1,717,100,787
Net interest income	337,861,462	1,133,786,571	264,333,426	799,706,601	337,861,462	1,133,786,571	264,064,227	798,629,802
Fee and commission income	34,298,128.89	137,337,934	31,192,930	108,659,136	34,298,128.89	137,337,934	31,192,930	108,659,136
Fee and commission expense	1,325,961.01	3,070,861	503,248	1,496,693	1,325,961.01	3,070,861	503,248	1,496,693
Net fee and commission income	32,972,168	134,267,073	30,689,682	107,162,443	32,972,168	134,267,073	30,689,682	107,162,443
Net interest, fee and commission income	370,833,630	1,268,053,644	295,023,108	906,869,044	370,833,630	1,268,053,644	294,753,908	905,792,245
Net trading income	8,837.93	24,514	(171,736)	45,858	8,837.93	24,514	(171,736)	45,858
Other operating income	23,573,357.20	53,107,602	12,743,757	129,585,240	20,367,565.05	40,284,434	10,648,072	121,202,502
Total operating income	394,415,825	1,321,185,760	307,595,129	1,036,500,143	391,210,033	1,308,362,591	305,230,244	1,027,040,605
Impairment charge/(reversal) for loans and other losses	(120,646,791.72)	(138,767,917)	(107,701,544)	(368,578)	(120,646,791.72)	(138,767,917)	(107,773,097)	(654,791)
Net operating income	515,062,617	1,459,953,676	415,296,673	1,036,868,721	511,856,825	1,447,130,508	413,003,341	1,027,695,396
Operating expense								
Personnel expenses	123,122,307.60	361,670,040	97,536,603	297,179,949	121,894,937.20	356,760,558	96,686,264	293,778,596
Other operating expenses	70,453,342.24	202,140,312	61,837,080	182,362,550	69,072,377.11	196,616,451	60,748,177	178,006,936
Depreciation & Amortisation	13,498,609.78	51,627,140	13,240,541	50,346,228	13,362,074.32	51,080,998	13,240,541	50,346,228
Operating Profit	307,988,357	844,516,184	242,682,449	506,979,994	307,527,436	842,672,500	242,328,359	505,563,635
Non operating income	10,543,660.40	107,153,671	690,641	77,807,045	10,543,660.40	33,645,553	690,641	900,000
Non operating expense	45,847.37	503,564	10,544	10,544	45,847.37	503,564	10,544	10,544
Profit before income tax	318,486,170	951,166,291	243,362,545	584,776,495	318,025,249	875,814,488	243,008,456	506,453,091
Income tax expense	102,885,374	318,433,977	16,443,660	181,042,525	102,885,374	318,433,977	16,443,660	182,020,986
Current Tax	102,885,374.40	299,412,652	16,443,660	95,477,051	102,885,374.40	299,412,652	16,443,660	95,477,051
Deferred Tax	-	19,021,324	-	85,565,474	-	19,021,324	-	86,543,935
Profit for the period	215,600,796	632,732,315	226,918,885	403,733,970	215,139,875	557,380,512	226,564,795	324,432,105
Profit attributable to:								
Equity holders of the Bank	215,403,258.35	631,942,164.18	226,767,132.09	402,707,618.45	215,139,875	557,380,512	226,564,795	324,432,105
Non-controlling interest	197,538	790,150.55	151,752.70	1,026,351	-	-	-	-
Profit for the period	215,600,796	632,732,315	226,918,885	403,733,970	215,139,875	557,380,512	226,564,795	324,432,105
Earnings per share								
Basic earnings per share		28.60		18.53		25.22		16.15
Diluted earnings per share		28.60		18.53		25.22		16.15

Lumbini Bikas Bank Limited
Consolidated Statement of Other Comprehensive Income
For the Quarter ended 31 Ashad 2076 (16 July 2019)

Figures in NPR

	Group				Bank			
	Current Year		Previous year corresponding		Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter
Profit for the year	215,600,796	632,732,315	226,918,885	403,733,970	215,139,875	557,380,512	226,564,795	324,432,105
Other comprehensive income, net of income tax								
a) Items that will not be reclassified to Profit or loss								
• Gains/(losses) from Investments in equity instruments measured at fair value	(11,577,652)	(46,310,609)	(28,042,216)	(112,168,864.08)	(11,577,652)	(46,310,609)	(28,042,216)	(112,168,864)
• Gains/(losses) on revaluation				-				-
• Actuarial gains/(losses) on defined benefit plans				-				-
• Income tax relating to above items	3,473,296	13,893,183	8,412,665	33,650,659.22	3,473,295.65	13,893,182.59	8,412,664.81	33,650,659.22
Net other comprehensive income that will not be reclassified to profit or loss	(8,104,357)	(32,417,426)	(19,629,551)	(78,518,205)	(8,104,357)	(32,417,426)	(19,629,551)	(78,518,205)
b) Items that are or may be reclassified to profit or loss								
• Gains/(losses) on cash flow hedge		-		-		-		-
• Exchange gains/(losses) (arising from trasalating financial assets of foreign operation)		-		-		-		-
• Income tax relating to above items		-		-		-		-
• Reclassify to profit or loss		-		-		-		-
Net other comprehensive income that are or may be reclassified to profit or loss		-		-		-		-
c) Share of other comprehensive income of associate accounted as per equited method		-		-		-		-
Other comprehensive income for the period, net of income tax	(8,104,357)	(32,417,426)	(19,629,551)	(78,518,205)	(8,104,357)	(32,417,426)	(19,629,551)	(78,518,205)
Total comprehensive income for the year	207,496,439	600,314,889	207,289,334	325,215,765	207,035,518	524,963,086	206,935,244	245,913,900
Total comprehensive income attributable to:								
Equity holders of the Bank	207,298,902	599,524,738	207,137,581	324,189,414	207,035,518	524,963,086	206,935,244	245,913,900
Non-controlling interest	197,538	790,151	151,753	1,026,351	-	-	-	-
Total comprehensive income for the period	207,496,439	600,314,889	207,289,334	325,215,765	207,035,518	524,963,086	206,935,244	245,913,900

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of cash flows
For the period ended 31 Ashad 2076 (16 July 2019)

Figures in NPR

	Group		Bank	
	Up to this quarter	Corresponding Previous Year Up to this quarter	Up to this quarter	Corresponding Previous Year Up to this quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	3,170,418,329	2,512,523,920.75	3,170,418,329	2,511,447,122
Fees and other income received	137,337,934	108,659,135.97	137,337,934	108,659,136
Divided received	12,873,163	15,698,058.84	12,873,163	15,698,059
Receipts from other operating activities	64,152,198	112,433,594.02	64,152,198	107,946,995
Interest paid	(2,080,490,247)	(1,769,471,270.93)	(2,080,490,247)	(1,769,471,271)
Commission and fees paid	(3,070,861)	(1,496,693.23)	(3,070,861)	(1,496,693)
Cash payment to employees	(245,606,642)	(270,142,736.62)	(245,606,642)	(266,883,020)
Other expense paid	(196,568,604)	(176,474,691.07)	(196,568,604)	(173,136,060)
Operating cash flows before changes in operating assets and liabilities	859,045,271	531,729,318	859,045,271	532,764,267
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	139,413,244	23,896,405.03	139,413,244	23,896,405
Placement with bank and financial institutions	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to bank and financial institutions	(390,834,854)	(362,020,105.29)	(390,834,854)	(362,020,105)
Loans and advances to customers	(3,993,402,312)	(2,384,537,748.74)	(3,993,402,312)	(2,384,537,749)
Other assets	(27,284,232)	(19,033,226.52)	(27,284,232)	(27,808,116)
Increase/(Decrease) in operating liabilities	-	-	-	-
Due to bank and financial institutions	-	-	-	-
Due to Nepal Rastra Bank	681,687,112	(319,970,771.70)	681,687,112	(319,970,772)
Deposit from customers	2,623,680,212	4,231,374,463.50	2,623,680,212	4,254,508,025
Borrowings	-	-	-	-
Other liabilities	(37,362,448)	59,529,236.43	(37,362,448)	59,335,931
Net cash flow from operating activities before tax paid	(145,058,006)	1,760,967,570	(145,058,006)	1,776,167,886
Income taxes paid	(321,769,011)	(94,617,376.63)	(321,769,011)	(94,617,377)
Net cash flow from operating activities	(466,827,018)	1,666,350,194	(466,827,018)	1,681,550,509
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(76,667,670)	(770,396,571.40)	(76,667,670)	(785,056,412)
Receipts from sale of investment securities	5,895,841	6,842,523.70	5,895,841	6,842,524
Purchase of property and equipment	(25,582,723)	(75,270,784.87)	(25,582,723)	(73,708,785)
Receipt from the sale of property and equipment	-	-	-	-
Purchase of intangible assets	(745,850)	(472,949.80)	(745,850)	(472,950)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	9,795,779	-	9,795,779	-
Interest received	-	-	-	-
Dividend received	-	3,396,139.30	-	-
Net cash used in investing activities	(87,304,623)	(835,901,643)	(87,304,623)	(852,395,623)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	-	-	-	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	514,445	178,162,437.42	514,445	178,162,437
Dividends paid	-	250,872.00	-	250,872
Interest paid	-	-	-	-
Other receipt/payment	-	-	-	-
Net cash from financing activities	514,445	178,413,309	514,445	178,413,309
Net increase (decrease) in cash and cash equivalents	(553,617,195)	1,008,861,860	(553,617,195)	1,007,568,195
Cash and cash equivalents at Shrawan 1, 2075	4,681,019,272	3,672,157,412.31	4,678,800,961	3,671,232,766
Derecognition of Cash and cash equivalent of Subsidiary	(2,218,311)	-	-	-
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Asar end 2076	4,125,183,766	4,681,019,272	4,125,183,766	4,678,800,961

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of changes in equity
For the Quarter ended 31 Ashad 2076 (16 July 2019)

Figures in NPR

	Group										Non-controlling interest	Total equity
	Attributable to equity holders of the Bank											
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
Balance at Shrawan 1, 2074	2,008,878,469	-	460,507,504	333,317	-	-	-	(247,680,219)	513,148,017	2,735,187,089	-	2,735,187,089
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-
NFRS Adjustment	-	-	-	-	-	-	106,632,917	199,608,265	(11,164,892)	-	-	-
Adjusted/Restated balance at Shrawan 1, 2074	2,008,878,469	-	460,507,504	333,317	-	106,632,917	-	(48,071,954)	501,983,126	3,030,263,379	-	3,030,263,379
Adjustment to NCI	-	-	-	-	-	-	-	-	-	-	30,000,000	30,000,000
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	403,733,970	-	403,733,970	-	403,733,970
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	-	(78,518,205)	-	(78,518,205)	-	(78,518,205)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchanges gains/(losses) (arising from transalting financial assest of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	325,215,765	-	325,215,765	-	325,215,765
Transfer to reserve during the year	-	-	59,935,760	168,835	-	(78,518,205)	-	403,276,778.32	30,210,143	415,073,311	(1,648,209)	413,425,101
Transfer from reserve during the year	-	-	-	-	-	-	-	-	(88,209,336)	(88,209,336)	-	(88,209,336)
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	164,404,200	-	-	-	-	-	-	-	-	164,404,200	-	164,404,200
Premium received on issuance of unsubscribed number of right shares	-	14,196,370	-	-	-	-	-	-	-	14,196,370	-	14,196,370
Share issuance cost	-	(438,132)	-	-	-	-	-	-	-	(438,132)	-	(438,132)
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	164,404,200	13,758,238	59,935,760	168,835	-	(78,518,205)	-	403,276,778	(57,999,193)	505,026,412	(1,648,209)	503,378,203
Balance at Ashad end 2075	2,173,282,668.60	13,758,238	520,443,264	502,152	-	28,114,712	-	355,204,825	443,983,932	3,535,289,791	28,351,791	3,563,641,582

	Group											
	Attributable to equity holders of the Bank										Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
Balance at Shrawan 1, 2075	2,173,282,669	13,758,238	520,443,264	502,152	-	28,114,712	-	355,204,825	443,983,932	3,535,289,791	28,351,790.53	3,563,641,582
Comprehensive income for the year												
Profit for the year								632,732,315		632,732,315		632,732,315
Other comprehensive income, net of tax												
Gains/(losses) from investments in equity instruments measured at fair value						(32,417,426)	-	-	-	(32,417,426)		(32,417,426)
Gains/(losses) on revaluation							-					
Actuarial gains/(losses) on defined benefit plans									-			
Gains/(losses) on cash flow hedge												
Exchanges gains/(losses) (arising from transalting financial asset of foreign operation)												
Cash flow hedges:												
Effective portion of changes in fair value												
Net Amount reclassified to profit or loss												
Total comprehensive income for the year								632,732,315		632,732,315		632,732,315
Transfer to reserve during the year			111,476,102			-		382,091,694	(19,581,799)	473,985,997.86	790,150.55	474,776,148
Transfer from reserve during the year			-		156,234,379			-		156,234,379		156,234,379
Transactions with owners, directly recognised in equity												
Right share issued	36,483,644									36,483,644		36,483,644
Premium received on issuance of unsubscribed number of right shares		514,445								514,445		514,445
Share based payments												
Dividends to equity holders												
Bonus shares issued												
Cash dividend paid												
Revaluation Surplus												
Profit/(Loss) on sale disposal of subsidiary							526,961					
Disposal of Subsidiary											(29,141,941.08)	(29,141,941)
Total contributions by and distributions	36,483,644	514,445	111,476,102	-	156,234,379	-	-	382,618,655	(19,581,799)	667,745,427	-	667,745,427
Balance at Ashad end 2076	2,209,766,313	14,272,683	631,919,366	502,152	156,234,379	28,114,712	-	737,823,480	424,402,133	4,203,035,218		4,203,035,218

	Bank									
	Attributable to equity holders of the Bank									
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total
Balance at Shrawan 1, 2075	2,173,282,669	13,758,238	520,443,264	502,152	-	28,114,712	-	178,188,814	443,983,932	3,358,273,780
Comprehensive income for the year										
Profit for the year								557,380,512		557,380,512
Other comprehensive income, net of tax										-
Gains/(losses) from investments in equity instruments measured at fair value						(32,417,426)				(32,417,426.05)
Gains/(losses) on revaluation										-
Actuarial gains/(losses) on defined benefit plans										-
Gains/(losses) on cash flow hedge										-
Exchanges gains/(losses) (arising from transalting financial assest of foreign operation)										-
Total comprehensive income for the year								557,380,512		557,380,512
Transfer to reserve during the year			111,476,102					307,530,042	(19,581,799)	399,424,345
Transfer from reserve during the year					156,234,379					156,234,378.86
Transactions with owners, directly recognised in equity										-
Shares issued	36,483,644									36,483,644.00
Share issuance cost										-
Premium received on issuance of unsubscribed number of right shares		514,445								514,445.39
Share based payments										-
Dividends to equity holders										-
Bonus shares issued										-
Cash dividend paid										-
Total contributions by and distributions	36,483,644	514,445	111,476,102	-	156,234,379	(32,417,426)	-	307,530,042	(19,581,799)	560,239,388
Balance at Ashad end 2076	2,209,766,313	14,272,683	631,919,366	502,152	156,234,379	(4,302,714)	-	485,718,855	424,402,133	3,918,513,167

Lumbini Bikas Bank Limited
Condensed Statement of distributable profit or loss
For the Quarter ended 31 Ashad 2076 (16 July 2019)
(As per NRB Regulation)

Figures in NPR

	Bank
	This Quarter Ending
Net profit or (loss) as per statement of profit or loss	557,380,512
<u>Appropriations:</u>	
<i>a. General reserve</i>	111,476,102
<i>b. Foreign exchange fluctuation fund</i>	-
<i>c. Capital redemption reserve</i>	-
<i>d. Corporate social responsibility fund</i>	2,838,885
<i>e. Employees' training fund</i>	1,721,787
<i>f. Other</i>	-
<i>g. Investment Adjustment Reserve</i>	-
Profit or (loss) before regulatory adjustment	441,343,737
<u>Regulatory adjustment :</u>	
<i>a. Transfer to Regulatory Reserve</i>	
<i>b. Transfer from Regulatory Reserve</i>	(156,234,378.86)
Distributable profit or (loss)	285,109,358

Ratio as per NRB Directives Particulars	Group				Bank			
	Current Year		Previous year corresponding		Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter
Capital Fund to RWA		16.56%		17.18%		16.56%		17.18%
Non Performing Loan (NPL) to total Loan		1.57%		3.34%		1.57%		3.34%
Total Loan Loss Provision to Total NPL		154.54%		111.16%		154.54%		111.16%
Cost of Fund		8.64%		9.46%		8.64%		9.46%
Credit to Deposit Ratio		77.61%		72.63%		77.61%		72.63%
Base Rate		11.02%		12.96%		11.02%		12.96%
Interest rate Spread		4.79%		4.19%		4.79%		4.19%

Lumbini Bikas Bank Limited

For the period ended 31st Ashad, 2076

Notes to the Interim Financial Statements

1. Reporting Entity

Lumbini Bikas Bank is a Public company incorporated and operating in Nepal. The address of its registered office is Dillibazar, Kathmandu Nepal. The bank carries out banking business in Nepal as national level development bank under Bank and Financial Institution Act 2073.

2. Basis of preparation

The Interim financial statements of the bank have been prepared as per Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting and Carve-outs as issued by Institute of Chartered Accountant of Nepal (ICAN) vide notice dated 20 September 2018 and in the format prescribed by NRB circular 19 dated Falgun 14, 2075.

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements.

The consolidated financial statements are presented in functional and presentation currency of the Group i.e. Nepalese Rupee (“NPR”) which is the currency of the primary economic environment in which the Group operates.

3. Statement of Compliance with NFRS

The consolidated financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as published by Nepal Accounting Standard Board and as pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in compliance with applicable laws and regulation.

Application of NFRS Carve outs

a) NFRS 10 - Consolidated Financial Statements

A parent company shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so.

The Group has applied this carve out for consolidation of its subsidiary whose accounts has been prepared under GAAP.

b) NAS 28 - Investment in Associates and Joint Ventures

A parent company shall account for an associate in its consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so.

The Group has applied this carve out for the equity accounting of its Five Associates in the Consolidated financial statements.

Lumbini Bikas Bank Limited
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c) NAS 34 – Interim Financial Reporting

An entity shall not restate its corresponding previous interim period balance if it is impracticable to restate.

The Group has applied this carve out and has presented all its corresponding previous interim period figures as per the Previous GAAP.

d) NAS 39 – Financial Instruments: Recognition and Measurement

Incurred Loss Model to measure impairment loss on loans and advances

This is a mandatory carve out for Banks and Financial Institutions registered under Banking and Financial Institution Act 2073, which requires an entity to measure impairment allowance on loans and advances at higher of amount determined as per regulatory norms prescribed by Nepal Rastra Bank and amount determined under Para 63-Incurred Loss Model.

The Group has applied this carve out and recognized all its impairment allowance for Loans and Advances based on norms prescribed under NRB Directive no. 02/2075 being amount higher than the amount calculated under Incurred Loss Model.

e) NAS 39 – Financial Instruments: Recognition and Measurement

Impracticability to determine transaction cost of all previous years which is a part of effective interest rate

This carve out requires an entity to incorporate all fees and points paid or received under contractual terms of a financial instrument in the calculation of effective interest rate for the financial instrument unless it is immaterial or impracticable to determine such fees and points reliably.

The Group has applied this carve out and has excluded the inclusion of the fees and commissions received in the calculation of the effective interest rate on loans and advances.

f) NAS 39 – Financial Instruments: Recognition and Measurement

Impracticability to determine interest income on amortized cost

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The Group has applied this carve out and recognized interest income by applying the effective interest rate to the gross carrying amount of a financial assets.

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4. Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The Group makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

5. Changes in accounting policies

The Group applies its accounting policies consistently for all periods presented. This is the first time adoption of NFRS. The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented.

However, for interim financial reporting it has not restated its corresponding interim period balances of group financial statements due to the application of carve out as mentioned above in clause 'c' of statement of compliance.

6. Significant accounting policies

i. Basis of measurement

These consolidated financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS as mentioned below:

- Liabilities for defined employee benefit under NAS 19 'Employee Benefit'
- Investment Property under NAS 40 'Investment Property'
- Investment Securities under NFRS 9 'Financial Instruments'

ii. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates which are accounted as;

- Subsidiary under NFRS 10 'Consolidated Financial Statements' including carve outs,
- Associates under NAS 28 'Investment in Associates and Joint Ventures'

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For the period ended 31st Ashad, 2076

- When the Bank loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position as per relevant NFRS.

The Group has elected to use carve out under NFRS 10 and NAS 28 issued by ICAN which provides exception to the investee to use uniform accounting policies for like transactions for consolidation.

iii. Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, balances with bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date with insignificant risk of changes in their value which are held by the bank to meet short term cash commitments.

iv. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

v. Trading Assets

Trading Assets are those which the bank principally acquires for selling or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are designated as Fair Value through Profit or Loss.

vi. Property, Plant and Equipment

Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The assets are depreciated over their useful life using Straight line method. The estimated useful lives are;

Item	Useful Life
Office Equipment	5 years
Furniture Fixture and Fitting	5 years

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Vehicle	5 years
Computer, Printer and Accessories	5 years
ATM Machine	7 Years
Freehold Premises	50 Years
Leasehold Assets	Earlier of 10 years or Lease Tenure

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

vii. Goodwill and Other Intangibles

Goodwill is the residual of the cost of acquisition over the fair value of the identifiable net assets acquired. It is assessed for impairment at the end of each reporting period

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

viii. Investment Property

An investment property is property held by the bank to earn rentals or for capital appreciation or both, rather than own-occupied. The investment property of the bank solely consists of land or building acquired under the Non-Banking Assets. Subsequently all investment properties are reported at fair value with any gains or losses in fair value through profit or loss.

ix. Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Group: 30%

Deferred tax

- Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

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- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

x. Deposits, debt securities issued and subordinated liabilities

The Group presents the deposits held from customers and bank and financial institutions at amortized cost.

The Group does not have any debt or subordinated liabilities at the reporting date.

xi. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

xii. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. It is measured at the fair value of the consideration received or receivable. Revenue is recognized to the extent that it is probable that economic benefit will flow to the Group and that the revenue can be reliably measured.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Fee and commission income

Fee and commission earned for the provision of services over a period of time are accrued over that period.

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Dividend Income

Dividend income (net of withholding taxes) from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

Net trading income

It comprises gain or loss on trading assets, interest or dividend income on trading assets and gains or losses arising under settlement of foreign currency transactions.

xiii. Interest Expenses

Interest expense is recognized in the profit or loss using effective interest rate for all the financial liabilities measured at amortized cost

xiv. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Such benefits include short term, long term, termination and other long term benefits.

The Group provides for defined benefits in the form of gratuity. The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the reporting date determined based on an actuarial valuation.

For the Interim financial statement provision for leave and gratuity has been provided on estimated actuarial valuation and hence actuarial gain loss has not been separately disclosed and it will change as per Actuarial Valuation Report.

xv. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by

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the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

xvi. Share Capital and Reserves

Equity is the residual interest in the total assets of an entity after deducting all the liabilities. The share capital of the Group includes the equity share capital with promoter and public shareholding. The Group has also maintained several statutory reserves and free reserves which are presented in the statement of changes in equity.

xvii. Earnings Per Share

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

7. Segment Reporting

Operating segment are those components of an entity that engages in business activities which earns revenue and incurs expenses and whose results are regularly reviewed by the entity's chief operating decision maker for those segment having discrete financial information.

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The senior management of the Group is the Chief Operating Decision Maker.

a. Information about reportable segments

Particulars	Current quarter ending (NPR)			
	Banking	Treasury and remittance	Other (not separately reportable)	Total
Revenue From External Customer	3,237,729,766	287,242,836	30,372,346	3,555,344,948
Intersegment Revenue	-	-	-	-
Segment Profit (Loss) before Tax	725,210,223	228,313,862	(77,709,597)	875,814,488
Segment Assets	24,417,316,857	4,864,363,573	451,486,320	29,733,166,750
Segment Liability	24,781,121,412	694,285,770	337,524,613	25,812,931,795

b. Reconciliation of reportable segment

Particulars	Current Quarter
Total Profit before tax for reportable segment	953,524,085
Profit before tax for other segment	(77,709,597)
Elimination of intersegment profit	-
Unallocated amount	-
Profit before tax	875,814,488

8. Events after interim period

There have been no material events after the reporting period affecting the financial status of the Group as on Ashadh end, 2076.

9. Related Party Disclosure

The key management personnel of the bank including member of the Board of Directors, Chief Executive Officer and other executive level staff of the Bank are as follow.

Mr. Shushil Raj Parajuli	-Chairman
Mr. Chinta Mani Bhattarai	-Director
Mr. Dasarath Risal	-Director
Mr. Prabin Krishna Shrestha	-Director
Mr. Pratap Kumar Acharya	-Director
Mr. Ram Chandra Sigdel	-Director
Mrs. Anju Kumari Gupta	-Director
Mr. Naresh Singh Bohra	-Chief Executive Officer
Mr. Paban Dhakal	-Senior Deputy Chief Executive Officer
Mr. Umesh Regmi	- Deputy Chief Executive Officer
Mr. Tilak Raj Pandeya	-Assistant Chief Executive Officer
Mr. Hari Krishna Subedi	-Chief Manager/Company Secretary

Lumbini Bikas Bank Limited

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Mr. Deepak Khanal -Chief Manager
Mr. Bhesh Raj Gautam -Senior Manager

The bank has the following associates:

- i.** Vibor Capital Limited
- ii.** Mero Micro Finance Laghubitta Bittiya Sanstha Limited
- iii.** Deprosc Laghubitta Bittiya Sanstha Limited
- iv.** NADEP Laghubitta Bittiya Sanstha Limited
- v.** Lumbini General Insurance Limited